SWIRE PACIFIC

ANNUAL REPORT 2017

Stock Codes: 'A' Shares 00019 'B' Shares 00087

CONTENTS

Note: Definitions of the terms and ratios used in this report can be found in the Glossary.

CORPORATE STATEMENT

SUSTAINABLE GROWTH

Swire Pacific has its headquarters in Hong Kong. It is one of the leading companies in Hong Kong, with five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. The Group's operations are predominantly in Greater China, where the name Swire or 太古 has been established for over 150 years.

The Group has a long history in the region. We take a long-term perspective in formulating strategy and this is reflected in the nature of our investments. We pride ourselves on being forward-looking and innovative. These qualities have helped us to grow and have enabled us to set benchmarks in the industries in which we operate.

Swire Pacific is a highly diversified group. We have a wide range of commercial activities and conduct them internationally. We have interests in three other listed companies, Swire Properties Limited ("Swire Properties"), Cathay Pacific Airways Limited ("Cathay Pacific") and Hong Kong Aircraft Engineering Company Limited ("HAECO").

Swire Properties is one of Hong Kong's largest commercial landlords and operators of retail space, with a portfolio totalling 12.3 million square feet of lettable space and an additional 2.3 million square feet under development. In Mainland China, Swire Properties' mixed-use property developments in Guangzhou, Shanghai, Beijing and Chengdu will, when they are all completed, have 8.9 million square feet of lettable space. In the USA, Swire Properties' mixed-use developments in Miami, Florida will have 2.5 million square feet of lettable space upon completion.

In 2017, our airlines (which are based in Hong Kong) carried 34.8 million passengers and flew to over 203 destinations. Through Cathay Pacific, we have an interest of 18.13% in Air China Limited ("Air China"). Hong Kong Dragon Airlines Limited ("Cathay Dragon") (a wholly-owned subsidiary of Cathay Pacific) flies to 51 destinations in Mainland China and elsewhere in Asia. The HAECO group is a leading provider of international aircraft engineering services. In 2017, it performed 9.3 million manhours of airframe maintenance in Hong Kong, Mainland China and the USA.

In 2017, our Beverages Division sold 1,512 million unit cases of Coca-Cola products to a franchise population of 724 million people in Greater China and the USA.

At 31st December 2017, the Swire Pacific Offshore group ("SPO") operated a fleet of 77 specialist vessels supporting the offshore energy industry in every major offshore production and exploration region outside the USA.

At 31st December 2017, we operated 187 retail outlets in Hong Kong, Macau and Mainland China. We have joint ventures in Hong Kong and Mainland China with Akzo Nobel in paint manufacturing. We have a growing bakery business in south west China. Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Its largest business is in Taiwan, where it sells Volkswagen, Mercedes-Benz, Audi and Mazda cars.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 42,000 employees. In Mainland China, in ventures under our own management, we have approximately 32,000 employees. Globally, we employ over 93,000 staff.

OUR STRATEGY

We concentrate on businesses where we have expertise, and where our expertise can add value. Our aim is sustainable long-term growth in shareholder value.

- We deploy capital and people where we see opportunities to generate returns which exceed our cost of capital over the long term.
- We invest in existing and new businesses, focussing on those where we have a competitive advantage and where our capital and people can generate long-term value.
- We divest from businesses which have reached their full potential and deploy the capital released to existing or new businesses.
- Our people, and our ability to deploy them across our businesses (which is facilitated by services agreements with our principal shareholder), are critical to our ability to generate long-term value. We recruit the best people and invest heavily in their training and development.
- We are conservative financial managers. This lets us execute long-term investment plans irrespective of short-term financial market volatility.
- We provide premium quality products and services, so as to differentiate ourselves from our competitors.
- We invest in sustainable development, not just because it is the right thing to do, but because it helps to achieve 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.

In implementing the above strategy, the principal risks and uncertainties facing the Group are that the economies in which it operates (in particular Hong Kong and Mainland China) will not perform as well in the future as they have in the past and the uncertainties as to whether this will happen.

We are and intend to remain a conglomerate with diverse businesses capable of generating sustainable long-term growth in value.

2017 PERFORMANCE HIGHLIGHTS

Attributable Profit
170% increase from 2016
HK$26.1 bn

Underlying Profit
55% increase from 2016
HK$4.7 bn

Net Assets Employed
13% increase from 2016
HK$378.6 bn

Underlying Return on Equity Attributable to the Company's Shareholders
0.6 percentage points increase from 2016
2.0%

Dividends Per Share
unchanged from 2016
HK$2.10 per 'A' share
HK$0.42 per 'B' share

Underlying Return on Equity Attributable to the Company's Shareholders by Division

PROPERTY	AVIATION	BEVERAGES	MARINE SERVICES	TRADING & INDUSTRIAL
3.2%	-2.7%	30.7%	-24.1%	1.2%

GHG Emissions
Tonnes of CO_2e (Million)
2017 19.1
2016 18.6

LTIR
(No. of injuries per 100 full-time equivalent employees)
2017 1.73
2016 1.62

Water Consumed
cbm (Million)
2017 11.1
2016 10.9

Energy Consumed
GJ (Million)
2017 255.8
2016 252.4

Employee Fatalities
(No. of fatalities)
2017 4
2016 1

2017 FINANCIAL PERFORMANCE

	Note	2017 HK$M	2016 HK$M	Change %
Revenue		80,289	62,389	+29%
Operating profit		35,864	15,384	+133%
Profit attributable to the Company's shareholders		26,070	9,644	+170%
Cash generated from operations		19,605	14,864	+32%
Net cash (outflow)/inflow before financing		(2,149)	2,831	-176%
Total equity (including non-controlling interests)		306,094	272,168	+12%
Net debt		72,514	64,046	+13%

	Note	HK$	HK$	
Earnings per share	(a)			
'A' share		17.34	6.41	+171%
'B' share		3.47	1.28	
Dividends per share				
'A' share		2.10	2.10	–
'B' share		0.42	0.42	
Equity attributable to the Company's shareholders per share	(b)			
'A' share		168.58	149.50	+13%
'B' share		33.72	29.90	

UNDERLYING PROFIT

	Note	HK$M	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(c)	4,742	3,063	+55%

	Note	HK$	HK$	
Underlying earnings per share	(a)			
'A' share		3.15	2.04	+54%
'B' share		0.63	0.41	

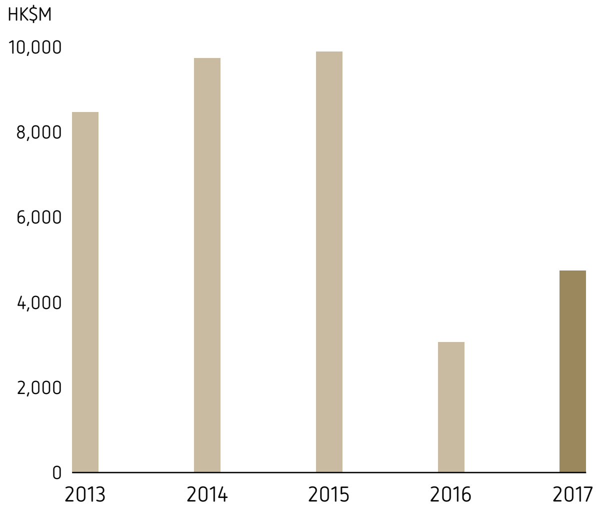
2017 SUSTAINABLE DEVELOPMENT PERFORMANCE

	2017	2016	Change %
GHG emissions (Million tonnes of CO_2e)	19.1	18.6	+3%
Energy consumed (GJ Million)	255.8	252.4	+1%
Water consumed (cbm Million)	11.1	10.9	+2%
LTIR (Number of injuries per 100 full-time equivalent employees)	1.73	1.62	+7%
Employee fatalities (Number of fatalities)	4	1	+300%

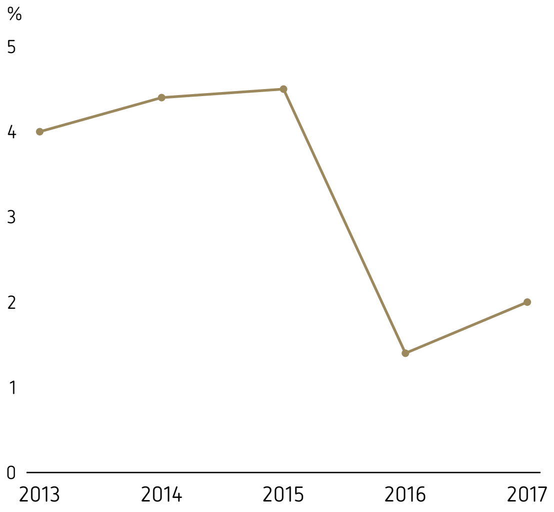
Notes:
(a) Refer to note 13 in the financial statements for the weighted average number of shares.
(b) Refer to note 33 in the financial statements for the weighted number of shares.
(c) A reconciliation between the reported and underlying profit attributable to the Company's shareholders is provided on page 72.

SUMMARY OF PAST PERFORMANCE

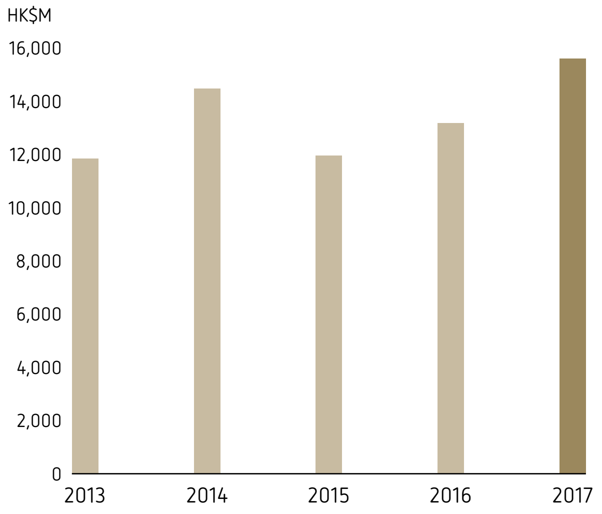
Underlying Profit Attributable to the Company's Shareholders



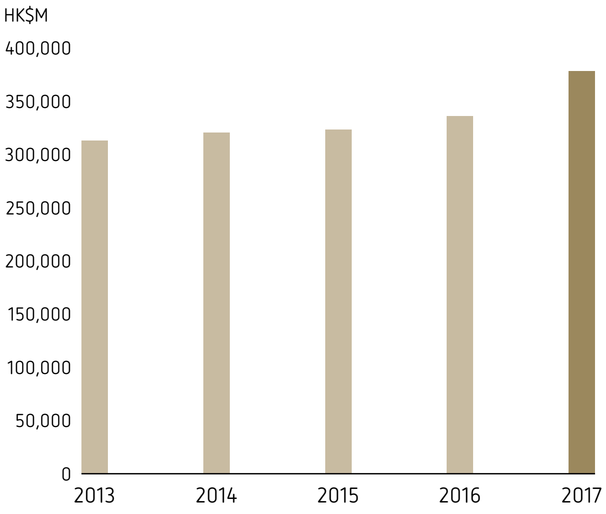
Underlying Return on Equity Attributable to the Company's Shareholders



Net Cash Generated from Operating Activities



Net Assets Employed

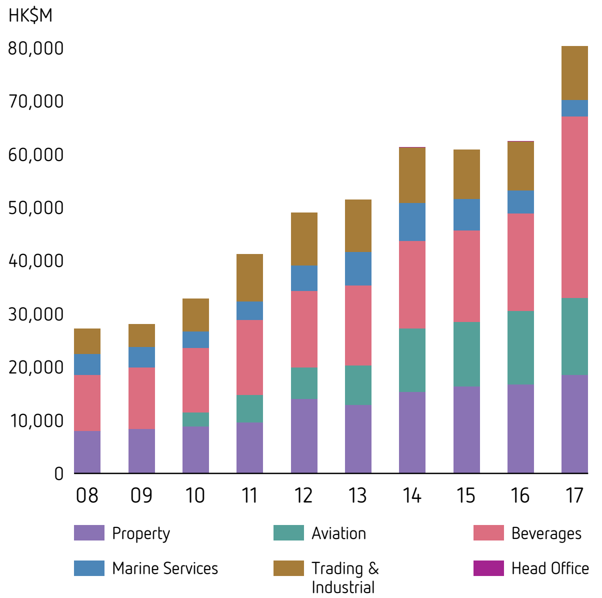


Note: The same measures of performance are presented for each Division in the 2017 Performance Review and Outlook section.

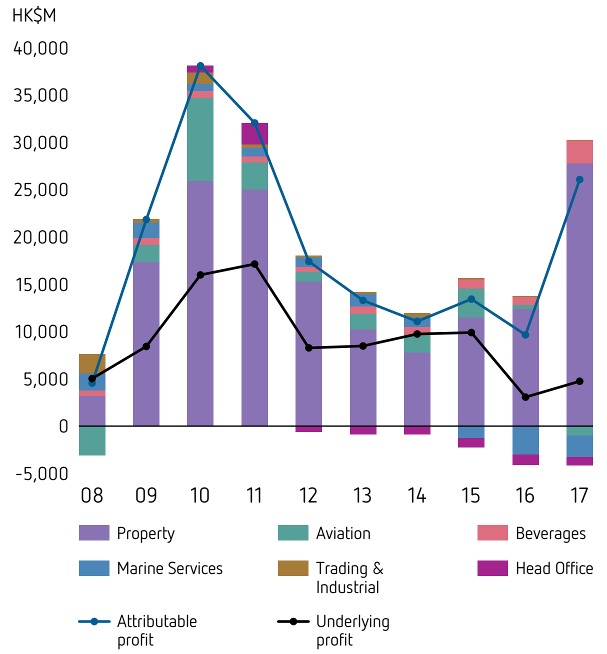
	2008 HK$M	2009 HK$M	2010 HK$M	2011 HK$M	2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M	2016 HK$M	2017 HK$M
Statement of Profit or Loss										
Revenue										
Property	7,903	8,288	8,809	9,518	13,988	12,856	15,297	16,351	16,691	18,443
Aviation	–	–	2,574	5,171	5,830	7,387	11,927	12,095	13,760	14,546
Beverages	10,534	11,560	12,189	14,105	14,396	15,053	16,382	17,172	18,420	34,066
Marine Services	4,007	3,892	3,046	3,505	4,864	6,292	7,234	5,988	4,237	3,066
Trading & Industrial	4,746	4,320	6,212	8,862	9,956	9,836	10,430	9,245	9,276	10,163
Head Office	13	10	7	8	6	13	31	34	5	5
	27,203	28,070	32,837	41,169	49,040	51,437	61,301	60,885	62,389	80,289
Profit attributable to the Company's shareholders										
Property	3,190	17,356	25,925	24,981	15,282	10,207	7,786	11,494	12,357	27,731
Aviation	(3,088)	1,772	8,767	2,869	984	1,627	1,822	3,017	441	(1,002)
Beverages	571	760	705	664	556	802	854	976	813	2,441
Marine Services	1,756	1,631	782	854	964	1,307	1,072	(1,255)	(3,013)	(2,232)
Trading & Industrial	2,088	350	1,197	416	247	237	423	155	114	69
Head Office	28	(29)	719	2,269	(623)	(889)	(888)	(958)	(1,068)	(937)
	4,545	21,840	38,095	32,053	17,410	13,291	11,069	13,429	9,644	26,070
Dividends for the year	3,591	4,213	5,266	9,780	5,266	5,266	5,868	5,867	3,159	3,155
Share repurchases	649	–	–	–	–	–	–	35	–	165
Retained profit less share repurchases	305	17,627	32,829	22,273	12,144	8,025	5,201	7,527	6,485	22,750
Statement of Financial Position										
Net assets employed										
Property – cost and working capital	66,229	68,444	75,491	71,868	76,907	84,035	88,491	89,009	90,797	95,846
– valuation surplus	82,712	96,807	119,072	131,609	144,176	151,019	154,116	162,217	171,591	198,496
Aviation	16,583	21,715	38,306	39,689	40,304	43,801	41,195	39,311	42,606	44,798
Beverages	4,039	4,605	5,205	5,662	6,200	6,032	6,048	5,833	7,845	17,274
Marine Services	7,416	7,862	8,872	11,233	17,631	21,412	23,537	22,293	18,170	16,755
Trading & Industrial	3,615	1,511	1,004	1,594	2,663	2,286	3,950	4,445	5,246	5,631
Head Office	(139)	363	2,657	5,631	4,755	4,428	3,417	462	(41)	(192)
	180,455	201,307	250,607	267,286	292,636	313,013	320,754	323,570	336,214	378,608
Financed by										
Equity attributable to the Company's shareholders	148,402	168,745	204,464	226,380	208,467	220,297	218,775	218,449	224,879	253,163
Non-controlling interests	1,649	1,098	4,922	5,138	39,915	42,211	43,355	45,537	47,289	52,931
Net debt	30,404	31,464	41,221	35,768	44,254	50,505	58,624	59,584	64,046	72,514
	180,455	201,307	250,607	267,286	292,636	313,013	320,754	323,570	336,214	378,608

	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
'A' Shares										
Earnings per share	3.00	14.52	25.32	21.30	11.57	8.83	7.36	8.93	6.41	17.34
Dividends per share	2.38	2.80	3.50	6.50	3.50	3.50	3.90	3.90	2.10	2.10
Equity attributable to shareholders per share	98.63	112.15	135.89	150.46	138.55	146.41	145.40	145.22	149.50	168.58
'B' Shares										
Earnings per share	0.60	2.90	5.06	4.26	2.31	1.77	1.47	1.79	1.28	3.47
Dividends per share	0.48	0.56	0.70	1.30	0.70	0.70	0.78	0.78	0.42	0.42
Equity attributable to shareholders per share	19.73	22.43	27.18	30.09	27.71	29.28	29.08	29.04	29.90	33.72
Ratios										
Return on average equity attributable to the Company's shareholders	3.0%	13.8%	20.4%	14.9%	8.0%	6.2%	5.0%	6.1%	4.4%	10.9%
Gearing ratio	20.3%	18.5%	19.7%	15.4%	17.8%	19.2%	22.4%	22.6%	23.5%	23.7%
Interest cover – times	10.1	23.4	27.1	19.6	13.0	8.4	6.8	7.7	6.7	16.0
Dividend cover – times	1.3	5.2	7.2	3.3	3.3	2.5	1.9	2.3	3.1	8.3
Underlying										
Profit (HK$M)	5,019	8,422	15,986	17,135	8,270	8,471	9,739	9,892	3,063	4,742
Return on average equity attributable to the Company's shareholders	3.4%	5.3%	8.6%	8.0%	3.8%	4.0%	4.4%	4.5%	1.4%	2.0%
Return on average equity attributable to the Company's shareholders (historic cost)	7.4%	12.0%	19.9%	18.9%	8.9%	8.9%	10.1%	11.2%	3.6%	5.4%
Earnings per 'A' share (HK$)	3.3	5.6	10.6	11.4	5.5	5.6	6.5	6.6	2.0	3.2
Earnings per 'B' share (HK$)	0.7	1.1	2.1	2.3	1.1	1.1	1.3	1.3	0.4	0.6
Interest cover – times	9.9	8.3	10.3	10.4	6.7	5.5	6.1	5.4	3.0	4.7
Dividend cover – times	1.4	2.0	3.0	1.8	1.6	1.6	1.7	1.7	1.0	1.5

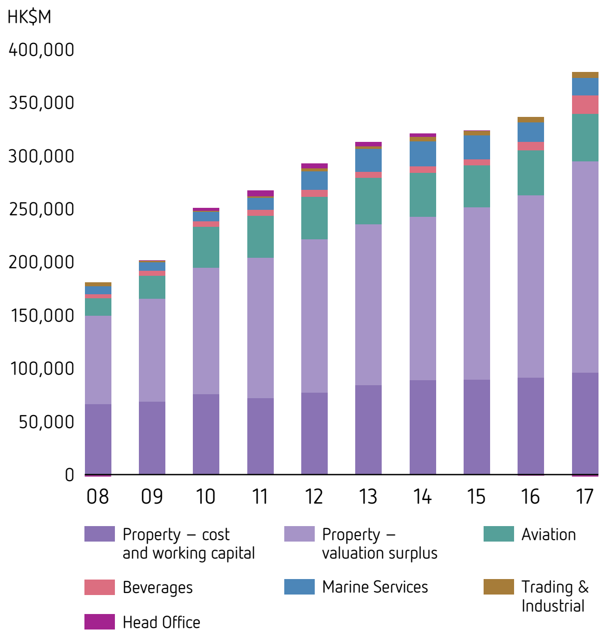
Revenue



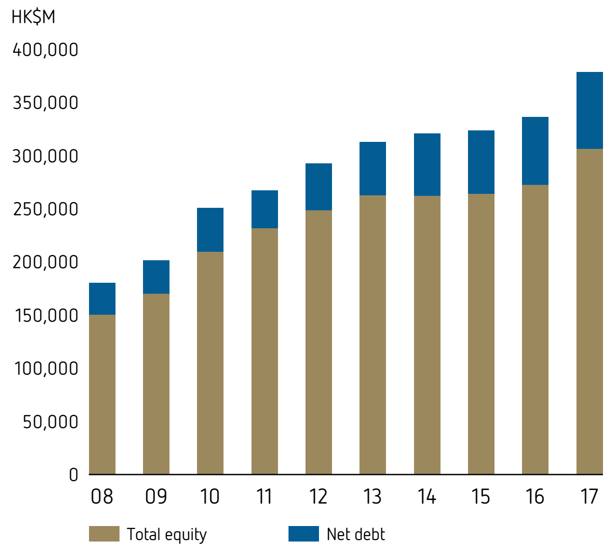
Profit Attributable to the Company's Shareholders



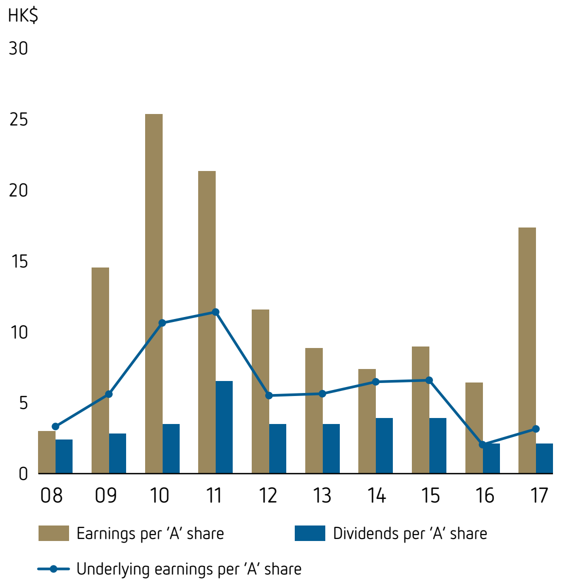
Net Assets Employed



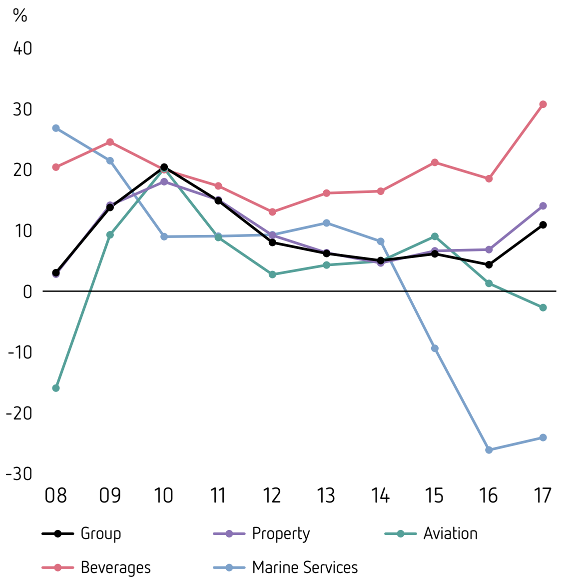
Total Equity and Net Debt



Earnings and Dividends Per 'A' Share

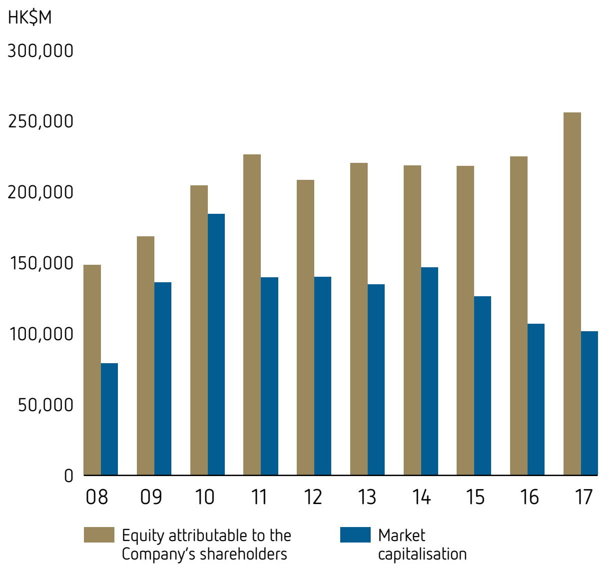


Returns on Average Equity*

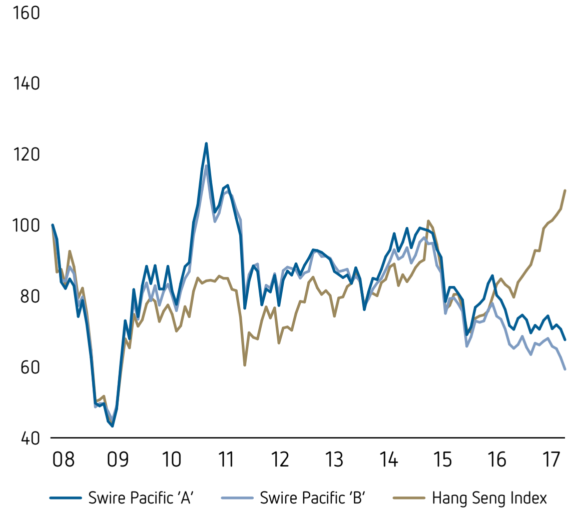


* Returns on average equity for the Trading & Industrial Division are not shown on the graph as restructuring within the division has rendered the comparison of returns between years unmeaningful.

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



Swire Pacific Share Price Relative to Hang Seng Index



CHAIRMAN'S STATEMENT

Year In Review

The results of the Group in 2017 were affected by difficult market conditions facing our aviation and marine services divisions. Overcapacity in the passenger market led to intense competition with other airlines and continued pressure on yields on many of our airlines' key routes. The performance of the HAECO business in the USA was also poor. Exploration and production spending by oil majors remained weak despite an increase in oil prices. This adversely affected vessel utilisation and charter hire rates. Our property and beverages businesses performed well, with the latter completing significant territory expansions in Mainland China and the USA.

Results Summary

The consolidated profit attributable to shareholders for 2017 was HK$26,070 million, a 170% increase compared to 2016. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by 55% to HK$4,742 million. Disregarding significant non-recurring items in 2017 and 2016, the 2017 adjusted underlying profit was HK$4,762 million, compared with HK$4,997 million in 2016. Better results from the Property, Beverages and Trading & Industrial Divisions were more than offset by weaker results from the Aviation and Marine Services Divisions.

The Property Division is the largest contributor to the Group's underlying profit. The underlying attributable profit from the Property Division was HK$6,403 million, 11% higher than in 2016. Rental income from office properties in Hong Kong increased due to positive rental reversions and firm occupancy. Retail rental income in Hong Kong was little changed. In Mainland China, gross rental income increased due to positive rental reversions and improved occupancy. In the USA, gross rental income increased following the opening of the first phase of the Brickell City Centre development in Miami in 2016. Gross profit from property trading in Hong Kong increased slightly, mainly due to the handover of pre-sold units at the ALASSIO development. There were fewer sales of residential units at the Reach and Rise developments in the USA. Losses from hotels were lower than in 2016, reflecting improved results from EAST, Miami since its opening.

The Aviation Division recorded a loss in 2017 due to higher operating losses at Cathay Pacific and continued losses and asset impairments in the HAECO business in America.

Swire Pacific's attributable share of Cathay Pacific's 2017 losses was HK$567 million, compared with HK$259 million in 2016. The 2017 results of Cathay Pacific were affected by several one-off events. In March, Cathay Pacific was fined approximately HK$498 million for infringing European competition law. In the same month, Cathay Pacific recorded a gain of HK$244 million as a result of the dilution of its shareholding in Air China upon an issue of new A shares by Air China. In April, Cathay Pacific disposed of its interest in TravelSky Technology Limited at a profit of HK$586 million. Swire Pacific's net share of these amounts was a gain of HK$149 million on an attributable basis.

Cathay Pacific's passenger revenue decreased in 2017 by 1%. Competition was intense as other airlines increased capacity, with more direct flights between Mainland China and international destinations. Competition from low cost carriers increased. The cargo business benefited from robust demand, with revenue and tonnage carried increasing by 21% and 11% respectively. Higher fuel prices adversely affected operating costs.

Attributable loss from HAECO was HK$406 million in 2017, compared to an attributable profit of HK$731 million in 2016. HAECO's 2017 losses included an impairment charge of HK$625 million in respect of the goodwill attributable to HAECO USA Holdings, Inc. ("HAECO Americas") and a write-off of HAECO Americas' net deferred tax assets of HK$249 million. Disregarding the write-off of deferred tax assets in 2017, all impairment charges in both years and the gain on disposal of HAESL's interest in SAESL in 2016, HAECO's profit was HK$340 million in 2017, compared with HK$516 million in 2016. The reduction was principally due to a higher loss at HAECO Americas, which more than offset better results elsewhere in the HAECO group.

Swire Beverages' profit of HK$2,441 million in 2017 included gains of HK$1,222 million arising out of the realignment of the Coca-Cola bottling system in Mainland China. These gains arose from the disposal of the Shaanxi franchise business and the remeasurement of the fair value of interests in three joint venture franchise businesses when they became subsidiary companies. There were non-recurring gains in the USA of HK$289 million. These gains arose out of the terms on which new franchise territories and production and distribution assets were acquired. Disregarding these gains, Swire Beverages made an attributable profit of HK$930 million in 2017, a 14% increase from 2016. Overall sales volume increased by 37% to 1,512 million unit cases. Sales revenue increased by 85% to HK$34,067 million. Volume and revenue grew in Mainland China and the USA, principally reflecting the inclusion of sales from additional territories. Volume and revenue increased in Hong Kong. In Taiwan, volume was in line with 2016 and revenue increased.

The Marine Services Division recorded a loss of HK$2,232 million in 2017. The loss included an impairment charge of HK$1,015 million. Disregarding impairment charges and profits and losses on disposal of vessels in both years and the loss on disposal of Altus Oil & Gas Services in 2016, the Division's loss was HK$1,201 million in 2017, compared with a loss of HK$729 million in 2016. The level of exploration and production spending by oil majors remained weak in 2017. The oversupply of offshore support vessels resulted in reduced charter hire and utilisation rates.

Attributable profit from the Trading & Industrial Division in 2017 was HK$69 million. This included a loss of HK$94 million on disposal of Swire Brands' interest in Rebecca Minkoff. Disregarding this loss, the Division's attributable profit in 2017 was HK$163 million, compared with HK$114 million in 2016. The increase principally reflected better results from Taikoo Motors and Akzo Nobel Swire Paints and a reduction in losses at Swire Environmental Services. The losses of Swire Pacific Cold Storage increased, and profits from Swire Retail and Swire Foods decreased.

Dividends

The Directors have declared second interim dividends of HK$1.10 per 'A' share and HK$0.22 per 'B' share which, together with the first interim dividends paid in October 2017, amount to full year dividends of HK$2.10 per 'A' share and HK$0.42 per 'B' share.

Implementing Our Strategy

The Group's aim is to generate sustainable long-term growth in shareholder value. We deploy capital where we see opportunities to generate long-term value.

The difficult market conditions faced by some of our businesses have led them to take measures to reduce costs and to improve efficiency where possible and to focus on profitable core operations. This should serve us well in the longer term.

Swire Properties is investing HK$15 billion in the redevelopment of Taikoo Place in Hong Kong. The first phase of this redevelopment is expected to be completed in the last quarter of 2018, the second in 2021 or 2022. In February 2018, Swire Properties entered into a conditional equity transfer agreement related to a joint venture (in which Swire Properties will have a 50% interest) to develop a retail project with an aggregate gross floor area of approximately 1.25 million square feet in Qiantan, Pudong New District in Shanghai. If the agreement becomes unconditional, the development is expected to be completed in 2020. In 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns an uncompleted investment property development in Kowloon Bay, Hong Kong for a cash consideration of HK$6,528 million, subject to adjustments. Completion is expected later this year.

In the first half of 2017, Cathay Pacific commenced a three-year corporate transformation programme, which is intended to address the fundamental competitive challenges which it is facing in the current airline industry environment. The programme has the goal of making the company more consumer focused and responsive and in doing so increasing revenue and containing costs. We remain supportive of the prospects and long term investment plans of Cathay Pacific.

The HAECO group continues to invest in order to increase the scale of its operations and technical capabilities and to improve and widen the range of services it can offer to customers.

The 2017 realignment of the Coca-Cola bottling system in Mainland China resulted in Swire Beverages having controlling interests in bottling companies in territories in which 49% of the Mainland China population live (compared to 31% prior to the realignment). In the USA, Swire Beverages expanded its business in Colorado, Arizona and New Mexico and in the Pacific Northwest.

In the Marine Services Division, SPO is reducing its operating costs by stringent cost controls and the disposal and removal from active service of underutilised and loss-making vessels.

The Trading & Industrial Division has disposed of its equity interest in Rebecca Minkoff and is investing in its motor and bakery businesses.

Outlook

In the Property Division, high occupancy is expected to result in office rents in our Pacific Place and Taikoo Place developments in Hong Kong being resilient despite increased supply in Kowloon East and other districts. Demand for retail space in Hong Kong is expected to be stable in 2018. In the absence of significant new supply in Guangzhou, office rents are expected to increase in 2018. In Beijing, office rents are expected to come under pressure in 2018. In Shanghai, office rents are expected to be stable in 2018. Retail sales are expected to grow satisfactorily in Guangzhou and Beijing, and to be robust in Chengdu. In Shanghai, retail sales are expected to grow steadily. Retail rents in Chengdu and Shanghai are expected to grow moderately despite increased supply of space and competition. In the USA, demand for office space is expected to be stable, but weak retail sales in Miami have made some retailers cautious about expansion. Trading conditions for our existing hotels are expected to be stable in 2018. Two new hotels are expected to open in Shanghai later in the first half of 2018. Trading profits are expected to be recognised in 2018 from sales of houses at the WHITESANDS development in Hong Kong and of units at the Reach and Rise developments in Miami.

The priorities for Cathay Pacific in 2018 are its transformation programme and changing the way that it works so as to better contain costs, which will strengthen its passenger business further. Cathay Pacific is confident of a successful outcome from these efforts. It also looks to benefit from a slowing of the decline in passenger yields as global economic conditions improve. The outlook for its cargo business is positive and it will take best advantage of opportunities in the growing global cargo market. Increased fuel costs are increasing operating costs and adversely affecting results. Fuel hedging losses are declining.

The prospects for the HAECO group's different businesses in 2018 are satisfactory. Demand for engine services should be robust but airframe services business results will depend on the outcome of efforts to improve efficiency and work flow at HAECO Americas.

The Beverages Division expects sales volume in its franchise territories in Mainland China to grow in 2018, with revenue expected to grow faster than volume. In Hong Kong, modest growth in sales volume is expected, but raw material costs are expected to increase. The retail market in Taiwan is expected to be weak. In the USA, the beverages market is expected to grow moderately.

In the Marine Services Division, industry conditions for SPO remain difficult, but there are signs that the offshore support market may be bottoming out. Exploration and production spending is expected to increase modestly in 2018. Utilisation of mobile offshore drilling units and of offshore supply vessels is gradually recovering. However, charter hire rates remain depressed. SPO will remain vigilant in controlling costs.

The overall profits of the Trading & Industrial Division are expected to increase in 2018.

We believe that seeking sustainable growth in a broad range of businesses will be a successful strategy in the long term. The commitment and hard work of employees of the Group and its joint venture and associated companies are central to our future success. On behalf of the Directors, I would like to take this opportunity to thank them for their great efforts.

John Slosar
Chairman
Hong Kong, 15th March 2018

PROPERTY DIVISION

TRANSFORMING URBAN AREAS

Swire Properties' growing portfolio of offices, retail space and hotels is continuing to transform urban areas.

HKRI Taikoo Hui, Shanghai.

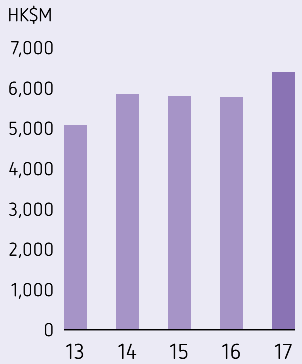

SWIRE

OVERVIEW
OF THE
BUSINESS

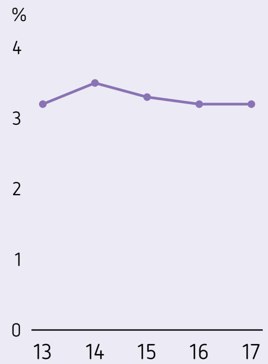
PROPERTY DIVISION

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

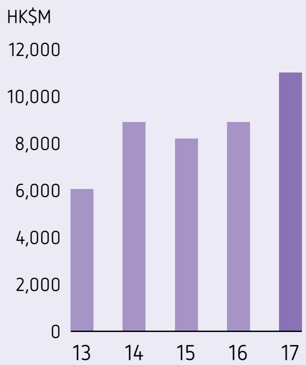
Underlying Profit Attributable to the Company's Shareholders



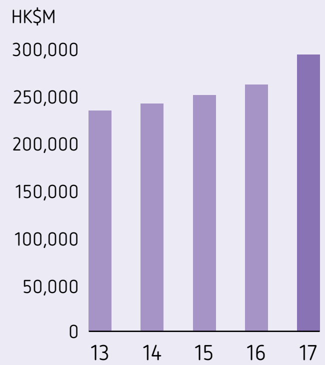
Underlying Return on Equity



Net Cash Generated from Operating Activities



Net Assets Employed



Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 12.3 million square feet of gross floor area, with an additional 2.3 million square feet under development. In Mainland China, Swire Properties owns and operates major commercial mixed-use developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in certain cases, which will total 8.9 million square feet on completion. Of this, 8.6 million square feet has already been completed. In the USA, Swire Properties is the primary developer of a 1.1 million square feet mixed-use commercial development at Brickell City Centre in Miami, with an adjoining 1.4 million square feet development under planning.

Hotel Investment

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST, Hong Kong at Taikoo Shing. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In Mainland China, Swire Hotels manages three 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 and in The Temple House at Sino-Ocean Taikoo Li Chengdu. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental. 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. Interior decoration works are in progress at the two hotels at HKRI Taikoo Hui in Shanghai, one managed, the other non-managed. They are expected to open later in the first half of 2018. A non-managed hotel which is part of the 20% owned Tung Chung Town Lot No. 11 development is under development.

Property Trading

Swire Properties' trading portfolio comprises completed developments available for sale in Hong Kong, Mainland China and Miami, USA. The principal completed developments available for sale are the WHITESANDS development in Hong Kong, the remaining portion of the office property, Pinnacle One at Sino-Ocean Taikoo Li Chengdu in Mainland China and the Reach and Rise residential developments at Brickell City Centre in Miami, USA. There are also land banks in Miami and Fort Lauderdale in Florida in the USA.

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

Particulars of the Group's key properties are set out on pages 213 to 223.

STRATEGY

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

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

Principal Property Investment Portfolio – Gross Floor Area

('000 Square Feet)

	At 31st December 2017						At 31st December 2016
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	4,558	12	–	63	–	4,633	4,632
Cityplaza	1,398	1,105	200	–	–	2,703	2,703
Others	409	596	47	88	–	1,140	1,153
– Hong Kong	8,551	2,424	743	594	–	12,312	12,324
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	298	470	179	–	–	947	947
Sino-Ocean Taikoo Li Chengdu	–	617	114	64	–	795	802
HKRI Taikoo Hui	914	551	–	–	–	1,465	1,116
Others	–	91	–	–	–	91	91
– Mainland China	2,944	4,498	1,046	116	–	8,604	8,262
– USA	263	497	477	109	–	1,346	1,343
Total completed	11,758	7,419	2,266	819	–	22,262	21,929
Under and pending development							
– Hong Kong*	2,211	73	26	–	–	2,310	2,306
– Mainland China	–	–	195	74	–	269	618
– USA	–	–	–	–	1,444	1,444	1,444
Total	13,969	7,492	2,487	893	1,444	26,285	26,297

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.

* Excludes an office building under development in Kowloon Bay (the subsidiary owning which was conditionally agreed to be sold in 2016) and includes the new buildings which will comprise the Taikoo Place redevelopment (One Taikoo Place and Two Taikoo Place).

2017 PERFORMANCE

Financial Highlights

	2017 HK$M	2016 HK$M
Revenue		
Gross rental income derived from		
Office	6,124	6,053
Retail	4,616	4,304
Residential	512	416
Other revenue*	128	129
Property investment	11,380	10,902
Property trading	5,833	4,760
Hotels	1,345	1,130
Total revenue	18,558	16,792
Operating profit/(loss) derived from		
Property investment	8,163	7,743
Valuation gains on investment properties	25,331	8,445
Property trading	1,397	1,332
Hotels	(102)	(182)
Total operating profit	34,789	17,338
Share of post-tax profits from joint venture and associated companies	1,792	1,419
Attributable profit	33,818	15,069
Swire Pacific share of attributable profit	27,731	12,357

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2017 HK$M	2016 HK$M
Property Investment	6,698	5,960
Property Trading	1,154	1,200
Hotels	(43)	(117)
Total underlying attributable profit	7,809	7,043

2017 PERFORMANCE (continued)

Reconciliation of Attributable to Underlying Profit

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

	Note	2017 HK$M	2016 HK$M
Reported attributable profit		33,818	15,069
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(26,714)	(9,637)
Deferred tax on investment properties	(b)	573	1,459
Realised profit on sale of investment properties	(c)	50	3
Depreciation of investment properties occupied by the Group	(d)	28	28
Non-controlling interests' share of revaluation movements less deferred tax		54	121
Underlying attributable profit		7,809	7,043
Swire Pacific share of underlying attributable profit		6,403	5,776

Notes:
(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture companies.
(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and the USA, and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

2017 PROPERTY INDUSTRY REVIEW

Office and Retail

Hong Kong

OFFICE | Demand for office space was strong in 2017 and occupancy levels were high.

RETAIL | Retail sales in Hong Kong improved moderately in 2017.

Mainland China

RETAIL | Retail sales grew satisfactorily in Beijing, Chengdu and Guangzhou and steadily in Shanghai in 2017. Demand for retail space from retailers of luxury goods was robust in Guangzhou and Chengdu and moderate in Beijing. Demand for retail space from retailers of international and lifestyle brands and food and beverage operators was solid.

OFFICE | In Guangzhou and Beijing, office rents were stable in 2017. In Shanghai, domestic demand for office space was strong and foreign demand was stable.

USA

OFFICE | In Miami, there was limited new supply of Grade-A office space.

RETAIL | Retail sales in Miami continued to be weak.

Property Sales Markets

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and increased private housing supply, demand for residential property remained resilient.

In Miami, the strength of the US dollar against major South American currencies continued to affect demand for condominiums by non-US buyers adversely. Condominium development has slowed in Miami.

2017 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$27,731 million compared to HK$12,357 million in 2016. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK$26,714 million and HK$9,637 million in 2017 and 2016 respectively. Attributable underlying profit increased to HK$6,403 million in 2017 from HK$5,776 million in 2016, mainly because of a higher profit from property investment. The underlying profit from property investment increased by 12%. The underlying profit from property trading decreased slightly. Hotel losses decreased.

In Hong Kong, office rental income increased due to positive rental reversions and firm occupancy. This was despite the loss of rental income resulting from the Taikoo Place redevelopment. Retail rental income in Hong Kong was little changed in 2017. In Mainland China, gross rental income increased by 12%, mainly due to positive rental reversions and improved occupancy. In the USA, gross rental income increased following the opening of the first phase of the Brickell City Centre development in 2016.

Underlying profit from property trading in 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong. Property sales slowed in the USA.

Hotels reported reduced losses in 2017, reflecting improved results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.

KEY CHANGES TO THE PROPERTY PORTFOLIO

In April 2017, pre-sold units at ALASSIO, the Company's fourth residential development in Mid-Levels West on Hong Kong Island, started to be handed over to the purchasers. All units in the development were handed over by the end of June.

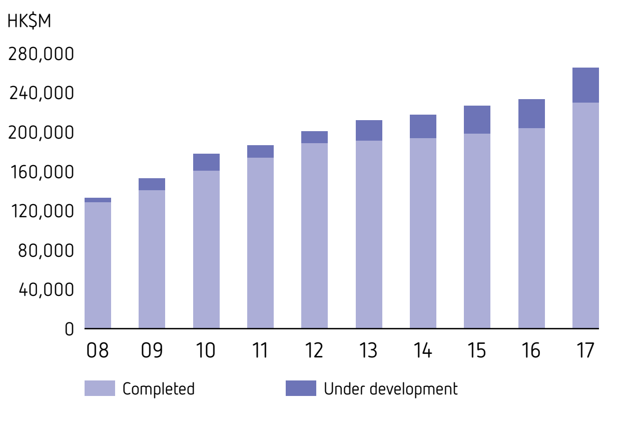
In November 2017, Swire Properties and HKR International celebrated the grand opening of their joint venture development in Shanghai, HKRI Taikoo Hui. With an aggregate gross floor area of approximately 3,469,000 square feet, the development comprises a shopping mall, two Grade-A office towers, two luxury hotels and one serviced apartment building. The two hotels and serviced apartment building are expected to open later in the first half of 2018.

In December 2017, Swire Properties entered into a long-term agreement for the lease of the Beijing Sanlitun Yashow Building. This retail building has an aggregate gross floor area of approximately 296,000 square feet and will be redeveloped as an extension to Taikoo Li Sanlitun.

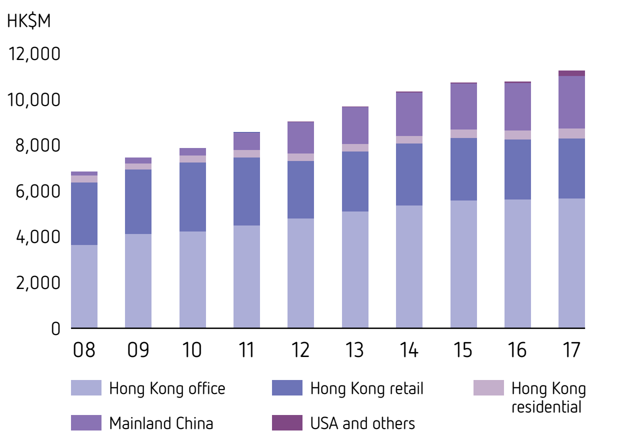
In January 2018, One Taikoo Place, the first of two premium Grade-A office buildings in the Taikoo Place redevelopment, was topped out. One Taikoo Place has an aggregate gross floor area of approximately 1,020,000 square feet, and is expected to be completed later in 2018.

In February 2018, Swire Properties entered into an equity transfer agreement for the acquisition of a 50% interest in Shanghai Qianxiu Company Limited ("Shanghai Qianxiu") from a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. ("LJZ"), subject to satisfaction of conditions precedent. If the acquisition is completed, Swire Properties and LJZ will each hold a 50% interest in Shanghai Qianxiu, and the joint venture will develop a retail project with an aggregate gross floor area of approximately 1,250,000 square feet in Qiantan, Pudong New District in Shanghai.

Valuation of Investment Properties



Gross Rental Income



INVESTMENT PROPERTIES

Hong Kong

OFFICE | Gross rental income from the Hong Kong office portfolio in 2017 was HK$5,660 million, a slight increase from 2016 despite loss of gross rental income at Warwick House and Cornwall House as a result of the Taikoo Place redevelopment. There were positive rental reversions and occupancy was firm. At 31st December 2017, the office portfolio was 99% let. Demand for the Group's office space in Hong Kong was strong in all districts.

Pacific Place

The offices at One, Two and Three Pacific Place performed well in 2017. Occupancy and rental rates were robust, mainly because existing tenants wanted more space. Demand from Mainland China entities was strong. The occupancy rate was almost 100% at 31st December 2017.

Cityplaza

The occupancy rate at the three office towers (Cityplaza One, Three and Four) was 97% at 31st December 2017. The Hong Kong government occupied all of the 10 floors at Cityplaza Three which it owns.

Taikoo Place

The occupancy rate at Taikoo Place was 99% at 31st December 2017. Construction of One Taikoo Place is in progress, with completion expected later in 2018. Tenants have committed to lease 75% of the space in the building.

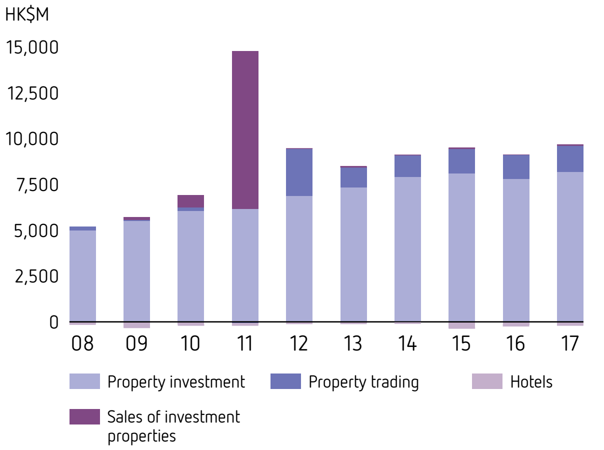
The Taikoo Place redevelopment will add two Grade-A office towers and landscaped gardens.

RETAIL | The Hong Kong retail portfolio's gross rental income was HK$2,609 million, little changed from that in 2016. The Group's malls were almost fully let throughout the year.

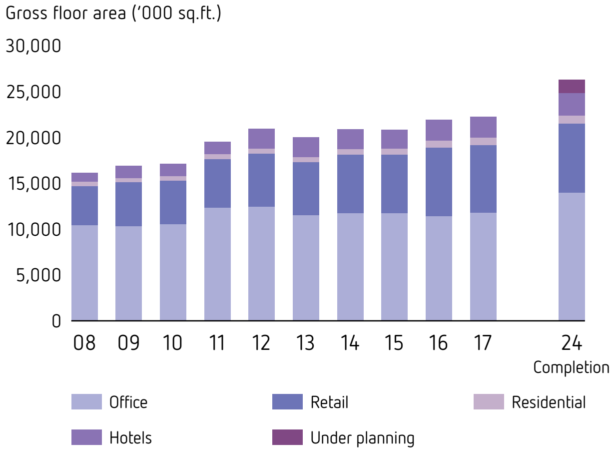
Retail sales increased by 7% at The Mall, Pacific Place and by 0.2% at Citygate, but decreased by 3% at Cityplaza. The decrease was largely due to temporary closure of shops and reconfiguration works.

RESIDENTIAL | The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments at Taikoo Place, STAR STUDIOS in Wanchai

Underlying Operating Profit



Completed Investment Property Portfolio by Type



and a small number of luxury houses and apartments on Hong Kong Island. Gross rental income increased compared with that of 2016, due to improved occupancy at the serviced apartments and rental income from STAR STUDIOS since its opening in 2016. Occupancy at the residential portfolio was approximately 85% at 31st December 2017.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | The commercial site (Tung Chung Town Lot No. 11) next to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel gross floor area of approximately 474,000 square feet. Superstructure works are in progress. The development is expected to be completed later this year. Swire Properties has a 20% interest in the development.

The first phase of the Taikoo Place redevelopment (the redevelopment of Somerset House) is the construction of a 48-storey (above 2-storey basement) Grade-A office building with an aggregate gross floor area of approximately 1,020,000 square feet, to be called One Taikoo Place. The building was topped out in January 2018. The facade and finishing works are in progress. The redevelopment is expected to be completed later in 2018.

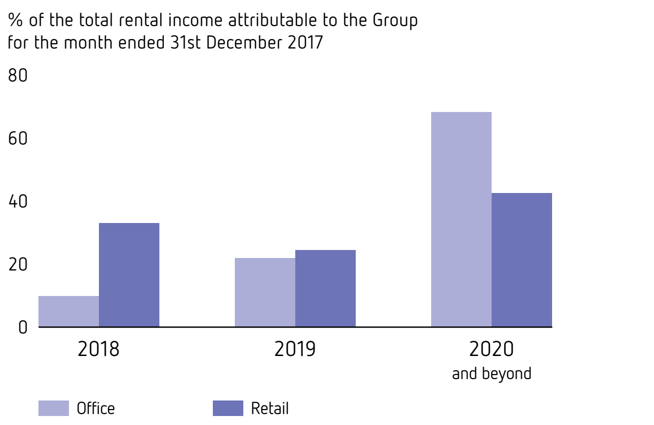
The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House) is the construction of an office building with an aggregate gross floor area of approximately 1,000,000 square feet, to be called Two Taikoo Place. Demolition of Warwick House has been completed,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

The commercial site (South Island Place) at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate gross floor area of approximately 382,500 square feet. Superstructure works are in progress. The development is expected to be completed later in 2018. Swire Properties has a 50% interest in the development.

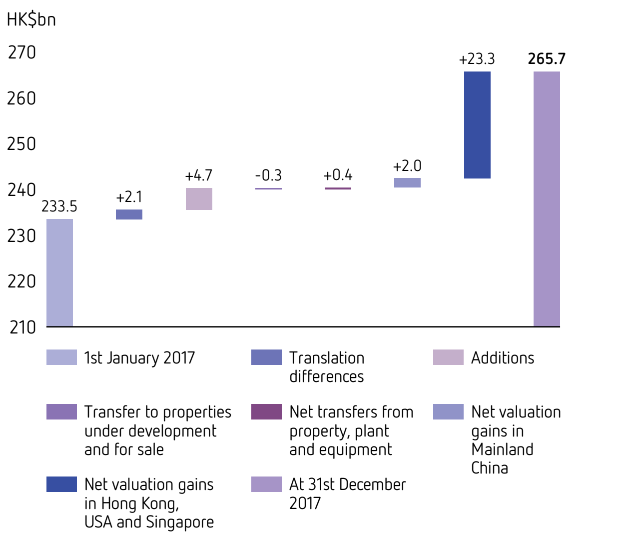
In December 2017, Swire Properties successfully bid in the compulsory sale of a site (Po Wah Building, 1-11 Landale Street and 2-12 Anton Street) at the junction of Queen's Road East, Landale Street and Anton Street in Hong Kong. Redevelopment of this site is being planned. The site area is approximately 14,400 square feet. There are six tenement blocks and a 13-storey composite building on the site.

OTHERS | The development of an office building at the commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay with an aggregate gross floor area of approximately 555,000 square feet was completed and the occupation permit was issued in December 2017. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this investment property development. The property was transferred to other non-current assets at fair value in the financial statements at the same time and was reclassified to other current assets in the 2017 financial statements. Completion of the sale is conditional upon the relevant certificate of compliance being obtained on or before 31st December 2018.

Hong Kong Lease Expiry Profile – at 31st December 2017



Movement in Investment Properties



Situated in the Jingan District of Shanghai, HKRI Taikoo Hui is Swire Properties' latest mixed-use development in Mainland China.

Mainland China

RETAIL | The Mainland China retail portfolio's gross rental income for 2017 increased by 14% compared with 2016, to HK$1,922 million.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2017, reflecting positive growth in reversionary rents. Retail sales grew by 4% in 2017. The occupancy rate was 99% at 31st December 2017. Demand for retail space in Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination in Beijing. This is expected to have a positive impact on occupancy and rents.

Gross rental income at TaiKoo Hui in Guangzhou grew satisfactorily in 2017, reflecting in part improvements to the tenant mix and a customer loyalty programme. The occupancy rate at TaiKoo Hui was 99% at 31st December 2017. Retail sales at the mall increased by 27% in 2017.

Occupancy at the shopping mall at INDIGO, Beijing was 99% at 31st December 2017. 93% of the lettable retail space was open. Retail sales increased by 60% in 2017.

Retail sales at Sino-Ocean Taikoo Li Chengdu increased by 49% in 2017. The development is gaining popularity as a shopping destination. At 31st December 2017, occupancy at the mall was 95%. 92% of the lettable retail space was open.

The shopping mall at HKRI Taikoo Hui, Shanghai officially opened in November 2017. At 31st December 2017, tenants had committed (including by way of letters of intent) to take 96% of the retail space. 86% of the lettable retail space was open.

OFFICE | The Mainland China office portfolio's gross rental income for 2017 increased by 2% compared with 2016, to HK$369 million.

At 31st December 2017, the occupancy rates at the office towers at TaiKoo Hui, Guangzhou and at ONE INDIGO, Beijing were 99% and 98% respectively.

The two office towers at HKRI Taikoo Hui in Shanghai have been completed and are now occupied. At 31st December 2017, tenants had committed (including by way of letters of intent) to take 82% of the office space.

Taikoo Li Sanlitun is reinforcing its position as a fashionable retail destination in Beijing.

OTHERS | In January 2014, Swire Properties China Holdings Limited (a wholly-owned subsidiary of Swire Properties) entered into a framework agreement with CITIC Real Estate Co., Ltd. (a subsidiary of CITIC Limited) and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian through a joint venture. The proposed joint venture and development were subject to certain conditions precedent, which were not satisfied. Accordingly, the proposed joint venture and development will not proceed.

USA

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

The first phase of the Brickell City Centre development was completed in 2016, and its components opened between March 2016 and February 2017. At 31st December 2017, Two and Three Brickell City Centre were fully leased and the shopping centre was 88% leased. 70% of the space at the shopping centre was open.

At 31st December 2017, Swire Properties owned 100% of the office, hotel and remaining unsold residential portions and 60.25% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre was held by Simon Property Group (25%) and Bal Harbour Shops (14.75%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the shopping centre, to sell its interest to Swire Properties.

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

VALUATION OF INVESTMENT PROPERTIES

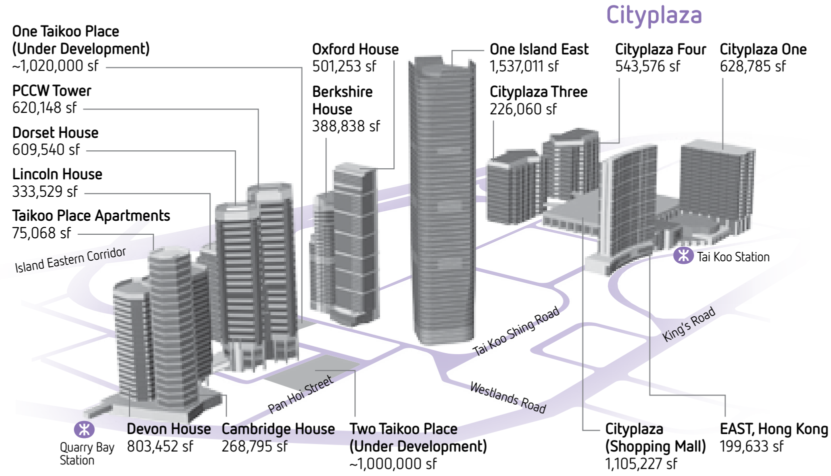
The portfolio of investment properties was valued at 31st December 2017 on the basis of market value (94% by value having been valued by Cushman & Wakefield Limited and 3% by value having been valued by another independent valuer). The amount of this valuation was HK$265,705 million, compared to HK$233,451 million at 31st December 2016 and HK$246,832 million at 30th June 2017.

The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong following rental increases and a reduction of 25 basis points in the capitalisation rate applicable to office properties in Hong Kong.

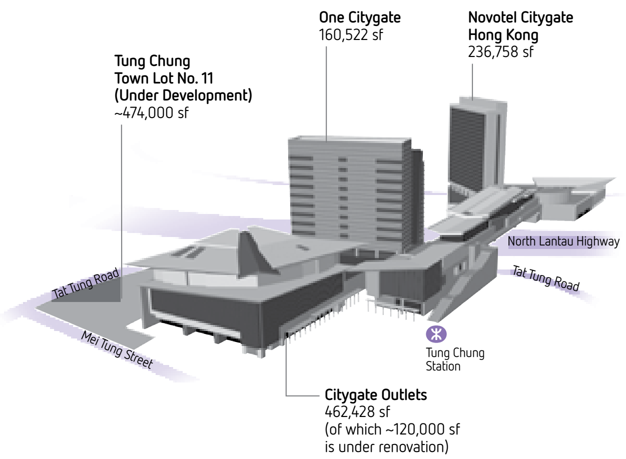
Under HKAS 40, hotel properties are not accounted for as investment properties but are included within property, plant and equipment at cost less accumulated depreciation and any provision for impairment.

Hong Kong

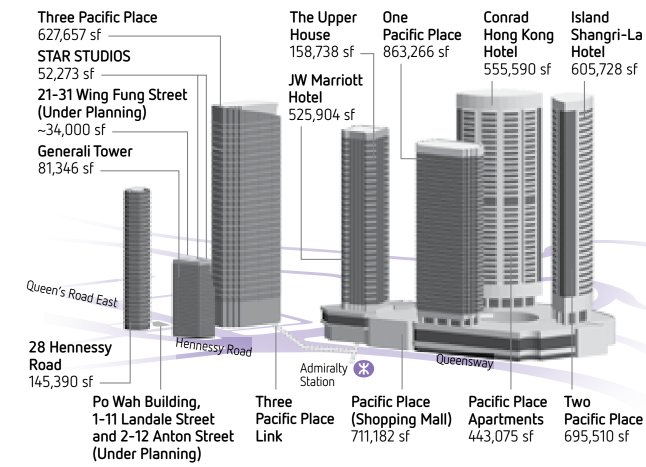
Taikoo Place



Citygate



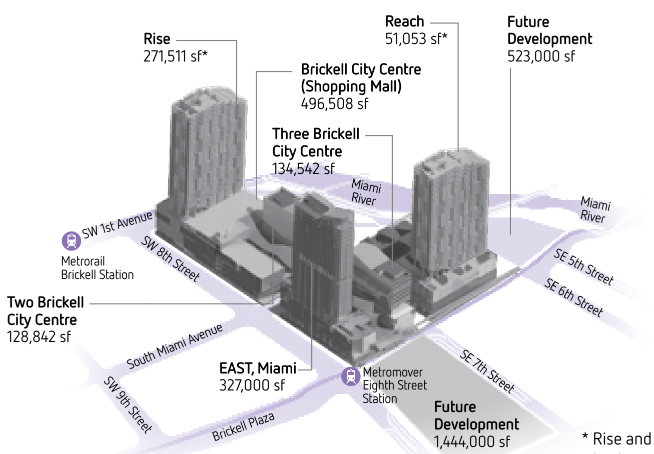
Pacific Place



USA

Brickell City Centre

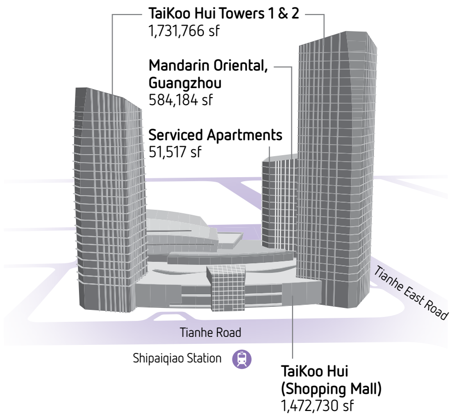
Miami, Florida



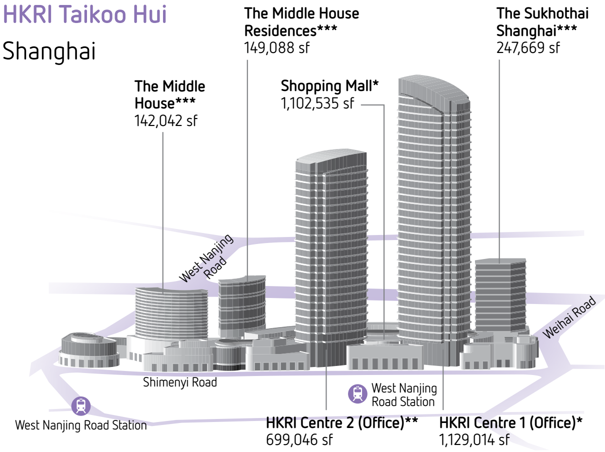
* Rise and Reach are developed for trading purpose. Floor area shown represents the unsold portion.

Mainland China

TaiKoo Hui
Guangzhou



HKRI Taikoo Hui
Shanghai

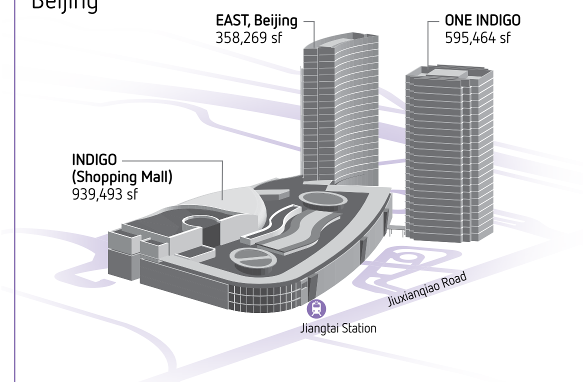


* Shopping mall and HKRI Centre 1 were completed in 2016.

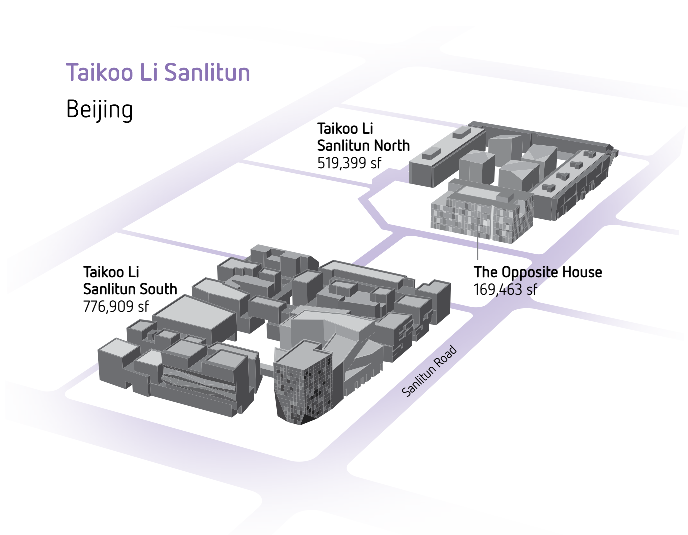
** HKRI Centre 2 was completed in 2017.

*** Hotels & Serviced Apartments were completed in January 2018 and are expected to open later in the first half of 2018.

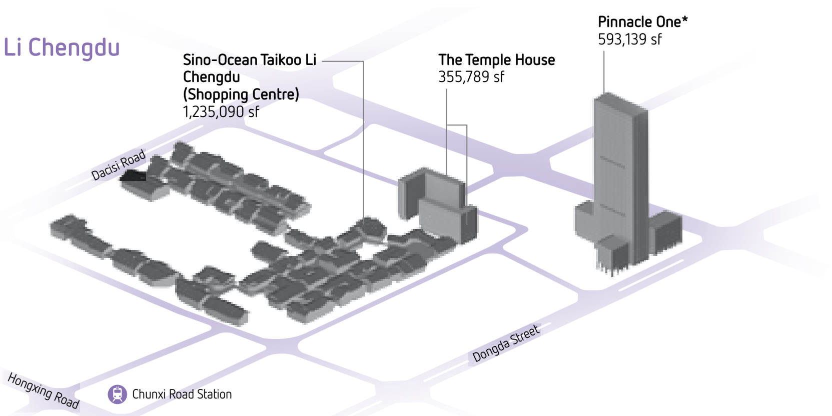
INDIGO
Beijing



Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



* Pinnacle One is developed for trading purpose. Floor area shown represents the unsold portion (including portion which is subject to the outcome of court proceedings).

Note:
These diagrams are not to scale and are for illustration purpose only.

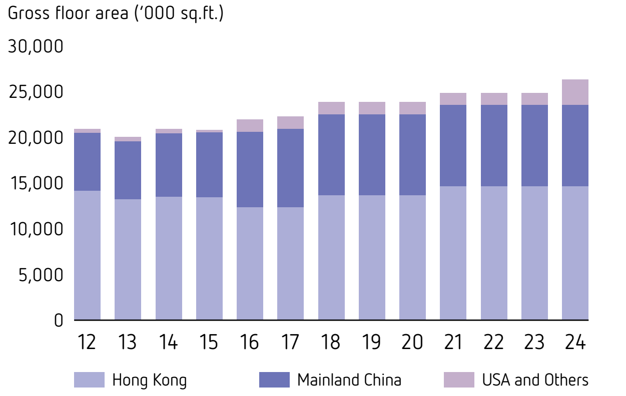
These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 213 to 223.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast year of expenditure				Total Commitments	Commitments relating to joint venture companies*
	2017 HK$M	2018 HK$M	2019 HK$M	2020 HK$M	2021 and later HK$M	At 31st December 2017 HK$M	At 31st December 2017 HK$M
Hong Kong	5,017	4,047	1,361	2,768	3,994	12,170	775
Mainland China	917	789	646	118	–	1,553	652
USA and others	926	151	281	26	19	477	–
Total	6,860	4,987	2,288	2,912	4,013	14,200	1,427

Note: The capital commitments represent 100% of the capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies.
* The Group is committed to funding HK$305 million and HK$36 million of the capital commitments of joint venture companies in Hong Kong and Mainland China, respectively.

Completed Property Investment Portfolio by Location



HOTELS

In 2017, trading conditions for the managed hotels in Hong Kong were stable. The performance of the managed hotels in Mainland China and in the USA improved. The performance of the non-managed hotels in Hong Kong was stable, as was that of the Mandarin Oriental, Miami in the USA. Occupancy at the Mandarin Oriental, Guangzhou improved in 2017 and its performance was good.

PROPERTY TRADING

Hong Kong

All 197 units at the ALASSIO development at 100 Caine Road had been sold at 31st December 2017, with profit from the sales of all the units recognised in the year.

The WHITESANDS development at 160 South Lantau Road consists of 28 detached houses with an aggregate gross floor area of 64,410 square feet. 21 houses had been sold at 13th March 2018. The profit from the sale of two houses was recognised before 2017 and the profit from the sale of 14 houses was recognised in 2017.

In August 2017, Swire Properties become the owner of a 100% interest in a property at 21-31 Wing Fung Street, Hong Kong. The property has the potential to be redeveloped into a 34,000 square feet residential block with a retail podium.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 carparking spaces were pre-sold in 2013. The profit from the sales of approximately 52% of the pre-sold gross floor area was recognised in 2015. Application was made to the court to cancel the sale of the remaining pre-sold gross floor area and 350 carparking spaces as part of the consideration was not received on time. The application succeeded. The buyer has appealed.

USA

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

The Reach and Rise developments were completed, and handover to purchasers commenced, in 2016. 363 units (out of 390 units) at Reach and 214 units (out of 390 units) at Rise had been sold at 13th March 2018. The profits from the sales of 12 units at Reach and 28 units at Rise were recognised in 2017.

OUTLOOK

Office and Retail

Hong Kong

OFFICE | In the central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2018. High occupancy is expected to result in office rents in our Pacific Place and Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts.

RETAIL | Demand for retail space in Hong Kong is forecast to be stable in 2018.

Mainland China

OFFICE | In Guangzhou, with the absence of significant new supply together with strong demand from Mainland Chinese companies, office vacancy rates are expected to decrease and rents to increase in 2018. In Beijing, with increased supply, office rents are expected to come under pressure in 2018. In Shanghai, with limited new supply in the Jingan district and stable demand, office rents are expected to be stable in 2018.

RETAIL | In 2018, retail sales are expected to grow satisfactorily in Beijing and Guangzhou, and to be robust in Chengdu. In Shanghai, after the opening of HKRI Taikoo Hui, retail sales should continue to grow steadily. Retail rents in Chengdu and Shanghai are expected to grow moderately despite increased supply of space and competition.

USA

RETAIL | Weak retail sales in Miami have made some retailers cautious about expansion.

OFFICE | In Miami, new supply of Grade-A office space is limited and demand is stable. Office rents are expected to increase.

Hotels

Trading conditions for our existing hotels are expected to be stable in 2018. A managed hotel (The Middle House) and a non-managed hotel (The Sukhothai Shanghai) are expected to open in Shanghai later in the first half of 2018. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open early in 2019.

Property Trading

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and increased private housing supply, demand for residential property is expected to remain resilient. In Miami, the exchange rate of the US dollar against major South American currencies is strong compared with what it was earlier in the decade. The strength will continue to suppress demand for condominiums by non-US buyers. Trading profits are expected to be recognised in 2018 from sales of houses at the WHITESANDS development in Hong Kong and units at the Reach and Rise developments in Miami.

Residential Leasing

In Hong Kong, demand for furnished accommodation at Pacific Place Apartments and Taikoo Place Apartments is expected to be stable in 2018. A serviced apartment tower is expected to open in Shanghai later in the first half of 2018.

Guy Bradley

AVIATION DIVISION

ADVANCING WORLD-CLASS SERVICE

We aim to continue to improve our products and services on the ground and in the air, to expand our fleet by acquiring fuel efficient aircraft and to strengthen our aircraft engineering business.

A Cathay Pacific Airbus A350-900.

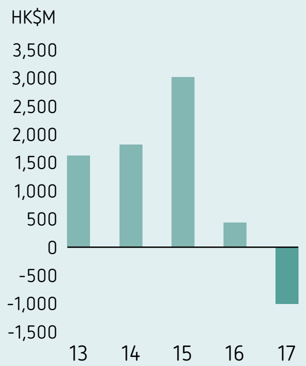

CATHAY PACIFIC

OVERVIEW
OF THE
BUSINESS

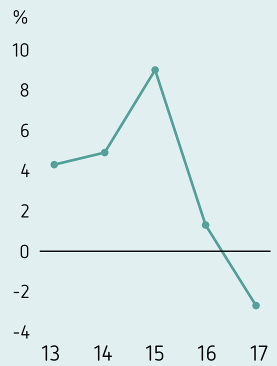
AVIATION DIVISION

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

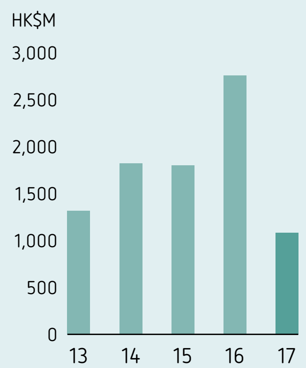
Profit Attributable to the Company's Shareholders



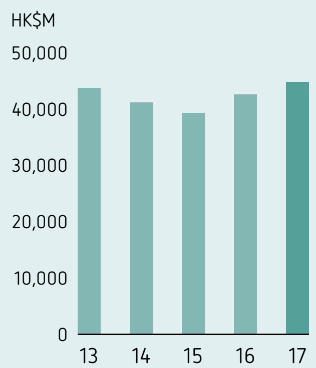
Return on Equity



Net Cash Generated from Operating Activities



Net Assets Employed



The Cathay Pacific group

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

Cathay Pacific offers scheduled passenger and cargo services to 203 destinations in 52 countries and territories. At 31st December 2017, it operated 149 aircraft and had 47 new aircraft due for delivery up to 2024.

Cathay Dragon is a regional airline registered and based in Hong Kong and offers scheduled services to 51 destinations in Mainland China and elsewhere in Asia. At 31st December 2017, it operated 47 aircraft and had 32 new aircraft due for delivery up to 2024.

Cathay Pacific owns 18.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. At 31st December 2017, Air China operated 303 domestic and 117 international, including regional, routes. Cathay Pacific has a cargo joint venture with Air China, Air China Cargo, which operated 15 freighters at 31st December 2017 and also carries cargo in the bellies of Air China's passenger aircraft.

Air Hong Kong, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities. At 31st December 2017, Air Hong Kong operated 12 freighters.

Cathay Pacific and its subsidiaries employ more than 32,700 people worldwide (around 25,600 of them in Hong Kong).

The HAECO group

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

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

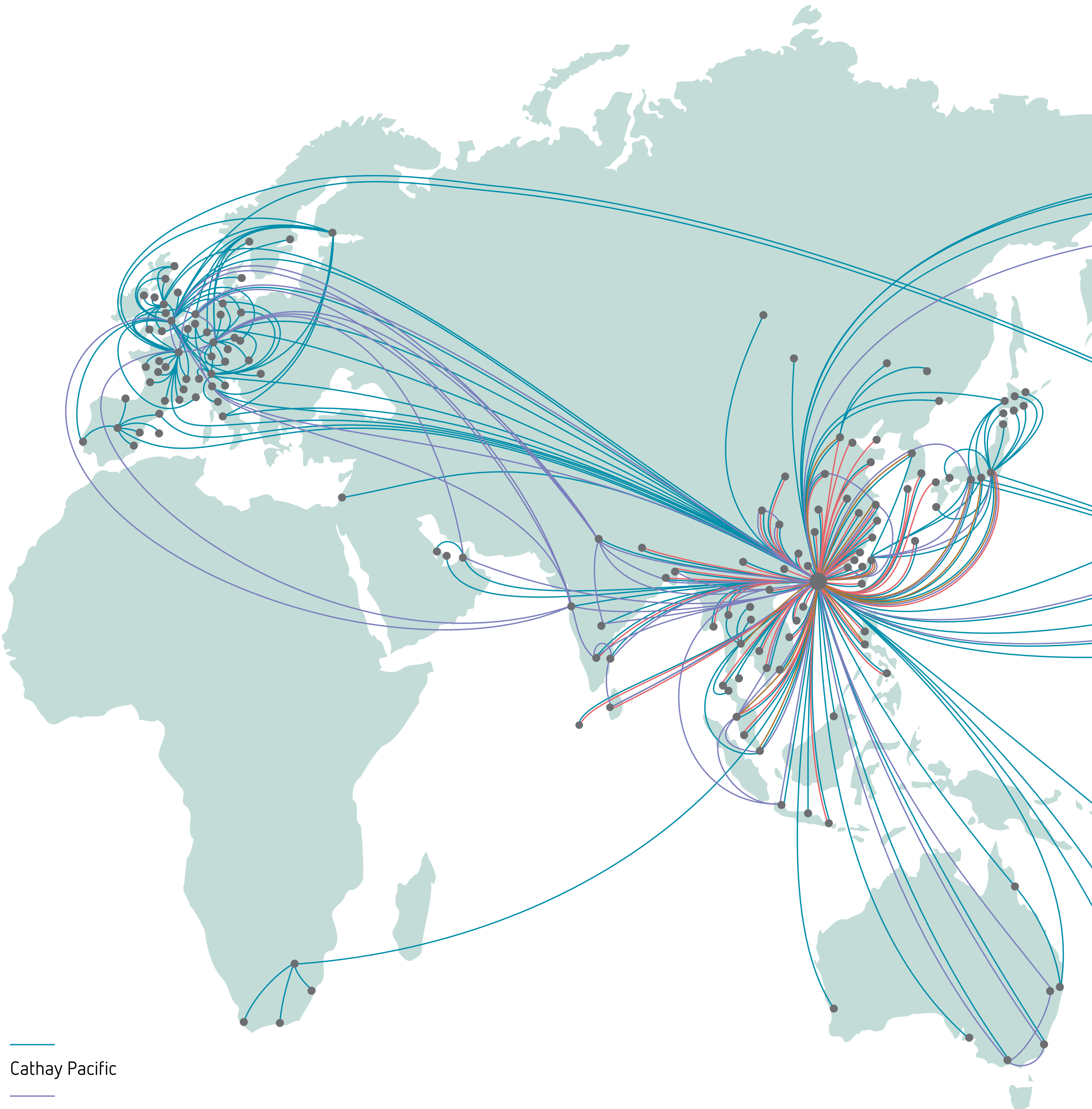
HAECO is listed on The Stock Exchange of Hong Kong Limited.

STRATEGY

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

- **The development and strengthening of Hong Kong as a centre for aviation services, including passenger, cargo and aircraft engineering services.**
- **The development and strengthening of the airline (Cathay Pacific and Cathay Dragon) and aircraft engineering (HAECO) brands.**
- **Developing the fleets of Cathay Pacific and Cathay Dragon (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.**

Cathay Pacific group – Network Coverage

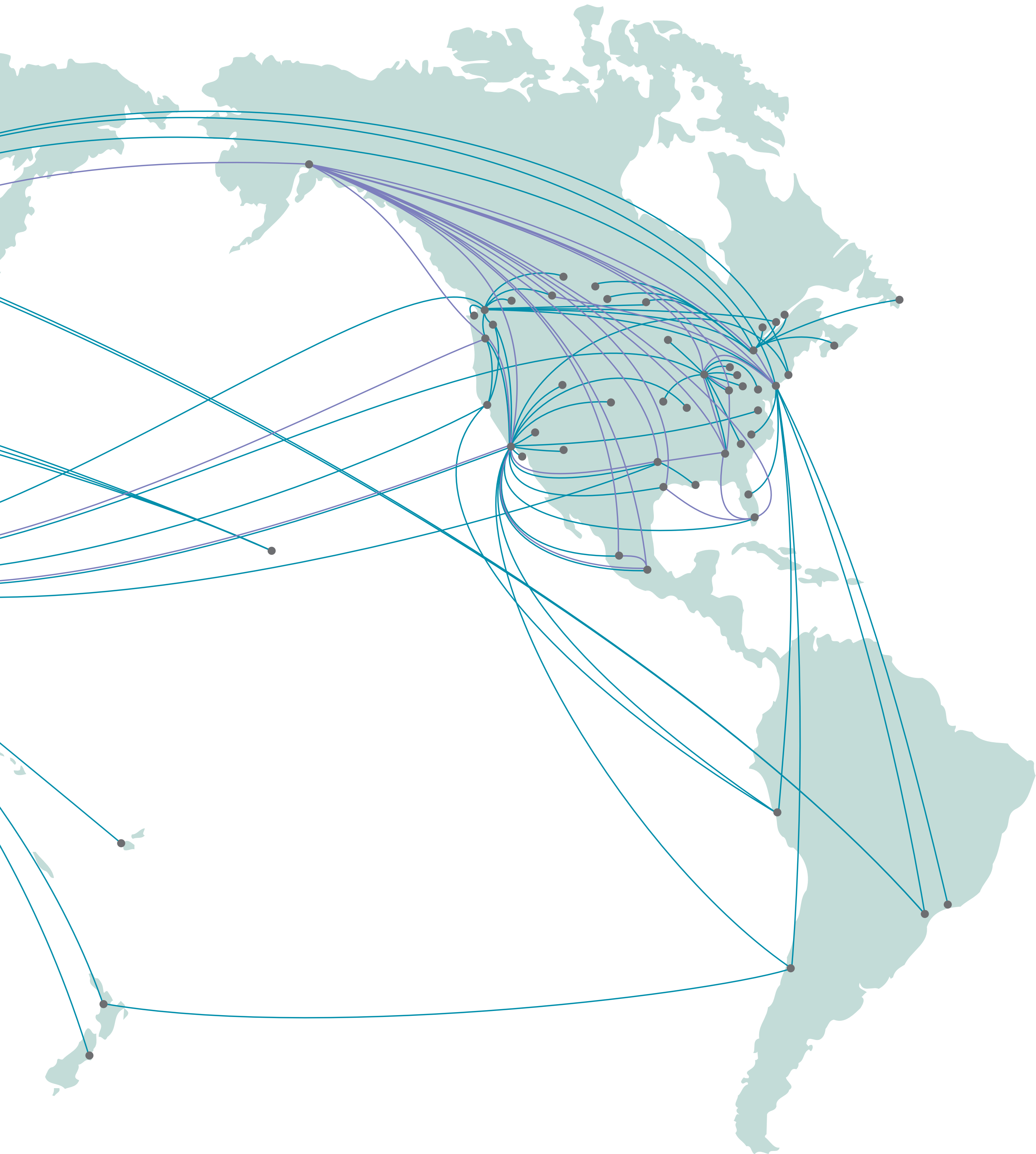


Cathay Pacific

Cathay Pacific Freighter

Cathay Dragon

Air Hong Kong



2017 PERFORMANCE

Financial Highlights

	2017 HK$M	2016 HK$M
HAECO group		
Revenue	14,546	13,760
Operating (loss)/profit	(90)	127
Attributable (loss)/profit	(406)	731
Cathay Pacific group		
Share of post-tax losses from associated companies	(567)	(259)
Attributable (loss)/profit	(1,002)	441

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. For more information on the results and financial position of the Cathay Pacific group, please refer to the abridged financial statements on pages 199 and 200. The figures above do not include consolidation adjustments.

CATHAY PACIFIC GROUP

Cathay Pacific and Cathay Dragon – 2017 Performance

		2017	2016	Change
Available tonne kilometres ("ATK")	Million	31,439	30,462	+3.2%
Available seat kilometres ("ASK")	Million	150,138	146,086	+2.8%
Passenger revenue	HK$M	66,408	66,926	-0.8%
Revenue passenger kilometres ("RPK")	Million	126,663	123,478	+2.6%
Revenue passengers carried	'000	34,820	34,323	+1.4%
Passenger load factor	%	84.4	84.5	-0.1%pt
Passenger yield	HK¢	52.3	54.1	-3.3%
Cargo revenue – group	HK$M	23,903	20,063	+19.1%
Cargo revenue – Cathay Pacific and Cathay Dragon	HK$M	20,553	17,024	+20.7%
Cargo and mail carried	Tonnes '000	2,056	1,854	+10.9%
Cargo and mail load factor	%	67.8	64.4	+3.4%pt
Cargo and mail yield	HK$	1.77	1.59	+11.3%
Cost per ATK (with fuel)	HK$	3.12	3.02	+3.3%
Cost per ATK (without fuel)	HK$	2.14	2.12	+0.9%
Aircraft utilisation	Hours per day	12.3	12.2	+0.8%
On-time performance	%	71.2	72.1	-0.9%pt
Average age of fleet	Years	9.3	9.1	+2.2%
Fuel consumption – group	Barrels (million)	45.1	43.9	+2.7%

The Cathay Pacific team takes great pride in delivering service that rises above customers' expectations.

2017 AIRLINE INDUSTRY REVIEW

Fundamental structural changes within the airline industry continued to affect the operating environment for the airline business and created difficult operating conditions in 2017. The factors which affected Cathay Pacific's performance were largely the same as in 2016. Overcapacity in passenger markets led to intense competition with other airlines and continued pressure on yields on many key routes. Fuel prices were higher, but fuel hedging losses reduced. As the year progressed, positive results began to be seen from Cathay Pacific's transformation programme and the group benefited from a strong cargo business, a weaker US dollar and improved premium class passenger demand.

2017 RESULTS SUMMARY

The Cathay Pacific group's attributable loss on a 100% basis was HK$1,259 million in 2017, compared with a loss of HK$575 million in 2016. The airlines' loss after tax was HK$4,303 million (2016: loss of HK$3,363 million), and the share of profits from subsidiaries and associates was HK$3,044 million (2016: HK$2,788 million).

Several special factors affected the results in 2017. In March, the European Commission issued a decision finding that a number of international air cargo carriers, including Cathay Pacific, had agreed to cargo surcharge levels prior to 2007 and that such agreements infringed European competition law and imposed a fine of Euros 57.12 million (equivalent to approximately HK$498 million) on Cathay Pacific. An application has been made to annul the decision. In the same month, Air China completed an issue of A shares and, as a result, Cathay Pacific's shareholding was diluted. A gain of HK$244 million was recognised on the deemed partial disposal. In April, Cathay Pacific disposed of its interest in TravelSky Technology Limited at a profit of HK$586 million.

In the first half of 2017, Cathay Pacific commenced a three-year corporate transformation programme, which is intended to address the fundamental competitive challenges which it is facing in the current airline industry environment. The programme has the goal of making the airlines more consumer focused and responsive and in doing so increasing revenue and containing costs. In 2017, Cathay Pacific reorganised its head office and focused on containing costs and improving efficiencies. It appointed new management and leadership teams. The associated redundancy costs (of HK$224 million) were recognised in 2017 staff expenses. Evidence of progress became apparent in the second half of the year. Airline losses in the second half of 2017 were lower than those in each of the two preceding half years.

In November 2017, Air Hong Kong agreed to enter into sale and leaseback transactions with DHL International in respect of eight Airbus A300-600F freighters and associated equipment. Five of these transactions were completed in 2017. The other three will be completed in 2018. At the end of 2018, Cathay Pacific will acquire from DHL International the 40% shareholding in Air Hong Kong that it does not already own, with the result that Air Hong Kong will become a wholly owned subsidiary of Cathay Pacific. At the same time, a new 15-year block space agreement with DHL International will commence.

Cathay Pacific's new lounge at Singapore Changi Airport is one of the airline's largest lounges outside Hong Kong.

Passenger Services

Passenger revenue in 2017 was HK$66,408 million, a decrease of 1% compared to 2016. 34.8 million passengers were carried, an increase of 1% compared to the previous year.

Capacity increased by 3%, reflecting the introduction of new routes and increased frequencies on other routes. The load factor decreased marginally, to 84.4%. Yield, which was under pressure for most of the year, decreased by 3%, to HK52.3 cents.

The operating environment for the passenger business continued to be difficult in 2017, with a number of factors adversely affecting its performance. Competition was intense as other airlines increased capacity, with more direct flights between Mainland China and international destinations. Competition from low cost carriers increased. Economy class demand on North American, Southwest Pacific and Korean routes was weak. Premium class demand was strong, which compensated somewhat for the reduction in economy class yield.

Cargo Services

Cathay Pacific and Cathay Dragon

Cathay Pacific and Cathay Dragon's cargo revenue in 2017 was HK$20,553 million, an increase of 21% compared to 2016. The tonnage carried in 2017 increased by 11% (to 2.1 million tonnes) compared to 2016. The market was robust throughout the year. There was strong demand for exports from Mainland China, and shipments on South Asian, Middle Eastern, African and intra-Asian routes grew.

The cargo capacity of Cathay Pacific and Cathay Dragon increased by 4% in 2017. The cargo load factor increased by 3.4 percentage points to 67.8%. Cargo yield increased by 11% to HK$1.77, reflecting the resumption (from April) of the collection of fuel surcharges in Hong Kong and strong demand.

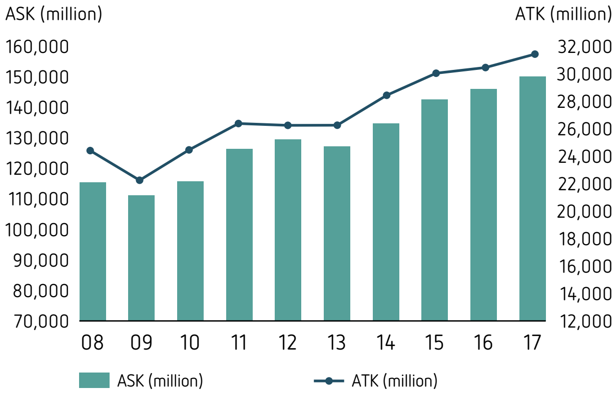
Air Hong Kong

Air Hong Kong achieved an increase in profit for 2017 compared with 2016. Capacity (in terms of available tonne kilometres) decreased by 2% to 762 million. The load factor increased by 1.6 percentage points to 66.9%.

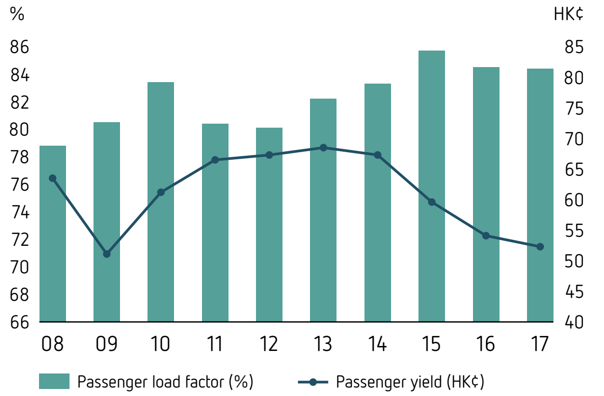
Operating Costs

Total fuel costs for the Cathay Pacific group (before the effect of fuel hedging) increased by HK$5,238 million (or 27%) compared with 2016. There was a 23% increase in average fuel prices and a 3% increase in consumption. Fuel is still the Cathay Pacific group's most significant cost, accounting for 31% of total operating costs in 2017 (compared to 30% in 2016). Fuel hedging losses were reduced. After taking hedging losses into account, fuel costs increased by HK$3,159 million (or 11%) compared to 2016.

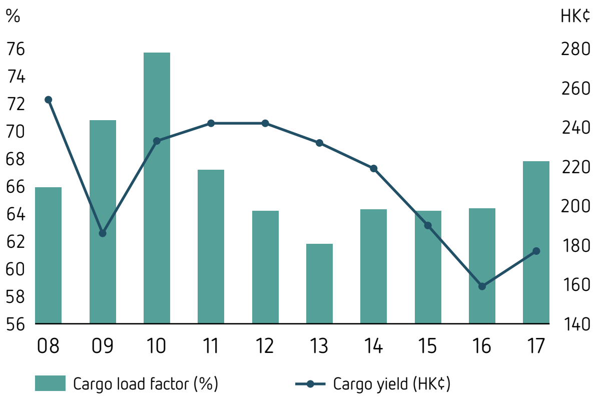
Capacity – Available Seat Kilometres and Available Tonne Kilometres



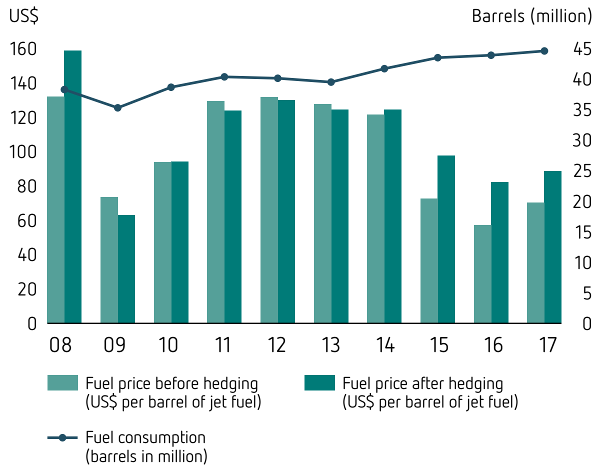
Passenger Services Load Factor and Yield



Cargo Services Load Factor and Yield



Fuel Price and Consumption



There was a 1% increase in non-fuel costs per available tonne kilometre. Disregarding exceptional items, non-fuel costs per available tonne kilometre were unchanged.

Congestion at Hong Kong International Airport and air traffic control constraints in the Greater China region continued to impose costs on Cathay Pacific. The airlines are doing more to improve the reliability of their operations.

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

Fleet Profile

At 31st December 2017, the total number of aircraft in the Cathay Pacific and Cathay Dragon fleets was 196, an increase of seven since 31st December 2016.

In 2017, Cathay Pacific took delivery of 12 Airbus A350-900 aircraft, bringing the total number of aircraft of this type to 22 at the end of the year.

Cathay Pacific will start to take delivery of Airbus A350-1000 aircraft (which have a longer range and more capacity than Airbus A350-900 aircraft) in 2018 and expects to have 20 aircraft of this type in service by the end of 2021.

At 31st December 2017, the Cathay Pacific group had 79 new aircraft on order for delivery up to 2024. This includes an order for 32 Airbus A321-200neo aircraft. These aircraft are intended to replace and increase Cathay Dragon's existing narrow-body fleet.

Cathay Pacific's remaining four Airbus A340-300 passenger aircraft were retired in 2017, as were two Boeing 747-400BCF converted freighters. Two Boeing 747-8F freighters were wet-leased from Atlas Air Worldwide to increase cargo capacity.

Fleet profile*

	Number at 31st December 2017				Firm orders				Expiry of operating leases						
		Leased													
Aircraft type	Owned	Finance	Operating	**Total**	'18	'19	'20 and beyond	**Total**	'18	'19	'20	'21	'22	'23	'24 and beyond
Aircraft operated by Cathay Pacific:															
A330-300	20	11	6	**37**					3[(a)]	1	2				
A350-900	16	4	2	**22**		2	4	**6**[(b)]							2
A350-1000					8	4	8	**20**[(b)]							
747-400ERF		6		**6**											
747-8F	3	11		**14**											
777-200	5			**5**											
777-300	12			**12**	2	3		**5**[(c)]							
777-300ER	19	11	23	**53**					1	2		5	4	2	9
777-9X							21	**21**							
Total	75	43	31	**149**	10	9	33	**52**	4	3	2	5	4	2	11
Aircraft operated by Cathay Dragon:															
A320-200	5		10	**15**						1	3	3	3		
A321-200	2		6	**8**							1	2	2	1	
A321-200neo							32	**32**[(b)]							
A330-300	10		14[(d)]	**24**					2	3	2	2	4		1
Total	17		30	**47**			32	**32**	2	4	6	7	9	1	1
Aircraft operated by Air Hong Kong:															
A300-600F	2	1	7	**10**					7						
747-400BCF			2[(d)]	**2**					2						
Total	2	1	9	**12**					9						
Grand total	**94**	**44**	**70**[(d)]	**208**	**10**	**9**	**65**	**84**	**15**	**7**	**8**	**12**	**13**	**3**	**12**

* The table does not reflect aircraft movements after 31st December 2017.

(a) The operating lease of one Airbus A330-300 expired in January 2018 and the aircraft left the fleet in February 2018.
(b) In September 2017, Cathay Pacific agreed with Airbus to purchase 32 new Airbus A321-200neo aircraft (for delivery after 2020) and to convert an existing order for six Airbus A350-1000 aircraft into an order for six smaller Airbus A350-900 aircraft (to be delivered in 2019 and 2020) and to defer the delivery of five Airbus A350-1000 aircraft from 2020 to 2021.
(c) Five Boeing 777-300 used aircraft will be delivered from 2018.
(d) 62 of the 70 aircraft which are subject to operating leases are leased from third parties. The remaining eight of such aircraft (one Boeing 747-400BCFs and seven Airbus A330-300s) are leased within the Cathay Pacific group.

The Cathay Pacific group has ordered 32 Airbus A321neo aircraft for Cathay Dragon in order to modernise and expand its fleet.

Other Operations

Air China

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, the 2017 results include Air China's results for the 12 months ended 30th September 2017, adjusted for any significant events or transactions for the period from 1st October 2017 to 31st December 2017.

For the 12 months ended 30th September 2017, Air China's underlying results improved compared to the 12 months ended 30th September 2016.

In 2015, Air China proposed an issue of A shares. In March 2017, the procedures for Air China's registration of the new A shares were completed. As a consequence, Cathay Pacific's shareholding in Air China was diluted from 20.13% to 18.13%.

Air China Cargo

Air China Cargo's 2017 financial results were better than those of 2016. The cargo market improved. Higher operating costs due to increased fuel prices were more than offset by a significant improvement in yield and unrealised exchange gains on loans denominated in US dollars.

OUTLOOK

The priorities for Cathay Pacific in 2018 are its transformation programme and changing the way that it works so as to better contain costs, which will strengthen its passenger business further. Cathay Pacific is confident of a successful outcome from these efforts. It also looks to benefit from a slowing of the decline in passenger yields as global economic conditions improve. The outlook for its cargo business is positive and it will take best advantage of opportunities in the growing global cargo market. Increased fuel costs are increasing operating costs and adversely affecting results. Fuel hedging losses are declining.

Cathay Pacific is improving its competitive position by expanding its route network, increasing frequencies on its most popular routes and buying more fuel-efficient aircraft. The airlines are increasing productivity and reducing costs, but are at the same time improving their already high customer service standards. The Cathay Pacific group is proud of the quality, dedication and professionalism of its people. Difficult but necessary decisions have been made. The group is acting decisively to make Cathay Pacific and Cathay Dragon better airlines and stronger businesses.

The commitment to Hong Kong and its people remains unwavering, as has been the case over the past 71 years. Cathay Pacific will continue to make strategic investments to develop and strengthen Hong Kong's position as Asia's largest international aviation hub.

Rupert Hogg

HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

Financial Highlights

	2017 HK$M	2016 HK$M
Revenue		
HAECO Hong Kong	4,041	3,879
HAECO Americas	2,625	2,836
HAECO Xiamen	2,041	1,640
TEXL	5,162	4,808
Others	677	597
Net operating (loss)/profit	(209)	38
Attributable profit/(loss)		
HAECO Hong Kong	257	194
HAECO Americas	(602)	(238)
HAECO Xiamen	135	94
TEXL	209	196
Share of profits of:		
HAESL and SAESL	244	218
Other subsidiary and joint venture companies	97	52
Attributable profit (excluding gain on disposal of HAESL's interest in SAESL, impairment charges and write-off of net deferred tax assets)	340	516
Gain on disposal of HAESL's interest in SAESL	–	783
Impairment charges in respect of:		
Goodwill	(625)*	(285)*
Plant, machinery and tools	(7)*	(39)
Write-off of net deferred tax assets	(249)*	–
Attributable (loss)/profit	(541)	975
Swire Pacific share of attributable (loss)/profit	(406)	731

* representing impairment charges and write-off relating to HAECO Americas

Operating Highlights

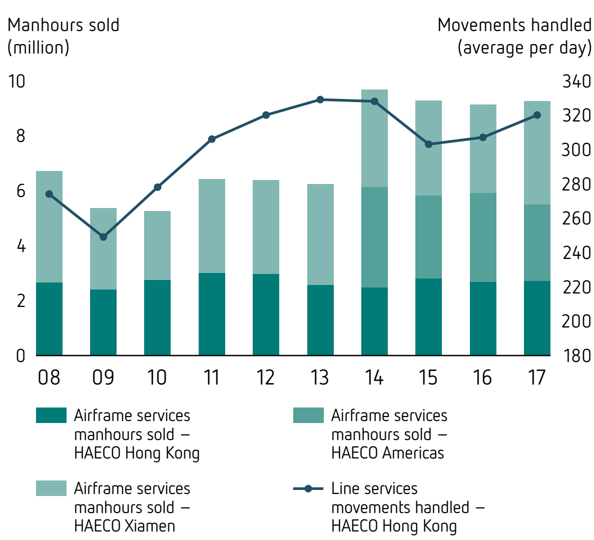
		2017	2016
Airframe services manhours sold			
HAECO Hong Kong	Million	2.70	2.67
HAECO Americas	Million	2.80	3.24
HAECO Xiamen	Million	3.76	3.21
Line services movements handled			
HAECO Hong Kong	Average per day	320	307
Engines overhauled			
TEXL		85	90
HAESL		140	114

The HAECO group continues to increase the range, depth and quality of aircraft engineering services offered to its customers.

2017 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

Orders for new aircraft are firm. Aircraft manufacturers have record order books and are increasing production. More aircraft means in principle more demand for their maintenance and repair. But new aircraft need less maintenance and repair than older aircraft and original equipment manufacturers are doing more maintenance and repair than they used to. On balance, maintenance and repair demand is still expected to grow in the medium and longer term.

HAECO group – Key Operating Highlights



2017 RESULTS SUMMARY

In 2017, most HAECO businesses did well but the businesses in America continued to incur losses. The HAECO group overall reported an attributable loss of HK$541 million in 2017 on a 100% basis. This loss included an impairment charge of HK$625 million in respect of the goodwill attributable to HAECO USA Holdings, Inc. ("HAECO Americas") and a write-off of HK$249 million in respect of HAECO Americas' net deferred tax assets. This compares with a profit of HK$975 million in 2016, which included a gain of HK$805 million (before associated expenses) on disposal of the interest of Hong Kong Aero Engine Services Limited ("HAESL") in Singapore Aero Engine Services Pte. Limited ("SAESL") and an impairment charge of HK$285 million in respect of the goodwill attributable to HAECO Americas.

Disregarding the impairment charges in both years, the net deferred tax write-off in 2017 and the gain on disposal in 2016, the HAECO group's 2017 attributable profit was HK$340 million, 34% lower than in 2016. A higher loss at HAECO Americas more than offset the benefits of more engine repair work at HAESL and TEXL, and better results at HAECO Hong Kong and HAECO Xiamen.

A total of 9.26 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in 2017, 0.14 million more than in 2016. More airframe services work was performed in Hong Kong and Xiamen in 2017. Less work was performed in America, principally due to the loss of significant work from a major customer.

HAECO Hong Kong

Disregarding the profit on the disposal of an interest in SAESL in 2016, HAECO Hong Kong recorded a 33% increase in profit in 2017. This mainly reflected more airframe and line services work.

Manhours sold for airframe services increased from 2.67 million in 2016 to 2.70 million in 2017, reflecting deferral of some customers' work from 2016. 78% of the work was for airlines based outside Hong Kong.

The average number of aircraft movements handled increased in 2017 by 4% to 320 per day. Line services manhours sold increased, reflecting this increase in volume.

Manhours sold in 2017 for component and avionics work (together with those sold by HAECO Component Overhaul (Xiamen)) were 0.215 million, an increase of 4% compared to 2016. The increase reflected additional component maintenance capabilities.

HAECO Americas

HAECO Americas recorded a loss of HK$1,483 million in 2017 (including an impairment charge of HK$625 million in respect of goodwill and the write-off of net deferred tax assets of HK$249 million). Excluding the impairment charges in both years and the write-off of net deferred tax assets in 2017, HAECO Americas' 2017 loss was HK$602 million, compared to a loss of HK$238 million in 2016.

The higher loss reflected less airframe services, reconfiguration services and Panasonic communication equipment work. The results were also adversely affected (by comparison with 2016) by the non-recognition of deferred tax assets in respect of 2017 tax losses.

Demand for HAECO Americas' airframe services decreased. 2.80 million manhours were sold in 2017 compared with 3.24 million in 2016, reflecting the loss of significant work from a major customer from August 2017 and the completion of some large aircraft and cabin modification programmes in 2016. Results were also adversely affected by the additional costs of training and recruiting staff in preparation for the opening of a fifth hangar at Greensboro in 2018.

Revenue from cabins and seats increased in 2017. More seats were sold (approximately 7,300 premium and economy seats compared with 3,400 in 2016), but there were fewer interior reconfigurations and fewer Panasonic communication equipment installation kits were delivered. Overall, cabin and seats work was loss making, with losses being made on some seat contracts.

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 airframe maintenance business of HAECO Americas), an impairment charge of HK$625 million was made in 2017 in respect of the goodwill recorded.

The write-off of net deferred tax assets in 2017 resulted from a review of the ability to set past tax losses in the USA off against future profits in the USA in the light of the certainty as to timing required by applicable accounting standards.

HAECO Xiamen

HAECO Xiamen recorded a 44% increase in attributable profit compared with 2016, to HK$135 million.

Manhours sold for airframe services in 2017 were 3.76 million, representing 17% growth in volume and reflecting higher demand, which generated a 22% increase in revenue.

An average of 54 aircraft movements were handled per day in 2017, 8% more than in 2016. Revenue increased by 15%.

Revenue from private jet work recorded an increase of 160% in to 2017. A Boeing 747-400 VVIP cabin modification project, which commenced in the second half of 2017, is scheduled to be completed in March 2018.

TEXL

Profit increased by 7% at TEXL to HK$209 million.

In 2017, TEXL completed 52 engine performance restorations and 33 quick turn repairs on GE90 aircraft engines (compared with 48 engine performance restorations and 42 quick turn repairs in 2016). With more engine performance restorations, compressor module repair work and component repair work, TEXL recorded a higher profit in 2017 than in 2016.

HAESL

HAESL recorded an 12% increase in profit (on a 100% basis) in 2017 compared to 2016 (disregarding in 2016 the profit on disposal of its interest in SAESL). The increase in profit principally reflected an increase in volume. 140 engines were overhauled in 2017, compared with 114 in 2016. HAESL invested heavily during 2017 in new facilities and tooling and recruited more people, in order to accommodate new engines types and expected volume growth.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 272 aircraft in 2017, similar to the number in 2016. The profit of HAECO ITM increased in 2017. More aircraft parts were loaned and there was more repair business.

Taikoo (Xiamen) Landing Gear Services Company Limited did more work in 2017 than in 2016. Its losses were reduced accordingly. Its 2016 losses included an impairment charge in respect of plant, machinery and tools.

OUTLOOK

The prospects for the HAECO group's different businesses in 2018 are satisfactory. More engines are expected to be repaired and overhauled. The component and avionics overhaul business is expected to improve gradually, with the development of new capabilities. Demand for line services is expected to be firm. Demand for airframe services is expected to be roughly similar to that of 2017, with little change in Hong Kong and Xiamen, and an increase in America. The number and mix of seats sold are expected to be similar to those in 2017. Forward bookings for cabin integration work are low. Significantly less Panasonic communication equipment work is expected.

Airframe services results will depend on the outcome of efforts to improve efficiency and work flow in America. We expect to realise some of the benefits of this work in 2018.

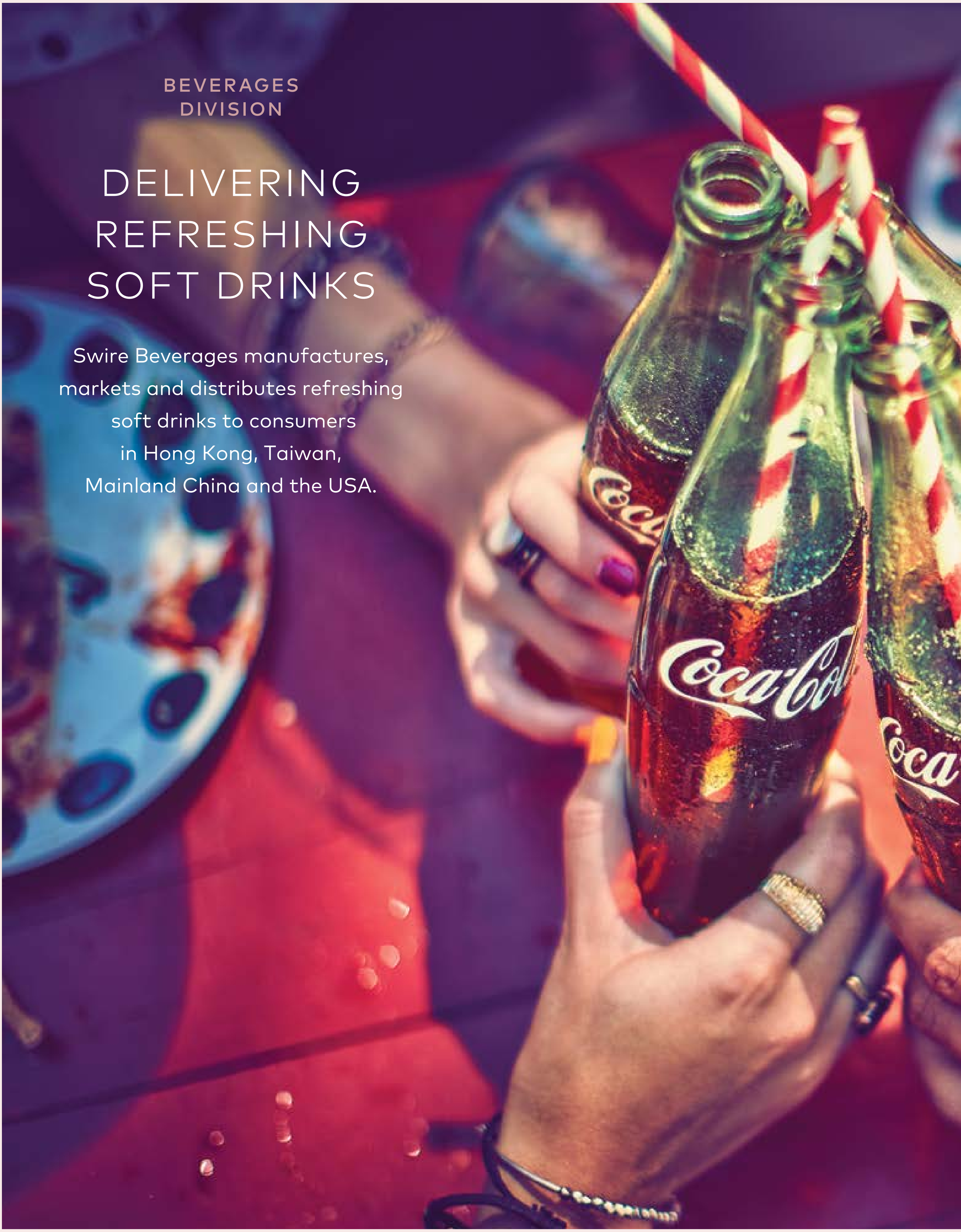
The relocation proposed by the Xiamen municipal government of the Gaoqi airport to a new airport in the Xiang'an district remains subject to central government approval. Management maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO group in Xiamen.

Augustus Tang

BEVERAGES DIVISION

DELIVERING REFRESHING SOFT DRINKS

Swire Beverages manufactures, markets and distributes refreshing soft drinks to consumers in Hong Kong, Taiwan, Mainland China and the USA.



Coca-Cola beverages bring a refreshing taste to consumers.

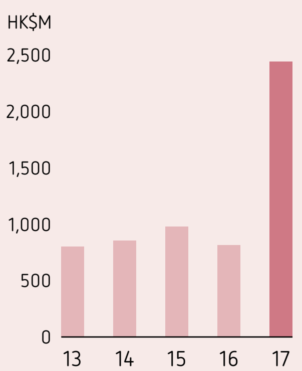
Photo courtesy: The Coca-Cola Company.

OVERVIEW
OF THE
BUSINESS

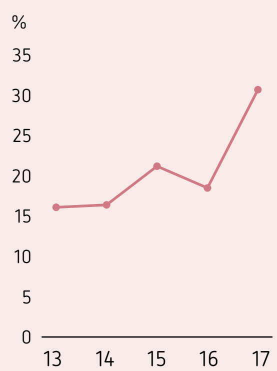
BEVERAGES DIVISION

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

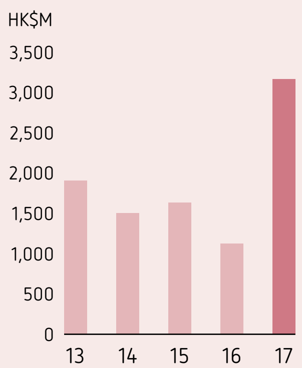
Profit Attributable to the Company's Shareholders



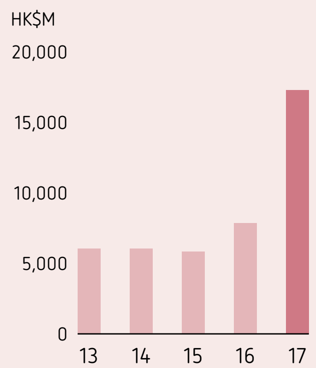
Return on Equity



Net Cash Generated from Operating Activities



Net Assets Employed



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

At the end of 2017, Swire Beverages manufactured 61 beverage brands and distributed them to a franchise population of 724 million people.

STRATEGY

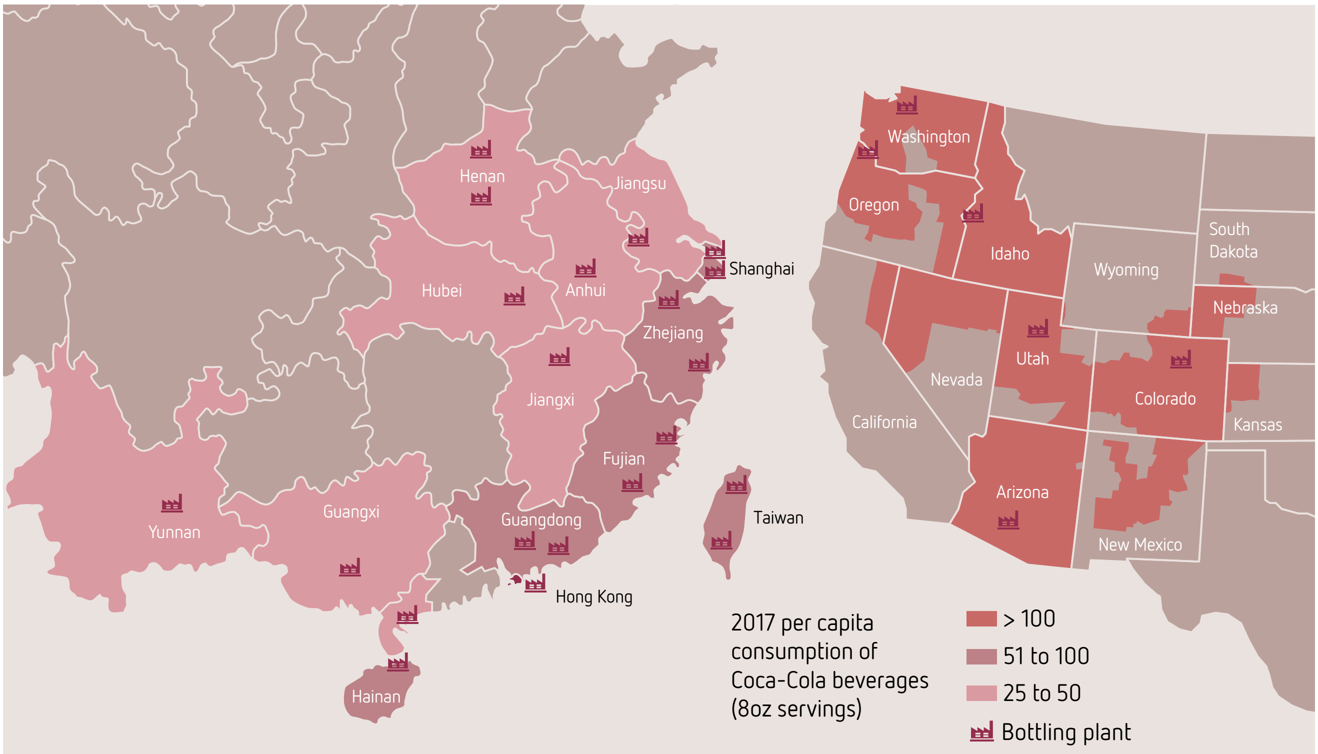
The strategic objective of Swire Beverages is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. The strategies employed in order to achieve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

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

Franchise Territories

GREATER CHINA

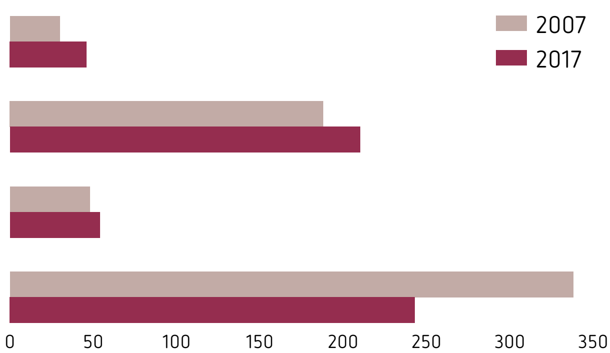
USA



Per Capita Consumption in Franchise Territories

	Franchise population (millions) (end 2017)	GDP per capita (US$)	Sales volume (million unit cases) 2017	Sales volume (million unit cases) 2007
Mainland China	664.1	9,915	1,112	500
Hong Kong	7.4	45,050	65	55
Taiwan	23.6	25,119	53	46
USA	28.7	46,223	282	86

Per capita consumption of Coca-Cola Beverages (8oz servings)



Note 1: A unit case comprises 24 8oz servings.
Note 2: Mainland China and the USA per capita consumption in 2017 includes annualised consumption figures for the new territories acquired during the year.

2017 PERFORMANCE

Financial Highlights

	2017 HK$M	2016 HK$M
Revenue	34,067	18,421
Operating profit derived from:		
Operating activities	1,689	1,003
Non-recurring items	1,636	–
Total operating profit	3,325	1,003
Share of post-tax profits from joint venture and associated companies	112	218
Attributable profit (excluding non-recurring items)	930	813
Gain on remeasurement of previously held interests in joint venture companies in Mainland China	975	–
Gain on disposal of a subsidiary company in Mainland China	247	–
Gain from the acquisition of new franchise territories and assets in the USA	289	–
Attributable profit	2,441	813

Segment Financial Highlights

	Revenue		Attributable Profit	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
Mainland China				
Operating activities	16,256	6,873	243	288
Non-recurring items	–	–	1,222	–
	16,256	6,873	1,465	288
Hong Kong	2,255	2,212	220	205
Taiwan	1,343	1,323	11	33
USA				
Operating activities	14,213	8,013	494	306
Non-recurring items	–	–	289	–
	14,213	8,013	783	306
Central costs	–	–	(38)	(19)
Beverages Division	34,067	18,421	2,441	813

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

Accounting for the Beverages Division

Before 1st April 2017

The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China) were accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue and operating profit from these franchise businesses are included in the revenue and operating profit shown above. The division's joint venture interests in three other franchises in Mainland China (Guangdong, Zhejiang and Jiangsu) 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.

On and after 1st April 2017

After completion of the majority of the realignment of the Coca-Cola Bottling system in Mainland China on 1st April 2017, the division's joint venture interests in three franchise businesses in Mainland China (Guangdong, Zhejiang and Jiangsu) became subsidiary companies. These three franchise businesses were accordingly accounted for as subsidiaries in the financial statements of Swire Pacific from 1st April 2017. Revenue and operating profit from these three franchise businesses were included in the revenue and operating profit from 1st April 2017. The division's associate interest in CCBMH continued to be accounted for using the equity method of accounting.

On and after 1st July 2017

The transfer of interests in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. ("Shanghai") was completed by 1st July 2017. The division's joint venture interest in this company is accounted for using the equity method of accounting.

The sales volume for Mainland China shown in the table on page 50 represents sales in seven franchise territories from 1st January 2017 to 31st March 2017, sales in twelve franchise territories from 1st April 2017 to 30th June 2017, and sales in thirteen franchise territories from 1st July 2017 to 31st December 2017, in each case including products supplied by CCBMH.

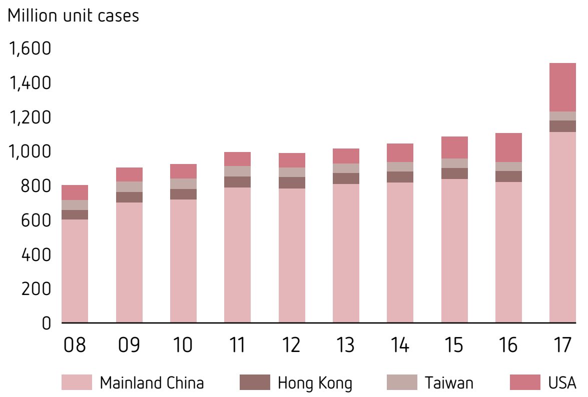
Central costs are arrived at after crediting gains on disposal of available-for-sale investments of HK$1 million (2016: HK$11 million).

Segment Performance

		Percentage Change in 2017				
		Mainland China**	Hong Kong	Taiwan	USA	Swire Beverages
Customers	Active Outlets	5.3%	-2.6%	2.6%	34.4%	6.6%
Revenue Management	Sales Volume	35.7%	0.8%	-0.4%	67.7%	36.8%
	Revenue*	1.0%	1.3%	3.1%	3.5%	4.0%
Cost Management	Gross Margin*	2.3%	-0.3%	6.2%	8.1%	6.4%
	Operating Profit	20.9%	1.4%	9.7%	86.9%	34.8%
Sustainability	Water Use Ratio	-1.2%	-4.7%	8.1%	-4.1%	-6.0%
	Energy Use Ratio	-6.3%	–	1.3%	17.0%	-8.8%
Safety	LTIR	-23.0%	-38.0%	59.0%	15.0%	-12.0%

* Per unit case.
** Segment performance for Mainland China represents performance in thirteen franchise territories.

Sales Volume



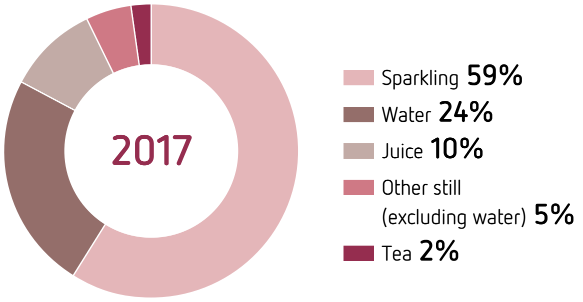
2017 BEVERAGE INDUSTRY REVIEW

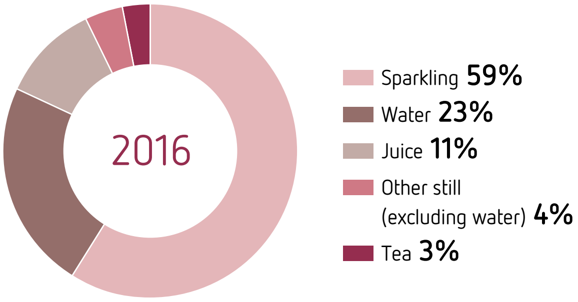
In Mainland China, the total volume of non-alcoholic ready-to-drink beverages sold grew by 5% in 2017. The volume of sparkling beverages sold grew by 3%. The volume of water and juice sold grew by 8% and 4% respectively.

In Hong Kong, the total volume of non-alcoholic ready-to-drink beverages sold in the modern trade grew by 2% in 2017. Sparkling beverages volume declined by 2%. Still beverages volume grew by 3%. Tea grew by 6%. Water volume grew by 4%.

In Taiwan, the total volume of non-alcoholic ready-to-drink beverages sold grew by 2% in 2017. The volume of tea and juice sold grew by 2% and 1% respectively. Sparkling beverages volume declined by 3%.

Breakdown of Total Volume by Category





In the USA, the total volume of sparkling beverages sold declined by 3% in 2017. Still beverages volume grew by 4%. The volume of energy drinks and water sold grew by 1% and 6% respectively.

2017 RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$2,441 million in 2017. This included non-recurring gains of HK$1,222 million arising out of the realignment of the Coca-Cola bottling system in Mainland China. These gains arose from the disposal of the Shaanxi franchise business and the remeasurement of the fair value of interests in three joint venture franchise businesses (in Guangdong, Zhejiang and Jiangsu) when they became subsidiary companies. There were non-recurring gains in the USA aggregating HK$289 million. These gains arose out of the terms on which new franchise territories and new production and distribution assets were acquired.

Disregarding non-recurring gains, Swire Beverages made an attributable profit of HK$930 million in 2017, a 14% increase from 2016. Overall sales volume increased by 37% to 1,512 million unit cases. Sales revenue (including the joint venture companies) increased by 42% to HK$35,582 million. Volume and revenue grew in Mainland China, reflecting the inclusion of sales in the provinces of Hubei, Guangxi, Yunnan, Jiangxi and Hainan and the cities of Zhanjiang and Maoming in Guangdong with effect from April 2017 and Shanghai with effect from July 2017. Volume and revenue grew in the USA, reflecting the inclusion of sales in the states of Arizona and New Mexico with effect from August 2016, Washington and Idaho from March 2017 and Oregon from May 2017. Volume and revenue increased in Hong Kong. In Taiwan, volume was in line with 2016 and revenue increased.

Mainland China

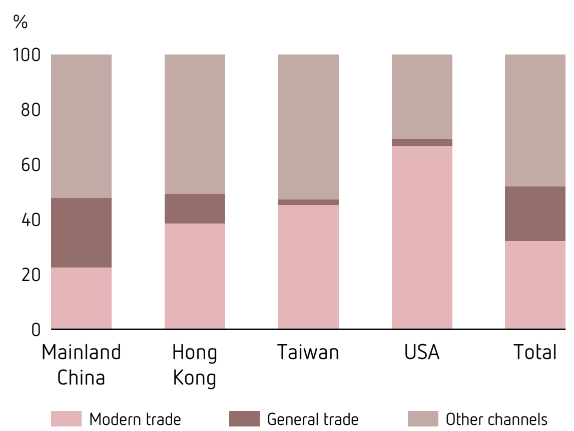
Attributable profit from Mainland China was HK$1,465 million in 2017.

In November and December 2016, Swire Beverages Holdings Limited ("SBHL") entered into conditional agreements with TCCC and a subsidiary of China Foods Limited ("China Foods") for the realignment of the Coca-Cola bottling system in Mainland China. SBHL also agreed (conditionally on the realignment proceeding) to acquire from a subsidiary of TCCC the 12.5% interest in Swire Beverages Limited ("SBL") which was not already owned by SBHL.

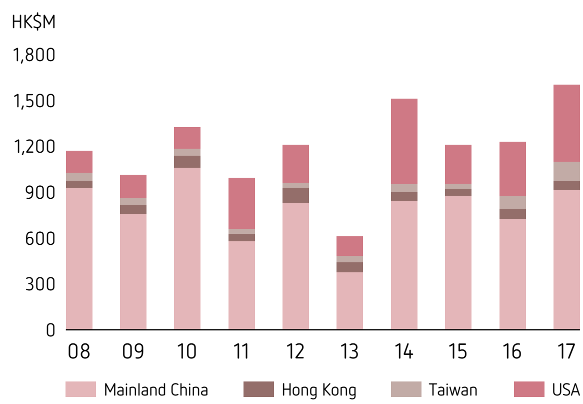
The realignment was completed on 1st April 2017 except for the transfer to SBHL of interests in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. and the acquisition of the 12.5% interest in SBL. SBHL took on franchise territories in the provinces of Hubei, Guangxi, Yunnan, Jiangxi and Hainan and the cities of Zhanjiang and Maoming in Guangdong, and increased its interests in franchise territories in Jiangsu, Zhejiang, and Guangdong. The Shaanxi territory was transferred to a subsidiary of China Foods.

The transfer of interests in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. and the acquisition of the 12.5% interest in SBL were completed on 1st July 2017.

Breakdown of Total Volume by Channel



Capital Expenditure



The realignment of the Coca-Cola bottling system in Mainland China has resulted in a more efficient franchise system, with Swire Beverages controlling a larger and contiguous territory in Mainland China.

The net amount paid by SBHL in respect of the realignment (including the acquisition of the 12.5% interest in SBL) was RMB5,535 million.

A gain of HK$247 million was recorded on the disposal of the Shaanxi franchise business.

A gain of HK$975 million was recorded on the remeasurement of the fair value of interests in three joint venture franchise businesses (in Guangdong, Zhejiang and Jiangsu) when they became subsidiary companies.

The attributable profit from operating activities from Mainland China in 2017 was HK$243 million, a 16% decrease from 2016.

Total sales volume and revenue (including from Shanghai and the three joint venture franchise businesses which became subsidiaries under the realignment) increased by 36% and 37% respectively in local currency, compared with 2016, principally as a result of the acquisition of new franchise territories in the second and third quarters of 2017.

Sparkling and juice sales volume grew by 36% and 30% respectively. Water sales volume grew by 37%.

Revenue grew by 37%, faster than volume growth, reflecting a favourable product and package mix. The beneficial effect of these factors was more than offset by higher operating costs and finance charges relating to the capital cost of the realignment.

Hong Kong

Attributable profit from Hong Kong in 2017 was HK$220 million, a 7% increase from 2016. The increase reflected the additional share of profits in Hong Kong resulting from the acquisition of the 12.5% interest in SBL. The operating profit increased by 1%.

Sales volume increased by 1%. Sparkling sales volume decreased by 0.3%. Still sales volume increased by 2%. Sales of tea increased by 10%. Sales of water were unchanged.

Revenue (excluding sales to other bottlers) increased by 2%, faster than volume, as a result of reduced discounting. However, the increase in revenue was partly offset by increases in raw material and operating costs.

Taiwan

Attributable profit from Taiwan in 2017 was HK$11 million, a 67% decrease from 2016.

Sales volume declined by 0.4%. Sparkling sales volume decreased by 1%. Still sales volume was unchanged. Tea and juice sales volumes decreased by 2% and 5% respectively. Revenue in local currency increased by 3%.

Gross margins increased owing to a favourable sales mix. However, the beneficial effect of this was more than offset by losses resulting from restructuring of production and logistics assets which will be completed later in 2018 and which will generate cost advantages after completion.

The franchise territories of Swire Coca-Cola, USA have been extended to Washington, Oregon and Idaho in the Pacific Northwest.

USA

Attributable profit from the USA was HK$783 million in 2017. Disregarding the non-recurring gains referred to above, the attributable profit from operating activities was HK$494 million, a 61% increase from 2016.

Sales volume and revenue (excluding sales to other bottlers) increased by 68% and 74% respectively in local currency compared with 2016, principally as a result of the inclusion of sales in the states of Arizona and New Mexico from August 2016, Washington and Idaho from March 2017 and Oregon from May 2017.

Sparkling sales volume increased by 63%. Still sales volume increased by 78%, principally due to increases in sales of water drinks of 80% and energy drinks of 80%.

Gross margins increased, principally as a result of higher sales volume, but the beneficial effect of this was partially offset by higher operating costs in the newly acquired territories.

In August and October 2017, Swire Beverages completed the acquisition of production assets in Arizona and Colorado respectively.

OUTLOOK

Sales volume and revenue in the Swire Beverages franchise territories in Mainland China are expected to grow modestly in 2018. Revenue is expected to grow faster than volume, reflecting a better category mix, the introduction of new products and packaging, strong marketing support and improved market execution. Additional operating profits will be earned from the new territories. However, increased raw materials, staff and finance costs will put pressure on profits.

Modest growth in sales volume and revenue is expected in Hong Kong in 2018. Raw material costs are expected to increase. Supply constraints are adversely affecting operations.

The retail market in Taiwan is expected to be weak in 2018. The adverse effect of this is expected to be mitigated to an extent by improvements in the mix of packaging and in the management of sales channels. Closure of the Kaohsiung plant is expected to be completed by the end of the first half of 2018. The closure is expected to result in long-term efficiency improvements through operating cost savings.

In the USA, the beverages market is expected to grow moderately in 2018. Sales of energy drinks and water are expected to continue to grow. Additional profits will be earned from the newly acquired businesses in Washington, Idaho, and Oregon.

Patrick Healy

MARINE SERVICES DIVISION

PROVIDING EXCELLENT OFFSHORE SUPPORT

We aim to provide outstanding specialised offshore support to the global oil and gas industry.

Swire Pacific Offshore's subsea vessel *Seabed Constructor*.

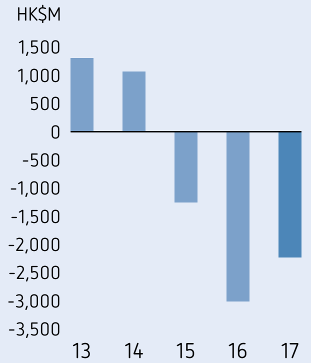

SWIRE SEABED

OVERVIEW
OF THE
BUSINESS

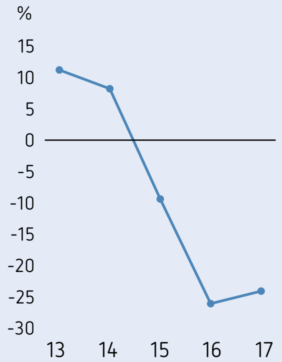
MARINE SERVICES DIVISION

The Marine Services Division, through Swire Pacific Offshore ("SPO"), operates offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA. SPO also has a wind farm installation business and a subsea inspection, maintenance and repair ("IMR") business.

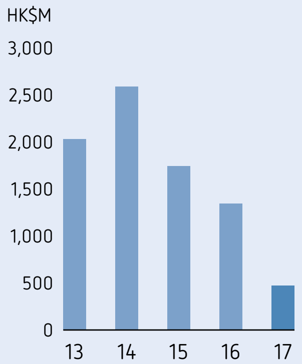
Profit/(loss) Attributable to the Company's Shareholders



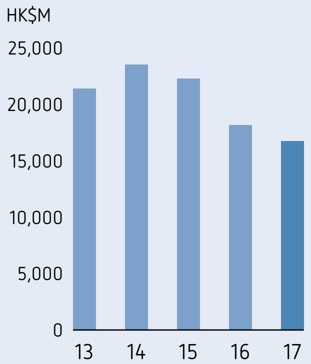
Return on Equity



Net Cash Generated from Operating Activities



Net Assets Employed



SPO can support offshore drilling, production, exploration, platform construction, subsea IMR and light construction work and high speed crew changes. SPO can carry out seismic survey support, marine salvage, oil spill preparedness and response, offshore wind farm construction and servicing, oil rig decommissioning and subsea remotely operated vehicle support.

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

SPO

SPO's Fleet

At 31st December 2017, SPO operated a fleet of 77 offshore support 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 inspection, maintenance and repair vessels, seismic survey vessels, wind farm installation vessels ("WIVs"), accommodation barges, a light construction subsea vessel and a high speed catamaran crew boat.

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

SPO's Geographical Distribution

SPO is headquartered in Singapore, with shore support for its vessels provided by outport offices in Angola, Australia, Azerbaijan, Brazil, Brunei, Cameroon, Canada, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Kenya, Malaysia, New Zealand, Norway, Qatar, the Philippines, Scotland, Trinidad & Tobago and the United Arab Emirates. SPO also has a representative office in the USA.

HUD

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.

SPO – Fleet Size

		Additions	Disposals	Year-end	Vessels expected to be received in:	
Vessel class	2016		2017		2018	2019
Anchor Handling Tug Supply Vessels	34	–	4	30	–	–
Large Anchor Handling Tug Supply Vessels	19	–	–	19	–	–
Platform Supply Vessels	9	2	1	10	4	–
Large Platform Supply Vessels	8	–	–	8	–	–
Construction and Specialist Vessels	11	–	1	10	1	1
	81	2	6	77	5	1

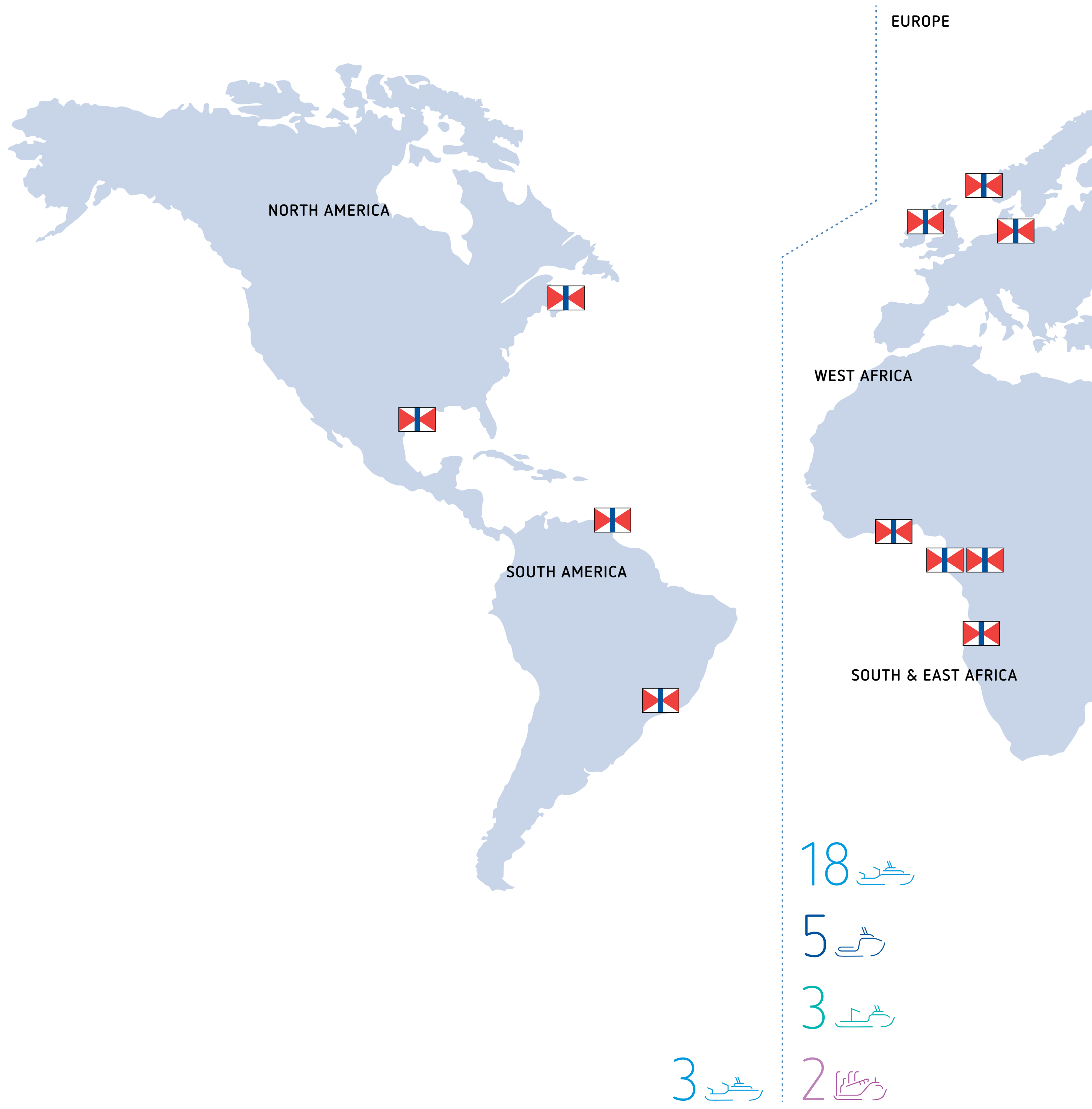
Note: SPO's fleet at 31st December 2016 included one CSV chartered from an external party. The CSV was redelivered to its owner in 2017 and is included as a disposal. The CSVs expected to be received in 2018 and 2019 will be on operating leases.

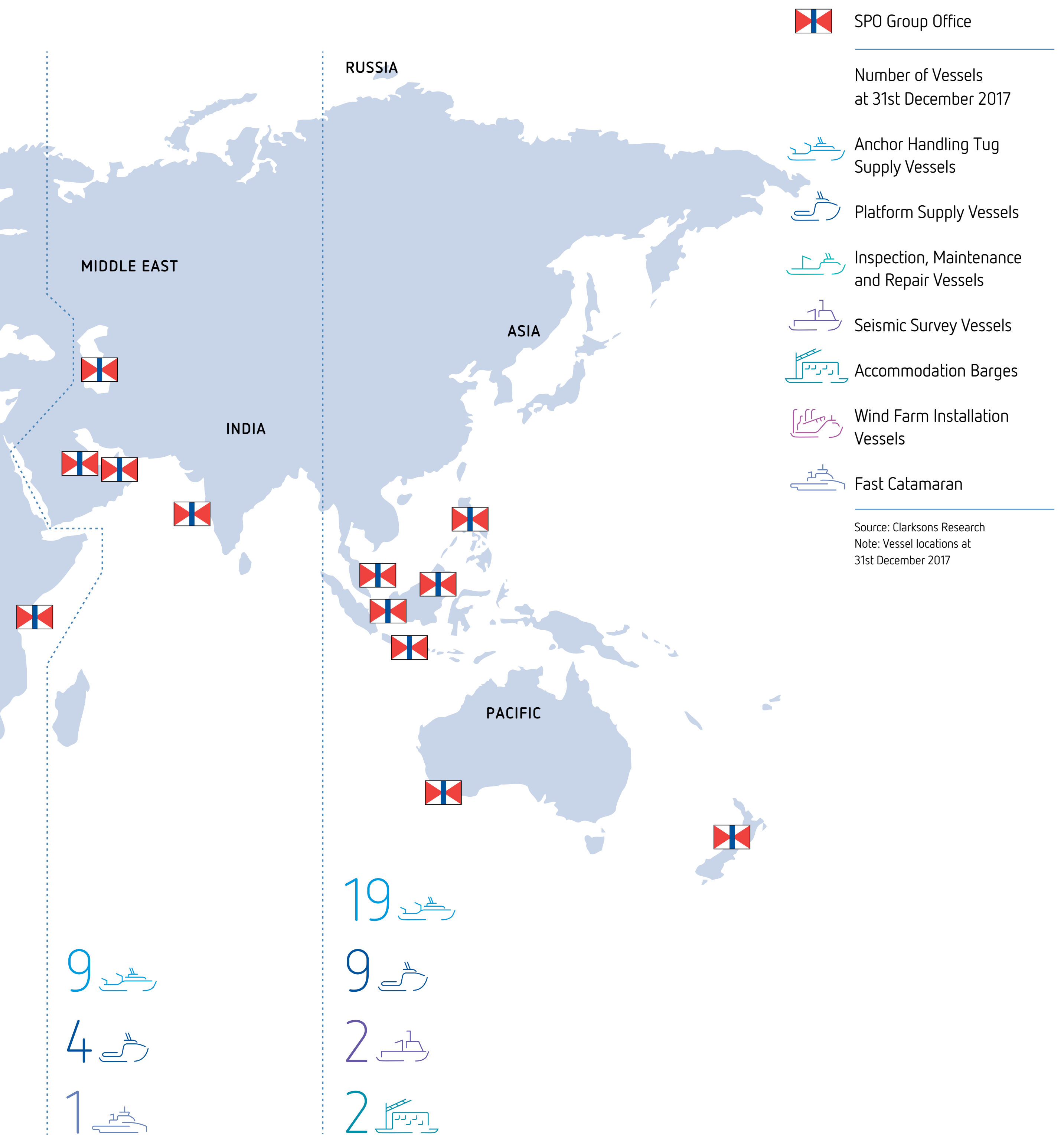
STRATEGY

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

- **Ensuring safety always comes first in every aspect of our business.**
- **Delivering operational excellence in marine services.**
- **Developing an industry leading team recognised for quality and professionalism.**
- **Efficiently operating a modern and reliable fleet.**
- **Managing its business sustainably with high standards of corporate governance.**
- **Developing complementary marine services that add value.**

SPO – Global Footprint and Offshore Oil & Gas Reserves





Source: Clarksons Research
Note: Vessel locations at 31st December 2017

2017 PERFORMANCE

Financial Highlights

	2017 HK$M	2016 HK$M
Swire Pacific Offshore group		
Revenue	3,067	4,238
Operating (loss)/profit derived from:		
Operating activities	(779)	(165)
Impairment charges	(1,015)	(2,313)
Gain/(Loss) on disposal of a subsidiary	3	(118)
Total operating loss	(1,791)	(2,596)
Attributable loss	(2,255)	(3,033)
HUD group		
Share of post-tax profits from joint venture companies	23	20
Attributable loss	(2,232)	(3,013)

Fleet Size

	2017	2016
Number of vessels		
Swire Pacific Offshore group	77	81
HUD group	19	19
Total	96	100

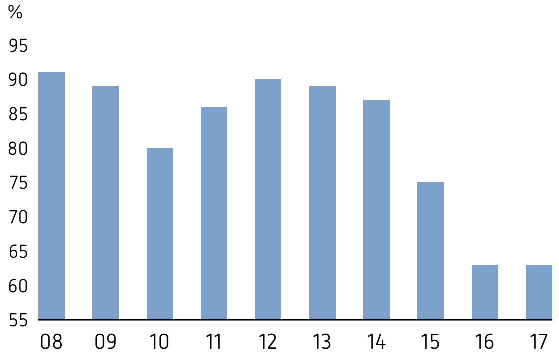
Swire Pacific Offshore received its latest G-class platform supply vessel, *Pacific Grebe*, in 2017.

SWIRE PACIFIC OFFSHORE GROUP

2017 OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY REVIEW

The level of exploration and production spending by oil majors remained weak in 2017 and continued to have a material adverse effect on the offshore exploration market. This was despite a recovery in oil prices during the year. Rig fixing activities increased in the second half of 2017, resulting in an improvement in vessel utilisation rates. However, the oversupply of offshore support vessels continued to put pressure on charter hire rates.

SPO – Average Utilisation Rates



2017 RESULTS SUMMARY

SPO reported an attributable loss of HK$2,255 million in 2017, compared to a loss of HK$3,033 million in 2016.

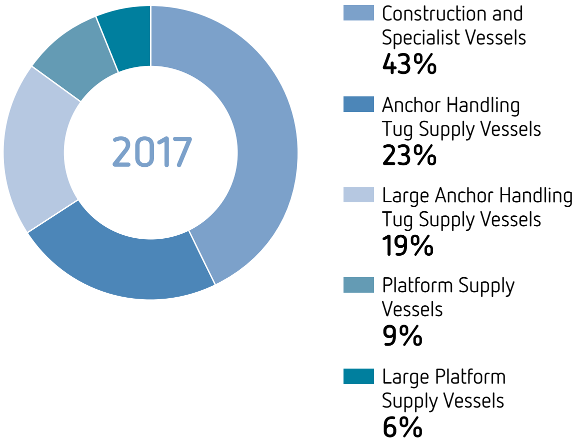
In the second half of 2017, as required by applicable accounting standards, a review was undertaken of the carrying value of SPO's fleet. A significant influence on the value of the fleet is the outlook for the offshore industry in which it operates. The review of the fleet's carrying value reflected that outlook. As a result of the review, impairment charges of HK$1,015 million were included in the results for the year (2016: HK$2,313 million).

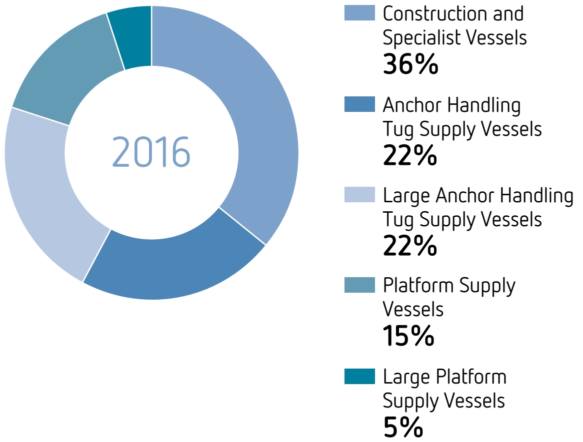
SPO disposed of five vessels in 2017 at an aggregate loss of HK$19 million (2016: gain of HK$147 million).

Excluding impairment charges and profits and losses on disposal of vessels in both years and the loss on disposal of Altus Oil & Gas Services of HK$118 million in 2016, SPO reported an attributable loss of HK$1,224 million in 2017 (compared to a loss of HK$749 million in 2016). These results reflect the difficult market conditions in the offshore energy industry.

SPO generated net cash from operating activities of HK$389 million in 2017, compared to HK$1,303 million in 2016.

SPO – Charter Hire Revenue by Vessel Class





Charter Hire

Charter hire revenue decreased by 25% to HK$2,684 million in 2017, principally reflecting reduced charter hire rates.

SPO had a fleet utilisation rate of 62.5% in 2017, a small decline (of 0.9 percentage points) from 2016. Average charter hire rates declined by 19% to USD18,800 per day.

Core Fleet (AHTSs and PSVs)

The utilisation rate of SPO's AHTSs and PSVs increased by 1.1 percentage points to 64.3% in 2017. Charter hire rates for the core fleet decreased by 25%, to USD12,400 per day.

Four AHTSs were in cold stack at 31st December 2017.

Specialist Fleet

The utilisation rate of SPO's CSVs decreased by 13.7 percentage points, to 51.2% in 2017. Charter hire rates for the CSVs decreased by 7%, to USD71,000 per day.

Following periods of being offhire, the wind farm installation vessels were both working in the North Sea, installing wind farm foundations and turbines in the summer months of 2017. One accommodation barge and two seismic survey vessels were in cold stack at 31st December 2017.

Non-charter Hire

Non-charter hire income was HK$383 million in 2017, a decline of 42% compared to 2016. This principally reflected the absence of logistics revenue following the disposal of Altus Oil & Gas Services in November 2016. The decline was offset in part by higher income from project engineering and survey work.

Operating Costs

Total operating costs in 2017 decreased by HK$761 million (or 17%) to HK$3,833 million. The reduction principally reflected lower activity, the disposal and stacking of vessels and reductions in administrative and discretionary expenditure. SPO had seven vessels in cold stack at 31st December 2017. The vessels will be returned to service (when opportunities arise and deferred maintenance is completed) or sold.

FLEET

The fleet size at 31st December 2017 was 77 compared to 81 at 31st December 2016.

SPO disposed of four older AHTSs and one PSV in 2017. One subsea IMR vessel chartered from an external party was redelivered to its owner during the year. SPO expects to dispose of more older vessels.

Two PSVs were delivered to SPO during the year. A bareboat charter was signed for a survey and light construction vessel for a period of up to three years. SPO is expecting delivery of another four PSVs in 2018.

Total capital expenditure on new vessels and other fixed assets in 2017 was HK$818 million, compared to HK$946 million in 2016.

At 31st December 2017, SPO had total capital expenditure commitments of HK$1,647 million (31st December 2016: HK$2,278 million).

OUTLOOK

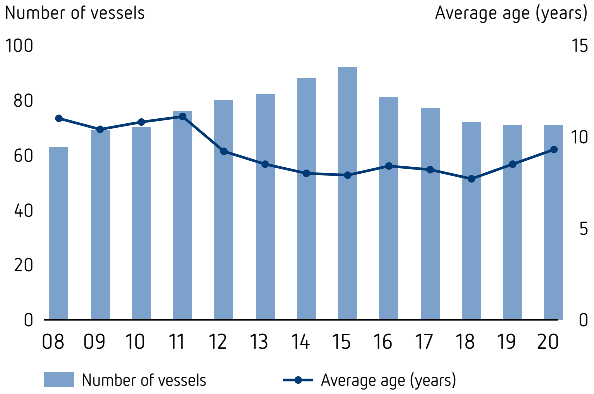
Industry conditions remain difficult, but there are signs that the offshore support market may be bottoming out. Exploration and production spending is expected to increase modestly in 2018. Utilisation of mobile offshore drilling units and of offshore supply vessels is gradually recovering. However, charter hire rates remain depressed.

SPO is vigilant in controlling costs. It is evaluating its fleet profile with a view to being well placed to take advantage of any market recovery in the coming years.

SPO – Profile of Capital Commitments

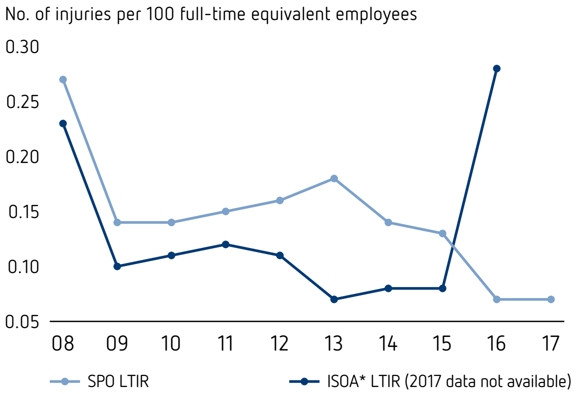
	Expenditure	Forecast year of expenditure			Commitments
	2017 HK$M	2018 HK$M	2019 HK$M	2020 HK$M	at 31st December 2017 HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	708	892	277	163	1,332
Construction and Specialist Vessels	60	63	78	16	157
Other fixed assets	50	25	48	85	158
Total	818	980	403	264	1,647

SPO – Fleet Size and Average Age of Vessels*



* Including vessels chartered from external parties.

SPO – LTIR



* ISOA – International Support Vessel Owners' Association

HONGKONG UNITED DOCKYARDS GROUP

2017 INDUSTRY REVIEW

The shipping industry benefited from a number of alliances and mergers in 2017. It is more stable as a result. But the result may be fewer and larger ships visiting Hong Kong, which could adversely affect the results of the salvage and towage division.

There were fewer engineering contracts awarded in connection with infrastructure projects in Hong Kong in 2017. This adversely affected HUD's non-marine engineering business.

2017 RESULTS SUMMARY

The attributable profit of the HUD group for 2017 was HK$23 million compared to HK$20 million in 2016.

The salvage and towage division's profit (before tax and interest and on a 100% basis) was HK$127 million in 2017, compared with HK$118 million in 2016. Tug moves increased by 4%.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2017 of HK$69 million, compared to a HK$62 million loss in 2016. Fewer marine engineering contracts were obtained in a highly competitive market. The profitability of non-marine contracts was adversely affected by high labour costs.

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

OUTLOOK

The results of the salvage and towage division are expected to be affected by increasing competition.

Demand for engineering work is expected to be weak in 2018.

Ron Mathison – SPO
Derrick Chan – HUD

TRADING & INDUSTRIAL DIVISION

EXPANDING RANGE OF PRODUCTS AND SERVICES

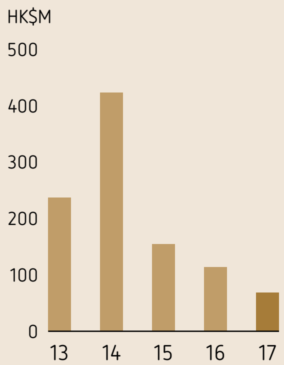
We aim to broaden the range of our products and services.

Swire Foods' bakery chain Qinyuan Bakery.

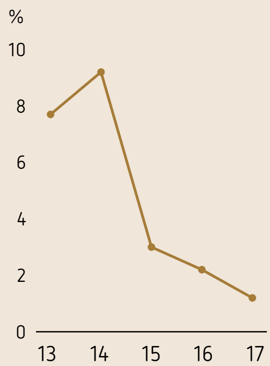
TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in the following companies: Swire Retail group, Taikoo Motors group, Swire Foods group, Swire Pacific Cold Storage group, Akzo Nobel Swire Paints and Swire Environmental Services group.

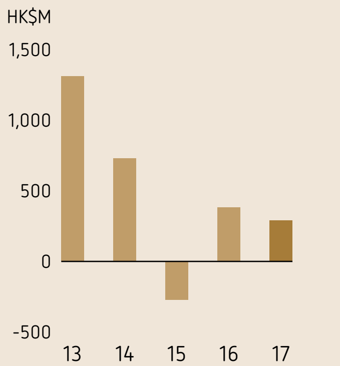
Profit Attributable to the Company's Shareholders



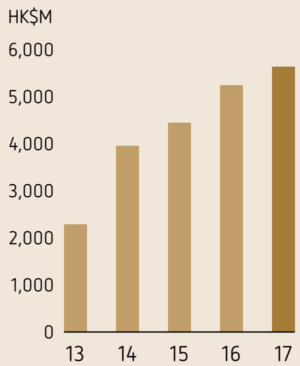
Return on Equity



Net Cash Generated from/ (Used in) Operating Activities



Net Assets Employed



SWIRE RETAIL GROUP

Swire Resources group

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2017, it operated 180 retail outlets in Hong Kong and Macau and seven retail outlets in Mainland China.

Swire Brands group

Swire Brands holds investments in brand-owning companies. It has an interest in an associated company with Columbia, which distributes and retails Columbia products in Mainland China.

TAIKOO MOTORS GROUP

Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Taikoo Motors' largest 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. Taikoo Motors also distributes cars and commercial vehicles in Hong Kong and Malaysia.

SWIRE FOODS GROUP

Chongqing New Qinyuan Bakery Co., Ltd ("Qinyuan Bakery")

Qinyuan Bakery is a leading bakery chain in southwest China, with over 650 stores in Chongqing, Guiyang and Chengdu.

Swire Foods (including Taikoo Sugar)

Swire Foods distributes food products in Mainland China and Hong Kong. Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand.

SWIRE PACIFIC COLD STORAGE GROUP

Swire Pacific Cold Storage wholly owns cold storage facilities in Shanghai, Hebei, Nanjing, Ningbo and Chengdu and owns 60% and 65% equity interests in cold storage facilities in Guangzhou and Xiamen respectively.

AKZO NOBEL SWIRE PAINTS

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

SWIRE ENVIRONMENTAL SERVICES GROUP

Swire Waste Management

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

Swire sustainability fund

The Swire sustainability fund has an associate interest in Green Biologics and minority equity interests in NanoSpun Technologies and Avantium. Green Biologics is a biotechnology company which is developing renewable chemical and biofuel technology. NanoSpun Technologies is a company which is developing a water treatment process using nanotechnology. Avantium is a biotechnology company that develops and commercialises bioplastics and chemicals.

STRATEGY

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

- **Strengthening the capability of Swire Resources in branded footwear, apparel and related accessories by expanding the range and quality of those branded goods.**
- **Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to brands represented.**
- **Using Taikoo Motors' existing capability in order to expand into other motor-related businesses.**
- **Expanding the distribution network of Taikoo Sugar in Mainland China.**
- **Strengthening Qinyuan Bakery by increasing the range of its products and the number of its stores.**
- **Improving the operating efficiency and customer service of the cold storage business in Mainland China and thereby acquiring new customers.**
- **Expanding and strengthening the distribution network and sales channels of Akzo Nobel Swire Paints in Mainland China.**
- **Increasing the number of waste management contracts awarded to Swire Waste Management.**

2017 INDUSTRY REVIEW

Retailing in Hong Kong and Mainland China

Retail sales of apparel and footwear in Hong Kong in 2017 were similar to those in 2016. Total retail sales in Mainland China increased by 10% in 2017.

Car sales in Taiwan

Car registrations in Taiwan increased by 1% to 444,624 units in 2017.

Sugar sales in Mainland China

The total amount of sugar sold in Mainland China increased by 2% to 33,730 million pounds in 2017.

Cold storage demand in Mainland China

Demand for frozen food and food safety concerns are increasing in Mainland China. This is in turn increasing demand for high quality cold storage facilities.

Paint sales in Mainland China

Total sales of decorative paints in Mainland China increased by 4% to 3,159 million litres in 2017.

2017 PERFORMANCE

Financial Highlights

	2017 HK$M	2016 HK$M
Revenue		
Swire Retail group	3,074	3,216
Taikoo Motors group	5,306	4,514
Swire Foods group	1,761	1,540
Swire Pacific Cold Storage group	105	80
	10,246	9,350
Operating profits/(losses)		
Swire Retail group	(69)	27
Taikoo Motors group	91	18
Swire Foods group	65	61
Swire Pacific Cold Storage group	(136)	(102)
Swire Environmental Services group	(9)	(7)
Others, including central costs	(22)	(44)
	(80)	(47)
Attributable profits/(losses)		
Swire Retail group	(14)	83
Taikoo Motors group	77	15
Swire Foods group	42	59
Swire Pacific Cold Storage group	(171)	(126)
Swire Environmental Services group	(50)	(79)
Akzo Nobel Swire Paints	215	198
Others, including central costs	(30)	(36)
Attributable profit	69	114
Attributable profit (disregarding the loss on disposal of the interest in Rebecca Minkoff)	163	114

2017 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2017 was HK$69 million. This included a loss of HK$94 million on disposal of Swire Brands' interest in Rebecca Minkoff. Disregarding this loss, the Division's attributable profit in 2017 was HK$163 million, an increase of 43% from 2016. The increase principally reflected better results from Taikoo Motors and Akzo Nobel Swire Paints. Losses from Swire Environmental Services decreased. The attributable profits of Swire Retail and Swire Foods decreased (the latter decrease reflecting the absence of a non-recurring release of provisions in 2016) and the attributable losses of the cold storage business increased.

Swire Retail group

Disregarding the loss on disposal of Rebecca Minkoff of HK$94 million in 2017, the attributable profit of the Swire Retail group decreased from HK$83 million in 2016 to HK$80 million in 2017. The decrease mainly reflected lower profits in Hong Kong. Losses in Mainland China reduced.

Revenue in Hong Kong and Macau was 3% lower than that in 2016. Gross margins declined due to discounting in response to competition. Operating costs, in particular advertising costs, decreased.

The retail group operated 180 retail outlets in Hong Kong and Macau at the end of 2017, seven less than at the end of 2016. It operated seven retail outlets in Mainland China at the end of 2017, 11 less than at the end of 2016. The decrease in Mainland China principally reflected the closure of loss-making outlets.

The attributable profit of the Columbia associated company was HK$56 million in 2017, in line with 2016.

Taikoo Motors opened a Mercedes-Benz dealership in Malaysia in 2017.

Taikoo Motors group

The attributable profit of the Taikoo Motors group increased significantly (from HK$15 million in 2016) to HK$77 million in 2017. The 2017 results included HK$14 million costs resulting from the closure of loss making businesses.

18,468 cars, commercial vehicles and motorcycles were sold in 2017, 9% more than in 2016. 96% of these units were sold in Taiwan. Gross profit improved and operating costs were lower, in particular occupancy costs and promotional expenditure.

Swire Foods group

Swire Foods reported an attributable profit of HK$42 million in 2017, compared with an attributable profit of HK$59 million in 2016.

The attributable profit of Qinyuan Bakery in 2017 was HK$33 million, compared with an attributable profit of HK$55 million in 2016. The 2016 figure included a HK$27 million release of provisions for tax and for incentive payments to the previous owners of the business. Disregarding the release of provisions in 2016, the attributable profit of Qinyuan Bakery in 2017 was 18% higher than in 2016.

Revenue and gross profit of Qinyuan Bakery increased by 17% and 20% respectively in 2017 compared with 2016. This reflected growth in the number of stores and in sales per store, and the appreciation of the Renminbi against the Hong Kong dollar. Operating costs increased, reflecting higher compliance, staff and rental costs. Qinyuan Bakery operated 650 stores at the end of 2017, a net increase of 100 stores since 31st December 2016.

Volumes of sugar sold rose by 13% in Hong Kong and fell by 2% in Mainland China. A 34% owned sugar refinery in Guangdong started commercial production in August 2017.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss of HK$171 million in 2017 compared with a loss of HK$126 million in 2016. The loss principally reflected operating losses, the cost of developing new cold stores and the appreciation of the Renminbi against the Hong Kong dollar. The Guangdong cold store recorded a small profit.

The capital commitments of the Swire Pacific Cold Storage group at 31st December 2017 were HK$73 million.

Swire Environmental Services group

Swire Environmental Services reported an attributable loss of HK$50 million in 2017, compared with an attributable loss of HK$79 million in 2016. The attributable loss of Green Biologics reduced.

Akzo Nobel Swire Paints manufactures and distributes decorative paints, primarily under the Dulux brand.

Akzo Nobel Swire Paints

The attributable profit of Akzo Nobel Swire Paints for 2017 was HK$215 million, an increase of 9% over 2016.

Sales volume in Mainland China increased by 34% from 2016. Gross margins decreased as a result of higher average material costs and an unfavourable product mix. Operating costs, in particular advertising costs, decreased. Akzo Nobel Swire Paints distributed paint in approximately 550 cities in Mainland China at the end of 2017.

OUTLOOK

The retail market for apparel and footwear in Hong Kong is expected to remain highly competitive. Discounting and higher staff costs are expected to put pressure on profit margins at Swire Resources.

Taikoo Motors will open more showrooms in Taiwan.

Qinyuan Bakery will open more stores in Chongqing, Chengdu and Guiyang. The format of its small stores is being upgraded. Its products are improving. Its supply chain is becoming more agile and efficient.

Taikoo Sugar will expand its distribution network in Mainland China, in particular in Guangdong, and will increase capacity.

The business at Swire Pacific Cold Storage is expected to remain challenging. The market is highly competitive. Pricing is under pressure.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network in Mainland China.

The overall profits of the Trading & Industrial Division are expected to increase in 2018 but to continue to be affected by the cost of new business development.

Derrick Chan / Ivan Chu / Richard Sell

Financial Review

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

Audited Financial Information

Underlying profit	Note	2017 HK$M	2016 HK$M
Profit attributable to the Company's shareholders		26,070	9,644
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(26,714)	(9,637)
Deferred tax on investment properties	(b)	573	1,459
Realised profit on sale of investment properties	(c)	50	3
Depreciation of investment properties occupied by the Group	(d)	28	28
Non-controlling interests' share of adjustments		4,735	1,566
Underlying profit attributable to the Company's shareholders		4,742	3,063

Notes:
(a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss plus the Group's share of net revaluation movements of joint venture companies.
(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and the USA, and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

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

Adjusted underlying profit	2017 HK$M	2016 HK$M
Underlying profit attributable to the Company's shareholders	4,742	3,063
Other significant non-recurring items:		
Profit on disposal of HAESL's interest in SAESL, net of associated expenses	–	(587)
Profit on sale of investment properties	(12)	(65)
(Profit)/loss on sale of property, plant and equipment and other investments	(200)	18
Gain by Swire Beverages from territory and business changes in Mainland China and the USA	(1,511)	–
Impairment of property, plant and equipment and intangible assets and write-off of deferred tax assets	1,743	2,568
Adjusted underlying profit	4,762	4,997

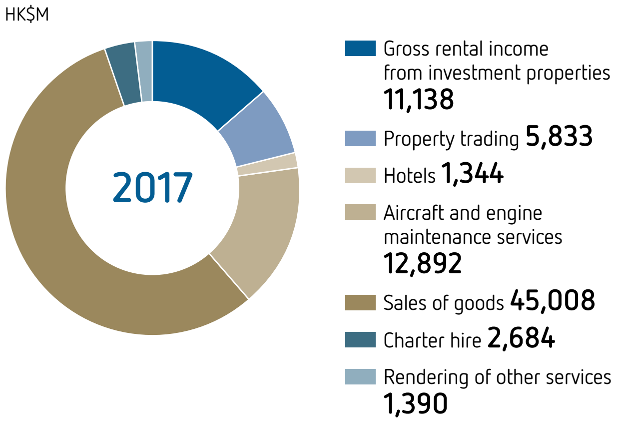
Commentary on and Analysis of Major Balances and Year on Year Variances in the Financial Statements

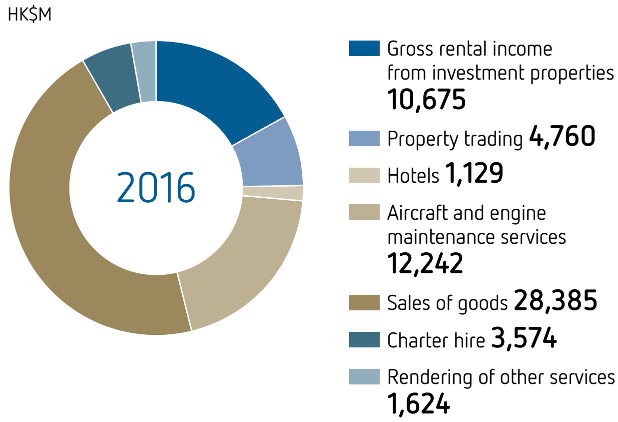
Consolidated Statement of Profit or Loss

	Notes to the Financial Statements	2017 HK$M	2016 HK$M	Increase / (Decrease) HK$M	%
Revenue	4	80,289	62,389	17,900	29%
Cost of sales	6	(51,991)	(40,392)	11,599	29%
Expenses	6	(18,010)	(12,777)	5,233	41%
Other net gains/(losses)	5	245	(2,281)	2,526	-111%
Change in fair value of investment properties		25,331	8,445	16,886	200%
Operating profit		35,864	15,384	20,480	133%
Net finance charges	9	(2,239)	(2,297)	(58)	-3%
Share of profits less losses of joint venture companies	19(a)	2,209	2,731	(522)	-19%
Share of losses less profits of associated companies	19(b)	(328)	(70)	(258)	369%
Taxation	10	(3,124)	(2,816)	308	11%
Profit for the year		32,382	12,932	19,450	150%
Profit attributable to the Company's shareholders	34	26,070	9,644	16,426	170%
Underlying profit	11	4,742	3,063	1,679	55%

Revenue

Revenue by Category





The increase in revenue of HK$17,900 million compared to 2016 reflected higher revenue from the Property Division (HK$1,752 million), the Aviation Division (HK$786 million), the Beverages Division (HK$15,646 million) and the Trading & Industrial Division (HK$887 million). These improvements were partially offset by a decrease in revenue from the Marine Services Division (HK$1,171 million).

In the Property Division, revenue from property trading increased by HK$1,073 million compared to 2016. This principally reflected the sales proceeds from 197 ALASSIO units and 14 WHITESANDS units in Hong Kong and from 12 Reach units and 28 Rise units at the Brickell City Centre development in the USA in 2017, which significantly exceeded the sales proceeds from Reach and Rise units and from AREZZO and other units in Hong Kong in 2016. Gross rental income from property investment increased by HK$463 million. There was higher rental income in Mainland China, reflecting higher retail rents. In the USA, there was higher rental income following the opening of the office towers and shopping centre at the Brickell City Centre development in 2016. In Hong Kong, gross rental income increased slightly, principally reflecting higher rentals from the office portfolio. Revenue from hotels increased by HK$215 million, largely due to revenue from EAST, Miami since its opening in June 2016.

In the Aviation Division, the increase in revenue from the HAECO group was principally due to increased airframe services revenue at HAECO Xiamen, more engine repair work at TEXL and higher line services revenue at HAECO Hong Kong. This was partially offset by lower revenue from airframe services, reconfiguration services and Panasonic communication kit work at HAECO Americas.

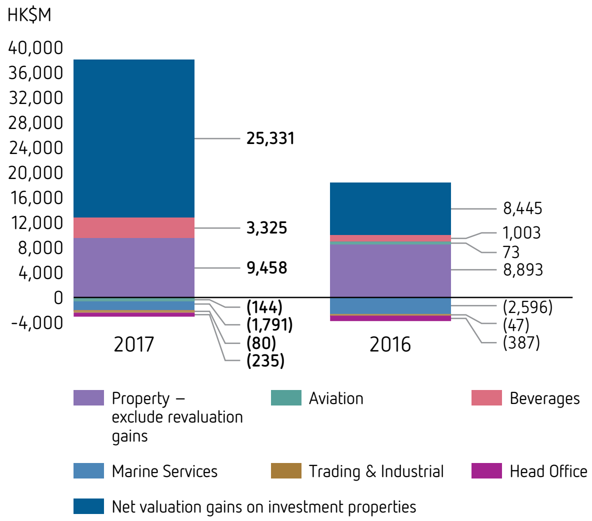
In the Beverages Division, the increase in revenue was principally due to increased sales volumes in Mainland China and the USA. The increase mainly arose from the acquisition of new franchise territories in Mainland China (Guangxi, Hainan, Hubei, Jiangxi, Yunnan and Zhanjiang), the inclusion of revenue from three existing joint venture companies (Jiangsu, Zhejiang and Guangdong) when they became subsidiary companies and the acquisition of new franchise territories in Washington, Oregon and Idaho in the USA. Revenue was marginally higher in Hong Kong and Taiwan, principally due to higher sales volume and lower discounting in Hong Kong and a better sales mix in Taiwan.

In the Marine Services Division, the decrease in revenue at SPO was due to lower fleet utilisation and charter hire rates and the disposal of five vessels (with a further vessel having been redelivered to its owner).

In the Trading & Industrial Division, there were increases in revenue at Taikoo Motors , Swire Foods and Swire Pacific Cold Storage, partially offset by a small decrease in revenue at Swire Retail due to closure of retail outlets in Hong Kong and in Mainland China (those in Mainland China being loss making).

Operating Profit

Operating Profit/(Loss) by Division



The operating profits in 2017 and 2016 include net valuation gains on investment properties of HK$25,331 million and HK$8,445 million, respectively. The higher net revaluation gains on investment properties principally reflected an increase in the valuation of investment properties in Hong Kong due to higher rents at the offices in Pacific Place and Taikoo Place, and a reduction of 25 basis points in the capitalisation rate applicable to office properties in Hong Kong, partially offset by a revaluation loss on the retail properties at Brickell City Centre in Miami, USA due to slightly lower retail rents. Investment properties in Mainland China recorded a higher valuation gain due to higher rents at TaiKoo Hui and Taikoo Li Sanlitun. Excluding net revaluation gains, operating profit increased by HK$3,594 million. This reflected increases (significant in the case of the Beverages Division) in operating profit in the Beverages and Property Divisions and lower vessel impairments in the Marine Services Division.

The Property Division's operating profit (excluding net valuation gains) increased by HK$565 million. Profit from property investment increased by HK$420 million, mainly due to better performances from the retail portfolio in Mainland China and the office portfolio in Hong Kong and the effect of a full year of operations at Brickell City Centre in the USA. Profit from property trading increased by HK$65 million, principally reflecting the recognition of profit on sales at ALASSIO and WHITESANDS in Hong Kong, partially offset by lower profits on sales at Reach and Rise in the USA. The loss from hotels decreased by HK$80 million, principally due to the inclusion of a full year of operations at EAST, Miami in the USA and a better performance at the Mandarin Oriental, Guangzhou.

In the Aviation Division, the decrease in operating profit from the HAECO group was principally due to increased losses at HAECO Americas. These reflected a higher impairment charge in 2017 than in 2016 in respect of goodwill relating to the acquisition of HAECO Americas. Disregarding the impairment charges in both years, the Division recorded improved profits at HAECO Hong Kong, HAECO Xiamen and TEXL, which were more than offset by an increased operating loss at HAECO Americas.

In the Beverages Division, the significant increase in operating profit included the following pre-tax non-recurring items in 2017: (a) a HK$382 million gain arising from the disposal of the Shaanxi business, (b) a HK$975 million remeasurement gain on the fair value of the interests in three joint venture bottling companies in Guangdong, Zhejiang and Jiangsu when they became subsidiary companies, (c) a HK$289 million gain arising from the terms on which new franchise territories and new production and distribution assets were acquired in the USA and (d) a HK$39 million loss (including related restructuring costs) on closure of the Kaohsiung plant in Taiwan. Disregarding the above non-recurring items, operating profits in Mainland China and the USA were higher, principally due to additional sales volume from the expanded franchise territories in Mainland China and the USA and a better product and packaging mix in Mainland China.

In the Marine Services Division, the decreased operating loss at SPO principally reflected a lower impairment charge (HK$1,015 million compared with HK$2,313 million in 2016) in respect of vessels. Disregarding impairment charges and the impact of asset disposals in both years, operating losses of SPO increased from HK$312 million in 2016 to HK$760 million in 2017. This principally reflected lower charter hire rates and a slight reduction in fleet utilisation.

In the Trading & Industrial Division, the operating loss increased by HK$33 million compared with 2016 due to the inclusion of a non-recurring loss of HK$94 million on disposal of Swire Retail's interest in Rebecca Minkoff. Disregarding this loss in 2017, the Division reported an operating profit of HK$14 million in 2017 compared to an operating loss of HK$47 million in 2016. The favourable results were principally due to higher operating profits at Taikoo Motors and Swire Foods, partially offset by weaker results at Swire Retail and the costs associated with the cold storage business in Mainland China.

Net Finance Charges

The decrease in net finance charges mainly reflected a decrease in the cost of borrowings in Hong Kong and Mainland China and a lower increase in the fair value of a put option in respect of a non-controlling interest in a subsidiary company, partially offset by the progressive cessation of interest capitalisation in respect of Brickell City Centre upon completion of the development in late 2016.

Share of Profits Less Losses of Joint Venture Companies

In the Property Division, net revaluation gains recorded on investment properties held by joint venture companies increased by HK$219 million compared to 2016, reflecting higher valuations in Mainland China. There was an increase in profit from investment properties owned by joint venture companies in Hong Kong and Mainland China, particularly at HKRI Taikoo Hui following its phased opening starting in 2016. Sino-Ocean Taikoo Li Chengdu also achieved good results due to higher occupancy.

In the Aviation Division, profits from joint venture companies in the HAECO group decreased by HK$758 million, principally reflecting the absence of the HK$805 million gain in 2016 on disposal of HAESL's interest in SAESL. Disregarding this gain in 2016, the share of profits from HAESL increased, reflecting more engines having been overhauled.

In the Beverages Division, the profits from joint venture companies in 2017 were HK$19 million, compared with HK$141 million in 2016. This reduction was mainly due to three existing joint venture companies in Mainland China becoming subsidiary companies upon acquisition of further interests in them in April 2017. In July 2017, the Division acquired a 54% interest in a new joint venture company in Shanghai.

In the Trading & Industrial Division, the contribution from Akzo Nobel Swire Paints was higher than in 2016. This reflected higher sales volume and lower operating costs in Mainland China, partially offset by the adverse effect on gross margins of higher average material costs and an unfavourable product mix. The overall HK$11 million decrease in the Division's contribution in 2017 was principally due to some start-up operating losses at the cold storage business in Xiamen (65% owned) from March 2017.

Share of Losses Less Profits of Associated Companies

In the Aviation Division, the Cathay Pacific group contributed a loss of HK$567 million in 2017 compared to a loss of HK$259 million in 2016. This principally reflected lower passenger revenue and higher fuel and other costs, partially offset by better results from the air cargo business. The passenger business was affected by intense competition, with more direct flights between Mainland China and international destinations and increased competition from low cost carriers. The share of profits from other subsidiaries and associates of Cathay Pacific increased. This mainly reflected a strong performance from the Air China Cargo joint venture company, which benefited from strong cargo demand.

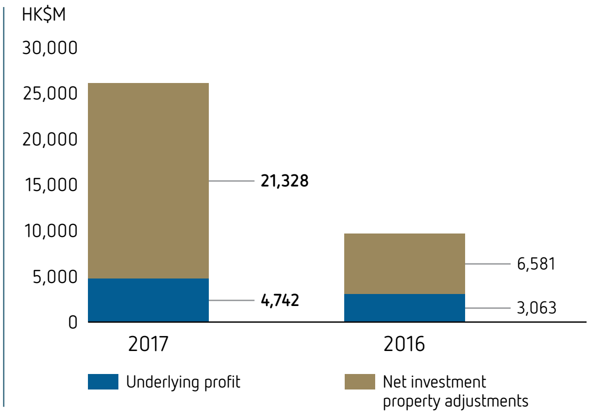
In the Property Division, profits from the three associate hotels at Pacific Place in Hong Kong increased marginally.

In the Beverages Division, there was an increase in the contribution from Coca-Cola Bottlers Manufacturing Holdings Limited in Mainland China. This was principally due to higher sales volume and savings in manufacturing overheads and interest expenses.

Taxation

The increase in taxation reflected the higher pre-tax profit of the Group (excluding revaluation gains on investment properties in Hong Kong and other capital items not subject to tax). The write-off of net deferred tax assets at HAECO Americas in 2017 increased the current year tax charge by HK$249 million.

Profit and Underlying Profit Attributable to the Company's Shareholders



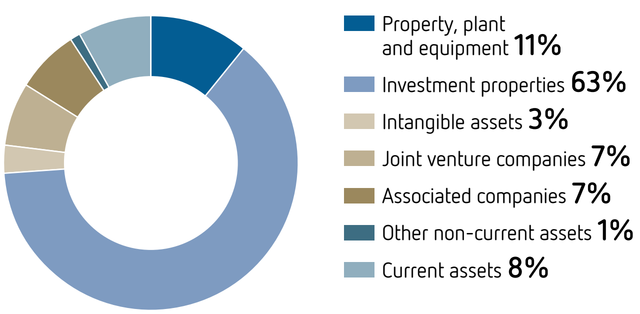
The increase in profit attributable to the Company's shareholders is after net revaluation gains on investment properties of HK$21,328 million and HK$6,581 million in 2017 and 2016 respectively. Excluding net investment property adjustments, underlying profit increased by HK$1,679 million. The increase principally reflected better results from the Property and Beverages Divisions and lower impairment charges at SPO. This was partially offset by increased losses from the Cathay Pacific group and a higher operating loss and higher impairment charges at HAECO Americas.

Consolidated Statement of Financial Position

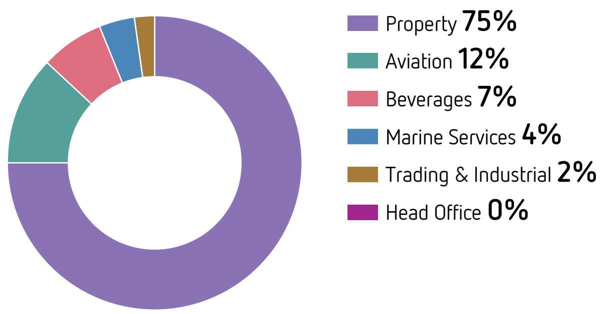
	Notes to the Financial Statements	2017 HK$M	2016 HK$M	Increase / (Decrease) HK$M	Increase / (Decrease) %
Property, plant and equipment	14	45,619	40,922	4,697	11%
Investment properties	15	265,944	233,718	32,226	14%
Intangible assets	17	13,486	9,195	4,291	47%
Joint venture companies	19(a)	29,449	25,908	3,541	14%
Associated companies	19(b)	30,404	27,546	2,858	10%
Other non-current assets	32	–	5,479	(5,479)	-100%
Properties under development and for sale	23	2,300	5,669	(3,369)	-59%
Stocks and work in progress	24	6,229	4,790	1,439	30%
Trade and other receivables	25	10,979	9,597	1,382	14%
Bank balances and short-term deposits	26	6,072	6,477	(405)	-6%
Other current assets	32	6,262	–	6,262	100%
Other assets		4,355	4,197	158	4%
Total assets		421,099	373,498	47,601	13%
Trade and other payables	27	24,782	20,875	3,907	19%
Loans, bonds and perpetual capital securities	28, 29	78,586	70,570	8,016	11%
Deferred tax liabilities	30	9,881	8,291	1,590	19%
Other liabilities		1,756	1,594	162	10%
Total liabilities		115,005	101,330	13,675	13%
Net assets		306,094	272,168	33,926	12%
Equity attributable to the Company's shareholders	33, 34	253,163	224,879	28,284	13%
Non-controlling interests	35	52,931	47,289	5,642	12%
Total equity		306,094	272,168	33,926	12%

Total Assets

Total Assets by Category



Total Assets by Division



Property, Plant and Equipment

The increase in property, plant and equipment principally reflected capital expenditure (net of depreciation) plus the inclusion of property, plant and equipment at the new beverages franchise territories in Mainland China and the USA, partially offset by an impairment charge at SPO and the transfer of certain owner-occupied properties to investment properties.

Investment Properties

The increase in investment properties principally reflected net revaluation gains, construction costs incurred on new investment properties and renovation costs incurred on existing investment properties. The movement during the year also included foreign exchange translation gains on investment properties in Mainland China and the reclassification of certain owner-occupied properties from property, plant and equipment to investment properties, partially offset by the transfer of certain investment properties to properties under development and for sale.

Intangible Assets

The increase in intangible assets in 2017 includes intangible assets (principally franchise rights and goodwill) of HK$4,696 million recognised as a result of the acquisition of the new beverages franchise territories in Mainland China and the USA. This was partially offset by an impairment charge of HK$625 million in respect of goodwill at HAECO Americas.

Investments in Joint Venture Companies

The increase in investments in joint venture companies principally reflected advances of loans to fund joint venture property projects in Hong Kong and the acquisition of a 54% interest in a joint venture company in Shanghai in Mainland China. There were also increases in retained profits in the Property Division (principally as a result of valuation gains on investment properties held by joint venture companies), and at HAESL and Akzo Nobel Swire Paints. There were foreign exchange translation gains from joint venture companies in Mainland China. These increases were partially offset by dividends paid and the reclassification of three joint venture companies in the Beverages Division as subsidiary companies as part of the realignment of the Coca-Cola bottling system in Mainland China.

Investments in Associated Companies

The increase in investments in associated companies principally reflected an increase in the share of net assets of the Cathay Pacific group. The increase in net assets of the Cathay Pacific group is principally due to a reduction in unrealised losses from fuel hedging contracts in the cash flow hedge reserve.

Other Current Assets and Non-Current Assets

The increase represented development costs incurred in respect of the Kowloon Bay development in 2017.

Properties Under Development and for Sale

The decrease in properties under development and for sale principally reflected sales of residential properties at the ALASSIO and WHITESANDS developments in Hong Kong and at the Reach and Rise developments at Brickell City Centre, Miami, partially offset by the transfer of the Wing Fung Street property from investment properties to properties under development.

Stocks and Work in Progress

The increase in stocks and work in progress was principally due to the inclusion of stocks and work in progress at the new beverages businesses in Mainland China and the USA.

Trade and Other Receivables

The increase in trade and other receivables principally reflected the inclusion of trade and other receivables at the new beverages businesses in Mainland China and the USA.

Trade and Other Payables

The increase in trade and other payables principally reflected the inclusion of trade and other payables at the new beverages businesses in Mainland China and the USA, the recognition of contingent consideration payable in respect of a new beverages business in the USA, and further deposits received on the sale of a subsidiary owning an uncompleted property in Kowloon Bay, Hong Kong. These were partially offset by the settlement and adjustment of the contingent consideration payables in respect of previously acquired businesses in the USA and lower trade and other payables in the Property Division.

Bank Balances and Short-Term Deposits/Loan, Bonds and Perpetual Capital Securities

The increase in net borrowings reflects funding to finance the Group's property developments, the acquisition of new businesses by the Beverages Division and the purchase of new vessels and other fixed assets and investments.

Deferred Tax Liabilities

The increase in deferred tax liabilities was principally attributable to higher deferred tax relating to depreciation allowances on investment properties and on revaluation gains on investment properties held by the Group in Mainland China and the USA. The reduction in US tax rates from 2018 onwards resulted in adjustments to the deferred tax assets and liabilities of the Property and Beverages Divisions at the end of 2017.

Equity Attributable to the Company's Shareholders

In each year, the movement in equity attributable to the Company's shareholders mainly represents the total comprehensive income for the year attributable to the Company's shareholders (HK$32,218 million in 2017) less dividends paid to shareholders (HK$3,158 million in 2017). In 2017, the movement in equity attributable to the Company's shareholders also reflected the effect of acquiring non-controlling interests in two subsidiaries in the Beverages Division, one in Hong Kong, the other in Mainland China (totalling HK$611 million).

Non-controlling Interests

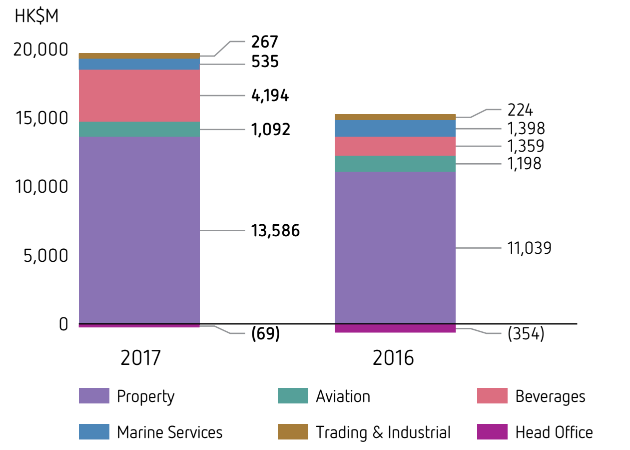
The non-controlling interests principally reflect the 18% non-controlling interest in Swire Properties and the 25% non-controlling interest in HAECO.

Consolidated Statement of Cash Flows

	Notes to the Financial Statements	2017 HK$M	2016 HK$M	Increase/(Decrease) HK$M
Cash generated from operations	42(a)	19,605	14,864	4,741
Net interest paid		(2,390)	(2,354)	36
Tax paid		(2,172)	(1,993)	179
Dividends received		557	2,673	(2,116)
Investing activities				
Purchase of property, plant and equipment	42(b)	(3,777)	(3,551)	226
Additions of investment properties		(5,179)	(5,883)	(704)
Additions of other current assets/other non-current assets		(623)	(254)	369
Proceeds from disposals of property, plant and equipment		263	1,364	(1,101)
Proceeds from disposals of investment properties		40	735	(695)
Proceeds from disposals of subsidiary companies, net of cash disposed of	42(d)	614	(16)	630
Proceeds from disposals of available-for-sale assets		71	35	36
Purchase of shares in new subsidiary companies	37(e)	(4,163)	–	4,163
Purchase of shares in joint venture companies		(1,046)	(543)	503
Purchase of shares in associated companies		–	(23)	(23)
Purchase of new businesses	37(a) to (d)	(2,347)	(1,455)	892
Purchase of available-for-sale assets		(11)	(41)	(30)
Net loans to joint venture companies		(1,407)	(474)	933
Others		(184)	(253)	(69)
Net cash generated from businesses and investments		(2,149)	2,831	(4,980)
Dividends paid	34, 42(c)	(4,335)	(6,716)	(2,381)
Loans drawn and refinancing		20,312	15,321	4,991
Repayment of loans and bonds		(13,049)	(13,195)	(146)
Capital contributions from non-controlling interests		–	90	(90)
Repurchase of the Company's shares	33	(153)	–	153
Purchase of shares in existing subsidiary companies		(1,384)	(640)	744
Cash paid to shareholders and net funding by external debt		1,391	(5,140)	(6,531)
Decrease in cash and cash equivalents		(758)	(2,309)	(1,551)

Cash Generated from Operations

Cash Generated from/(Used in) Operations by Division



Dividends Received

Dividends received in 2017 principally reflected dividends from HAESL (with the dividend received from HAESL in 2016 having included a special dividend received following the disposal of its interest in SAESL) and from the Property Division's associated hotel companies and joint venture investment property companies in Hong Kong.

Purchase of Property, Plant and Equipment

Purchase of property, plant and equipment in 2017 principally reflected the purchase of new production and marketing equipment in the Beverages Division, the construction of a new hangar at HAECO Americas, the acquisition of new vessels by SPO and the cost of construction of cold storage facilities in Mainland China.

Additions of Investment Properties

The additions of investment properties in 2017 principally reflected capital expenditure on the Taikoo Place office redevelopment and other projects in Hong Kong and on the Brickell City Centre development in the USA.

Additions of Other Current Assets/ Other Non-Current Assets

The additions of other current assets/other non-current assets represented continuing development costs incurred on the uncompleted property in Kowloon Bay, Hong Kong following its transfer from investment properties in October 2016.

Proceeds from Disposals of Property, Plant and Equipment

The proceeds from disposals of property, plant and equipment included proceeds from the disposal of five vessels by SPO and of other fixed assets elsewhere in the Group.

Proceeds from Disposals of Subsidiary Companies

Proceeds from disposals of subsidiary companies principally comprised proceeds received from the disposal of the company which carried on the Shaanxi business in the Beverages Division.

Purchase of Shares in Joint Venture Companies

In 2017, the Beverages Division purchased a 54% interest in a joint venture company in Shanghai in Mainland China as part of the realignment of the Coca-Cola bottling system in Mainland China.

Purchase of Shares in New Subsidiary Companies/ New Businesses

In 2017, the Beverages Division acquired new businesses (including production and distribution assets) in Mainland China and the USA.

Net Loans to Joint Venture Companies

Loans to joint venture companies in 2017 principally reflected funding made available to joint venture property projects in Hong Kong and Mainland China.

Loans Drawn and Refinancing

In 2017, loans drawn and refinancing comprised new financing under the Group's medium term note programmes and new loans and drawdowns of existing financing from banks.

Purchase of Shares in Existing Subsidiary Companies

In 2017, the Beverages Division purchased the 12.5% interest in Swire Beverages Limited which it did not already own for a consideration of HK$1,405 million and a further 16.8% interest in a Coca-Cola bottling company in Hubei for a consideration of HK$95 million.

Investment Appraisal and Performance Review

	Net assets employed 2017 HK$M	Net assets employed 2016 HK$M	Capital commitments* 2017 HK$M	Capital commitments* 2016 HK$M
Property investment	282,662	248,252	13,940	17,628
Property trading	3,942	6,616	–	–
Hotels	7,738	7,520	260	700
Property – overall	294,342	262,388	14,200	18,328
Aviation	44,798	42,606	954	1,593
Beverages	17,274	7,845	767	9,231
Marine Services	16,755	18,170	1,731	2,365
Trading & Industrial	5,631	5,246	141	875
Head Office	(192)	(41)	–	–
Total net assets employed	378,608	336,214	17,793	32,392
Less: net debt	(72,514)	(64,046)		
Less: non-controlling interests	(52,931)	(47,289)		
Equity attributable to the Company's shareholders	253,163	224,879		

	Equity attributable to the Company's shareholders 2017 HK$M	Equity attributable to the Company's shareholders 2016 HK$M	Return on average equity attributable to the Company's shareholders 2017	Return on average equity attributable to the Company's shareholders 2016
Property investment	203,630	177,455	14.1%	6.6%
Property trading	1,519	1,689	56.8%	48.2%
Hotels	5,531	5,401	-0.6%	-1.7%
Property – overall	210,680	184,545	14.0%	6.8%
Aviation	38,187	36,089	-2.7%	1.3%
Beverages	11,337	4,544	30.7%	18.5%
Marine Services	8,350	10,197	-24.1%	-26.1%
Trading & Industrial	5,738	5,388	1.2%	2.2%
Head Office	(21,129)	(15,884)		
Total	253,163	224,879	10.9%	4.4%

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of joint venture companies.

Financing

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A1 to A3 on Moody's scale, A+ to A- on Standard & Poor's scale and A+ to A- on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to macro-economic or other circumstances. At 31st December 2017 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, and Swire Properties' long-term credit ratings were A2 from Moody's and A from Fitch.

Changes in Financing

Analysis of Changes in Financing during the Year

Audited Financial Information

	Loans and bonds				
	due within one year HK$M	due after one year HK$M	Perpetual capital securities HK$M	Total 2017 HK$M	2016 HK$M
Loans, bonds and perpetual capital securities					
At 1st January	5,952	62,291	2,327	70,570	68,617
Loans drawn and refinancing	1,702	18,610	–	20,312	15,321
Repayment of loans and bonds	(8,798)	(1,910)	(2,341)	(13,049)	(13,195)
Reclassification	10,409	(10,409)	–	–	–
Currency adjustment	136	479	14	629	(276)
Other non-cash movements	11	113	–	124	103
At 31st December	9,412	69,174	–	78,586	70,570

Sources of Finance

Audited Financial Information

At 31st December 2017, committed loan facilities and debt securities amounted to HK$99,639 million, of which HK$21,307 million (21%) were undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$11,851 million. Sources of funds at 31st December 2017 comprised:

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	50,681	50,681	–	–
Bank loans, overdrafts and other loans	48,958	27,651	1,360	19,947
Total committed facilities	99,639	78,332	1,360	19,947
Uncommitted facilities				
Bank loans, overdrafts and other loans	12,522	671	11,851	–
Total	112,161	79,003	13,211	19,947

Note: The figures above are stated before unamortised loan fees of HK$417 million.

i) Loans and Bonds

Audited Financial Information

For accounting purposes, the loans and bonds are classified as follows:

	2017			2016		
	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Short-term loans – unsecured	671	–	671	595	–	595
Long-term loans and bonds at amortised cost – unsecured	78,332	(417)	77,915	68,068	(420)	67,648
Less: amount due within one year included under current liabilities	(8,747)	6	(8,741)	(5,365)	8	(5,357)
	69,585	(411)	69,174	62,703	(412)	62,291

The maturity of long-term loans and bonds is as follows:

	2017 HK$M	2016 HK$M
Bank loans (unsecured)		
Repayable within one year	3,539	4,854
Repayable between one and two years	5,313	3,743
Repayable between two and five years	18,555	13,067
Repayable after five years	3	–
Other borrowings (unsecured)		
Repayable within one year	5,202	503
Repayable between one and two years	4,203	5,174
Repayable between two and five years	15,858	9,832
Repayable after five years	25,242	30,475
	77,915	67,648
Amount due within one year included under current liabilities	(8,741)	(5,357)
	69,174	62,291

ii) Perpetual Capital Securities

Audited Financial Information

Perpetual capital securities, amounting to US$300 million and bearing interest at 8.84% per annum, were issued by a wholly-owned subsidiary of the Company ("the Issuer"), on 13th May 1997 and were listed on the Luxembourg Stock Exchange. The perpetual capital securities, which were unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company, were redeemed by the Issuer on 13th May 2017 and delisted from the Luxembourg Stock Exchange on 15th May 2017.

iii) Bank Balances and Short-Term Deposits

The Group had bank balances and short-term deposits of HK$6,072 million at 31st December 2017 compared to HK$6,477 million at 31st December 2016.

Maturity Profile and Refinancing

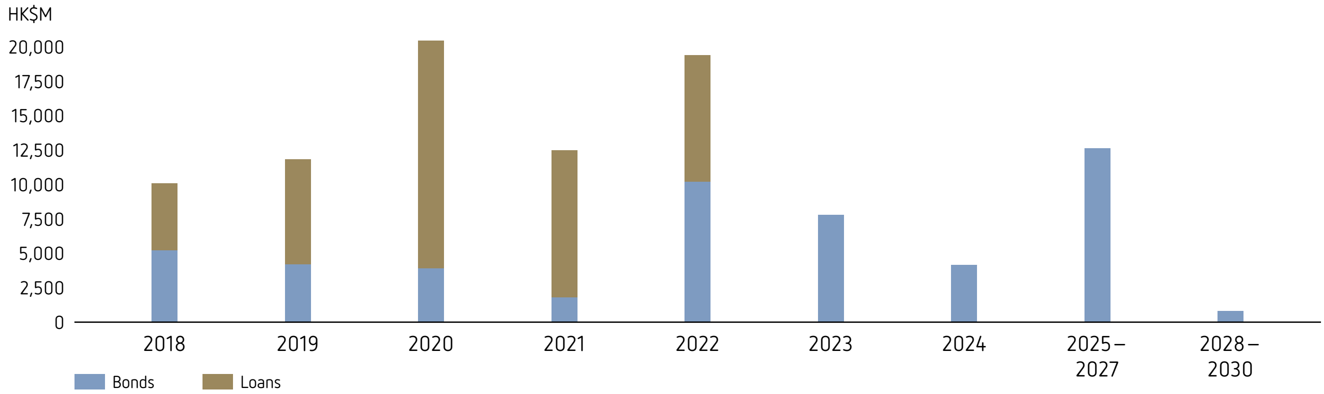
Bank loans and other borrowings are repayable on various dates up to 2030 (2016: same).

The weighted average term and cost of the Group's debt is:

	2017	2016
Weighted average term of debt	3.9 years	4.2 years
Weighted average term of debt (excluding perpetuals)	N/A	4.3 years
Weighted average cost of debt	3.7%	4.0%
Weighted average cost of debt (excluding perpetuals)	3.6%	3.8%

The maturity profile of the Group's available committed facilities is set out below:

Total Available Committed Facilities by Maturity
(at 31st December 2017)



Currency Profile

An analysis of the carrying amounts of gross borrowings by currency (after cross-currency swaps) is shown below:

Audited Financial Information

	2017		2016	
	HK$M		HK$M	
Currency				
Hong Kong dollar	55,025	70%	46,184	66%
United States dollar	20,640	26%	20,779	29%
Renminbi	2,480	3%	3,296	5%
Others	441	1%	311	–
Total	78,586	100%	70,570	100%

Finance Charges

Audited Financial Information

At 31st December 2017, 71% of the Group's gross borrowings were on a fixed rate basis and 29% were on a floating rate basis (2016: 73% and 27%).

The exposure of the Group's loans and bonds to interest rate changes (after interest rate swaps) can be illustrated as follows:

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2017	22,701	5,986	24,653	25,246	78,586
At 31st December 2016	18,762	503	18,502	30,476	68,243

Audited Financial Information

Interest charged and earned during the year was as follows:

	2017 HK$M	2016 HK$M
Interest charged		
Bank loans and overdrafts	520	503
Other loans, bonds and perpetual capital securities	2,041	2,109
Fair value gains on derivative instruments		
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	(74)	(92)
Interest rate swaps not qualifying as hedges	(1)	–
Amortised loan fees — loans at amortised cost	114	117
	2,600	2,637
Fair value loss on put options over non-controlling interests in subsidiary companies	34	116
Fair value loss on put options over other partners' interests in a joint venture company	30	–
Other financing costs	124	137
Capitalised on		
Investment properties	(212)	(248)
Properties under development and for sale	–	(140)
Hotel, other properties and equipment	(167)	(31)
Vessels	(10)	(13)
	2,399	2,458
Less: interest income		
Short-term deposits and bank balances	70	66
Other loans	90	95
	160	161
Net finance charges	2,239	2,297

The capitalised interest charges on funds borrowed for the development of investment properties, properties under development and for sale, hotel and other properties and vessels were between 1.40% and 4.00% per annum (2016: 1.30% and 4.30% per annum).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$2,600 million (2016: HK$2,637 million).

The interest rates per annum, before swaps, at the year-end date were as follows:

	2017				2016			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Short-term loans	1.77	3.40	4.13-4.35	0.83-1.81	0.93	2.80	3.83	0.72-1.52
Long-term loans and bonds	1.29-5.05	2.03-6.25	3.90-4.41	1.72-1.98	1.15-5.05	1.22-6.25	3.90-4.41	1.37
Perpetual capital securities	–	–	–	–	–	8.84	–	–

Covenants and Credit Triggers

Audited Financial Information

There are no specific covenants given by the Group for its debt facilities which would require debt repayment or termination of a facility should its credit rating be revised by the credit rating agencies.

The Company has entered into financial covenants in respect of gearing limits and maintenance of minimum consolidated net worth, to secure funding for itself and its subsidiaries. These covenants are set out below:

	Covenant requirements	2017	2016
Gearing			
Consolidated borrowed money/adjusted consolidated net worth	≤200%	23.7%	23.5%

	HK$M	HK$M	HK$M
Maintenance of minimum adjusted consolidated tangible net worth			
Adjusted consolidated tangible net worth	≥20,000	292,608	262,973

These financial covenants, together with the long-term credit rating objective, establish the framework within which the capital structure of the Group is determined.

To date, none of the covenants have been breached.

Capital Management

Audited Financial Information

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as a going concern, so that it can continue to provide returns for shareholders, and to secure access to finance at a reasonable cost.

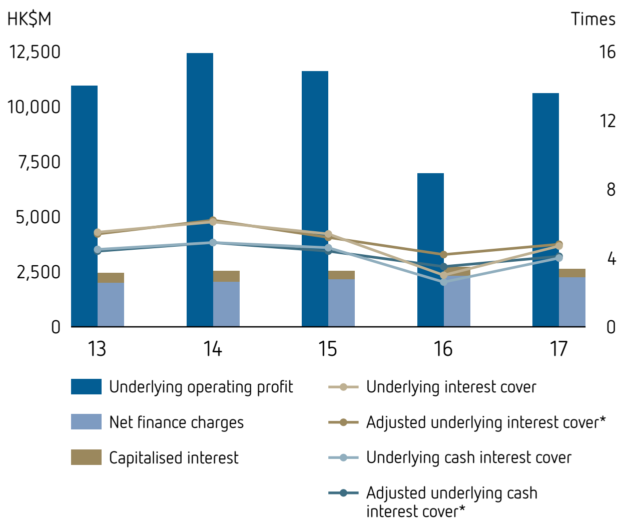
The Group considers a number of factors in monitoring its capital structure, principally the gearing ratio, cash interest cover and the return cycle of its investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings (comprising borrowings net of security deposits plus perpetual capital securities issued by the Group) less short-term deposits and bank balances and certain available-for-sale investments. Capital comprises total equity, as shown in the consolidated statement of financial position.

In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2017 and 31st December 2016 were as follows:

	2017 HK$M	2016 HK$M
Total borrowings	78,586	70,570
Less: Short-term deposits, bank balances and certain available-for-sale investments	(6,072)	(6,524)
Net debt	72,514	64,046
Total equity	306,094	272,168
Gearing ratio	23.7%	23.5%
Interest cover – times	16.0	6.7
Cash interest cover – times	13.6	5.6
Underlying cash interest cover – times	4.0	2.6
Return on average equity attributable to the Company's shareholders	10.9%	4.4%

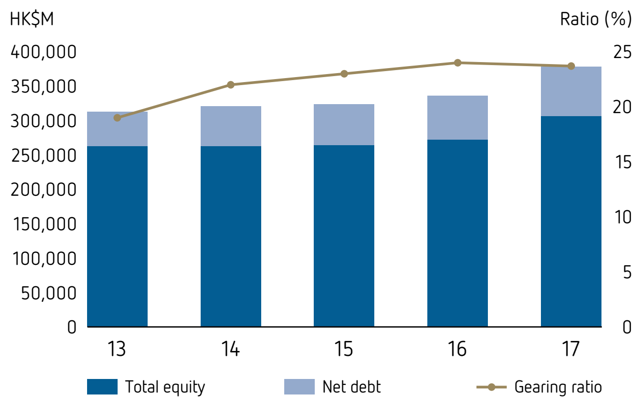
The following graphs illustrate the underlying interest cover and the gearing ratios for each of the last five years:

Underlying Interest Cover



* Calculated using adjusted underlying operating profit which excludes the effect of capital profits less impairments.

Gearing Ratio



Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at the end of 2017 and 2016:

	Total net debt / (cash) of joint venture and associated companies		Portion of net debt / (cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
Property Division	17,334	15,887	7,058	6,568	1,483	1,459
Aviation Division						
Cathay Pacific group	59,300	49,879	26,685	22,445	–	–
HAECO group	527	473	240	207	–	–
Others	1	3	1	1	–	–
Beverages Division	(392)	388	(221)	116	–	–
Marine Services Division	841	795	420	398	500	500
Trading & Industrial Division	(3,221)	(3,090)	(1,086)	(1,102)	29	1
	74,390	64,335	33,097	28,633	2,012	1,960

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 34.5%.

Corporate Governance Report

Governance Culture

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Swire Pacific believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to shareholders
– that the interests of those who deal with the Company are safeguarded
– that overall business risk is understood and managed appropriately
– the delivery of high-quality products and services to the satisfaction of customers and
– that high standards of ethics are maintained.

Corporate Governance Statement

The Corporate Governance Code (the "CG Code") as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

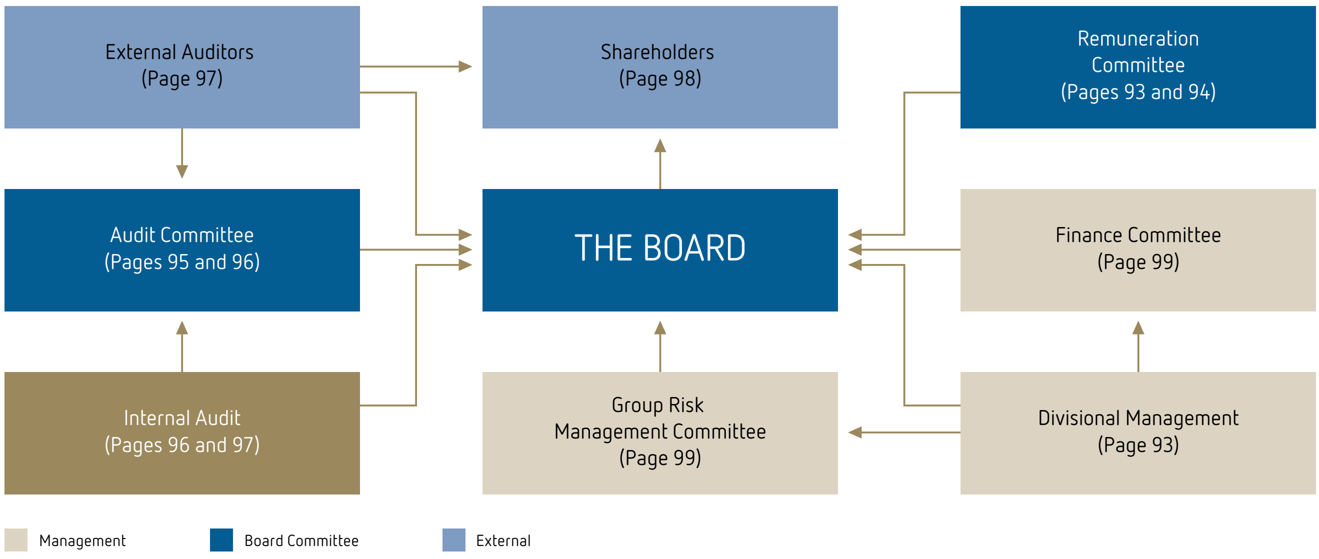
– code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
– recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only.

The Company supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Swire Pacific has adopted its own corporate governance code which is available on its website www.swirepacific.com. Corporate governance does not stand still; it evolves with each business and operating environment. The Company is always ready to learn and adopt best practices. As part of its commitment to enhance corporate governance standards within the region, Swire Pacific is a member of the Asian Corporate Governance Association.

The Company complied with all the code provisions set out in 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.

Governance Structure



The Board of Directors

Role of the Board

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the interests of those with whom the Group does business and others.

Responsibility for achieving the Company's objectives and running the business on a day-to-day basis is delegated to divisional management. The Board exercises a number of reserved powers which include:

– maintaining and promoting the culture of the Company
– formulation of long-term strategy
– approving public announcements, including financial statements
– committing to major acquisitions, divestments and capital projects
– authorising significant changes to the capital structure and material borrowings
– any issue, or buy-back, of equity securities under the relevant general mandates
– approving treasury policy
– setting dividend policy
– approving appointments to the Board
– reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
– ensuring that appropriate management development and succession plans are in place
– setting the Group remuneration policy
– approving annual budgets and forecasts
– reviewing operational and financial performance
– reviewing the effectiveness of the Group's risk management and internal control systems
– ensuring the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see pages 95 and 96) and the Remuneration Committee (see pages 93 and 94).

Chairman and Chief Executive
The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

J R Slosar, the Chairman, is responsible for:

– leadership of the Board
– setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
– facilitating effective contributions from and dialogue with all Directors and constructive relations between them
– ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information
– obtaining consensus amongst the Directors
– ensuring, through the Board, that good corporate governance practices and procedures are followed.

Each division of the Group has one or more executive directors who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 93).

Throughout the year, there was a clear division of responsibilities between the Chairman and the management executives responsible for the divisions of the Group.

Board Composition
The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board comprises the Chairman, three other Executive Directors and seven Non-Executive Directors. Their biographical details are set out in the section of this annual report headed Directors and Officers and are posted on the Company's website.

I K L Chu, D P Cogman, M M S Low and J R Slosar are directors and/or employees of the John Swire & Sons Limited ("Swire") group. M B Swire and S C Swire are shareholders, directors and employees of Swire. Before they ceased to be directors of the Company, G M C Bradley, M Cubbon and A K W Tang were directors and employees of the Swire group.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit and Remuneration Committees of the Board comprise only Non-Executive Directors.

The Board considers that five of the seven Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. T G Freshwater and C Lee have served as Non-Executive Directors for more than nine years. The Directors are of the opinion that they remain independent, notwithstanding their length of tenure. T G Freshwater and C Lee continue to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that their tenure has had any impact on their independence. The Board believes that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company, and that they maintain an independent view of its affairs.

Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors:

– provide open and objective challenge to management and other Board members
– raise intelligent questions and challenge constructively and with vigour
– bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management.

The number of Independent Non-Executive Directors represents at least one-third of the Board of Directors.

Appointment and Re-election
Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his or her appointment, and all Executive and Non-Executive Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

Full details of changes in the Board during the year and to the date of this report are provided in the section of this annual report headed Directors' Report.

Board Diversity
The Board has a board diversity policy, which is available on the Company's website.

In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders.

Responsibilities of Directors
On appointment, the Directors receive information about the Group including:

– the role of the Board and the matters reserved for its attention
– the role and terms of reference of Board Committees
– the Group's corporate governance practices and procedures
– the powers delegated to management and
– the latest financial information.

Directors update their skills, knowledge and familiarity with the Group through their participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training and advice.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly.

Details of Directors' other appointments are shown in their biographies in the section of this annual report headed Directors and Officers.

Board Processes
All committees of the Board follow the same processes as the full Board.

The dates of the 2017 Board meetings were determined in 2016 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met five times in 2017. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 92. Average attendance at Board meetings was 98%. All Directors attended Board meetings in person or through electronic means of communication during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings.

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting papers, are made available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and records respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:

– review of a report by each Executive Director on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
– the raising of new initiatives and ideas
– the presentation of papers to support decisions requiring Board approval
– an update of legal and compliance matters for Directors' consideration
– any declarations of interest.

The executive management provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. One such meeting was held in 2017.

The Chairman meets at least annually with the Non-Executive Directors without the Executive Directors being present.

	Meetings Attended/Held				Continuous Professional Development
Directors	Board	Audit Committee	Remuneration Committee	2017 Annual General Meeting	Type of Training (Note)
Executive Directors					
J R Slosar – Chairman	5/5			√	A
G M C Bradley (resigned on 4th May 2017)	2/2			N/A	A
I K L Chu	5/5			√	A
D P Cogman (appointed on 7th August 2017)	2/2			N/A	A
M Cubbon (resigned on 30th September 2017)	4/4			√	A
M M S Low (appointed on 1st July 2017)	2/2			N/A	A
A K W Tang (resigned on 4th May 2017)	2/2			N/A	A
Non-Executive Directors					
M B Swire	5/5		1/2	√	A
S C Swire	5/5			√	A
Independent Non-Executive Directors					
P K Etchells (appointed on 17th May 2017)	3/3	2/2		√	A
T G Freshwater	5/5	1/1		√	A
C Lee	5/5	3/3	2/2	√	A
R W M Lee	5/5		2/2	√	A
G R H Orr	5/5	3/3		√	A
M C C Sze (retired on 18th May 2017)	2/2			√	A
M M T Yang (resigned on 4th May 2017)	1/2			N/A	A
Average attendance	98%	100%	83%	100%	

Note:
A: All the Directors received training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors. They also kept abreast of matters relevant to their role as directors by such means as attendance at seminars and conferences and reading and viewing materials about financial, commercial, economic, legal, regulatory and business affairs.

Continuous Professional Development
All Directors named above have received the training referred to above and have been provided with "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

Directors' and Officers' Insurance
The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Conflicts of Interest
If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

Delegation by the Board
Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the head of each business unit. These individuals have been given clear guidelines and directions as to their powers and, in particular, the circumstances under which they should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

– detailed monthly management accounts consisting of statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
– internal and external audit reports
– feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers.

Securities Transactions
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.

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director twice annually, immediately before the two financial period ends, with a reminder that the Director cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors and senior executives of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests at 31st December 2017 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the section of this annual report headed Directors' Report.

Remuneration Committee

Full details of the remuneration of the Directors are provided in note 8 to the financial statements.

The Remuneration Committee comprises three Non-Executive Directors, C Lee, R W M Lee and M B Swire. Two of the Committee members are Independent Non-Executive Directors, one of whom, C Lee is Chairman. All the members served for the whole of 2017.

The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee exercises the powers of the Board to determine the remuneration packages of individual Executive Directors (including salaries, bonuses, benefits in kind and the terms on which they participate in any provident fund or other retirement benefit scheme), taking into consideration salaries paid by comparable companies, time commitments and responsibilities and employment conditions elsewhere in the group.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Company's website.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire Pacific Group. Although the remuneration of executives is not entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability profiles of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in October 2017. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 8 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following fee levels have been approved by the Board:

Fee	2017 HK$	2018 HK$
Director's Fee	690,000	690,000
Fee for Audit Committee Chairman	260,000	268,000
Fee for Audit Committee Member	180,000	186,000
Fee for Remuneration Committee Chairman	80,000	83,000
Fee for Remuneration Committee Member	58,000	60,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

– the proper stewardship of the Company's affairs, to ensure the integrity of financial information
– preparing annual and interim financial statements and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
– selecting appropriate accounting policies and ensuring that these are consistently applied
– making judgements and estimates that are prudent and reasonable; and
– ensuring that the application of the going concern assumption is appropriate.

Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 95 and 96.

The foundation of strong risk management and internal control systems is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

Since profits are, in part, the reward for successful risk taking in business, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key components of the Group's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. This is more significant than any written procedures.

The Company aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by example from the Board down. The Company has a Code of Conduct, which is posted on its internal intranet site.

The Company is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's ways of thinking and acting.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Company's Code of Conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk assessment: The Board of Directors and the management each have a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated.

There are two key management committees which monitor risk processes throughout the Group; the Group Risk Management Committee ("GRMC") and the Finance Committee. These primarily comprise senior management and both are chaired by the Finance Director, who reports to the Board on matters of significance that arise.

The GRMC, discussed further in the section of this annual report headed Risk Management, focuses on business, operational, safety, security, legal and reputational risks. The Finance Committee, discussed further in the section of this annual report headed Risk Management, focuses on broad financial and treasury risks.

Management structure: The Group has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and monitoring of risk. Individuals appreciate where they will be held accountable in this process.

A control self-assessment process requires the management in each material business unit to assess, through the use of detailed questionnaires, the adequacy and effectiveness of risk management and internal controls over the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This process and its results are reviewed by internal auditors and form part of the Audit Committee's annual assessment of control effectiveness.

Controls and review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities adopted by Group companies include:

– analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
– direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
– information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports
– physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
– performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
– segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

The Company has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Internal audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 96 and 97.

Audit Committee

The Audit Committee, consisting of three Independent Non-Executive Directors, P K Etchells, C Lee and G R H Orr, assists the Board in discharging its responsibilities for corporate governance and financial reporting. P K Etchells is the Chairman of the Audit Committee. P K Etchells succeeded T G Freshwater as the Chairman of the Audit Committee with effect from the conclusion of the Company's 2017 Annual General Meeting held on 18th May 2017. All the other members served for the whole of 2017.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website.

The Audit Committee met three times in 2017. Regular attendees at the meetings are the Finance Director, the Head of Internal Audit and the external auditors. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the GRMC, the external auditors and Internal Audit. Other attendees during the year included the Group Finance Manager and the Head of Group Risk Management.

The work of the Committee during 2017 included reviews of the following matters:

– the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2016 annual and 2017 interim reports and announcements, with recommendations to the Board for approval
– the Group's compliance with regulatory and statutory requirements
– the Group's risk management and internal control systems
– the Group's risk management processes
– the approval of the 2018 annual Internal Audit programme and review of progress on the 2017 programme
– periodic reports from Internal Audit and progress in resolving any matters identified in them
– significant accounting and audit issues
– the Company's policy regarding connected transactions and the nature of such transactions
– the relationship with the external auditors as discussed on page 97
– the Company's compliance with the CG Code.

In 2018, the Committee has reviewed, and recommended to the Board for approval, the 2017 financial statements.

Assessing the Effectiveness of Risk Management and Internal Control Systems
On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

– the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems, the work and effectiveness of Internal Audit and the assurances provided by the Finance Director
– the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
– the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
– the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
– the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
– areas of risk identified by management
– significant risks reported by Internal Audit and the Group Risk Management Committee
– work programmes proposed by both Internal Audit and the external auditors
– significant issues arising from internal and external audit reports
– the results of management's control self assessment exercise.

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the CG Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update his skills and knowledge.

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 22 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 25 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 25 professionals include a team based in Mainland China which reports to IA in Hong Kong.

IA reports directly to the Chairman of the Board and, without the need to consult with management, to the Chairman of the Audit Committee and via him to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

Scope of Work
Business unit audits are designed to provide assurance that the risk management and internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the GRMC and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 41 assignments were conducted for Swire Pacific in 2017.

IA specifically assists the Audit Committee in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad-hoc projects and investigative work as may be required by management or the Audit Committee.

Audit Conclusion and Response

Copies of IA reports are sent to the Chairman of the Board, the Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations, including those aimed at resolving material internal control defects. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the "auditors"). PricewaterhouseCoopers, the auditors, have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity are not, and are not seen to be, compromised
- approval of audit and non-audit fees.

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of Section 290 of the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work and the nature of the non-audit work) at a meeting of the Audit Committee.

Provision of Non-audit Services

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service.

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

The fees in respect of audit and non-audit services provided to the Group by the auditors for 2017 amounted to approximately HK$52 million and HK$19 million respectively. Fees paid to the auditors are disclosed in note 6 to the financial statements.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Shareholders

Communication with Shareholders and Investors

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The methods used to communicate with shareholders include the following:

- The Finance Director is available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2017 the persons occupying the role of the Finance Director held meetings or calls with analysts and investors, conducted analyst briefings and overseas roadshows and spoke at investor conferences
- through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
- through publication of interim and annual reports
- through the annual general meeting as discussed below.

Shareholders may send their enquiries and concerns to the Board by post or email at ir@swirepacific.com. The relevant contact details are set out in the Financial Calendar and Information for Investors section of this Annual Report.

The Annual General Meeting

The annual general meeting is an important forum in which to engage with shareholders. The most recent annual general meeting was held on 18th May 2017. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 92.

At the annual general meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited financial statements for the year ended 31st December 2016
- re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share buy-backs
- a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares of any class then in issue, provided that the aggregate number of the shares of any class so allotted wholly for cash would not exceed 5% of the number of the shares of that class then in issue.

Minutes of the meeting together with voting results are available on the Company's website.

Shareholder Engagement

Pursuant to Article 95 of the Company's Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination at the registered office of the Company within the 7-day period commencing on and including the day after the despatch of the notice of the meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in the Corporate Governance Section of the Company's website.

If they wish to propose a resolution relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Corporate Governance Section of the Company's website.

Shareholder(s) representing at least 5% of the total voting rights of all members may request the Board to convene a general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

Other Information for Shareholders

Key shareholder dates for 2018 are set out in the section of this annual report headed Financial Calendar and Information for Investors and in the Financial Calendar on the Company's website.

No amendment has been made to the Company's Articles of Association during the year.

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital is held by the public. Details of substantial shareholders' and other interests are included in the section of this annual report headed Directors' Report.

Risk Management

The Board of Directors and the management of each division are responsible for identifying and analysing the risks underlying the achievement of business objectives, and for determining how such risks should be managed and mitigated.

There are two key management committees which seek to monitor the risks to which the Group is subject; the Group Risk Management Committee ("GRMC") and the Finance Committee. These are made up of members of senior management and both are chaired by the Finance Director, who reports to the Board on matters of significance that arise.

Group Risk Management Committee

The GRMC provides oversight of all the risks to which the Group is subject (except for those expressly covered by the Finance Committee) including setting risk management policies and strategies. The GRMC reports via the Audit Committee to the Board. It comprises the Finance Director, an Executive Director and seven heads of operating businesses.

The GRMC oversees a number of committees and working groups. These cover the following areas: Insurance, Human Resources, Health and Safety, Legal, Information Technology, Cyber Security, Sustainability, Environmental Best Practices, Supply Chain Sustainability, Energy, Enterprise Risk Management and USA Risk Management. The GRMC's oversight role includes those areas which can be collectively categorised as sustainable development.

In 2017, the GRMC met three times and its functional Group committees and working groups met a total of 40 times.

The members of the functional Group committees and working groups are specialists in their respective areas and each committee is chaired by an individual with relevant experience. The role of the functional Group committees and working groups is to identify risks and opportunities which fall within their respective functional areas and to draw up policy recommendations for GRMC review and approval. The policies approved by the GRMC apply to all companies in which Swire Pacific has a controlling interest. The boards of these operating companies are required to adopt these policies and to establish procedures to ensure compliance with them. Joint venture and associated companies are encouraged to adopt Group policies.

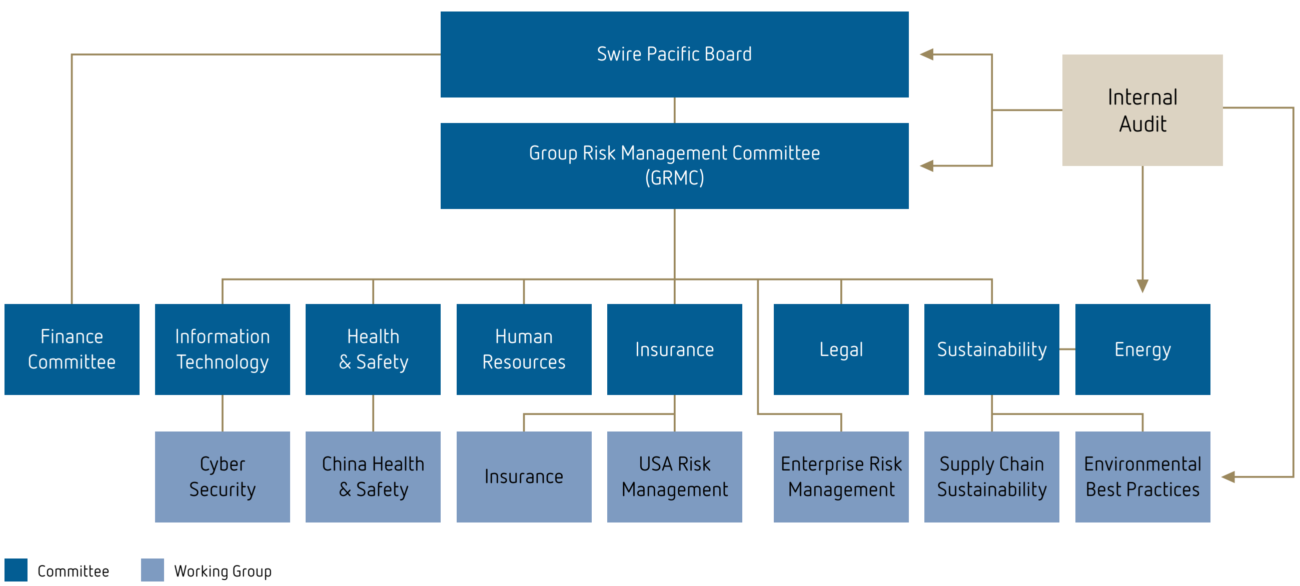
The management of risks is subject to audit by the Group's Internal Audit department, with support from specialist external consultants where necessary.

Finance Committee

The role of the Finance Committee is to provide oversight of the Group's financial risks, including setting the Group's financial risk management policies and procedures. These are implemented within both the Group's central financial reporting function and the divisional finance functions.

The Finance Committee consists of the Finance Director, Divisional Finance Directors and other senior finance executives.

Risk Governance Structure



The Group's approach to financial risk management is discussed below.

Financial Risk Management

Audited Financial Information

Structure and Policies

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

The Finance Committee maintains and develops the Group's financial risk management policies and procedures. These policies and procedures are implemented by the head office treasury department, within an agreed framework authorised by the Board.

The treasury department manages the funding needs of the Group's non-listed subsidiaries, as well as resulting interest rate, currency, credit and liquidity risks. Operating subsidiaries manage currency and credit exposures that are specific to their trading transactions.

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk by applying hedge accounting for derivative instruments. By applying hedge accounting, gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 167 to 169.

The Group's listed companies and its joint venture and associated companies arrange their financial and treasury affairs on a stand-alone basis. The Company may provide financial support by way of guarantees to its non-listed joint venture and associated companies in cases where significant cost savings are available and risks are acceptable.

Interest Rate Exposure

The Group's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits.

The Group maintains a significant proportion of debt on a fixed rate basis with a view to increasing certainty of funding costs. The level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and the expected cash flows of the Group's businesses and investments. The Group uses interest rate swaps to manage its long-term interest rate exposure. The Finance Director approves all interest rate hedges prior to implementation.

On a quarterly basis, the treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing with varying forecast interest rates. The treasury department reports the results of this testing to the Finance Committee. Refer to page 132 for details of the sensitivity testing performed at 31st December 2017.

Currency Exposure

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Chinese Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations.

The Group's policy is to hedge in full all highly probable transactions in each major currency where their value or time to execution gives rise to a significant currency exposure, provided that the cost of the foreign exchange forward or other derivative contract is not prohibitively expensive having regard to the underlying exposure.

Exposure to movements in exchange rates on transactions is minimised by using appropriate hedging instruments where active markets for the relevant currencies exist. At 31st December 2017, the Group had hedged its significant foreign currency funding exposures, by fixing the foreign exchange rates with forward contracts.

Financial Risk Management (continued)

Audited Financial Information (continued)

Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Foreign currency funding and deposit exposure is monitored by the treasury department on a continuous basis and hedging proposals are presented to the Finance Committee.

Refer to pages 132 and 133 for details of the sensitivity analysis of the Group's exposure to currency risk arising from recognised financial assets or financial liabilities denominated in a currency other than the functional currency at 31st December 2017.

Credit Exposure
The Group's credit risk is primarily attributable to trade and other receivables with wholesale customers, derivative financial instruments and cash and deposits with banks and financial institutions. Individual operating entities are responsible for setting credit terms appropriate to their industry and assessing the credit profile of individual customers.

Standard settlement terms within the HAECO group, the Beverages Division and SPO are 30 days from the date of invoice. In accordance with the provisions of Swire Properties' standard tenancy agreements, rentals and other charges are due on the first day of each calendar month. Typically sales to retail customers within Swire Resources are made by cash or major credit cards. The Group has no significant credit risk with any one customer.

When depositing surplus funds or entering into derivative contracts, the Group controls its exposure to non-performance by counterparties by dealing with investment grade counterparties, setting approved counterparty limits and applying monitoring procedures. Counterparty credit exposure limits for financial institutions are proposed by the treasury department and approved by the Finance Director. The treasury department monitors the counterparties' credit ratings and issues an approved list of counterparties with their limits on a quarterly basis to all subsidiaries. Group companies require prior approval from the Group's treasurer to deal with banks not on the approved list.

The Group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of derivatives. There are no specific conditions that would require the termination of derivative contracts should the credit rating of Swire Pacific be downgraded.

The maximum credit risk in respect of contingencies is disclosed in note 39 to the financial statements.

Liquidity Risk
The Group takes liquidity risk into consideration when deciding its sources of funds and their tenors, so as to avoid over reliance on funds from any one source and to prevent substantial refinancing in any one period. The Group maintains significant undrawn committed revolving credit facilities and cash deposits in order to reduce liquidity risk further and to allow for flexibility in meeting funding requirements.

The Group aims to maintain immediate access to committed funds to meet its refinancing and capital commitments for the following 12 months on a rolling basis, excluding its onshore Renminbi debt funding, where forward commitments are not readily available. The Group does not have significant offshore Renminbi debt funding.

The treasury department produces a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Group's treasurer presents the forecast funding plan together with funding proposals to the Finance Director on a regular basis, and to the Finance Committee. Refer to page 133 for details of the Group's contractual obligations at 31st December 2017.

Price Risk
The Group is exposed to price risk in relation to listed equity securities held as available-for-sale investments. Management regularly reviews the expected returns from holding such investments, on an individual basis.

Directors and Officers

Executive Directors

SLOSAR, John Robert, aged 61, has been a Director of the Company since May 2006 and its Chairman since March 2014. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited and a Director of Air China Limited, The Hongkong and Shanghai Banking Corporation Limited and PureCircle Limited. He joined the Swire group in 1980 and has worked with the group in Hong Kong, the USA and Thailand.

CHU, Kwok Leung Ivan, aged 56, has been a Director of the Company since March 2014. He is also Chairman of John Swire & Sons (China) Limited and a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited. He joined the Swire group in 1984 and has worked with the group in Hong Kong, Mainland China, Taiwan, Thailand and Australia.

COGMAN, David Peter, aged 44, has been a Director of the Company since August 2017. He joined McKinsey & Company in 1997 and was a Partner in McKinsey's Hong Kong office. He first joined McKinsey in London, and has worked in China since the 1990s as a member of its Corporate Finance practice. He joined the Swire group in 2017.

LOW, Mei Shuen Michelle, aged 57, has been a Director of the Company since July 2017. She is the Finance Director of the Company. She is also a Director of John Swire & Sons (H.K.) Limited, Swire Properties Limited and Cathay Pacific Airways Limited. She joined the Swire group in 1987.

Non-Executive Directors

SWIRE, Merlin Bingham, aged 44, has been a Director of the Company since January 2009. He is also Deputy Chairman and Chief Executive and a shareholder of John Swire & Sons Limited and a Director of Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is brother to S C Swire, a Non-Executive Director of the Company.

SWIRE, Samuel Compton, aged 38, has been a Director of the Company since January 2015. He is also a Director and shareholder of John Swire & Sons Limited and a Director of Cathay Pacific Airways Limited. He joined the Swire group in 2003 and has worked with the group in Hong Kong, Singapore, Mainland China, Sri Lanka and London. He is brother to M B Swire, a Non-Executive Director of the Company.

Independent Non-Executive Directors

ETCHELLS, Paul Kenneth, aged 67, has been a Director of the Company since May 2017. He is also an Independent Non-Executive Director of Samsonite International S.A. and an adviser to Cassia Investments Limited. He was employed by the Swire group in Hong Kong from 1976 to 1998. He was employed by The Coca-Cola Company from July 1998 to June 2010 and worked in the USA, Mainland China and Hong Kong.

FRESHWATER, Timothy George, aged 73, has been a Director of the Company since January 2008. He is a Non-Executive Director of Savills plc. He is also an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited.

LEE, Chien, aged 64, has been a Director of the Company since January 1993. He is a Non-Executive Director of Hysan Development Company Limited. He is a Council member of the Chinese University of Hong Kong and St. Paul's Co-educational College and also a Trustee Emeritus of Stanford University and Director of Stanford Health Care.

LEE, Wai Mun Rose, JP, aged 65, has been a Director of the Company since July 2012. She is an Independent Non-Executive Director of CK Hutchison Holdings Limited. She is also Vice President of The Hong Kong Institute of Bankers, Executive Vice-Chairman of the Finance Professional Committee of Guangdong's Association for Promotion of Cooperation between Guangdong, Hongkong & Macao and a member of the Consulting Committee of Qianhai & Shekou Area of Shenzhen, China (Guangdong) Pilot Free Trade Zone, and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen. In addition, she is a Board member of the Community Chest of Hong Kong and a member of the court of The Hong Kong University of Science and Technology.

ORR, Gordon Robert Halyburton, aged 55, has been a Director of the Company since August 2015. He joined McKinsey & Company in 1986 and retired in 2015. He was a member of McKinsey's global shareholder board from 2003 to 2015. He is a Non-Executive Director of Lenovo Group Limited and a Board member of the China-Britain Business Council.

Company Secretary

FU, Yat Hung David, aged 54, has been Company Secretary since January 2006. He joined the Swire group in 1988. He is a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission of Hong Kong. He is also a member of the Standing Committee on Company Law Reform and President of The Hong Kong Institute of Chartered Secretaries.

Notes:
1. The Audit Committee comprises P K Etchells (committee chairman), C Lee and G R H Orr.
2. The Remuneration Committee comprises C Lee (committee chairman), R W M Lee and M B Swire.
3. All the Executive Directors, M B Swire and S C Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31st December 2017, which are set out on pages 125 to 212.

Principal Activities

The principal activity of Swire Pacific Limited (the "Company") is that of a holding company, and the principal activities of its principal subsidiary, joint venture and associated companies are shown on pages 201 to 212. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 7 to the financial statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") together with the Group's interests in joint venture and associated companies. Details of the joint venture and associated companies are provided under note 19 to the financial statements.

Dividends

The Directors have declared second interim dividends of HK$1.10 per 'A' share and HK$0.22 per 'B' share which, together with the first interim dividends of HK$1.00 per 'A' share and HK$0.20 per 'B' share paid in October 2017, amount to full year dividends of HK$2.10 per 'A' share and HK$0.42 per 'B' share, compared to full year dividends of HK$2.10 per 'A' share and HK$0.42 per 'B' share in respect of 2016. The second interim dividends will be paid on 4th May 2018 to shareholders registered at the close of business on the record date, being Friday, 13th April 2018. Shares of the Company will be traded ex-dividend from Wednesday, 11th April 2018.

Closure of Register of Members

The register of members will be closed on Friday, 13th April 2018, 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, 12th April 2018.

To facilitate the processing of proxy voting for the annual general meeting to be held on 10th May 2018, the register of members will be closed from 7th May 2018 to 10th May 2018, 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, 4th May 2018.

Business Review

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chairman's Statement, 2017 Performance Review and Outlook, Financial Review, Financing and Risk Management and in the Notes to the Financial Statements. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Sustainable Development Review. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group is provided in the sections of this annual report headed Sustainable Development Review, Corporate Governance Report, Risk Management and Directors' Report.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 34 and 36(b) respectively, to the financial statements.

Share Capital

During the year under review, the Company bought back no 'A' shares and 12,650,000 'B' shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate cost of HK$165 million. The buy-back of these 'B' shares was made for the benefit of the Company and shareholders taking into account relevant factors and circumstances at the time. All the 'B' shares bought back were cancelled. Particulars of this share buy-back and details of the Company's share capital are set out in note 33 to the financial statements.

Other than as stated above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year and the Group has not adopted any share option scheme.

Accounting Policies

The principal accounting policies of the Group are set out in the relevant Notes to the Financial Statements (if they relate to a particular item) and in the section of this annual report headed Principal Accounting Policies.

Auditors

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Financial Review

A review of the consolidated results, financial position and cash flows of the Group is shown in the section of this annual report headed Financial Review. A ten-year summary of the financial performance of the Group is shown in the section of this annual report headed Summary of Past Performance.

Corporate Governance

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

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

Details of the Company's corporate governance practices are set out in the section of this annual report headed Corporate Governance Report.

Environmental, Social and Governance

The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report.

Donations

During the year, the Group made donations for charitable purposes of HK$37 million and donations towards various scholarships of HK$2 million.

Fixed Assets

For details of movements in fixed assets refer to notes 14 and 15 to the financial statements.

The annual valuation of the Group's investment property portfolio, whether completed or in the course of development, was carried out by professionally qualified valuers (94% by value having been valued by Cushman & Wakefield Limited and 3% by value having been valued by another independent valuer) on the basis of market value at 31st December 2017. This valuation resulted in an increase of HK$25,331 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given in the section of this annual report headed Schedule of Principal Group Properties.

Borrowings

For details of the Group's borrowings refer to the section of this annual report headed Financing.

Interest

For details of the amount of interest capitalised by the Group refer to page 85.

Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and suppliers respectively.

Directors

P K Etchells, M M S Low and D P Cogman were appointed as Directors with effect from 17th May 2017, 1st July 2017 and 7th August 2017 respectively. All the other present Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the calendar year 2017. M C C Sze retired as a Director of the Company with effect from the conclusion of the 2017 annual general meeting held on 18th May 2017. G M C Bradley, A K W Tang and M M T Yang resigned as Directors with effect from 5th May 2017. M Cubbon resigned as a Director with effect from 1st October 2017.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (listed in the section of this annual report headed Directors and Officers) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, M B Swire and S C Swire retire this year and, being eligible, offer themselves for re-election. D P Cogman and M M S Low, having been appointed to the Board under Article 91 since the last annual general meeting, also retire this year and offer themselves for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 8 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$4.4 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2017, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited and Cathay Pacific Airways Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
P K Etchells	–	12,000	–	12,000	0.0013	
T G Freshwater	41,000	–	–	41,000	0.0045	
G R H Orr	9,000	–	–	9,000	0.0010	
'B' shares						
C Lee	1,200,000	–	21,605,000	22,805,000	0.7633	1

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
M B Swire	2,075,023	130,000	17,546,068	19,751,091	19.75	2
S C Swire	1,351,805	–	14,622,061	15,973,866	15.97	2
8% Cum. Preference Shares of £1						
M B Swire	2,769,489	–	12,175,623	14,945,112	16.61	2
S C Swire	1,102,323	–	12,175,623	13,277,946	14.75	2

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

	Capacity				
	Beneficial interest				
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (%)
Cathay Pacific Airways Limited					
Ordinary Shares					
M M S Low	1,000	–	–	1,000	0.00003

Notes:
1. All the shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire and S C Swire are trustees and/or potential beneficiaries of trusts which held 6,222,732 ordinary shares and 3,298,725 ordinary shares respectively and 1,963,221 preference shares in John Swire & Sons Limited included under "Trust interest" and do not have any beneficial interest in those shares.

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

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.

Other than as stated in this report, no transaction, arrangement or contract of significance to which the Group was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Businesses

None of the Directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2017 or during the period from 1st January 2018 to the date of this Report are available on the Company's website www.swirepacific.com.

Permitted Indemnity

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), every Director is entitled under the Company's Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by such Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2017 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	'A' shares	Percentage of voting shares (comprised in the class) (%)	'B' shares	Percentage of voting shares (comprised in the class) (%)	Note
John Swire & Sons Limited	412,558,720	45.58	2,074,008,782	69.42	1
Standard Life Aberdeen plc	–	–	176,478,912	5.91	2

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 412,558,720 'A' shares and 2,074,008,782 'B' shares of the Company at 31st December 2017, comprising:
   (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 322,603,700 'A' shares and 117,747,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 9,140,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 27,716,500 'A' shares held by Waltham Limited.
2. Standard Life Aberdeen plc is interested in the 'B' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Standard Life Aberdeen plc are interested.

At 31st December 2017, the Swire group was interested in 55.06% of the equity of the Company and controlled 63.88% of the voting rights attached to shares in the Company.

Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total number of issued shares must at all times be held by the public. The Company has been granted by the Stock Exchange a waiver from strict compliance with Listing Rule 8.08(1) such that the Company's public float percentage continues to be calculated based on its issued share capital as if its shares still had nominal values. From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 25% of the Company's total issued share capital (calculated as described in the previous sentence) is held by the public.

Continuing Connected Transactions

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and some of its subsidiary and associated companies advice and expertise of the directors and senior officers of the Swire group, full or part time services of members of the staff of the Swire group, other administrative and similar services and such other services as may be agreed from time to time, and procured for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire.

In return for these services, JSSHK receives annual service fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associates and joint ventures of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiaries and associates with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in arrear in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The Services Agreements, which took effect from 1st January 2005 and were renewed on 1st October 2007, 1st October 2010 and 14th November 2013, were renewed again on 1st October 2016 for a term of three years from 1st January 2017 to 31st December 2019. They are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Under the Services Agreement between JSSHK and the Company, JSSHK is obliged to procure for the Company and its subsidiaries, associates and joint ventures the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. This procuration obligation would fall away if the Services Agreement between JSSHK and the Company were terminated or not renewed.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2017 are given in note 41 to the financial statements.

The Company, JSSHK and Swire Properties Limited ("Swire Properties") entered into a Tenancy Framework Agreement ("Tenancy Framework Agreement") on 14th August 2014 to govern existing and future tenancy agreements between members of the Group, members of the JSSHK group and members of the Swire Properties group. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JSSHK group and members of the Swire Properties group enter into tenancy agreements from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed for a term of three years from 1st January 2016 to 31st December 2018 and is renewable for successive periods of three years thereafter unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December.

Particulars of the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement for the year ended 31st December 2017 are given in note 41 to the financial statements.

The Swire group was interested in 55.06% of the equity of the Company and controlled 63.88% of the voting rights attached to shares in the Company at 31st December 2017. JSSHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Services Agreements and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 19th August 2016 and 20th August 2015 respectively were published.

As directors and/or employees of the Swire group, I K L Chu, D P Cogman, M M S Low and J R Slosar are interested in the Services Agreements and the Tenancy Framework Agreement. Before they ceased to be directors of the Company, G M C Bradley, M Cubbon and A K W Tang were so interested as directors and employees of the Swire group. M B Swire and S C Swire are so interested as shareholders, directors and employees of Swire.

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that the relevant annual caps have been exceeded.

Redemption of Perpetual Capital Securities

Perpetual capital securities, amounting to US$300 million and bearing interest at 8.84% per annum, were issued by Swire Pacific Capital Limited, a wholly-owned subsidiary of the Company, on 13th May 1997 and were listed on the Luxembourg Stock Exchange under ISIN code KYG861082090. The perpetual capital securities, which were unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company, were redeemed by Swire Pacific Capital Limited on 13th May 2017 and delisted from the Luxembourg Stock Exchange on 15th May 2017.

On behalf of the Board

John Slosar
Chairman
Hong Kong, 15th March 2018

Sustainable Development Review

At Swire Pacific, we do not view sustainability as a cost or just a set of good intentions; it is a key strategic objective for the business. Sustainability represents an opportunity for innovation, growth and improved efficiency. It helps to fulfil our aim to create long-term value for our shareholders by safeguarding our natural resources, supporting the communities in which we operate, concentrating on the wellbeing of our staff and encouraging our suppliers to maintain high ethical and environmental standards.

Governance

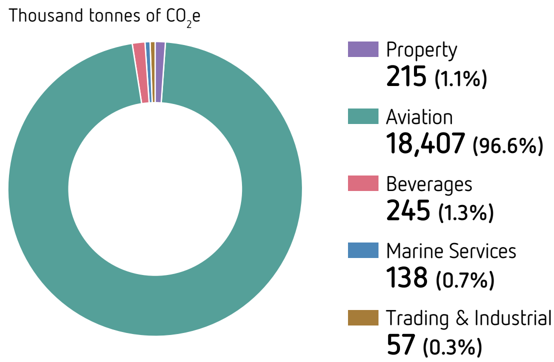
The Swire Pacific Board is ultimately accountable for sustainability matters. Information on sustainability matters is reported to the Group Risk Management Committee (GRMC), which is chaired by the Finance Director. The GRMC reports via the Audit Committee to the Board. The GRMC oversees the Swire Group Sustainability Committee, the Energy Committee, the Supply Chain Working Group and the Environmental Best Practices Working Group. Later in 2018, semi-annual meetings of division heads (which will be chaired by the chairman of the Board) about sustainability will start to be held.

The Sustainable Development Office (which reports, through the Head of Sustainable Development, to a member of the Board) is responsible for setting sustainable development policy, for monitoring the implementation of policy and for implementing SwireTHRIVE, the group's sustainability strategy. Policies are intended to reflect key sustainability trends and to address major risks and opportunities in sustainability. The Sustainable Development Office coordinates the sustainable development committees and working groups. These committees and groups enable operating companies to exchange information and best practices with a view to developing specific policy recommendations, improving efficiency, reducing costs and engaging with staff.

Risk Management

Swire Pacific and its operating companies have an Enterprise Risk Management (ERM) system, which is intended to identify, assess, monitor and manage risks, including those related to sustainability. The Board of Directors and the management of each division are responsible for identifying and analysing risks (including those relating to sustainability) underlying the achievement of business objectives and for determining how such risks should be managed and mitigated.

Total GHG Emissions by Division



Note: The figures above consist of Scope 1 and Scope 2 greenhouse gas emissions as defined by the Greenhouse Gas Protocol.

Environment

If our business is to thrive in the long-term, we need to play a part in protecting the environment upon which we depend. Our SwireTHRIVE strategy (introduced in 2016) is intended to enable us to play that part. Its purpose is that our businesses should consider their impact on the environment as part of their aim for long term success.

SwireTHRIVE focuses on environmental sustainability because our success (and that of the communities in which we operate) depends on a thriving natural environment. We concentrate on carbon, waste, water, sustainable materials, biodiversity and climate resilience.

The Swire Pacific sustainable development fund offers financial support to operating companies for projects which can deliver long term sustainability benefits, but which cannot be justified by reference to our cost of capital targets.

Greenhouse Gas Emissions

We aim to reduce our emissions in line with international carbon reduction goals. In 2017, operating companies set targets for reducing carbon intensity. These are intended to reduce the Group's carbon intensity up to 2020 by 8-10% by comparison with a 2015 frozen efficiency baseline (a frozen efficiency baseline being one from which performance is projected with the assumption of no improvement in current efficiencies). Achieving these targets will depend on innovation and new technologies. In 2017, our greenhouse gas emissions were 19.06 million tonnes of CO_2e, compared with 18.56 million tonnes of CO_2e in 2016. Cathay Pacific used more fuel because it operated more flights.

The Aviation Division accounted for 96.6% of our total emissions in 2017. Cathay Pacific has set a target of improving fuel efficiency by 2% per annum up to 2020, and achieving carbon neutral growth thereafter. This exceeds the agreed industry target of 1.5%. Our strategy for achieving this follows IATA's four pillar strategy (see: http://www.iata.org/policy/environment/pages/climate-change.aspx). In 2017, Cathay Pacific increased fuel efficiency by 1.8%, principally as a result of using more fuel efficient aircraft. Twelve A350-900 aircraft were delivered in 2017. These aircraft are 25% more fuel efficient than the existing wide-body fleet.

We encourage the use of biofuels in the engines of our aircraft, vehicles and vessels. Cathay Pacific is a member of the Round Table on Sustainable Biomaterials and of the Sustainable Aviation Fuel Users Group Asia. Cathay Pacific has a minority stake in Fulcrum BioEnergy Inc., a company which converts municipal solid waste into sustainable aviation fuel. All of Cathay Pacific's A350-900 delivery flights used jet fuel that contains a 10% blend of biofuel. 22 of these aircraft had been delivered by 31st December 2017.

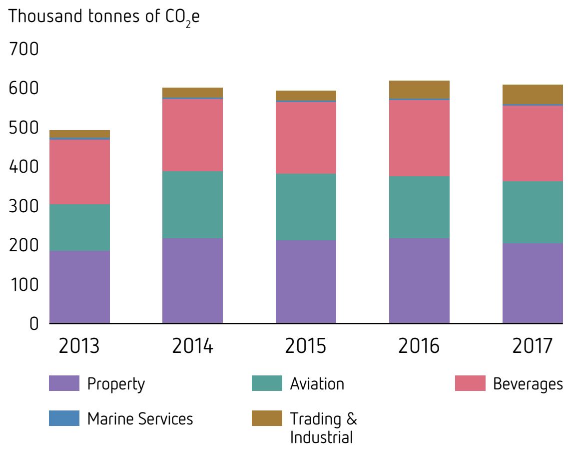
Carbon offsets are purchased by Cathay Pacific and Swire Pacific Offshore. Cathay Pacific's FLY greener programme offset 13,696 tonnes of CO_2 (tCO_2) in 2017, by investing in offsets generated by Gold Standard certified offset projects, including projects in Taiwan and Mainland China. In 2017, Swire Pacific Offshore purchased credits worth 452,824 tCO_2 emissions under the United Nations Framework Convention on Climate Change, the EU Emissions Trading System and Climate Care.

Energy

Electricity consumption represents our second largest source of greenhouse gas emissions. Our indirect emissions (which are primarily derived from using electricity) in 2017 were 608,516 tonnes of CO_2e, a 1.5% decrease from 2016. This decrease primarily reflects improvements in energy efficiency at Swire Properties' properties in Mainland China.

Our operating companies exchange information about energy efficiency through our energy committee. Making our buildings and operations more energy efficient is a priority. Our sustainable building design policy requires new and substantially renovated buildings to try to obtain the highest or, as a minimum, the second highest international or local building environmental certification.

Indirect GHG Emissions by Division



Note: The data is adjusted to reflect actual situation.

Swire Properties designs, constructs and operate properties with a view to reducing electricity use. At the end of 2017, 54 buildings, representing 64% of its total property portfolio, had been certified or provisionally certified as green buildings under BEAM, BEAM Plus and LEED independent rating systems. Some other buildings were renewing their BEAM Plus Existing Buildings ratings.

Operating companies are encouraged to reduce energy use and to set energy efficiency targets. Since 2008, Swire Properties has reduced its annual energy consumption in its Hong Kong portfolio by 53 million kWh, which is in line with its 2020 target. In its Mainland China portfolio it has reduced its annual energy consumption by 17 million kWh from the consumption which would have occurred if no changes had been made, putting it on track to meet its 2020 target.

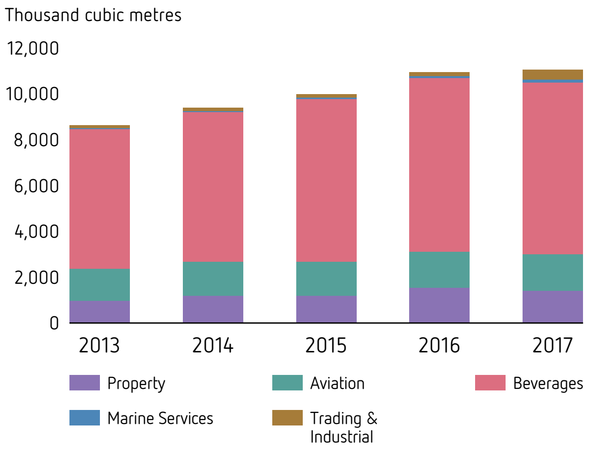
Swire Properties offers free energy audits to tenants. Since 2008, audits have covered 468,000 m^2 of commercial space, identifying potential annual energy savings of 7.9 million kWh.

We encourage the use of renewable energy in our operations. 11.08 million kWh of electricity was generated from renewable energy sources at Swire Properties, Swire Beverages and HAECO Xiamen in 2017. The Swire Pacific sustainable development fund is available to support suitable renewable energy projects.

Each of our divisions has operations covered by ISO 14001.

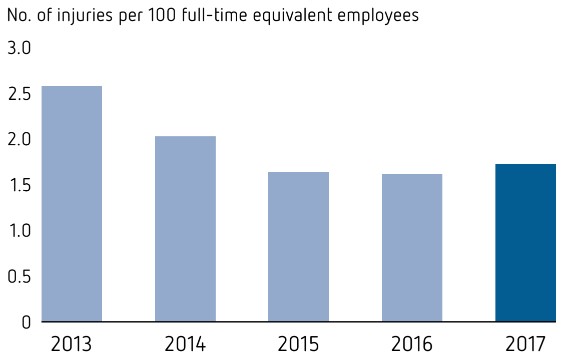
Swire Beverages and Swire Properties explore energy efficiency and management under a contractual arrangement with Tsinghua University.

Water Consumption by Division



Note: The data is adjusted to reflect actual situation.

Lost Time Injury Rate



Note: The data is adjusted to reflect actual situation.

Water

Our businesses depend on water. Water stress can affect our suppliers and the communities and biodiversity in the areas in which we operate. We aim to use water responsibly and sustainably and to protect our water sources. Where possible, we try to discharge water back into the environment in a clean and safe condition. In 2017, we consumed 11.05 million cubic metres of water, an increase from 10.9 million cubic metres in 2016. This increase is due to an increase in the operations of our Qinyuan bakery business. We set water intensity targets and encourage operating companies to use water more efficiently. Some of our operations use rainwater for irrigation and cleaning. We aim to reduce our water consumption by 3-4% from its 2015 baseline.

Using water to make beverages and maintain hygiene, the Beverages Division accounts for 67.8% of our water use. Swire Beverages has increased its water efficiency by 41% since 2004. It has a target of a 25% improvement in water efficiency by 2020 over 2010 levels. In 2017, water intensity at the Beverages Division, which reflects the amount of water needed to produce a litre of beverage product, decreased slightly. We replaced and repaired pipes, improved cleaning processes and reused wastewater.

All wastewater is required to be treated so that it meets or exceeds legal requirements and can be returned to the environment.

Swire Beverages aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020. In 2015, The Coca Cola Company and its bottlers (including Swire Beverages) met and exceeded their 2020 water replenishment goal. They achieved a positive water balance by returning 191.9 billion litres of clean water back to nature, which is equivalent to 115% of water used in global sales volume.

Health and Safety

The health and safety of our employees, visitors and partners is of critical importance. We believe that all incidents are preventable. We aim to improve our health and safety management systems continually with a view to causing zero harm.

Our Performance

In 2017 the number of injuries per 100 full-time equivalent employees (lost time injury rate or 'LTIR') increased to 1.73 from 1.62 in 2016. This represents a 6.8% increase from 2016. This is mainly due to increased LTIR at the Cathay Pacific group. Total LTIR has reduced by 33% over the last five years.

Regrettably there were four fatalities in 2017. Two were in Hong Kong, one in Mainland China and one in the USA. Three were vehicle-related incidents. They occurred at Swire Waste Management Limited, Cathay Pacific Service Limited and Swire Coca-Cola, USA respectively. The fourth was a fall from height incident at Swire Cold Chain Logistics (Nanjing) Company Limited. Full investigations of each incident were conducted. Relevant job safety procedures have been improved and training has been given to raise staff safety awareness.

Towards Zero Harm
We aim through training, learning and transparent reporting to improve our health and safety performance and safety culture continually. In 2017:

– Swire Properties conducted safety observations in its properties in Hong Kong and shared relevant best practices.
– Cathay Pacific, HAECO and Swire Coca-Cola USA held manual handling campaigns to reduce related injuries through training and the application of proper lifting techniques.
– Most HAECO group companies adopted standardised incident investigation techniques. Relevant training was provided to health and safety representatives.
– Swire Beverages conducted safety reviews at all their newly acquired plants in Mainland China and the USA.
– SPO reviewed their safety risk management process, conducted training and extended the process to their fleet.

The annual Swire Pacific Health & Safety Conference took place in November 2017. This year's theme was "Embedding Safety Culture". It was attended by 65 representatives from group companies in Hong Kong, Mainland China, Taiwan, Singapore and the USA.

Staff

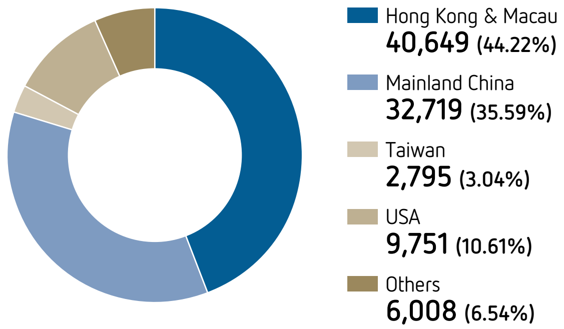
Swire Pacific is a people business. We believe in our people. Our success depends critically on our employees. By providing an environment in which all employees are treated fairly and with respect, we aim to be an employer of choice that attracts the most talented employees. We aim to recruit the best people, to offer competitive remuneration and benefits, to have a diverse workforce that represents the diversity of our local communities and to provide training to enable staff to realise their potential.

Employee Profile
At the end of 2017, the Swire Pacific group (including joint venture and associated companies) employed over 91,000 staff, an increase of 2.32% from the end of 2016. The increase is due to the acquisition of new bottling plants at Swire Beverages. Most staff are based in Hong Kong and Mainland China.

Equal Opportunities and Diversity
We believe that the diversity of our employees provides us with a broad range of skills and experience with which to respond to the challenges and opportunities facing our commercially diverse businesses. We therefore work to create an inclusive workforce, which offers equal opportunities for all our employees.

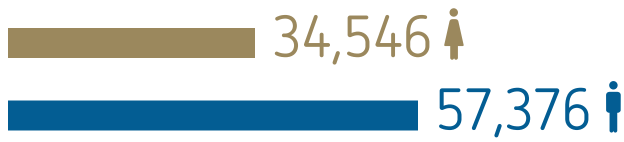
Our Diversity Council and our Women's Network help us to accomplish our aim of creating a diverse and inclusive workforce. In 2017 the percentage of women on the Board was 18.2%.

Employee Numbers by Region



* Employee numbers are ascertained by reference to the relevant GRI reporting requirement.

Employee Breakdown by Gender



Consistent with our Code of Conduct, we do not tolerate unlawful discrimination or harassment in the workplace. Employees are required to be fully compliant with applicable employment and other laws.

Code of Conduct
Our corporate code of conduct, is publicly available and can be viewed at http://www.swirepacific.com/en/governance/code.php.

Staff Retention
In order to recruit and retain talented staff, we offer competitive remuneration and benefits, even in difficult economic times. Decisions on remuneration are made by reference to job responsibilities, individual and business performance, conditions in the job market and the economy. There is a 24-hour counselling and consultation hotline for employees. We engage with our staff through our intranet, newsletters, staff surveys and forums. We monitor staff turnover with a view to identifying and managing problems.

Training and Education
By our training and development programmes, we aim to attract and retain outstanding people and enable them to realise their career goals. We develop our people by on-the-job learning, mentoring or coaching, classroom training and online learning.

Ethos International, Swire's in-house leadership development company, provides learning and development programmes for promising staff. Managers attend business management and executive programmes at INSEAD and Stanford. Ethos' training programmes emphasise sustainability and contribute to the development of a strong corporate culture and a style of leadership that is consistent with Swire values.

Managing for the Future
The Swire Leadership Programme accepts up to 20 high-calibre graduates every year with a view to developing their professionalism for a long-term career. Over the following 12 years we coach and mentor them, send them on courses and plan the steps in their careers.

Our summer internship programme gives exceptional students the opportunity to gain experience of working at Swire. Interns first learn about what we do and our values. They are then posted to work on business projects at our operating companies.

Working with Others

We have suppliers in many countries. Some of these countries have lower sustainability standards than others. We try to select suppliers which have high standards. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

Our operating companies are responsible for their own supply chain management. Support is provided by our supply chain sustainability working group. The group's role is to share best practices and to develop sustainability policies and guidelines for suppliers.

Our Supplier Corporate Social Responsibility Code of Conduct deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting. Suppliers' compliance with the code is assessed.

Operating companies use a risk matrix based on the above supplier code of conduct, with a view to managing and mitigating risks. The results determine which suppliers need to be audited in order to ensure compliance.

Our Sustainable Procurement Policy commits operating companies where possible to purchasing products which do not adversely affect the environment. Our guidelines on doing so are in accordance with international standards.

Community Involvement

At Swire Pacific we understand the importance to our businesses of the economic, social and environmental health of the communities in which we operate. Our community involvement reflects our belief that, when the communities in which we operate prosper, so do we. We concentrate on doing things where we believe we can make a difference. Our emphasis is on education, arts and culture and the environment.

We support the communities in which we operate through the Swire Group Charitable Trust and through the community programmes of our operating companies. In 2017, Swire Pacific introduced Swire China Scholarships, which will provide funding to Hong Kong students at nine universities in Mainland China.

More information on the activity of the Trust and our operating companies can be found in their separate sustainability reports, which can be found at http://www.swirepacific.com/en/sd/sd_reports.php. In 2017 the Trust distributed HK$59,476,691 in funds.

Reporting and Recognition

We will report in detail on our sustainability performance in a separate sustainability report which will be published in July 2018. Our sustainability report will be prepared with reference to the Global Reporting Initiative's ("GRI") standards core option and will follow the ESG Reporting Guide for listed companies issued by Hong Kong Exchanges and Clearing Limited. This report together with separate reports from our major operating companies will be available at http://www.swirepacific.com/en/sd/sd_reports.php.

PricewaterhouseCoopers have been engaged to provide a limited assurance report in respect of selected sustainability information of Swire Pacific Limited for the year ended 31st December 2017. Further information on the scope and boundaries of the sustainability data found in this report can be found along with the full text of the limited assurance report from PricewaterhouseCoopers at http://www.swirepacific.com/en/sd/sd_reports.php.

We report to the Carbon Disclosure Project ("CDP"). In 2017 Swire Pacific, the HAECO Group and Cathay Pacific all received a CDP climate change programme score of B.

Swire Pacific Limited is included in the Dow Jones Sustainability Asia Pacific Index and the Hang Seng Corporate Sustainability Index and in the MSCI ESG Leaders, ESG Universal and SRI Indices. Swire Properties and Cathay Pacific are included in the FTSE4Good Index. In 2017, Swire Properties was the only listed company from Hong Kong and Mainland China to be included in the Dow Jones Sustainability World Index.

Statistics — Environmental

	Note	Property 2017	Property 2016	Cathay Pacific group 2017	Cathay Pacific group 2016	HAECO group 2017	HAECO group 2016
Total Energy Consumption (thousand GJ)							
Direct energy consumption		143	154	249,292	245,730[5]	384	349
Indirect energy consumption		959	1,023	504	682	470	481
Total	1	1,102	1,177	249,796	246,412	854	830
% Change year-on-year		-6%		1%		3%	
Total Greenhouse Gas Emissions by Weight (thousand tonnes CO_2e)							
Direct (Scope 1)	2	11	13	18,221	17,702	29	27
Indirect (Scope 2)		204	216[5]	80	80	77	78
Total	1	215	229	18,301	17,782	106	105
% Change year-on-year		-6%		3%		1%	
Total Water Used (thousand cbm)							
Water used	3	1,390	1,522	950	866	651	710
% Change year-on-year		-9%		10%		-8%	

Statistics — Health & Safety

	Property 2017	Property 2016	Cathay Pacific group 2017	Cathay Pacific group 2016	HAECO group 2017	HAECO group 2016
Thousand hours worked	11,614	11,674	67,712	69,059	34,029	39,415
Total lost time injuries	83	105	1,112	970	249	299
Lost time injury rate (LTIR)	1.43	1.80	3.28	2.81	1.46	1.52
% Change year-on-year (LTIR)	-21%		17%		-4%	
Total fatalities	–	–	1	–	–	–

Notes:
1. Totals may not be the exact sum of numbers shown here due to rounding.
2. For the Cathay Pacific group, only CO_2 emissions for aviation turbine fuel are reported as there is no scientific consensus on the global warming effect of other emissions. Cathay Pacific monitors developments in these areas of atmospheric science, including studies from the UKs OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre.
3. Virtually all water consumption by the Swire Pacific Group is withdrawn from municipal water supplies provided by local water supply authorities. Swire Properties' buildings have installed rainwater catching facilities but the amount of rainwater caught is insignificant in relation to the Group's total water consumption.
4. This figure excludes on-hire vessel fuel consumption as this belongs to scope 3 as defined by the Greenhouse Gas Protocol.
5. The number included in the 2016 report (based on estimates) has been revised to reflect the actual situation.
6. The Health & Safety data for Swire Beverages excludes the following China bottling plants in Yunnan, Guangxi, Hubei, Hainan and Jiangxi provinces, the city of Zhanjiang in Guangdong province, and Shanghai Municipality.
R. Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the independent limited assurance report for further details.

Beverages		Swire Pacific Offshore (Note 4)		HUD group		Trading & Industrial		Total (Note 1)	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
767	781	1,417	1,337	341	329	67	51	252,412	248,730
1,125	1,170	5	5	17	19	265	244	3,345	3,624
1,892	1,951	1,422	1,342	358	348	332	295	255,756[R]	252,355
-3%		6%		3%		13%		1%	
52	55	106	108	28	27	7	6	18,454	17,938
193	194	1	1	3	3	50	46	608	618
245	249	107	109	31	30	57	51	19,062[R]	18,555
-2%		-2%		3%		12%		3%	
7,493	7,585	–	–	115	77	455	178	11,054[R]	10,938
-1%		–		49%		156%		1%	

Beverages (Note 6)		Swire Pacific Offshore		HUD group		Trading & Industrial		Swire Pacific (Head Office)		Total (Note 1)	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
46,245	45,304	11,647	12,194	2,332	1,995	17,608	17,767	82	84	191,269	197,492
118	113	4	4	10	12	81	96	0	0	1,657[R]	1,599
0.51	0.50	0.07	0.07	0.86	1.20	0.92	1.08	0.00	0.00	1.73	1.62
2%		–		-28%		-15%		–		7%	
1	–	–	–	–	–	2	1	–	–	4[R]	1

FINANCIAL CONTENTS

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

Independent Auditor's Report

To the Shareholders of Swire Pacific Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Swire Pacific Limited ("the Group financial statements") and its subsidiaries ("the Group") set out on pages 125 to 212, which comprise:

- The consolidated statement of financial position as at 31st December 2017;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements as at and for the year ended 31st December 2017. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and impairment of property, plant and equipment *Refer to note 14 in the Group financial statements.*	
Swire Pacific Offshore ("SPO") recognised an impairment provision to reduce the aggregate carrying values of vessels to HK$16,556 million as at 31st December 2017. Following a review of the business outlook and SPO's operating plans, management has assessed these vessel carrying values. An impairment provision of HK$1,015 million has been recorded to reduce the carrying values of certain vessels to their estimated recoverable values, which is the higher of fair value less cost to sell and value in use. For the remaining vessels, management concluded that the recoverable amount was higher than their carrying values such that no impairment provision was required. These conclusions are dependent upon significant management judgement, including in respect of: – Estimated resale values, provided by an external valuer; and – Estimated utilisation, charter hire rates, disposal values, and discount rates applied to future cash flows.	Our procedures in relation to management's impairment assessment of vessels included: – Understanding the methodologies used by the external valuer to estimate resale values and by management to estimate values in use; – Evaluating the external valuer's competence, capabilities and objectivity; – Checking, on a sample basis, the accuracy and appropriateness of the input data provided by management to the external valuer such as vessel information and historical performance; – Considering the appropriateness of the resale values estimated by the external valuer based on our knowledge of the business and industry and values obtained by the Group in respect of vessels that have been disposed of during the year; – Assessing the key assumptions and input data used by management to estimate values in use based on our knowledge of the business and industry; – Considering the potential impact of reasonably possible downside changes in these key assumptions; and – Assessing the appropriateness of the disclosures in the financial statements Based on the available evidence we found management's assumptions in relation to the impairment assessment to be reasonable. We found the disclosures to be appropriate.
The Xiamen Municipal Government has proposed to relocate Gaoqi Airport to a new airport in the Xiang'an district. The Group has assets of HK$2,234 million located at Gaoqi Airport, some of which will be subject to relocation. The proposal is subject to central government approval. If the proposal is implemented, the HAECO Group expects to receive compensation. Management considers that there is no impairment in respect of the proposed airport relocation. This required significant management judgement and was based on the current status of the approval process, regular communications with the local authorities and preliminary compensation assessments performed by management with the assistance of an external consultant.	Our procedures in relation to management's assessment of the carrying value of the assets included: – Assessing the terms of the existing land use rights at Gaoqi Airport; – Evaluating management's preliminary compensation assessment; – Discussing the status of the airport relocation with the HAECO Group's New Airport Planning and Development Department; and – Assessing correspondence between the HAECO Group and the Xiamen Municipal Government. We consider management's assessment to be reasonable based on the available information.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 15 in the Group financial statements.* Management has estimated the fair value of the Group's investment properties to be HK$265,944 million at 31st December 2017, with a revaluation gain for the year ended 31st December 2017 recorded in the consolidated statement of profit or loss of HK$25,331 million. External valuations were obtained in respect of 97% of the portfolio in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and fair market rents. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.	Our procedures in relation to management's valuation of investment properties included: – Evaluation of the external property valuers' competence, capabilities and objectivity; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts; – Checking the accuracy of the rental data provided by the Group to the external property valuers by agreeing them on a sample basis to the Group's records; and – Assessing the appropriateness of the disclosures in the financial statements We found the key assumptions were supported by the available evidence. We found the disclosures to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment of HAECO Americas *Refer to note 17 in the Group financial statements.* The HAECO Group recognised goodwill relating to the acquisition of TIMCO Aviation Services, Inc. in 2014. The goodwill is allocated between the airframe services and cabin solutions cash generating units. In 2017, the carrying amount of the airframe services cash generating unit was reduced to its recoverable amount of HK$1,460 million through the recognition of an impairment charge of HK$625 million following a reduction in expected profitability. In 2017, no impairment was identified in respect of the cabin solutions cash generating unit. These conclusions were based on a value in use model that required significant management judgement in respect of the discount rate and underlying cash flows, including future revenue growth and improvements to business performance.	Our procedures in relation to management's impairment assessment included: – Assessing the valuation methodology; – Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; – Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; – Assessing the basis and calculation of the impairment charge recorded in 2017; and – Assessing the appropriateness of the disclosure of significant inputs in the financial statements. We found management's assessment in relation to the value in use calculations and the disclosure of significant inputs to be reasonable based on available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Swire Beverages' acquisitions
Refer to note 37 in the Group financial statements.

The Group acquired interests in a number of beverages businesses in the USA and Mainland China during 2017 as follows:

- The acquisition from subsidiaries of The Coca-Cola Company ("TCCC") of territory rights in the states of Washington, Oregon and Idaho in the Pacific Northwest, and the acquisition of certain distribution and production assets in those states as well as Tempe, Arizona, and Denver, Colorado;
- The acquisition from China Foods Limited of additional equity interests in joint venture Coca-Cola bottling companies in Guangdong, Zhejiang and Jiangsu, and equity interests in Coca-Cola bottling companies in Hainan, Jiangxi, Zhanjiang and Maoming, and Shanghai; and
- The acquisition from subsidiaries of TCCC of equity interests in Coca-Cola bottling companies in Guangxi, Yunnan and Hubei.

Management assessed each transaction to determine the appropriate treatment in the Group's consolidated financial statements based on the Group's ability to control the businesses before and after each transaction was completed. The identifiable assets acquired and liabilities assumed were measured at their fair values at the acquisition date. The determination of fair values involved significant management judgement, in particular the valuation of acquired franchise rights that were determined using discounted cash flow valuation techniques for which the key assumptions included the discount rate and future revenues and margins.

The Group recognised a gain of HK$975 million on the remeasurement to fair value of the Group's interest in certain joint venture companies which became subsidiaries. This required significant judgement in determining the fair value of the joint venture companies at the transaction date.

Our procedures in relation to management's accounting for the acquisitions included:

- Assessing the sale and purchase and joint venture agreements to consider whether the Group's accounting policies and applicable accounting standards have been applied appropriately;
- Assessing the valuation methodology used in relation to the assets acquired and liabilities assumed at the acquisition date;
- Assessing the key assumptions used in the discounted cash flow models for the valuation of the franchise rights and challenging the reasonableness of those key assumptions based on our knowledge of the business and industry with the involvement of our in-house valuation experts;
- Assessing the appropriateness of the remeasurement gain; and
- Assessing the appropriateness of the disclosures in the financial statements

We found the key assumptions used in recording the fair value of the assets acquired and the liabilities assumed, and the gain on remeasurement, were supported by available evidence. We found the disclosures to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited, ("Cathay Pacific") *Refer to note 19 in the Group financial statements and the abridged financial statements of Cathay Pacific on pages 199 and 200.* The Group's 45% interest in Cathay Pacific is accounted for under the equity method. The Group's share of the loss after tax from Cathay Pacific for the year ended 31st December 2017 was HK$567 million and the Group's share of Cathay Pacific's net assets was HK$27,959 million as at 31st December 2017. The amounts noted below are those in the Cathay Pacific financial statements (i.e. on a 100% basis). In the context of our audit of the Group's financial statements, the key audit matters relating to the Group's share of the losses and net assets of Cathay Pacific are summarised below.	Cathay Pacific is a significant associate of the Group and is audited by a non-PwC auditor ("the CX Auditor"). We have met with the CX Auditor and have: discussed their identified audit risks and audit approach, results of their work and key audit matters identified; and have reviewed their working papers. Together with their reporting to us in accordance with our instructions we have determined that the audit work performed and evidence obtained were sufficient for our purpose. We discussed the key audit matters relating to Cathay Pacific with Swire Pacific management and evaluated the impact on our audit of the Group financial statements. The procedures performed on the respective key audit matters are summarised below.
Revenue recognition – Cathay Pacific's revenue amounted to HK$97,284 million for the year ended 31st December 2017. Revenue from passenger and cargo sales is recorded when the related transportation service is provided, using sophisticated information technology systems to track the point of service delivery and, where necessary, estimates of fair values for the services provided that involve a significant degree of management judgement.	– Assessing IT controls and key manual and application controls over Cathay Pacific's revenue systems; – Performing analytical procedures on revenue; and – Inspecting underlying documentation for journal entries related to revenue to assess the timing and fair values of revenues recorded.
Hedge accounting – Cathay Pacific enters into derivative financial instrument contracts to manage its exposure to fuel price risk, foreign currency risk and interest rate risk. These contracts gave rise to derivative financial assets of HK$1,813 million and liabilities of HK$3,589 million as at 31st December 2017. These contracts are recorded at fair value and for the majority of them hedge accounting is applied, such that gains and losses arising from fair value changes are deferred in equity and recognised in the consolidated statement of profit or loss when hedges mature. The large number of contracts necessitates a sophisticated system to record and track each contract and calculate the related valuations at each financial reporting date. The valuation of hedging instruments and consideration of hedge effectiveness can involve a significant degree of both complexity and management judgement and are subject to an inherent risk of error.	– Assessing Cathay Pacific's key internal controls over derivative financial instruments and hedge accounting; – Inspecting, on a sample basis, Cathay Pacific's hedge documentation and contracts; – Re-performing, on a sample basis, the year end valuations of derivative financial instruments and calculations of hedge effectiveness; and – Obtaining confirmation of year end derivative financial instruments from counterparties on a sample basis.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited, ("Cathay Pacific") (continued) *Refer to note 19 in the Group financial statements and the abridged financial statements of Cathay Pacific on pages 199 and 200.*	
Assessment of provisions for taxation, litigation and claims – As at 31st December 2017, Cathay Pacific had provisions in respect of possible or actual taxation disputes, litigation (including anti-trust proceedings in various jurisdictions) and claims amounting to HK$2,068 million. These provisions are estimated using a significant degree of management judgement in interpreting the various relevant rules, regulations and practices and in considering precedents in the various jurisdictions.	– Assessing the adequacy of Cathay Pacific's tax provisions by reviewing correspondence with tax authorities; – Discussing significant litigation and claims with Cathay Pacific's internal legal counsel; – Obtaining letters from Cathay Pacific's external legal advisors including their views regarding the likely outcome and magnitude of and exposure to the relevant litigation and claims; – Considering previous judgements made by the relevant taxation authorities; and opinions given by Cathay Pacific's third party advisers; and – Assessing the reliability of Cathay Pacific's management's past estimates.
Assessing the carrying value of aircraft and related equipment – The carrying value of Cathay Pacific's aircraft and related equipment as at 31st December 2017 was HK$98,831 million and the related depreciation charge for the year ended 31st December 2017 was HK$7,719 million. The carrying value, estimated useful lives and residual values are reviewed annually by management with reference to fleet composition, current and forecast market values and relevant technical factors. This involves a significant degree of management judgement.	– Assessing estimated useful lives and residual values using the policies of other comparable airlines and Cathay Pacific's historical experience and future operating plans; – Discussing indicators of possible impairment with Cathay Pacific's management and, where identified, assessing Cathay Pacific's management's impairment testing; and – Challenging the assumptions and critical judgements used by Cathay Pacific's management and assessing the reliability of past estimates and taking into account recent industry developments and market conditions.
Assessing aircraft maintenance provisions – Cathay Pacific is contractually committed to return 62 aircraft held under operating leases to the lessors in a physical condition agreed at the inception of each lease. Management estimates the maintenance costs and the costs associated with the restitution of life-limited parts and accrues such costs over the lease term. Provisions of HK$3,217 million were held as at 31st December 2017 in respect of this. Determining the provisions requires significant management judgement and complex estimates, including the utilisation of the aircraft, the cost of maintenance and the lifespans of life-limited parts.	– Assessing Cathay Pacific's key internal controls over accounting for maintenance provisions for aircraft held under operating leases; – Evaluating the provisioning model and key assumptions adopted by Cathay Pacific's management through reviewing the terms of the operating leases, information from lessors and Cathay Pacific's maintenance cost experience; and – Assessing the reliability of Cathay Pacific's management's past assumptions.
	We found that, in the context of our audit of the consolidated financial statements of Swire Pacific Limited, Cathay Pacific's management judgements and estimates associated with the key audit matters noted in respect of the Group's share of the profit and net assets of Cathay Pacific were supported by the available evidence.

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Swire Pacific 2017 annual report other than the Group financial statements and our auditor's report thereon ("the Other Information"). Our opinion on the Group financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon. In connection with our audit of the Group financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Group Financial Statements

The directors are responsible for the preparation of Group financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error. In preparing the Group financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Group Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements. As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the Group financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. The engagement partner on the audit resulting in this independent auditor's report is Sean William Tuckfield.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15th March 2018

Consolidated Statement of Profit or Loss

For the year ended 31st December 2017

	Note	2017 HK$M	2016 HK$M
Revenue	4	80,289	62,389
Cost of sales		(51,991)	(40,392)
Gross profit		28,298	21,997
Distribution costs		(11,684)	(7,082)
Administrative expenses		(6,027)	(5,402)
Other operating expenses		(299)	(293)
Other net gains/(losses)	5	245	(2,281)
Change in fair value of investment properties		25,331	8,445
Operating profit		35,864	15,384
Finance charges		(2,399)	(2,458)
Finance income		160	161
Net finance charges	9	(2,239)	(2,297)
Share of profits less losses of joint venture companies	19(a)	2,209	2,731
Share of losses less profits of associated companies	19(b)	(328)	(70)
Profit before taxation		35,506	15,748
Taxation	10	(3,124)	(2,816)
Profit for the year		32,382	12,932
Profit for the year attributable to:			
The Company's shareholders	34	26,070	9,644
Non-controlling interests	35	6,312	3,288
		32,382	12,932
Underlying profit attributable to the Company's shareholders	11	4,742	3,063

	Note	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	13		
'A' share		17.34	6.41
'B' share		3.47	1.28

The notes on pages 130 to 212 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2017

	2017 HK$M	2016 HK$M
Profit for the year	32,382	12,932
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	125	120
deferred tax	(3)	(3)
Defined benefit plans		
remeasurement (losses)/gains recognised during the year	(17)	68
deferred tax	(29)	14
Share of other comprehensive income of joint venture and associated companies	353	271
	429	470
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
(losses)/gains recognised during the year	(349)	568
transferred to net finance charges	(74)	(92)
transferred to operating profit	(88)	(33)
deferred tax	88	(66)
Net fair value changes on available-for-sale assets		
gains/(losses) recognised during the year	69	(51)
transferred to profit or loss on disposal	(1)	(10)
Share of other comprehensive income of joint venture and associated companies	3,666	3,128
Net translation differences on foreign operations		
gains/(losses) recognised during the year	3,051	(1,913)
reclassified to profit or loss on disposal	6	–
	6,368	1,531
Other comprehensive income for the year, net of tax	6,797	2,001
Total comprehensive income for the year	39,179	14,933
Total comprehensive income attributable to:		
The Company's shareholders	32,218	12,068
Non-controlling interests	6,961	2,865
	39,179	14,933

The notes on pages 130 to 212 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2017

	Note	2017 HK$M	2016 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	45,619	40,922
Investment properties	15	265,944	233,718
Leasehold land and land use rights	16	1,663	1,087
Intangible assets	17	13,486	9,195
Properties held for development	23	1,342	1,279
Joint venture companies	19(a)	29,449	25,908
Associated companies	19(b)	30,404	27,546
Available-for-sale assets	21	375	457
Other receivables	25	50	49
Derivative financial instruments	22	174	528
Deferred tax assets	30	603	697
Retirement benefit assets	31	93	80
Other non-current assets	32	–	5,479
		389,202	346,945
Current assets			
Properties under development and for sale	23	2,300	5,669
Stocks and work in progress	24	6,229	4,790
Trade and other receivables	25	10,979	9,597
Derivative financial instruments	22	55	20
Bank balances and short-term deposits	26	6,072	6,477
Other current assets	32	6,262	–
		31,897	26,553
Current liabilities			
Trade and other payables	27	22,439	17,448
Taxation payable		624	388
Derivative financial instruments	22	11	32
Short-term loans	29	671	595
Perpetual capital securities	28	–	2,327
Long-term loans and bonds due within one year	29	8,741	5,357
		32,486	26,147
Net current (liabilities)/assets		(589)	406
Total assets less current liabilities		388,613	347,351
Non-current liabilities			
Long-term loans and bonds	29	69,174	62,291
Derivative financial instruments	22	89	34
Other payables	27	2,343	3,427
Deferred tax liabilities	30	9,881	8,291
Retirement benefit liabilities	31	1,032	1,140
		82,519	75,183
NET ASSETS		306,094	272,168
EQUITY			
Share capital	33	1,294	1,294
Reserves	34	251,869	223,585
Equity attributable to the Company's shareholders		253,163	224,879
Non-controlling interests	35	52,931	47,289
TOTAL EQUITY		306,094	272,168

John R Slosar
Michelle Low
Paul Kenneth Etchells
Directors
Hong Kong, 15th March 2018

The notes on pages 130 to 212 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2017

	Note	2017 HK$M	2016 HK$M
Operating activities			
Cash generated from operations	42(a)	19,605	14,864
Interest paid		(2,553)	(2,514)
Interest received		163	160
Tax paid		(2,172)	(1,993)
		15,043	10,517
Dividends received from joint venture and associated companies and available-for-sale assets		557	2,673
Net cash generated from operating activities		15,600	13,190
Investing activities			
Purchase of property, plant and equipment	42(b)	(3,777)	(3,551)
Additions of investment properties		(5,179)	(5,883)
Additions of other current assets / other non-current assets		(623)	(254)
Purchase of intangible assets		(103)	(65)
Proceeds from disposals of property, plant and equipment		263	1,364
Proceeds from disposals of investment properties		40	735
Proceeds from disposals of subsidiary companies, net of cash disposed of		614	(16)
Proceeds from disposals of available-for-sale assets		71	35
Purchase of shares in new subsidiary companies	37(e)	(4,163)	–
Purchase of shares in joint venture companies	19(a)	(1,046)	(543)
Purchase of shares in associated companies		–	(23)
Purchase of new businesses	37(a) to (d)	(2,347)	(1,455)
Purchase of available-for-sale assets		(11)	(41)
Loans to joint venture companies		(1,535)	(648)
Loans to associated companies		(87)	(77)
Repayment of loans by joint venture companies		128	174
Repayment of loan by associated companies		115	4
(Increase)/decrease in deposits maturing after more than three months		(85)	19
Initial leasing costs incurred		(24)	(134)
Net cash used in investing activities		(17,749)	(10,359)
Net cash (outflow)/inflow before financing activities		(2,149)	2,831
Financing activities			
Loans drawn and refinancing		20,312	15,321
Repayment of loans and bonds		(13,049)	(13,195)
	42(c)	7,263	2,126
Capital contributions from non-controlling interests		–	90
Repurchase of the Company's shares	33	(153)	–
Purchase of shares in existing subsidiary companies		(1,384)	(640)
Dividends paid to the Company's shareholders	34	(3,158)	(5,686)
Dividends paid to non-controlling interests	42(c)	(1,177)	(1,030)
Net cash generated from/(used in) financing activities		1,391	(5,140)
Decrease in cash and cash equivalents		(758)	(2,309)
Cash and cash equivalents at 1st January		6,450	8,936
Currency adjustment		259	(177)
Cash and cash equivalents at 31st December		5,951	6,450
Represented by:			
Bank balances and short-term deposits maturing within three months	26	5,951	6,450

The notes on pages 130 to 212 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2017

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2017		1,294	224,464	(879)	224,879	47,289	272,168
Profit for the year		–	26,070	–	26,070	6,312	32,382
Other comprehensive income		–	281	5,867	6,148	649	6,797
Total comprehensive income for the year		–	26,351	5,867	32,218	6,961	39,179
Dividends paid		–	(3,158)	–	(3,158)	(1,152)	(4,310)
Repurchase of the Company's shares	33	–	(165)	–	(165)	–	(165)
Capital contribution from non-controlling interests accrued		–	–	–	–	241	241
Acquisition of non-controlling interests		–	(611)	–	(611)	(774)	(1,385)
Change in composition of the Group	37(e)	–	–	–	–	366	366
At 31st December 2017		1,294	246,881	4,988	253,163	52,931	306,094

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2016	1,294	220,138	(2,983)	218,449	45,537	263,986
Profit for the year	–	9,644	–	9,644	3,288	12,932
Other comprehensive income	–	320	2,104	2,424	(423)	2,001
Total comprehensive income for the year	–	9,964	2,104	12,068	2,865	14,933
Dividends paid	–	(5,686)	–	(5,686)	(1,056)	(6,742)
Capital contribution from non-controlling interests	–	–	–	–	90	90
Acquisition of non-controlling interests	–	147	–	147	(147)	–
Recognition of contingent consideration	–	(99)	–	(99)	–	(99)
At 31st December 2016	1,294	224,464	(879)	224,879	47,289	272,168

The notes on pages 130 to 212 form part of these financial statements.

GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 201 to 212.

1. Changes in Accounting Policies and Disclosures

(a) The following amendments to standards were required to be adopted by the Group effective from 1st January 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments has had no significant impact on the Group's financial statements.

(b) The Group has not early adopted the following relevant new and revised standards and new interpretations that have been issued but are effective for annual periods beginning after 1st January 2018 and have not been applied in preparing these consolidated financial statements:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKAS 40 (Amendment)	Transfers of Investment Property[1]
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments[2]

1. To be applied by the Group from 1st January 2018
2. To be applied by the Group from 1st January 2019

None of these new and revised standards is expected to have a significant effect on the Group's financial statements, except the following set out below:

HKFRS 15
HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The new standard replaces HKAS 18 and HKAS 11 and related interpretations and provides a comprehensive revenue recognition model that can be applied to a wide range of transactions and industries. The model uses a five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group will use the modified retrospective approach by adjusting opening retained earnings when it adopts HKFRS 15 effective 1st January 2018 without restatement of prior periods. Management has assessed the impact of the new standard on the Group's financial statements and has concluded that adoption is not expected to have a significant impact on the recognition of the Group's main revenue streams as:

(a) Rental income from lease agreements is specifically excluded from the scope of the new standard;

(b) The nature of the Group's current trading property sales in its primary markets in Hong Kong and the United States, the terms of the contracts and the associated laws means that revenue from these sales will continue to be recognised at the point in time of transfer of effective ownership. The transfer of ownership in future property sales may occur over time or at a point in time, and this will be assessed on a case by case and territory by territory basis;

(c) Revenue on certain engine maintenance contracts will be recognised over time rather than at a point in time. However, the change is not material. Other services do not result in any significant change in the timing of revenue recognition;

1. Changes in Accounting Policies and Disclosures (continued)

(d) Sales of goods in the Group's beverages and retail operations happen at a point in time and do not include any significant separate performance obligations; and

(e) Typical vessel charter hire agreements generally include only one significant performance obligation being the provision of the vessel and crew concurrently for a specified period.

As a result, the impact of adopting HKFRS 15 on the Group's opening retained earnings will not be significant.

HKFRS 9

The complete version of HKFRS 9 replaces HKAS 39. HKFRS 9 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if the cash flow represents solely payments of principal and interest. Non-substantial modifications or exchange of financial liabilities that do not result in derecognition are required to be recognised in profit or loss. The incurred loss impairment model used in HKAS 39 has been replaced by an expected credit loss model, with the result that a loss event will no longer need to occur before an impairment allowance is recognised. There are no changes to classification and measurement of financial liabilities except for the recognition of changes relating to an entity's own credit risk, which are recognised in other comprehensive income for liabilities designated at fair value through profit or loss. The Group will adopt the classification and measurements aspects of HKFRS 9 from 1st January 2018, without restatement of prior periods with any effects of implementation recognised as an adjustment to opening retained earnings. Hedge accounting under HKFRS 9 requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one used by an entity's management for risk management purposes. This replaces the hedge effectiveness test under the current standard. The Group will adopt the hedge accounting aspects of HKFRS 9 prospectively from 1st January 2018. Management has assessed the impact of adopting the new standard on the Group's financial statements and has concluded that neither the new requirements related to the classification and measurement nor the requirements related to impairment will have a material impact to the financial statements although may impact disclosures.

HKFRS 16

HKFRS 16 replaces HKAS 17 and related interpretations and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised on the balance sheet for all leases by lessees. HKFRS 16 also amends the definition of investment property under HKAS 40 to include property held by a lessee as a right-of-use asset to earn rentals or for capital appreciation or both, and the Group will be required to apply the fair value method under HKAS 40 for such right-of-use assets. The standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in note 40. In the Group's statement of profit or loss, operating lease rentals will be replaced with depreciation and interest expenses. The Group has yet to finalise the assessment of the full impact of the new standard.

The amendment to HKAS 40 clarifies that a property is transferred to, or from, investment property when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendment is not expected to have a significant impact on the Group's financial statements.

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 100 and 101 under the heading "Audited Financial Information".

Interest rate exposure

The impact on the Group's profit or loss and other comprehensive income of a 100 basis-points increase or decrease in market interest rates from the rates applicable at 31st December, with all other variables held constant, would have been:

	100 basis-points increase in interest rates HK$M	100 basis-points decrease in interest rates HK$M
At 31st December 2017		
Impact on profit or loss: (loss)/gain	(170)	170
Impact on other comprehensive income: gain/(loss)	74	(75)
At 31st December 2016		
Impact on profit or loss: (loss)/gain	(137)	129
Impact on other comprehensive income: gain	3	3

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments
- Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
- Changes in market interest rates affect the fair value of derivative financial instruments
- All other financial assets and liabilities are held constant

Currency exposure

The following analysis details the Group's exposure to currency risk from recognised financial assets or financial liabilities denominated in a currency other than the functional currency.

The impact on the Group's profit or loss and other comprehensive income of a weakening or strengthening in the US dollar against the Hong Kong dollar from the year-end rate of 7.8157 (2016: 7.7557), with all other variables held constant, would have been:

	Weakening in USD to lower peg limit (7.750) HK$M	Strengthening in USD to upper peg limit (7.850) HK$M
At 31st December 2017		
Impact on profit or loss: gain/(loss)	90	(46)
Impact on other comprehensive income: (loss)/gain	(11)	16
At 31st December 2016		
Impact on profit or loss: gain/(loss)	7	(129)
Impact on other comprehensive income: (loss)/gain	(2)	31

The impact on the Group's profit or loss and other comprehensive income of a weakening or strengthening in the Renminbi against the Hong Kong dollar from the year-end rate of 1.2010 (2016: 1.1159), with all other variables held constant, would have been:

	Weakening in RMB by 5% HK$M	Strengthening in RMB by 5% HK$M
At 31st December 2017		
Impact on profit or loss: gain/(loss)	5	(5)
Impact on other comprehensive income	–	–
At 31st December 2016		
Impact on profit or loss: gain/(loss)	20	(20)
Impact on other comprehensive income	–	–

2. Financial Risk Management (continued)

This analysis is based on a hypothetical situation, as in practice market exchange rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- All foreign currency cash flow hedges are expected to be highly effective
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies
- Currency risk does not arise from financial instruments that are non-monetary items

Liquidity risk

The tables below analyse the contractual undiscounted cash flows of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities by relevant maturity groupings based on the remaining period at the year-end date to the earliest contractual maturity date.

At 31st December 2017

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade and other payables	27	24,782	26,177	20,766	695	2,192	2,524
Borrowings (including interest obligations)	28 & 29	78,586	89,032	11,756	11,467	38,646	27,163
Derivative financial instruments	22	100	100	11	–	55	34
Financial guarantee contracts	39	–	2,197	2,197	–	–	–
		103,468	117,506	34,730	12,162	40,893	29,721

At 31st December 2016

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade and other payables	27	20,875	26,317	15,841	1,592	2,090	6,794
Borrowings (including interest obligations)	28 & 29	70,570	81,922	10,896	10,938	27,129	32,959
Derivative financial instruments	22	66	66	32	8	–	26
Financial guarantee contracts	39	–	2,135	2,135	–	–	–
		91,511	110,440	28,904	12,538	29,219	39,779

3. Critical Accounting Estimates and Judgement

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed in the relevant notes as follows:

(a) Taxation (Note 10)
(b) Impairment of assets (Notes 14 and 17)
(c) Estimates of fair value of investment properties (Note 15)
(d) Accounting for Cathay Pacific Airways Limited (Note 19(b))
(e) Retirement benefits (Note 31)
(f) Provisions and contingencies for Cathay Pacific Airways Limited (Note 39(b))

4. Revenue

Accounting Policy

Provided the collectability of the related receivable is reasonably assured, revenue is recognised as follows:

(a) Rental income is recognised on a straight-line basis over the shortest of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when the lessee's revenue transaction is recognised.

(b) Sales of properties are recognised when effective control of ownership of the properties is transferred to the buyers.

(c) Sales of services, including aircraft and engine maintenance services and services provided by hotel operations, are recognised when the services are rendered.

(d) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership.

(e) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements.

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

	2017 HK$M	2016 HK$M
Gross rental income from investment properties	11,138	10,675
Property trading	5,833	4,760
Hotels	1,344	1,129
Aircraft and engine maintenance services	12,892	12,242
Sales of goods	45,008	28,385
Charter hire	2,684	3,574
Rendering of other services	1,390	1,624
Total	80,289	62,389

5. Other Net Gains/(Losses)

	Note	2017 HK$M	2016 HK$M
Remeasurement gains on interests in joint venture companies which became subsidiary companies		975	–
Profit/(loss) on disposal of subsidiary companies		387	(118)
Gain from the acquisition of new franchise territories and assets in the USA		289	–
Profit on sale of investment properties		9	76
(Loss)/profit on sale of property, plant and equipment		(70)	114
(Loss)/profit on sale of available-for-sale assets		(93)	9
Net foreign exchange (losses)/gains		(3)	7
Fair value gains on cross-currency swaps transferred from cash flow hedge reserve		92	15
Fair value gains on forward foreign exchange contracts transferred from cash flow hedge reserve		2	22
Fair value gains on forward foreign exchange contracts not qualifying as hedges		1	3
Impairment losses recognised on			
– property, plant and equipment	14	(1,032)	(2,362)
– intangible assets	17	(625)	(286)
Dividend income on available-for-sale assets		3	14
Other income		310	225
Total		245	(2,281)

6. Expenses by Nature

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

	Note	2017 HK$M	2016 HK$M
Direct operating expenses of investment properties		2,267	2,128
Cost of goods sold		35,971	25,157
Write-down of stocks and work in progress		193	66
Impairment losses recognised on trade receivables		16	26
Depreciation of property, plant and equipment	14	3,361	2,944
Amortisation of			
– leasehold land and land use rights	16	46	37
– intangible assets	17	190	171
– initial leasing costs on investment properties		51	60
– others		10	–
Staff costs		15,295	12,251
Operating lease rentals			
– properties		1,203	1,086
– vessels		33	125
– plant and equipment		44	42
Auditors' remuneration			
– audit services		52	43
– tax services		8	8
– other services		11	12
Other expenses		11,250	9,013
Total cost of sales, distribution costs, administrative expenses and other operating expenses		70,001	53,169

7. Segment Information

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

Accounting Policy

Segment information is reported in a manner consistent with the Group's internal financial reporting provided to the executive directors for making strategic decisions. A reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are disclosable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

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

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated statement of profit or loss in note 7(a) presents the results of the Beverages Division by geographical location in order to provide further information to the users of the Annual Report.

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2017

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property												
Property investment	11,266	114	8,163	(908)	82	500	–	(1,169)	6,668	5,464	5,492	(176)
Change in fair value of investment properties	–	–	25,331	–	–	1,201	–	(391)	26,141	21,391	–	–
Property trading	5,833	–	1,397	(36)	1	(11)	–	(240)	1,111	911	946	–
Hotels	1,344	1	(102)	(39)	–	(44)	146	(5)	(44)	(35)	(35)	(259)
	18,443	**115**	**34,789**	**(983)**	**83**	**1,646**	**146**	**(1,805)**	**33,876**	**27,731**	**6,403**	**(435)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	(567)	–	(567)	(567)	(567)	–
HAECO group*	14,546	–	(90)	(131)	11	314	–	(450)	(346)	(406)	(406)	(637)
Others	–	–	(54)	–	–	5	(7)	–	(56)	(29)	(29)	(55)
	14,546	**–**	**(144)**	**(131)**	**11**	**319**	**(574)**	**(450)**	**(969)**	**(1,002)**	**(1,002)**	**(692)**
Beverages												
Mainland China#	16,256	–	2,053	(166)	30	19	93	(443)	1,586	1,465	1,465	(645)
Hong Kong	2,254	1	242	–	–	–	–	(15)	227	220	220	(68)
Taiwan	1,343	–	20	(5)	–	–	–	(4)	11	11	11	(56)
USA#	14,213	–	1,048	(70)	1	–	–	(196)	783	783	783	(480)
Central costs	–	–	(38)	–	–	–	–	–	(38)	(38)	(38)	(3)
	34,066	**1**	**3,325**	**(241)**	**31**	**19**	**93**	**(658)**	**2,569**	**2,441**	**2,441**	**(1,252)**
Marine Services												
Swire Pacific Offshore group*	3,066	1	(1,791)	(304)	5	–	1	(160)	(2,249)	(2,255)	(2,255)	(1,064)
HUD group	–	–	–	–	–	23	–	–	23	23	23	–
	3,066	**1**	**(1,791)**	**(304)**	**5**	**23**	**1**	**(160)**	**(2,226)**	**(2,232)**	**(2,232)**	**(1,064)**
Trading & Industrial												
Swire Retail group	3,074	–	(69)	(2)	10	2	56	(11)	(14)	(14)	(14)	(29)
Taikoo Motors group	5,306	–	91	–	2	–	–	(16)	77	77	77	(77)
Swire Foods group	1,678	83	65	–	4	(10)	–	(17)	42	42	42	(60)
Swire Pacific Cold Storage group	105	–	(136)	(22)	–	(9)	–	(4)	(171)	(171)	(171)	(48)
Akzo Nobel Swire Paints	–	–	8	–	–	216	–	(9)	215	215	215	–
Swire Environmental Services group	–	–	(9)	–	6	3	(50)	–	(50)	(50)	(50)	–
Other activities	–	–	(30)	–	–	–	–	–	(30)	(30)	(30)	–
	10,163	**83**	**(80)**	**(24)**	**22**	**202**	**6**	**(57)**	**69**	**69**	**69**	**(214)**
Head Office												
Net income/(expenses)	**5**	**30**	**(235)**	**(1,540)**	**832**	**–**	**–**	**6**	**(937)**	**(937)**	**(937)**	**(1)**
Inter-segment elimination	–	(230)	–	824	(824)	–	–	–	–	–	–	–
Total	80,289	–	35,864	(2,399)	160	2,209	(328)	(3,124)	32,382	26,070	4,742	(3,658)

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 losses made by the HAECO group and the Swire Pacific Offshore group included under operating profit/loss were HK$632 million and HK$1,015 million respectively.

\# Gains on acquisition/disposal of territories and assets made by Swire Beverages included under operating profit/loss in Mainland China and the USA were HK$1,347 million and HK$289 million respectively.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2016

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property												
Property investment	10,802	100	7,743	(1,158)	94	339	–	(1,086)	5,932	4,864	4,889	(167)
Change in fair value of investment properties	–	–	8,445	–	–	982	–	(1,249)	8,178	6,606	–	–
Property trading	4,760	–	1,332	(22)	3	(6)	–	(70)	1,237	983	983	–
Hotels	1,129	1	(182)	(36)	–	(35)	139	(5)	(119)	(96)	(96)	(216)
	16,691	**101**	**17,338**	**(1,216)**	**97**	**1,280**	**139**	**(2,410)**	**15,228**	**12,357**	**5,776**	**(383)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	(259)	–	(259)	(259)	(259)	–
HAECO group*	13,760	–	127	(98)	9	267	–	(17)	288	127	127	(624)
Sale of HAESL's interest in SAESL	–	–	–	–	–	805	–	–	805	604	604	–
Others	–	–	(54)	–	–	5	(10)	–	(59)	(31)	(31)	(54)
	13,760	**–**	**73**	**(98)**	**9**	**1,077**	**(269)**	**(17)**	**775**	**441**	**441**	**(678)**
Beverages												
Mainland China	6,873	–	291	(78)	16	141	77	(117)	330	288	288	(292)
Hong Kong	2,211	1	247	–	–	–	–	(20)	227	205	205	(70)
Taiwan	1,323	–	47	(6)	–	–	–	(8)	33	33	33	(49)
USA	8,013	–	434	(9)	–	–		(119)	306	306	306	(300)
Central costs	–	–	(16)	–	–	–	–	(3)	(19)	(19)	(19)	(3)
	18,420	**1**	**1,003**	**(93)**	**16**	**141**	**77**	**(267)**	**877**	**813**	**813**	**(714)**
Marine Services												
Swire Pacific Offshore group*	4,237	1	(2,596)	(326)	3	–	1	(95)	(3,013)	(3,033)	(3,033)	(1,236)
HUD group	–	–	–	–	–	20	–	–	20	20	20	–
	4,237	**1**	**(2,596)**	**(326)**	**3**	**20**	**1**	**(95)**	**(2,993)**	**(3,013)**	**(3,013)**	**(1,236)**
Trading & Industrial												
Swire Retail group	3,216	–	27	(2)	17	3	56	(18)	83	83	83	(25)
Taikoo Motors group	4,514	–	18	(2)	2	–	–	(3)	15	15	15	(70)
Swire Foods group	1,466	74	61	(1)	3	(7)	–	2	58	59	59	(58)
Swire Pacific Cold Storage group	80	–	(102)	(20)	–	(1)	–	(3)	(126)	(126)	(126)	(46)
Akzo Nobel Swire Paints	–	–	(8)	–	–	216	–	(10)	198	198	198	–
Swire Environmental Services group	–	–	(7)	–	–	2	(74)	–	(79)	(79)	(79)	–
Other activities	–	–	(36)	–	–	–	–	–	(36)	(36)	(36)	–
	9,276	**74**	**(47)**	**(25)**	**22**	**213**	**(18)**	**(32)**	**113**	**114**	**114**	**(199)**
Head Office												
Net income/(expenses)	**5**	**31**	**(387)**	**(1,635)**	**949**	**–**	**–**	**5**	**(1,068)**	**(1,068)**	**(1,068)**	**(2)**
Inter-segment elimination	**–**	**(208)**	**–**	**935**	**(935)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**62,389**	**–**	**15,384**	**(2,458)**	**161**	**2,731**	**(70)**	**(2,816)**	**12,932**	**9,644**	**3,063**	**(3,212)**

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 losses made by the HAECO group and the Swire Pacific Offshore group included under operating profit/loss were HK$324 million and HK$2,313 million respectively.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2017

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	278,389	21,119	–	1,440	300,948	4,946
Property trading and development	3,976	670	–	103	4,749	53
Hotels	6,363	1,237	374	165	8,139	86
	288,728	**23,026**	**374**	**1,708**	**313,836**	**5,085**
Aviation						
Cathay Pacific group	–	–	27,959	–	27,959	–
HAECO group	11,317	1,727	–	991	14,035	983
Others	4,462	2,823	–	–	7,285	–
	15,779	**4,550**	**27,959**	**991**	**49,279**	**983**
Beverages						
Swire Beverages	**26,298**	**981**	**1,552**	**2,252**	**31,083**	**1,623**
Marine Services						
Swire Pacific Offshore group	17,644	–	56	267	17,967	838
HUD group	–	(66)	–	–	(66)	–
	17,644	**(66)**	**56**	**267**	**17,901**	**838**
Trading & Industrial						
Swire Retail group	673	32	243	159	1,107	13
Taikoo Motors group	1,826	–	–	368	2,194	84
Swire Foods group	1,497	28	–	146	1,671	116
Swire Pacific Cold Storage group	1,862	333	–	50	2,245	146
Akzo Nobel Swire Paints	–	515	–	–	515	–
Swire Environmental Services group	101	50	220	–	371	–
Other activities	460	–	–	1	461	–
	6,419	**958**	**463**	**724**	**8,564**	**359**
Head Office	**306**	**–**	**–**	**130**	**436**	**1**
	355,174	**29,449**	**30,404**	**6,072**	**421,099**	**8,889**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group (continued)

At 31st December 2016

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	245,337	18,476	–	1,399	265,212	6,469
Property trading and development	7,656	493	–	161	8,310	34
Hotels	6,355	1,016	361	121	7,853	253
	259,348	**19,985**	**361**	**1,681**	**281,375**	**6,756**
Aviation						
Cathay Pacific group	–	–	25,386	–	25,386	–
HAECO group	11,422	1,607	–	1,321	14,350	710
Others	4,516	2,817	–	–	7,333	–
	15,938	**4,424**	**25,386**	**1,321**	**47,069**	**710**
Beverages						
Swire Beverages	**12,690**	**630**	**1,352**	**858**	**15,530**	**949**
Marine Services						
Swire Pacific Offshore group	18,991	–	57	445	19,493	953
HUD group	–	(49)	–	–	(49)	–
	18,991	**(49)**	**57**	**445**	**19,444**	**953**
Trading & Industrial						
Swire Retail group	882	35	196	162	1,275	27
Taikoo Motors group	1,990	–	–	167	2,157	239
Swire Foods group	1,264	35	–	224	1,523	119
Swire Pacific Cold Storage group	1,617	328	–	106	2,051	293
Akzo Nobel Swire Paints	–	474	–	–	474	–
Swire Environmental Services group	121	46	194	–	361	–
Other activities	228	–	–	–	228	–
	6,102	**918**	**390**	**659**	**8,069**	**678**
Head Office	**451**	**–**	**–**	**1,560**	**2,011**	**3**
	313,520	**25,908**	**27,546**	**6,524**	**373,498**	**10,049**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2017

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	8,023	8,823	4,615	29,268	50,729	46,589
Property trading and development	378	326	610	1,500	2,814	416
Hotels	236	–	23	1,110	1,369	1,239
	8,637	**9,149**	**5,248**	**31,878**	**54,912**	**48,244**
Aviation						
HAECO group	**3,100**	**390**	**–**	**3,360**	**6,850**	**4,242**
Beverages						
Swire Beverages	**10,778**	**779**	**5,303**	**2,459**	**19,319**	**427**
Marine Services						
Swire Pacific Offshore group	**805**	**74**	**8,654**	**–**	**9,533**	**18**
Trading & Industrial						
Swire Retail group	803	39	(164)	–	678	–
Taikoo Motors group	692	(4)	–	–	688	–
Swire Foods group	328	17	(135)	–	210	–
Swire Pacific Cold Storage group	271	2	898	–	1,171	–
Other activities	32	29	18	–	79	–
	2,126	**83**	**617**	**–**	**2,826**	**–**
Head Office	**468**	**30**	**(19,822)**	**40,889**	**21,565**	**–**
	25,914	**10,505**	**–**	**78,586**	**115,005**	**52,931**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total liabilities and non-controlling interests of the Group (continued)

At 31st December 2016

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	7,474	8,087	4,809	26,864	47,234	40,523
Property trading and development	1,510	23	2,783	1,669	5,985	636
Hotels	212	–	12	1,021	1,245	1,207
	9,196	**8,110**	**7,604**	**29,554**	**54,464**	**42,366**
Aviation						
HAECO group	**2,806**	**336**	**–**	**3,689**	**6,831**	**4,149**
Beverages						
Swire Beverages	**6,730**	**97**	**2,220**	**1,187**	**10,234**	**752**
Marine Services						
Swire Pacific Offshore group	**802**	**27**	**8,396**	**–**	**9,225**	**22**
Trading & Industrial						
Swire Retail group	843	41	(127)	–	757	–
Taikoo Motors group	662	(21)	6	–	647	–
Swire Foods group	336	8	(43)	–	301	–
Swire Pacific Cold Storage group	242	3	660	–	905	–
Other activities	31	19	21	–	71	–
	2,114	**50**	**517**	**–**	**2,681**	**–**
Head Office	**433**	**59**	**(18,737)**	**36,140**	**17,895**	**–**
	22,081	**8,679**	**–**	**70,570**	**101,330**	**47,289**

(b) Information about geographical areas

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

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

	Revenue		Non-current assets (Note)	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
Hong Kong	24,817	20,415	242,081	220,580
Asia (excluding Hong Kong)	34,712	23,268	51,286	37,507
USA	17,659	14,610	17,887	15,607
Others	46	150	–	–
Ship owning and operating activities	3,055	3,946	16,800	17,986
	80,289	62,389	328,054	291,680

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

8. Directors' and Executive Officer's Emoluments

(a) The total emoluments of Directors which are disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Cash			Non cash				
	Salary/ fees (note i) HK$'000	Bonus (note ii) HK$'000	Allowance and benefits HK$'000	Retirement scheme contributions HK$'000	Bonus paid into retirement scheme (note ii) HK$'000	Housing benefits HK$'000	Total 2017 HK$'000	Total 2016 HK$'000
Executive Directors								
J R Slosar	10,413	–	163	3,064	–	8,467	22,107	35,093
GMC Bradley (until 4th May 2017)	1,565	2,978	493	418	1,218	984	7,656	14,496
I K L Chu	3,920	–	1,887	1,178	–	–	6,985	12,592
D P Cogman (from 7th August 2017)	2,403	–	109	8	–	–	2,520	–
M Cubbon (until 30th September 2017)	4,719	4,602	1,491	8,352	1,491	–	20,655	18,276
M M S Low (from 1st July 2017)	1,375	–	956	324	–	–	2,655	–
J B Rae-Smith (until 26th August 2016)	–	1,925	–	–	–	–	1,925	8,683
I S C Shiu (until 31st December 2016)	–	1,622	–	–	–	–	1,622	4,615
A K W Tang (until 4th May 2017)	1,281	4,443	791	464	–	–	6,979	12,484
Non-Executive Directors								
P A Johansen (until 11th May 2016)	–	–	–	–	–	–	–	337
M B Swire	–	–	–	–	–	–	–	–
S C Swire	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
P K Etchells (from 17th May 2017)	595	–	–	–	–	–	595	–
T G Freshwater	788	–	–	–	–	–	788	950
C Lee	950	–	–	–	–	–	950	950
R W M Lee	748	–	–	–	–	–	748	748
G R H Orr	870	–	–	–	–	–	870	805
M C C Sze (until 18th May 2017)	261	–	–	–	–	–	261	690
M M T Yang (until 4th May 2017)	234	–	–	–	–	–	234	690
Total 2017	**30,122**	**15,570**	**5,890**	**13,808**	**2,709**	**9,451**	77,550	**N/A**
Total 2016	36,754	34,882	8,293	9,489	7,283	14,708	N/A	111,409

i. Independent Non-executive Directors and P A Johansen received fees as members of the Board and its committees. Executive Directors received salaries.
ii. Bonuses are not yet approved for 2017. The amounts disclosed above are related to services as Executive Directors for 2016 but paid and charged to the Group in 2017.
iii. The total emoluments of Executive Directors are charged to the Group in accordance with the amount of time spent on its affairs.
iv. The Directors' emoluments shown in the table above also included the emoluments received from an associated company by directors who were nominated by the Company to act as directors in the associated company.

8. Directors' and Executive Officer's Emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31st December 2017 and 2016 are as follows:

	Year ended 31st December	
	2017	2016
Number of individuals:		
Executive directors (note (i))	4	4
Executive officer	1	1
	5	5

Emoluments paid to the executive officer are as follows:

	Year ended 31st December	
	2017 HK$'000	2016 HK$'000
Cash:		
Salary	3,527	3,135
Bonus (note (ii))	2,222	2,580
Allowance and benefits	1,021	1,140
Non-cash:		
Retirement scheme contributions	1,038	1,034
Bonus paid into retirement scheme	985	1,157
Housing and other benefits	3,839	3,931
	12,632	12,977

Notes:
(i) Details of the emoluments paid to these directors were included in the disclosure as set out in note 8 (a) above.
(ii) Bonus is not yet approved for 2017. The amount disclosed above is related to services as Executive Officer for 2016 but paid and charged to the Group in 2017.

9. Net Finance Charges

Accounting Policy

Interest costs incurred are charged to the statement of profit or loss except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Interest income is recognised on a time-proportion basis using the effective interest method.

Refer to the table with the heading "Audited Financial Information" on page 85 for details of the Group's net finance charges.

10. Taxation

Accounting Policy

The tax charge comprises current and deferred tax. The tax charge is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly to equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

10. Taxation (continued)

Critical Accounting Estimates and Judgements

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year in which the outcomes become known.

	Note	2017 HK$M	2016 HK$M
Current taxation			
Hong Kong profits tax		1,178	911
Overseas taxation		1,152	763
Under-provisions in prior years		32	45
		2,362	1,719
Deferred taxation	30		
Changes in fair value of investment properties		460	902
Origination and reversal of temporary differences		620	195
Effect of change in tax rate in the USA		(318)	–
		762	1,097
		3,124	2,816

Hong Kong profits tax is calculated at 16.5% (2016: 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.

The tax charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

	2017 HK$M	2016 HK$M
Profit before taxation	35,506	15,748
Calculated at a tax rate of 16.5% (2016: 16.5%)	5,858	2,598
Share of profits less losses of joint venture and associated companies	(310)	(439)
Effect of different tax rates in other countries	227	458
Effect of change in tax rate in the USA	(318)	–
Fair value gains on investment properties	(3,838)	(909)
Income not subject to tax	(290)	(66)
Expenses not deductible for tax purposes	977	922
Unused tax losses not recognised	408	283
Utilisation of previously unrecognised tax losses	(20)	(64)
Deferred tax assets written off	249	1
Under-provisions in prior years	32	45
Recognition of previously unrecognised tax losses	(14)	(67)
Reversal of temporary difference	(78)	–
Withholding tax	133	39
Others	108	15
Tax charge	3,124	2,816

The Group's share of joint venture and associated companies' tax charges of HK$366 million (2016: HK$400 million) and HK$195 million (2016: HK$276 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

11. Underlying Profit Attributable to the Company's Shareholders

Accounting Policy

Underlying profit attributable to the Company's shareholders is provided for greater understanding of the Group's underlying business performance. Underlying profit principally adjusts for net revaluation movements on investment properties and the associated deferred tax and for other deferred tax provisions in relation to investment properties.

Refer to the table with the heading "Audited Financial Information" on page 72 for details of the Group's underlying profit attributable to the Company's shareholders.

12. Dividends

Accounting Policy

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

	2017 HK$M	2016 HK$M
First interim dividend paid on 12th October 2017 of HK$1.00 per 'A' share and HK$0.20 per 'B' share (2016: HK$1.00 and HK$0.20)	1,503	1,504
Second interim dividend declared on 15th March 2018 of HK$1.10 per 'A' share and HK$0.22 per 'B' share (2016 actual dividend paid: HK$1.10 and HK$0.22)	1,652	1,655
	3,155	3,159

The second interim dividend is not accounted for in 2017 because it had not been declared at the year end date. The actual amount payable in respect of 2017 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2018.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$26,070 million (2016: HK$9,644 million) by the weighted average number of 905,206,000 'A' shares and 2,990,852,870 'B' shares in issue during the year (2016: 905,206,000 'A' shares and 2,995,220,000 'B' shares), in the proportion five to one.

14. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major renovation costs and modifications that extend the life or usefulness of vessels are capitalised and depreciated over the period until the next drydocking. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred. Vessels under construction are not depreciated until they are completed.

Leasehold land can be classified as held under finance lease and recorded as property, plant and equipment if the lessee is exposed to substantially all the risks and rewards of ownership of that piece of land.

14. Property, Plant and Equipment (continued)

Accounting Policy (continued)

With the exception of freehold land, all other items of property, plant and equipment are depreciated at rates sufficient to write-off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Leasehold land	Over the lease term
Property	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum
Drydocking costs	20% to 50% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at the end of each reporting period to take into account operational experience and changing circumstances.

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within 'Other net gains/(losses)' in the statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

Critical Accounting Estimates and Judgements

At each period-end date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs of disposal and/or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the statement of profit or loss within other net gains/losses.

During the year, the carrying amounts of certain property, plant and equipment have been written down by HK$1,032 million to their recoverable amount.

Swire Pacific Offshore ("SPO") has vessels with aggregate carrying values of HK$16,556 million. Following a review of the outlook for the business and SPO's operating plans, management has reassessed these carrying values. An impairment provision of HK$1,015 million has been recorded to reduce the carrying value of certain vessels to their estimated recoverable value, which is the higher of fair value less cost to sell, and value in use. The recoverable amount of vessels subject to impairment provisions amounts to HK$7,030 million. Fair value less costs to sell is based on management estimates having regard to estimated resale values provided by an external valuer. Fair value less costs to sell is a level 3 fair value measurement. Value in use is determined using cash flow projections based on financial budgets prepared by management. The key assumptions include utilisation, charter hire rates, disposal values and discount rates applied to future cash flows. The discount rate used at 31st December 2017 was 8.5% (2016: 8.5%). Changes in any or all of the key assumptions could result in a material change in the carrying value of vessels.

The Group has property, plant and equipment and land use rights at Xiamen Airport with a net book value totalling HK$2,234 million at 31st December 2017 (2016 HK$2,189 million), some of which will be subject to relocation. The relocation proposed by the Xiamen municipal government of the Gaoqi airport to a new airport in the Xiang'an district remains subject to central government approval. The HAECO group engaged an independent consultant to perform preliminary compensation assessments in order to evaluate the recoverable amounts of property, plant and equipment and land use rights at the existing Xiamen airport that might be affected by the proposal to develop a new airport and has concluded that the carrying value remains appropriate at 31st December 2017. The HAECO group maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO group in Xiamen.

14. Property, Plant and Equipment (continued)

	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost						
At 1st January 2017		4,718	17,918	15,311	26,049	63,996
Translation differences		–	620	680	202	1,502
Acquisition of subsidiary companies and new businesses	37	–	1,634	3,417	–	5,051
Disposal of a subsidiary company		–	(94)	(443)	–	(537)
Additions		–	982	2,061	833	3,876
Disposals		–	(32)	(998)	(660)	(1,690)
Net transfers to investment properties	15	(241)	(187)	–	–	(428)
Other net transfers		–	(151)	145	–	(6)
Revaluation surplus		120	5	–	–	125
At 31st December 2017		4,597	20,695	20,173	26,424	71,889
Accumulated depreciation and impairment						
At 1st January 2017		183	5,280	9,279	8,332	23,074
Translation differences		1	165	286	65	517
Disposal of a subsidiary company		–	(65)	(286)	–	(351)
Depreciation for the year	6	31	676	1,619	1,035	3,361
Impairment losses	5	–	5	12	1,015	1,032
Disposals		–	(24)	(742)	(579)	(1,345)
Net transfers to investment properties	15	(1)	(10)	–	–	(11)
Other net transfers		–	(4)	(3)	–	(7)
At 31st December 2017		214	6,023	10,165	9,868	26,270
Net book value						
At 31st December 2017		4,383	14,672	10,008	16,556	45,619

14. Property, Plant and Equipment (continued)

	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost						
At 1st January 2016		4,033	17,069	14,337	27,841	63,280
Translation differences		–	(399)	(296)	15	(680)
Acquisition of new businesses	37	–	201	268	–	469
Disposal of a subsidiary company		–	(23)	(58)	–	(81)
Additions		–	876	1,776	900	3,552
Disposals		–	(24)	(747)	(2,707)	(3,478)
Net transfers from investment properties	15	685	120	1	–	806
Other transfers		–	(22)	30	–	8
Revaluation surplus		–	120	–	–	120
At 31st December 2016		4,718	17,918	15,311	26,049	63,996
Accumulated depreciation and impairment						
At 1st January 2016		164	4,865	8,823	6,493	20,345
Translation differences		–	(114)	(157)	1	(270)
Disposal of a subsidiary company		–	(16)	(45)	–	(61)
Depreciation for the year	6	28	570	1,165	1,181	2,944
Impairment losses	5	–	–	49	2,313	2,362
Disposals		–	(14)	(558)	(1,656)	(2,228)
Net transfers to investment properties	15	(9)	(11)	–	–	(20)
Other transfers		–	–	2	–	2
At 31st December 2016		183	5,280	9,279	8,332	23,074
Net book value						
At 31st December 2016		4,535	12,638	6,032	17,717	40,922

Property, plant and machinery and vessels include costs of HK$580 million (2016: HK$316 million), HK$146 million (2016: HK$172 million) and HK$442 million (2016: HK$429 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

15. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings. Land held under an operating lease and classified as an investment property is accounted for as if it was a finance lease. Any premium paid for a lease is treated as part of the minimum lease payments and is included in the cost of the asset, but is excluded from the liability.

Investment properties (including those under construction) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors and are on the basis of market value, related to individual properties, and separate values are not attributed to land and buildings. These values represent their fair values in accordance with HKFRS 13. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as under development. Changes in fair values are recognised in the statement of profit or loss.

Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with that expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs in respect of an investment property are expensed in the statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Expenditure incurred in leasing the Group's investment property during development is deferred and amortised on a straight-line basis to the statement of profit or loss upon occupation of the property over a period not exceeding the terms of the lease.

Critical Accounting Estimates and Judgements

Cushman & Wakefield Limited, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2017. This valuation was carried out in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of market rents and yields.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

15. Investment Properties (continued)

	Note	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2017		204,076	29,375	233,451
Translation differences		2,028	89	2,117
Additions		1,305	3,437	4,742
Disposals		(8)	(7)	(15)
Transfer to properties under development and for sale		–	(338)	(338)
Net transfers from property, plant and equipment	14	224	193	417
Net fair value gains		22,206	3,125	25,331
		229,831	35,874	265,705
Add: Initial leasing costs		239	–	239
At 31st December 2017		230,070	35,874	265,944
At 1st January 2016		198,161	28,948	227,109
Translation differences		(1,690)	(20)	(1,710)
Additions		294	5,648	5,942
Disposals		(6)	–	(6)
Transfer between categories		2,234	(2,234)	–
Transfer to properties held for development		–	(303)	(303)
Transfer to other non-current assets	32	–	(5,200)	(5,200)
Net transfers to property, plant and equipment	14	(563)	(263)	(826)
Net fair value gains		5,646	2,799	8,445
		204,076	29,375	233,451
Add: Initial leasing costs		267	–	267
At 31st December 2016		204,343	29,375	233,718

The fair value gains on investment properties under development for 2016 of HK$2,799 million include a valuation gain of HK$1,170 million on an uncompleted property in Kowloon Bay, Hong Kong from 30th June 2016 to 28th October 2016 (being the date of its transfer, at fair value of HK$5,200 million, to other non-current assets) (note 32). The transfer occurred on the signing of a conditional agreement dated 28th October 2016 between Swire Properties and a third party for the sale of Swire Properties' 100% interest in a subsidiary company owning the property.

15. Investment Properties (continued)

Geographical Analysis of Investment Properties

	2017 HK$M	2016 HK$M
Held in Hong Kong		
On medium-term leases (10 to 50 years)	33,170	29,269
On long-term leases (over 50 years)	195,241	171,771
	228,411	201,040
Held in Mainland China		
On medium-term leases (10 to 50 years)	29,434	25,357
Held in the USA and elsewhere		
Freehold	7,860	7,054
	265,705	233,451

Valuation processes and techniques underlying management's estimate of fair value

The Group's investment properties were valued at their fair values at 31st December 2017. 94% by value were valued by Cushman & Wakefield Limited and 3% by value were valued by another independent valuer, in each case on the basis of market value. The independent professionally qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

The valuation of the Group's investment properties under development is derived by making reference to market capitalisation rates and recent comparable sales transactions in the relevant property market (on the assumption that the property had already been completed at the valuation date). It also takes into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rates increase, the fair values decrease. If fair market rents increase, the fair values increase. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair values decrease. The opposite is true for decreases in these inputs.

There are inter-relationships between observable and unobservable inputs. Expected vacancy rates may have an impact on yields, with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the properties' features may result in an increase in future rental values. An increase in the future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuer at least once every half year, in line with the Group's half year reporting dates.

15. Investment Properties (continued)

Fair value hierarchy

The Group's investment properties are measured at fair value and categorised within the fair value hierarchy as follows:

	Completed				Under Development			
	Hong Kong HK$M	Mainland China HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2017 Total HK$M
Level 2	3,442	196	–	3,638	12,094	–	12,094	15,732
Level 3	190,188	29,238	6,767	226,193	22,687	1,093	23,780	249,973
Total	193,630	29,434	6,767	229,831	34,781	1,093	35,874	265,705
Add: initial leasing costs								239
At 31st December								265,944

	Completed				Under Development			
	Hong Kong HK$M	Mainland China HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2016 Total HK$M
Level 2	3,127	173	–	3,300	13,023	–	13,023	16,323
Level 3	169,494	25,184	6,098	200,776	15,396	956	16,352	217,128
Total	172,621	25,357	6,098	204,076	28,419	956	29,375	233,451
Add: initial leasing costs								267
At 31st December								233,718

The change in level 3 investment properties during the year is as follows:

	Completed				Under Development			
	Hong Kong HK$M	Mainland China HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2017	169,494	25,184	6,098	200,776	15,396	956	16,352	217,128
Translation differences	–	1,966	46	2,012	–	89	89	2,101
Additions	474	39	791	1,304	2,658	109	2,767	4,071
Transfer to properties under development and for sale	–	–	–	–	(338)	–	(338)	(338)
Transfer from Level 2	–	–	–	–	1,380	–	1,380	1,380
Net transfers from property, plant and equipment	196	19	–	215	197	–	197	412
Fair value gains/(losses)	20,024	2,030	(168)	21,886	3,394	(61)	3,333	25,219
At 31st December 2017	190,188	29,238	6,767	226,193	22,687	1,093	23,780	249,973

15. Investment Properties (continued)

	Completed				Under Development			
	Hong Kong HK$M	Mainland China HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2016	169,924	24,955	–	194,879	11,762	5,610	17,372	212,251
Translation differences	–	(1,676)	(1)	(1,677)	–	(19)	(19)	(1,696)
Additions/(cost written back)	291	(57)	73	307	2,120	810	2,930	3,237
Transfer to properties held for development	–	–	–	–	–	(303)	(303)	(303)
Transfer between categories	(3,713)	–	5,947	2,234	3,713	(5,947)	(2,234)	–
Transfer to other non-current assets	–	–	–	–	(5,200)	–	(5,200)	(5,200)
Net transfers to property, plant and equipment	(490)	19	(91)	(562)	–	–	–	(562)
Fair value gains	3,482	1,943	170	5,595	3,001	805	3,806	9,401
At 31st December 2016	169,494	25,184	6,098	200,776	15,396	956	16,352	217,128

Notes:
The levels in the hierarchy represent the following:
Level 2 – Investment properties measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Investment properties measured at fair value using inputs not based on observable market data.

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

At 31st December 2017	Valuation method	Market rent per month[1] HK$ per sq. ft. (lettable) 2017	Capitalisation rates 2017
Completed			
Hong Kong	Income capitalisation	Less than 10-Low 500's	2.50%-4.88%[3]
Mainland China	Income capitalisation	Less than 10-Low 200's	6.50%-7.00%
USA	Income capitalisation	Low 10's-Low 100's	4.75%-5.50%
USA	Sales comparison	–	–
Under development			
Hong Kong	Residual[2]	High 50's-Mid 60's	3.88%
Others	Residual[2]	–	–

At 31st December 2016	Valuation method	Market rent per month[1] HK$ per sq. ft. (lettable) 2016	Capitalisation rates 2016
Completed			
Hong Kong	Income capitalisation	Less than 10-Low 500's	2.50%-4.88%
Hong Kong	Residual	Low 50's	2.00%
Mainland China	Income capitalisation	Less than 10-High 100's	6.50%-7.00%
USA	Income capitalisation	Low 10's-Low 100's	4.75%-5.50%
USA	Sales comparison	–	–
Under development			
Hong Kong	Residual[2]	High 50's-Low 60's	4.13%
Others	Sales comparison	–	–

Note 1: Market rent is determined in accordance with the definition of that term in the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors, which is "the estimated amount for which all interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion". It is in effect the rental income (exclusive of usual outgoings) which a property would be expected to earn if it were vacant and available to let. It is not necessarily the same as the rent which a tenant is actually committed to pay.
Note 2: In using the residual method to make fair value measurements of investment properties, two additional unobservable inputs have been used. These are the estimated costs to complete the development and the developer's estimated profit and margin for risk.
Note 3: Within the disclosed capitalisation rates, there was a reduction of 25 basis points in the capitalisation rate applicable to office properties in Hong Kong.

16. Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments, the net book value of which is analysed as follows:

	Note	2017 HK$M	2016 HK$M
At 1st January		1,087	1,146
Translation differences		59	(41)
Acquisition of subsidiary companies		527	–
Disposal of a subsidiary company		(12)	–
Additions		48	15
Other transfers		–	4
Amortisation for the year	6	(46)	(37)
At 31st December		1,663	1,087
Held in Hong Kong			
On medium-term leases (10 to 50 years)		17	18
Held outside Hong Kong			
On medium-term leases (10 to 50 years)		1,643	1,066
On long-term leases (over 50 years)		3	3
		1,663	1,087

Refer to note 40 for details of the accounting policy.

17. Intangible Assets

Accounting Policy

(a) Goodwill
Goodwill represents the excess of consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Goodwill is treated as an asset of the entity acquired and where attributable to a foreign entity will be translated at the period-end closing rate.

Goodwill is stated at cost less accumulated impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment losses recognised on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software
Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to ten years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software costs recognised as assets are amortised over their estimated useful lives (three to ten years).

17. Intangible Assets (continued)

Accounting Policy (continued)

(c) Service, franchise and operating rights
Service, franchise and operating rights acquired are shown at historical cost. Service, franchise and operating rights acquired in a business combination are recognised at fair value at the acquisition date.

Service, franchise and operating rights that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of service, franchise and operating rights over their estimated useful lives of twenty years to forty years.

Service, franchise and operating rights that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(d) Customer relationships
Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are subsequently carried at cost less accumulated amortisation. Customer relationships are amortised over their estimated useful lives of fifteen years.

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost							
At 1st January 2017		6,127	549	2,721	894	173	10,464
Translation differences		160	4	182	7	1	354
Acquisition of new businesses	37	2,080	13	2,520	67	–	4,680
Disposal of a subsidiary		(41)	–	–	–	–	(41)
Additions		–	104	–	–	32	136
Disposals		(23)	(4)	–	–	(5)	(32)
At 31st December 2017		8,303	666	5,423	968	201	15,561
Accumulated amortisation and impairment							
At 1st January 2017		505	387	211	151	15	1,269
Translation differences		7	1	1	1	–	10
Acquisition of new business	37	–	–	(16)	–	–	(16)
Amortisation for the year	6	–	85	21	64	20	190
Impairment losses	5	625	–	–	–	–	625
Disposals		–	(3)	–	–	–	(3)
At 31st December 2017		1,137	470	217	216	35	2,075
Net book value							
At 31st December 2017		7,166	196	5,206	752	166	13,486

17. Intangible Assets (continued)

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost							
At 1st January 2016		6,028	500	764	767	153	8,212
Translation differences		(15)	(10)	–	–	1	(24)
Acquisition of new businesses	37	114	–	1,957	127	–	2,198
Additions		–	65	–	–	25	90
Other transfers		–	(5)	–	–	3	(2)
Disposals		–	(1)	–	–	(9)	(10)
At 31st December 2016		6,127	549	2,721	894	173	10,464
Accumulated amortisation and impairment							
At 1st January 2016		223	341	157	96	18	835
Translation differences		(4)	(6)	–	–	(1)	(11)
Amortisation for the year	6	–	55	54	55	7	171
Impairment losses	5	286	–	–	–	–	286
Other transfers		–	(3)	–	–	–	(3)
Disposals		–	–	–	–	(9)	(9)
At 31st December 2016		505	387	211	151	15	1,269
Net book value							
At 31st December 2016		5,622	162	2,510	743	158	9,195

Amortisation of HK$190 million (2016: HK$171 million) is included in cost of sales and administrative expenses in the statement of profit or loss.

Impairment test of goodwill or indefinite-lived franchise

Critical Accounting Estimates and Judgements

The Group believes certain franchise agreements will continue to be renewed at each expiration date and they have therefore been assigned indefinite useful lives.

At each reporting date, an assessment is made as to whether there is any indication that goodwill or any indefinite-lived franchise may be impaired. These tests require the use of estimates to calculate recoverable amounts.

The recoverable amount of goodwill or any indefinite-lived franchise attributable to cash-generating units is determined based on value-in-use calculations. These calculations use financial budgets and plans covering five-year periods unless a longer period can be justified. Key assumptions used in the financial budgets and plans are revenue growth and margins. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. The discount rates used at 31st December 2017 were between 7% and 12.5% (2016: 6.5% and 14.0%). These discount rates are pre-tax and reflect the specific risks relating to the relevant cash-generating unit.

17. Intangible Assets (continued)

Goodwill is allocated to the Group's cash-generating units ("CGUs"), after impairment, identified by divisional business segment and geographic location.

	2017 HK$M	2016 HK$M
HAECO – Hong Kong and Mainland China	3,510	3,510
HAECO – USA	488	1,105
Beverages – Hong Kong and Mainland China	2,378	191
Beverages – USA	139	164
Marine Services	84	85
Trading & Industrial	567	567
	7,166	5,622

Goodwill attributable to HAECO's businesses in Hong Kong and Mainland China relates to the transaction to acquire majority control of HAECO and arose from its highly skilled workforce in the aircraft engineering and maintenance business. It also represents the premium paid over the traded market price to obtain control of the business. The recoverable amount of HAECO's businesses in Hong Kong and Mainland China has been determined using a value in use calculation. That calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period and a weighted average pre-tax discount rate of 8.7% (2016: 9.1%). Cash flows beyond the five-year period are assumed not to grow by more than 2% per annum (2016: 2%).

Goodwill attributable to HAECO's business in the USA relates to the acquisition of TIMCO Aviation Services, Inc. and arose from its highly skilled workforce, management expertise and the synergies expected to be derived from improved services to a wider range of customers. The recoverable amount of HAECO's business in the USA has been determined on a value-in-use basis. The key assumptions for the recoverable value of the CGUs are the underlying cash flow forecasts, revenue growth rate and discount rate used. The valuation uses cash flow forecasts based on detailed financial budgets prepared by management covering a five-year (2016: five-year) period for the airframe services CGU and an eight-year (2016: nine-year) period until 2025 for the cabin solutions CGU. An eight-year forecast (until 2025) is considered appropriate for cabin solutions to take into account the significant growth plans for the business which includes the development of new product models over the next three to five years whose market success the model is highly dependent upon. Revenue growth is based on past performance, current industry trends and management's expectations of market development. Assumptions of no growth in cash flows after year five of the airframe services CGU and year eight of the cabin solutions CGU are made respectively. The discount rate is based on the Group's weighted average cost of capital, adjusted for country specific risk relating to the CGUs. The calculation of the value-in-use of the airframe services CGU also assumes a growth in the profitability arising from improved efficiency and work flow, which is based on management's expectations of the outcome to be achieved by improvement plans in places.

The key assumptions used in calculating the recoverable amount are as follows:

	Airframe Services		Cabin Solutions	
	2017	2016	2017	2016
Discount rate	8.5%	8.5%	8.5%	8.5%
Revenue growth – cumulative average growth rate per annum	7.7%	3.4%	13.1%	16.9%

In 2017, the carrying amount of the airframe services CGU was reduced to its recoverable amount of HK$1,460 million through recognition of an impairment charge of HK$625 million against goodwill following a reduction in the expected profitability of the airframe services business (which took into account the prospects for the aircraft maintenance business). This loss was included in "other net gains/losses" in the statement of profit or loss.

In 2016, the carrying amount of the cabin solutions CGU was reduced to its recoverable amount of HK$619 million through recognition of an impairment charge of HK$285 million against goodwill following a reduction in the expected profitability of the seats business and a weak cabin integration order book. This loss was included in "other net gains/losses" in the statement of profit or loss.

At 31st December, 2017, the cabin solutions CGU recoverable amount exceeded its carrying value by HK$27 million (2016: HK$ nil).

18. Subsidiary Companies

Accounting Policy

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The principal subsidiary companies of Swire Pacific Limited are shown on pages 201 to 212.

Swire Pacific Limited has two subsidiaries with material non-controlling interests; Swire Properties Limited ("Swire Properties") (18%) and Hong Kong Aircraft Engineering Company Limited ("HAECO") (25%). Except for goodwill and other assets of HK$7,248 million included in the Group consolidated statement of financial position (2016: HK$7,303 million) in respect of HAECO, there are no significant differences between the summarised financial information presented in the table below and the amounts in the separate consolidated financial statements of Swire Properties and HAECO.

Summarised Statement of Financial Position

	Swire Properties		HAECO	
	At 31st December		At 31st December	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
Current				
Assets	13,346	10,310	4,653	4,621
Liabilities	16,790	15,597	3,183	2,534
Total current net (liabilities)/assets	(3,444)	(5,287)	1,470	2,087
Non-current				
Assets	300,490	271,065	9,382	9,729
Liabilities	38,122	38,867	3,667	4,297
Total non-current net assets	262,368	232,198	5,715	5,432
Net assets	258,924	226,911	7,185	7,519
Net assets allocated to non-controlling interests	46,606	40,844	1,797	1,881

Summarised Statement of Profit or Loss

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
Revenue	18,558	16,792	14,546	13,760
Profit/(loss) for the year attributable to shareholders	33,818	15,069	(541)	975
Other comprehensive income	2,323	(1,656)	262	(3)
Total comprehensive income attributable to shareholders	36,141	13,413	(279)	972
Total comprehensive income allocated to non-controlling interests	6,505	2,414	(70)	243
Dividends paid to non-controlling interests	769	748	60	170

18. Subsidiary Companies (continued)

Summarised Statement of Cash Flows

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
Net cash generated from operating activities	11,756	8,625	841	1,023
Net cash (used in)/generated from investing activities	(6,887)	(6,627)	(515)	39
Net cash used in financing activities	(4,904)	(4,604)	(704)	(1,139)
Net decrease in cash and cash equivalents	(35)	(2,606)	(378)	(77)
Cash and cash equivalents at 1st January	1,681	4,358	1,299	1,413
Currency adjustment	62	(71)	50	(37)
Cash and cash equivalents at 31st December	1,708	1,681	971	1,299

19. Joint Venture and Associated Companies

Accounting Policy

Joint venture companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where the Group has rights to the net assets of those companies.

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in financial and operating policy decisions, generally accompanying a shareholding representing between 20% and 50% of the voting rights.

In the Group's consolidated statement of financial position, its investments in joint venture and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in joint venture and associated companies over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition represents goodwill. The Group's investments in joint venture and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in joint venture and associated companies are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associate is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs of disposal or value in use. Any reversal of such impairment loss in subsequent periods is credited to profit or loss.

(a) Joint venture companies

	2017 HK$M	2016 HK$M
Share of net assets, unlisted	13,999	11,582
Goodwill	859	471
	14,858	12,053
Loans due from joint venture companies less provisions		
– Interest-free	13,117	12,501
– Interest-bearing at 1.71% to 7.50% (2016: 1.71% to 7.50%)	1,474	1,354
	29,449	25,908

19. Joint Venture and Associated Companies (continued)

(a) Joint venture companies (continued)

The loans due from joint venture companies are unsecured and have no fixed terms of repayment.

In April 2017, joint venture Coca-Cola bottling companies in Guangdong, Zhejiang and Jiangsu became subsidiary companies after acquisition of additional equity interests from subsidiaries of China Foods Limited. In July 2017, a 54% equity interest in the bottling division of a Coca-Cola bottling company in Shanghai was acquired and became a joint venture of the Group. Please refer to note 37(e)(iii).

The following table presents the significant movements for the year ended 31st December 2017:

	Note	HK$M
At 1st January 2017		25,908
Reclassification of joint venture companies to subsidiary companies following the acquisition of additional equity interests		(531)
Loans to joint venture companies		736
Acquisition of the bottling division of a Coca-Cola bottling company in Shanghai	37(e)	922
Other additions during the year		124
		1,046
Share of profits less losses for the year		2,209
Share of other comprehensive income for the year		785
Dividends paid and payable		(738)
Other equity movements		34
At 31st December 2017		29,449

The principal joint venture companies of the Group are shown on pages 201 to 212. There are no joint venture companies that are considered individually material to the Group.

The Group's share of assets and liabilities and results of joint venture companies is summarised below:

	2017 HK$M	2016 HK$M
Non-current assets	40,068	36,072
Current assets	6,020	5,231
Current liabilities	(7,134)	(6,941)
Non-current liabilities	(24,955)	(22,780)
Net assets	13,999	11,582
Revenue	12,407	13,687
Expenses	(9,832)	(11,361)
Gain on disposal of SAESL	–	805
Profit before taxation	2,575	3,131
Taxation	(366)	(400)
Profit for the year	2,209	2,731
Other comprehensive income	785	(680)
Total comprehensive income for the year	2,994	2,051

Capital commitments and contingencies in respect to joint venture companies are disclosed in note 38(a) and 39(a), respectively.

19. Joint Venture and Associated Companies (continued)

(b) Associated companies

Critical Accounting Estimates and Judgements

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has considered whether to consolidate Cathay Pacific as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Under HKFRS 10, the Company will be taken to have power over Cathay Pacific if the Company has rights which give the Company the current ability to direct the activities of Cathay Pacific which significantly affect the Company's returns from Cathay Pacific.

As the Company holds less than half (45%) of the voting rights in Cathay Pacific, the Company does not have power over Cathay Pacific by virtue of holding a majority of those voting rights. The Company has accordingly considered other relevant factors in order to determine whether it has such power. The Company is party to a shareholders agreement dated 8th June 2006 (the "Shareholders Agreement") between itself, Air China Limited ("Air China") and others in relation to the affairs of Cathay Pacific, as subsequently amended. The Shareholders Agreement contains provisions relating to the composition of the board of Cathay Pacific (including Air China being obliged to use its votes as a shareholder of Cathay Pacific to support the Company appointing a majority of the board of directors of Cathay Pacific). The Company is of the view, having considered the terms of the Shareholders Agreement, the terms of an operating agreement dated 8th June 2006 between Cathay Pacific and Air China and the way in which the board of Cathay Pacific governs the affairs of Cathay Pacific in practice, that the Company does not have power over Cathay Pacific for the purposes of HKFRS 10. It follows that, as one of the three requirements in HKFRS 10 for consolidation has not been met, the Company should not consolidate Cathay Pacific as a subsidiary in the Company's financial statements and should account for its interest in Cathay Pacific as an associated company.

19. Joint Venture and Associated Companies (continued)

(b) Associated companies (continued)

	2017 HK$M	2016 HK$M
Share of net assets		
– Listed in Hong Kong	27,203	24,629
– Unlisted	2,185	1,987
	29,388	26,616
Goodwill	855	855
	30,243	27,471
Interest-bearing loans at 4.0%-6.0% (2016: 4.0%-6.0%)	161	75
	30,404	27,546

The loans due from associated companies are unsecured and have no fixed terms of repayment.

The market value of the shares in the listed associated company, Cathay Pacific at 31st December 2017 was HK$21,455 million (2016: HK$18,056 million). The forecast cash flows of Cathay Pacific indicate that no impairment exists.

The principal associated companies of the Group are shown on pages 201 to 212. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 199 and 200.

The Group's share of assets and liabilities and results of associated companies is summarised below:

	2017 HK$M	2016 HK$M
Non-current assets	74,138	69,575
Current assets	13,403	13,313
Current liabilities	(15,382)	(15,968)
Non-current liabilities	(42,692)	(40,227)
Non-controlling interests	(79)	(77)
Net assets	29,388	26,616
Revenue	47,660	45,588
Expenses	(47,793)	(45,382)
(Loss)/profit before taxation	(133)	206
Taxation	(195)	(276)
Profit for the year	(328)	(70)
Other comprehensive income	3,234	4,079
Total comprehensive income for the year	2,906	4,009

Contingencies in respect of Cathay Pacific are disclosed in note 39(b).

20. Financial Instruments by Category

Accounting Policy

Classification

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, derivatives used for hedging, available-for-sale, loans and receivables and amortised cost. The classification depends on the purpose of the financial instrument. The Group determines the classification of its financial instruments at initial recognition.

(a) At fair value through profit or loss
A financial instrument is classified within this category if the intention is to settle it in the short-term or if it is designated as at fair value through profit or loss by management. Derivatives are included within this category unless they are designated as hedges. Put options over non-controlling interests in subsidiary companies and contingent consideration included in trade and other payables are measured at fair value through profit or loss. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the period-end date.

(b) Derivatives used for hedging
Derivative instruments are classified within this category if they qualify for hedge accounting.

(c) Available-for-sale
Available-for-sale assets are non-derivative investments and other assets that are either designated in this category or not classified in any of the other categories. Available-for sale assets are included in non-current assets unless management intends to dispose of them within 12 months of the period-end date.

(d) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the period-end date where these are classified as non-current assets.

(e) Amortised cost
The amortised cost category comprises instruments that are non-derivative financial liabilities with fixed or determinable payments and fixed maturities. They are included in non-current liabilities, except for maturities less than 12 months after the period-end date where these are classified as current liabilities.

Recognition and measurement

Purchases and sales of financial instruments are recognised on their trade date, which is the date when the Group contracts with the purchaser or seller. Financial instruments are initially recognised at fair value. Transaction costs are included for all financial instruments not carried at fair value through profit or loss. Financial instruments are derecognised when the rights to receive or obligations to pay cash have expired or have been transferred and the Group has transferred substantially all the relevant risks and rewards.

Financial instruments classified as at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in fair value are included in the statement of profit or loss in the period in which they arise.

Derivatives are subsequently carried at fair value. The accounting for realised and unrealised gains and losses arising from changes in the fair value of derivatives is set out in note 22.

Financial assets classified as available-for-sale are subsequently carried at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains and losses from investments.

Financial instruments classified as loans and receivables and amortised cost are subsequently measured using the effective interest method.

The Group assesses at each period-end date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably measured.

20. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position								
At 31st December 2017								
Available-for-sale assets	21	–	–	375	–	–	375	375
Derivative financial assets	22	–	229	–	–	–	229	229
Trade and other receivables excluding prepayments	25	–	–	–	10,185	–	10,185	10,185
Bank balances and short-term deposits	26	–	–	–	6,072	–	6,072	6,072
Total		–	229	375	16,257	–	16,861	16,861
At 31st December 2016								
Available-for-sale assets	21	–	–	457	–	–	457	457
Derivative financial assets	22	–	548	–	–	–	548	548
Trade and other receivables excluding prepayments	25	–	–	–	8,300	–	8,300	8,300
Bank balances and short-term deposits	26	–	–	–	6,477	–	6,477	6,477
Total		–	548	457	14,777	–	15,782	15,782
Liabilities as per consolidated statement of financial position								
At 31st December 2017								
Trade and other payables	27	2,265	–	–	–	22,517	24,782	24,782
Derivative financial liabilities	22	–	100	–	–	–	100	100
Short-term loans	29	–	–	–	–	671	671	671
Long-term loans and bonds due within one year	29	–	–	–	–	8,741	8,741	8,741
Long-term loans and bonds due after one year	29	–	–	–	–	69,174	69,174	70,770
Total		2,265	100	–	–	101,103	103,468	105,064
At 31st December 2016								
Trade and other payables	27	2,517	–	–	–	18,358	20,875	20,875
Derivative financial liabilities	22	–	66	–	–	–	66	66
Short-term loans	29	–	–	–	–	595	595	595
Long-term loans and bonds due within one year	29	–	–	–	–	5,357	5,357	5,357
Perpetual capital securities	28	–	–	–	–	2,327	2,327	2,327
Long-term loans and bonds due after one year	29	–	–	–	–	62,291	62,291	63,927
Total		2,517	66	–	–	88,928	91,511	93,147

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows or based on quotes from market makers, which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

20. Financial Instruments by Category (continued)

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings is not equal to their carrying value, but is based on cash flows discounted using assumptions sourced from the relevant financial institutions or quotes from market makers or alternative market participants supported by observable inputs, such as interest rates. Non-current borrowings would be categorised within level 2 of the fair value hierarchy if they were accounted for at fair value.

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

	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per consolidated statement of financial position					
At 31st December 2017					
Available-for-sale assets	21				
– Listed investments		319	–	–	319
– Unlisted investments		–	–	56	56
Derivatives used for hedging	22	–	229	–	229
Total		319	229	56	604
At 31st December 2016					
Available-for-sale assets	21				
– Listed investments		191	–	–	191
– Unlisted investments		–	–	266	266
Derivatives used for hedging	22	–	548	–	548
Total		191	548	266	1,005
Liabilities as per consolidated statement of financial position					
At 31st December 2017					
Derivatives used for hedging	22	–	100	–	100
Put option over non-controlling interest in Brickell City Centre	27	–	–	716	716
Put option over a non-controlling interest in a subsidiary company	27	–	–	106	106
Contingent consideration	27	–	–	1,443	1,443
Total		–	100	2,265	2,365
At 31st December 2016					
Derivatives used for hedging	22	–	66	–	66
Put option over non-controlling interest in Brickell City Centre	27	–	–	670	670
Put option over a non-controlling interest in a subsidiary company	27	–	–	77	77
Contingent consideration	27	–	–	1,770	1,770
Total		–	66	2,517	2,583

Notes:
The levels in the hierarchy represent the following:
Level 1 – Financial instruments measured at fair value using quoted prices in active markets.
Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

20. Financial Instruments by Category (continued)

The Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that cause the transfer.

The change in level 3 financial instruments for the year is as follows:

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2017	747	266	1,770
Translation differences	6	–	5
Additions	35	12	318
Disposals	–	(116)	(608)
Change in fair value recognised in profit or loss during the year	34	–	64
Transfer out of level 3 (note)	–	(106)	–
Payment of consideration	–	–	(106)
At 31st December 2017	822	56	1,443
Total losses for the year included in profit or loss in respect of financial instruments held at 31st December 2017	(34)	–	(64)
Change in unrealised losses for the year included in profit or loss of financial instruments held at 31st December 2017	(34)	–	(64)

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2016	583	246	932
Translation differences	1	1	–
Additions	47	41	1,427
Disposals	–	(22)	–
Change in fair value recognised in profit or loss during the year	116	–	102
Payment of consideration	–	–	(691)
At 31st December 2016	747	266	1,770
Total losses for the year included in profit or loss in respect of financial instruments held at 31st December 2016	(116)	–	(102)
Change in unrealised losses for the year included in profit or loss of financial instruments held at 31st December 2016	(116)	–	(102)

Note: An unlisted investment has been transferred from level 3 to level 1 after it became a listed investment.

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

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

The fair value estimate of the put option over a non-controlling interest in the retail portion of Brickell City Centre classified within level 3 is determined using a discounted cash flow valuation technique and contains a number of unobservable inputs, including the expected fair value of the investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is in 2019 and the discount rate used is 6.3%. The investment property's fair value at the expected time of exercise is itself subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected fair market rent and the expected capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 31st December 2017. If the expected time of exercise is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise time or a lower discount rate.

20. Financial Instruments by Category (continued)

The fair value of the put options over non-controlling interests in subsidiary companies (other than the subsidiary company holding a non-controlling interest in the retail portion of Brickell City Centre), unlisted investments and contingent consideration classified within level 3 are determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs to unobservable inputs based on reasonable alternative assumptions would not significantly change the valuation of the put options, unlisted investments and contingent consideration.

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

21. Available-for-sale Assets

	2017 HK$M	2016 HK$M
Non-current assets		
Shares listed in Hong Kong	127	92
Shares listed overseas	192	99
Unlisted investments	56	266
	375	457

22. Derivative Financial Instruments

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (b) hedges of highly probable forecast transactions (cash flow hedges); or (c) hedges of net investments in foreign operations.

The Group documents at the inception of transactions the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings and foreign exchange risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of profit or loss within finance income or finance costs. The gain or loss relating to forward foreign exchange contracts, whether effective or ineffective, is recognised in the statement of profit or loss within other net gains/losses.

If a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised through the statement of profit or loss over the period to maturity.

(b) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

22. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(b) Cash flow hedges (continued)
Amounts accumulated in equity are transferred to the statement of profit or loss in the periods when the hedged items will affect profit or loss (for instance when a forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the statement of profit or loss within cost of sales. The gain or loss relating to the ineffective portions of interest rate swaps or forward foreign exchange contracts is recognised in the statement of profit or loss within other net gains/losses. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss.

(c) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of a hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Gains and losses accumulated in equity are transferred to the statement of profit or loss when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

The fair value of interest rate swaps and cross-currency swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using relevant forward exchange market rates at the period-end date.

	2017		2016	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps				
– cash flow hedges (a)	195	53	533	25
– not qualifying as hedges	–	6	–	–
Interest rate swaps – cash flow hedges	11	5	8	9
Forward foreign exchange contracts				
– cash flow hedges	21	6	5	32
– not qualifying as hedges	1	–	1	–
Commodity swaps – not qualifying as hedges	1	–	1	–
Put options exercisable by joint venture partners for sale of their interests to Beverages Division	–	30	–	–
Total	229	100	548	66
Analysed as:				
– Current	55	11	20	32
– Non-current	174	89	528	34
	229	100	548	66

22. Derivative Financial Instruments (continued)

(a) The cross-currency swaps principally hedge the foreign currency risk relating to US$ note issues and US$ perpetual capital securities (until its redemption on 13th May 2017). Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2017 are expected to affect the statement of profit or loss in the years to redemption of the notes and perpetual capital securities (up to and including 2026). The total notional principal amount of the outstanding cross currency swap contracts at 31st December 2017 was HK$27,323 million (2016: HK$25,568 million).

For the years ended 31st December 2017 and 31st December 2016 all cash flow hedges qualifying for hedge accounting were effective.

23. Properties Held for Development and Properties under Development and for Sale

Accounting Policy

Properties held for development comprise freehold land at cost, less provisions for possible losses. Properties held for development are not expected to be sold or developed within the Group's normal operating cycle and are classified as non-current assets.

Properties under development and for sale comprise freehold and leasehold land at cost, construction costs and interest costs capitalised, less provisions for possible losses. Properties under development are active construction projects which are expected to be sold within the Group's normal operating cycle and are classified as current assets. Properties for sale are available for immediate sale and are classified as current assets.

	2017 HK$M	2016 HK$M
Properties held for development		
Freehold land	1,126	1,119
Development cost	216	160
	1,342	1,279
Properties under development and for sale		
Completed properties – development costs	1,658	3,760
Completed properties – freehold land	120	130
Completed properties – leasehold land	167	1,779
Properties under development – development costs	17	–
Leasehold land under development for sale	338	–
	2,300	5,669

24. Stocks and Work in Progress

Accounting Policy

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses. Cost also includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials or stocks.

	2017 HK$M	2016 HK$M
Goods for sale	2,785	2,302
Manufacturing materials	887	476
Production supplies	1,370	1,108
Work in progress	1,187	904
	6,229	4,790

25. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the statement of financial position are stated net of such provisions.

Objective evidence of impairment may include indications that a debtor is or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it or they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

	2017 HK$M	2016 HK$M
Trade debtors	4,680	3,862
Amounts due from immediate holding company	1	4
Amounts due from joint venture companies	8	135
Amounts due from associated companies	380	465
Interest-bearing advance to joint venture companies at 4.5%	77	–
Interest-bearing advance to an associated company (2016: 7.0%)	–	113
Prepayments and accrued income	2,047	2,042
Other receivables	3,836	3,025
	11,029	9,646
Amounts due after one year included under non-current assets	(50)	(49)
	10,979	9,597

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:

	2017 HK$M	2016 HK$M
Up to three months	4,354	3,635
Between three and six months	202	152
Over six months	124	75
	4,680	3,862

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

At 31st December 2017, trade debtors of HK$1,014 million (2016: HK$975 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	2017 HK$M	2016 HK$M
Up to three months	885	898
Between three and six months	94	29
Over six months	35	48
	1,014	975

25. Trade and Other Receivables (continued)

At 31st December 2017, trade debtors of HK$123 million (2016: HK$71 million) were impaired. The amount of the provision was HK$114 million at 31st December 2017 (2016: HK$24 million).

The maximum exposure to credit risk at 31st December 2017 and 31st December 2016 is the carrying value of trade debtors, amounts due from related parties and other receivables disclosed above. The carrying value of rental deposits from tenants held as security against trade debtors at 31st December 2017 was HK$2,616 million (2016: HK$2,494 million).

26. Bank Balances and Short-Term Deposits

Accounting Policy

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts.

	2017 HK$M	2016 HK$M
Bank balances and short-term deposits maturing within three months	5,951	6,450
Short-term deposits maturing after more than three months	121	27
	6,072	6,477

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 4.00% (2016: 0.01% to 4.35%); these deposits have maturities from 2 to 365 days (2016: 7 to 365 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2017 and 31st December 2016 is the carrying value of the bank balances and short-term deposits disclosed above.

27. Trade and Other Payables

Accounting Policy

Trade and other payables (except put options over non-controlling interests in subsidiary companies and contingent consideration) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2017 HK$M	2016 HK$M
Trade creditors	4,572	3,150
Amounts due to immediate holding company	164	171
Amounts due to joint venture companies	7	78
Amounts due to associated companies	164	120
Interest-bearing advances from joint venture companies at 0.73% to 3.05% (2016: 0.39% to 4.63%)	353	326
Interest-bearing advances from an associated company at 2.99% (2016: 2.30%)	292	289
Advances from non-controlling interests	34	150
Rental deposits from tenants	2,616	2,494
Put options over non-controlling interests	822	747
Deposit received on the sale of a subsidiary company	1,306	653
Contingent consideration	1,443	1,770
Accrued capital expenditure	922	1,484
Other accruals	6,952	5,487
Other payables	5,135	3,956
	24,782	20,875
Amounts due after one year included under non-current liabilities	(2,343)	(3,427)
	22,439	17,448

27. Trade and Other Payables (continued)

The amounts due to and advances from immediate holding, joint venture and associated companies, and non-controlling interests are unsecured and have no fixed terms of repayment. The interest-bearing advance from an associated company is unsecured and repayable in 2018. Apart from certain amounts due to joint venture and associated companies, which are interest-bearing as specified above, the balances are interest free.

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

	2017 HK$M	2016 HK$M
Up to three months	4,382	2,985
Between three and six months	126	133
Over six months	64	32
	4,572	3,150

28. Perpetual Capital Securities

Refer to the table with the heading "Audited Financial Information" on page 83 for details of the Group's perpetual capital securities.

29. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included for those not held at fair value through profit or loss. Borrowings are subsequently stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Refer to the tables with the heading "Audited Financial Information" on pages 81 to 87 for details of the Group's borrowings.

30. Deferred Taxation

Accounting Policy

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable nor accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation relating to investment properties in Hong Kong and the USA is calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in Mainland China, because the business model applicable to them is to consume substantially all the economic benefits embodied in them over time rather than through sale. Accordingly, deferred tax relating to investment properties in Mainland China is determined on the basis of recovery through use.

30. Deferred Taxation (continued)

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	2017 HK$M	2016 HK$M
Deferred tax assets	603	697
Deferred tax liabilities	(9,881)	(8,291)
	(9,278)	(7,594)

Substantially all deferred tax balances are to be recovered or settled after more than 12 months.

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

	Note	2017 HK$M	2016 HK$M
At 1st January		7,594	6,758
Translation differences		295	(238)
Acquisition of new businesses	37	665	(80)
Disposal of a subsidiary company		18	2
Charged to statement of profit or loss	10	762	1,097
(Credited)/charged to other comprehensive income		(56)	55
At 31st December		9,278	7,594

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
At 1st January	4,159	3,732	4,032	3,338	1,664	1,151	9,855	8,221
Translation differences	38	(34)	277	(211)	51	(9)	366	(254)
Acquisition of new businesses	–	–	–	–	796	438	796	438
Disposal of a subsidiary	(23)	–	–	–	–	–	(23)	–
Charged/(credited) to statement of profit or loss	167	461	225	902	(232)	21	160	1,384
Charged/(credited) to other comprehensive income	–	–	–	3	(28)	63	(28)	66
At 31st December	4,341	4,159	4,534	4,032	2,251	1,664	11,126	9,855

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
At 1st January	561	492	608	456	1,092	515	2,261	1,463
Translation differences	14	(7)	7	(4)	50	(5)	71	(16)
Acquisition of new businesses	68	–	–	–	63	518	131	518
Disposal of a subsidiary	(1)	(2)	–	–	(40)	–	(41)	(2)
(Charged)/credited to statement of profit or loss	(21)	78	(313)	156	(268)	53	(602)	287
Credited to other comprehensive income	–	–	–	–	28	11	28	11
At 31st December	621	561	302	608	925	1,092	1,848	2,261

30. Deferred Taxation (continued)

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$4,276 million (2016: HK$2,635 million) to carry forward against future taxable income.

These amounts are analysed as follows:-

	Unrecognised Tax Losses	
	2017 HK$M	2016 HK$M
No expiry date	1,698	1,390
Expiring in 2017	–	84
Expiring in 2018	231	321
Expiring in 2019	92	216
Expiring in 2020	121	133
Expiring in 2021 (2016: 2021 or after)	210	491
Expiring in 2022 or after	1,924	–
	4,276	2,635

31. Retirement Benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are generally held in separate trustee-administered funds.

A defined benefit scheme is a retirement plan that defines the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has an obligation to provide participating employees with these benefits.

A defined contribution scheme is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Accounting Policy

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees.

The asset or liability recognised on the statement of financial position is the present value of the cost of providing these benefits (the defined benefit obligation) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries and is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds. The plan assets are valued on a bid price basis.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the statement of profit or loss. Any differences between the implicit and actual return on assets are charged as remeasurements to other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to the statement of profit or loss in the periods to which the contributions relate.

31. Retirement Benefits (continued)

Critical Accounting Estimates and Judgements

The Group's obligations and expenses in respect of defined benefit schemes are dependent on a number of factors that are determined using a number of actuarial assumptions. The details of the actuarial assumptions used, including applicable sensitivities are disclosed in note 31(f).

For the year ended 31st December 2017 and 31st December 2016, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2015, which were updated to reflect the position at 31st December 2017 and 31st December 2016 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the USA and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the USA. The plan is unfunded. The method of accounting and the frequency of valuations are similar to those used for defined benefit schemes.

The majority of the Group's schemes are final salary guaranteed lump sum defined benefit plans.

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an ongoing basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued by qualified actuaries for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. The latest actuarial valuations indicate that the funding level was 99% (2016: 113%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$258 million to its defined benefit schemes in 2018.

Most new employees in Hong Kong are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and the staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$30,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

(a) The amounts recognised in the statement of financial position are as follows:

	2017 HK$M	2016 HK$M
Present value of funded obligations	6,324	5,734
Fair value of plan assets	(5,461)	(4,716)
	863	1,018
Present value of unfunded obligations	76	42
Net retirement benefit liabilities	939	1,060
Represented by:		
Retirement benefit assets	(93)	(80)
Retirement benefit liabilities	1,032	1,140
	939	1,060

31. Retirement Benefits (continued)

(b) Changes in the present value of the defined benefit obligation are as follows:

	2017 HK$M	2016 HK$M
At 1st January	5,776	5,637
Translation differences	39	8
Transfer of members	(12)	(1)
Current service cost	330	278
Interest expense	207	188
Actuarial (gains)/losses from changes in:		
demographic assumptions	(9)	15
financial assumptions	440	(57)
Experience losses	97	62
Employee contributions	2	3
Benefits paid	(463)	(357)
Curtailments and settlements	(7)	–
At 31st December	6,400	5,776

The weighted average duration of the defined benefit obligations is 8.7 years (2016: 9.0 years).

(c) Changes in the fair value of plan assets are as follows:

	2017 HK$M	2016 HK$M
At 1st January	4,716	4,528
Translation differences	16	1
Transfer of members	(12)	(1)
Interest income	171	155
Return on plan assets, excluding interest income	511	88
Contributions by employers	523	298
Employee contributions	1	1
Benefits paid	(459)	(354)
Curtailments and settlements	(6)	–
At 31st December	5,461	4,716

There were no plan amendments during the year.

(d) Net expenses recognised in the statement of profit or loss are as follows:

	2017 HK$M	2016 HK$M
Current service cost	330	278
Past service cost – curtailments	1	–
Net interest cost	36	33
	367	311

The above net expenses were included in costs of sales, distribution costs and administrative expenses in the statement of profit or loss.

Total retirement benefit costs charged to the statement of profit or loss for the year ended 31st December 2017 amounted to HK$751 million (2016: HK$613 million), including HK$384 million (2016: HK$302 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was a gain of HK$682 million (2016: gain of HK$243 million).

31. Retirement Benefits (continued)

(e) The plan assets are invested in the Swire Group Unitised Trust ("the Unitised Trust"). The Unitised Trust has three sub-funds in which the assets may be invested in accordance with separate and distinct investment policies and objectives. The Unitised Trust and sub-funds are overseen by an investment committee, which meets four times a year.

The make-up of the Unitised Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities, bonds and absolute return funds.

The management of the assets within the sub-funds is delegated by the investment committee to a number of reputable investment managers. The plan assets comprise:

	2017 HK$M	2016 HK$M
Equities		
Asia Pacific	627	493
Europe	367	302
North America	1,031	862
Emerging markets	632	577
Bonds		
Global	2,409	1,950
Emerging markets	132	99
Absolute return funds	189	187
Cash	74	246
	5,461	4,716

At 31st December 2017, the prices of 96% of equities and 54% of bonds were quoted on active markets (31st December 2016: 96% and 45% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the appointed investment managers. Investment managers enter into agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark. The investment committee monitors the overall market risk position on a quarterly basis.

(f) The significant actuarial assumptions used are as follows:

	2017		2016	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	2.84	1.00-3.85	3.64	1.00-4.55
Expected rate of future salary increases	4.00	3.00-3.71	4.00	3.00-3.83

31. Retirement Benefits (continued)

The sensitivity of the defined benefit obligations to changes in actuarial assumptions is:

	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
At 31st December 2017			
Discount rate	0.5%	(314)	371
Expected rate of future salary increases	0.5%	276	(236)
At 31st December 2016			
Discount rate	0.5%	(291)	316
Expected rate of future salary increases	0.5%	243	(231)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the statement of financial position.

32. Other Current Assets/Other Non-current Assets

For the year ended 31st December 2016, other non-current assets comprise an uncompleted property in Kowloon Bay, Hong Kong transferred from investment properties under development (note 15) at fair value on 28th October 2016. The transfer to other non-current assets occurred on the signing of an agreement dated 28th October 2016 between Swire Properties and a third party for the sale of Swire Properties' 100% interest in a subsidiary company owning the property. The consideration for the sale is HK$6,528 million, subject to adjustment. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018. The occupation permit was obtained in December 2017 and the certificate of compliance is expected to be received later in 2018. At 31st December 2017, the asset was reclassified to other current assets. The carrying value of the property at 31st December 2016 and 31st December 2017 represents its fair value at the date of transfer plus the development costs incurred subsequently.

33. Share Capital

	'A' shares	'B' shares	Total HK$M
Issued and fully paid			
At 1st January 2017	905,206,000	2,995,220,000	1,294
Repurchased during the year	–	12,650,000	–
At 31st December 2017	905,206,000	2,982,570,000	1,294
At 1st January and 31st December 2016	905,206,000	2,995,220,000	1,294

During the year, the company repurchased 12,650,000 'B' shares on The Stock Exchange of Hong Kong Limited for a total aggregate price paid of HK$165 million. The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid for the repurchased 'B' shares was paid wholly out of the distributable profits of the Company included in its revenue reserve.

Details of shares acquired by month are as follows:

'B' shares **Month**	Number purchased	Highest price paid HK$	Lowest price paid HK$	Total HK$M
May	2,775,000	13.53	13.06	37
June	3,157,500	13.74	13.60	43
July	1,242,500	13.74	13.65	17
October	485,000	13.51	13.48	7
December	4,990,000	12.60	12.06	61*
	12,650,000			165

* Including HK$12 million payable after 31st December 2017.

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

34. Reserves

	Note	Revenue reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2017		224,464	2,090	469	(2,504)	(934)	223,585
Profit for the year		26,070	–	–	–	–	26,070
Other comprehensive income							
Defined benefit plans							
– remeasurement losses recognised during the year		(46)	–	–	–	–	(46)
– deferred tax		(24)	–	–	–	–	(24)
Cash flow hedges							
– losses recognised during the year		–	–	–	(302)	–	(302)
– transferred to net finance charges		–	–	–	(75)	–	(75)
– transferred to operating profit		–	–	–	(88)	–	(88)
– deferred tax		–	–	–	80	–	80
Net fair value changes on available-for-sale assets							
– gains recognised during the year		–	–	69	–	–	69
– transferred to profit or loss on disposal		–	–	(1)	–	–	(1)
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	103	–	–	–	103
– deferred tax		–	(3)	–	–	–	(3)
Share of other comprehensive income of joint venture and associated companies		351	–	(195)	2,127	1,594	3,877
Net translation differences on foreign operations							
– gains recognised during the year		–	–	–	–	2,554	2,554
– reclassified to profit or loss on disposal		–	–	–	–	4	4
Total comprehensive income for the year		26,351	100	(127)	1,742	4,152	32,218
Acquisition of non-controlling interests		(611)	–	–	–	–	(611)
Repurchase of the Company's shares		(165)	–	–	–	–	(165)
2016 second interim dividend	12	(1,655)	–	–	–	–	(1,655)
2017 first interim dividend	12	(1,503)	–	–	–	–	(1,503)
At 31st December 2017		246,881	2,190	342	(762)	3,218	251,869

34. Reserves (continued)

	Note	Revenue reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2016		220,138	1,994	443	(7,298)	1,878	217,155
Profit for the year		9,644	–	–	–	–	9,644
Other comprehensive income							
Defined benefit plans							
– remeasurement gains recognised during the year		36	–	–	–	–	36
– deferred tax		16	–	–	–	–	16
Cash flow hedges							
– gains recognised during the year		–	–	–	517	–	517
– transferred to net finance charges		–	–	–	(91)	–	(91)
– transferred to operating profit		–	–	–	(34)	–	(34)
– deferred tax		–	–	–	(57)	–	(57)
Net fair value changes on available-for-sale assets							
– losses recognised during the year		–	–	(51)	–	–	(51)
– transferred to profit or loss on disposal		–	–	(10)	–	–	(10)
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	98	–	–	–	98
– deferred tax		–	(2)	–	–	–	(2)
Share of other comprehensive income of joint venture and associated companies		268	–	87	4,459	(1,295)	3,519
Net translation differences on foreign operations		–	–	–	–	(1,517)	(1,517)
		9,964	96	26	4,794	(2,812)	12,068
Total comprehensive income for the year							
Acquisition of non-controlling interest		147	–	–	–	–	147
Recognition of contingent consideration		(99)	–	–	–	–	(99)
2015 second interim dividend	12	(4,182)	–	–	–	–	(4,182)
2016 first interim dividend	12	(1,504)	–	–	–	–	(1,504)
At 31st December 2016		224,464	2,090	469	(2,504)	(934)	223,585

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$6,548 million (2016: HK$4,881 million) and retained revenue reserves from associated companies amounting to HK$24,321 million (2016: HK$24,443 million).

(b) The Group revenue reserve includes HK$1,652 million (2016: HK$1,655 million) representing the declared second interim dividend for the year (note 12).

35. Non-controlling Interests

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

	2017 HK$M	2016 HK$M
At 1st January	47,289	45,537
Share of profits less losses for the year	6,312	3,288
Share of defined benefit plans		
– remeasurement gains recognised during the year	29	32
– deferred tax	(5)	(2)
Share of cash flow hedges		
– (losses)/gains recognised during the year	(47)	51
– transferred to net finance charges	1	(1)
– transferred to operating profit	–	1
– deferred tax	8	(9)
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	22	22
– deferred tax	–	(1)
Share of other comprehensive income of joint venture and associated companies	142	(120)
Share of translation differences on foreign operations		
– gains/(losses) recognised during the year	497	(396)
– reclassified to profit or loss on disposal	2	–
Share of total comprehensive income	6,961	2,865
Dividends paid and payable	(1,152)	(1,056)
Acquisition of non-controlling interests in subsidiary companies	(774)	(147)
Change in composition of the Group	366	–
Capital contribution from non-controlling interests accrued/received	241	90
At 31st December	52,931	47,289

36. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

	Note	2017 HK$M	2016 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		12	15
Subsidiary companies		44,198	35,745
Joint venture companies		114	114
Associated companies		4,624	4,624
Available-for-sale assets		127	92
Retirement benefit assets		37	39
		49,112	40,629
Current assets			
Trade and other receivables		53	46
Bank balances and short-term deposits		112	1,502
		165	1,548
Current liabilities			
Trade and other payables		39,427	35,356
Net current liabilities		(39,262)	(33,808)
Total assets less current liabilities		9,850	6,821
Non-current liabilities			
Deferred tax liabilities		5	5
NET ASSETS		9,845	6,816
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	33	1,294	1,294
Reserves	36(b)	8,551	5,522
TOTAL EQUITY		9,845	6,816

John R Slosar
Michelle Low
Paul K Etchells
Directors
Hong Kong, 15th March 2018

36. Company Statement of Financial Position and Reserves (continued)

(b) The movement of reserves during the year is as follows:

	Note	Revenue reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
Company				
At 1st January 2017		5,517	5	5,522
Profit for the year		6,312	–	6,312
Other comprehensive income				
Defined benefit plans				
– remeasurement gains recognised during the year		6	–	6
– deferred tax		(1)	–	(1)
Net fair value gains on available-for-sale assets		–	35	35
Total comprehensive income for the year		6,317	35	6,352
Repurchase of the Company's shares		(165)	–	(165)
2016 second interim dividend	12	(1,655)	–	(1,655)
2017 first interim dividend	12	(1,503)	–	(1,503)
At 31st December 2017		8,511	40	8,551
Company				
At 1st January 2016		8,073	5	8,078
Profit for the year		3,122	–	3,122
Other comprehensive income				
Defined benefit plans				
– remeasurement gains recognised during the year		10	–	10
– deferred tax		(2)	–	(2)
Net fair value changes on available-for-sale assets				
– losses recognised during the year		–	(1)	(1)
– transferred to operating profit		–	1	1
Total comprehensive income for the year		3,130	–	3,130
2015 second interim dividend	12	(4,182)	–	(4,182)
2016 first interim dividend	12	(1,504)	–	(1,504)
At 31st December 2016		5,517	5	5,522

(i) Distributable reserves of the Company at 31st December 2017 amounted to HK$8,511 million (2016: HK$5,517 million).

(ii) The Company revenue reserve includes HK$1,652 million (2016: HK$1,655 million) representing the declared second interim dividend for the year (note 12).

37. Business Combination and Other Related Transactions

(a) Acquisition of additional territory rights in the Pacific Northwest, USA and certain distribution and production assets

In February 2017 and April 2017, Swire Coca-Cola completed the acquisition from subsidiaries of The Coca-Cola Company ("TCCC") of additional territory rights in the states of Washington, Oregon and Idaho in the Pacific Northwest, USA and the acquisition of certain distribution and production assets. The acquisition expanded the Group's beverage business in the USA.

Details of the purchase consideration, the net assets acquired and goodwill are as follows (on a provisional basis):

	Provisional fair value HK$M
Purchase consideration	
Cash paid	1,371
Contingent consideration	318
	1,689

	HK$M
Property, plant and equipment	912
Intangible assets	495
Deferred tax assets	20
Stocks and work in progress	236
Other receivables	88
Trade and other payables	(93)
Net identifiable assets acquired	1,658
Goodwill	31
	1,689
Purchase consideration settled in cash and net cash outflow on acquisition	1,371

The fair value of the acquired assets (including identifiable intangible assets) is provisional pending final valuations of those assets. The fair value of the franchise rights acquired was determined using discounted cash flow valuation techniques. The key assumptions included the discount rate and future revenues and margins.

The contingent consideration represents a requirement for Swire Coca-Cola, USA to make quarterly sub-bottler payments to a subsidiary of TCCC. The fair value of the contingent consideration (US$41 million (HK$318 million)) was determined using a discounted cash flow valuation technique. The key unobservable inputs used were the expected future gross profit and the discount rate. This is a level 3 fair value measurement.

The goodwill is not expected to be deductible for tax purposes.

Acquisition-related costs of HK$16 million were recognised in the consolidated statement of profit or loss.

The acquired businesses contributed revenue of HK$3,497 million and net profit of HK$51 million to the Group for the periods from the dates of completion of their acquisition (25th February 2017 and 29th April 2017) to 31st December 2017.

37. Business Combination and Other Related Transactions (continued)

(b) Acquisition of distribution rights and assets in Arizona and New Mexico, USA

In July 2016, Swire Coca-Cola, USA completed the acquisition from subsidiaries of TCCC of the distribution rights to certain territories and certain distribution assets in Arizona and New Mexico in the USA. The acquisition expanded the Group's beverage business in the USA.

At 31st December 2016, the initial accounting for the acquisition of distribution rights and assets in Arizona and New Mexico was incomplete and provisional amounts were reported pending the receipt of final valuations of the assets acquired. After finalisation of the completion financial statements and receipt of the final valuations of the assets acquired, the following measurement period adjustments were recognised in the current period:

	Provisional amounts at 31st December 2016 HK$M	Final amounts at 30th June 2017 HK$M	Measurement period adjustments recognised in the current period HK$M
Purchase consideration			
Cash paid	1,455	1,542	87
Contingent consideration	1,328	1,427	99
	2,783	2,969	186
Property, plant and equipment	469	469	–
Intangible assets	2,084	1,911	(173)
Deferred tax assets	80	103	23
Stocks and work in progress	128	128	–
Trade and other receivables	–	358	358
Trade and other payables	(92)	(107)	(15)
Net identifiable assets acquired	2,669	2,862	193
Goodwill	114	107	(7)
	2,783	2,969	186
Purchase consideration settled in cash and net cash outflow on acquisition	1,455	1,542	87

37. Business Combination and Other Related Transactions (continued)

(c) Acquisition of production assets in Tempe, Arizona, USA

In August 2017, Swire Coca-Cola completed the acquisition from subsidiaries of TCCC of certain production assets in Tempe, Arizona in the USA. This acquisition was a follow-up transaction linked to the acquisition of distribution assets in Arizona and New Mexico completed in July 2016 referred to in (b) above.

Details of the purchase consideration, the net assets acquired and goodwill are as follows (on a provisional basis):

	Provisional fair value HK$M
Purchase consideration	
Cash paid	582
Contingent consideration	(353)
	229

	HK$M
Property, plant and equipment	547
Reduction in intangible assets previously recognised during acquisition of distribution assets	(111)
Deferred tax liabilities	(34)
Stocks and work in progress	70
Other receivables	26
Trade and other payables	(269)
Net identifiable assets acquired	229
Purchase consideration settled in cash and net cash outflow on acquisition	582

The fair value of the acquired assets (including identifiable intangible assets) is provisional pending final valuations of those assets.

The contingent consideration represents a reduction in the requirement for Swire Coca-Cola, USA to make quarterly sub-bottler payments to a subsidiary of TCCC. The fair value of the contingent consideration is (US$45.2 million or HK$353 million) and was determined using a discounted cash flow valuation technique. The key unobservable inputs used were the expected future gross profit and the discount rate. This is a level 3 fair value measurement.

Acquisition-related costs of HK$4 million were recognised in the consolidated statement of profit or loss.

37. Business Combination and Other Related Transactions (continued)

(d) Acquisition of production assets in Denver, Colorado, USA

In October 2017, Swire Coca-Cola completed the acquisition from subsidiaries of TCCC of certain production assets in Denver, Colorado in the USA. This acquisition was a follow-up transaction linked to an acquisition of distribution assets in Denver and Colorado Springs completed in May 2014.

Details of the purchase consideration, the net assets acquired and goodwill are as follows (on a provisional basis):

	Provisional fair value HK$M
Purchase consideration	
Cash paid	307
Gain arising from the acquisition	95
Contingent consideration	(354)
	48

	HK$M
Property, plant and equipment	290
Reduction in intangible assets previously recognised during acquisition of distribution assets	(210)
Deferred tax liabilities	(79)
Stocks and work in progress	95
Other receivables	5
Trade and other payables	(23)
Net identifiable assets acquired	78
Reduction in goodwill previously recognised during acquisition of distribution assets	(30)
	48
Purchase consideration settled in cash and net cash outflow on acquisition	307

The fair value of the acquired assets (including identifiable intangible assets) is provisional pending final valuations for those assets.

The contingent consideration represents a reduction in the requirement for Swire Coca-Cola, USA to make quarterly sub-bottler payments to a subsidiary of TCCC. The fair value of the contingent consideration is (US$45.3 million or HK$354 million) and was determined using a discounted cash flow valuation technique. The key unobservable inputs used were the expected future gross profit and the discount rate. This is a level 3 fair value measurement.

Acquisition-related costs of HK$4 million were recognised in the consolidated statement of profit or loss.

(e) Realignment of the Coca-Cola Bottling System in Mainland China

In November and December 2016, Swire Beverages Holdings Limited ("SBHL") entered into conditional agreements with TCCC and a subsidiary of China Foods Limited ("China Foods") for the realignment of the Coca-Cola bottling system in Mainland China.

(i) Acquisition of equity interests from China Foods

In April 2017, SBHL acquired from China Foods additional equity interests in joint venture Coca-Cola bottling companies in Guangdong (19%), Zhejiang (20%) and Jiangsu (20%), and equity interests in Coca-Cola bottling companies in Hainan (100%), Jiangxi (100%) and Zhanjiang and Maoming (100%).

After completion of the acquisition, the joint venture Coca-Cola bottling companies in Guangdong, Zhejiang and Jiangsu became subsidiary companies. The Group recognised a gain of HK$975 million on the remeasurement to fair value of the Group's interest in the joint venture companies held prior to the acquisition.

37. Business Combination and Other Related Transactions (continued)

(e) Realignment of the Coca-Cola Bottling System in Mainland China (continued)

(ii) Acquisition of equity interests from subsidiaries of TCCC

In April 2017, SBHL acquired from subsidiaries of TCCC equity interests in Coca-Cola bottling companies in Guangxi (100%), Yunnan (95%) and Hubei (79%).

Details of the purchase consideration, the fair value of the equity interests in the joint venture companies before the acquisition, the net assets acquired and goodwill are as follows (on a provisional basis):

	Provisional fair value HK$M
Purchase consideration – cash paid	4,656
Fair value of previously held interest in the joint venture companies	1,441
	6,097

	HK$M
Property, plant and equipment	3,302
Leasehold land and land use rights	527
Intangible assets	2,615
Deferred tax assets	147
Stocks and work in progress	680
Trade and other receivables	1,167
Bank balances and short term deposits maturing within three months	493
Short-term deposits maturing after more than three months	5
Trade and other payables	(3,808)
Taxation payable	(9)
Deferred tax liabilities	(742)
Non-controlling interests	(366)
Net identifiable assets acquired	4,011
Goodwill	2,086
	6,097
Purchase consideration settled in cash and net cash outflow on acquisition	4,163

The fair value of the acquired assets (including identifiable intangible assets) is provisional pending final valuations for those assets. The fair value of the franchise rights acquired was determined using discounted cash flow valuation techniques. The key assumptions included the discount rate and future revenues and margins.

The fair value of the acquired receivables was HK$1,167 million and included trade receivables with a fair value of HK$343 million. The gross contractual amount of these trade receivables due is HK$362 million, of which HK$19 million is expected to be uncollectable.

The goodwill is attributable to the Coca-Cola bottling companies' highly skilled workforce, management expertise and the synergies expected to be derived from improved services to a wider range of customers. The goodwill is not expected to be deductible for tax purposes.

Acquisition-related costs totalled HK$103 million, of which HK$13 million has been recognised in the consolidated statement of profit or loss for the period ended 31st December 2017.

The acquired businesses contributed revenue of HK$10,006 million and net profit of HK$106 million to the Group for the period from the date of completion of their acquisition (1st April 2017) to 31st December 2017.

(iii) In July 2017, SBHL acquired a 54% equity interest in the bottling division of a Coca-Cola bottling company in Shanghai for a total consideration of RMB793 million (HK$922 million), subject to closing adjustments.

(iv) In July 2017, SBHL acquired from a subsidiary of TCCC the 12.5% interest in Swire Beverages Limited which it did not already own, for a total consideration of RMB1,220 million (HK$1,405 million, including the settlement of a shareholder loan of HK$116 million).

(v) In July 2017, SBHL acquired a further 16.8% interest in a Coca-Cola bottling company in Hubei from the minority shareholder for a total consideration of RMB82 million (HK$95 million).

38. Capital Commitments

		2017 HK$M	2016 HK$M
(a)	The Group's outstanding capital commitments at the year-end in respect of:		
	Property, plant and equipment		
	Contracted for	1,010	11,147
	Authorised by Directors but not contracted for	2,415	2,530
	Investment properties		
	Contracted for	3,961	5,577
	Authorised by Directors but not contracted for	8,807	10,152
		16,193	29,406
	The Group's share of capital commitments of joint venture companies at the year-end*		
	Contracted for	880	1,725
	Authorised by Directors but not contracted for	720	1,261
		1,600	2,986

* of which the Group is committed to funding HK$355 million (2016: HK$977 million).

(b) At 31st December 2017, the Group had unprovided contractual obligations for future repairs and maintenance in respect of investment properties of HK$190 million (2016: HK$219 million).

39. Provisions and Contingencies

Accounting Policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Contingent liabilities are possible obligations that arise from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise the fee income earned in the statement of profit or loss on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the statement of profit or loss.

		2017 HK$M	2016 HK$M
(a)	Guarantees provided in respect of bank loans and other liabilities of:		
	Joint venture companies	2,012	1,960
	Bank guarantees given in lieu of utility deposits and others	185	175
		2,197	2,135

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

39. Provisions and Contingencies (continued)

(b) Cathay Pacific Airways

Critical Accounting Estimates and Judgements

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

The proceedings and civil actions, except as otherwise stated below, are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the accounting policy set out above in this note.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on Cathay Pacific. However, the European Commission's finding against Cathay Pacific, and the imposition of this fine, was annulled by the General Court in December 2015 and the fine of Euros 57.12 million was refunded to Cathay Pacific in February 2016. The European Commission issued a new decision against Cathay Pacific and the other airlines involved in the case in March 2017. Another fine of Euros 57.12 million was imposed on Cathay Pacific, which was paid by Cathay Pacific and charged to profit or loss in June 2017. Cathay Pacific filed an appeal against this latest decision, to which the European Commission filed a defence. In December 2017, Cathay Pacific filed a Reply to this Defence. The European Commission has one further opportunity to respond to Cathay Pacific's Reply, by filing a rejoinder within one month of formal service by the court of the Reply on them. It is unclear to Cathay Pacific whether the one-month time limit has started to run yet. No date has yet been fixed for an appeal hearing.

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

40. Leases

Accounting Policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognised as income or expenses in the statement of profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out investment properties and vessels under operating leases. The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received during the year amounted to HK$389 million (2016: HK$286 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew them after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group were as follows:

	2017 HK$M	2016 HK$M
Investment properties		
Not later than one year	8,557	7,933
Later than one year but not later than five years	18,449	15,250
Later than five years	5,987	4,511
	32,993	27,694
Vessels		
Not later than one year	1,400	1,819
Later than one year but not later than five years	516	463
Later than five years	–	260
	1,916	2,542
	34,909	30,236

Assets held for deployment on operating leases at 31st December were as follows:

	2017		2016	
	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Vessels HK$M
Cost or fair value	229,831	25,981	204,076	25,620
Less: accumulated depreciation and impairment	–	(9,868)	–	(8,332)
	229,831	16,113	204,076	17,288
Depreciation for the year	–	1,035	–	1,181

40. Leases (continued)

(b) Lessee

The Group leases land and buildings, vessels and equipment under operating leases. These leases typically run for an initial period of one to fifteen years with an option to renew them after that date, at which time all terms are renegotiated. The retail turnover-related rentals paid during the year amounted to HK$47 million (2016: HK$57 million).

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases payable by the Group were as follows:

	2017 HK$M	2016 HK$M
Land and buildings		
Not later than one year	953	847
Later than one year but not later than five years	1,956	1,567
Later than five years	2,976	2,856
	5,885	5,270
Vessels		
Not later than one year	25	26
Later than one year but not later than five years	35	–
Later than five years	–	–
	60	26
Equipment		
Not later than one year	40	30
Later than one year but not later than five years	20	14
Later than five years	–	–
	60	44
	6,005	5,340

41. Related Party Transactions

Accounting Policy

Related parties of the Group are individuals and companies, including subsidiary, fellow subsidiary, joint venture and associated companies and key management of the Group or the parent of the Group (including close members of their families), where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements, which commenced on 1st January 2017 for a period of three years, will expire on 31st December 2019. For the year ended 31st December 2017, service fees payable amounted to HK$302 million (2016: HK$293 million). Expenses of HK$259 million (2016: HK$251 million) were reimbursed at cost; in addition, HK$320 million (2016: HK$375 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("Tenancy Framework Agreement") between JSSHK, the Company and Swire Properties Limited dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was for an initial term of two years ending on 31st December 2015 and was renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the year ended 31st December 2017, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$100 million (2016: HK$105 million).

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

		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
Revenue from									
– Sales of beverage drinks	(a)	10	21	28	38	–	–	–	–
– Rendering of services		1	1	4	4	11	16	–	–
– Aircraft and engine maintenance		50	60	2,774	2,795	–	–	–	–
Purchase of beverage drinks	(a)	14	65	1,298	1,226	–	–	–	–
Purchase of other goods	(a)	3	5	14	33	–	–	–	–
Purchase of services	(a)	38	29	7	8	18	51	–	–
Rental revenue	(b)	2	2	4	8	1	13	99	92
Interest income	(c)	75	74	12	8	–	–	–	–
Interest charges	(c)	10	8	8	6	–	–	–	–

Notes:
(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.
(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
(c) Loans advanced to joint venture and associated companies at 31st December 2017 are disclosed in note 19. Advances to and from joint venture and associated companies are disclosed in notes 25 and 27.

Amounts due to the immediate holding company at 31st December 2017 are disclosed in note 27. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management, which includes executive and non-executive directors and an executive officer, is disclosed in note 8.

42. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	2017 HK$M	2016 HK$M
Operating profit	35,864	15,384
Remeasurement gains on interests in joint venture companies which become subsidiary companies	(975)	–
Final purchase consideration adjustment on acquisition of assets	(95)	–
(Profit)/loss on disposal of subsidiary companies	(387)	118
Loss/(profit) on sale of property, plant and equipment	70	(114)
Profit on sale of investment properties	(9)	(76)
Loss/(profit) on sale of available-for-sale assets	93	(9)
Change in fair value of investment properties	(25,331)	(8,445)
Depreciation, amortisation and impairment losses	5,315	5,860
Other items	39	34
Operating profit before working capital changes	14,584	12,752
Decrease in properties for sale	3,644	2,052
Increase in stocks and work in progress	(216)	(98)
Decrease in trade and other receivables	467	12
Increase in trade and other payables	1,126	146
Cash generated from operations	19,605	14,864

(b) Purchase of property, plant and equipment

	2017 HK$M	2016 HK$M
Properties	835	849
Leasehold land and land use rights	12	15
Plant and machinery	2,116	1,782
Vessels	814	905
Total	3,777	3,551

The above purchase amounts do not include interest capitalised on property, plant and equipment.

(c) Analysis of changes in financing during the year

	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2017 HK$M	2016 HK$M	2017 HK$M	2016 HK$M
At 1st January	70,570	68,617	47,289	45,537
Net cash inflow from financing	7,263	2,126	–	90
Acquisition of interests in subsidiary companies	–	–	(774)	(147)
Change in composition of the Group	–	–	366	–
Non-controlling interests' share of total comprehensive income	–	–	6,961	2,865
Dividends paid to non-controlling interests	–	–	(1,177)	(1,030)
Movement in dividends payable to non-controlling interests	–	–	25	(26)
Currency adjustment	629	(276)	–	–
Other non-cash movements	124	103	241	–
At 31st December	78,586	70,570	52,931	47,289

42. Notes to the Consolidated Statement of Cash Flows (continued)

(d) Disposal of a subsidiary company in Mainland China (Shaanxi bottling franchise business)

	HK$M
Net Assets disposed of:	
Property, plant and equipment	186
Leasehold land and land use rights	12
Intangible assets	3
Stocks and work in progress	59
Trade and other receivables	70
Bank balances and deposits maturing within three months	55
Trade and other payables	(165)
Deferred taxation assets	18
Goodwill	41
Exchange losses reclassified from translation reserve	6
	285
Gain on disposal	382
	667
Satisfied by:	
Cash received	667
Analysis of the net inflow from disposal:	
Net cash proceeds	667
Cash and cash equivalents disposed of	(55)
Net inflow of cash and cash equivalents	612

43. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England.

Principal Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, the other principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention as modified in relation to the revaluation of certain available-for-sale assets, financial assets and financial liabilities (including derivative instruments), investment properties and defined benefit assets/liabilities, each of which are carried at fair value.

2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Swire Pacific Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in joint venture and associated companies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquired subsidiary either at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired subsidiary and the acquisition-date fair value of any previous equity interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the statement of other comprehensive income are reclassified to the statement of profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the owner of the non-controlling interest, which is not part of a business combination, the Group records a financial liability in respect of the present value of the redemption amount with a corresponding charge directly to equity. Changes to the value of the financial liability are recognised in the statement of profit or loss within net finance charges.

The Group's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the joint venture or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associated company.

The Group recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint venture and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its joint venture and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in respect of investments in associated companies are recognised in the consolidated statement of profit and loss.

3. Subsidiary Companies

Investment in subsidiary companies in the Company's standalone financial statements are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for on the basis of dividends received and receivable. Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there are no defined repayment terms and no expectation of repayment.

4. Joint Venture and Associated Companies

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company on the basis of dividends received and receivable. Long-term loans to joint venture and associated companies are considered to be quasi-equity in nature where there are no defined repayment terms and no historical repayment of the balances.

5. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the statement of profit or loss, any associated translation difference is also recognised in the statement of profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated statement of profit or loss and consolidated statement of other comprehensive income for the year ended 31st December 2017 and consolidated statement of financial position at 31st December 2017, modified to conform to the Group's financial statements presentation.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2017

	Note	2017 HK$M	2016 HK$M
Revenue		97,284	92,751
Operating expenses		(99,563)	(93,276)
Operating loss before non-recurring items		(2,279)	(525)
Gain on disposal of long-term investment		586	–
Gain on deemed partial disposal of an associate	1	244	–
Operating loss		(1,449)	(525)
Finance charges		(2,223)	(1,561)
Finance income		462	260
Net finance charges		(1,761)	(1,301)
Share of profits less losses of associated companies		2,630	2,049
(Loss)/profit before taxation		(580)	223
Taxation		(308)	(497)
Loss for the year		(888)	(274)
Loss for the year attributable to:			
– Cathay Pacific's shareholders		(1,259)	(575)
– Non-controlling interests		371	301
		(888)	(274)
Dividends			
Interim – paid		–	197
Second interim – declared/paid		–	–
		–	197

	HK¢	HK¢
Loss per share from loss attributable to Cathay Pacific's shareholders (basic and diluted)	(32.0)	(14.6)

Note 1: On 10th March 2017, Air China Limited ("Air China") completed the issue of 1,440,064,181 A shares. As a consequence, Cathay Pacific's shareholding in Air China was diluted from 20.13% to 18.13%. A gain on this deemed partial disposal of HK$244 million was recorded, principally reflecting the change in the Cathay Pacific group's share of net assets in Air China immediately before and after the share issuance.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2017

	2017 HK$M	2016 HK$M
Loss for the year	(888)	(274)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans	702	606
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges	4,352	9,690
Net fair value changes on available-for-sale assets	(403)	178
Share of other comprehensive income of associated companies	470	334
Net translation differences on foreign operations	1,874	(1,536)
Other comprehensive income for the year, net of tax	6,995	9,272
Total comprehensive income for the year	6,107	8,998
Total comprehensive income attributable to:		
Cathay Pacific's shareholders	5,736	8,697
Non-controlling interests	371	301
	6,107	8,998

Consolidated Statement of Financial Position

At 31st December 2017

	2017 HK$M	2016 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	111,182	106,456
Intangible assets	11,221	10,934
Investments in associates	28,144	23,298
Other long-term receivables and investments	4,068	4,604
Deferred tax assets	928	737
	155,543	146,029
Current assets		
Stock	1,515	1,514
Trade, other receivables and other assets	12,226	9,588
Liquid funds	19,094	20,290
	32,835	31,392
Current liabilities		
Current portion of long-term liabilities	8,888	11,263
Trade and other payables	17,057	19,104
Unearned transportation revenue	13,961	12,926
Taxation	1,372	707
Dividend payable to non-controlling interests	–	92
	41,278	44,092
Net current liabilities	(8,443)	(12,700)
Total assets less current liabilities	147,100	133,329
Non-current liabilities		
Long-term liabilities	69,506	58,906
Other long-term payables	3,502	7,517
Deferred taxation	12,820	11,380
	85,828	77,803
NET ASSETS	61,272	55,526
EQUITY		
Share capital	17,106	17,106
Reserves	43,995	38,259
Equity attributable to Cathay Pacific's shareholders	61,101	55,365
Non-controlling interests	171	161
TOTAL EQUITY	61,272	55,526

Principal Subsidiary, Joint Venture and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2017

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Cathay Limited	82	–	100	807 shares (HK$8,070)	Property investment
Citiluck Development Limited	82	–	100	1,000 shares (HK$1,000)	Property investment
Cityplaza Holdings Limited	82	–	100	100 shares (HK$1,000)	Property investment
Coventry Estates Limited	82	–	100	4 shares (HK$40)	Property investment
Keen Well Holdings Limited	65.60	–	100	1 share (HK$1)	Property trading
One Island East Limited	82	–	100	2 shares (HK$2)	Property investment
One Queen's Road East Limited	82	–	100	2 shares (HK$2)	Property investment
Oriental Landscapes Limited	82	–	100	60,000 shares (HK$600,000)	Landscaping services
Pacific Place Holdings Limited	82	–	100	2 shares (HK$2)	Property investment
Redhill Properties Limited	82	–	100	250,000 shares (HK$7,300,000)	Property investment
Super Gear Investment Limited	82	–	100	2 shares (HK$2)	Property investment
Swire Properties (Finance) Limited	82	–	100	1,000,000 shares (HK$1,000,000)	Financial services
Swire Properties Limited	82	82	–	5,850,000,000 shares (HK$10,449,437,325.77)	Holding company
Swire Properties Management Limited	82	–	100	2 shares (HK$20)	Property management
Swire Properties MTN Financing Limited	82	–	100	1 share (HK$1)	Financial services
Swire Properties Real Estate Agency Limited	82	–	100	2 shares (HK$20)	Real estate agency
Taikoo Place Holdings Limited	82	–	100	2 shares (HK$2)	Property investment
Incorporated in Mainland China:					
(Domestic company)					
Beijing Tianlian Real Estate Company Limited ^ •	82	–	100	Registered capital of RMB865,000,000	Holding company
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Company Limited ^	79.54	–	97	Registered capital of RMB3,050,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Sanlitun Hotel Management Company Limited ^	82	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited ^	82	–	100	Registered capital of RMB2,784,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited ^	82	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	82	–	100	Registered capital of RMB295,000,000	Property investment
Swire Properties (China) Investment Company Limited ^	82	–	100	Registered capital of US$30,000,000	Holding company

Notes:
1. This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.
2. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and ship operating are international, and are not attributable to a principal country of operation.
3. * Group interest held through joint venture or associated companies.
4. • Companies not audited by PricewaterhouseCoopers. These companies accounted for approximately 10% of attributable net assets at 31st December 2017.
5. ^ Translated name.

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in the USA:					
700 Brickell City Centre LLC	82	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	82	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	82	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	49.40	–	85.25	Limited Liability Company	Property investment
FTL/AD LTD	61.50	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	82	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	82	–	100	Limited Liability Company	Property trading
Swire Properties Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	82	–	100	Limited Liability Company	Property trading and investment
Swire Properties US Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	82	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands and operating in Hong Kong:					
Bao Wei Enterprises Limited	82	–	100	1 share of US$1	Property trading
Boom View Holdings Limited	82	–	100	2 shares of US$1 each	Property investment
Endeavour Technology Limited	71.75	–	87.50	1,000 shares of US$1 each	Holding company
Excel Free Ltd.	82	–	100	1 share of US$1	Property trading
Novel Ray Limited	82	–	100	1 share of US$1	Property investment
Peragore Limited	65.60	–	80	1,000 shares of US$1 each	Holding company
Sino Flagship Investments Limited	82	–	100	1 share of US$1	Property investment
Star Wing International Limited	82	–	100	1 share of US$1	Property investment
Swire and Island Communication Developments Limited	49.20	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	82	–	100	1 share of US$1	Holding company
Wonder Cruise Group Limited	82	–	100	1 share of US$1	Property trading
Joint venture companies:					
Incorporated in Hong Kong:					
Hareton Limited	41	–	50	100 shares (HK$1,000)	Property investment
Pacific Grace Limited	41	–	*	2 shares (HK$2)	Property investment
Richly Leader Limited	41	–	50	1,000,000,000 shares (HK$700,000,000)	Property investment
Incorporated in the USA:					
Swire Brickell Key Hotel, Ltd.	61.50	–	75	Florida Partnership	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY DIVISION (continued)					
Joint venture companies (continued):					
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited (operates in Mainland China)	41	–	50	1,000 shares of US$1 each	Holding company
Great City China Holdings Limited (operates in Mainland China)	41	–	50	100 shares of US$1 each	Holding company
Island Land Development Limited (operates in Hong Kong)	41	–	50	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	16.40	–	20	5 shares of US$1 each	Holding company
Incorporated in Mainland China					
(Domestic company)					
Beijing Linlian Real Estate Company Limited ^	41	–	50	Registered capital of RMB400,000,000	Property investment
(Wholly foreign owned enterprises)					
Chengdu Qianhao Real Estate Company Limited	41	–	*	Registered capital of US$329,000,000	Property investment
Guan Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$1,136,530,000	Property investment
Associated companies:					
Incorporated in Hong Kong:					
Greenroll Limited •	16.40	–	20	45,441,000 shares (HK$454,410,000)	Hotel investment
Queensway Hotel Limited •	16.40	–	*	100,000 shares (HK$1,000,000)	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	16.40	–	20	10,005,000 shares (HK$10,005,000)	Hotel investment
AVIATION DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
HAECO ITM Limited	65.99	–	70 & *	100 shares (HK$100)	Aircraft inventory technical management
Hong Kong Aircraft Engineering Company Limited	74.99	74.99	–	166,324,850 shares (HK$185,193,750)	Aircraft overhaul and maintenance
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Shanghai Taikoo Aircraft Engineering Services Company Limited • ^	52.19	–	75	Registered capital of US$3,700,000	Line services
Taikoo Engine Services (Xiamen) Company Limited	59.05	–	76.59 & *	Registered capital of US$113,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited	48	–	58.55 & *	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	66.24	–	88.37 & *	Registered capital of US$83,090,000	Landing gear repair and overhaul
(Wholly foreign owned enterprise)					
HAECO Component Overhaul (Xiamen) Limited	74.99	–	100	Registered capital of US$18,600,000	Aircraft component overhaul

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
AVIATION DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Singapore:					
Singapore HAECO Pte. Limited	74.99	–	100	Registered capital of S$1	Line services
Incorporated in the USA:					
HAECO USA Holdings, Inc.	74.99	–	100	2,700 shares of US$0.01 each	Aircraft overhaul and maintenance, cabin modification and interior products manufacturing
Joint venture companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	36.75	–	49	9,200,000 shares (HK$9,200,000)	Carbon brake machining and wheel hub overhaul
Hong Kong Aero Engine Services Limited	37.50	–	50	20 shares (HK$200)	Commercial aero engine overhaul services
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	25.32	–	37	Registered capital of US$7,500,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited	16.80	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs
Honeywell TAECO Aerospace (Xiamen) Company Limited •	23.55	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo (Shandong) Aircraft Engineering Company Limited •	27.30	–	40	Registered capital of RMB200,000,000	Airframe maintenance services for narrow-body aircraft
Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited	38.96	–	52.56 & *	Registered capital of US$11,663,163	Composite material aeronautic parts/ systems repair, manufacturing and sales
Associated companies:					
Incorporated in Hong Kong:					
AHK Air Hong Kong Limited •	27	–	*	54,402,000 'A' shares (HK$54,402,000) and 36,268,000 'B' shares (HK$36,268,000)	Cargo airline
Airline Property Limited •	45	–	*	2 shares (HK$20)	Property investment
Airline Stores Property Limited •	45	–	*	2 shares (HK$20)	Property investment
Airline Training Property Limited •	45	–	*	2 shares (HK$20)	Property investment
Asia Miles Limited •	45	–	*	2 shares (HK$2)	Travel reward programme
Cathay Holidays Limited •	45	–	*	40,000 shares (HK$4,000,000)	Travel tour operator
Cathay Pacific Aero Limited •	45	–	*	1 share (HK$10)	Financial services
Cathay Pacific Aircraft Lease Finance Limited •	45	–	*	1 share (HK$1)	Aircraft leasing facilitator
Cathay Pacific Airways Limited •	45	45	–	3,933,844,572 shares (HK$17,106,252,291)	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited •	45	–	*	600 shares (HK$600,000)	Airline catering
Cathay Pacific Services Limited •	45	–	*	1 share (HK$1)	Cargo terminal
Deli Fresh Limited •	45	–	*	20 shares (HK$200)	Food processing and catering
Global Logistics System (HK) Company Limited •	43.49	–	*	100 shares (HK$1,000)	Computer network for interchange of air cargo related information

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued):					
Incorporated in Hong Kong (continued):					
Ground Support Engineering Limited	22.50	–	*	2 shares (HK$2)	Airport ground engineering support and equipment maintenance
Hong Kong Airport Services Limited •	45	–	*	100 shares (HK$100)	Aircraft ramp handling services
Hong Kong Aviation and Airport Services Limited •	45	–	*	2 shares (HK$2)	Property investment
Hong Kong Dragon Airlines Limited •	45	–	*	500,000,000 shares (HK$545,979,133)	Operation of scheduled airline services
LSG Lufthansa Service Hong Kong Limited	14.37	–	*	501 shares (HK$501)	Airline catering
Vehicle Engineering Services Limited	22.50	–	*	2 shares (HK$2)	Repair and maintenance services for transportation companies
Vogue Laundry Service Limited •	45	–	*	3,700 shares (HK$1,850,000)	Laundry and dry cleaning
Incorporated in Mainland China:					
Air China Cargo Co., Ltd. •	15.41	–	*	Registered capital of RMB5,235,294,118	Cargo carriage service
Air China Limited •	8.16	–	*	4,562,683,364 'H' shares of RMB1 each 9,962,131,821 'A' shares of RMB1 each	Operation of scheduled airline services
Shanghai International Airport Services Co., Limited ^ •	13.21	–	*	Registered capital of RMB360,000,000	Ground handling
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited •	45	–	*	Registered capital of HK$8,000,000	Information processing
Incorporated in Cayman Islands:					
Cathay Pacific MTN Financing Limited •	45	–	*	1 share of US$1	Financial services
Incorporated in Bermuda:					
Troon Limited •	45	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man:					
Cathay Pacific Aircraft Services Limited •	45	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc. •	18	–	*	37,500,000 shares of PHP1 each	Airline catering
Incorporated in Taiwan:					
China Pacific Catering Services Limited •	22.05	–	*	86,100,000 shares of NT$10 each	Airline catering

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Mount Limited	100	–	100	1 share (HK$1)	Holding company
Swire Beverages Holdings Limited	100	100	–	50,010,002 shares (HK$5,001,000,200)	Holding company
Swire Beverages Limited	100	–	100	14,600 shares (US$7,300,000)	Holding company and sale of non-alcoholic beverages
Swire Coca-Cola HK Limited	100	–	100	2,400,000 shares (HK$24,000,000)	Manufacture and sale of non-alcoholic beverages
Top Noble Limited	100	–	100	1 share (HK$1)	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Swire Coca-Cola Beverages Hubei Limited	95.80	–	95.80	Registered capital of US$17,988,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Jiangsu Limited	80	–	80	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited	80	–	92.85	Registered capital of RMB71,300,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Xiamen Ltd.	100	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Yunnan Limited	95.10	–	95.10	Registered capital of US$8,800,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhejiang Limited	80	–	80	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Ltd.	94.44	–	94.44	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	70	–	88	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	70	–	70	Registered capital of RMB510,669,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire BCD Co., Ltd.	100	–	100	Registered capital of US$60,000,000	Holding company
Swire Coca-Cola Beverages Guangxi Limited	100	–	100	Registered capital of US$15,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hainan Limited	100	–	100	Registered capital of US$11,700,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hefei Ltd.	100	–	100	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Jiangxi Limited	100	–	100	Registered capital of RMB40,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Luohe Limited	94.44	–	100	Registered capital of RMB115,180,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Zhanjiang Limited	100	–	100	Registered capital of RMB23,000,000	Manufacture and sale of non-alcoholic beverages
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB63,370,000	Manufacture and sale of non-alcoholic beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Bermuda:					
Swire Pacific Industries Limited	100	–	100	12,000 shares of US$1 each	Holding company
Incorporated in the British Virgin Islands:					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding company
Swire Coca-Cola Beverages Limited (operates principally in Taiwan)	100	–	100	1,599,840,000 'A' shares of US$0.01 each 200,160,000 'B' shares of US$0.01 each	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited (operates principally in Taiwan)	100	–	100	20,100 shares of US$1 each	Sale of non-alcoholic beverages
Incorporated in the USA:					
Swire Pacific Holdings Inc.	100	–	100	8,950.28 shares of US$1 each	Manufacture and sale of non-alcoholic beverages
Joint venture companies:					
Incorporated in Mainland China:					
(Sino-foreign co-operative joint venture)					
Shanghai Shen-Mei Beverage and Food Co., Ltd.	53.59	–	53.59	Registered capital of US$93,218,600	Manufacture and sale of non-alcoholic beverages and beverage base
Associated companies:					
Incorporated in Hong Kong:					
Coca-Cola Bottlers Manufacturing Holdings Limited	41	–	41	30,000 shares are issued and HK$2,093,950,029.67 were paid	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	41	–	*	Registered capital of US$39,341,450	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Management Service (Shanghai) Company Limited ^	41	–	*	Registered capital of US$5,000,000	Management services
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	41	–	*	Registered capital of US$141,218,820	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	41	–	*	Registered capital of US$31,496,700	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Hangzhou) Company Limited ^	41	–	*	Registered capital of US$14,272,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Jinan) Company Limited	41	–	*	Registered capital of US$5,720,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Nanning) Company Limited	41	–	*	Registered capital of US$9,600,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Shijiazhuang) Company Limited	41	–	*	Registered capital of US$11,460,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	41	–	*	Registered capital of US$2,566,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Yingkou) Company Limited	41	–	*	Registered capital of US$12,667,000	Manufacture and sale of non-carbonated beverages

Showing proportion of capital owned at 31st December 2017

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
MARINE SERVICES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited	100	–	100	1,000 shares (HK$100,000)	Ship personnel management
Incorporated in Australia:					
Swire Pacific Offshore Pty. Limited •	100	–	100	40,000 shares of AUD1 each	Ship chartering and operating
Swire Pacific Ship Management (Australia) Pty. Limited •	100	–	100	20,000 shares of AUD1 each	Ship personnel management
Incorporated in Bermuda:					
Swire Pacific Offshore Holdings Limited •	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited •	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Ship chartering and operating
Incorporated in Singapore:					
SCF Swire Offshore Pte. Ltd. •	50 100	–	50 100	10,000 shares of S$1 each 1 special rights redeemable preference share of S$1	Ship management services and other related activities
Swire Emergency Response Services Pte. Ltd.	100	–	100	10,000 shares of S$1 each	Emergency response services
Swire Pacific Offshore Operations (Pte) Ltd	100	–	100	500,000 shares of S$1 each and 2,000,000,000 preference shares of US$1 each	Ship owning and operating
Swire Pacific Offshore Services (Pte.) Limited	100	–	100	500,000 shares of S$1 each	Ship operating
Swire Production Solutions Pte. Ltd.	100	–	100	100,000 shares of US$1 each and 2 shares of S$1 each	Owning, chartering and operating vessels servicing the offshore marine industry
Swire Salvage Pte. Ltd.	100	–	100	2 shares of S$1 each	Salvage and maritime emergency response services
Incorporated in Norway:					
Swire Seabed AS	100	–	100	100 shares of NOK1,000 each	Ship operating
Swire Seabed Shipping AS	100	–	100	126,000 shares of NOK1,402 each	Ship owning and operating
Incorporated in New Zealand:					
Swire Pacific Offshore NZ Limited •	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon:					
Swire Pacific Offshore Africa •	100	–	100	1,000 shares of XAF10,000 each	Ship operator
Incorporated in Denmark:					
Swire Blue Ocean A/S •	100	–	100	780,000 shares of DKK1 each	Ship operator
Incorporated in Cyprus:					
Swire Pacific Offshore (Cyprus) Limited •	100	–	100	1,000 shares of EUR1.71 each	Owning, chartering and operating vessels servicing the offshore marine industry

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Brazil:					
Swire Pacific Navegação Offshore Ltda.	100	–	100	41,600,000 shares of R$1 each	Ship management services
Incorporated in Dubai:					
Swire Pacific Offshore (Dubai) (L.L.C) •	49	–	49	300 shares of AED1,000 each	Management services
Incorporated in Angola:					
Swire Serviços Maritimos LDA •	49	–	49	20,191,908 shares of AOA1 each	Ship chartering and operating
Incorporated in Azerbaijan:					
Swire Pacific Offshore (Caspian) LLC	100	–	100	1,000 shares of US$5 each	Ship chartering and operating
Joint venture companies:					
Incorporated in Hong Kong:					
Hongkong United Dockyards Limited	50	50	–	7,600,000 shares (HK$76,000,000)	Ship repairing, general engineering, marine towage, salvage, time/ bareboat chartering and management of container vessels for waste disposal
Hongkong United Reinforcement Engineering Limited	27.5	–	*	1,000 shares (HK$10,000,000)	Providing off-site rebar cutting, bending and prefabrication services
HUD General Engineering Services Limited	50	–	*	4,120,000 shares (HK$41,200,000)	General engineering services
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL					
Subsidiary companies:					
Incorporated in Hong Kong:					
Rise Merit Limited	100	–	100	1 share (HK$1)	Sustainable development business investment
Swire Bakery Limited	100	–	100	1 share (US$1)	Holding company
Swire Environmental Services Limited	100	–	100	1 share (HK$1)	Holding company
Swire Foods Holdings Limited	100	100	–	1 share (HK$1)	Holding company
Swire Industrial Limited	100	100	–	2 shares (HK$2)	Holding company
Swire MP Foods Limited	60	–	60	10,000,000 shares (HK$10,000,000)	Marketing and trading of branded food products
Swire Pacific Cold Storage Limited	100	–	100	1 share (HK$1)	Holding company
Taikoo Sugar Limited	100	–	100	300,000 shares (HK$4,360,000)	Packing and trading of branded food products
Incorporated in Mainland China:					
(Wholly foreign owned enterprises)					
Chongqing New Qinyuan Bakery Co., Ltd	100	–	100	Registered capital of RMB75,595,238	Bakery chain stores
Reservoir Management Services (Shanghai) Company Limited ^ •	100	–	100	Registered capital of RMB200,000	Provision of business consultancy services
Swire Cold Chain Logistics (Chengdu) Company Limited •	100	–	100	Registered capital of US$35,475,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Langfang) Company Limited	100	–	100	Registered capital of RMB247,500,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Nanjing) Company Limited •	100	–	100	Registered capital of US$45,000,000	Provision of cold storage facilities

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China (continued):					
(Wholly foreign owned enterprises) (continued)					
Swire Cold Chain Logistics (Ningbo) Company Limited •	100	–	100	Registered capital of US$56,250,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Shanghai) Company Limited ^	100	–	100	Registered capital of RMB330,000,000	Provision of cold storage facilities
Swire Foods Trading (China) Limited ^ •	100	–	100	Registered capital of HK$63,500,000	Trading of branded food products
Taikoo Sugar (China) Limited ^ •	100	–	100	Registered capital of HK$61,350,000	Packing and trading of branded food products
(Domestic companies)					
Chengdu Xin Qinyuan Food Company Limited (previously known as Chengdu Bageri Food Company Limited) ^	100	–	100	Registered capital of RMB10,000,000	Bakery chain stores
Chengdu Xin Qinyuan Trading Company Limited ^	100	–	100	Registered capital of RMB11,000,000	Bakery chain stores
Chongqing Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB100,000	Bakery chain stores
Chongqing Qinyuan Trading Company Limited ^	100	–	100	Registered capital of RMB100,000	Bakery chain stores
Guangzhou Mo Fan Catering Management Ltd ^ •	100	–	100	Registered capital of RMB2,000,000	Catering services
Guiyang Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB13,000,000	Bakery chain stores
Guiyang Yuqinyuan Food Company Limited ^	100	–	100	Registered capital of RMB20,000,000	Bakery chain stores
Swire Foods and Beverages (Shanghai) Limited ^ •	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products
Taikoo Sugar Chengdu Limited ^ •	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products
Incorporated in the British Virgin Islands:					
Sustainable Capital Holdings Limited	100	100	–	1 share of US$1	Holding company
Incorporated in the Cayman Islands:					
Aqua Blue Limited	100	–	100	1 share of US$1	Sustainable development businesses investment
Cell Energy Limited	100	–	100	1 share of US$1	Sustainable development businesses investment
Joint venture companies:					
Incorporated in Hong Kong:					
Akzo Nobel Swire Paints Limited •	40	–	40	10,000 shares (HK$10,000)	Sale of paints and provision of related services
Campbell Swire Equipment Leasing Limited	40	–	40	37,300,000 shares (HK$37,300,000)	Production lines leasing
Campbell Swire (HK) Limited	40	–	40	30 shares (HK$230,946,001)	Holding company
STS Sugar Company Limited	34	–	34	12,400,000 shares (US$12,400,000)	Holding company
Swire Waste Management Limited •	50	–	50	1 'A' share (HK$1) and 1 'B' share (HK$1)	Provision of waste management services

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL (continued)					
Joint venture companies (continued):					
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Akzo Nobel Swire Paints (Guangzhou) Limited •	36	–	36	Registered capital of HK$180,000,000	Manufacturing and distribution of paints
Guangdong Swire Cold Chain Logistics Co. Ltd. ^ •	60	–	60	Registered capital of RMB144,600,000	Provision of cold storage facilities
Swire Haitou Cold Chain Logistics (Xiamen) Co., Ltd. ^ •	65	–	65	Registered capital of RMB125,000,000	Provision of cold storage facilities
(Wholly foreign owned enterprises)					
Akzo Nobel Decorative Coatings (Langfang) Co Ltd. •	30	–	30	Registered capital of US$7,200,000	Manufacturing and distribution of paints
Akzo Nobel Swire Paints (Chengdu) Co., Ltd. ^ •	30	–	30	Registered capital of US$20,000,000	Manufacturing and distribution of paints
Akzo Nobel Swire Paints (Shanghai) Limited ^ •	30	–	30	Registered capital of US$25,640,000	Manufacturing and distribution of paints
Campbell Swire (Xiamen) Co., Limited	40	–	*	Registered capital of RMB593,800,000	Distribution of soup and broth products
STS Sugar (Foshan) Company Limited ^ •	34	–	*	Registered capital of RMB76,000,000	Operating sugar refinery
Associated company:					
Incorporated in United Kingdom:					
Green Biologics Limited	32.65	–	32.65	39,232,199 Ordinary shares of GBP1 each	Developing renewable chemical and biofuel technology
TRADING & INDUSTRIAL DIVISION – TRADING					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited	100	–	100	1 share (HK$1)	Automobile distribution in Taiwan
Beldare Motors Limited	100	–	100	10,000 shares (HK$1,000,000)	Automobile distribution in Taiwan
Chevon Holdings Limited	85	–	85	160,000,000 shares (HK$160,000,000)	Holding company
Chevon (Hong Kong) Limited	85	–	100	1,000,000 shares (HK$1,000,000)	Marketing, distribution and retailing of branded casual apparel and accessories
Excel Marketing Limited	100	–	100	2 shares (HK$2)	Marketing, distribution and retailing of branded casual apparel and accessories
International Automobiles Limited	100	–	100	10,000 shares (US$10,000)	Automobile distribution in Hong Kong
Liberty Motors Limited	100	–	100	2 shares (HK$20)	Automobile distribution in Taiwan
Nice Access Limited	100	–	100	1,000,000 shares (HK$1,000,000)	Marketing, distribution and retailing of branded casual apparel and accessories
Swire Brands Limited	100	–	100	1 share (HK$1)	Investment holding
Swire Resources Limited	100	–	100	4,010,000 shares (HK$40,100,000)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Swire Trading Limited	100	100	–	2 shares (HK$20)	Holding company
Taikoo Commercial Vehicles Limited	100	–	100	2,000 shares (HK$2,000)	Automobile distribution in Taiwan
Yuntung Motors Limited	100	–	100	2 shares (HK$2)	Automobile distribution in Taiwan

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
TRADING & INDUSTRIAL DIVISION – TRADING (continued)					
Subsidiary companies (continued):					
Incorporated in Macau:					
Swire Resources (Macau) Limited •	100	–	100	2 shares (MOP25,000)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Mainland China:					
(Wholly foreign owned enterprises)					
Chevon (Shanghai) Trading Company Limited ^	85	–	100	Registered capital of US$12,000,000	Marketing, distribution and retailing of branded casual apparel and accessories
Swire Resources (Shanghai) Trading Company Limited ^	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Malaysia:					
Auto Commerz Sdn. Bhd.	100	–	100	10,000,000 shares (RM10,000,000)	Automobile distribution in Malaysia
Swire Motors Sales and Services Sdn. Bhd. •	100	–	100	25,000,000 shares (RM25,000,000)	Automobile distribution in Malaysia
Incorporated in Taiwan:					
Biao Yi Limited ^	100	–	100	10,000,000 shares of NT$1 each	Automobile distribution in Taiwan
Incorporated in the British Virgin Islands:					
Biao Da Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Supreme Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Joint venture company:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	7 'A' shares (HK$70) and 3 'B' shares (HK$30)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Associated company:					
Incorporated in Mainland China:					
(Wholly foreign owned enterprise)					
Columbia Sportswear Commercial (Shanghai) Co., Ltd. ^	40	–	40	Registered capital of US$20,000,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
OTHERS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Finance Limited	100	100	–	1,000 shares (HK$10,000)	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services

Schedule of Principal Group Properties

At 31st December 2017

	Gross floor areas in square feet							
	Hong Kong		Mainland China		USA		Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment								
Retail	2,323,135	99,696	2,859,885	1,638,559	496,508	–	5,679,528	7,417,783
Office	7,865,170	687,130	1,731,766	1,211,762	263,384	–	9,860,320	11,759,212
Residential/serviced apartment	593,543	–	51,517	63,790	109,000	–	754,060	817,850
Hotels	358,371	384,796	753,647	293,240	218,000	258,750	1,330,018	2,266,804
	11,140,219	1,171,622	5,396,815	3,207,351	1,086,892	258,750	17,623,926	22,261,649
Property developments for investment								
Retail	4,292	68,514	–	–	–	–	4,292	72,806
Office	2,020,000	191,250	–	–	–	–	2,020,000	2,211,250
Residential/serviced apartment	–	–	–	74,544	–	–	–	74,544
Hotels	–	26,302	–	194,856	–	–	–	221,158
Under planning	–	–	–	–	1,444,000*	–	1,444,000	1,444,000
	2,024,292	286,066	–	269,400	1,444,000	–	3,468,292	4,023,758
Completed properties for sale								
Retail	–	–	–	–	–	–	–	–
Residential	26,264	–	–	–	327,923	–	354,187	354,187
Office	–	–	–	296,570	–	–	–	296,570
	26,264	–	–	296,570	327,923	–	354,187	650,757
Property developments for sale								
Office	–	–	–	–	–	–	–	–
Residential	29,928	–	–	–	1,073,000	–	1,102,928	1,102,928
Under planning	–	–	–	–	825,000	–	825,000	825,000
	29,928	–	–	–	1,898,000	–	1,927,928	1,927,928
	13,220,703	1,457,688	5,396,815	3,773,321	4,756,815	258,750	23,374,333	28,864,092

* One Brickell City Centre is currently under planning. The site is included under "Land held for development" in the financial statements.

Notes:

1. All properties held through subsidiary companies are wholly-owned by Swire Properties group except for Island Place (60% owned), TaiKoo Hui, Guangzhou (97% owned), Brickell City Centre (Retail: 60.25% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these five properties in 100%.
2. "Other companies" comprise joint venture or associated companies. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas in Hong Kong and Mainland China exclude car parking spaces; there are about 10,300 completed car parking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the USA are freehold.
6 Gross floor areas for all properties in the USA represent saleable/leasable areas for completed and nearly completed properties, which exclude car parking spaces; there are about 1,976 completed car parking spaces held by subsidiaries and other companies for investment.
7. For the development of an office building in Kowloon Bay, Hong Kong, a sale and purchase agreement for the sale of the company owning the property under development was signed in October 2016. The occupation permit was issued in December 2017. Completion of the sale is conditional upon the relevant certificate of compliance being obtained on or before 31st December 2018. The property was transferred to "Other non-current assets" in the financial statements on the date of agreement and was reclassified to "Other current assets" in the 2017 financial statements. Accordingly, it is not included in the summary above.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050-2852	40,236	627,657	111	2004/07	Linked to The Mall at Pacific Place and Admiralty MTR station.
3. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Above part of Cityplaza shopping centre.
4. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK ss18 (part)	2899	33,734 (part)	226,060	10	1992	Linked by a footbridge to Cityplaza shopping centre.
5. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	543,576	–	1991	Linked by a footbridge to Cityplaza shopping centre.
6. Devon House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Linked to Dorset House and Cambridge House.
7. Dorset House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Linked to Devon House.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office (continued)							
8. Lincoln House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,529	164	1998	Linked to PCCW Tower.
9. Oxford House, Taikoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/2899	33,434	501,253	182	1999	
10. Cambridge House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Linked to Devon House.
11. One Island East, Taikoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/2899	109,929	1,537,011	–	2008	
12. Generali Tower, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	2013 (Refurbishment)	With ground floor retail.
13. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	
	Total held through subsidiaries			7,865,170	993		
14. PCCW Tower, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Linked to Dorset House. Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
15. Berkshire House, Taikoo Place	IL 8854	2047	25,926	388,838	84	1998	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
16. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
17. Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	160,522	63	1999/ 2000	Above Citygate shopping centre. Floor area shown represents the whole of the office area of the development, in which the Swire Properties group owns a 20% interest. Citygate also comprises a hotel, details of which are given in the Hotel category below.
	Total held through joint venture companies			1,470,573	448		
	– of which attributable to the Swire Properties group			687,130			

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Pacific Place, 88 Queensway, Central							
The Mall at Pacific Place	IL 8571 (part) IL 8582 & Ext. (part)	2135/2047	318,289 (part)	711,182	430	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/87/97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
3. Commercial areas in Stages I - X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/2889/2899	–	331,079	3,826	1977-85	Neighbourhood shops, schools and car parking spaces.
4. Island Place 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, in which the Swire Properties group owns a 60% interest.
5. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail podium.
6. Taikoo Place Apartments, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	12,312	–	2014	Floor area shown represents the whole of a 3-storey retail podium (excluding serviced suites above).
	Total held through subsidiaries			2,323,135	5,461		

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail (continued)							
7. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/ 1999	Floor area shown represents the retail space, in which the Swire Properties group owns a 20% interest.
8. Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	462,428	1,093	1999/ 2000	Floor area shown represents the whole of the retail area of the development, in which the Swire Properties group owns a 20% interest. Approximately 120,000 square feet of the shopping centre is currently under major renovation.
	Total held through joint venture companies			498,481	1,168		
	– of which attributable to the Swire Properties group			99,696			
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. Taikoo Place Apartments, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	62,756	–	2014	111 serviced suites above a 3-storey retail podium. Floor area shown excludes retail portion.
3. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street	IL 47 sF (part) IL 47 sG (part) IL 47 sH (part) IL 47 sI (part) IL 8464 (part)	2056/2852	6,775 (part)	47,076	–	2016 (Refurbishment)	120 apartments above ground floor shops. Floor area shown excludes retail area (5,197 square feet).
4. Rocky Bank 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
5. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
6. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	Seven apartment units.
	Total held through subsidiaries			593,543	7		
Hotel							
1. EAST, Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009 (Refurbishment)	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			358,371	–		

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel (continued)							
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602-room hotel, in which the Swire Properties group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Swire Properties group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through associated companies			1,687,222	–		
	– of which attributable to the Swire Properties group			337,444			
6. Novotel Citygate Hong Kong Hotel, Citygate	TCTL 2 (part)	2047	358,557 (part)	236,758	7	2005	440-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through joint venture companies			236,758	7		
	– of which attributable to the Swire Properties group			47,352			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	410	2007	Shopping centre with restaurants.
3. Hui Fang	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			2,859,885	1,679		
5. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	631,072 (part)	939,493	615	2012	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
6. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	1,235,090	1,056	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
7. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2049	676,091 (part)	1,102,535	240	2016	Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			3,277,118	1,911		
	– of which attributable to the Swire Properties group			1,638,559			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,731,766	–	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			1,731,766	–		
2. INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)	595,464	390	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 50% interest.
3. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2059	676,091 (part)	1,828,060	798	2016	Floor area shown represents the office portion, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			2,423,524	1,188		
	– of which attributable to the Swire Properties group			1,211,762			
Hotel							
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel: 584,184 Serviced apartment: 51,517 635,701	– –	2012	263-room hotel and 24 serviced apartments, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			805,164	32		
3. EAST, Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (part)	358,269	240	2012	369-room hotel, in which the Swire Properties group owns a 50% interest.
4. The Temple House	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Hotel: 228,210 Serviced apartment: 127,579 355,789	– –	2015	100-room hotel and 42 serviced apartments, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			714,058	240		
	– of which attributable to the Swire Properties group			357,029			

Completed properties for investment in the USA	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail						
1. Brickell City Centre Retail	701 S Miami Avenue Miami, Florida	380,670 (part)	496,508	1,137	2016	Floor area shown represents the whole shopping centre, in which the Swire Properties group owns a 60.25% interest.
	Total held through subsidiaries		496,508	1,137		

Completed properties for investment in the USA	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office						
1. Two Brickell City Centre	78 SW 7th Street Miami, Florida	380,670 (part)	128,842	145	2016	
2. Three Brickell City Centre	98 Southeast Seventh Street Miami, Florida	380,670 (part)	134,542	144	2016	
	Total held through subsidiaries		263,384	289		
Serviced apartments						
1. EAST, Residences	788 Brickell Plaza Miami, Florida	380,670 (part)	109,000	20	2016	89 serviced suites within the EAST, Miami Hotel tower.
	Total held through subsidiaries		109,000	20		
Hotel						
1. Mandarin Oriental, Miami	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Swire Properties group owns a 75% interest.
	Total held through joint venture company		345,000	600		
	– of which attributable to the Swire Properties group		258,750			
2. EAST, Miami	788 Brickell Plaza Miami, Florida	380,670 (part)	218,000	80	2016	263-room hotel.
	Total held through subsidiaries		218,000	80		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Office								
1. One Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,020,000	82	Facade and finishing works are in progress	2018	The building was topped out in January 2018. Floor area shown is an approximation.
2. Two Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,000,000	351	Demolition of Warwick House has been completed, and demolition of Cornwall House and foundation works for Two Taikoo Place are in progress	2021/ 2022	Floor area shown is an approximation.
	Total held through subsidiaries			2,020,000	433			
3. South Island Place	AIL 461	2064	25,500	382,499	137	Superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the total gross floor area permitted for the whole development, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			382,499	137			
	– of which attributable to the Swire Properties group			191,250				

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Retail								
1. 21-31 Wing Fung Street	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,612 (part)	4,292	–	Redevelopment under planning	2021	Residential block over retail podium is proposed. Floor area shown represents the retail portion of the development. The area shown is subject to change.
	Total held through subsidiaries			4,292	–			
2. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	342,569	122	Superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the retail portion of the development, in which the Swire Properties group owns a 20% interest, and excludes the area of a public transport terminus. The area is an approximation and is subject to change. A public transport terminus of approximately 65,000 square feet is to be built and handed over to the Government upon completion.
	Total held through joint venture companies			342,569	122			
	– of which attributable to the Swire Properties group			68,514				
Residential								
1. Po Wah Building, 1-11 Landale Street and 2-12 Anton Street	IL 2242 IL 2244 sA IL 2244 sB IL 2244 sC IL 2245 sA IL 2245 sB IL 2245 sC IL 2245 sD IL 2245 sE IL 2245 sF	2843	14,433	To be determined	To be determined	Redevelopment under planning	N/A	
	Total held through subsidiaries			–	–			
Hotel								
1. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	131,510	5	Superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the hotel portion of the development, in which the Swire Properties group owns a 20% interest, and excludes the area of a public transport terminus. The area is an approximation and is subject to change.
	Total held through joint venture companies			131,510	5			
	– of which attributable to the Swire Properties group			26,302				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2049	676,091 (part)	Hotel: 389,711 Serviced apartment: 149,088	Hotel: 117 Serviced apartment: 45	Interior decoration works in progress	2018	The construction works were completed in January 2018. Floor areas shown represent the hotel and serviced apartment portion, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			538,799	162			
	– of which attributable to the Swire Properties group			269,400				

Property developments for investment in the USA	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. One Brickell City Centre, Miami, Florida	123,347	Under planning: 1,444,000	To be determined	To be determined	One Brickell City Centre is being planned as a future mixed-use development comprised of retail, Grade A office space, condominiums and a hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre (comprising approximately 1.4 million square feet) is planned as an 80-storey luxury high rise tower.
	Total held through subsidiaries	1,444,000	–		

Completed properties for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential							
1. WHITESANDS, 160 South Lantau Road, Cheung Sha	Lot 724 and Lot 726 in DD332	2062	161,029	26,264	11	2015	The development comprises 28 detached houses and 28 car parking spaces. At 31st December 2017, 17 units and 17 car parking spaces had been sold. Floor area shown represents the remaining 11 units and 11 car parking spaces.
	Total held through subsidiaries			26,264	11		

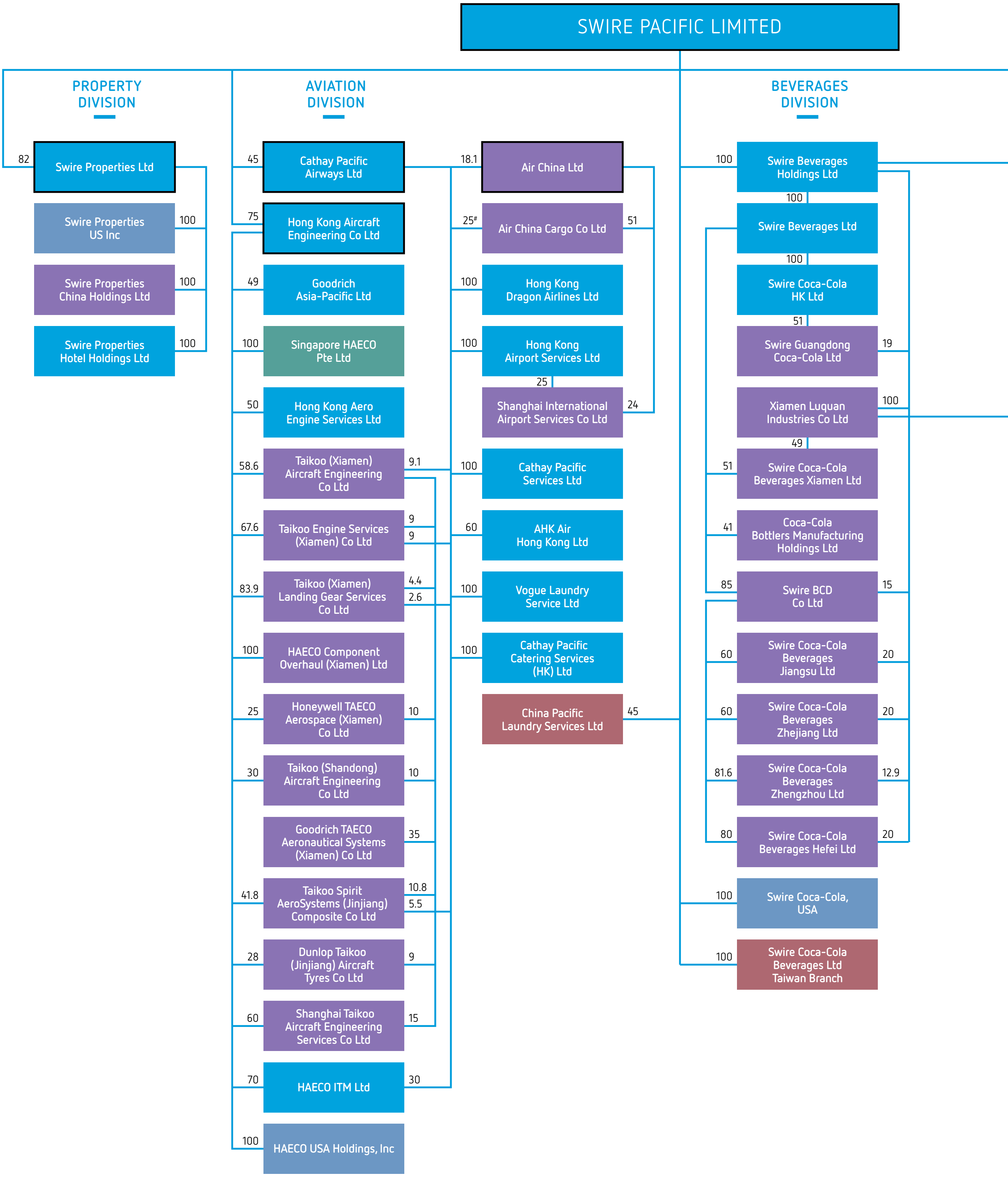
Completed properties for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pinnacle One	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	702,243 (part)	593,139	447	2014	Floor area shown represents the unsold office portion (including portion which is subject to the outcome of court proceedings), in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			593,139	447		
	– of which attributable to the Swire Properties group			296,570			

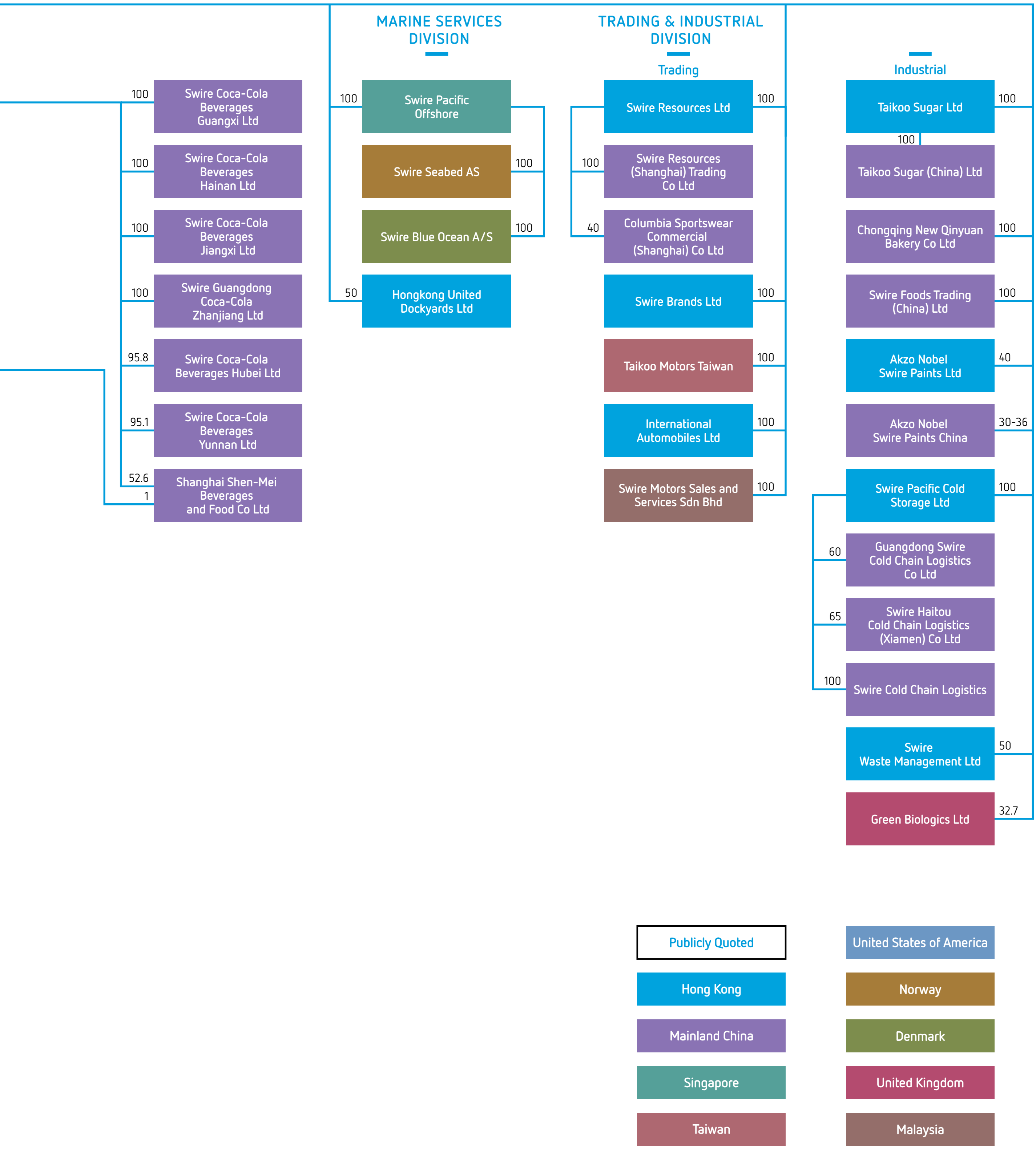
Completed properties for sale in the USA	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential						
1. ASIA	900 Brickell Key, Miami, Florida	173,531	5,359	4	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. At 31st December 2017, sales of 122 units had been closed.
2. Reach, Brickell City Centre, Miami, Florida	68 SE 6th Street Miami, Florida	380,670 (part)	51,053	50	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2017, 363 units had been sold.
3. Rise, Brickell City Centre, Miami, Florida	1 SW 8 Street, Miami, Florida	380,670 (part)	271,511	288	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2017, 207 units had been sold.
	Total held through subsidiaries		327,923	342		

Property developments for sale in Hong Kong	Lot No	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. 21-31 Wing Fung Street	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,612 (part)	Residential: 29,928	–	2021	Residential block over retail podium is proposed. Floor area shown represents the residential portion of the development. The area shown is subject to change.
	Total held through subsidiaries			29,928	–		

Property developments for sale in the USA	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential	550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	203,941	Under planning	825,000	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Swire Properties group owns 100%, with 75% defined profits.
3. North Squared, Miami, Florida	380,670 (part)	Residential	523,000	544	–	The development on the North Squared site is currently on hold.
	Total held through subsidiaries		1,898,000	1,989		

Group Structure Chart





* This organisation chart is for illustrative purposes only and does not represent the legal structure of the Group.

Shareholding held through subsidiary at 25%, another 24% held through an economic interest with total holding at 49%.

Glossary

TERMS

Financial

Adjusted consolidated net worth
Total of share capital, reserves and non-controlling interests.

Adjusted consolidated tangible net worth
Adjusted consolidated net worth less goodwill and other intangible assets.

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

Gross borrowings
Total of loans, bonds, overdrafts and perpetual capital securities.

Net assets employed
Total equity plus net debt.

Net debt or consolidated borrowed money
Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Underlying profit
Reported profit adjusted principally for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the USA, and for deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

Aviation

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

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

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

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

Beverages

Energy use ratio represents the energy consumed (measured in Mega joules) used to produce a litre of production. Energy consumed consists of all energy consumed, except for fuel used in fleet operations. Production volume only includes volume produced by Swire Beverages and excludes volume that is purchased from third parties.

General Trade
Small, usually independent, grocery outlets.

Modern Trade
Supermarkets and convenience stores, which are usually members of large retail chains.

Other Channels
Includes wholesalers, restaurants and outlets at entertainment and educational establishments.

Production Quality Index
An index used throughout the TCCC system for evaluating the quality during the production process over a 12 month period.

Water use ratio represents the litres of water used to produce a litre of production. It is calculated as total water used divided by total production volume. Production volume only includes volume produced by Swire Beverages and excludes volume that is purchased from third parties.

Sustainable Development

Carbon Dioxide Equivalent ("CO_2e")
A measure of the global warming potential of releases of the six greenhouse gases specified by the Kyoto protocol. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

Greenhouse Gas ("GHG")
A gas in the atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect because part of the re-radiation is back towards the surface of the earth and the lower atmosphere, resulting in an elevation of the average surface temperature above what it would be in the absence of greenhouse gases.

Cubic metres (cbm)
A metric unit of volume or capacity equal to 1,000 litres or 1.0 metric tonne of water.

Global Reporting Initiative ("GRI") (www.globalreporting.org)
An institution which provides a generally accepted framework for sustainability reporting. The updated GRI G4 framework sets out the principles and indicators that entities can use to measure and report their economic, environmental and social performance.

Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total days Lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Lost Time Injury Rate ("LTIR") represents the number of injuries per 100 employees per year. It is calculated as the total injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year. The definitions of an injury and the number of hours worked may vary slightly in different jurisdictions and in different industries. In such cases local legal definitions and industry norms will take precedence.

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the Group.

Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat and steam as well as GHG emissions from the generation and transportation of Towngas in Hong Kong from the production plant to the users.

Total injuries are the number of injuries in the year which result in lost time of a minimum of one scheduled working day.

RATIOS

Financial

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

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

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

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

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Dividends paid and proposed}}$$

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

Aviation

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2018

Annual Report available to shareholders	10th April
'A' and 'B' shares trade ex-dividend	11th April
Share registers closed for second interim dividends entitlement	13th April
Payment of 2017 second interim dividends	4th May
Share registers closed for attending and voting at Annual General Meeting	7th – 10th May
Annual General Meeting	10th May
Interim results announcement	August
First interim dividends payable	October

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International callers: 1-201-680-6825

Stock Codes

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

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

Auditors

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Request for Feedback

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