



2018 Pre-Close Briefing

4th January 2019 | Hong Kong

Agenda

- **Key Highlights of 2018**
- **Business Review by Division**
- **Capital Allocation Overview**
- **Outlook and Priorities**
- **Q&A**

Key Highlights of 2018

- Performance in line with expectations, reflecting generally positive momentum despite challenging macro economic conditions.
- Strategic divestments are providing significant financial flexibility.
- Property continues to deliver solid results.
- Cathay Pacific continues to improve and transformation programme is on track.
- HAECO successfully privatised.
- Successful integration of new Beverages franchises in Mainland China and USA.
- SPO is still under pressure.
- Mixed results in Trading & Industrial.

Property

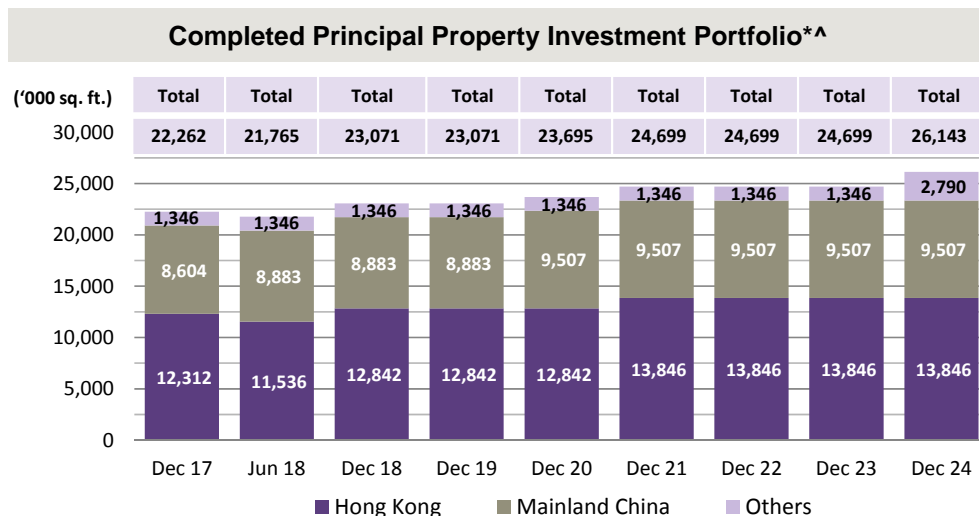


Highlights

- **Rental income was stable in the second half.**
- **Hong Kong office demand continues to be resilient.**
- **Satisfactory retail sales growth in Hong Kong and Mainland China.**
- **Completion of One Taikoo Place and South Island Place. One Taikoo Place is fully leased.**
- **Sale of Cityplaza Three and Four (expected to be completed in or before April 2019) and other non-core assets in Hong Kong.**

PROPERTY

Future Developments



Projects	Expected Completion Date
Hong Kong	
Tung Chung Town Lot No. 11	2019
Taikoo Place Redevelopment (Two Taikoo Place)	2021 / 2022
Po Wah, 1-11 Landale, 2-12 Anton Redevelopment	Under planning
Wah Ha, Zung Fu redevelopment	Compulsory sale application
Mainland China	
Qiantan Project	2020
USA	
One Brickell City Centre	Under planning

Profile of Capital Commitments** — for Investment Properties and Hotels at 30th June 2018

(HK\$M)	Expenditure Six months ended 30th Jun 2018	Forecast Period of Expenditure				Commitments at 30th Jun 2018
		Six months ended 31st Dec 2018	2019	2020	2021 and later	
Hong Kong	3,209	1,778	1,542	4,421	8,452	16,193
Mainland China	2,034	774	1,066	415	68	2,323
USA and others	84	114	273	25	20	432
Total	5,327	2,666	2,881	4,861	8,540	18,948

* 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.

^ Includes only Cityplaza One. Cityplaza Three and Cityplaza Four are excluded.

**Including the division's share of the capex and capital commitments of its joint venture companies.

Aviation



AVIATION

Highlights – CX

- Positive momentum and stronger second half performance despite challenging macro economic environment.
- Passenger and cargo business improving, attributable to yield improvement, satisfactory load factors and capacity growth.
- Transformation programme on track.
- Rising fuel cost and strengthening USD had a negative impact.

Key Operating Statistics

	Cumulative Nov 2018	YTD Change %
Available seat kilometres (ASK) ('M)	141,383	+3%
Revenue passengers carried ('000)	32,362	+2%
Passenger load factor (%)	84.1%	-0.2% pt
Available cargo and mail tonne kilometres (AFTK) ('M)	16,081	+3%
Cargo and mail carried (Tonnes '000)	1,969	+6%
Cargo and mail load factor (%)	68.9	+1.5% pt

Highlights – HAECO

- **Privatisation of HAECO was completed in November 2018.**
- **Lower loss at HAECO Americas. Airframe services margins and the cabin and seats business improved.**
- **Better performance of HAECO Xiamen due to more airframe services work.**
- **Strong performance of engine business at HAESL.**

Beverages



BEVERAGES

Highlights

- **Successful integration of new franchises in Mainland China and the USA.**
- **Strong growth in 2018 revenue. Incremental recurring operating profit due to territory expansion.**
- **Some cost pressure in the second half due to increase in raw material prices.**
- **Continue to expand product and package portfolio and to invest in production assets and merchandising equipment.**
- **Continue to enhance digital capabilities and logistics infrastructure.**

Marine Services



Highlights

- **The offshore market continues to be challenging.**
- **Day rates remain depressed despite some improvement in utilisation.**
- **Tight cost control and review of the fleet for disposal or stacking.**

Trading & Industrial



Highlights

- **Mixed results for the division.**
- **Good results at Swire Retail and Taikoo Motors.**
- **Worse results at Swire Foods.**
- **Small gain on disposal of cold storage business in July 2018.**
- **Gain of HK\$2.7 billion on disposal of paints business in December 2018.**

Capital Allocation Overview

Capital Allocation Strategy

- We deploy capital where we see opportunities for long-term returns.
- We divest from businesses which do not contribute to our strategic objectives or have reached their full potential under our ownership and redeploy the capital to existing or new businesses. Divestment provides flexibility for reinvestment.

Key Activities

2018	1H : Sale of Kowloon Bay office development completed Sale of Cityplaza Three and Cityplaza Four announced Sale of other non-core assets in Hong Kong
	2H : Privatisation of HAECO completed Sale of cold storage business Sale of paints business
2019	1H : Sales of Cityplaza Three and Cityplaza Four to be completed

Outlook and Priorities

- 2018 results provide a solid foundation on which to build further.
- We expect the macro economic environment to continue to be challenging.
- Capital allocation will remain a priority.
- Our long-term goal is to deliver growth in shareholder value.

Q&A





2018 Pre-Close Briefing

4th January 2019 | Hong Kong