

6. Expenses by Nature

Expenses included in cost of sales, distribution costs, administrative expenses and other operating expenses are analysed as follows:

	Note	2018 HK\$M	2017 HK\$M
Direct rental outgoings of investment properties		2,389	2,267
Cost of goods sold		36,282	35,971
Write-down of stocks and work in progress		229	193
Impairment losses recognised on trade receivables		10	16
Depreciation of property, plant and equipment	14	3,559	3,361
Amortisation of			
– leasehold land and land use rights	16	53	46
– intangible assets	17	190	190
– initial leasing costs on investment properties		39	51
– others		10	10
Staff costs		16,639	15,295
Operating lease rentals			
– properties		1,200	1,203
– vessels		28	33
– plant and equipment		53	44
Auditors' remuneration			
– audit services		53	52
– tax services		12	8
– other services		5	11
Other expenses		13,803	11,250
Total cost of sales, distribution costs, administrative expenses and other operating expenses		74,554	70,001

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 Board.

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2018

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

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

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

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

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)	–
Central costs	–	–	(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 charges 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 total assets of the Group

At 31st December 2018

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

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

The assets of joint venture and associated companies included the respective loans due from these companies.

* The negative figure for Hotels in the Property Division was due to the inclusion of a cost write-back of HK\$64 million relating to over-statement of previous years' additions.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group (continued)

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.

The assets of joint venture and associated companies included the respective loans due from these companies.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2018

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

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 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 external revenue of the Group

Year ended 31st December 2018

	Timing of revenue recognition			Total HK\$M
	At a point in time HK\$M	Over time HK\$M	Rental income HK\$M	
Property				
Property investment	1	136	12,002	12,139
Property trading	1,061	–	–	1,061
Hotels	664	740	–	1,404
	1,726	876	12,002	14,604
Aviation				
HAECO group	997	13,895	–	14,892
Beverages				
Mainland China	21,358	–	–	21,358
Hong Kong	2,342	–	–	2,342
Taiwan	1,551	–	–	1,551
USA	15,938	–	–	15,938
	41,189	–	–	41,189
Marine Services				
Swire Pacific Offshore group	148	2,073	797	3,018
Trading & Industrial				
Swire Retail group	3,338	–	–	3,338
Taikoo Motors group	5,797	13	–	5,810
Swire Foods group	1,666	–	–	1,666
Swire Pacific Cold Storage group	82	–	–	82
	10,883	13	–	10,896
Head Office	1	6	–	7
Total	54,944	16,863	12,799	84,606

(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)	
	2018 HK\$M	2017 HK\$M	2018 HK\$M	2017 HK\$M
Hong Kong	21,140	24,817	246,424	242,081
Asia (excluding Hong Kong)	40,927	34,712	49,991	51,286
USA	19,493	17,659	17,454	17,887
Others	42	46	–	–
Ship owning and operating activities	3,004	3,055	12,983	16,800
	84,606	80,289	326,852	328,054

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.