SWIRE PACIFIC

ANNUAL REPORT 2022

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 is a Hong Kong-based international conglomerate with a diversified portfolio of market leading businesses. The Company has a long history in Greater China, where the name Swire or 太古 has been established for over 150 years.

Our aims are to deliver sustainable growth in shareholder value, achieved through sound returns on equity over the long term, and to return value to shareholders through sustainable growth in ordinary dividends. Our strategy is focused on Greater China and South East Asia, where we seek to grow our core Property, Beverages and Aviation divisions. New areas of growth, such as healthcare and sustainable foods, are being targeted.

Our Values

Integrity, endeavour, excellence, humility, teamwork, continuity.

Our Core Principles

- We focus on Asia, principally Greater China, because of its strong growth potential and because it is where the Group has long experience, deep knowledge and strong relationships.
- We mobilise capital, talent and ideas across the Group. Our scale and diversity increase our access to investment opportunities.
- We are prudent financial managers. This enables us to execute long-term investment plans irrespective of short-term financial market volatility.
- We recruit the best people and invest heavily in their training and development. The welfare of our people is critical to our operations.
- We build strong and lasting relationships, based on mutual benefit, with those with whom we do business.
- We invest in sustainable development, because it is the right thing to do and because it supports long-term growth through innovation and improved efficiency.
- We are committed to the highest standards of corporate governance and to the preservation and development of the Swire brand and reputation.

Our Investment Principles

- We aim to build a portfolio of businesses that collectively deliver a steady dividend stream over time.
- We are long-term investors. We prefer to have controlling interests in our businesses and to manage them for long-term growth. We do not rule out minority investments in appropriate circumstances.
- We concentrate on businesses where we can contribute expertise, and where our expertise can add value.
- We invest in businesses that provide high-quality products and services and that are leaders in their markets.
- We divest from businesses which have reached their full potential under our ownership, and recycle the capital released into existing or new businesses.

OUR BUSINESSES

With three core divisions (Property, Beverages and Aviation), Swire Pacific undertakes a wide range of commercial activities.

Swire Properties' shopping malls are home to more than 2,200 retail outlets. Its offices house a working population estimated to exceed 72,000. In Hong Kong, Swire Properties is one of the largest commercial landlords and operators of retail space, principally through the ownership and management of its core centres at Pacific Place and Taikoo Place. In the Chinese Mainland, it has major mixed-use commercial developments, in Beijing, Guangzhou, Chengdu, Shanghai, Xi'an and Sanya. In the USA, it has a mixed-use development in Miami.

Our Beverages Division sold the products of The Coca-Cola Company to a franchise population of 782 million people in Greater China, the USA and Cambodia at the end of 2022. Swire Coca-Cola distributes products comprising 21 carbonated and 37 non-carbonated brands.

Cathay Pacific, with its subsidiaries HK Express and Air Hong Kong, had 222 aircraft at the end of 2022. At 31st December 2022, the Cathay Pacific group offered scheduled passenger and cargo services to 81 destinations in 30 countries and regions (an additional 131 and 21 respectively with codeshare agreements). Cathay Pacific has an interest of 16.26% in Air China.

HAECO is a leading provider of international aircraft maintenance and repair services. In 2022, the HAECO group, operating from bases in Hong Kong, the Chinese Mainland, the USA and Europe, performed work for around 400 airlines and other customers.

We have three associate investments in the healthcare sector in the Yangtze River Delta and the Greater Bay Area. We will continue to seek investment opportunities in private healthcare services, particularly in major city clusters in the Chinese Mainland and South East Asia.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 29,000 employees. In the Chinese Mainland, we have over 35,000 employees. Globally, we employ nearly 80,000 people.

2022 PERFORMANCE HIGHLIGHTS^

	Note	2022	2021 (Restated)	Change
Return on equity		1.6%	1.3%	+0.3% pt
Dividend per 'A' share (HK$)		3.00	2.60	+15%

	Note	HK$M	HK$M	
Profit attributable to the Company's shareholders				
As reported		4,195	3,357	+25%
Underlying profit	(a)	4,748	5,293	-10%
Recurring underlying profit	(a)	3,800	4,878	-22%
Revenue		91,693	92,830	-1%
Operating profit		12,241	10,517	+16%
Operating profit excluding change in fair value of investment properties		11,431	12,448	-8%
Change in fair value of investment properties		810	(1,931)	N/A
Cash generated from operations		12,043	15,453	-22%
Net cash (outflow)/inflow before financing		(9,386)	5,321	-276%
Total equity (including non-controlling interests)		315,936	323,620	-2%
Net debt		56,759	38,655	+47%
Gearing ratio (excluding lease liabilities)		18.0%	11.9%	+6.1% pt

	Note	HK$	HK$	
Earnings per share	(b)			
As reported				
'A' share		2.81	2.24	+25%
'B' share		0.56	0.45	
Underlying				
'A' share		3.18	3.52	-10%
'B' share		0.64	0.70	
Dividends per share				
'A' share		3.00	2.60	+15%
'B' share		0.60	0.52	
Equity attributable to the Company's shareholders per share	(c)			
'A' share		177.75	177.49	0%
'B' share		35.55	35.50	

2022 SUSTAINABLE DEVELOPMENT PERFORMANCE

	2022	2021 (Restated)	Change
GHG emissions from direct operations – location based (Thousand tonnes of CO_2e)	649	728	-11%
Energy consumed (GJ Million)	5.4	6.1	-11%
Water withdrawn (cbm Million)	16.9	18.1	-7%
LTIR (Number of injuries per 100 full-time equivalent employees)	0.42	0.62	-32%
Employee fatalities (Number of fatalities)	0	0	N/A

^ Figures include continuing operations and discontinued operations.

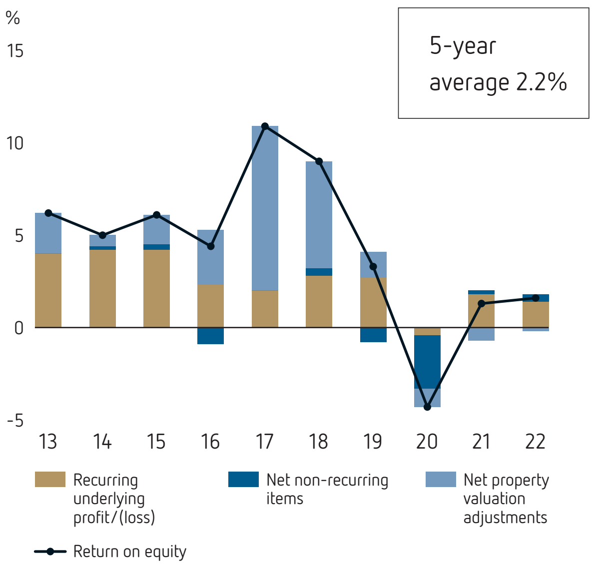
Notes:

(a) Reconciliations between the reported and underlying profit, and between underlying profit and recurring underlying profit are provided on page 59.

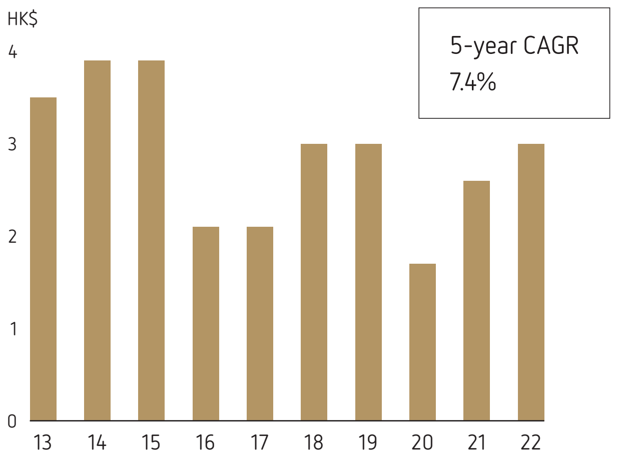
(b) Refer to note 13 to the financial statements for the daily weighted average number of shares in issue throughout the year.

(c) Refer to note 34 to the financial statements for the number of shares at the year end.

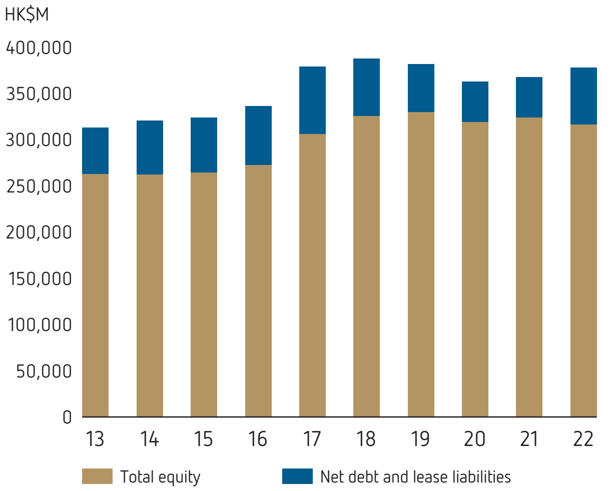
Return on Equity



Ordinary Dividends per 'A' Share

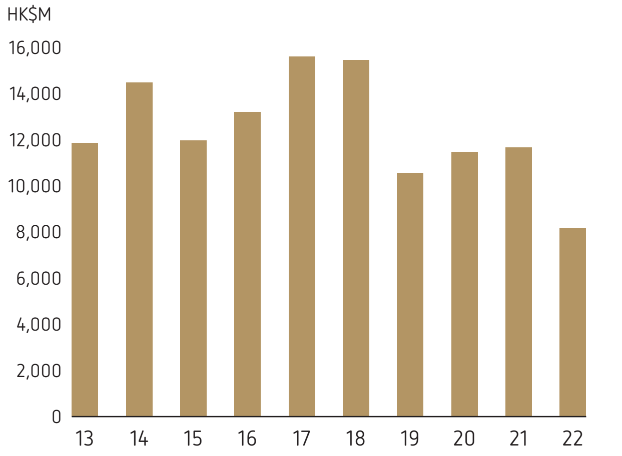


Total Equity and Net Debt (including Lease Liabilities)

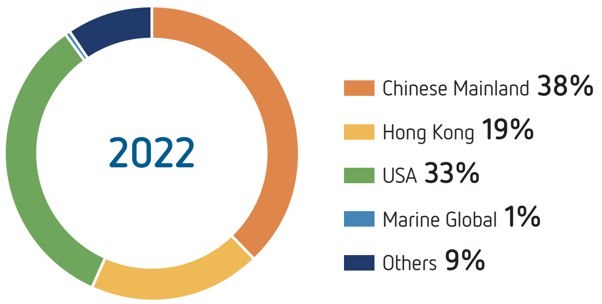


Note:
2020 and 2021 figures are restated.

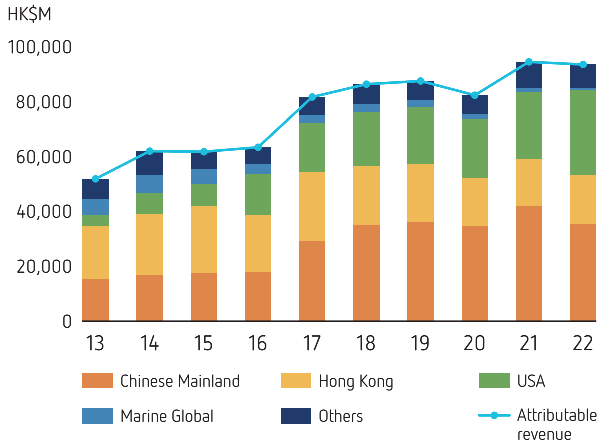
Net Cash Generated from Operating Activities



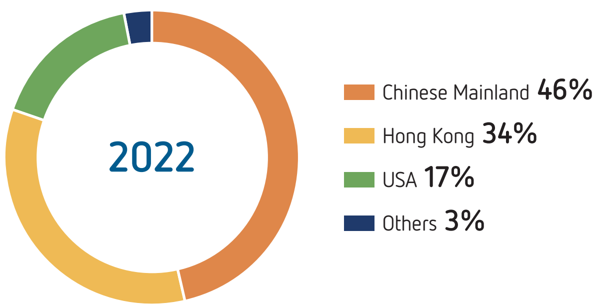
Attributable Revenue by Region[1]



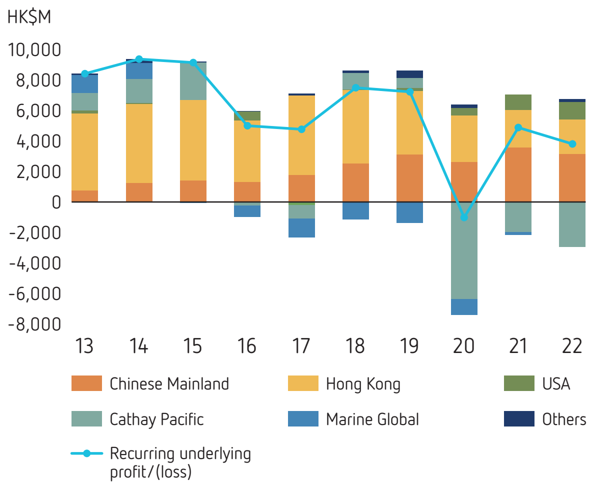
Attributable Revenue by Region[1]



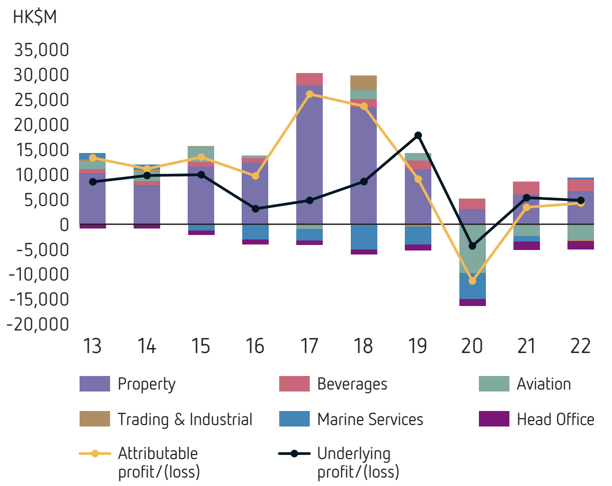
Recurring Underlying Profit/(Loss) by Region[2]



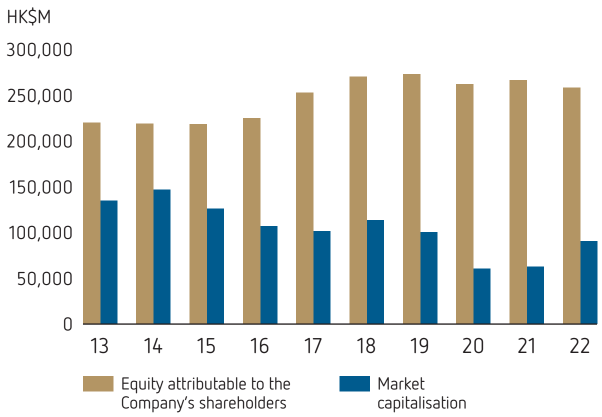
Recurring Underlying Profit/(Loss) by Region



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



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



Notes:
1. Includes joint ventures' attributable gross rental income of the Property Division.
2. Excludes Marine Global and Cathay Pacific.
3. 2020 and 2021 figures are restated.

CHAIRMAN'S STATEMENT

Dear Shareholders,

We are pleased with the performance of our businesses in 2022. They were resilient despite the challenges of COVID-19, inflation and economic uncertainty. We made significant progress towards our strategic objectives, in particular with exciting expansion for Swire Properties and Swire Coca-Cola. We commenced a share buy-back programme and have announced good dividend growth.

The economic environment remained challenging, with COVID-19 related measures continuing to affect our operating results. The measures made for a difficult first quarter in Hong Kong, especially for Cathay Pacific, and had a significant impact on all our businesses in the Chinese Mainland in the second and third quarters. So it was encouraging to see Cathay Pacific profitable again at the airline level in the second half and the easing of COVID-19 related measures.

2022 marked 25 years since the establishment of the Hong Kong Special Administrative Region. Hong Kong is our home. We are fully committed to supporting Hong Kong and reinforcing its position as an international financial and aviation centre and gateway to the Chinese Mainland under the 'One Country, Two Systems' principle. We remain very optimistic about the opportunities in, and development of, the Greater Bay Area.

As always, I would also like to express my gratitude to our wonderful team for their dedication over the past year in the face of many challenges.

Strategic Developments

We have made good progress towards achieving our strategic objectives. They include implementing the Swire Properties HK$100 billion investment plan announced in March 2022. To date, HK$39 billion has been committed to significant new property projects.

By acquiring the Coca-Cola franchise businesses in Cambodia and Vietnam, Swire Coca-Cola has extended its bottling operations to South East Asia. This should enable the business to benefit from strong consumption growth in the area.

Following the restructuring of Coca-Cola's non-sparkling beverage manufacturing operations in the Chinese Mainland, Swire Coca-Cola directly owns and operates six non-sparkling beverage production facilities in the Chinese Mainland. This will improve cost and distribution efficiencies.

In March 2022, Swire Properties entered into a joint venture (in which Swire Properties has a 70% interest) with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd to develop Taikoo Li Xi'an. This mixed-use development is in the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an. This marks Swire Properties' seventh development and fourth Taikoo Li development in the Chinese Mainland.

In October 2022, Swire Properties announced a premium, resort-style retail development project in Sanya, in which it has a 50% interest. This is Swire Properties' first project in Hainan. Under the Hainan Free Trade Port policy, Sanya has rapidly become a popular travel destination in the Chinese Mainland.

In December 2022, Swire Properties agreed to acquire the remaining interests in Sino-Ocean Taikoo Li Chengdu, which has, over the years, become a premium shopping and leisure destination in Chengdu. All three phases of the acquisition had been completed by February 2023. This industry-leading development has become a top destination in the country and a source of local pride. We see this acquisition as an important milestone in our regional growth story.

In Hong Kong, the acquisition of the whole of Zung Fu Industrial Building and the application for planning permission for a number of buildings in Quarry Bay have put Swire Properties in a position to strengthen further Taikoo Place's position as a global business district.

Swire Properties is expanding its Pacific Place portfolio, taking advantage of the growing importance of Admiralty, with its mass transit connectivity and prime location.

Swire Properties continues to expand in South East Asia. In February 2023, it announced its first residential trading project in a rare freehold site in the core central business district of Bangkok, Thailand.

Results Summary

The consolidated profit attributable to shareholders was HK$4,195 million in 2022, compared with HK$3,357 million in 2021. The underlying profit attributable to shareholders (which principally adjusts for changes in the value of investment properties) was HK$4,748 million in 2022, compared with HK$5,293 million in 2021. Disregarding significant non-recurring items in both years, the Group recorded a recurring underlying profit of HK$3,800 million in 2022, compared with HK$4,878 million in 2021.

The reduction in recurring underlying profit was principally due to increased losses at Cathay Pacific and decreased profits at HAECO and Swire Coca-Cola. The increased losses at Cathay Pacific reflected the results of associates. Disregarding associates, the results of Cathay Pacific improved. The underlying profit benefitted from a net gain on the disposal of Swire Pacific Offshore and the absence of 2021's impairment charges at Cathay Pacific. However, it also reflected a reduction in gains on disposal of investment properties and other assets and impairment charges, the latter mainly relating to the food business. The consolidated profit attributable to shareholders benefitted from net gains on the valuation of investment properties, compared with net losses in 2021.

Dividends and Share Buy-back

The Directors are pleased to have declared second interim dividends of HK$1.85 per 'A' share and HK$0.37 per 'B' share which, together with the first interim dividends paid in October 2022, amount to full year dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share, an increase of 15% over the dividends for 2021. The second interim dividends will be paid on 5th May 2023 to shareholders registered at the close of business on the record date, being Friday, 14th April 2023. Shares of the Company will be traded ex-dividend as from Wednesday, 12th April 2023.

During 2022, the Company repurchased 39,383,000 'A' shares and 44,425,000 'B' shares for an aggregate cash consideration of HK$2.6 billion at average prices of HK$56.6 per 'A' share and HK$9.2 per 'B' share. The Directors have authority to repurchase shares for a further aggregate cash consideration of HK$1.4 billion during the period up to the annual general meeting of the Company to be held in May 2023.

The market reacted favourably to the share buy-back, with the share price outperforming the market and a doubling of the average daily trading volume.

Business Performance

Property Division

The 2022 performance of **Swire Properties** was solid, despite a weak Hong Kong office market and disruption, particularly to the hotel business, caused by COVID-19 related measures.

The recurring underlying profit of Swire Properties attributable to the Group in 2022 (which excludes gains from the sale of interests in investment properties of HK$1,255 million, compared with HK$1,959 million in 2021) was HK$5,844 million, compared with HK$5,817 million in 2021. There was an increase in profit from property trading, which mainly reflected profits at the EIGHT STAR STREET residential project in Hong Kong and at The River residential project in Vietnam. Recurring underlying profit from property investment decreased in 2022. This mainly reflected lower office rental income from Hong Kong and lower retail rental income from the Chinese Mainland. The results of the hotels continued to reflect the challenging operating environment.

Beverages Division

The 2022 performance of **Swire Coca-Cola** was adversely affected by COVID-19 related measures in Greater China and by cost pressures, but these adverse effects were offset to a significant extent by a strong performance in the USA.

Swire Coca-Cola reported a profit of HK$2,392 million in 2022, a 6% decrease from HK$2,549 million in 2021. Revenue increased, but volumes (adversely affected by COVID-19 related measures in Greater China) decreased. Higher costs (particularly of raw materials) affected margins. Attributable profits increased in the USA and Taiwan and decreased in the Chinese Mainland and Hong Kong.

Aviation Division

The **Cathay Pacific** group's attributable loss on a 100% basis was HK$6,548 million in 2022 (2021: loss of HK$5,527 million).

The increase in the loss reflected significantly weaker results from associates. The results of Cathay Pacific and its subsidiaries improved. The airline results were weak in the first half (before COVID-19 related measures started to be relaxed) but significantly improved in the second half, when net cash was generated and profits were made. The results of the associates (the most significant of which are accounted for three months in arrears) were adversely affected by COVID-19 related measures.

At **HAECO**, attributable profit fell to HK$185 million in 2022 from HK$394 million in 2021, mainly because of the absence of 2021's US government financial assistance. Disregarding that assistance, profit increased.

Other Businesses

Our healthcare investments were adversely affected by COVID-19 related lockdowns in the Chinese Mainland.

In April 2022, we completed the disposal of Swire Pacific Offshore.

The recurring profit of our trading & industrial businesses increased in 2022 despite a difficult business environment.

Financial Strength

Our balance sheet remains strong. In 2022, we generated HK$12.0 billion from operations and HK$4.2 billion from disposals and made total capital investments of HK$21.4 billion. Net debt at the end of 2022 was HK$56.8 billion, an increase of HK$18.1 billion from the end of 2021. The gearing ratio at 31st December 2022 was 18.0%, compared with 11.9% at the end of 2021. Our weighted average cost of debt was 3.2% in 2022, the same as in 2021.

Our net assets at the end of 2022 were HK$315.9 billion, compared with HK$323.6 billion at the end of 2021.

Available Group liquidity at the end of 2022 was HK$33.1 billion. 59% of the Group's gross borrowings were on a fixed rate basis at the end of 2022, compared with 84% at the end of 2021. This positions us well as interest rates rise.

Sustainability

If our businesses are to prosper in the long term, we must contribute to protecting the environment and support the communities in which we operate.

Through **SwireTHRIVE**, we aim to reduce our carbon footprint and to turn today's waste into a resource for tomorrow. We also aim to use water responsibly and sustainably and to foster a corporate culture that is accessible, inclusive and safe and places community initiatives at the heart of our business values.

Our ambition is to achieve net-zero carbon emissions, water neutrality and zero waste to landfill by 2050. Looking at specific shorter term aims, we have targets to reduce by 50% our scope 1 and 2 greenhouse gas emissions by 2030 from their 2018 levels, to divert 65% of our non-hazardous waste from landfill by 2030, to reduce our water consumption by 30% from its 2018 level and to have women representing 30% of our Board by 2024.

Looking Ahead

We are optimistic about the prospects for our businesses in 2023. COVID-19 related measures have ceased in Hong Kong and the Chinese Mainland. The border between Hong Kong and the Chinese Mainland is fully open. All this should have a significant positive impact on our businesses, in particular on our aviation businesses. Achieving our strategic objective of growing our core businesses remains our prime focus.

At Swire Properties, we expect a strong recovery in retail property investment income in the Chinese Mainland and in the hotel business. The office market in Hong Kong is expected to remain weak. We are optimistic about a recovery in our key markets and are ready to capture new opportunities as they arise.

At Swire Coca-Cola, we expect increased volumes in the Chinese Mainland with the ending of COVID-19 related measures. Commodity prices (and therefore raw material costs) are expected to be lower than their peak levels reached in 2022. The newly acquired bottling operations in Cambodia and Vietnam will contribute to profits.

Cathay Pacific is pleased to be at the rebuilding stage, reconnecting Hong Kong with the Greater Bay Area, the Chinese Mainland and the world. It is likely to make the largest contribution to improving our overall 2023 results. Capacity is still constrained, but it expects to operate about 70% of its pre-COVID-19 passenger flight capacity by the end of 2023.

Cargo yields are under some pressure, but are better than those achieved before the start of COVID-19.

Results are expected to improve at HAECO during the year with the recovery of international air traffic.

Our investments in healthcare were significantly affected by COVID-19 in 2022 but improved towards the end of the year. We continue to learn and remain confident about our investments in this sector. We will continue to look at opportunities within the Chinese Mainland and South East Asia in 2023.

Despite the uncertainty caused by inflation and geopolitical tension, there is much about which to be optimistic.

Guy Bradley
Chairman
Hong Kong, 9th March 2023

ORIGINAL. ALWAYS.
50 YEARS OF SWIRE PROPERTIES
50 YEARS OF ORIGINAL THINKI

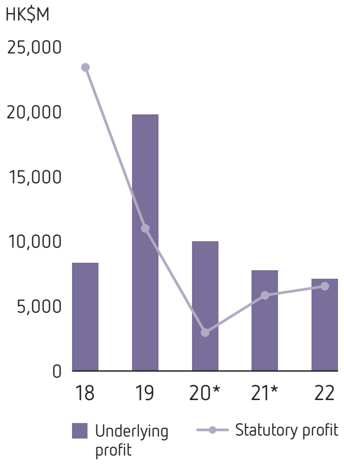
PROPERTY DIVISION

In 2022, Swire Properties celebrated its 50th anniversary, with the tagline "ORIGINAL. ALWAYS." reflecting its commitment to creative transformation of urban areas.

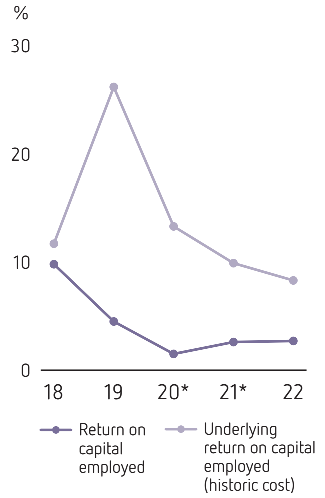
PROPERTY DIVISION

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

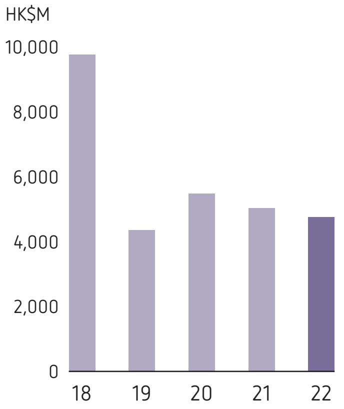
Statutory and Underlying Profit Attributable to the Company's Shareholders



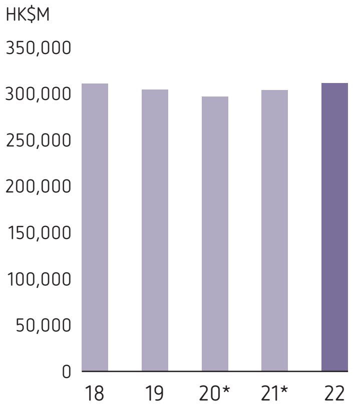
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



* Restated

Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury and high quality residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 13.1 million square feet of gross floor area, with an additional 0.2 million square feet under development. In the Chinese Mainland, Swire Properties has major mixed-use commercial developments in Beijing, Guangzhou, Chengdu, Shanghai, Xi'an and Sanya, in joint venture in many cases, which will total 14.9 million square feet on completion. Of this, 10.0 million square feet has already been completed. Swire Properties' property investment portfolio in Miami, USA totals 0.8 million square feet. It comprises the Brickell City Centre development, with an adjoining 1.5 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 a 26.67% interest in the Novotel Citygate and the Silveri Hong Kong – MGallery in Tung Chung. In the Chinese Mainland, Swire Hotels manages four hotels. The Opposite House at Taikoo Li Sanlitun in Beijing and The Temple House at Sino-Ocean Taikoo Li Chengdu are wholly-owned by Swire Properties. 50% interests are owned in EAST Beijing at INDIGO, and in The Middle House at HKRI Taikoo Hui in Shanghai. Swire Properties owns 97% and 50% interests in the Mandarin Oriental at Taikoo Hui in Guangzhou and The Sukhothai Shanghai at HKRI Taikoo Hui respectively. In the USA, Swire Properties manages, through Swire Hotels, EAST Miami and owns a 75% interest in the Mandarin Oriental in Miami.

Property Trading

Swire Properties' trading portfolio comprises completed units available for sale at EIGHT STAR STREET in Hong Kong and The River in Vietnam. There are six residential projects under planning or development, three in Hong Kong, one in Indonesia, one in Vietnam and one in Thailand. There are also land banks in Miami, USA.

Particulars of the Group's key properties are set out on pages 222 to 231.

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

STRATEGY

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

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

Principal Investment Property and Hotel Portfolio – Gross Floor Area

('000 Square Feet)

	At 31st December 2022						At 31st December 2021
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	6,566	12	–	63	–	6,641	5,646
Cityplaza	–	1,097	200	–	–	1,297	1,297
Others	461	725	98	50	–	1,334	1,239
– Hong Kong	9,213	2,545	794	556	–	13,108	12,018
Taikoo Li Sanlitun	–	1,620	169	–	–	1,789	1,779
Taikoo Hui	1,693	1,529	509	51	–	3,782	3,841
INDIGO	294	474	179	–	–	947	943
Sino-Ocean Taikoo Li Chengdu	–	880	126	70	–	1,076	831
HKRI Taikoo Hui	914	587	194	73	–	1,768	1,768
Taikoo Li Qiantan	–	594	–	–	–	594	594
Others	–	91	–	–	–	91	91
– Chinese Mainland	2,901	5,775	1,177	194	–	10,047	9,847
– USA	–	497	259	–	–	756	756
Total completed	12,114	8,817	2,230	750	–	23,911	22,621
Under and pending development							
– Hong Kong^	223	–	–	15	–	238	1,236
– Chinese Mainland^^	–	1,072	–	–	3,780	4,852	1,416
– USA	–	–	–	–	1,510	1,510	1,444
Total	12,337	9,889	2,230	765	5,290	30,511	26,717

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies.
^ The office properties principally comprise Six Pacific Place.
^^ The properties principally comprise INDIGO Phase Two, Taikoo Li Xi'an and a retail-led project in Sanya.

2022 PERFORMANCE

Financial Highlights

	2022 HK$M	2021** HK$M (Restated)
Revenue		
Gross rental income derived from		
Office	6,003	6,214
Retail	5,849	6,191
Residential	374	474
Other revenue*	114	102
Property investment	12,340	12,981
Property trading	921	2,443
Hotels	565	894
Total revenue	13,826	16,318
Operating profit/(loss) derived from		
Property investment		
From operations	7,695	8,271
Sale of interests in investment properties	571	1,185
Valuation gains/(losses) on investment properties	810	(1,931)
Property trading	209	492
Hotels	(259)	(174)
Total operating profit	9,026	7,843
Share of post-tax profit from joint venture and associated companies	1,455	1,786
Attributable profit	7,983	7,122
Swire Pacific share of attributable profit	6,546	5,840

* Other revenue is mainly estate management fees.

** Following a change in accounting policy resulting from the agenda decision approved by the IFRS Interpretation Committee on "Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)", the 2021 comparative figures have been restated. Refer to note 1(c) to the financial statements for further details.

Underlying Profit/(Loss) by Segment

	2022 HK$M	2021 HK$M (Restated)
Property Investment	7,360	7,433
Property Trading	108	(45)
Hotels	(341)	(294)
Recurring underlying attributable profit	7,127	7,094
Divestment	1,530	2,389
Underlying attributable profit	8,657	9,483

2022 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 the net valuation movements on investment properties and the associated deferred tax in the Chinese Mainland and the USA, and for other deferred tax provisions in relation to investment properties. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit.

	Note	2022 HK$M	2021 HK$M (Restated)
Attributable profit		7,983	7,122
Adjustments in respect of investment properties:			
Valuation (gains)/losses in respect of investment properties	(a)	(1,735)	692
Deferred tax on investment properties	(b)	1,402	1,027
Valuation gains realised on sale of interests in investment properties	(c)	915	585
Depreciation of investment properties occupied by the Group	(d)	28	29
Impairment loss on a hotel held as part of a mixed-use development	(e)	–	22
Amortisation of right-of-use assets reported under investment properties	(f)	(80)	(53)
Non-controlling interests' share of valuation movements less deferred tax		144	59
Underlying attributable profit		8,657	9,483
Profit from divestment		(1,530)	(2,389)
Recurring underlying attributable profit		7,127	7,094
Swire Pacific share of underlying attributable profit		7,099	7,776
Swire Pacific share of recurring underlying attributable profit		5,844	5,817

Notes:
(a) This represents the net valuation movements as shown in the Group's consolidated statement of profit or loss and the Group's share of net valuation movements of joint venture companies.
(b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on valuation movements on investment properties in the Chinese Mainland and the USA, and deferred tax provisions made in respect of investment properties held for the long term where it is considered that the liability will not reverse for some considerable time. It also includes certain tax adjustments arising from transfers of investment properties within the Group.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the valuation gains/(losses) were transferred from the revaluation reserve to the consolidated statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, wholly-owned and joint venture hotel properties held for the long term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or decrease in their values would be recorded in the revaluation reserve rather than in the consolidated statement of profit or loss.
(f) HKFRS 16 amends the definition of investment property under HKAS 40 to include properties held by lessees as right-of-use assets to earn rentals or for capital appreciation or both, and requires the Group to account for such right-of-use assets at their fair value. The amortisation of such right-of-use assets is charged to underlying profit.

2022 PROPERTY INDUSTRY REVIEW

Office and Retail

Hong Kong

OFFICE | The office market was weak, reflecting subdued demand and increased supply. Economic uncertainty affected leasing.

RETAIL | COVID-19 related social distancing measures severely disrupted the retail market in the early part of 2022. Relaxation of these measures and the HKSAR Government's consumption voucher scheme facilitated subsequent stabilisation and an improvement in market sentiment.

Chinese Mainland

RETAIL | Retail sales in the Chinese Mainland started strongly. But COVID-19 related measures adversely affected sales from the second quarter. Shops were shut for periods in some cities.

OFFICE | Demand for office space in Beijing, Shanghai and Guangzhou was adversely affected by COVID-19 related measures in 2022. In Guangzhou, demand for office space was weak and new supply put pressure on office rents. Office rents in Shanghai were resilient in core areas but decreased in decentralised areas because of new supply and more vacancies. In Beijing demand was weak, but rents were stable in core areas because of limited new supply.

USA

RETAIL | Retail sales were strong in the first half, reflecting a post-COVID-19 recovery. Second half sales followed a normal seasonal pattern.

Property Sales Markets

In Hong Kong, demand for residential accommodation was weak because of interest rate increases and economic uncertainty.

2022 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$6,546 million, compared to HK$5,840 million in 2021. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK$1,735 million in 2022, compared to valuation losses of HK$692 million in 2021. Attributable underlying profit, which principally adjusts for changes in valuation of investment properties, decreased to HK$7,099 million in 2022 from HK$7,776 million in 2021. The decrease mainly reflected the reduction in profit from the sale of car parking spaces in Hong Kong.

Attributable recurring underlying profit, which excludes the profit from divestments aggregating HK$1,255 million (HK$1,959 million in 2021), was HK$5,844 million in 2022, compared with HK$5,817 million in 2021.

Recurring underlying profit from property investment decreased in 2022. This mainly reflected lower office rental income from Hong Kong and lower retail rental income from the Chinese Mainland.

In Hong Kong, despite a weak office market (reflecting the factors referred to above), the office portfolio was generally resilient, with solid occupancy. The retail portfolio was adversely affected by COVID-19 in the early part of the year. Footfall and tenants' sales gradually recovered from the second quarter of 2022, as COVID-19 related social distancing measures were adjusted. The HKSAR Government's consumption voucher scheme also helped.

In the Chinese Mainland, the six shopping malls were affected to varying degrees by COVID-19 and related measures from the second quarter of 2022.

In the USA, retail sales and gross rental income were solid.

The underlying profit from property trading in 2022 mainly reflected the completion of sales of 27 units at EIGHT STAR STREET in Hong Kong and the share of profits from sales at The River project in Vietnam.

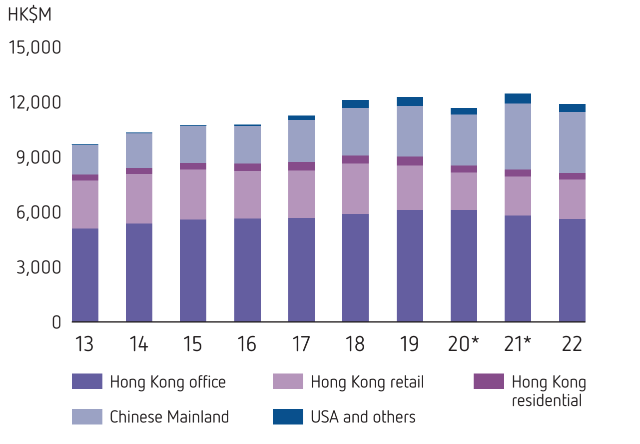
The hotel businesses in Hong Kong and the Chinese Mainland were adversely affected by COVID-19 associated travel restrictions. The hotels in the USA performed better.

HK$100 BILLION INVESTMENT PLAN

In March 2022, Swire Properties announced a plan to invest HK$100 billion over ten years in development projects in Hong Kong and the Chinese Mainland and in residential trading projects (including in South East Asia). The target allocation is HK$30 billion to Hong Kong, HK$50 billion to the Chinese Mainland and HK$20 billion to residential trading projects (including in South East Asia). At 7th March 2023 approximately HK$39 billion of the planned investments had been committed (HK$17 billion to the Chinese Mainland, HK$11 billion to Hong Kong and HK$11 billion to residential trading projects). Major committed projects are a retail-led mixed-use development in Xi'an, residential developments at Chai Wan Inland Lot No. 178 and at 269 Queen's Road East in Hong Kong, a retail-led

Valuation of Investment Properties

Gross Rental Income (after deduction of rental concessions)



* Restated

development in Sanya, office and other commercial use developments at 8 Shipyard Lane and at 1067 King's Road in Hong Kong, the acquisition of the remaining 50% interests in Sino-Ocean Taikoo Li Chengdu and the acquisition of a 40% interest in a residential development in Bangkok. Uncommitted projects include further retail-led mixed-use projects in Tier 1 and emerging Tier 1 cities in the Chinese Mainland (with a letter of intent and a framework agreement having been signed in relation to projects in Guangzhou and Beijing and a plan to double gross floor area in the Chinese Mainland), further expansion at Pacific Place and Taikoo Place in Hong Kong and further residential trading projects in Hong Kong, the Chinese Mainland and South East Asia.

KEY DEVELOPMENTS

In January 2022, the sale of the property located at Fort Lauderdale, Florida was completed.

In March 2022, a consortium in which Swire Properties has a 70% interest acquired (via a government land tender) the land use rights in respect of land in the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an for a consideration of approximately RMB2,575 million. The land is expected to be developed into a retail-led mixed-use development comprising retail and cultural facilities, a hotel, serviced residences and business apartments.

In March 2022, Swire Properties obtained full ownership of Zung Fu Industrial Building in Quarry Bay, Hong Kong. Subject to Swire Properties having successfully bid in the compulsory sale of the adjacent Wah Ha Factory Building, the two sites are intended to be redeveloped for office and other commercial uses.

In March 2022, Swire Properties acquired an additional 6.67% interest in the Citygate development in Tung Chung, Hong Kong. As a result, Swire Properties' interest in the Citygate development increased from 20% to 26.67%.

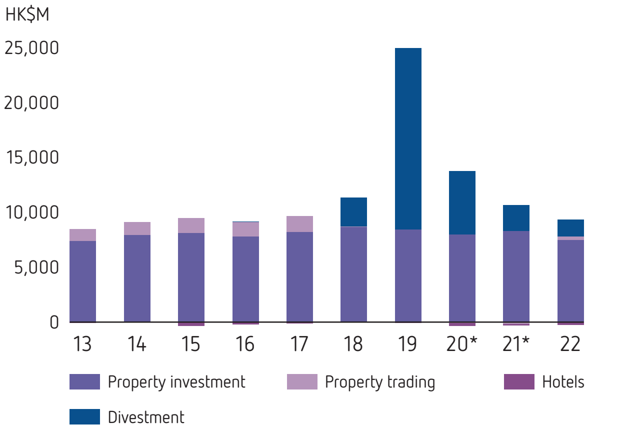
In June 2022, Swire Properties acquired (via a government land tender) a plot of land at 269 Queen's Road East in Wan Chai, Hong Kong for a consideration of approximately HK$1,962 million. The plot of land will be developed primarily for residential use with an aggregate gross floor area of approximately 116,000 square feet. Works preparatory to demolition of the existing building have commenced. The development is expected to be completed in 2025.

In July and August 2022, Swire Hotels announced plans for two new, third party owned hotels under The House Collective brand, in Tokyo and Shenzhen. The two hotels will be managed by Swire Hotels.

In September 2022, Swire Properties obtained the occupation permit for Two Taikoo Place. Two Taikoo Place, the second phase of the Taikoo Place redevelopment, is an office tower with an aggregate gross floor area of approximately one million square feet. Leased floors have been handed over to tenants in phases.

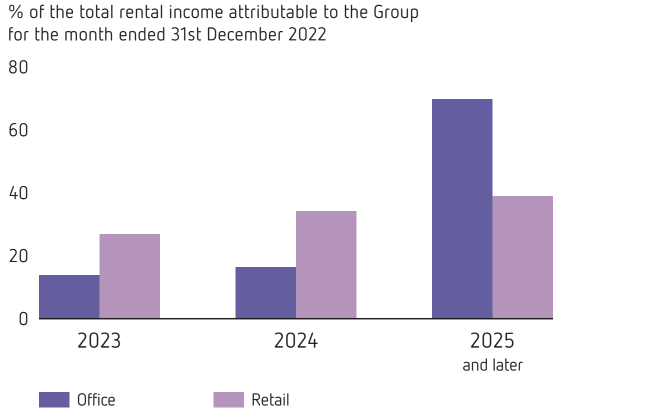
In October 2022, a consortium in which Swire Properties has a 50% interest acquired (via a government land tender) the land use rights in respect of land in the Haitang district of Sanya for a consideration of RMB1,308 million. The land is expected to be developed into a premium, resort-style, retail-led development which will be Phase III of the Sanya International Duty-Free Complex. The project is expected to open in phases from late 2024.

Underlying Operating Profit



* Restated

Hong Kong Lease Expiry Profile – at 31st December 2022



ZHANGYUAN – an imaginative regeneration and restoration of Shanghai's largest historic *shikumen* compound, managed by Swire Properties.

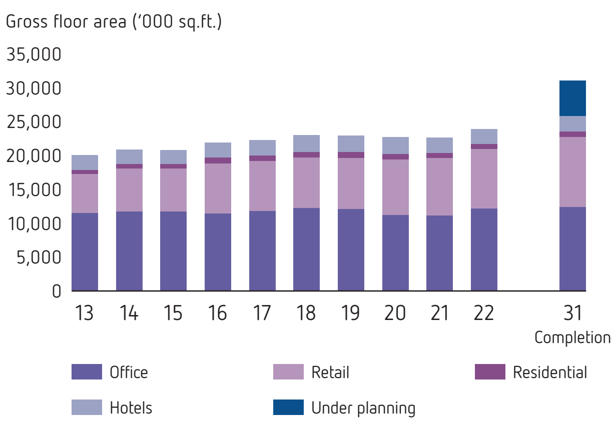
In November 2022, the first phase of the ZHANGYUAN urban regeneration project officially opened in Shanghai. The project is operated and managed by a joint venture between Swire Properties and Shanghai Jing'an Real Estate (Group) Co., Ltd.

In December 2022, the sale of the property at 8-12 Tsing Tim Street in Tsing Yi, Hong Kong was completed.

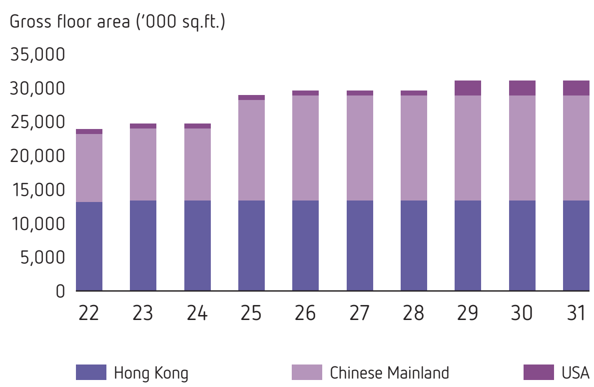
In December 2022, Swire Properties entered into three conditional agreements with the Sino-Ocean group to acquire further interests in Sino-Ocean Taikoo Li Chengdu. Under the first agreement (which was completed in December 2022), Swire Properties' interest in Sino-Ocean Taikoo Li Chengdu increased from 50% to 65%. Under the second agreement (which was completed in February 2023), Swire Properties' interest in the property management of Sino-Ocean Taikoo Li Chengdu increased to 100%. Under the third agreement (which was completed in February 2023), Swire Properties' interest in the investment properties of Sino-Ocean Taikoo Li Chengdu increased to 100%. The consideration was RMB1,000 million under the first agreement, RMB59 million under the second agreement and RMB4,491 million under the third agreement.

In February 2023, Swire Properties acquired a 40% interest in a site located in Lumphini sub-district in Pathum Wan district, Bangkok for a consideration of approximately THB2.4 billion.

Completed Investment Property and Hotel Portfolio by Type



Completed Investment Property and Hotel Portfolio by Location



Swire Properties has named its new Grade-A office building at 46-56 Queen's Road East "Six Pacific Place".

In partnership with City Realty Co. Ltd., the site is expected to be developed for residential purposes with a site area of approximately 136,000 square feet.

INVESTMENT PROPERTIES

Hong Kong

OFFICE | Gross rental income (after deduction of rental concessions of HK$34 million) from the Hong Kong office portfolio in 2022 was HK$5,595 million, 3% lower than in 2021. The office market was weak. Demand was subdued, reflecting increased supply and economic uncertainty. But the Swire Properties office portfolio was generally resilient. Management believes that tenants value Swire Properties' provision of amenities and its commitment to sustainability and to the wellbeing of the people who occupy its offices. At 31st December 2022, the office portfolio was 91% let. Excluding Two Taikoo Place (which was completed in September 2022), the office portfolio was 96% let.

The performance of the offices at One, Two and Three Pacific Place was resilient in 2022. These offices were 97% let at 31st December 2022.

The performance of the offices at Taikoo Place was resilient. Those at One Taikoo Place, One Island East and the other office towers at Taikoo Place were 100%, 96% and 95% let respectively at 31st December 2022. Tenants have committed (including by way of letters of intent) to take 53% of the space at Two Taikoo Place.

The offices at South Island Place were 87% let at 31st December 2022. Swire Properties has a 50% interest in the development.

RETAIL | Gross rental income (after deduction of rental concessions of HK$171 million) from the retail portfolio in Hong Kong was HK$2,169 million in 2022, a 1% increase from 2021. Rental concessions were given to tenants for specific periods on a case-by-case basis. Cash rental concessions were less in 2022 than in 2021. COVID-19 related social distancing measures disrupted the retail market during the first quarter of 2022. The market recovered gradually from the second quarter, as social distancing measures and quarantine requirements were adjusted. The HKSAR Government's consumption voucher scheme also helped. Retail sales in 2022 increased by 2% at The Mall, Pacific Place and by 4% at Citygate Outlets, and decreased by 5% at Cityplaza. Retail sales in Hong Kong as a whole decreased by 1% in 2022.

The malls were almost fully let throughout the year.

RESIDENTIAL | The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wan Chai and a number of luxury houses on Hong Kong Island and Lantau Island. The residential portfolio was 72% let at 31st December 2022.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | Planning permission to develop the site at Six Pacific Place (formerly known as 46-56 Queen's Road East) in Wan Chai for office use was obtained in 2018. The site area is approximately 14,400 square feet. The development has an aggregate gross floor area of approximately 223,000 square feet. Superstructure works are in progress. Completion of construction is expected later in 2023.

OTHERS | In 2018, Swire Properties submitted compulsory sale applications in respect of two sites (Wah Ha Factory Building, 8 Shipyard Lane and Zung Fu Industrial Building, 1067 King's Road) in Quarry Bay. In March 2022, Swire Properties acquired the remaining interests in Zung Fu Industrial Building and obtained full ownership of the site. Subject to Swire Properties having successfully bid in the compulsory sale of the Wah Ha Factory Building site, the two sites are intended to be redeveloped for office and other commercial uses with an aggregate gross floor area of approximately 779,000 square feet.

In 2018, a joint venture company in which Swire Properties holds a 50% interest submitted a compulsory sale application in respect of a site at 983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay. Subject to the joint venture company having successfully bid in the compulsory sale and in accordance with applicable town planning controls, it is expected that the site can be redeveloped for residential and retail uses with a gross floor area of approximately 440,000 square feet.

In June 2022, Swire Properties submitted a compulsory sale application in respect of a site at 9-39 Hoi Wan Street and 33-41 Tong Chong Street in Quarry Bay. The gross site area is approximately 20,060 square feet. Proceeding with the development (the planning of which is being reviewed) is subject to Swire Properties having successfully bid in the compulsory sale.

Since November 2020, Swire Properties has offered 2,530 car parking spaces in the Taikoo Shing residential development in Hong Kong for sale. 1,458 of these car parking spaces had been sold at 7th March 2023. Sales of 1,452 car parking spaces had been recognised at 31st December 2022, 250 of them in 2022. Sales of 6 car parking spaces are expected to be recognised in 2023.

Chinese Mainland

RETAIL | Retail sales in the Chinese Mainland started strongly. There were full year contributions from the Taikoo Li Sanlitun West and Taikoo Li Qiantan developments in 2022. From the second quarter, the six Swire Properties shopping malls were affected to varying degrees by COVID-19 related measures. Shops in Shanghai, Beijing and Chengdu were closed for periods. The increase in COVID-19 cases which followed adjustments to COVID-19 policies in December 2022 caused short-term disruption. Tenants were understaffed and their operations were adversely affected. Swire Properties' retail sales in the Chinese Mainland (excluding Taikoo Li Sanlitun West and Taikoo Li Qiantan) decreased on an attributable basis by 20% in 2022. Retail sales in Taikoo Li Sanlitun and INDIGO in Beijing, Taikoo Hui in Guangzhou, Sino-Ocean Taikoo Li Chengdu and HKRI Taikoo Hui in Shanghai decreased by 26%, 26%, 11%, 15% and 36% respectively in 2022. National retail sales decreased by 0.2%.

Swire Properties' gross rental income (after deduction of rental concessions of HK$113 million) from retail properties in the Chinese Mainland decreased by 9%, to HK$2,943 million, in 2022. Rental concessions were given to tenants for specific periods on a case-by-case basis. Disregarding rental concessions and changes in the value of the Renminbi, gross rental income decreased by 2%.

Retail sales at Taikoo Li Sanlitun decreased by 26% in 2022. Gross rental income (after deduction of rental concessions) at the development decreased. Shops and restaurants were shut from time to time as a result of COVID-19. Rental income benefitted from a full year of income from Taikoo Li Sanlitun West and an improved tenant mix. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination. The development was 94% let at 31st December 2022.

Retail sales and gross rental income (after deduction of rental concessions) at Taikoo Hui in Guangzhou decreased by 11% and 8% respectively in 2022. There were improvements to the tenant mix. The mall was 99% let at 31st December 2022.

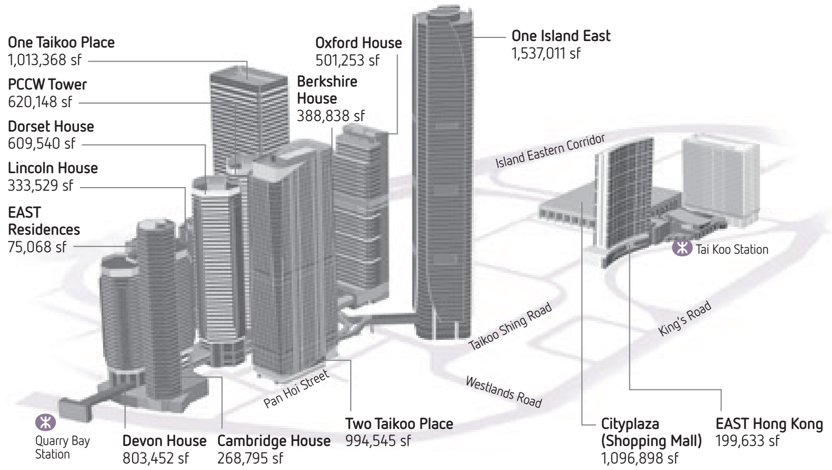
Retail sales at INDIGO in Beijing decreased by 26% in 2022. There were improvements to the tenant mix. The mall was 100% let at 31st December 2022.

Retail sales and gross rental income (after deduction of rental concessions) at Sino-Ocean Taikoo Li Chengdu decreased by 15% and 9% respectively. The development is reinforcing its position as a premium shopping and leisure destination. The development was 95% let at 31st December 2022.

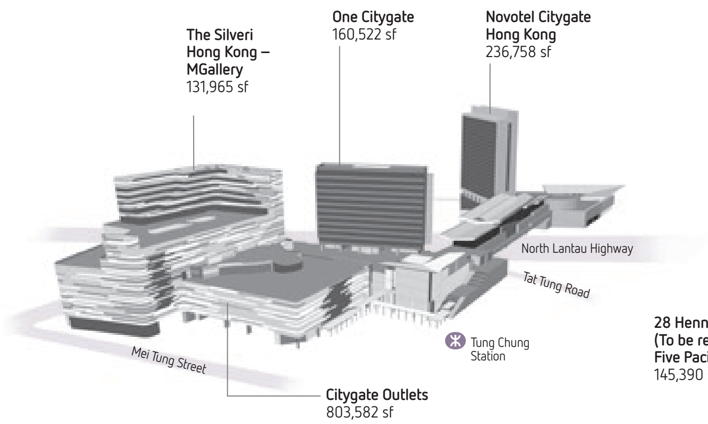
Retail sales and gross rental income (after deduction of rental concessions) at HKRI Taikoo Hui in Shanghai decreased by 36% and 17% respectively in 2022. Shops were closed in April and May. The mall was 97% let at 31st December 2022.

Hong Kong

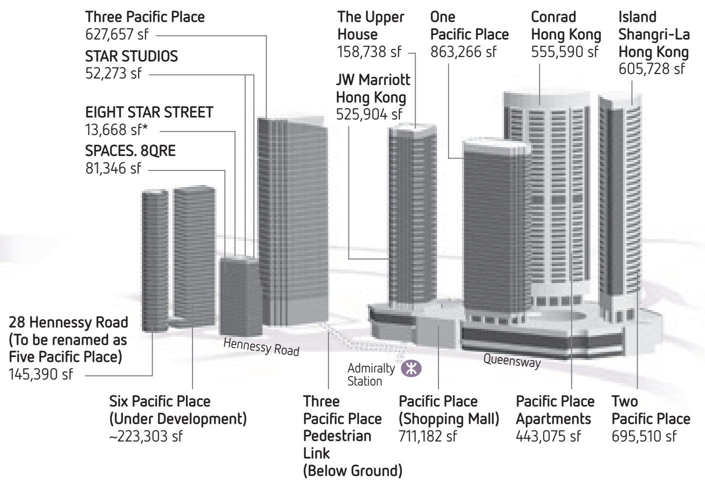
Taikoo Place and Cityplaza



Citygate



Pacific Place

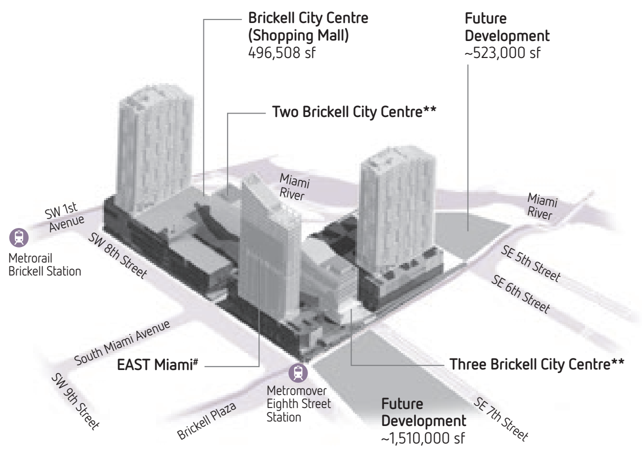


* Floor area shown including the gross floor area of remaining residential units of 10,817 sf.

USA

Brickell City Centre

Miami, Florida

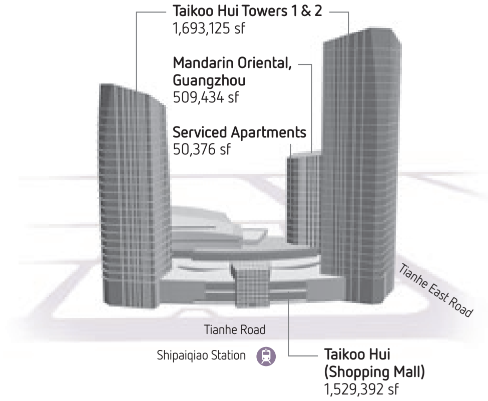


** Two Brickell City Centre and Three Brickell City Centre were sold in 2020. The office towers are now managed by Swire Properties.

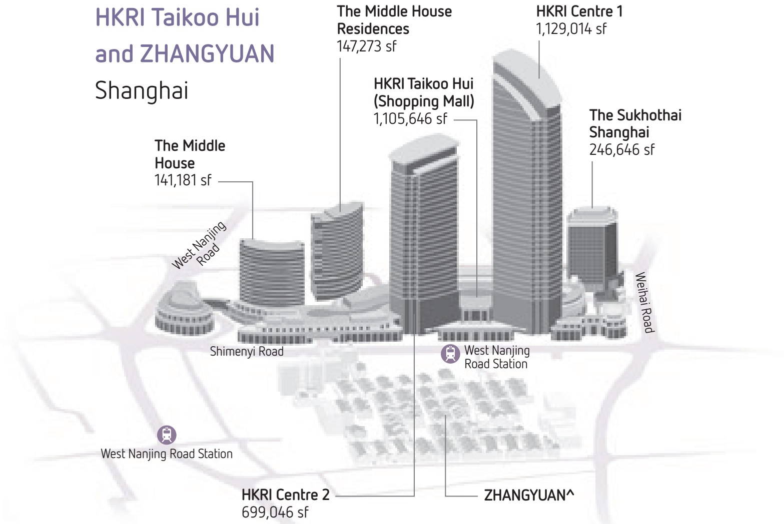
\# EAST Miami was sold in 2021. The hotel and serviced apartments are still managed by Swire Hotels.

Chinese Mainland

Taikoo Hui
Guangzhou

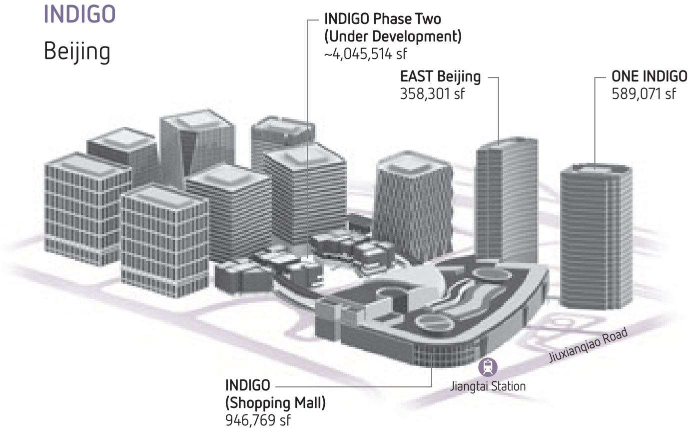


HKRI Taikoo Hui and ZHANGYUAN
Shanghai

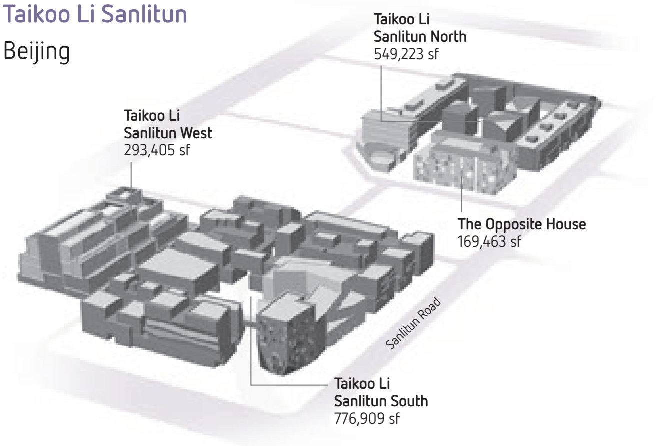


^ ZHANGYUAN, with gross floor area of 1,329,255 sf (including car parking spaces), is operated and managed by a joint venture which is 60% owned by Swire Properties. Swire Properties does not have an ownership interest in the compound.

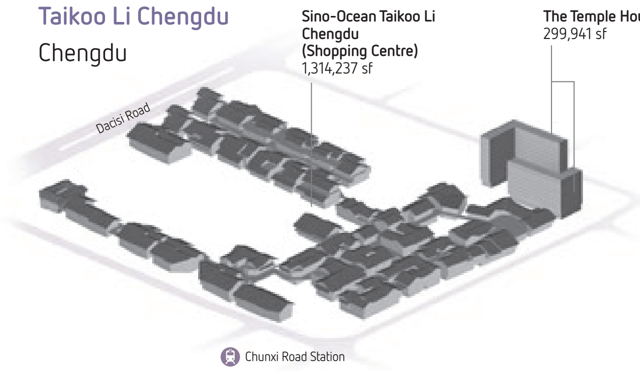
INDIGO
Beijing



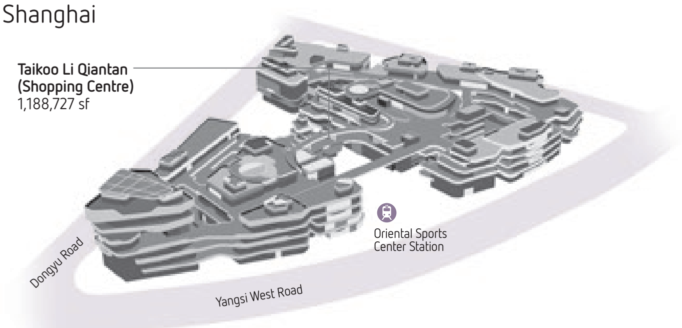
Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



Taikoo Li Qiantan
Shanghai



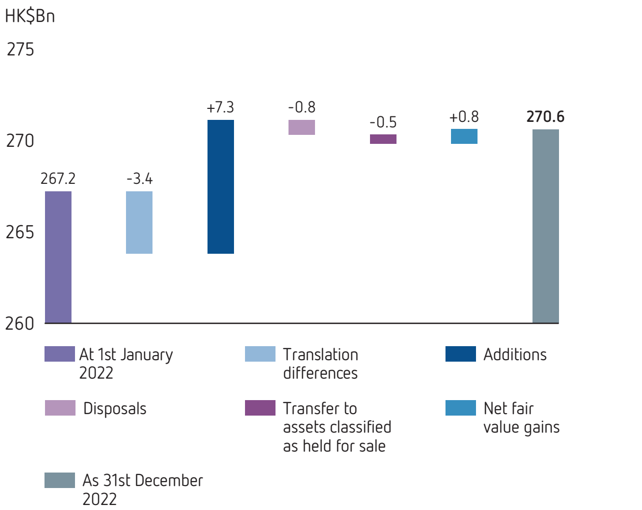
Notes:
- Gross floor area figures are shown on a 100% basis.
- These diagrams are not to scale and are for illustration purposes only.
- These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 222 to 231.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast expenditure				Total commitments^	Commitments relating to joint venture companies*
	2022 HK$M	2023 HK$M	2024 HK$M	2025 HK$M	2026 and later HK$M	At 31st December 2022 HK$M	At 31st December 2022 HK$M
Hong Kong	**3,246**	2,654	953	1,563	6,708	**11,878**	67
Chinese Mainland	**4,879**	3,731	4,186	3,796	4,363	**16,076**	7,370
USA	**19**	–	–	–	–	**–**	–
Total	**8,144**	6,385	5,139	5,359	11,071	**27,954**	7,437

^ The capital commitments represent the Group's capital commitments of HK$20,517 million plus the Group's share of the capital commitments of joint venture companies of HK$7,437 million.
* The Group is committed to funding HK$331 million of the capital commitments of joint venture companies.

Movement in Investment Properties



Taikoo Li Qiantan officially opened in September 2021. Footfall and retail sales were initially strong in 2022. They were adversely affected by COVID-19 related measures from March to May. At 31st December 2022, tenants had committed (including by way of letters of intent) to take 93% of the retail space and 83% of the lettable retail space was open.

OFFICE | Swire Properties' gross rental income from office properties in the Chinese Mainland decreased by 4% to HK$365 million in 2022. Disregarding changes in the value of the Renminbi, the gross rental income was approximately the same.

The office towers at Taikoo Hui in Guangzhou, ONE INDIGO in Beijing and HKRI Taikoo Hui in Shanghai were 94%, 94% and 99% let respectively at 31st December 2022.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | INDIGO Phase Two is an extension of the existing INDIGO development, with a gross floor area of approximately four million square feet. Jointly developed with the Sino-Ocean group, INDIGO Phase Two will be an office-led mixed-use development and is planned to be completed in two phases, in 2025 and 2026. Basement works are in progress. Swire Properties has a 35% interest in INDIGO Phase Two.

In March 2022, a consortium in which Swire Properties has a 70% interest acquired (via a government land tender) the land use rights in respect of land in the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an. With a site area of approximately 1.3 million square feet, the land is expected to be developed as Taikoo Li Xi'an, a retail-led mixed-use development comprising retail and cultural facilities, a hotel, serviced residences and business apartments. The estimated gross floor area is approximately 2.4 million square feet (above ground), subject to further planning. The project is expected to be completed in late 2025. The development is being done in collaboration with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd.

In October 2022, a consortium in which Swire Properties has a 50% interest acquired (via a government land tender) the land use rights in respect of land in the Haitang district of Sanya with a site area of approximately 2.1 million square feet. The land is expected to be developed into a premium, resort-style, retail-led development including underground parking and other ancillary facilities. The development will be Phase III of the Sanya International Duty-Free Complex. The project is expected to open in phases from late 2024. The development is being done in collaboration with China Tourism Group Duty Free Corporation Limited.

An architect's impression of the new Tokyo hotel

Swire Hotels will manage two new hotels under The House Collective brand, in Shenzhen and Tokyo.

OTHERS | In 2021, Swire Properties formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd. This company, in which Swire Properties has a 60% interest, is engaged in the revitalisation and management of the ZHANGYUAN shikumen compound in the Jing'an district of Shanghai. When the revitalisation is completed, the compound will have a gross floor area (including car parking spaces) of 591,189 square feet above ground and 738,066 square feet underground. There are over 40 shikumen blocks, with about 170 two or three-storey houses. There are connections to three metro lines and to HKRI Taikoo Hui. The first phase (the West zone) was completed and opened in November 2022. Construction and renovation at the second phase (the East zone) are in progress. The second phase is planned to be completed and opened in 2026. Swire Properties does not have an ownership interest in the compound.

USA

The first phase of the Brickell City Centre development comprises a shopping centre, two office towers (Two and Three Brickell City Centre, which were sold in 2020), a hotel with serviced apartments (EAST Miami, which was sold in 2021) managed by Swire Hotels and two residential towers (Reach and Rise) developed for sale. All the residential units at Reach and Rise have been sold.

Swire Properties owns 62.93% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre is owned by Simon Property Group (25%) and Bal Harbour Shops (12.07%). Bal Harbour Shops has an option, which has been exercisable since February 2020, to sell its interest to Swire Properties.

The shopping centre was 89% leased (including by way of letters of intent) at 31st December 2022. Retail sales in 2022 increased by 24%.

The second phase of the Brickell City Centre development, to be known as One Brickell City Centre, is being planned. It will be a commercial development and will be connected to the first phase of Brickell City Centre.

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2022 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK$270,591 million, compared to HK$267,210 million at 31st December 2021.

The increase in the valuation of the investment property portfolio primarily reflected new investment and an increase in the valuation of certain existing properties in the Chinese Mainland (reflecting a reduction of 25 to 50 basis points in the capitalisation rates), partly offset by a decrease in the valuation of the office investment properties in Hong Kong and foreign exchange translation losses in respect of the investment properties in the Chinese Mainland.

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

HOTELS

The managed and non-managed hotels in Hong Kong and the Chinese Mainland were affected by COVID-19 related travel restrictions. The hotels in the USA performed well. The managed hotels (including restaurants and taking account of central costs) recorded an operating loss before depreciation of HK$118 million in 2022, compared with an operating profit before depreciation of HK$22 million in 2021. The Silveri Hong Kong – MGallery in Hong Kong opened in phases from the middle of 2022.

PROPERTY TRADING

Hong Kong

EIGHT STAR STREET at 8 Star Street, Wan Chai is a residential building (with retail outlets on the lowest two levels) of approximately 34,000 square feet. The occupation permit was obtained in May 2022. 30 out of 37 units had been sold at 7th March 2023. 27 units had been handed over to the purchasers at 31st December 2022.

A joint venture formed by Swire Properties, Kerry Properties Limited and Sino Land Company Limited is undertaking a residential development in Wong Chuk Hang in Hong Kong. The development will comprise two residential towers with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units. Superstructure works are in progress. Pre-sales are expected to start in the second quarter of 2023. The development is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

In 2021, a project company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited completed a land exchange with the HKSAR Government in respect of a plot of land in Chai Wan. The plot of land is expected to be redeveloped into a residential complex (with retail outlets) with an aggregate gross floor area of approximately 694,000 square feet. Foundation works are in progress. The development is expected to be completed in 2025.

In June 2022, Swire Properties acquired (via a government land tender) a plot of land at 269 Queen's Road East in Wan Chai. The plot of land will be developed primarily for residential uses with an aggregate gross floor area of approximately 116,000 square feet. Works preparatory to demolition of the existing building have commenced. The development is expected to be completed in 2025.

Indonesia

In 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in South Jakarta, Indonesia. The land is being developed for residential purposes with an aggregate gross floor area of approximately 1,123,000 square feet. Superstructure works are in progress. The development is expected to comprise over 400 residential units and to be completed in 2024. Swire Properties has a 50% interest in the joint venture. Pre-sales are in progress.

Vietnam

In 2020, Swire Properties agreed with City Garden Joint Stock Company to develop The River, a luxury residential property in Ho Chi Minh City, Vietnam. The development comprises 525 luxury apartments in three towers. Swire Properties has an effective 20% interest in the development. Approximately 93% of the units had been sold at 7th March 2023. Handover of the completed units to purchasers is in progress.

In 2021, Swire Properties made a minority investment in Empire City, a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases up to 2028. Swire Properties invested in the development through an agreement with Gaw Capital Partners, an existing participant in the development. Over 47% of the residential units had been pre-sold at 7th March 2023.

Thailand

In February 2023, Swire Properties acquired a 40% interest in a site located in Lumphini sub-district in Pathum Wan district, Bangkok. In partnership with City Realty Co. Ltd., the site is expected to be developed for residential purposes with a site area of approximately 136,000 square feet.

OUTLOOK

The office market in Hong Kong is expected to be weak in 2023, reflecting increased vacancy rates, new supply and economic uncertainty. Increasing competition from Central and Kowloon East will exert downward pressure on rents. A flight-to-quality is expected to benefit Swire Properties as prospective tenants upgrade their premises and place a higher value on sustainability and the wellbeing of occupants. Following the reopening of the border with the Chinese Mainland and assuming continued improvements in the financial markets, the demand for Grade-A office space in Hong Kong, particularly from financial institutions and professional services companies, should increase.

In Guangzhou, new supply in decentralised areas is expected to put downward pressure on office rents. In Beijing, new supply in core areas is limited. Demand should benefit from the removal of COVID-19 related measures. In Shanghai, demand is expected to be stable. Office rents in core central business districts, where supply is limited, are expected to be stable.

Footfall and tenants' sales in Hong Kong are expected to improve with the removal of COVID-19 related measures and the reopening of the border with the Chinese Mainland.

Consumer confidence is expected to improve in the Chinese Mainland, following the adjustments made to COVID-19 policies at the end of 2022. Inbound and outbound travel is expected to increase. In Guangzhou and Chengdu, demand for retail space from retailers of luxury brands is expected to be strong. In Shanghai, demand for retail space from retailers of luxury fashion, cosmetics and lifestyle brands, and from operators of food and beverage outlets, is expected to be steady. In Beijing, retail sales and demand for retail space are expected to be moderate. In Miami, retail sales are expected to increase.

In Hong Kong, demand for residential accommodation is expected to be weak in the short term (due to increased interest rates and economic uncertainty) but resilient in the medium and long term, reflecting local demand and limited supply. With urbanisation, a growing middle class and a limited supply of luxury residential properties, the residential markets in Jakarta, Indonesia, Ho Chi Minh City, Vietnam and Bangkok, Thailand are expected to be stable.

The hotels in Hong Kong and the Chinese Mainland are expected to do better in 2023, following the reopening of the border in the Chinese Mainland and the removal of COVID-19 measures. The hotels in the USA are expected to perform strongly. Swire Properties is expanding its hotel management business, with a focus on extending its hotel brands outside Hong Kong through hotel management agreements.

Tim Blackburn

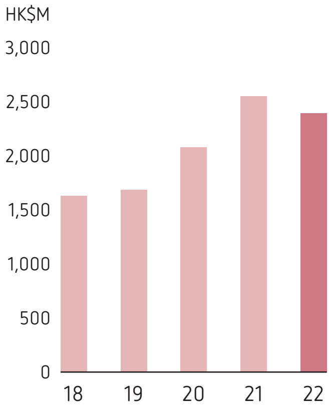
BEVERAGES DIVISION

Swire Coca-Cola brings refreshment to a franchise population of 882 million people.

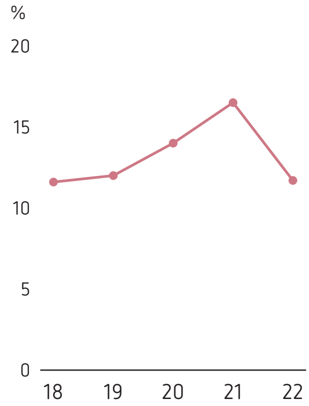
BEVERAGES DIVISION

Swire Coca-Cola has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company (TCCC) in 11 provinces and the Shanghai Municipality in the Chinese Mainland and in Hong Kong, Taiwan, Cambodia, Vietnam and an extensive area of the western USA. The acquisitions of the franchise businesses in Cambodia and Vietnam were completed on 25th November 2022 and 1st January 2023 respectively.

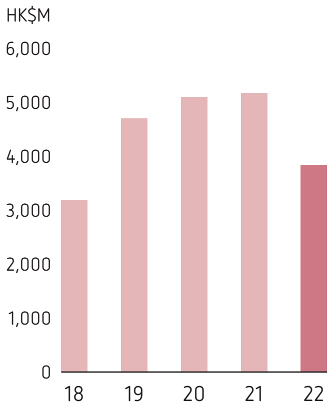
Profit Attributable to the Company's Shareholders



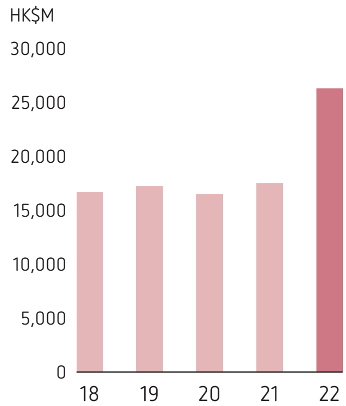
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



Swire Coca-Cola has twelve wholly-owned franchise businesses (in Hong Kong, Taiwan, Cambodia, Vietnam and the USA, and in Fujian, Anhui, Guangxi, Jiangxi, Jiangsu and Hainan provinces and the cities of Zhanjiang and Maoming in Guangdong province in the Chinese Mainland) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in the Chinese Mainland). It has a joint venture interest in a franchise in the Shanghai Municipality in the Chinese Mainland (Shanghai Shen-Mei). On 1st January 2023, it acquired 100% equity interests in six subsidiaries of Coca-Cola Bottlers Manufacturing Holdings Limited (CCBMH). These subsidiaries are continuing to supply still beverages to the franchise areas in the Chinese Mainland referred above.

At the end of 2022, Swire Coca-Cola manufactured 58 beverage brands and distributed them to a franchise population of 782 million people. Once Vietnam is included, the total franchise population will increase to 882 million people.

STRATEGY

The strategic objective of Swire Coca-Cola is to build a world-class bottling system which is recognised as a first-class employer, a first-class entity with which to do business and a first-class corporate citizen in all territories where it does business. To achieve this objective, Swire Coca-Cola has five strategic priorities:

– **Portfolio expansion**
  Swire Coco-Cola is fully aligned with The Coca-Cola Company's commitment to providing drinks that meet the needs of consumers and will capture growth in a fast-changing marketplace. While striving for increasing sales of sparkling drinks, Swire Coca-Cola aims to develop winning propositions in other major categories of drinks, so as to increase its share of the value of the total non-alcoholic beverage market.

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

– **Digital leadership**
  Pioneering digitalisation across the entire value chain so as to unlock value and generate new revenue.

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

– **Sustainability**
  Identifying and implementing sustainable practices in order to meet commitments to decarbonisation, to reductions in the consumption of water and packaging materials and in the production of waste, to recycling packaging materials and maximising the use of recycled packaging materials, to wider product choice, to sustainable sourcing, to supporting the communities in which Swire Coca-Cola operates and to creating a safe, diverse and inclusive working environment.

Established in	Annual Revenue	Annual Sales Volume	Present in
1965	HK$54.2 billion	1,828 million unit cases	6 markets^

Bottling Plants	Beverage Brands	Consumers	Employees
36*^	58	882 million*^	36,611*^

Franchise Territories

GREATER CHINA

Franchise population
733.8 million

Operating areas	Number of bottling plant(s)
Anhui	1
Fujian	2
Guangdong	5*
Guangxi	2*
Hainan	1
Henan	2
Hong Kong	1
Hubei	2*
Jiangsu	2*
Jiangxi	1
Shanghai	2
Taiwan	1
Yunnan	1
Zhejiang	3*

USA

Franchise population
30.9 million

Operating areas#	Number of bottling plant(s)
Arizona	1
California	–
Colorado	1
Idaho	1
Kansas	–
Nebraska	–
Nevada	–
New Mexico	–
Oregon	1
South Dakota	–
Utah	1
Washington	1
Wyoming	–

SOUTH EAST ASIA

Franchise population
116.8 million

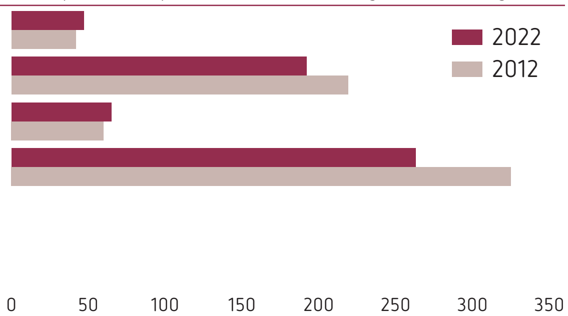
Operating areas	Number of bottling plant(s)
Cambodia	1
Vietnam	3^

* Including certain bottling plants in which the restructuring was completed on 1st January 2023.
^ Acquisition of the franchise business in Vietnam was completed on 1st January 2023.
# Serving throughout parts of the 13 states listed above.

Per Capita Consumption in Franchise Territories

	Franchise population (millions) (end of 2022)	GDP per capita (US$)	Sales volume (million unit cases) 2022	2012
Chinese Mainland	703.3	13,635	1,366	783
Hong Kong	7.3	48,920	58	65
Taiwan	23.2	32,914	63	58
USA	30.9	58,726	338	84
Cambodia (note 2)	17.3	1,648	3	N/A
Vietnam (note 3)	99.5	4,110	N/A	N/A
	881.5		1,828	990

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



Note 1: A unit case comprises 24 8-ounce servings.
Note 2: The sales volume shown for 2022 represents the period from the completion of the acquisition on 25th November 2022 to the end of the year.
Note 3: The acquisition of the franchise business in Vietnam was completed on 1st January 2023. Accordingly the sales volume and per capita consumption information is not applicable.

2022 PERFORMANCE

Financial Highlights

	2022 HK$M	2021 HK$M
Revenue	54,225	53,927
EBITDA	5,545	5,791
Operating profit	3,274	3,512
Share of post-tax profits from joint venture and associated companies	92	155
Attributable profit	2,392	2,549

Segment Financial Highlights

	Revenue^		EBITDA		Attributable Profit	
	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M
Chinese Mainland	26,142	26,862	2,560	3,405	902	1,418
Hong Kong	2,332	2,397	371	353	191	213
Taiwan	2,123	2,071	248	253	138	136
USA	23,553	20,685	2,585	1,990	1,392	989
Cambodia	75	–	9	–	(6)	–
Central adjustments and other costs	–	1,912	(228)	(210)	(225)	(207)
Swire Coca-Cola	54,225	53,927	5,545	5,791	2,392	2,549

^ Revenue in the Chinese Mainland for the year ended 31st December 2021 has been re-presented to provide a like-for-like comparison following changes to contractual arrangements with customers that became effective in 2022.

Accounting for Swire Coca-Cola

For the year ended 31st December 2022, the eleven wholly-owned franchise businesses (in Hong Kong, Taiwan, Cambodia and the USA, and in Fujian, Anhui, Guangxi, Jiangxi, Jiangsu and Hainan provinces and the cities of Zhanjiang and Maoming in Guangdong province in the Chinese Mainland) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in the Chinese Mainland) were accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue, EBITDA and operating profit from these franchise businesses are included in the revenue, EBITDA and operating profit shown above. The division's joint venture interest in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. and its associate interest in CCBMH were accounted for using the equity method of accounting. Swire Pacific recognised its share of net profit or loss from each of these interests as a single line-item in the consolidated statement of profit or loss.

Segment Performance

		Percentage Change in 2022					
	Note	Chinese Mainland	Hong Kong	Taiwan	USA	Cambodia	Swire Coca-Cola
Active Outlets		4%	0%	48%	0%	N/A	7%
Revenue	1, 4	-2%	-3%	10%	14%	N/A	4%
Sales Volume	2	-4%	-6%	4%	0%	N/A	-3%
Gross Profit per unit case		-3%	0%	3%	19%	N/A	7%
Water Use Ratio^	5	-4%	-2%	4%	-2%	N/A	-3%
Energy Use Ratio^	5	-3%	-7%	8%	4%	N/A	-3%
LTIR^	5	-32%	-56%	109%	-19%	N/A	-22%

	Note	Chinese Mainland	Hong Kong	Taiwan	USA	Cambodia	Swire Coca-Cola
EBITDA Margin	3, 4						
2022		9.8%	16.5%	12.4%	11.9%	11.3%	11.0%
2021		12.3%	15.2%	12.7%	10.2%	N/A	11.6%
EBIT Margin	3, 4						
2022		5.1%	9.8%	8.9%	8.4%	2.2%	6.7%
2021		7.9%	10.4%	8.9%	6.4%	N/A	7.5%

^ Refer to the Glossary on pages 234 and 235.

Note 1: Revenue for Swire Coca-Cola, including that of Shanghai Shen-Mei and excluding sales to other bottlers, was HK$54,727 million (2021: HK$52,623 million).

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

Note 3: (i) EBITDA and EBIT for Swire Coca-Cola (including that of Shanghai Shen-Mei and excluding non-recurring gains and central and other costs) were HK$6,041 million (2021: HK$6,127 million) and HK$3,694 million (2021: HK$3,949 million) respectively.
(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of Shanghai Shen-Mei and excludes sales to other bottlers).

Note 4: Revenue, EBITDA margin and EBIT margin in the Chinese Mainland for the year ended 31st December 2021 have been re-presented to provide a like-for-like comparison following changes to contractual arrangements with customers that became effective in 2022.

Note 5: The percentage change figures do not include Cambodia as the franchise business was acquired on 25th November 2022.

2022 RESULTS SUMMARY

Swire Coca-Cola made an attributable profit of HK$2,392 million in 2022, a 6% decrease from 2021. The results were adversely affected by COVID-19 related measures in the Chinese Mainland, Hong Kong and Taiwan, partly offset by a strong performance in the USA.

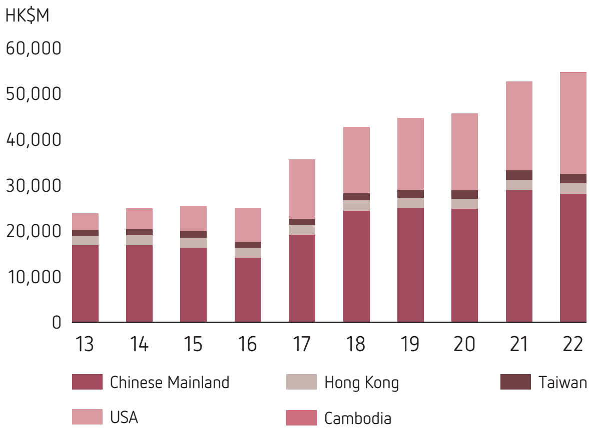
Total revenue (including that of Shanghai Shen-Mei and excluding sales to other bottlers) increased by 4% to HK$54,727 million. Sales volume decreased by 3% to 1,828 million unit cases. In the Chinese Mainland and Hong Kong, revenue and volume declined. Revenue and volume grew in Taiwan. In the USA, revenue increased and volume was unchanged.

EBITDA (including that of Shanghai Shen-Mei and excluding central and other costs) decreased by 1% to HK$6,041 million. The EBITDA margin decreased from 11.6% to 11.0%.

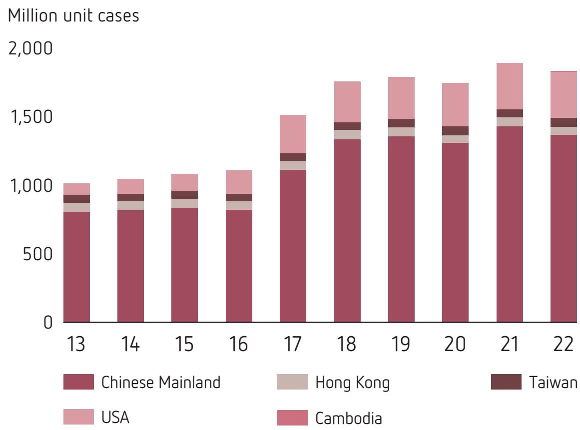
In July 2022, Swire Coca-Cola entered into agreements to acquire from The Coca-Cola Company (TCCC) certain of its subsidiaries engaged in the preparation, packaging, distribution and sale of ready-to-drink beverages bearing trademarks owned by TCCC in Cambodia and Vietnam for an aggregate consideration of US$1,015 million, subject to completion adjustments by reference to the net cash and working capital of the relevant companies in Cambodia and Vietnam. The acquisitions of the franchise businesses in Cambodia and Vietnam were completed in November 2022 and January 2023 respectively.

In 2022, Swire Coca-Cola continued to make significant investments in production assets, logistics infrastructure, merchandising equipment and digital capabilities. Capital commitments at 31st December 2022 were HK$4,274 million.

Revenue#^

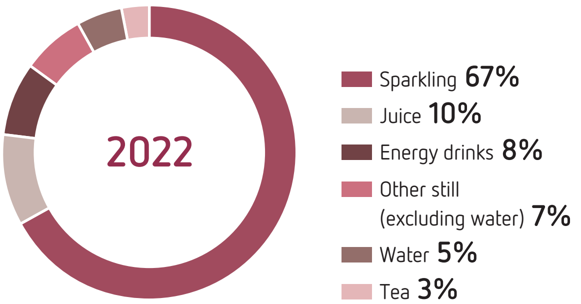


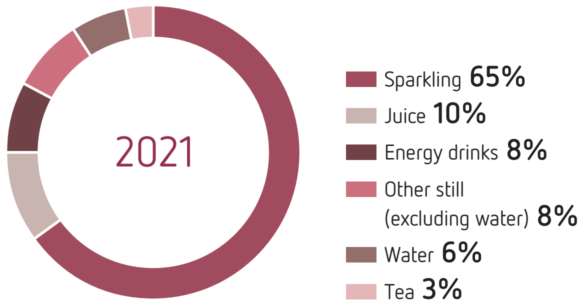
Sales Volume#



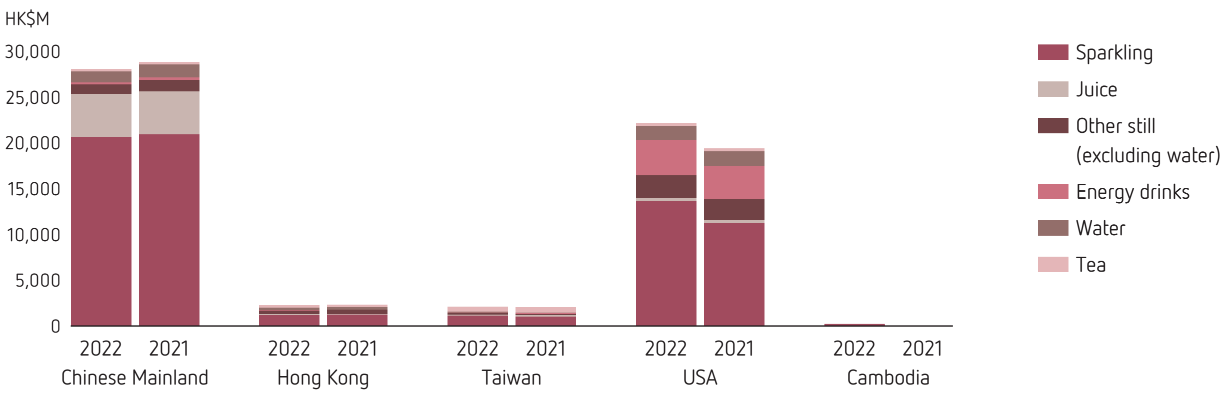
Revenue and volume include those of Shanghai Shen-Mei and exclude sales to other bottlers.
^ Revenue in the Chinese Mainland for the year ended 31st December 2021 has been re-presented to provide a like-for-like comparison following changes to contractual arrangements with customers that became effective in 2022.

Breakdown of Total Revenue by Category#^





Breakdown of Revenue by Region and Category#^



Growth in Revenue and Volume in 2022 by Category#^

	Chinese Mainland		Hong Kong		Taiwan		USA	
	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume
Sparkling	0%	-3%	-2%	-5%	15%	4%	21%	2%
Juice	1%	-4%	-23%	-25%	1%	-1%	5%	12%
Tea	19%	-3%	-3%	-5%	0%	-1%	-1%	-7%
Energy drinks	-5%	-3%	9%	3%	24%	24%	9%	4%
Other still (excluding water)	-20%	-14%	-5%	-10%	17%	8%	5%	-5%
Water	-18%	-11%	-4%	-6%	19%	55%	-7%	-8%

The revenue growth is measured in local currency terms.
Revenue and volume include those of Shanghai Shen-Mei and exclude sales to other bottlers.
^ Revenue in the Chinese Mainland for the year ended 31st December 2021 has been re-presented to provide a like-for-like comparison following changes to contractual arrangements with customers that became effective in 2022.

Chinese Mainland

Attributable profit from the Chinese Mainland was HK$902 million in 2022, a 36% decrease from 2021. Sales and operations were adversely affected by COVID-19 related measures.

Revenue (including that of Shanghai Shen-Mei and excluding sales to other bottlers) decreased by 2% in local currency terms.

Sparkling revenue was similar to that in 2021. Water and energy drinks revenue decreased by 18% and 5% respectively. Revenue from premium categories of coffee and tea drinks increased by 20% and 19% respectively.

Total sales volume decreased by 4%. COVID-19 adversely affected the consumption of beverages.

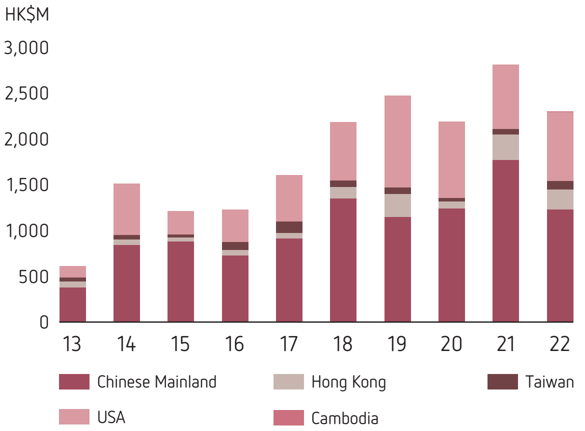
Raw material costs, operating expenses and depreciation charges were higher. Results were adversely affected by unfavourable exchange rate movements.

EBITDA and EBIT (including that of Shanghai Shen-Mei and excluding central and other costs) decreased by 21% and 37% in local currency terms respectively. The EBITDA margin decreased from 12.3% to 9.8%. The EBIT margin decreased from 7.9% to 5.1%.

In July 2022, a wholly-owned subsidiary of Swire Coca-Cola entered into an agreement with CCBMH to acquire 100% equity interests in six of CCBMH's subsidiaries. The transaction was completed in January 2023.

The restructuring of Coca-Cola's still beverage operations in the Chinese Mainland will improve efficiency and the introduction of new products.

Capital Expenditure



Hong Kong

Attributable profit from Hong Kong in 2022 was HK$191 million, a 11% decrease from 2021. The result was adversely affected by COVID-19 related measures. Sales gradually recovered in the second half of the year.

Revenue (excluding sales to other bottlers) decreased by 3%. Sparkling revenue decreased by 2%. Still revenue decreased by 5%. Tea, juice and water revenue decreased by 3%, 23% and 4% respectively.

Total sales volume decreased by 6%.

The decrease in revenue, and higher raw material costs, operating expenses and depreciation charges were partly offset by financial support provided by the HKSAR Government under the employment subsidy scheme.

EBITDA increased by 5% but EBIT decreased by 9%. The EBITDA margin increased from 15.2% in 2021 to 16.5% in 2022. The EBIT margin decreased from 10.4% to 9.8%. The decrease in EBIT margin was due to higher depreciation charges, reflecting upgrades to digital capabilities and to production equipment and facilities.

Taiwan

Attributable profit from Taiwan in 2022 was HK$138 million, a 1% increase from 2021. The result was adversely affected by COVID-19 related measures in the middle of the year. Sales started to recover in the fourth quarter.

Revenue in local currency terms increased by 10%. This reflected effective revenue growth management and the introduction of new products.

Sparkling revenue increased by 15%. Still revenue increased by 5%. Coffee and energy drinks revenue increased by 15% and 24% respectively.

Total sales volume increased by 4%.

The increase in revenue was partly offset by higher raw material costs and by higher operating and other expenses. Results were adversely affected by unfavourable exchange rate movements.

EBITDA and EBIT increased by 7% and 10% in local currency terms respectively. The EBITDA margin decreased from 12.7% in 2021 to 12.4% in 2022. The EBIT margin was maintained at 8.9%.

Cambodia

The bottling operations in Cambodia recorded an EBITDA of HK$9 million and an attributable loss of HK$6 million during the period from 25th November 2022 to the end of the year.

USA

Attributable profit from the USA was HK$1,392 million in 2022, a 41% increase from 2021.

Revenue in local currency terms (excluding sales to other bottlers) grew by 14%. The revenue increases reflected price increases and an improved product mix, with little change in sales volume. Local consumption was resilient.

Sparkling revenue increased by 21%. Still revenue increased by 4%. The latter increase reflected increases in revenue from energy and sports drinks of 9% and 3% respectively.

Total sales volume was similar to that in 2021.

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

EBITDA and EBIT (excluding central and other costs) increased by 32% and 49% in local currency terms respectively. The EBITDA margin increased from 10.2% in 2021 to 11.9% in 2022. The EBIT margin increased from 6.4% to 8.4%.

Swire Coca-Cola has acquired the Coca-Cola bottling businesses in Cambodia and Vietnam.

OUTLOOK

Sales and operations in the Chinese Mainland are expected to return to normal in 2023 with the removal of COVID-19 related measures. The acquisition of the still bottling operations from CCBMH will result in synergies in beverages production. Raw material prices are expected to stabilise. However, increasing operating expenses and unfavourable exchange rate movements will adversely affect profits.

In Hong Kong, the removal of COVID-19 measures is expected to increase the number of visitors. Moderate growth in volume is expected. Raw material prices are expected to stabilise. Operating expenses are expected to increase.

Sales and operations in Taiwan are expected to continue to grow in 2023.

In the USA, revenue is expected to grow in 2023, reflecting price increases and improvements in operations. Cost inflation is expected to stabilise. However, logistics disruptions, high haulage costs and shortage of labour will put pressure on profits.

The newly acquired franchise businesses in Cambodia and Vietnam are expected to make meaningful full-year contributions in 2023.

Karen So


SWIRE
B-LXA

AVIATION DIVISION

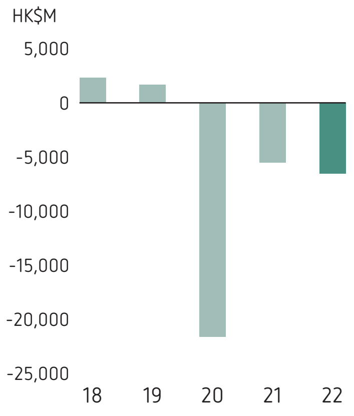
A Cathay Pacific Airbus A350-1000 aircraft.

AVIATION DIVISION

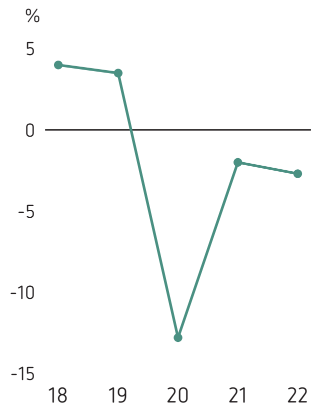
The Aviation Division comprises an associate interest in the Cathay Pacific group and the wholly-owned Hong Kong Aircraft Engineering Company (HAECO) group.

Cathay Pacific group (100% Basis)

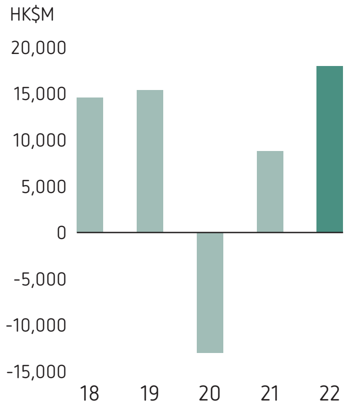
Profit/(loss) Attributable to the Shareholders of Cathay Pacific



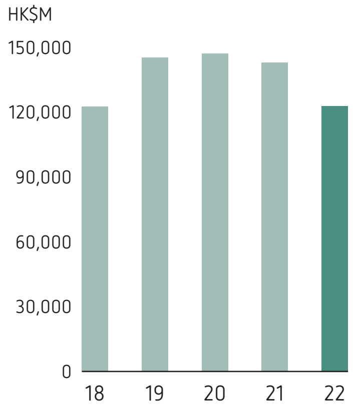
Return on Capital Employed



Net Cash Generated from/(Used in) Operating Activities

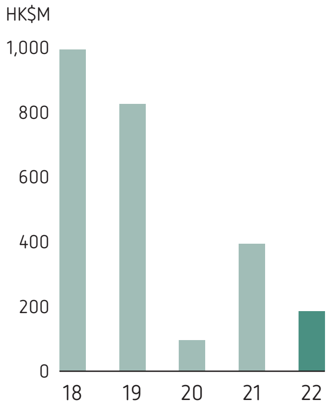


Capital Employed

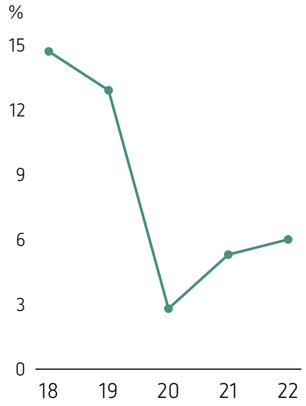


HAECO group (100% Basis)

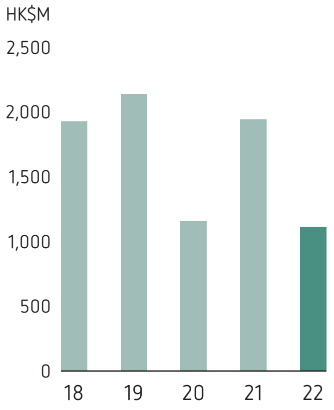
Profit Attributable to the Shareholders of HAECO



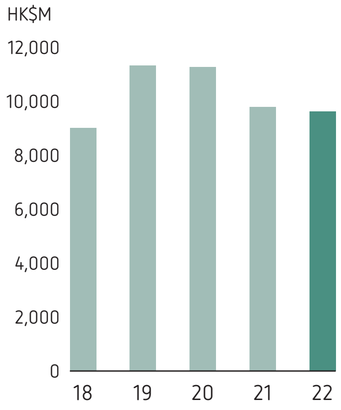
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



The Cathay Pacific group

Cathay Pacific Airways Limited (Cathay Pacific) is listed on The Stock Exchange of Hong Kong Limited. The Cathay Pacific group includes Cathay Pacific, Hong Kong Express Airways Limited (HK Express) and AHK Air Hong Kong Limited (Air Hong Kong) and associate interests in Air China Limited (Air China) and Air China Cargo Co., Ltd. (Air China Cargo). Cathay Pacific also has interests in companies providing flight catering and passenger and ramp handling services, and owns and operates a cargo terminal at Hong Kong International Airport.

At 31st December 2022, the Cathay Pacific group's airlines offered scheduled passenger and cargo services to 81 destinations in 30 countries and regions. There are also codeshare agreements in relation to 131 destinations in 21 countries and regions. At 31st December 2022, Cathay Pacific had 181 aircraft and had ordered 32 new aircraft for future delivery.

HK Express is a low-cost airline based in Hong Kong and offers scheduled services within Asia. At 31st December 2022, it had 26 aircraft and had ordered 16 new aircraft for delivery up to 2025.

Air Hong Kong operates express cargo services for DHL Express to 15 Asian cities. At 31st December 2022, Air Hong Kong operated 15 freighters.

Cathay Pacific owns 16.26% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese Mainland. Air China Cargo, in which the Cathay Pacific group owns an equity and an economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland.

Cathay Pacific and its subsidiaries employed more than 21,200 people (around 82% of them in Hong Kong) at 31st December 2022.

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), on-wing and off-wing engine support, and engine overhaul work in Hong Kong (by HAECO's 50% joint venture company, HAESL) and in Xiamen (by HAECO Engine Services (Xiamen)).

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

HAECO is a wholly-owned subsidiary of Swire Pacific.

STRATEGY

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

- **Excelling in customer service, operational and safety performance, productivity and the creation of value.**
- **Capitalising on the opportunities presented by the Greater Bay Area.**
- **Contributing to the development of Hong Kong as an international aviation and logistics centre.**
- **Developing Cathay Pacific's premium lifestyle travel brand.**
- **Developing HK Express as a successful low-cost carrier.**
- **Building on Cathay Pacific's digital leadership.**
- **Achieving net-zero carbon emissions by 2050.**
- **Developing and strengthening the HAECO brand.**
- **Increasing the range and depth of aircraft engineering services offered by HAECO.**
- **Maintaining and enhancing HAECO's high standards of service to aircraft engineering customers.**

2022 PERFORMANCE

Financial Highlights

	2022 HK$M	2021 HK$M
HAECO group		
Revenue	**13,828**	11,464
Operating profit	**270**	445
Attributable profit	**185**	394
Cathay Pacific group		
Share of post-tax loss from associated companies	**(2,947)**	(2,487)
Attributable loss	**(3,072)**	(2,380)

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 218 and 219. The figures of the HAECO group and the Cathay Pacific group above do not include Swire Pacific's consolidation adjustments.

CATHAY PACIFIC GROUP

Cathay Pacific – 2022 Performance

		2022	2021	Change
Available tonne kilometres (ATK)	Million	**10,100**	11,354	-11.0%
Available seat kilometres (ASK)	Million	**20,056**	13,228	+51.6%
Available cargo tonne kilometres (AFTK)	Million	**8,181**	10,094	-19.0%
Revenue tonne kilometres (RTK)	Million	**7,190**	8,615	-16.5%
Passenger revenue	HK$M	**13,686**	4,346	+214.9%
Passenger revenue per ASK	HK¢	**68.2**	32.9	+107.3%
Revenue passenger kilometres (RPK)	Million	**14,764**	4,120	+258.3%
Revenue passengers carried	‘000	**2,804**	717	+291.1%
Passenger load factor	%	**73.6**	31.1	+42.5%pt
Passenger yield	HK¢	**92.7**	105.5	-12.1%
Cargo revenue	HK$M	**26,990**	32,377	-16.6%
Cargo revenue per AFTK	HK$	**3.30**	3.21	+2.8%
Cargo revenue tonne kilometres (RFTK)	Million	**5,774**	8,220	-29.8%
Cargo carried	‘000 Tonnes	**1,154**	1,333	-13.4%
Cargo load factor	%	**70.6**	81.4	-10.8%pt
Cargo yield	HK$	**4.67**	3.94	+18.5%
Cost per ATK (with fuel)*	HK$	**4.35**	3.88	+12.1%
Cost per ATK (without fuel)*	HK$	**3.43**	3.32	+3.3%
Fuel consumption per million RTK	Barrels	**1,679**	1,612	+4.2%
Fuel consumption per million ATK	Barrels	**1,195**	1,223	-2.3%
Aircraft utilisation (including parked aircraft)	Hours per day	**3.3**	3.4	-2.9%
On-time performance	%	**80.1**	86.2	-6.1%pt
Average age of fleet	Years	**10.8**	10.5	+0.3 year

* Cost per ATK represents total operating costs, including impairment and restructuring costs, divided by ATK for the year.

2022 AIRLINE INDUSTRY REVIEW

The Cathay Pacific group has experienced three challenging years due to COVID-19, with 2022 a year of two halves. Omicron led to increasingly stringent travel and operational restrictions during the first few months of the year, particularly in Hong Kong and the Chinese Mainland. This significantly constrained the group’s ability to operate passenger and cargo flights.

From May onwards, the restrictions were progressively adjusted. Some flight capacity was restored. From September, passengers and crew arriving in Hong Kong were no longer quarantined. Thousands of passenger flight sectors were added during the fourth quarter of 2022 by Cathay Pacific and HK Express. By December, the group was operating about one-third of its pre-COVID-19 passenger flight capacity. This was approximately eight times the average capacity operated in the first half of the year. The group was operating about two-thirds of its pre-COVID-19 cargo flight capacity by the end of 2022.

2022 RESULTS SUMMARY

The Cathay Pacific group's attributable loss on a 100% basis was HK$6,548 million in 2022, compared with a loss of HK$5,527 million in 2021. Cathay Pacific reported an attributable profit after tax of HK$1,460 million (2021: loss of HK$1,728 million). Its share of losses from subsidiaries was HK$1,715 million (2021: loss of HK$2,089 million). Its share of losses from associates (most of which are recognised three months in arrear) was HK$6,293 million (2021: loss of HK$1,710 million).

Passenger Services

Cathay Pacific

Passenger revenue in 2022 was HK$13,686 million, an increase of 215% compared to 2021. Revenue passenger kilometres increased by 258%. Capacity, measured in available seat kilometres, increased by 52%. 2.8 million passengers were carried, an average of 7,682 passengers per day, 291% more than in 2021. The load factor was 73.6%, compared with 31.1% in 2021.

HK Express

HK Express reported a loss of HK$1,359 million for 2022 (2021: loss of HK$1,978 million).

Cargo Services

Cathay Pacific

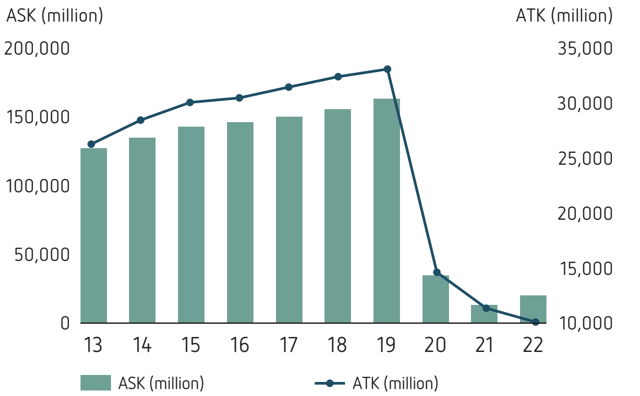
The cargo revenue of Cathay Pacific in 2022 was HK$26,990 million, a decrease of 17% compared to 2021. Cargo revenue tonne kilometres decreased by 30%. Capacity, measured by available cargo tonne kilometres, decreased by 19%. The load factor decreased by 10.8 percentage points to 70.6%. Yield increased by 19% to HK$4.67.

Air Hong Kong

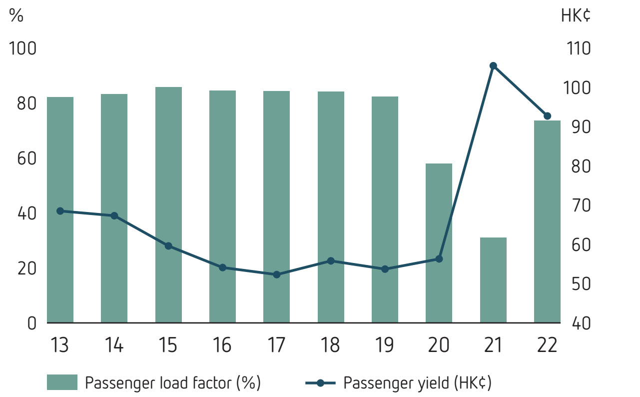
Air Hong Kong recorded a profit in 2022, benefitting from strong cargo demand. The all-cargo airline flew extra sectors for Cathay Pacific.

Cathay Pacific is recruiting the talented people needed to support the airline's recovery.

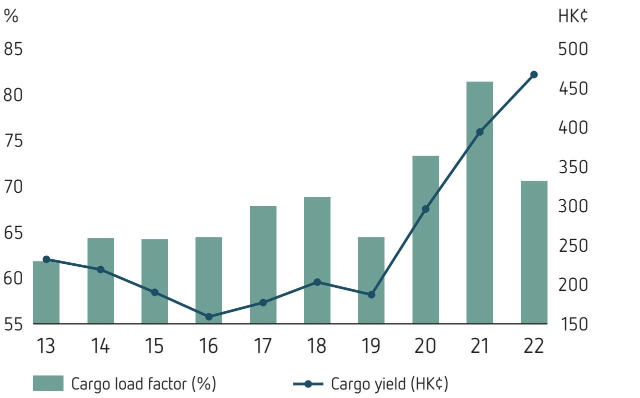
Capacity – Available Seat Kilometres and Available Tonne Kilometres



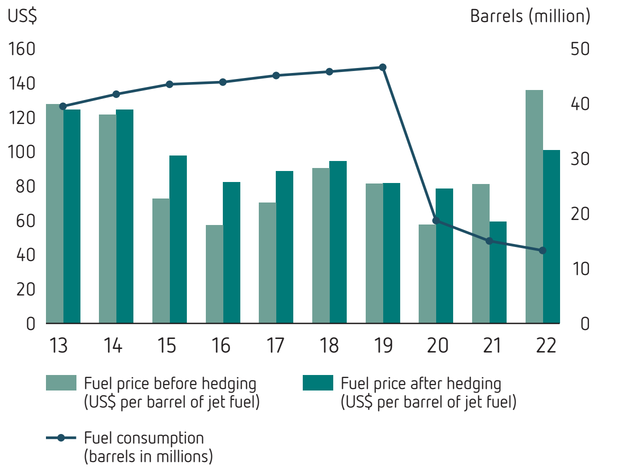
Passenger Services Load Factor and Yield



Cargo Services Load Factor and Yield



Fuel Price and Consumption



Operating Costs

Non-fuel costs decreased by 6% to HK$34,599 million. Total fuel costs for Cathay Pacific (before the effect of fuel hedging) increased by HK$4,207 million (or 48%) compared with 2021. This principally reflected increased fuel prices.

Fleet Profile

At 31st December 2022, the total number of aircraft in the Cathay Pacific group's fleet was 222. 41 passenger aircraft (22% of the group's passenger fleet) were parked outside Hong Kong.

Fleet profile*

	Number at 31st December 2022														
		Leased**				Orders				Expiry of operating leases**					
Aircraft type	Owned	Finance	Operating	**Total**	Average age	'23	'24	'25 and beyond	**Total**	'23	'24	'25	'26	'27	'28 and beyond
Cathay Pacific:															
A320-200	4			**4**	19.3										
A321-200	2		1	**3**	19.8					1					
A321-200neo		2	5	**7**	1.4	5[(a)]	4		**9**						5
A330-300	31	8	4	**43**	14.3							2	2		
A350-900	19	7	2	**28**	5.1	2			**2**						2
A350-1000	11	7		**18**	3.1										
747-400ERF	6			**6**	14.0										
747-8F	3	11		**14**	9.9										
777-300	17			**17**	21.2										
777-300ER	28	2	11	**41**	10.2					2	3	2	4		
777-9								21	**21**						
Total	121	37	23	**181**	10.8	7	4	21	**32**	3	3	4	6		7
HK Express:															
A320-200			5	**5**	10.5					1	4				
A320-200neo			10	**10**	3.8										10
A321-200			11	**11**	5.2							1	2		8
A321-200neo						4	8	4	**16**						
Total			26	**26**	5.7	4	8	4	**16**	1	4	1	2		18
Air Hong Kong*[(b)]:**															
A300-600F			9	**9**	18.6					7	2				
A330-243F			2	**2**	11.0								2		
A330-300P2F			4	**4**	13.7								3		1
Total			15	**15**	16.3					7	2		5		1
Grand total	**121**	**37**	**64**	**222**	**10.6**	**11**	**12**	**25**	**48**	**11**	**9**	**5**	**13**		**26**

* The table does not reflect aircraft movements after 31st December 2022.

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

*** The contractual arrangements relating to the freighters operated by Air Hong Kong do not constitute leases in accordance with HKFRS 16.

(a) Two Airbus A321-200neo aircraft were delivered in February 2023.

(b) The plan is to return the nine A300-600F aircraft between 2023 and 2024 and to replace them with nine second-hand A330F aircraft. This allows the Air Hong Kong fleet to remain the same (at 15), at least until 2024.

Air China and Air China Cargo

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, the 2022 results include Air China's results for the 12 months ended 30th September 2022, adjusted for any significant events or transactions for the period from 1st October 2022 to 31st December 2022.

For the 12 months ended 30th September 2022, Air China was adversely affected by COVID-19. Consequently, its financial results were significantly worse than those for the 12 months ended 30th September 2021.

In January 2023, Air China issued 1,676 million new shares for an aggregate subscription price equivalent to RMB15 billion. Cathay Pacific did not participate in this issue. As a result, its interest in the equity of Air China decreased from 18.13% to 16.26%.

The Cathay Pacific group's share of Air China Cargo's results is based on its financial statements drawn up three months in arrear. The 2022 results include Air China Cargo's results for the 12 months ended 30th September 2022, adjusted for any significant events or transactions for the period from 1st October 2022 to 31st December 2022.

OUTLOOK

After three years of unprecedented disruption due to COVID-19, Cathay Pacific is pleased now to be at the rebuilding stage, reconnecting Hong Kong with the Greater Bay Area, the Chinese Mainland and the world.

It is expected that the group will operate about 70% of its pre-COVID-19 passenger flight capacity by the end of 2023. The aim is to return to pre-COVID-19 passenger capacity by the end of 2024.

A full cargo schedule was restored by the end of 2022. As more passenger flights are resumed, additional cargo capacity will be provided in the bellies of passenger aircraft.

Ronald Lam

HONG KONG AIRCRAFT ENGINEERING COMPANY (HAECO) GROUP

Financial Highlights

	2022 HK$M	2021 HK$M
Revenue		
Airframe	**5,978**	6,024
Cabin	**380**	338
Components	**1,489**	1,194
Engine	**5,788**	3,614
Others	**193**	294
	13,828	11,464
Operating profit	**270**	445
Attributable profits/(losses)		
Airframe	**(109)**	206
Cabin	**(145)**	(124)
Components	**139**	44
Engine	**469**	352
Others	**(104)**	(62)
Attributable profit (excluding non-recurring item)	**250**	416
Components – impairment charges in respect of rotable aircraft parts	**(65)^**	(22)^
Attributable profit	**185**	394

^ representing impairment charges at HAECO ITM.

Operating Highlights

		2022	2021
Airframe – base maintenance manhours sold			
HAECO Hong Kong	Million	**2.51**	2.61
HAECO Xiamen	Million	**3.59**	3.38
HAECO Americas	Million	**2.54**	2.81
Total	Million	**8.64**	8.80
Airframe – line maintenance movements handled			
HAECO Hong Kong	Thousand	**52**	52
Chinese Mainland and overseas	Thousand	**14**	16
Total	Thousand	**66**	68
Engines overhauled			
HAESL		**278**	237
HAECO Engine Services (Xiamen)		**68**	46

2022 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

The recovery in the industry in 2022 varied by region and aircraft type. Omicron led to more stringent travel restrictions and quarantine requirements in the first part of 2022 in Hong Kong and the Chinese Mainland. This resulted in a reduction in Hong Kong air traffic from the second half of 2021. A recovery of Hong Kong air traffic did not start until the restrictions started to be adjusted in May. The recovery of domestic and international air traffic in most other places in 2022 resulted in growing demand for maintenance and repair of airframes, engines and components.

2022 RESULTS SUMMARY

The HAECO group reported an attributable profit of HK$185 million for 2022 (after taking account of post-tax impairment charges of HK$65 million in respect of rotable aircraft parts at HAECO ITM). This compares with a profit of HK$394 million in 2021 (after taking account of post-tax impairment charges of HK$22 million in respect of rotable aircraft parts at HAECO ITM). The 2021 results benefitted from financial assistance provided (principally) by the US government.

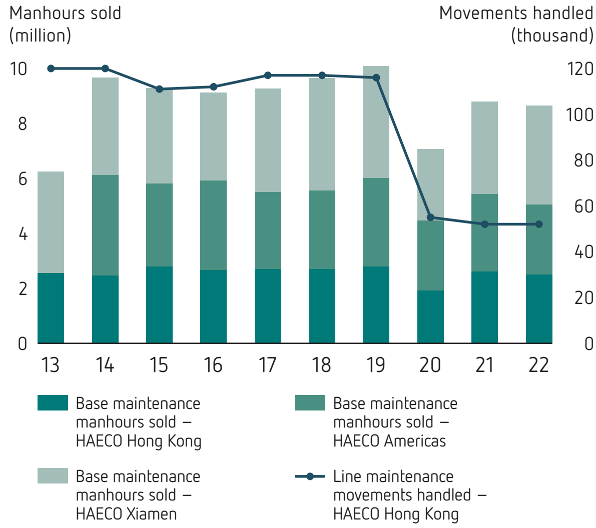
Disregarding impairment charges in both years, the HAECO group's recurring attributable profit for 2022 was HK$250 million, HK$166 million lower than the profit in 2021. Disregarding government financial assistance, profit increased. This mainly reflected significant profit growth in the engine business as a result of a recovery in demand for engine overhaul. The results (disregarding government financial assistance) of the airframe business also improved. This business benefitted from unrealised foreign exchange gains at HAECO Xiamen. These more than offset higher operating costs at HAECO Hong Kong. The volume of line maintenance work at HAECO Hong Kong in 2022 was the same as in 2021. The number of aircraft handled did not recover to end 2021 levels until late in 2022.

At 31st December 2022, HAECO had outstanding capital commitments of HK$5,596 million.

Airframe

The airframe business reported a loss of HK$109 million in 2022, compared with a profit of HK$206 million in 2021 (which included the government financial assistance referred to above). Revenue was similar to that in 2021. 8.64 million base maintenance manhours were sold in 2022 (compared with 8.80 million in 2021). HAECO Xiamen did more base maintenance work. HAECO Hong Kong and HAECO Americas did less. There was little line maintenance work in Hong Kong.

HAECO group – Key Operating Highlights



HAECO Hong Kong

The airframe business of HAECO Hong Kong recorded a higher loss in 2022 than in 2021. There was little air traffic at the Hong Kong International Airport. This particularly affected line maintenance services. Approximately 52,000 aircraft movements were handled in 2022, in line with 2021. 2.51 million base maintenance manhours were sold in 2022, 4% less than those sold in 2021. There was less demand from some overseas airlines and some work was deferred to 2023. Higher operating costs were incurred in 2022 in preparation for the business recovery expected in 2023.

HAECO Xiamen

In 2022, HAECO Xiamen's airframe services profits increased strongly. The results in 2022 benefitted from unrealised foreign exchange gains (compared with losses in 2021). 3.59 million base maintenance manhours were sold in 2022, 6% more than in 2021. This reflected a recovery in demand for base maintenance and more demand for passenger to freighter conversions.

HAECO Americas

The airframe business of HAECO Americas recorded a loss in 2022, compared to a profit in 2021, mainly due to the absence of US government financial assistance. Demand for base maintenance was steady, but output was limited by the shortage of skilled labour. Skilled labour turnover was high. 2.54 million manhours were sold in 2022, 10% less than in 2021.

Line maintenance work at HAECO in Hong Kong started to recover in the second half of 2022 as COVID-19 related travel measures were relaxed.

Cabin

The cabin business lost HK$145 million in 2022, 17% more than 2021. There was more cabin reconfiguration work. More communications kits were sold. But profits were adversely affected by supply chain problems and higher than expected freight costs.

Components

Recurring attributable profit from the components business was HK$139 million in 2022, a 216% increase from 2021. Revenue in 2022 grew by 25% from 2021. The component repair and overhaul business and HAECO Composite did well.

Higher impairment charges in respect of the carrying value of rotable aircraft parts were recorded for the ITM business in 2022 than in 2021.

Engine

The attributable profit from the engine business was HK$469 million in 2022, a 33% increase from 2021. Revenue (comprising that of HAECO Engine Services (Xiamen) and the global engine support business and excluding that of HAESL, which is not consolidated) grew by 60%. The profit growth mainly resulted from a recovery in demand for engine overhaul.

HAESL

HAESL recorded a strong increase in attributable profit from 2021 to 2022. The increase reflected more engines being overhauled. Repair and overhaul services were performed on 278 engines, compared with 237 in 2021.

HAECO Engine Services (Xiamen)

HAECO Engine Services (Xiamen) recorded a significant increase in attributable profit from 2021 to 2022. 56 performance restoration workscopes and 12 quick turn workscopes on GE90 aircraft engines were performed in 2022 (compared with 31 performance restoration workscopes and 15 quick turn workscopes in 2021).

Global Engine Support

The results of the global engine support business, which provides on-wing and off-wing engine support from HAECO group's facilities in Hong Kong, Dallas, Amsterdam and London, deteriorated in 2022 compared with 2021.

OUTLOOK

Demand for base maintenance in 2023 is expected to continue to recover, principally reflecting a recovery of international air traffic. The availability of skilled manpower is a constraint, especially in the USA. Line maintenance work is expected to recover in 2023 with the recovery in air traffic. Demand for seats is expected to grow in 2023. Demand for engine services in 2023 is expected to increase as air traffic continues to recover and aircraft are brought back into service.

HAECO Xiamen has started piling work at the new Xiamen airport. The relocation to the new airport will be material to HAECO Xiamen's operations from 2026.

Frank Walschot

HEALTHCARE

Opened in May 2022, Shenzhen New Frontier United Family Hospital offers premium healthcare services to private patients in the Greater Bay Area.

HEALTHCARE

OVERVIEW OF THE BUSINESS

Columbia China Healthcare

The Group has an associate investment in Columbia China Healthcare Co., Limited, which owns and operates private hospitals and senior housing in the Yangtze River Delta area.

Shenzhen New Frontier United Family Hospital and HEAL Medical Group

The Group has an associate investment in SHH Core Holding Limited, which owns Shenzhen New Frontier United Family Hospital, a private hospital operated by United Family Healthcare in Shenzhen and HEAL Medical Group. HEAL Medical Group operates three clinics in Hong Kong – HEAL Oncology, HEAL Aesthetic and HEAL Medical (a multi-specialist centre).

DeltaHealth

The Group has an associate investment in DeltaHealth China Limited, a healthcare provider in the Chinese Mainland specialising in cardiovascular care. DeltaHealth operates Shanghai DeltaHealth Hospital, a cardiovascular-focused general hospital, and DeltaWest Clinic, an outpatient clinic in the Gubei area of the Changning district.

2022 RESULTS SUMMARY

Our attributable share of the losses of the above healthcare companies was HK$170 million in 2022, compared with HK$85 million in 2021. In addition, an impairment charge of HK$163 million was made in respect of goodwill at Columbia China Healthcare.

HEALTHCARE INVESTMENT STRATEGY

With the investments described above, the Group has exposure to the healthcare sector in the Yangtze River Delta and the Greater Bay Area. We have invested HK$1.7 billion in the sector. We will continue to seek investment opportunities in private healthcare services, particularly in major city clusters in the Chinese Mainland and South East Asia.

David Cogman

TRADING & INDUSTRIAL

2022 PERFORMANCE

Financial Highlights

	2022 HK$M	2021 HK$M
Revenue		
Swire Resources	1,996	2,106
Taikoo Motors	5,636	5,689
Swire Foods	1,588	1,687
Swire Environmental Services	169	134
	9,389	9,616
Operating profits/(losses)		
Swire Resources	5	(33)
Taikoo Motors	226	212
Swire Foods	(487)	(45)
Swire Environmental Services	57	63
Central costs	(13)	(13)
	(212)	184
Attributable profits/(losses)		
Swire Resources	(5)	(42)
Taikoo Motors	168	160
Swire Foods	(505)	(69)
Swire Environmental Services	48	59
Central costs	(13)	(14)
Attributable (loss)/profit	(307)	94
Non-recurring items		
Write-off of goodwill in respect of Qinyuan Bakery	(367)	–
Impairment of long-term assets at Qinyuan Bakery	(100)	–
Gain on acquisition of interest in a joint venture	–	24
Restructuring costs	–	(18)
Recurring profit	160	88

2022 INDUSTRY REVIEW

Footwear and apparel business in Hong Kong and the Chinese Mainland

In 2022, footwear and apparel sales decreased by 9% and 7% in Hong Kong and the Chinese Mainland respectively.

Car sales in Taiwan

Car registrations in Taiwan decreased by 4% to 429,716 units in 2022.

Bakery sales in the Chinese Mainland

Retail sales of bakery products in the Chinese Mainland increased by 2% in 2022.

Sugar sales in the Chinese Mainland

The volume of sugar sold in the Chinese Mainland decreased by 1% to 33,951 million pounds in 2022.

2022 RESULTS SUMMARY

The attributable loss of the trading & industrial businesses in 2022 was HK$307 million, compared with an attributable profit of HK$94 million in 2021. The 2022 figure includes non-recurring losses aggregating HK$467 million in respect of goodwill and fixed assets at Qinyuan Bakery. Excluding non-recurring items, the trading & industrial businesses made a profit of HK$160 million in 2022, compared with HK$88 million in 2021.

Swire Resources

The attributable loss of Swire Resources in 2022 was HK$5 million, compared to a loss of HK$42 million in 2021. In 2022, the business benefitted from the HKSAR Government's consumption voucher and employment subsidy schemes, but was affected adversely by the absence of inbound tourism and by COVID-19. The Macau business suffered from tight Chinese Mainland border controls in the second half of the year.

Revenue in 2022 was 5% lower than in 2021. The gross profit percentage increased slightly, because of less discounting.

156 retail outlets were operated in Hong Kong and Macau at the end of 2022, eight fewer than the end of 2021. Six retail outlets were operated in the Chinese Mainland at the end of 2022, the same number as at the end of 2021.

Taikoo Motors

The attributable profit of Taikoo Motors increased to HK$168 million in 2022 from HK$160 million in 2021.

18,065 vehicles were sold in 2022, 4% more than in 2021. Gross margins and operating costs increased as a percentage of revenue in 2022.

Swire Foods

Swire Foods reported an attributable loss of HK$505 million in 2022, compared with an attributable loss of HK$69 million in 2021.

Qinyuan Bakery recorded an attributable loss of HK$520 million in 2022 compared with an attributable loss of HK$85 million in 2021. Excluding non-recurring losses in both years, Qinyuan Bakery incurred an attributable loss of HK$53 million in 2022, compared with an attributable loss of HK$67 million in 2021.

The revenue of Qinyuan Bakery decreased by 13% in 2022. The gross profit margin increased by 0.7 percentage points. Qinyuan Bakery operated 436 stores at the end of 2022, compared with 538 stores at the end of 2021.

Taikoo Sugar recorded an attributable profit of HK$15 million in 2022, compared to a profit of HK$16 million in 2021. The 2022 volume of sugar sold (excluding bulk sales) decreased by 1% and 4% in Hong Kong and the Chinese Mainland respectively. Margins decreased because of lower sales volume.

Swire Environmental Services

Swire Environmental Services made an attributable profit of HK$48 million in 2022, compared with an attributable profit of HK$59 million in 2021. The decrease was due to the absence in 2022 of a non-recurring gain from the acquisition of the remaining 50% interest in a joint venture.

OUTLOOK

A recovery in the Hong Kong retail market is expected following the opening of the border between Hong Kong and the Chinese Mainland.

At Taikoo Motors, vehicle sales and aftersales business are expected to be stable.

Qinyuan Bakery will continue to rationalise its retail network and product range, and to make its supply chain more agile and efficient, all with a view to improving longer term performance.

David Cogman

DISCONTINUED OPERATIONS

The Marine Services Division comprised the Swire Pacific Offshore (SPO) group. Prior to its disposal in April 2022, SPO owned and operated a fleet of specialist offshore support vessels servicing the energy industry in major offshore production and exploration regions.

The Company has a 15.11% equity interest in Cadeler A/S (Cadeler), which provides windfarm installation and transportation and decommissioning services and is listed on the Oslo Stock Exchange.

In April 2022, the Group completed the sale of a 100% interest in SPO (excluding its interest in Cadeler) to Tidewater Inc. (Tidewater). The consideration for the transaction was settled partly in cash and partly in the form of warrants issued by Tidewater which entitled the holder to purchase 8.1 million shares of common stock of Tidewater at a nominal price. All the warrants were disposed of in 2022.

With the disposal of SPO, and the sale of its interest in HUD in 2021, the Group no longer operates any marine services businesses.

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

Audited Financial Information

	Note	2022 HK$M	2021 HK$M (Restated)
Underlying profit			
Profit attributable to the Company's shareholders		4,195	3,357
Adjustments in respect of investment properties:			
Valuation (gains)/losses in respect of investment properties	(a)	(1,735)	692
Deferred tax on investment properties	(b)	1,402	1,027
Valuation gains realised on sale of interests in investment properties	(c)	915	585
Depreciation of investment properties occupied by the Group	(d)	28	29
Impairment loss on a hotel held as part of a mixed-use development	(e)	–	22
Amortisation of right-of-use assets reported under investment properties	(f)	(80)	(53)
Non-controlling interests' share of adjustments		23	(366)
Underlying profit attributable to the Company's shareholders		4,748	5,293

Notes:
(a) This represents the net valuation movements as shown in the Group's consolidated statement of profit or loss and the Group's share of net valuation movements of joint venture companies.
(b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on valuation movements on investment properties in the Chinese Mainland and the USA, and deferred tax provisions made in respect of investment properties held for the long term where it is considered that the liability will not reverse for some considerable time. It also includes certain tax adjustments arising from transfers of investment properties within the Group.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the valuation gains/(losses) were transferred from the revaluation reserve to the consolidated statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, wholly-owned and joint venture hotel properties held for the long term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or decrease in their values would be recorded in the revaluation reserve rather than in the consolidated statement of profit or loss.
(f) HKFRS 16 amends the definition of investment property under HKAS 40 to include properties held by lessees as right-of-use assets to earn rentals or for capital appreciation or both, and requires the Group to account for such right-of-use assets at their fair value. The amortisation of such right-of-use assets is charged to underlying profit.

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

	2022 HK$M	2021 HK$M (Restated)
Underlying profit attributable to the Company's shareholders	4,748	5,293
Significant non-recurring items:		
Gain on disposals of interests in investment properties and properties for sale	(1,255)	(1,959)
Gain on disposals of property, plant and equipment, intangible assets and other investments	(64)	(740)
Impairment of property, plant and equipment, right-of-use assets, intangible assets and investments	706	522
(Gain)/loss on remeasurement and loss on disposal of assets classified as held for sale	(335)	1,611
Restructuring costs	–	151
Recurring underlying profit*	3,800	4,878

* A more detailed definition is provided in the Glossary on page 234.

Recurring underlying profit by division is provided below.

	2022 HK$M	2021 HK$M (Restated)
Property	5,844	5,817
Beverages	2,392	2,549
Aviation		
Cathay Pacific group*	(3,228)	(2,250)
HAECO group and others*	221	398
Trading & Industrial	160	88
Marine Services	17	(176)
Head Office, Healthcare and others	(1,606)	(1,548)
Recurring underlying profit	3,800	4,878

* Including consolidation adjustments.

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

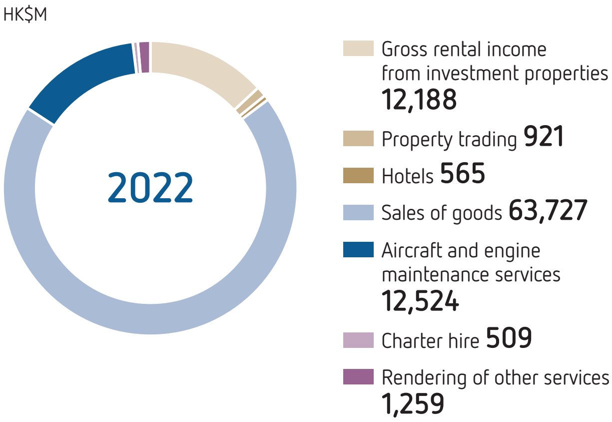
Consolidated Statement of Profit or Loss^

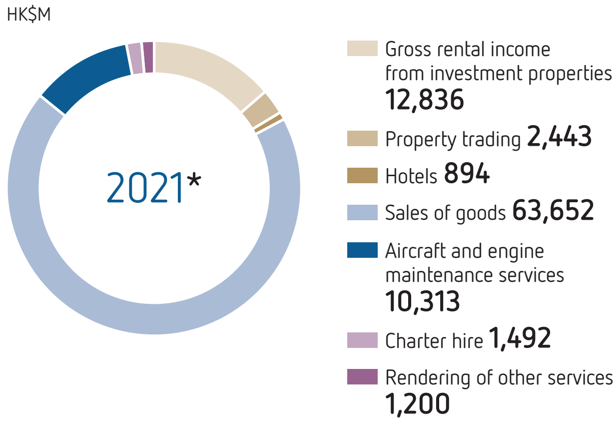
	Notes to the Financial Statements	2022 HK$M	2021 HK$M (Restated)	Increase/(Decrease) HK$M	Increase/(Decrease) %
Revenue	4	91,693	92,830	(1,137)	-1%
Cost of sales	6	(57,356)	(57,457)	101	0%
Expenses	6	(23,912)	(24,102)	190	1%
Other net gain*	5	1,006	1,177	(171)	-15%
Change in fair value of investment properties		810	(1,931)	2,741	142%
Operating profit		12,241	10,517	1,724	16%
Net finance charges	9	(1,468)	(1,748)	280	16%
Share of profits of joint venture companies	20(a)	1,857	2,271	(414)	-18%
Share of losses of associated companies	20(b)	(3,301)	(2,834)	(467)	-16%
Taxation	10	(3,060)	(3,086)	26	1%
Profit for the year		6,269	5,120	1,149	22%
Profit attributable to the Company's shareholders	35	4,195	3,357	838	25%
Underlying profit attributable to the Company's shareholders	11	4,748	5,293	(545)	-10%

^ Figures include continuing operations and discontinued operations.
* Figures include the remeasurement gain on the disposal of SPO of HK$556 million (2021: loss of HK$1,611 million).

Revenue

Revenue by Category





* Restated

The decrease in revenue of HK$1,137 million in 2022 principally reflected lower revenue from the Property Division (HK$2,492 million), the marine services business (HK$1,082 million) and the trading & industrial businesses (HK$227 million), partly offset by higher revenue from HAECO group (HK$2,364 million) and Swire Coca-Cola (HK$298 million).

In the Property Division, gross rental income from property investment decreased by HK$648 million in 2022. In Hong Kong, gross rental income from office properties decreased by 3%, mainly due to weak demand. Rental income from retail properties in Hong Kong increased slightly due to the recovery in footfall and tenants' sales from the second quarter of 2022. In the Chinese Mainland, rental income from retail properties decreased, reflecting the impact of COVID-19 related measures. Revenue from property trading decreased by HK$1,522 million compared to 2021, because of a reduction in the number of units sold. Property trading revenue in 2022 represented the proceeds of sales of 27 units at EIGHT STAR STREET. Revenue from hotels decreased by HK$329 million in 2022 as the hotels in Hong Kong and the Chinese Mainland were adversely affected by COVID-19 related travel restrictions.

In Swire Coca-Cola, sales revenue varied by region compared with 2021. Overall, revenue increased by 1%. Revenue growth in the USA reflected price increases and improvement in the product mix. In the Chinese Mainland, revenue was adversely affected by COVID-19 related measures. The decline in revenue in Hong Kong was mainly due to a decrease in sales volume. In Taiwan, revenue increased, reflecting effective revenue growth management and the introduction of new products.

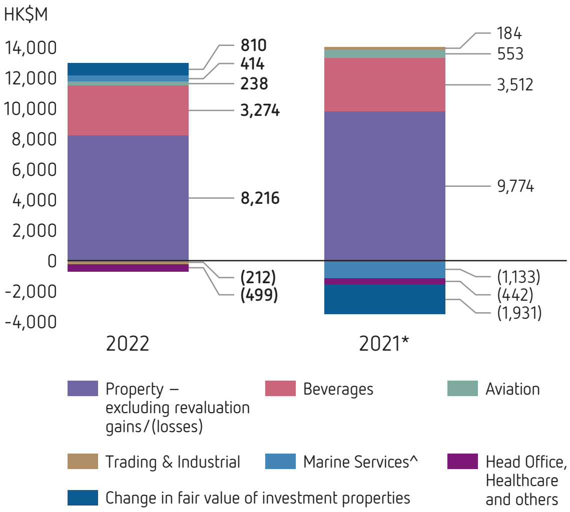
In the Aviation Division, the revenue of the HAECO group grew by 21%. This principally reflected more performance restoration workscopes for engines, partly offset by less line and base maintenance services.

In the trading & industrial businesses, revenue decreased by HK$227 million, mainly due to decreases in sales at Swire Resources and Qinyuan Bakery.

The Group ceased to operate in the marine services business after the disposal of SPO. Revenue was recorded up to April 2022.

Operating Profit

Operating Profit/(Loss)



* Restated

^ There was a remeasurement gain on the disposal of SPO of HK$556 million in 2022 (2021: loss of HK$1,611 million).

There was an increase in the fair value of investment properties of HK$810 million in 2022, compared with a decrease of HK$1,931 million in 2021. The gain in 2022 principally reflected an increase in the valuation of the existing retail properties in the Chinese Mainland (principally reflecting a reduction in capitalisation rates), partly offset by a decrease in the valuation of the office investment properties in Hong Kong. Disregarding changes in the fair value of investment properties, operating profit decreased by HK$1,017 million in 2022. The decrease reflected a deterioration in operating results at all divisions, partly offset by a net gain on the disposal of SPO.

The Property Division's operating profit (disregarding changes in the fair value of investment properties) decreased by HK$1,558 million. Profit from property investment decreased by HK$1,190 million. This reflected a reduction in the profit on the sale of interests in investment properties of HK$614 million and lower profits from the office properties in Hong Kong and from the retail properties in the Chinese Mainland. Property trading recorded an operating profit of HK$209 million, a decrease of HK$283 million as compared with 2021, with fewer units sold. The operating loss from hotels increased by HK$85 million in 2022, as the hotels in Hong Kong and the Chinese Mainland were adversely affected by COVID-19 associated travel restrictions.

At Swire Coca-Cola, the 2022 operating profit was HK$238 million below that of 2021, primarily reflecting a weak performance in the Chinese Mainland, but partly offset by a strong performance in the USA. Raw material and operating costs were higher with the adverse effect of this being partially offset by the a marginal increase in revenue.

In the Aviation Division, the HAECO group's 2022 operating profit decreased by HK$175 million, mainly due to the absence of the financial assistance provided by the US government in 2021.

From April 2022, the Group ceased to operate its marine services business. The operating profit in 2022 included a net gain of HK$335 million on the disposal of SPO. The operating loss in 2021 included a remeasurement loss in respect of SPO of HK$1,611 million.

The operating loss of the trading & industrial businesses increased by HK$396 million in 2022, primarily due to the inclusion of impairments of goodwill and other long-term assets at Qinyuan Bakery aggregating HK$467 million in 2022. Disregarding non-recurring items in both years, the operating profit of the trading & industrial businesses increased by HK$77 million. Swire Resources benefitted from the HKSAR Government's consumption voucher and employment subsidy schemes.

Net Finance Charges

The decrease in net finance charges reflected mainly higher capitalisation of interest charges.

Share of Profits of Joint Venture Companies

In the Property Division, profits from joint venture companies decreased by HK$425 million. This principally reflected a reduction in net revaluation gains of HK$304 million and losses from property trading.

At Swire Coca-Cola, the profit from a joint venture company in Shanghai was lower than that in 2021.

In the Aviation Division, profits from joint venture companies in the HAECO group increased by HK$82 million, principally reflecting more engine repair and overhaul services at HAESL.

Share of Losses of Associated Companies

The Cathay Pacific group incurred a loss of HK$2,947 million in 2022 compared to a loss of HK$2,487 million in 2021. The increased loss reflected a deterioration in the results of Cathay Pacific's own associated companies. Disregarding such results, the results of the Cathay Pacific group improved.

In the Property Division, the share of profit from associated companies increased principally because of the share of profit from sales at The River project in Vietnam.

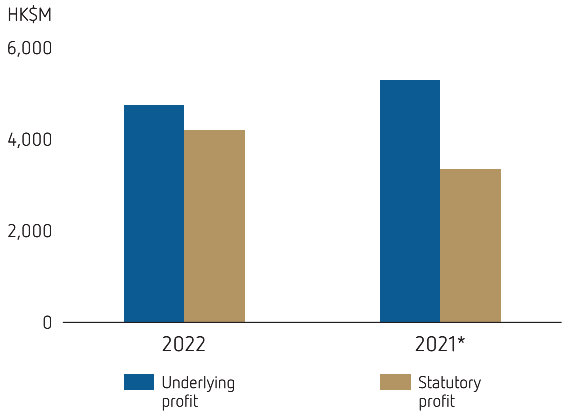
At Swire Coca-Cola, the profit from associated companies decreased marginally. This mainly reflected higher operating expenses at Coca-Cola Bottlers Manufacturing Holdings Limited in the Chinese Mainland.

In the healthcare business, the share of losses of associated companies increased by HK$85 million, mainly due to the adverse effects of COVID-19 and the fact that the results of SHH Core Holding Limited and DeltaHealth China Limited were included for a full year.

Taxation

The decrease in taxation reflected a lower pre-tax profit after excluding non-assessable income.

Statutory Profit and Underlying Profit Attributable to the Company's Shareholders



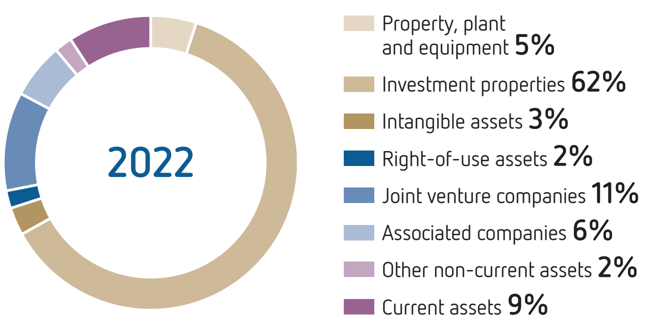
* Restated

Disregarding investment property valuation adjustments, the underlying profit decreased by HK$545 million. The decrease in underlying profit principally reflected a reduction in profit from the sale of interests in investment properties at the Property Division, increased losses at the Aviation Division and impairments in the trading & industrial and healthcare businesses, partly offset by a net gain on the disposal of SPO (as compared to a remeasurement loss in 2021).

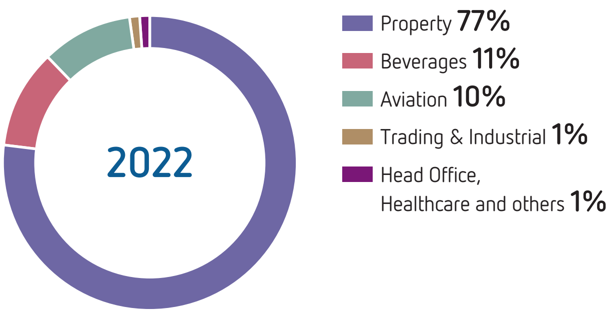
Consolidated Statement of Financial Position

	Notes to the Financial Statements	2022 HK$M	2021 HK$M (Restated)	Increase/(Decrease) HK$M	Increase/(Decrease) %
Property, plant and equipment	14	22,196	22,538	(342)	-2%
Investment properties	15	270,768	267,354	3,414	1%
Intangible assets	16	13,930	13,395	535	4%
Right-of-use assets	17	8,117	8,579	(462)	-5%
Joint venture companies	20(a)	45,806	43,555	2,251	5%
Associated companies	20(b)	23,817	28,405	(4,588)	-16%
Properties for sale	24	8,264	6,411	1,853	29%
Stocks and work in progress	25	7,608	5,685	1,923	34%
Contract assets		841	897	(56)	-6%
Trade and other receivables	26	16,308	9,351	6,957	74%
Bank balances and short-term deposits	27	11,614	22,894	(11,280)	-49%
Assets classified as held for sale	28	2,038	3,577	(1,539)	-43%
Other assets		3,459	3,026	433	14%
Total Assets		434,766	435,667	(901)	0%
Trade and other payables	29	30,216	28,813	1,403	5%
Loans and bonds	30	68,373	61,549	6,824	11%
Lease liabilities	31	4,916	5,340	(424)	-8%
Deferred tax liabilities	32	13,090	12,471	619	5%
Liabilities associated with assets classified as held for sale	28	–	894	(894)	-100%
Other liabilities		2,235	2,980	(745)	-25%
Total Liabilities		118,830	112,047	6,783	6%
Net Assets		315,936	323,620	(7,684)	-2%
Equity attributable to the Company's shareholders	34, 35	258,456	266,515	(8,059)	-3%
Non-controlling interests	36	57,480	57,105	375	1%
Total Equity		315,936	323,620	(7,684)	-2%

Total Assets by Category



Total Assets by Division



Property, Plant and Equipment

The decrease in property, plant and equipment principally reflected foreign exchange translation losses, depreciation and disposals. These more than offset capital expenditure and the value of the assets acquired when the Coca-Cola bottling business in Cambodia was acquired.

Investment Properties

The increase in investment properties was principally due to additions during the year of HK$7,319 million and net valuation gains of HK$810 million, partly offset by foreign exchange translation losses of HK$3,447 million principally in respect of investment properties in the Chinese Mainland, the disposal of a property in Tsing Yi, Hong Kong for HK$556 million and the transfer of unsold Taikoo Shing car parking spaces of HK$474 million to assets classified as held for sale. The additions included capital expenditure on the Taikoo Place redevelopment, on the Taikoo Li Xi'an development and on other projects in Hong Kong and the Chinese Mainland.

Intangible Assets

The increase in intangible assets in 2022 principally reflected the acquisition of franchise rights and goodwill relating to the Coca-Cola bottling business in Cambodia (HK$1,054 million and HK$286 million) and computer software purchases. These increases were partly offset by the impairments at Qinyuan Bakery of HK$369 million and foreign exchange translation losses.

Right-of-Use Assets

The decrease in right-of-use assets was mainly due to depreciation of existing assets, partially offset by leases acquired by Swire Coca-Cola.

Joint Venture Companies and Loans Due from Joint Venture Companies

The increase principally reflected increases in equity to joint venture companies, the acquisition of additional interests in joint venture companies and an increase in profit retained in the Property Division (including valuation gains), partly offset by dividends paid and the share of foreign exchange translation losses.

Associated Companies and Loans Due from Associated Companies

The decrease principally reflected a reduction in the share of net assets of the Cathay Pacific group, SHH Core Holding Limited, DeltaHealth China Limited and Columbia China Healthcare Co., Limited. The reduction in net assets at the Cathay Pacific group principally reflected a reduction in retained profit and losses in other comprehensive income.

Properties for Sale

The increase in properties for sale principally reflected the acquisition cost of 269 Queen's Road East in Wan Chai and development expenditure at Chai Wan Inland Lot No. 178, partly offset by sales of units at EIGHT STAR STREET and a property at Fort Lauderdale in the USA.

Stocks and Work in Progress

The increase in stocks and work in progress was principally due to the acquisition of stocks when the Coca-Cola bottling business in Cambodia was acquired.

Trade and Other Receivables

The increase in trade and other receivables was mainly due to a prepayment in respect of shares in a subsidiary company of HK$6,430 million being acquired from The Coca-Cola Company and an increase in trade debtors at Swire Coca-Cola.

Bank Balances and Short-Term Deposits/Loans and Bonds

The increase in net borrowings of HK$18,104 million reflected more loans drawn and bonds issued to invest in new property projects and in Swire Coca-Cola's acquisition of assets in South East Asia and to buy back shares.

Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale

Assets classified as held for sale represent 100% interests in 1,078 car parking spaces in stages I to IX of the Taikoo Shing residential development in Hong Kong. The 2021 balance included assets and liabilities associated with the disposal of SPO.

Trade and Other Payables

The increase in trade and other payables principally reflected an increase in trade creditors and other accruals at Swire Coca-Cola and a payment obligation related to the acquisitions of joint venture companies in the Property Division, partly offset by a decrease in interest-bearing advances from joint venture companies in the Property Division and a decrease in accrued capital expenditure in all divisions.

Lease Liabilities

This item represents the recognition of liabilities relating to leased assets.

Deferred Tax Liabilities

The increase in deferred tax liabilities principally reflects deferred tax in respect of valuation gains on investment properties in the Chinese Mainland and the USA, partly offset by foreign exchange translation losses in the Chinese Mainland.

Equity Attributable to the Company's Shareholders

The movement in equity attributable to the Company's shareholders in 2022 consists of the total comprehensive loss for the year attributable to the Company's shareholders (HK$1,298 million) less dividends paid to shareholders (HK$4,118 million) and repurchase of the Company's shares (HK$2,643 million).

Non-Controlling Interests

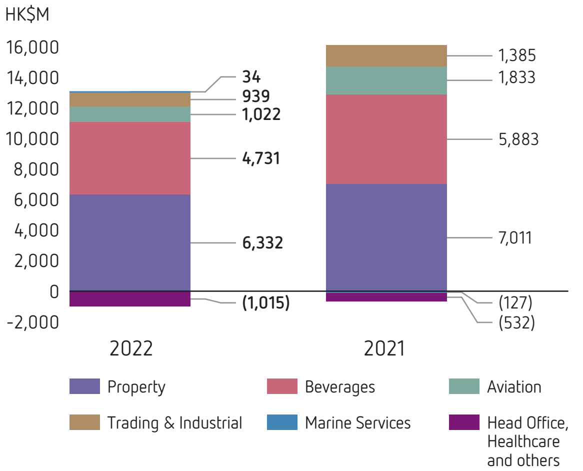
Non-controlling interests principally consist of the 18% non-controlling interest in Swire Properties.

Consolidated Statement of Cash Flows

	Notes to the Financial Statements	2022 HK$M	2021 HK$M	Increase/ (Decrease) HK$M
Cash generated from operations	43(a)	12,043	15,453	(3,410)
Net interest paid		(1,869)	(1,870)	1
Tax paid		(2,628)	(2,559)	(69)
Dividends received		610	641	(31)
Investing activities				
Purchase of property, plant and equipment and right-of-use assets	43(b)	(3,114)	(3,812)	698
Additions of investment properties		(7,096)	(3,860)	(3,236)
Purchase of intangible assets		(314)	(405)	91
Proceeds from disposals of property, plant and equipment and right-of-use assets		695	2,514	(1,819)
Proceeds from disposals of investment properties		609	2,869	(2,260)
Proceeds from disposals of subsidiary companies, net of cash disposed of	43(d)	1,174	333	841
Proceeds from disposals of joint venture companies		–	357	(357)
Proceeds from partial disposal of an associated company		263	350	(87)
Purchase of shares in subsidiary companies	42	(1,783)	43	(1,826)
Purchase of shares in and equity to joint venture companies		(2,847)	(3,995)	1,148
Purchase of shares in associated companies		(97)	(1,104)	1,007
Prepayment of shares in respect of a subsidiary company	26	(6,430)	–	(6,430)
Purchase of investments at fair value		(186)	(505)	319
Net repayment from joint venture companies		640	571	69
Net loans to associated companies		(177)	(125)	(52)
Others		1,121	425	696
Net cash (used in)/generated from businesses and investments		(9,386)	5,321	(14,707)
Dividends paid	35, 36	(5,696)	(4,425)	(1,271)
Capital contribution from a non-controlling interest		1,003	–	1,003
Repurchase of the Company's shares		(2,639)	–	(2,639)
Loans drawn and refinancing	43(c)	25,676	4,879	20,797
Repayment of loans and bonds	43(c)	(18,866)	(11,825)	(7,041)
Principal elements of lease payments	43(c)	(880)	(971)	91
Cash paid to shareholders and net funding by external debt/lease liabilities		(1,402)	(12,342)	10,940
Decrease in cash and cash equivalents		(10,788)	(7,021)	(3,767)

Cash Generated from Operations

Cash Generated from Operations by Division



Tax Paid

The increase in tax paid in 2022 principally reflected higher tax paid by Swire Coca-Cola, HAECO and the Head Office, partly offset by lower tax paid by the Property Division.

Dividends Received

Dividends received in 2022 principally comprised dividends from HAESL and from the Property Division's joint venture investment property companies in Hong Kong and in the Chinese Mainland.

Purchase of Property, Plant and Equipment and Right-of-Use Assets

Purchase of property, plant and equipment and right-of-use assets in 2022 principally comprised the purchase of new production, marketing and distribution equipment by Swire Coca-Cola.

Additions of Investment Properties

The additions of investment properties in 2022 principally reflected capital expenditure on the Taikoo Place redevelopment, Taikoo Li Xi'an and on other projects in Hong Kong and the Chinese Mainland.

Purchase of Intangible Assets

The increase in intangible assets in 2022 was mainly due to the purchase of technical licences by HAECO and computer software by Swire Coca-Cola.

Proceeds from Disposals of Property, Plant and Equipment and Right-of-Use Assets

The proceeds from disposals of property, plant and equipment and right-of-use assets principally reflected compensation received for the Xiamen airport relocation.

Proceeds from Disposals of Investment Properties

The proceeds from disposals of investment properties principally reflected the disposal of Taikoo Shing car parking spaces.

Proceeds from Disposals of Subsidiary Companies

The proceeds from disposals of subsidiary companies comprised the proceeds received from the disposal of subsidiaries holding investment properties in Hong Kong and from the disposal of SPO.

Proceeds from Partial Disposal of an Associated Company

These proceeds related to the disposal of equity interests in Cadeler.

Purchase of Shares in Subsidiary Companies

In 2022, Swire Coca-Cola acquired the Coca-Cola bottling business in Cambodia.

Purchase of Shares in and Equity to Joint Venture Companies

Purchase of shares in joint venture companies primarily reflected equity investments in joint venture companies by the Property Division.

Purchase of Shares in Associated Companies

Purchases of shares in associated companies principally comprised an investment in the capital of Columbia China Healthcare Co., Limited.

Prepayment of Shares in respect of a Subsidiary Company

Prepayment of shares in respect of a subsidiary company comprised a prepayment in respect of the acquisition of the Coca-Cola bottling business in Vietnam.

Loans Drawn and Refinancing

In 2022, loans drawn and refinancing comprised new financing under the Group's medium term note programmes and new loans and drawdowns under financing facilities from banks.

Investment Appraisal and Performance Review

	Capital employed		Capital commitments*	
	2022 HK$M	2021 HK$M (Restated)	2022 HK$M	2021 HK$M
Property investment	293,568	288,059	27,402	20,276
Property trading	11,612	9,637	–	–
Hotels	5,841	6,061	552	408
Property – overall	311,021	303,757	27,954	20,684
Beverages	26,233	17,474	4,274	1,994
Aviation	35,904	40,590	5,596	6,278
Trading & Industrial	2,353	2,527	23	27
Marine Services	–	943	–	83
Head Office, Healthcare and others	2,100	2,324	–	–
Total capital employed	377,611	367,615	37,847	29,066
Less: net debt	(56,759)	(38,655)		
Less: lease liabilities	(4,916)	(5,340)		
Less: non-controlling interests	(57,480)	(57,105)		
Equity attributable to the Company's shareholders	258,456	266,515		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2022 HK$M	2021 HK$M (Restated)	2022	2021 (Restated)
Property investment	229,193	230,309	2.9%	2.4%
Property trading	3,273	3,912	3.9%	13.3%
Hotels	4,535	4,758	-6.0%	-5.2%
Property – overall	237,001	238,979	2.7%	2.5%
Beverages	23,287	17,956	11.6%	15.3%
Aviation	31,345	36,433	-9.1%	-6.4%
Trading & Industrial	2,057	2,411	-13.7%	3.8%
Marine Services	–	943	N/A	-48.0%
Head Office, Healthcare and others	(35,234)	(30,207)		
Total	258,456	266,515	1.6%	1.3%

* 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 2022, 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	Lease liabilities HK$M	Total 2022 HK$M	2021 HK$M
At 1st January	17,283	44,266	5,340	66,889	73,316
Loans drawn and refinancing	688	24,988	–	25,676	4,879
Repayment of loans and bonds	(17,452)	(1,414)	–	(18,866)	(11,825)
Principal elements of lease payments	–	–	(880)	(880)	(971)
New leases arranged during the year	–	–	682	682	1,161
Change in composition of the Group	–	–	30	30	1
Reclassification	9,718	(9,718)	–	–	–
Effect of exchange differences	2	(55)	(185)	(238)	281
Transfer to liabilities associated with assets classified as held for sale	–	–	–	–	(3)
Other non-cash movements	5	62	(71)	(4)	50
At 31st December	10,244	58,129	4,916	73,289	66,889

Sources of Finance

Audited Financial Information

At 31st December 2022, committed loan facilities and debt securities amounted to HK$90,101 million, of which HK$21,510 million (24%) were undrawn. In addition, there were lease liabilities amounting to HK$4,916 million. The Group had undrawn uncommitted facilities totalling HK$7,659 million. Sources of gross borrowings at 31st December 2022 comprised:

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M	Total undrawn HK$M
Committed facilities					
Loans and bonds					
Bonds	39,948	39,948	–	–	–
Bank loans, overdrafts and other loans	50,153	28,643	1,220	20,290	21,510
Total committed facilities	90,101	68,591	1,220	20,290	21,510
Uncommitted facilities					
Bank loans, overdrafts and other loans	7,760	101	7,659	–	7,659
Total	97,861	68,692	8,879	20,290	29,169

Note: The figures above are stated before unamortised loan fees of HK$319 million.

i) Loans and Bonds

Audited Financial Information

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

	2022			2021		
	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	25	–	25	26	–	26
Long-term loans and bonds at amortised cost – unsecured	68,667	(319)	68,348	61,750	(227)	61,523
Less: amount due within one year included under current liabilities	(10,225)	6	(10,219)	(17,269)	12	(17,257)
	58,442	(313)	58,129	44,481	(215)	44,266

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

	2022 HK$M	2021 HK$M
Bank loans (unsecured)		
Repayable within one year	2,499	7,078
Repayable between one and two years	1,770	1,791
Repayable between two and five years	24,244	2,612
Repayable after five years	–	944
Other borrowings (unsecured)		
Repayable within one year	7,720	10,179
Repayable between one and two years	4,135	7,768
Repayable between two and five years	13,822	15,066
Repayable after five years	14,158	16,085
	68,348	61,523
Amount due within one year included under current liabilities	(10,219)	(17,257)
	58,129	44,266

	2022 HK$M	2021 HK$M
The maturity of lease liabilities is as follows:		
Within one year	776	831
Between one and two years	615	651
Between two and five years	1,137	1,230
Over five years	2,388	2,628
	4,916	5,340
Amount due within one year included under current liabilities	(776)	(831)
	4,140	4,509

ii) Bank Balances and Short-Term Deposits

The Group had bank balances and short-term deposits of HK$11,614 million at 31st December 2022 compared to HK$22,894 million at 31st December 2021.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2032 (2021: 2031).

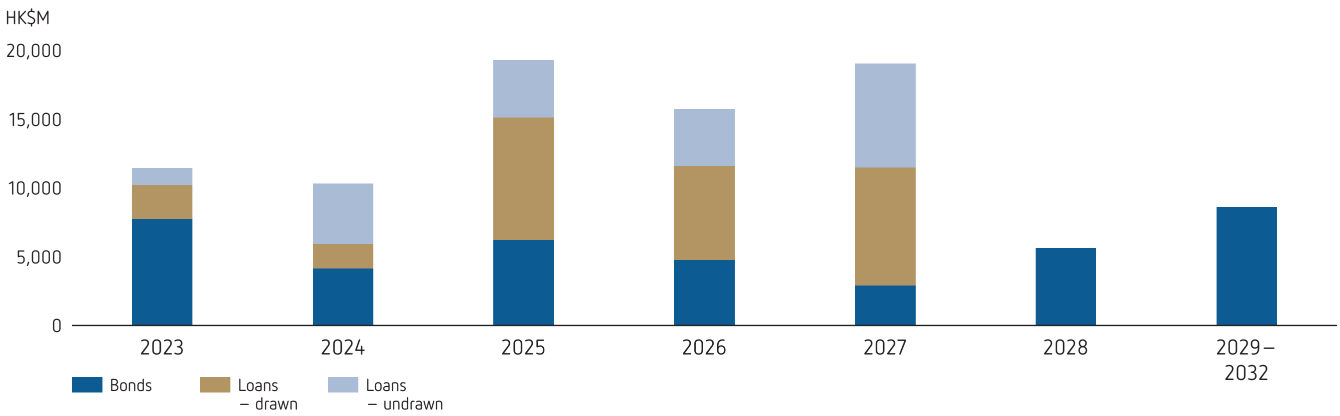
The weighted average term and cost of the Group's debt is:

	2022	2021
Weighted average term of debt	3.3 years	3.0 years
Weighted average cost of debt*	3.2%	3.2%

* On a gross debt basis.

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

Total Available Committed Facilities by Maturity
at 31st December 2022



Currency Profile

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

Audited Financial Information

	2022					2021				
	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M
Currency										
Hong Kong dollar	63,983	93%	2,778	56%	66,761	55,830	91%	2,955	55%	58,785
United States dollar	3,920	6%	376	8%	4,296	5,719	9%	350	7%	6,069
Renminbi	445	1%	1,020	21%	1,465	–	0%	1,163	22%	1,163
Others	25	0%	742	15%	767	–	0%	872	16%	872
Total	68,373	100%	4,916	100%	73,289	61,549	100%	5,340	100%	66,889

Finance Charges from Continuing Operations

Audited Financial Information

At 31st December 2022, 59% of the Group's gross borrowings were on a fixed rate basis and 41% were on a floating rate basis (2021: 84% and 16%).

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 2022	27,718	7,520	16,838	16,297	68,373
At 31st December 2021	9,949	11,738	22,834	17,028	61,549

Audited Financial Information

Interest charged and earned from continuing operations during the year was as follows:

	2022 HK$M	2021 HK$M
Interest charged		
Bank loans and overdrafts	393	118
Other loans and bonds	1,495	1,774
Fair value (gain)/loss on derivative instruments		
Cross-currency and interest rate swaps: cash flow hedges, transferred from other comprehensive income	(24)	13
Cross-currency and interest rate swaps not qualifying as hedges	(4)	(2)
Amortised loan fees – loans at amortised cost	91	103
	1,951	2,006
Lease liabilities	181	188
Fair value loss on put options over non-controlling interests in subsidiary companies	43	68
Fair value gain on put options over other shareholders' interests in a joint venture company	–	(1)
Other financing costs	134	138
Capitalised on		
Investment properties	(370)	(293)
Properties for sale	(186)	(49)
	1,753	2,057
Less: interest income		
Short-term deposits and bank balances	216	212
Other loans	72	103
	288	315
Net finance charges	1,465	1,742

The capitalised interest charges on loans and bonds borrowed for the development of investment properties and properties for sale were between 2.90% and 3.70% per annum (2021: 3.30% and 3.40% per annum).

The amount transferred from other comprehensive income in respect of cash flow hedges in 2022 included HK$30 million relating to currency basis (2021: HK$22 million).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$1,951 million (2021: HK$2,006 million).

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

	2022				2021			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Short-term loans	–	–	–	1.16	–	1.85	–	–
Long-term loans and bonds	2.00–6.05	2.88–5.60	3.50–4.00	0.54	0.60–4.00	0.79–4.50	3.90–4.00	0.48

Benchmark interest rates like London Interbank Offered Rate (LIBOR) are being replaced. The cash flows of the Company and its subsidiaries primarily affected are those associated with US dollar denominated variable interest rate facilities which reference LIBOR. These facilities had principal amounts equivalent in aggregate to HK$2,339 million at 31st December 2022. Most of the uncertainty arising from the Group's exposure to interbank offered rates will cease in 2023. Other variable interest rate facilities of the Company and its subsidiaries are not referenced to rates which are being replaced.

Covenants and Credit Triggers

Audited financial information

There are no specific covenants given by the Group in relation to 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 given 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	2022	2021 (Restated)
Gearing			
Consolidated borrowed money/consolidated net worth	≤200%	18.0%	11.9%
Consolidated borrowed money and lease liabilities/consolidated net worth	≤200%	19.5%	13.6%

	HK$M	HK$M	HK$M
Maintenance of minimum consolidated tangible net worth			
Consolidated tangible net worth	≥20,000	302,006	310,225

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) less short-term deposits and bank balances. Capital comprises total equity, as shown in the consolidated statement of financial position.

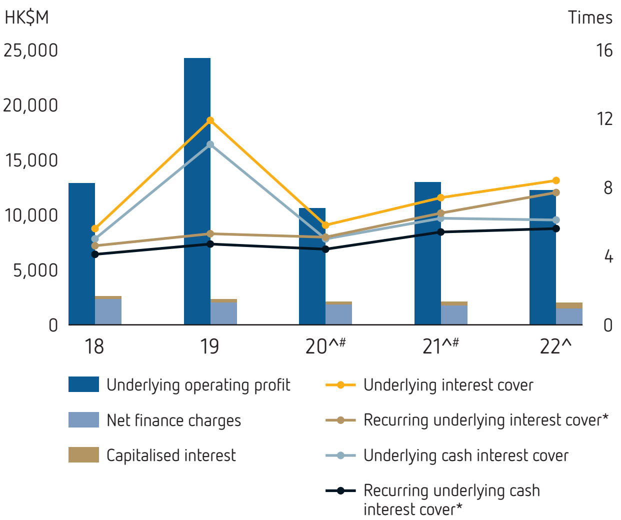
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2022 and 31st December 2021 were as follows:

	2022 HK$M	2021 HK$M (Restated)
Total borrowings	68,373	61,549
Less: Short-term deposits and bank balances	(11,614)	(22,894)
Net debt	56,759	38,655
Total equity	315,936	323,620
Gearing ratio	18.0%	11.9%
Gearing ratio-including lease liabilities#	19.5%	13.6%
Interest cover – times	8.3	6.0
Cash interest cover – times	6.0	5.0
Underlying cash interest cover – times	6.1	6.2
Return on average equity attributable to the Company's shareholders	1.6%	1.3%

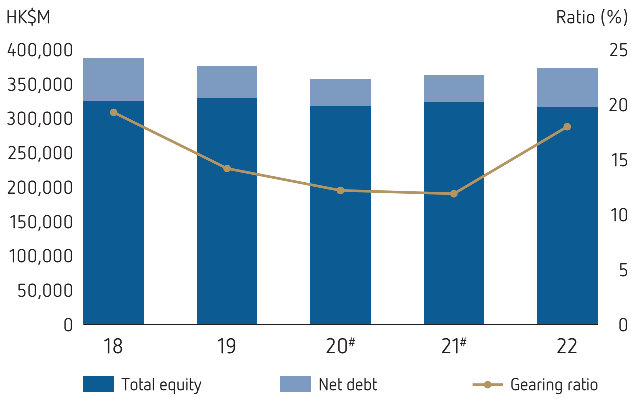
Lease liabilities amounted to HK$4,916 million at 31st December 2022 compared to HK$5,340 million at 31st December 2021 (refer to note 31 to the financial statements).

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

Underlying Interest cover



Gearing Ratio



* Calculated using recurring underlying operating profit.
^ Include continuing operations and discontinued operations.
# Restated

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 share of net debt in its joint venture and associated companies. These companies had the following net debt positions at the end of 2022 and 2021:

	Total net debt/(cash) of joint venture and associated companies		Portion of net debt/(cash) shared by the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M
Property	25,930	26,761	9,320	9,536	4,181	3,643
Beverages	(2,079)	(2,417)	(874)	(1,020)	68	75
Aviation						
Cathay Pacific group	26,889	35,838	20,875	24,902	–	–
HAECO group	1,318	(127)	696	43	–	–
Trading & Industrial	(34)	(33)	(13)	(13)	–	–
Head Office, Healthcare and others	1,714	1,366	356	285	–	–
	53,738	61,388	30,360	33,733	4,249	3,718

If the share of net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 27.6% at 31st December 2022 (2021 (restated): 22.4%).

The lease liabilities of these companies at the end of 2022 and 2021 were as follows:

	Total lease liabilities of joint venture and associated companies		Portion of lease liabilities shared by the Group	
	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M
Property	185	218	81	89
Beverages	267	257	118	111
Aviation				
Cathay Pacific group	31,940	34,732	14,373	15,630
HAECO group	20	28	10	14
Head Office, Healthcare and others	38	42	7	9
	32,450	35,277	14,589	15,853

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, commodities and liquidity.

The Finance Committee oversees the management of the Group's financial risks, including setting the Group's financial risk profile and related risk management policies and procedures, within an agreed framework authorised by the Board. These policies and procedures are implemented by the head office treasury department and divisional finance functions. The Finance Committee consists of the Finance Director, Divisional Finance Directors and other senior finance executives. The Finance Committee meets quarterly to review financial risks at Group and divisional levels. In 2022, the Finance Committee met four times.

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, credit and commodity 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 176 and 177.

The Group's listed subsidiary (Swire Properties Limited) and the Group's 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 and some loans due from joint venture and associated companies.

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 Directors of the Group and Swire Properties Limited approve all interest rate hedges prior to implementation.

Financial Risk Management (continued)

Audited Financial Information (continued)

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 134 for details of the sensitivity testing performed at 31st December 2022.

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 2022, the Group had hedged its significant foreign currency funding exposures, by fixing the foreign exchange rates with forward contracts and cross-currency swaps.

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. The Finance Directors of the Group and Swire Properties Limited approve all foreign currency hedges prior to implementation.

Refer to page 135 for a 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 2022.

Credit Exposure

The Group's credit risk is primarily attributable to trade and other receivables with wholesale customers, derivative financial instruments, receivables from joint venture companies and associated companies 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 Beverages Division and the HAECO group 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 to the extent possible, 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. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint venture companies and associated companies through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

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.

Financial Risk Management (continued)

Audited Financial Information (continued)

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 for the following nine months on a rolling basis and capital commitments for the following 12 months on a rolling basis.

The treasury departments of Swire Pacific and its listed subsidiary (Swire Properties Limited) produce 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 136 for details of the Group's contractual obligations at 31st December 2022.

Price Risk

The Group is exposed to price risk in relation to listed equity securities held as equity investments at fair value. Management regularly reviews the expected returns from holding such investments, on an individual basis.

CORPORATE GOVERNANCE REPORT

Corporate and Governance Culture

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with its corporate and governance culture and values of integrity, originality, excellence, humility, teamwork, continuity and high ethical standards, which form a coherent set of principles that are relevant across the Company's business and underpin everything it does. 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 value 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
– that high standards of ethics are maintained
– a commitment to sustainable development which supports long-term growth.

The Board provides guidance to management by defining the purpose, values and strategic direction of the Group, and plays an important role in establishing and instilling a culture that reinforces the values of acting lawfully, ethically and responsibly. The Company's Corporate Code of Conduct ensures that the corporate culture and expected behaviours are clearly communicated to everyone in the Group. Appropriate policies and procedures are in place to promote and reinforce the need for employees and others who deal with the Company to act with honesty and integrity and to raise concerns about actual or suspected cases of impropriety. Indicators used for assessing and monitoring social and corporate governance-related data (including staff turnover rates, whistleblowing data, and breaches of the Company's Corporate Code of Conduct) are set out in the 2022 Sustainable Development Report of the Company. The Group offers competitive remuneration and benefits designed to attract, motivate and retain talented people at all levels. Having regard to the corporate culture reflected in the policies and practices of the Group, the Board is satisfied that the purpose, values and strategic directions of the Group are aligned with its culture.

Corporate Governance Statement

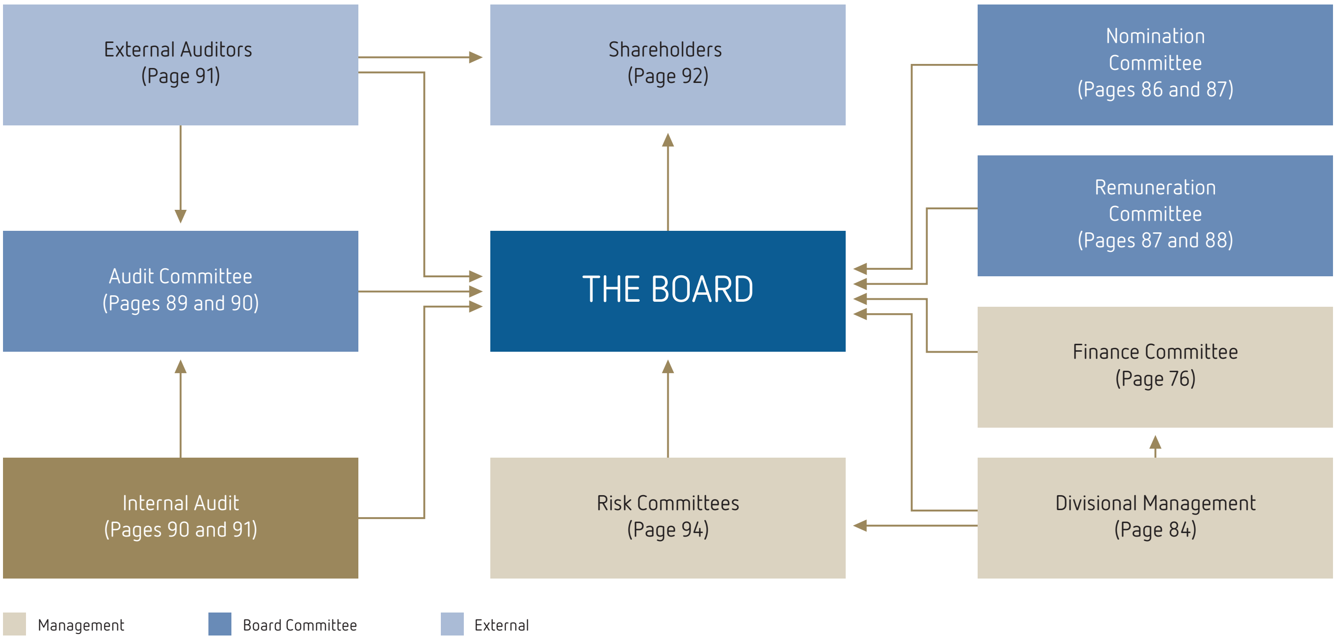
The Corporate Governance Code (the CG Code) as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

– code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons and explanations 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 the 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 Part 2 of 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.

Governance Structure



Note: The Risk and Finance Committees report to the Board through the Audit Committee.

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
- 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, financial reporting and environmental, social and governance (ESG) functions
- overseeing sustainable development matters.

To assist it in fulfilling its duties, the Board has three primary committees, the Audit Committee (see pages 89 and 90), the Nomination Committee (see pages 86 and 87) and the Remuneration Committee (see pages 87 and 88).

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.

G M C Bradley, 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 84).

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 skills, experience and diversity of perspectives appropriate to the Company's business so that it works effectively as a team, and that individuals or groups do not dominate any decision-making.

The Board comprises the Chairman, four other Executive Directors and nine 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.

G M C Bradley, D P Cogman, P Healy, M J Murray and Z P Zhang are directors and/or employees of the John Swire & Sons Limited (Swire) group. G D McCallum and M B Swire are shareholders, directors and employees of the Swire group. Before they ceased to be Directors of the Company, M Cubbon and S C Swire were shareholders, 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, Nomination and Remuneration Committees of the Board comprise only Non-Executive Directors.

The Board considers that seven of the nine Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. C Lee and R W M 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. C Lee and R W M 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. None of the Independent Non-Executive Directors holds cross-directorships or has significant links with other Directors through involvements in other companies or bodies.

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.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Non-Executive Directors to be independent.

The Company has in place effective mechanisms to ensure that independent views and input are available to the Board. The Nomination Committee, a majority of which is comprised of Independent Non-Executive Directors, assesses the suitability and independence of potential candidates to be appointed as Independent Non-Executive Directors and reviews the independence of each Independent Non-Executive Director annually. The Independent Non-Executive Directors meet with the Chairman at least once annually without the presence of other Directors and they can interact with management and other Directors including the Chairman through formal and informal means. Independent professional advice is also available to all Directors whenever necessary. A review of these mechanisms is conducted on an annual basis to ensure their effectiveness.

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

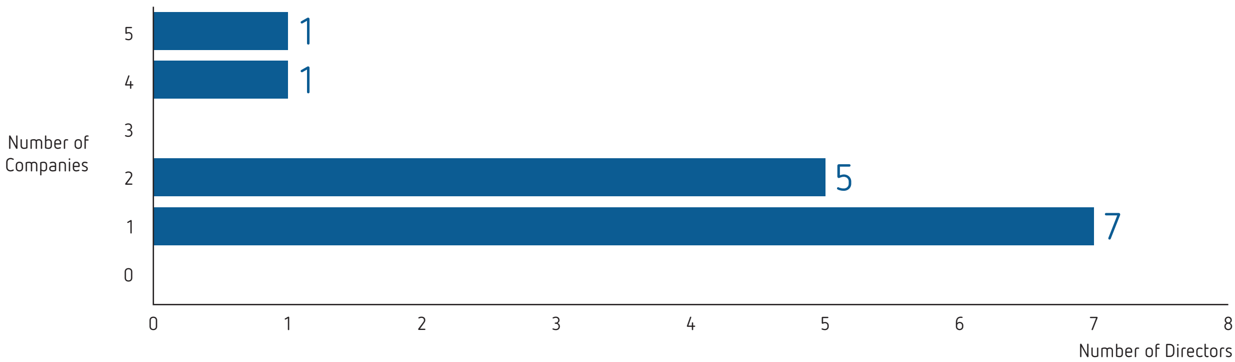
– the role of the Board and the matters reserved for its attention
– the role and terms of reference of Board Committees
– the Group's corporate governance practices and procedures
– the powers delegated to management and
– the latest financial information.

Directors update their skills, knowledge and understanding of the Company's businesses 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. No Director was a director of more than five other listed companies (excluding the Company) at 31st December 2022.

Other Listed Company Directorship(s)



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 2022 Board meetings were determined in 2021 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Appropriate arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met seven times in 2022, including two strategy sessions. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 83. Attendance at Board meetings was 100%. 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 the health and safety performance of the Group
- review by the Finance Director of financial results, the operating environment for the businesses and the outlook for their performance
- review of the development progress of new investments
- review and discussion of longer-term financial plans for the Group, including discussion of capital allocation and portfolio investment plans over a ten-year horizon
- presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for the Board's consideration
- any declarations of interest.

Directors meet at least once annually to discuss the Company's strategy, including investment and divestment plans and other strategic initiatives. The strategy sessions also serve as platforms for raising new initiatives and ideas.

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. Two such meetings were held in 2022.

The Chairman meets at least annually with the Independent Non-Executive Directors without the presence of other Directors.

	Meetings Attended/Held					Continuous Professional Development
Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	2022 Annual General Meeting	Type of Training (Notes)
Executive Directors						
G M C Bradley – Chairman	7/7				√	A, B
D P Cogman	7/7				√	A, B
P Healy	7/7				√	A, B
M J Murray	7/7				√	A, B
Z P Zhang	7/7				√	A, B
Non-Executive Directors						
M Cubbon (resigned on 12th May 2022)	3/3				N/A	A, B
G D McCallum (appointed on 12th May 2022)	4/4				N/A	A, B
M B Swire	7/7		2/2	1/1	√	A, B
S C Swire (resigned on 12th January 2023)	7/7			1/1	√	A, B
Independent Non-Executive Directors						
P K Etchells	7/7	4/4			√	A, B
T G Freshwater (resigned on 12th May 2022)	3/3				N/A	A, B
C Lee	7/7	4/4	2/2	2/2	√	A, B
R W M Lee	7/7			2/2	√	A, B
E M Ngan (appointed on 24th June 2022)	3/3				N/A	A, B
G R H Orr	7/7	4/4	2/2		√	A, B
Y Xu	7/7				√	A, B
B Y Zhang (appointed on 24th June 2022)	3/3				N/A	A, B
Average attendance	100%	100%	100%	100%	100%	

Notes:
A: Received training materials about matters relevant to their duties as Directors.
B: Attended training by external advisers about applicable laws and regulations and topics pertinent to the business of the Company, including at a meeting specifically on risk management.

Continuous Professional Development

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.

All Directors have been provided with "A Guide on Directors' Duties" issued by the Companies Registry, "Guidelines for Directors" issued by the Hong Kong Institute of Directors and "Guidance for Boards and Directors" issued by The Stock Exchange of Hong Kong Limited and other training materials on various topics, including regulatory updates issued by The Stock Exchange of Hong Kong Limited and external advisers and ESG matters. They were invited to attend seminars and conferences about financial, commercial, economic, risk management, legal, regulatory and other business matters.

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 reports dealing with health and safety (and other ESG matters), profit performance, capital allocation, credit metrics and portfolio strategy
– internal and external audit reports
– feedback from 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 (the Model Code) 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 is 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 Model Code and the Securities Code.

Directors' interests at 31st December 2022 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.

Appointment and Re-election

Potential new Directors are identified and considered by the Nomination Committee 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 Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills, knowledge and experience which, on assessment by the Directors, will enable them to make a positive contribution to the diversity and performance of the Board. The Company reviews the composition of the Board on a continuing basis by keeping track of the tenure of Directors and the need for new or replacement Directors to be appointed (as the case may be) and maintaining a pipeline of candidates comprising internal and external candidates as may be identified from time to time. Executive search agencies may be engaged as appropriate to identify external candidates with the desirable skillsets. The composition of the Board includes directors from multiple sources, i.e., independent non-executive directors, nomination from substantial shareholder and internal executives.

In assessing the suitability of a proposed candidate (including Directors eligible for re-appointment or re-election), the following non-exhaustive list of factors will be considered:

– the corporate strategy of the Company
– the structure, size, composition and needs of the Board
– the potential contributions a candidate can bring to the Board, including the desirable skillsets, experience and other attributes that are complementary to the Board
– the qualifications, integrity and expected time commitment of the candidate
– various aspects of diversity (including gender, age, cultural and educational background, and ethnicity) with reference to the Board Diversity Policy of the Company
– the independence of a candidate to be appointed as an Independent Non-Executive Director.

On 9th March 2023, the Nomination Committee, having reviewed the Board's composition and after taking into account the requirement that all Directors are subject to election or re-election (as the case may be) in accordance with the Company's Articles of Association, nominated P K Etchells, G D McCallum, E M Ngan, B Y Zhang and Z P Zhang for recommendation to shareholders for election or re-election (as the case may be) at the 2023 Annual General Meeting. The nominations were made in accordance with objective criteria (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service, number of directorships of listed companies and the legitimate interests of the Company's principal shareholders), with due regard for the benefits of diversity, as set out in the Board Diversity Policy. The Nomination Committee is satisfied with the independence of P K Etchells, E M Ngan and B Y Zhang having regard to the criteria set out in the Listing Rules. The Board, having considered the recommendation of the Nomination Committee and having taken into account the respective contributions of P K Etchells, G D McCallum, E M Ngan, B Y Zhang and Z P Zhang to the Board and their firm commitment to their roles, recommended all of them for election or re-election (as the case may be) at the 2023 Annual General Meeting. C Lee also retires this year but does not offer himself up for re-election. The particulars of the Directors standing for election or re-election are set out in the section of this annual report headed Directors and Officers and will also be set out in the circular to shareholders to be distributed with this annual report and posted on the Company's website.

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

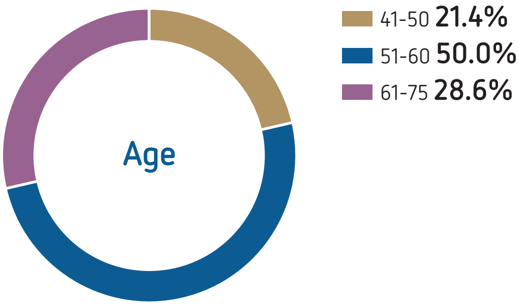
The Board has adopted a Board Diversity Policy, which is available on the Company's website. Responsibility for the implementation, monitoring and annual review of this policy has been delegated to the Nomination Committee.

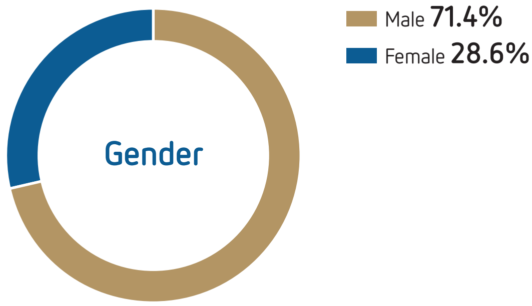
The Board's composition reflects a balance of skills, experience and diversity of perspectives among its members that are relevant to the Company's strategy, governance and business and contributes to the Board's effectiveness.

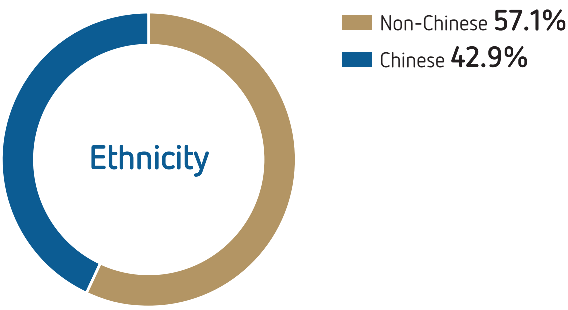
Skills, Expertise and Experience

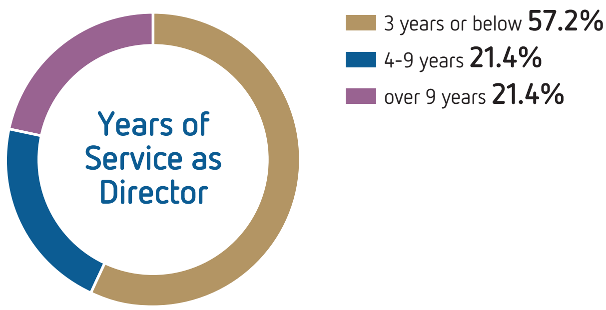
Related Industry Experience (Real Estate/Aviation & Logistics/Retail)	14
Executive Leadership and Strategy	14
Relevant Market Experience	14
Accounting/Finance and Risk Management	10
Digital	6
ESG	7
Portfolio Management/Capital Allocation	7

● Out of 14 Directors









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.

In 2022, two female Directors were appointed, bringing the female representation on the Board at 31st December 2022 to 26.7%. Following a Board change in January 2023, female representation on the Board is now 28.6%. The Company has a target that female Board members should account for 30% of total Board members by 2024.

The female representation in the workforce at 31st December 2022 was 31.0% (excluding Cathay Pacific group and Hong Kong Aero Engine Services Limited). Details of gender diversity in the workforce are disclosed in the section of this annual report headed Sustainable Development Review, and in the 2022 Sustainable Development Report of the Company.

The Company has adopted the following measures to develop a pipeline of potential successors to the Board:

- the Company keeps track of the tenure of Directors and the need for new or replacement directors to be appointed (as the case may be), and maintains a running list of candidates comprising internal and external candidates as may be identified from time to time
- Principles and key criteria for evaluating candidates for directorship are set out in the Nomination Committee's terms of reference and the Company's Board Diversity Policy
- The skills and experience of existing Directors helps set the criteria for internal and external candidate search
- Executive search agencies may be engaged as appropriate to identify external candidates with desirable skillsets.

Nomination Committee

The Nomination Committee consists of three Non-Executive Directors, G R H Orr, C Lee and M B Swire. Two of the Committee members are Independent Non-Executive Directors, one of whom, G R H Orr, is Chairman. Its terms of reference comply with the CG Code and are posted on the Company's website.

The Nomination Committee's duties include:

– to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy
– to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorship
– to assess the independence of the Independent Non-Executive Directors
– to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman
– to review the implementation and effectiveness of the Company's policy on board diversity on an annual basis.

The Nomination Committee met twice in 2022 and once in 2023 up to the date of this annual report. A summary of its work is as follows:

– it conducted (i) an annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board and considered that the Board's composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's strategy, governance and business and contributes to the Board's effectiveness; (ii) an annual assessment of the independence of each Independent Non-Executive Director and considered all of the Independent Non-Executive Directors to be independent; and (iii) an annual review of the implementation and effectiveness of the Company's Board Diversity Policy and considered it to be appropriate
– it endorsed for approval by the Board a target that female Board members should account for 30% of total Board members by 2024
– it made recommendations to the Board in respect of the proposed appointments of new Directors to the Board and the election and re-election of the Directors retiring at the 2023 Annual General Meeting.

The Nomination Committee assessed the Board's diversity by reviewing a comparison against industry and peer group companies, and the relevant experience and skillsets of the Directors. The Committee considered that:

– the ratios for the objective criteria (e.g. age, gender and ethnicity) amongst Board members were reasonable
– the Company was in a good position in terms of gender diversity compared with its peers
– female Board members should account for 30% of total Board members by 2024.

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. M B Swire succeeded S C Swire as a member of the Remuneration Committee with effect from 12th May 2022. All the other members served for the whole of 2022.

The Remuneration Committee reviews and approves the remuneration proposals with respect to the Executive Directors and senior management of the Company, with reference to the Company's Remuneration Policy and 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 with the appropriate skills, experience and 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-passages and education allowances and, after three years' service, a discretionary 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 business in which they are working, it is considered that, given the different profitability 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 2022. 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	2022 HK$	2023 HK$
Director's Fee	690,000	690,000
Fee for Audit Committee Chairman	268,000	268,000
Fee for Audit Committee Member	186,000	186,000
Fee for Nomination Committee Chairman	83,000	83,000
Fee for Nomination Committee Member	60,000	60,000
Fee for Remuneration Committee Chairman	83,000	83,000
Fee for Remuneration Committee Member	60,000	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
– 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 89 and 90.

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 corporate 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 instill this behaviour in all its employees by example from the Board down. The Company has a Corporate Code of Conduct, which is posted on its website.

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 instills 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 Corporate 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. The Company has a Whistleblowing Policy and system for employees and those who deal with the Group to raise concerns, in confidence and with anonymity, where desired, about actual or suspected cases of impropriety in any matter related to the Group. The policy is available on the Company's website.

The Company has an Anti-Bribery and Corruption Policy which sets out the Company's policy and systems that promote and support compliance with applicable anti-bribery and corruption laws and regulations, and enhances the provisions relating to bribery and corruption in the Company's Corporate Code of Conduct. The policy is available on the Company's website.

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.

The Board has adopted the three lines of defence model of risk governance. The first line manages risks. The second line oversees the management of risks. The third line assesses the effectiveness of risk controls. The model is designed to ensure that the Board has assurance as to the effectiveness of risk management in the Group's businesses and that conflicts of interest are minimised.

The first line of defence is the executive management of the operating companies, with input from specialist committees comprised of subject matter experts from within the Group. The Finance Committee sets policies for the management of financial risks (for example interest rate, foreign exchange, liquidity and credit risks), implements the policy (by, for example, hedging) and monitors the financial exposure of the Company and the operating companies.

The second line of defence consists of (i) the Group Risk Management Committee (GRMC) (supported by risk forums dealing with IT, data and technology risks; environmental and sustainability risks; human resources, health and safety risks and government, regulatory and legal risks) and (ii) risk officers and risk committees and other bodies responsible for risk in operating companies. The Company has a Risk Committee (in addition to the GRMC) which considers the risks relating to the Company itself.

The third line of defence is provided by internal audit functions.

The Finance Committee, the GRMC and the Internal Audit department report to the Board through the Audit Committee.

The senior officer responsible for the management of risk in the Company is the Finance Director. This officer chairs the GRMC, the Company's Risk Committee and the Finance Committee. For further information about these committees, see the Risk Management section of this report.

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 (IA) reports directly to the Audit Committee and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of IA is discussed further on pages 90 and 91.

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. All the members served for the whole of 2022.

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 four times in 2022. Regular attendees at the meetings are the Finance Director, the Head of Internal Audit, the external auditors and the General Manager Group Finance. 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, in each case without the presence of management. Each meeting receives written reports from the GRMC, the external auditors and IA. Other attendees during the year included the Head of Group Risk Management, the Chief Risk Officer, the Development Director and the Chief Information Security Officer.

The work of the Committee during 2022 included reviews of the following matters:

– the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2021 annual and 2022 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 Group's cybersecurity
– the approval of the 2023 annual internal audit programme and review of progress on the 2022 programme
– periodic reports from IA 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 91
– the Company's compliance with the CG Code
– the Company's code and policies.

In 2023, the Committee has reviewed, and recommended to the Board for approval, the 2022 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 (including ESG 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 (including ESG 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 IA and the GRMC
– work programmes proposed by IA 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 skills and knowledge.

Internal Audit Department

The Swire group has had an IA in place for 27 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 26 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 26 professionals include a team based in the Chinese Mainland which reports to IA in Hong Kong.

IA reports directly to the Audit Committee without the need to consult with management, and via the Audit Committee 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 internal audit 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. 35 assignments were conducted for Swire Pacific in 2022.

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 in accordance with 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, the Company has a protocol in place for approval of the provision of non-audit services by the auditors. 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 protocol is updated from time to time to ensure compliance.

The fees in respect of audit and non-audit services provided to the Group by the auditors for 2022 amounted to approximately HK$59 million and HK$26 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 Company has a Shareholders' Communication Policy which is available on the Company's website. The Shareholders' Communication Policy aims to ensure that shareholders and the investment community are provided with appropriate and timely access to material information about the Company. It sets out the Company's framework for promoting effective communication with its shareholders so as to enable them to exercise their rights as shareholders in an informed manner, and to allow the investment community to engage actively with the Company. The Audit Committee reviews the implementation and effectiveness of the Shareholders' Communication Policy annually. The most recent review was conducted in August 2022 and the effectiveness of the policy was confirmed.

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 2022 the Finance Director held meetings or calls with analysts and investors and conducted analyst briefings and overseas roadshows
- 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 Company's Shareholders' Communication Policy also sets out channels for shareholders to communicate their views on various matters.

The Annual General Meeting

The annual general meeting is an important forum to engage with shareholders. The most recent annual general meeting was held on 12th May 2022. The meeting was open to shareholders. The Directors who attended the meeting are shown in the table on page 83.

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 2021
- electing/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.

Dividend Policy

The Company has a policy on the payment of dividends, which is set out in the section of this annual report headed Directors' Report.

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 2023 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

Effective risk management is key to ensuring that the Group achieves its strategic objectives and protects its reputation, market position and financial strength. The Company itself and its operating companies follow the Group's Enterprise Risk Management (ERM) policy. The ERM policy requires identification, assessment, management, monitoring and reporting of current and emerging risks.

Group Risk Governance Structure

The Board has ultimate responsibility for risk management, overseeing its design and implementation. The Board is supported by the Audit Committee.

The Board has adopted the three lines of defence model of risk governance. The model is designed to minimise conflicts of interest and ensure independent oversight of risk management.

In the first line, the management of each operating company identifies, analyses and reports on the risks for which it is responsible. Risks are mitigated and, where practicable and economic, eliminated. Where risks cannot be eliminated, the related economic returns are required to reflect the risk.

The first line is supported by the Group Finance Committee. The Finance Committee determines the parameters within which financial risk is managed and oversees the management by the operating companies of financial risk within those parameters. Senior group and divisional financial managers are members of the Finance Committee.

The second line supports the first line and provides assurance to the Board that risk is being managed effectively. There are two Group second line risk management committees. They are the Group Risk Management Committee (GRMC) and the Swire Pacific Risk Management Committee (SPACRMC).

The GRMC oversees the management of non-financial risks at Group and operating company levels. It reports to the Audit Committee. The GRMC comprises the Finance Director, an Executive Director (also acting in the capacity of head of operating business), the Staff Director, the Group General Counsel, the Chief Risk Officer and four heads of operating businesses. The GRMC (i) regularly reviews the Group's risk profile, (ii) oversees the management of major risks at Group and operating company levels, (iii) identifies emerging risks and potential sources of future risk and (iv) analyses risk events which materialise, with a view to their resolution and to learning from them.

In relation to risks having a Group dimension, the GRMC is supported by risk forums dealing with human resources and health and safety risks, IT, data and technology risks, government, regulatory and legal risks and environment and sustainability risks. In relation to risks not having a Group dimension, the GRMC is supported by second line bodies in the operating companies.

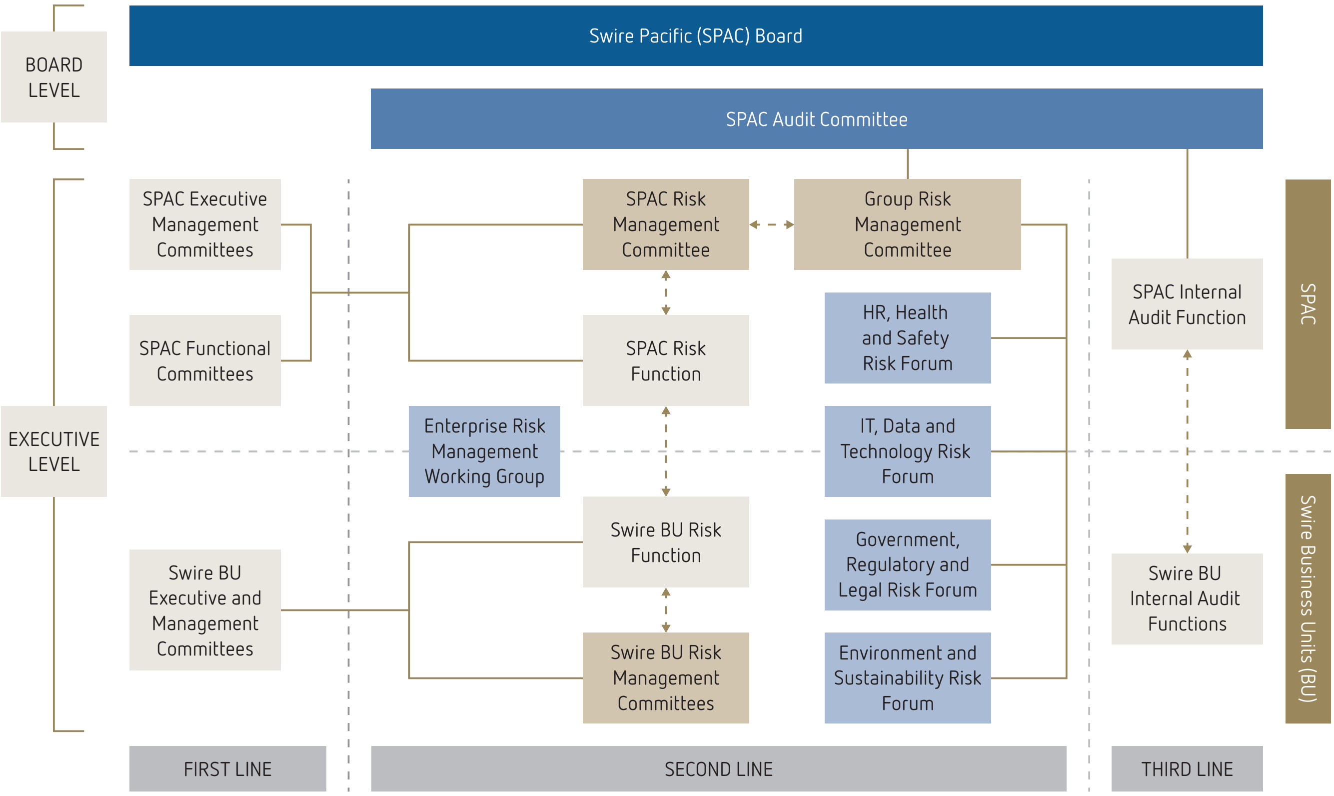
The SPACRMC oversees risks specific to the Company itself, identifies risks which have a Group dimension and proposes approaches to the management of such risks to the GRMC.

The Finance Committee, the GRMC and the SPACRMC are chaired by the Finance Director, who is supported by the Chief Risk Officer.

The boards and management of operating companies are responsible for the management of risk at those companies. Risk management governance varies between operating companies with some having dedicated board and executive risk committees and others managing risk through their audit or executive management committees.

The risk structure is shown below.

Risk Governance Structure



Group ERM Process

The operating companies have a common approach to ERM. It involves:

- **Identification:** Risks are identified by senior executives and categorised by reference to a common risk classification.
- **Assessment:** The identified risks are regularly assessed by senior executives based on their potential financial and non-financial impacts, and on the vulnerabilities associated with them. The assessment has regard to effectiveness of internal controls, readiness to respond, and the extent to which the risks can be mitigated.
- **Mitigation:** Designated risk owners are responsible for mitigating the risks and implementing agreed action plans.

Risks considered to have a Group dimension will be discussed by the GRMC, and potentially by the Audit Committee and the Board. Operating companies mitigate and monitor these risks in their own businesses.

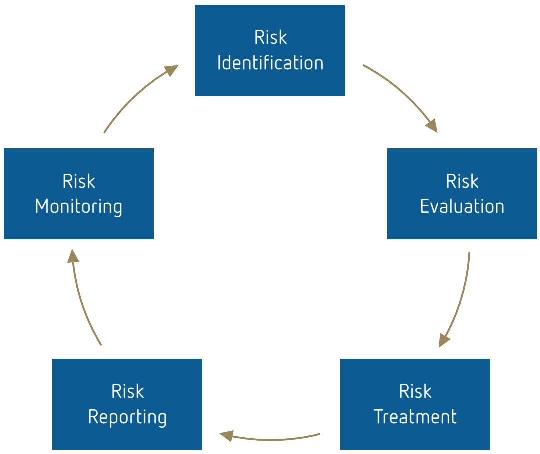
The risk forums oversee the risks within their remit that are considered material to the Group. They advise the GRMC on emerging risks which may affect the Group, analyse risk events that have materialised and develop best practices for managing risks.

The GRMC reviews Group and divisional risk registers and considers how effectively risks are being managed. It issues policies to the operating companies and promotes risk culture in the Group. The Board may itself identify risks. Risks so identified are passed to the GRMC and to the operating companies for incorporation into their risk registers.

The ERM process is top down and bottom up. The Board gives guidance on its risk priorities and the operating companies assess their own risks. All of this is reported to the GRMC and consolidated into a Group risk register, which is presented to the Audit Committee and the Board.

Risk management is an integral part of business management:

– Strategic planning is informed by the risk identification.
– Improving the risk profile is part of budgeting and planning.
– Action plans are included in performance management.
– Changes in risk profile are included in management reporting.
– A risk assessment is included in due diligence on major investments.



Key Risk Management Focus Areas

The Group is exposed to a broad range of risks. The following table deals with the current key areas of focus. Significant risks specific to the operating companies are included in their risk registers.

Key Focus Areas	Risk Trend	Mitigation
Evolution of Hong Kong	←→	– Regular review of strategy and investments by the Board. – Gradual rebalancing of business operations within the region with a particular focus on the Greater Bay Area. – Recruitment and training of more leaders with appropriate Chinese Mainland experience. – Enhancing corporate affairs capabilities and reinforcing relationships with government in order to contribute to public policy development.
Pandemic	↓	– Pandemic response and business continuity plans. – Monitoring of infectious disease development. – Conducting medical awareness and response workshops. – Sanitisation and hygiene measures. – Home quarantine and remote work arrangements.
Geopolitical risk	←→	– Monitoring of news media reports, trends and prevailing public and government opinions. – Having crisis management and business continuity plans in place. – Managing relationships with key third parties. – Regular reviews of capital allocation to major countries.

Key Focus Areas	Risk Trend	Mitigation
Crisis management	↑	– Having an escalation and reporting protocol in place. – Regularly updating and testing crisis management and business continuity plans. – Bringing in specialist resources as required.
Cybersecurity and data protection	↑	– Having the right policies (including relating to personal data), training programmes and penetration testing in place. – Adoption of NIST cybersecurity maturity standard. – Dedicated governance including a GRMC risk forum to oversee IT, data and technology risks and to recommend best practice. – Using external service providers for cybersecurity matters and system testing. – Having cyber incident response plans in place.
Portfolio discipline	← →	– Having in place 10-year capital budgets. Consideration by the Board and management of the resulting make-up of the portfolio and of risks and alternatives. – Having in place formal processes for investment approval, including an investment committee. – Conducting risk and know your customer assessments of entities considered for investment and proposed joint venture partners. – Evaluating acquisitions after they have been made. Employing more people who specialise in executing transactions.
People and culture	← →	– Having in place policies and processes relating to recruitment, performance appraisal, learning and development, succession planning, staff wellbeing, diversity and inclusion, and compensation and benefits. – Developing digital capabilities by hiring appropriate staff and training existing staff. – Hiring external senior management where appropriate and putting local employees with high potential on a fast track for promotion.
Climate change	← →	– Dedicated governance including a GRMC risk forum to oversee environmental and other sustainability risks and to recommend best practice. – Adopting a cloud-based climate risk tool to assess climate risk to physical assets. – Adopting appropriate targets. – Having contingency plans in place to respond to extreme weather events.
Emerging risk: Disruptive technologies	↑	– Oversight of technology development relevant to each operating company. – Dedicated GRMC Risk Forum to oversee technology risks.
Emerging risk: Macro-economic outlook	↑	– Close monitoring of financial markets and forecasts, and their impact on the Group's financial risk exposures. – Frequent dialogue with banks on financial risk mitigation strategies and market trends. – Reviews of financial risk management strategies and policies at the Finance Committee. – Regular reviews of funding plans and cash flow projections. – Diversification of funding sources and increased liquidity buffer for material adverse events. – Foreign exchange risk mitigation, including increased RMB funding to match Chinese Mainland assets and cash flows.

↑ Risk level increased during the year 2022   ↓ Risk level decreased during the year 2022   ← → Risk level remained broadly the same

DIRECTORS AND OFFICERS

Executive Directors

BRADLEY, Guy Martin Coutts, aged 57, has been a Director of the Company and its Chairman since August 2021. He is also Chairman of John Swire & Sons (H.K.) Limited and Swire Properties Limited and a Director of Cathay Pacific Airways Limited. He was a Director of the Company from January 2015 to May 2017. He joined the Swire group in 1987 and has worked with the group in the Hong Kong SAR, Papua New Guinea, Japan, the United States, Vietnam, the Chinese Mainland, the Taiwan region and the Middle East. He is a chartered surveyor, a fellow of The Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. He is also Vice Chairman of General Committee of The Hong Kong General Chamber of Commerce and Vice-President of The Real Estate Developers Association of Hong Kong.

COGMAN, David Peter, aged 49, has been a Director of the Company since August 2017. He is also a Director of John Swire & Sons (H.K.) Limited. He joined McKinsey & Company in 1997 and was a partner in McKinsey's Hong Kong office. He joined the Swire group in 2017. He is Chairman of the Board of Governors of The Hong Kong Philharmonic Orchestra.

HEALY, Patrick, aged 57, has been a Director of the Company since August 2021. He is also Chairman of Cathay Pacific Airways Limited and Swire Coca-Cola Limited and a Director of John Swire & Sons (H.K.) Limited and Air China Limited. He was a Director of Swire Properties Limited from January 2015 to August 2021. He joined the Swire group in 1988 and has worked with the group in the Hong Kong SAR, Germany and the Chinese Mainland. He is the Director responsible for the Group's sustainability strategy and the sustainable development office.

MURRAY, Martin James, aged 56, has been a Director of the Company (and its Finance Director) since April 2021. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Properties Limited. He was previously a Director and chief financial officer of Cathay Pacific Airways Limited and before that deputy finance director of the Company. He joined the Swire group in 1995 and has worked with the group in the Hong Kong SAR, the United States, Singapore and Australia. He is a member of The Institute of Chartered Accountants of Scotland and the Hong Kong Institute of Certified Public Accountants. He is also a council member of The Hong Kong Management Association.

ZHANG, Zhuo Ping, aged 51, has been a Director of the Company since April 2020. He is also a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited and Chairman of John Swire & Sons (China) Limited. He spent his early career in investment banking. He was with the Swire group from 2002 to 2011, spending much of his time in the Chinese Mainland, including as chief representative of John Swire & Sons (China) Limited from 2005 to 2008. He ceased to be employed by the Swire group in 2011, when he founded a bioengineering company in Beijing.

Non-Executive Directors

MCCALLUM, Gordon Douglas, aged 62, has been a Director of the Company since May 2022. He is a Director of John Swire & Sons Limited and Chairman of its wholly-owned subsidiary, Argent Energy Holdings Limited. He is also Chairman of Zopa Group Limited and a Director of Cathay Pacific Airways Limited and Zopa Bank Limited. He was a Director of Global Risk Partners Limited, Virgin Atlantic Airways Limited and associated companies in the Virgin Atlantic group.

SWIRE, Merlin Bingham, aged 49, has been a Director of the Company since January 2009. He is also Deputy Chairman, Chief Executive and a shareholder of John Swire & Sons Limited and a Director of Swire Properties Limited and Cathay Pacific Airways Limited. He was Chairman of the Company and Swire Properties Limited from July 2018 to August 2021. He joined the Swire group in 1997 and has worked with the group in the Hong Kong SAR, Australia, the Chinese Mainland and London.

Independent Non-Executive Directors

ETCHELLS, Paul Kenneth, aged 72, 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 the Hong Kong SAR from 1976 to 1998. He was employed by The Coca-Cola Company from July 1998 to June 2010 and worked in the United States, the Chinese Mainland and the Hong Kong SAR.

LEE, Chien, aged 69, 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 a Director of the CUHK Medical Centre. He is also a Trustee Emeritus of Stanford University.

LEE, Wai Mun Rose, JP, aged 70, has been a Director of the Company since July 2012. She is an Independent Non-Executive Director of CK Hutchison Holdings Limited and MTR Corporation Limited. She is a Fellow of The Hong Kong Institute of Bankers. She is also a Vice Patron and a member of the Former Directors Committee of The Community Chest of Hong Kong and a Board Member of the West Kowloon Cultural District Authority.

NGAN, Edith Manling, aged 58, has been a Director of the Company since June 2022. She is an Independent Non-Executive Director of Asia Financial Holdings Limited, Blue Moon Group Holdings Limited, HKBN Ltd. and Tencent Music Entertainment Group. She sits on various investment committees for government funds. She is also a Court Member of Lingnan University and a Trustee and Finance Committee Chair of International Christian Schools Limited, Hong Kong.

ORR, Gordon Robert Halyburton, aged 60, 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 an Independent Non-Executive Director of EQT Partners AB, Lenovo Group Limited, Meituan Dianping and Sondrel (Holdings) plc and a Non-Executive Director of Fidelity China Special Situations PLC. He is also a Board member of the China-Britain Business Council.

XU, Ying, aged 59, has been a Director of the Company since August 2021. She is the president of Wumei Technology Group and a Director of Naspers Limited and Prosus N.V.

ZHANG, Yi Bonnie, aged 49, has been a Director of the Company since June 2022. She is the chief financial officer of Sina Corporation and an Independent Director of Hesai Group and Yatsen Holding Limited. She was a Director of Dada Nexus Limited and TuSimple Holdings Inc.

Company Secretary

LOMAS, Bernadette Mak, aged 57, has been Company Secretary since February 2022. She is also Group General Counsel of the Group. She is qualified to practise law in the Hong Kong SAR and in the State of New York. Prior to joining the Group, she was Group General Counsel and Company Secretary of a leading Hong Kong listed company.

Notes:
1. The Audit Committee comprises P K Etchells (committee chairman), C Lee and G R H Orr.
2. The Nomination Committee comprises G R H Orr (committee chairman), C Lee and M B Swire.
3. The Remuneration Committee comprises C Lee (committee chairman), R W M Lee and M B Swire.
4. All the Executive Directors and Non-Executive Directors 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 2022, which are set out on pages 125 to 219.

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 208 to 217. 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 20 to the financial statements.

Dividends

The Directors have declared second interim dividends of HK$1.85 per 'A' share and HK$0.37 per 'B' share which, together with the first interim dividends of HK$1.15 per 'A' share and HK$0.23 per 'B' share paid in October 2022, amount to full year dividends of HK$3.00 per 'A' share and HK$0.60 per 'B' share, compared to full year dividends of HK$2.60 per 'A' share and HK$0.52 per 'B' share in respect of 2021. The second interim dividends will be paid on Friday, 5th May 2023 to shareholders registered at the close of business on the record date, being Friday, 14th April 2023. Shares of the Company will be traded ex-dividend from Wednesday, 12th April 2023.

The Company's dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of its recurring underlying profits (excluding the share of the results of Cathay Pacific, but including all dividends received from that company) in ordinary dividends over time.

Closure of Register of Members

The register of members will be closed on Friday, 14th April 2023, 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, 13th April 2023.

To facilitate the processing of proxy voting for the annual general meeting to be held on 11th May 2023, the register of members will be closed from 8th May 2023 to 11th May 2023, 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, 5th May 2023.

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, 2022 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. 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. Detailed information on the Group's sustainability performance is provided in the 2022 Sustainable Development Report of the Company.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 35 and 37(b) respectively to the financial statements.

Share Capital

During the year under review, pursuant to the share buy-back programme announced by the Company on 11th August 2022 (Share Buy-back Programme), the Company bought back an aggregate of 39,383,000 'A' shares and 44,425,000 'B' shares on The Stock Exchange of Hong Kong Limited (the Stock Exchange) at an aggregate cost (excluding transaction fees) of HK$2,635 million. All the shares bought back were subsequently cancelled.

The Board is of the view that the implementation of the Share Buy-back Programme is in the best interests of the Company and the shareholders as a whole. A share buy-back demonstrates the Company's confidence in its business outlook and prospects and should, ultimately, benefit the Company and create value for the shareholders.

Particulars of the Share Buy-back and details of the Company's share capital are set out in note 34 to the financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year and the Group has not adopted any share option scheme.

At 31st December 2022, taking into account the shares bought back and cancelled during the year, 865,823,000 'A' shares and 2,941,142,500 'B' shares were in issue (31st December 2021: 905,206,000 'A' shares and 2,981,870,000 'B' shares).

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, consolidated statement of financial position and consolidated statement of 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 (the CG Code) contained in Part 2 of Appendix 14 to the Listing Rules throughout the year covered by the annual report.

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 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 (including cash contributions and in-kind contributions) for charitable purposes of HK$76 million. Total donations amounted to HK$131 million including donations by the Swire Group Charitable Trust.

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 (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer) on the basis of market value at 31st December 2022. This valuation resulted in an increase of HK$810 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 73.

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

G D McCallum was appointed as a Director with effect from the conclusion of the Company's 2022 annual general meeting held on 12th May 2022 (2022 AGM). E M Ngan and B Y Zhang were appointed as Directors with effect from 24th June 2022. 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 2022. M Cubbon and T G Freshwater resigned as Directors with effect from the conclusion of the Company's 2022 AGM. S C Swire resigned as a Director with effect from the conclusion of the Company's Board meeting held on 12th January 2023.

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, P K Etchells and Z P Zhang retire this year and, being eligible, offer themselves for re-election. C Lee also retires this year but does not offer himself up for re-election. G D McCallum, E M Ngan and B Y Zhang, 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$6.0 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2022, 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	0.0014	
G R H Orr	9,000	–	–	9,000	0.0010	
M B Swire	180,000	–	301,000	481,000	0.0556	3
'B' shares						
C Lee	1,400,000	–	23,355,000	24,755,000	0.8417	1
G D McCallum	77,500	–	–	77,500	0.0026	
M B Swire	390,000	–	3,024,617	3,414,617	0.1161	4
S C Swire	1,225,396	–	–	1,225,396	0.0417	

	Capacity					
	Beneficial interest				Percentage of issued share capital (comprised in the class)	
	Personal	Family	Trust interest	Total no. of shares	(%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
G D McCallum	46,177	–	–	46,177	0.05	
M B Swire	2,193,550	630,000	14,569,960	17,393,510	17.39	2
S C Swire	2,769,333	1,000	14,622,061	17,392,394	17.39	2
8% Cum. Preference Shares of £1						
G D McCallum	64,247	–	–	64,247	0.07	
M B Swire	3,966,125	–	11,904,363	15,870,488	17.63	2
S C Swire	3,018,959	–	12,182,009	15,200,968	16.89	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	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	1
M B Swire	–	–	1,148,812	1,148,812	0.01964	3

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Cathay Pacific Airways Limited						
Ordinary Shares						
E M Ngan	2,000	–	–	2,000	0.00003	

Notes:
1. All the shares held by C Lee under Trust interest were held by him as beneficiary of trusts.
2. M B Swire and S C Swire were trustees and/or potential beneficiaries of trusts which held 3,246,624 ordinary shares and 3,298,725 ordinary shares respectively and 1,691,961 preference shares and 1,969,607 preference shares respectively in John Swire & Sons Limited included under Trust interest and did not have any beneficial interest in those shares.
3. All 'A' shares of Swire Pacific Limited and ordinary shares of Swire Properties Limited held by M B Swire under Trust interest were held by him as one of the executors of a will and he did not have any beneficial interest in those shares.
4. Of 3,024,617 'B' shares of Swire Pacific Limited held by M B Swire under Trust interest, 1,225,395 shares were held by him as a trustee and/or potential beneficiary of a trust and 1,799,222 shares were held by him as one of the executors of a will. He did 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 2022 or during the period from 1st January 2023 to the date of this Report are kept at the Company's registered office and made available for inspection by the members of the Company in accordance with Section 390(6) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

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 2022 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
Substantial Shareholders					
John Swire & Sons Limited	442,879,720	51.15	2,131,969,282	72.48	1

Notes:

1. John Swire & Sons Limited (Swire) was deemed to be interested in a total of 442,879,720 'A' shares and 2,131,969,282 'B' shares of the Company at 31st December 2022, 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: 2,055,000 'B' shares held by Canterbury Holdings Limited, 322,603,700 'A' shares and 123,945,000 'B' shares held by Elham Limited, 39,461,000 'A' shares and 373,003,444 '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.

At 31st December 2022, the Swire group was interested in 59.78% of the equity of the Company and controlled 67.64% 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

During the year ended 31st December 2022, the Group had the following continuing connected transactions, details of which are set out below:

(a) Services Agreements

There are agreements for services (Services Agreements), in respect of which John Swire & Sons (H.K.) Limited (JS&SHK), 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, including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, certain staff services (including full or part time services of members of the staff of the Swire group), certain central 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. No fee is payable in consideration of such procuration obligation or such use. The procuration obligation would fall away if the Services Agreements were terminated or not renewed.

In return for these services, JS&SHK 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 most of the expenses incurred in the provision of the services.

The Services Agreements took effect from 1st January 2005, were renewed on 1st October 2007, were amended and restated on 18th September 2008, were renewed again on 1st October 2010, 14th November 2013 and 1st October 2016, were further amended and restated on 9th August 2019 and were renewed again on 1st October 2019 and 1st October 2022. The current term of the Services Agreements is from 1st January 2023 to 31st December 2025 and 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.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2022 are given in note 41 to the financial statements.

(b) Tenancy Framework Agreement

The Company, JS&SHK 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 JS&SHK group and members of the Swire Properties group. The Tenancy Framework Agreement, which took effect from 1st January 2014 and was renewed on 1st October 2015 and 1st October 2018, was renewed again on 1st October 2021 for a term of three years from 1st January 2022 to 31st December 2024. It 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. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JS&SHK 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.

Particulars of the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement for the year ended 31st December 2022 are given in note 41 to the financial statements.

The Swire group was interested in 59.78% of the equity of the Company and controlled 67.64% of the voting rights attached to shares in the Company at 31st December 2022. JS&SHK, 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 11th August 2022 and 13th May 2021 respectively were published.

As directors and/or employees of the Swire group, G M C Bradley, D P Cogman, P Healy, M J Murray and Z P Zhang are interested in the Services Agreements and the Tenancy Framework Agreement. G D McCallum and M B Swire are so interested as shareholders, directors and employees of the Swire group. Before they ceased to be directors of the Company, M Cubbon and S C Swire were so interested as shareholders, directors and employees of the Swire group.

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.

Discloseable Transactions

(a) Formation of a Joint Venture for the Acquisition and Development of Land in Xi'an
On 4th March 2022, Chance Ascent Limited (Chance Ascent), an indirect wholly-owned subsidiary of Swire Properties, formed a project company (the Project Company) with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd. to acquire the land use rights in respect of land (the Target Land) located in the Beilin district of Xi'an for a consideration of RMB2,575 million. The Project Company will acquire and hold such land use rights and will be principally engaged in the development of the Target Land (collectively, the Transaction). Chance Ascent has a 70% interest in the Project Company and is obliged to contribute approximately RMB2,558 million to its registered capital. Chance Ascent's total capital commitment to the acquisition and development of the Target Land is estimated to be RMB7,000 million. The Transaction constituted a discloseable transaction for the Company under the Listing Rules, in respect of which an announcement dated 4th March 2022 was published.

(b) Acquisition of Coca-Cola Bottling Operations in Vietnam and Cambodia
On 18th July 2022, Swire Coca-Cola Limited (SCCL) as purchaser and Swire Beverages Holdings Limited as guarantor (both wholly-owned subsidiaries of the Company) entered into share purchase agreements for the acquisition of two companies from The Coca-Cola Company (TCCC), the subsidiaries of which are engaged in the business of preparation, packaging, distribution and sale of ready-to-drink beverages bearing trademarks owned by TCCC and its subsidiaries and affiliated companies in Vietnam and Cambodia, respectively, for an aggregate consideration of US$1,015 million, subject to completion adjustments (the Transactions). The Transactions together constituted a discloseable transaction for the Company under the Listing Rules, in respect of which announcements dated 18th July 2022, 25th November 2022 and 2nd January 2023 were published. The Transactions were completed on 25th November 2022 and 1st January 2023.

(c) Acquisitions of Further Interests in Sino-Ocean Taikoo Li Chengdu
As at 15th December 2022, Sino-Ocean Taikoo Li Chengdu was owned by two holding companies (the PH companies, together with their respective subsidiaries, the PH Group) and managed by a property management company (the PM Company together with its subsidiaries, the PM Group), where the PH Group and the PM Group were owned by the relevant subsidiaries of Swire Properties (the Purchasers) and the relevant subsidiaries of Sino-Ocean Group Holding Limited (SOG) (the Sellers) on a 50:50 basis. The Target Group comprises the PH Group and the PM Group.

On 15th December 2022,

(1) the Purchasers, the Sellers, SOG and Sino-Ocean Service Holding Limited (SOG Service) (SOG together with SOG Service as the seller guarantors) entered into the first master agreement for the sale and purchase of a 15% interest in the Target Group for a total cash consideration of RMB1,000,000,000 (the First Transaction);

(2) the relevant Purchaser, the relevant Seller, SOG and SOG Service (SOG together with SOG Service as the seller guarantors) entered into the second master agreement for the sale and purchase of a 35% interest in the PM Group for a cash consideration of RMB59,000,000 (the Second Transaction); and

(3) the relevant Purchasers, the relevant Sellers and SOG (as the seller guarantor) entered into the third master agreement for the sale and purchase of a 35% interest in the PH Group for a total cash consideration of RMB4,491,000,000 (the Third Transaction).

The First Transaction, the Second Transaction and the Third Transaction, when aggregated, constituted a discloseable transaction of the Company under the Listing Rules, in respect of which an announcement dated 15th December 2022 was published.

The First Transaction was completed on 21st December 2022, in respect of which an announcement dated 21st December 2022 was published. The Group's interest in the Target Group increased from 50% to 65% upon completion of the First Transaction.

The Second Transaction was completed on 22nd February 2023. The Group's interest in the PM Group increased further to 100% upon completion of the Second Transaction.

Immediately after completion of the Second Transaction, the Third Transaction was completed on the same date. The Group's interest in the PH Group increased further to 100% upon completion of the Third Transaction. The Target Group became wholly-owned by the Group. An announcement on the completions dated 22nd February 2023 was published.

On behalf of the Board

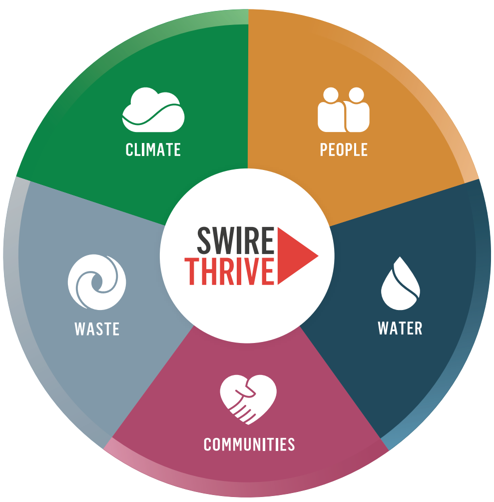
Guy Bradley
Chairman
Hong Kong, 9th March 2023

SUSTAINABLE DEVELOPMENT REVIEW

SUSTAINABLE DEVELOPMENT REVIEW

Sustainable development is integral to our approach to business and investment. Providing quality products and services that our customers can trust, investing in our people and communities, and protecting shared natural resources is not only the right thing to do, it is fundamental to our ability to create long-term value for our shareholders.

Through SwireTHRIVE 2.0, our sustainable development strategy, we aim for innovation and continuous improvement in five areas: Climate, Waste, Water, People and Communities.



We have stretching near-term targets to reduce carbon, water and waste. Our ambition is to achieve net-zero carbon emissions, water neutrality and zero waste to landfill by 2050.

Environmental, social and governance topics not covered by SwireTHRIVE are important to our investors, regulators and customers. We have policies on human rights, biodiversity and sustainable procurement.

Governance of Sustainable Development

Our Board is ultimately accountable for sustainability matters. It is kept informed of sustainability risks and performance by the Group Risk Management Committee, which reports to the Board via the Audit Committee. The Group Head of Sustainability briefs the Board and division heads twice a year on sustainability matters.

There are group risk forums which are relevant to SwireTHRIVE. They deal with environment and sustainability, human resources and health and safety. For details, see the Risk Management sections of this report and of our 2022 Sustainable Development Report. Other group committees and working groups relevant to SwireTHRIVE are the Swire Group Environment Committee, the Health and Safety Committee and the Diversity & Inclusion Steering Committee.

The Sustainable Development Office is responsible for the environmental areas of SwireTHRIVE. Our Group Risk Management and Diversity & Inclusion departments and the Swire Trust have SwireTHRIVE responsibilities.

Sustainable Development Fund

The Swire Pacific Sustainable Development Fund offers financial support to operating companies for projects which can deliver significant environmental benefits, but which cannot be justified by reference to our cost of capital targets. The fund has supported trials of innovative green technology projects. In 2022, funding of about HK$21 million was approved for projects at three operating companies.

Sustainable Finance

At the end of 2022, sustainable finance (where part of the cost is linked to the achievement of sustainability targets) represented more than 35% of our total financing.

Climate

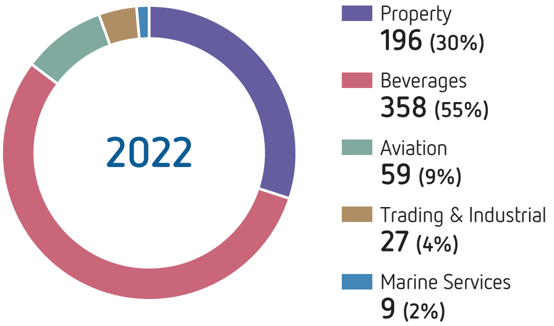
The world must halve emissions by 2030 and reach net-zero emissions by 2050 to avoid the worst effects of climate change. Reducing our greenhouse gas (GHG) emissions is a business imperative. We must ensure that our assets and operations can withstand and adapt to climate-related risks.

Climate Risk

We consider the physical, regulatory and financial impact of climate change on our businesses. In 2018, we started to follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In 2022, we did a second climate risk assessment.

Total Scope 1 and 2 GHG Emissions by Division

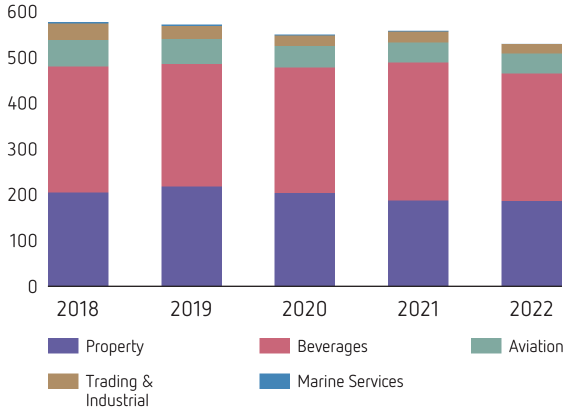
Thousand tonnes of CO_2e



Notes:
1. Swire Pacific tracks its energy consumption and GHG emissions through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of records.
2. Totals may not be the exact sum of numbers shown due to rounding.

Scope 2 GHG Emissions by Division

Thousand tonnes of CO_2e



Note:
Swire Pacific tracks its energy consumption and GHG emissions through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of records. The figures for 2021 have been updated to reflect such availability.

Greenhouse Gas Emissions

Our target is to reduce by 50% our scope 1 and 2 GHG emissions by 2030 from their 2018 levels. We aim to reach net-zero GHG emissions by 2050.

In 2022, our scope 1 and 2 GHG emissions were 649 thousand tonnes of carbon dioxide equivalent (CO_2e), a 11% decrease from 2021. Swire Properties and Swire Coca-Cola accounted for more than 80% of the Group's emissions in 2022. They have set science-based targets (SBTs) which have been approved by the Science Based Targets initiative (SBTi).

In 2022, our scope 3 GHG emissions were 7,381 thousand tonnes of CO_2e. Swire Coca Cola accounted for 50% of them. Swire Properties and Taikoo Motors accounted for 6% and 12% respectively of them.

In 2022, Cathay Pacific's GHG emissions were 5,390 thousand tonnes of CO_2e. We report 45% (our percentage ordinary shareholding interest in Cathay Pacific) of them. Cathay Pacific has committed to achieving net-zero carbon emissions by 2050 and that sustainable aviation fuel will represent 10% of its fuel consumption by 2030.

In 2022, Cathay Pacific's fuel efficiency was affected by changes in the type of aircraft flown and capacity reductions. Its carbon intensity, measured in tonnes of CO_2 per available tonne kilometre (ATK), increased by 2% in 2022 compared with 2021.

Internal carbon pricing will be piloted in 2023. There will be carbon fees and shadow pricing. The carbon fee for each operating company will be based on the most recent financial year's GHG emissions. It will fund decarbonisation projects. Shadow pricing will apply to projects exceeding a threshold value. Swire Coca-Cola, Swire Properties and HAECO (which account for more than 90% of our GHG emissions) will participate in the pilot.

Energy

Electricity consumption is our largest source of GHG emissions. In 2022, our GHG emissions (primarily derived from purchased electricity) were 529 thousand tonnes of CO_2e, a 5% decrease from 2021. We retrofitted buildings and improved operational procedures. Energy saving and increased use of renewable electricity helped.

Our new and substantially renovated buildings must obtain the highest or second highest international or local building environmental certification.

Swire Properties designs, constructs and operates properties with a view to reducing energy use. At the end of 2022, buildings accounting for 95% of Swire Properties' wholly-owned existing buildings were certified green buildings under BEAM, BEAM Plus, LEED, WELL, China Three Star or Green Mark independent rating systems, with 98% achieving the highest ratings. All of its wholly-owned projects under development have achieved the highest ratings.

In 2022, Swire Properties' absolute scope 1 and 2 GHG emissions decreased by 28% compared with a 2019 baseline year. This year, a green performance pledge was made by 52 tenants representing over 30% of lettable floor area. Tenants are supported in identifying ways in which they can reduce energy, waste and water consumption.

22 million kWh of electricity was generated from renewable sources at Swire Properties, Swire Coca-Cola and HAECO Xiamen in 2022. Swire Properties' Taikoo Hui development in Guangzhou and Swire Coca-Cola's plants in Yunnan, Hubei and Shanghai Jinqiao are powered by 100% renewable electricity.

Waste

We aim to minimise the total amount of waste we generate and seek to divert as much as possible from landfill, through recycling, reuse and reducing waste at source.

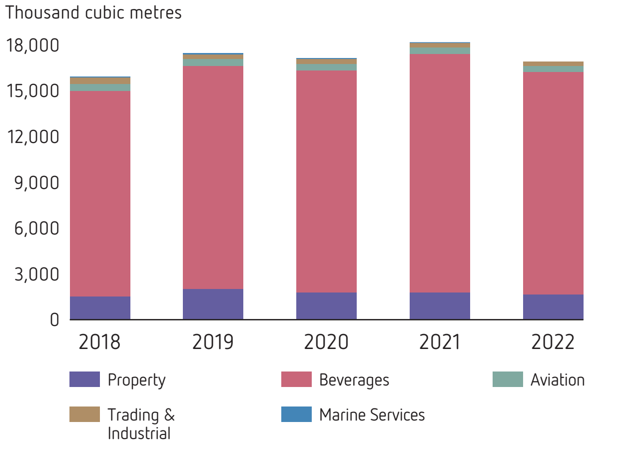
In 2022, the Group generated 66,645 tonnes of waste, a 25% increase from 2021. Swire Properties and Swire Coca-Cola account for 90% of the Group's waste. Our targets are to divert 65% and 100% of our non-hazardous waste from landfill by 2030 and 2050 respectively.

Single use plastic damages the environment. We have to use it, but must address its impact. In line with The Coca-Cola Company's World Without Waste initiative, Swire Coca-Cola has the following aims:

- By 2025, primary packaging will be 100% recyclable
- By 2030, primary packaging will comprise 50% recycled content
- By 2030, for every bottle placed in the environment, one will be removed

New Life Plastics, a joint venture in Hong Kong in which we have a 33.33% equity interest, can process 35,000 tonnes of PET and HDPE per annum.

Water Withdrawal by Division



Note:
Swire Pacific tracks its water consumption through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of records. The figures for 2021 have been updated to reflect such availability.

Water

Our businesses depend on water. Some of them use it extensively. Water stress can affect our suppliers, the communities in which we operate and the biodiversity of the areas in which we operate. We aim to use water responsibly and sustainably, and to protect our water sources.

We comply with wastewater treatment laws. By doing this, we protect our own resources and help the communities in which we operate to have access to safe, good quality water.

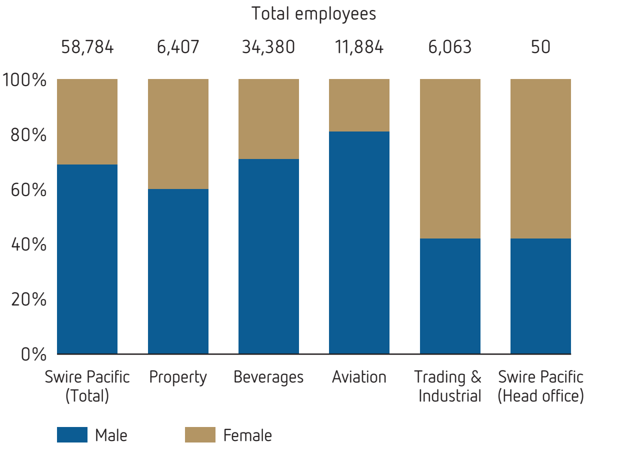
Our target is to reduce our water usage (except in Coca-Cola beverages) by 30% from a 2018 frozen efficiency baseline. We aim to achieve water neutrality by 2050.

In 2022, we used 16.9 million cubic metres of water, 7% less than in 2021.

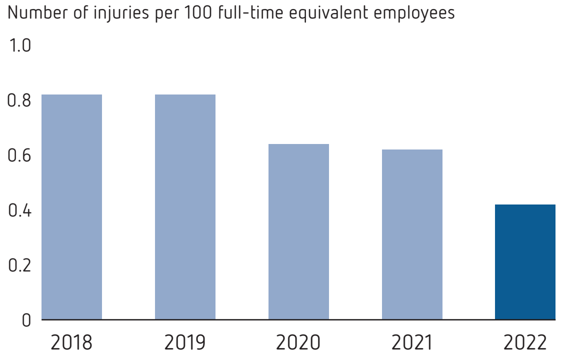
In 2022, Swire Coca-Cola accounted for 86% of our water use. Its water intensity (the amount of water needed to produce a litre of beverage), decreased by 3% in 2022 to 1.75 from 1.81 in 2021. Swire Coca-Cola's water usage in 2022 was affected by testing and commissioning new production lines and by producing more beverage varieties.

Swire Coca-Cola aims to return to the environment water in amounts equivalent to those which it uses in its products.

Employee Breakdown by Gender and Division



Lost Time Injury Rate (LTIR)



People

We aim to be an employer of choice that attracts and retains the most talented people. We do this by creating safe, healthy and inclusive workplaces where everyone is treated with respect and has equal opportunities to succeed.

At the end of 2022, the Swire Pacific Group (excluding the Cathay Pacific group and HAESL) employed over 58,000 people. The majority of our people are based in Hong Kong and the Chinese Mainland.

Staff turnover is monitored with a view to identifying and managing problems as they arise. In 2022, the turnover rate was 22%, compared with 20% in 2021.

Health and Safety

We aim to conduct our operations in a manner which safeguards the health and safety of our people, contractors, suppliers, customers, the visitors to our business premises and the communities in which we operate. We aim to improve our management of health and safety continuously with a view to causing zero harm.

In 2022, the number of injuries per 100 full-time equivalent employees (lost time injury rate or LTIR) decreased by 32% to 0.42 from 0.62 in 2021.

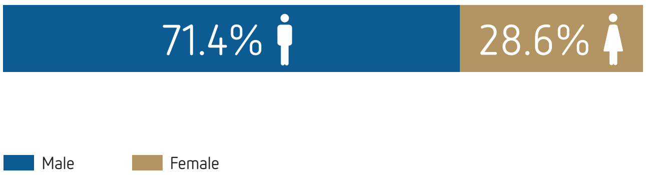
We expect our contractors to observe high safety standards. We monitor contractor safety data. Regrettably, there was one work-related fatality in 2022. The individual was employed by a Swire Coca-Cola contractor in the Chinese Mainland.

We care about the mental and physical health and wellbeing of our people. We provide health checks and 24-hour confidential hotlines. We have flexible working and parental leave policies.

Diversity and Inclusion

We believe in creating an environment where people feel comfortable at work and able to realise their full potential. We are committed to creating an inclusive and supportive working environment for our people regardless of their age, gender, gender identity, sexual orientation, relationships, family status, disability, race, ethnicity, nationality and religious or political beliefs.

Board Breakdown by Gender



We have set diversity targets including to have 30% women on Board by 2024. Women represent 28.6% of our Board.

We have given unconscious bias training to those responsible for recruitment and promotion. Employees are required to comply with applicable employment and other laws. We provide training in order to assist our people to understand their rights and obligations under Hong Kong anti-discrimination legislation.

Training and Development
We need an agile and well-trained workforce in order to respond to competitive and changing business conditions. We provide on-the-job training, mentoring and coaching, classroom training and online learning. All new joiners take part in induction programmes that include anti-discrimination and anti-corruption training and visits to our businesses.

Our in-house leadership development company, Ethos International, designs and provides learning and development programmes for management 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 our values.

We recruit high-calibre individuals with a view to developing them into future leaders within the Group. They are trained in management, finance and human resources. They have access to coaching and mentoring.

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

We communicate with our people on a regular basis via our intranet, newsletters, surveys and staff forums.

Communities

We believe 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. We support our communities with monetary donations, with products and services and with the time and energy of our staff, and through the Swire Group Charitable Trust (the Trust).

The Trust focuses on education, marine conservation and the arts in Hong Kong. In 2022, it supported over 80 Hong Kong-based organisations and distributed over HK$55 million. Through TrustTomorrow, it supports vulnerable groups and builds social capital. It encourages employees to volunteer their time. Employees contributed 1,748 hours to 54 activities in 2022.

During the year, the Group also made donations (including cash contributions and in-kind contributions) of HK$76 million.

Engaging with Suppliers

Operating companies are committed where possible to purchasing products which do not adversely affect the environment. Our guidelines on doing so are in accordance with international standards.

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.

Our businesses engage with thousands of suppliers. They supply goods and services which include aircraft parts, fuel, sugar, auditing, office supplies and uniforms. We prefer to work with suppliers that share our high standards and values. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

Reporting and Recognition

Our sustainability performance is disclosed in detail in a separate sustainable development report, which is available on our website. It has been prepared with reference to the Global Reporting Initiative (GRI) Standards and the ESG Reporting Guide for listed companies issued by The Stock Exchange of Hong Kong Limited. Deloitte Touche Tohmatsu have provided a limited assurance report in respect of selected sustainability information of Swire Pacific for the year ended 31st December 2022. Further information on the scope and boundaries of our sustainability data and the full limited assurance report can be found at http://www.swirepacific.com/en/sd/sd_reports.php.

Swire Pacific is included in the Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Index, the Hang Seng Corporate Sustainability Benchmark Index, the Hang Seng (Mainland and HK) Corporate Sustainability Index, the S&P Global Sustainability Yearbook 2023 and the MSCI ACWI ESG Leaders, Hong Kong ESG Leaders, ACWI ESG Universal and ACWI SRI Indices. We received a AAA rating from MSCI. Swire Pacific is included in the 2023 Bloomberg Gender-Equality Index.

Swire Properties is included in the FTSE4Good Index and is a Member of the Dow Jones Sustainability World Index, ranking fourth globally in 2022.

In 2022, Swire Pacific achieved scores of A- for CDP Climate Change and CDP Water Security. Swire Coca-Cola achieved a score of A- for CDP Water Security.

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羅兵咸永道

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 "Company") and its subsidiaries (the "Group"), which are set out on pages 125 to 219, comprise:

– the consolidated statement of financial position as at 31st December 2022;
– 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 consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2022, 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 Consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 of investment properties *Refer to note 15 to the consolidated financial statements.*	
The fair value of the Group's investment properties amounted to HK$270,768 million at 31st December 2022, with a fair value gain of HK$810 million recorded in the consolidated statement of profit or loss for the year. Valuations were obtained from third party valuers (the "valuers") in respect of 97% of the investment properties as at 31st December 2022. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and 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 valuation of investment properties included: – Understanding management's controls and processes for determining the valuation of investment properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied; – Evaluating the valuers' competence, capabilities, independence and objectivity; – Meeting the valuers to discuss the valuations and key assumptions used; – Reviewing the external valuation reports to assess the appropriateness of methodologies used; – Comparing the capitalisation rates, market rents and expected developer's profit margin used by the valuers to an estimated range, determined by reference to publicly available information by our in-house valuation experts; – Checking the accuracy of the rental data provided by management to the valuers by agreeing them on a sample basis to the Group's records; and – For investment properties under development, comparing the estimated construction costs to complete with the Group's budgets. We found the key assumptions were supported by the available evidence. We found the disclosures in note 15 to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and the Group's interest in a joint venture company in the Hong Kong Aircraft Engineering Company Limited ("HAECO") group *Refer to notes 16 and 20 to the consolidated financial statements.*	
Management performed impairment assessment in relation to the goodwill allocated to HAECO Hong Kong and Chinese Mainland of HK$3,510 million as at 31st December 2022 and, given the presence of impairment indicators following the adverse impact of COVID-19 on business performance, in relation to the Group's interest of HK$4,281 million in Hong Kong Aero Engine Services Limited ("HAESL"), a joint venture company, as at 31st December 2022. Management compared the carrying values of the HAECO Hong Kong and Chinese Mainland businesses and the Group's interest in HAESL with their respective recoverable amounts which were determined by value in use calculations, using discounted cash flow forecasts, to assess if any impairment provision was required. The value in use calculations reflect certain key assumptions made by management including estimated future cash flows and growth rates and the discount rates applied. These assumptions reflect a significant degree of management judgement about the recovery of future cash flows from the impact of COVID-19. Based on the impairment assessment, management concluded impairment provisions were not required as at 31st December 2022.	Our procedures in relation to management's impairment assessment of goodwill allocated to HAECO Hong Kong and Chinese Mainland and the Group's interest in HAESL included: – Assessing management's allocation of assets to the HAECO Hong Kong and Chinese Mainland businesses for the purposes of the impairment assessment; – Comparing the cash flow forecasts with approved budgets and latest available performance information; – Making detailed inquiries of management to understand their estimates of the recovery of demand for aircraft maintenance and engine overhaul work from COVID-19 and how this has been reflected in the cash flow forecasts; – Evaluating the assumptions in the cash flow forecasts relating to demand for aircraft maintenance and engine overhaul work with reference to publicly available industry reports; – Evaluating the discount rates and growth rates applied in the impairment calculations based on historical trends and market data; – Reviewing management's sensitivity analyses and performing our sensitivity analyses on the key assumptions in the cash flow forecasts, including expected rates of recovery, growth rates and discount rates, and assessing whether there were indicators of management bias in the selection of these 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 in notes 16 and 20 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 20 to the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 218 and 219.

The Group's 45% interest in Cathay Pacific is accounted for under the equity method. The Group's share of loss after tax from Cathay Pacific for the year ended 31st December 2022 was HK$2,947 million and the Group's interest in Cathay Pacific was HK$19,565 million as at 31st December 2022.

Swire Pacific management considered the adverse impact of COVID-19 on Cathay Pacific's performance to be an indicator of potential impairment. As a result, Swire Pacific management performed an impairment assessment of the carrying amount of their interest in Cathay Pacific at 31st December 2022.

Swire Pacific management estimated the recoverable amount of the Group's interest in Cathay Pacific based on value in use calculations, using a discounted cash flow forecast, and compared this with the carrying value of the Group's interest in Cathay Pacific, in order to assess if an impairment provision was required. Cathay Pacific management also assessed the carrying value of major assets for impairment in Cathay Pacific's own financial statements, as summarised in "Assessing impairment of property, plant and equipment and intangible assets" below.

The preparation of the discounted cash flow forecasts involved management making certain key assumptions, including estimated future cash flows and growth rates and the discount rate applied. The resulting cash flow forecasts reflect a significant degree of management judgement about the recovery of the future cash flows from the impact of COVID-19.

Other key audit matters relating to the Group's share of loss and net assets of Cathay Pacific are summarised below. The amounts noted below are those in the Cathay Pacific financial statements (i.e. on a 100% basis).

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.

In respect of the impairment assessment of the Group's interest in Cathay Pacific, in addition to the procedures performed by the CX Auditor, our procedures included:

- Making detailed inquiries of management to understand their estimates of the speed of recovery from COVID-19 on Cathay Pacific and how this has been reflected in the cash flow forecasts;
- Comparing cash flow forecasts with approved budgets and latest available performance information;
- Evaluating the assumptions in the cash flow forecasts for Cathay Pacific with reference to publicly available aviation industry reports;
- Involving our valuation specialists in our internal assessment of the discount rate used;
- Evaluating key assumptions including the discount rate, growth rates for revenues and expenses, and the terminal growth rate applied in the impairment calculations based on our knowledge of the industry, historical trends and market information relating to the aviation passenger and cargo businesses;
- Reviewing management's sensitivity analyses and challenging management including performing our own sensitivity analyses on the key assumptions, including expected rates of recovery, growth rates and the discount rate; and
- Assessing the appropriateness of the disclosures in the financial statements.

After considering the procedures performed by us in respect of the impairment assessment of the Group's interest in Cathay Pacific and our review of the audit work of the CX Auditor, we have determined that the audit work performed and evidence obtained are 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 consolidated financial statements.

The procedures performed by the CX Auditor on the respective key audit matters are summarised below.

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 20 to the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 218 and 219.*	
Assessing impairment of property, plant and equipment and intangible assets – The carrying values of Cathay Pacific's property, plant and equipment and intangible assets were HK$118,855 million and HK$14,800 million respectively as at 31st December 2022. At the end of each reporting period, Cathay Pacific management identifies assets which are unlikely to be deployed in economic service in the future, and impairment losses are recorded based on the assets' estimated fair value less costs of disposal. The remaining items of property, plant and equipment and intangible assets are allocated to cash-generating units ("CGUs"). Where indicators of impairment of a CGU are identified, Cathay Pacific management performs an impairment assessment of the CGU by comparing its carrying value with its recoverable amount, which is the higher of fair value less costs of disposal and value in use based on discounted cash flow forecasts. In addition, for CGUs containing goodwill, an impairment assessment is performed at least annually even if there is no indicator of impairment. Cathay Pacific management has reassessed its operating plans, including the expected timing of retirement of aircraft, based on forecast passenger travel demand. Based on such assessment, no impairment loss was recognised on property, plant and equipment or intangible assets for the year ended 31st December 2022. The CX Auditor identified the assessment of impairment of property, plant and equipment and intangible assets as a key audit matter because (i) of the significance of the carrying value of such assets to the consolidated financial statements of Cathay Pacific and (ii) the preparation of discounted cash flow forecasts for the purpose of impairment assessment involves identifying assets which are unlikely to be deployed in economic service in the future, and estimating future cash flows, growth rates and discount rates involve a significant degree of management judgement and could be subject to management bias.	– Meeting Cathay Pacific management and reviewing board minutes and other papers to understand Cathay Pacific's operating plans; – Assessing management's identification of assets which are unlikely to be deployed in economic service in the future and evaluating their recoverable amounts; – Assessing Cathay Pacific management's identification of the CGUs, allocation of assets and methodology adopted by Cathay Pacific management in its impairment assessment with reference to the requirements of the prevailing accounting standards; – Discussing indicators of possible impairment of property, plant and equipment and intangible assets with Cathay Pacific management and, for CGUs where such indicators were identified and CGUs with goodwill, assessing Cathay Pacific management's impairment testing; – Evaluating the assumptions adopted in the preparation of the discounted cash flow forecast, including projected future growth rates for income and expenses and discount rates; – Involving the CX Auditor's internal valuation specialists in order to assess the methodology and significant assumptions including discount rates adopted by Cathay Pacific management in its impairment assessment; and – Performing sensitivity analyses on the key assumptions, including projected profitability, expected growth rates and discount rates adopted in the discounted cash flow forecasts and assessing whether there were indicators of management bias in the selection of these assumptions.

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 20 to the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 218 and 219.*	
Revenue recognition – Cathay Pacific's revenue amounted to HK$51,036 million for the year ended 31st December 2022. Revenue from passenger and cargo services 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 information technology controls and key manual and application controls over Cathay Pacific's revenue systems; – Performing substantive analytical procedures on revenue; – Inspecting underlying documentation for revenue related journal entries which met specific risk-based criteria; – Assessing Cathay Pacific management's estimate of the unit stand-alone selling price of Asia Miles and the allocation of the amount received in relation to mileage earning flights between the flight and contract liability attributable to Asia Miles earned by members; and – Inspecting contracts with major partners of the Asia Miles programme to assess if there were any terms and conditions that may have affected the accounting treatment of the related Asia Miles.
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. Hedge accounting under HKFRSs is applied to some of these arrangements, and related contracts gave rise to derivative financial assets of HK$1,157 million and liabilities of HK$358 million as at 31st December 2022. Hedge accounting can be complex and Cathay Pacific has entered into a large number of derivative contracts and designated them as hedging instruments, necessitating a sophisticated system to record and track each hedging relationship. 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. Furthermore, economic uncertainties caused by COVID-19 have resulted in increased judgement being required for forecasting travel demand and fuel consumption for the purpose of hedge designation and evaluating whether a hedging relationship continues to meet the qualifying criteria.	– Assessing Cathay Pacific's internal controls over derivative financial instruments and hedge accounting; – Discussing with Cathay Pacific management the assumptions used in forecasting flying activity and fuel consumption, and challenging and performing sensitivity analyses on these estimates based on different possible COVID-19 recovery scenarios; – 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 testing the discontinuation of hedging relationships where the hedging instrument is terminated or the hedged forecast transaction is no longer considered to be highly probable; and – Obtaining confirmation of derivative financial instruments that exist at the reporting date from counterparties on a sample basis.
	We found that, in the context of our audit of the consolidated financial statements of Swire Pacific Limited, Cathay Pacific management's judgements and estimates associated with the key audit matters noted in respect of the Group's share of the loss and interest in Cathay Pacific were supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The other information does not include the specific information presented therein that is identified as being an integral part of the consolidated financial statements and, therefore, covered by our audit opinion on the consolidated financial statements.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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 John J. Ryan.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 9th March 2023

Consolidated Statement of Profit or Loss

For the year ended 31st December 2022

	Note	2022 HK$M	2021 HK$M (Restated)
Continuing operations			
Revenue	4	91,169	91,229
Cost of sales		(56,981)	(55,956)
Gross profit		34,188	35,273
Distribution costs		(16,151)	(16,456)
Administrative expenses		(7,385)	(7,048)
Other operating expenses		(293)	(310)
Other net gains	5	658	2,570
Change in fair value of investment properties		810	(1,931)
Operating profit		11,827	12,098
Finance charges		(1,753)	(2,057)
Finance income		288	315
Net finance charges	9	(1,465)	(1,742)
Share of profits of joint venture companies	20(a)	1,857	2,271
Share of losses of associated companies	20(b)	(3,301)	(2,833)
Profit before taxation		8,918	9,794
Taxation	10	(3,013)	(3,070)
Profit from continuing operations		5,905	6,724
Discontinued operations			
Profit/(loss) from discontinued operations	44	364	(1,604)
Profit for the year		6,269	5,120
Profit/(loss) for the year attributable to:			
The Company's shareholders – from continuing operations	35	3,836	4,956
The Company's shareholders – from discontinued operations	35	359	(1,599)
Non-controlling interests – from continuing operations	36	2,069	1,768
Non-controlling interests – from discontinued operations	36	5	(5)
		6,269	5,120
Underlying profit attributable to the Company's shareholders	11	4,748	5,293

	Note	HK$	HK$
Earnings/(loss) per share from profit/(loss) attributable to the Company's shareholders (basic and diluted)	13		
'A' share – from continuing operations		2.57	3.30
'A' share – from discontinued operations		0.24	(1.06)
'B' share – from continuing operations		0.51	0.66
'B' share – from discontinued operations		0.05	(0.21)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2022

	2022 HK$M	2021 HK$M (Restated)
Profit for the year	6,269	5,120
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	–	95
deferred tax	–	(6)
Defined benefit plans		
remeasurement gains recognised during the year	856	216
deferred tax	(170)	(37)
Changes in the fair value of equity investments at fair value through other comprehensive income		
gains/(losses) recognised during the year	256	(9)
deferred tax	3	(1)
Share of other comprehensive income of joint venture and associated companies	65	237
	1,010	495
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
losses recognised during the year	(93)	(59)
transferred to net finance charges	(24)	13
transferred to operating profit	201	(16)
deferred tax	(13)	7
Share of other comprehensive (loss)/income of joint venture and associated companies	(2,978)	2,235
Net translation differences on foreign operations		
recognised during the year	(4,798)	1,635
reclassified to profit or loss on disposal	57	–
others	–	(23)
	(7,648)	3,792
Other comprehensive (loss)/income for the year, net of tax	(6,638)	4,287
Total comprehensive (loss)/income for the year	(369)	9,407
Total comprehensive (loss)/income attributable to:		
The Company's shareholders – from continuing operations	(1,695)	8,854
The Company's shareholders – from discontinued operations	397	(1,601)
Non-controlling interests – from continuing operations	924	2,159
Non-controlling interests – from discontinued operations	5	(5)
	(369)	9,407

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

At 31st December 2022

	Note	31st December 2022 HK$M	31st December 2021 HK$M (Restated)	1st January 2021 HK$M (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	22,196	22,538	25,413
Investment properties	15	270,768	267,354	266,305
Intangible assets	16	13,930	13,395	13,096
Right-of-use assets	17	8,117	8,579	9,490
Properties held for development	18	1,208	1,207	1,200
Joint venture companies	20(a)	30,346	27,819	21,413
Loans due from joint venture companies	20(a)	15,460	15,736	15,593
Associated companies	20(b)	23,686	28,405	28,497
Loans due from associated companies	20(b)	131	–	85
Investments at fair value	22	1,041	885	1,351
Prepayment and other receivables	26	6,474	571	562
Derivative financial instruments	23	119	236	216
Deferred tax assets	32	278	468	562
Retirement benefit assets	33	273	178	196
		394,027	387,371	383,979
Current assets				
Properties for sale	24	8,264	6,411	3,538
Stocks and work in progress	25	7,608	5,685	5,112
Contract assets		841	897	950
Trade and other receivables	26	9,834	8,780	9,211
Taxation receivable		505	–	–
Derivative financial instruments	23	35	52	33
Bank balances and short-term deposits	27	11,614	22,894	29,264
		38,701	44,719	48,108
Assets classified as held for sale	28	2,038	3,577	384
		40,739	48,296	48,492
Current liabilities				
Trade and other payables	29	28,740	27,468	24,927
Contract liabilities		1,337	1,293	916
Taxation payable		311	499	856
Derivative financial instruments	23	124	8	5
Short-term loans	30	25	26	105
Long-term loans and bonds due within one year	30	10,219	17,257	6,824
Lease liabilities due within one year	31	776	831	793
		41,532	47,382	34,426
Liabilities associated with assets classified as held for sale	28	–	894	–
		41,532	48,276	34,426
Net current (liabilities)/assets		(793)	20	14,066
Total assets less current liabilities		393,234	387,391	398,045
Non-current liabilities				
Long-term loans and bonds	30	58,129	44,266	61,235
Long-term lease liabilities	31	4,140	4,509	4,359
Derivative financial instruments	23	101	194	154
Other payables	29	1,476	1,345	1,143
Deferred tax liabilities	32	13,090	12,471	11,453
Retirement benefit liabilities	33	362	986	1,091
		77,298	63,771	79,435
NET ASSETS		315,936	323,620	318,610
EQUITY				
Share capital	34	1,294	1,294	1,294
Reserves	35	257,162	265,221	260,972
Equity attributable to the Company's shareholders		258,456	266,515	262,266
Non-controlling interests	36	57,480	57,105	56,344
TOTAL EQUITY		315,936	323,620	318,610

Guy Bradley
Martin Murray
Paul Kenneth Etchells
Directors
Hong Kong, 9th March 2023

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31st December 2022

	Note	2022 HK$M	2021 HK$M
Operating activities			
Cash generated from operations	43(a)	12,043	15,453
Interest paid		(2,165)	(2,192)
Interest received		296	322
Tax paid		(2,628)	(2,559)
		7,546	11,024
Dividends received from joint venture and associated companies		610	641
Net cash generated from operating activities		8,156	11,665
Investing activities			
Purchase of property, plant and equipment and right-of-use assets	43(b)	(3,114)	(3,812)
Additions of investment properties		(7,096)	(3,860)
Purchase of intangible assets		(314)	(405)
Proceeds from disposals of property, plant and equipment and right-of-use assets		695	2,514
Proceeds from disposals of investment properties		609	2,869
Proceeds from disposals of subsidiary companies, net of cash disposed of	43(d)	1,174	333
Proceeds from disposals of joint venture companies		–	357
Proceeds from partial disposal of an associated company		263	350
Proceeds from disposals of investments at fair value		1,484	1,010
Purchase of shares in subsidiary companies	42	(1,783)	43
Purchase of shares in joint venture companies		(1,720)	–
Purchase of shares in associated companies		(97)	(1,104)
Prepayment of shares in respect of a subsidiary company	26	(6,430)	–
Equity to joint venture companies		(1,127)	(3,995)
Purchase of investments at fair value		(186)	(505)
Loans to joint venture companies		(178)	(787)
Loans to associated companies		(177)	(210)
Repayment of loans by joint venture companies		917	614
Repayment of loans by associated companies		–	85
Advances from joint venture companies		101	744
Advances to joint venture companies		(200)	–
Increase in deposits maturing after more than three months		(288)	(579)
Initial leasing costs incurred		(75)	(6)
Net cash used in investing activities		(17,542)	(6,344)
Net cash (outflow)/inflow before financing activities		(9,386)	5,321
Financing activities			
Loans drawn and refinancing	43(c)	25,676	4,879
Repayment of loans and bonds	43(c)	(18,866)	(11,825)
Principal elements of lease payments	43(c)	(880)	(971)
		5,930	(7,917)
Capital contribution from a non-controlling interest		1,003	–
Repurchase of the Company's shares	34	(2,639)	–
Dividends paid to the Company's shareholders	35	(4,118)	(3,004)
Dividends paid to non-controlling interests	36	(1,578)	(1,421)
Net cash used in financing activities		(1,402)	(12,342)
Decrease in cash and cash equivalents		(10,788)	(7,021)
Cash and cash equivalents at 1st January		22,519	29,233
Effect of exchange differences		(973)	307
Cash and cash equivalents at 31st December		10,758	22,519
Represented by:			
Bank balances and short-term deposits maturing within three months			
– Included in bank balances and short-term deposits	27	10,758	22,276
– Included in assets classified as held for sale	44(d)	–	243
		10,758	22,519

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2022

	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 2022						
– as originally stated	1,294	257,166	8,490	266,950	57,218	324,168
– impact of adjustments in note 1(c)	–	(428)	(7)	(435)	(113)	(548)
– as restated	1,294	256,738	8,483	266,515	57,105	323,620
Profit for the year	–	4,195	–	4,195	2,074	6,269
Other comprehensive income/(loss)	–	995	(6,488)	(5,493)	(1,145)	(6,638)
Total comprehensive income/(loss) for the year	–	5,190	(6,488)	(1,298)	929	(369)
Capital contribution from a non-controlling interest	–	–	–	–	1,020	1,020
Repurchase of the Company's shares	–	(2,643)	–	(2,643)	–	(2,643)
Dividends paid	–	(4,118)	–	(4,118)	(1,570)	(5,688)
Change in composition of the Group	–	–	–	–	(4)	(4)
At 31st December 2022	1,294	255,167	1,995	258,456	57,480	315,936

	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 2021						
– as originally stated	1,294	256,404	4,994	262,692	56,454	319,146
– impact of adjustments in note 1(c)	–	(421)	(5)	(426)	(110)	(536)
– as restated	1,294	255,983	4,989	262,266	56,344	318,610
Profit for the year (restated)	–	3,357	–	3,357	1,763	5,120
Other comprehensive income (restated)	–	402	3,494	3,896	391	4,287
Total comprehensive income for the year (restated)	–	3,759	3,494	7,253	2,154	9,407
Dividends paid	–	(3,004)	–	(3,004)	(1,423)	(4,427)
Change in composition of the Group	–	–	–	–	30	30
At 31st December 2021 (restated)	1,294	256,738	8,483	266,515	57,105	323,620

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the 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 208 to 217.

The audited financial statements are set out on pages 125 to 219 and also include the "Audited Financial Information" under Financial Review on page 59 and Financing on pages 69 to 78.

1. Changes in Accounting Policies and Disclosures

(a) The following revised standards were required to be adopted by the Group effective from 1st January 2022:

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Annual improvements project	Annual Improvements to HKFRSs 2018-2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments

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

(b) The Group has not early adopted the following relevant new and revised standards and interpretations that have been issued but are effective for annual periods beginning on or after 1st January 2023 and such standards have not been applied in preparing these consolidated financial statements.

Amendments to HKAS 1, HKAS 8 and HKAS 12	Narrow-scope Amendments[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts[1]
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 To be applied by the Group from 1st January 2023.
2 To be applied by the Group from 1st January 2024.
3 The effective date is to be determined.

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

1. Changes in Accounting Policies and Disclosures (continued)

(c) Change in accounting policy on lessor forgiveness of lease payments

In October 2022, the IASB finalised the agenda decision approved by the IFRS Interpretation Committee (IFRS IC) on "Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)". The agenda decision addresses the accounting from the perspective of the lessor, and in particular:

- how the expected credit loss (ECL) model in IFRS 9 should be applied to operating lease receivables when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted; and
- whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for rent concessions.

The IFRS IC concluded that in reporting periods before the forgiveness of lease payments have been granted, the lessor should measure the ECL on operating lease receivables on a probability-weighted basis, by evaluating a range of possible outcomes, including its expectation of forgiving lease payments that have been recognised as operating lease receivables. This is on the assumption that there is reasonable and supportable information, that is available without undue cost or effort, and that the expectation of forgiving the lease payments reflects a potential cash shortfall which should be taken into account in the ECL measurement.

In previous years, all the rent concessions granted to tenants were treated as lease modifications under HKFRS 16 and were amortised over the remaining periods of the leases.

The Group has changed its accounting policy with respect to the IASB agenda decision. In applying the requirements in HKFRS 9, the Group remeasures the ECL on its operating lease receivables immediately prior to the date the lease payments are forgiven, with any changes being recognised as rental outgoings in the consolidated statement of profit or loss. Once the lease payments are forgiven, the Group derecognises the operating lease receivables, including any associated ECL allowance. Lease payments forgiven that are not associated with operating lease receivables are recognised as lease modifications under HKFRS 16.

The change in accounting policy has been applied retrospectively by restating the balances at 31st December 2021 and 1st January 2021, and the results for the year ended 31st December 2021:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31st December 2021

	As previously reported HK$M	Effect on change HK$M	As restated HK$M
Continuing operations			
Revenue	90,802	427	91,229
Cost of sales	(55,524)	(432)	(55,956)
Share of profits of joint venture companies	2,273	(2)	2,271
Taxation	(3,067)	(3)	(3,070)
Profit for the year attributable to:			
– The Company's shareholders	4,963	(7)	4,956
– Non-controlling interests	1,771	(3)	1,768
Net translation differences on foreign operations recognised during the year	1,637	(2)	1,635
Total comprehensive income attributable to:			
– The Company's shareholders	8,863	(9)	8,854
– Non-controlling interests	2,162	(3)	2,159

	HK$	HK$	HK$
Earnings per share (basic and diluted)			
'A' share	3.31	(0.01)	3.30
'B' share	0.66	–	0.66

1. Changes in Accounting Policies and Disclosures (continued)

(c) Change in accounting policy on lessor forgiveness of lease payments (continued)

Consolidated Statement of Financial Position
at 31st December 2021

	As previously reported HK$M	Effect on change HK$M	As restated HK$M
Assets			
Joint venture companies	27,883	(64)	27,819
Trade and other receivables	9,365	(585)	8,780
		(649)	
Liabilities			
Deferred tax liabilities	12,572	(101)	12,471
Equity			
Reserves	265,656	(435)	265,221
Non-controlling interests	57,218	(113)	57,105
		(548)	

Consolidated Statement of Financial Position
at 1st January 2021

	As previously reported HK$M	Effect on change HK$M	As restated HK$M
Assets			
Joint venture companies	21,475	(62)	21,413
Trade and other receivables	9,788	(577)	9,211
		(639)	
Liabilities			
Deferred tax liabilities	11,556	(103)	11,453
Equity			
Reserves	261,398	(426)	260,972
Non-controlling interests	56,454	(110)	56,344
		(536)	

1. Changes in Accounting Policies and Disclosures (continued)

(c) Change in accounting policy on lessor forgiveness of lease payments (continued)

The change in accounting policy affected the following items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31st December 2022 and the consolidated statement of financial position at 31st December 2022:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31st December 2022

	Under previous accounting policy HK$M	Effect on change HK$M	As reported HK$M
Continuing operations			
Revenue	90,764	405	91,169
Cost of sales	(56,662)	(319)	(56,981)
Share of profits of joint venture companies	1,843	14	1,857
Taxation	(2,994)	(19)	(3,013)
Profit for the year attributable to:			
– The Company's shareholders	3,772	64	3,836
– Non-controlling interests	2,052	17	2,069
Net translation differences on foreign operations recognised during the year	(4,797)	(1)	(4,798)
Total comprehensive (loss)/income attributable to:			
– The Company's shareholders	(1,758)	63	(1,695)
– Non-controlling interests	907	17	924

	HK$	HK$	HK$
Earnings per share (basic and diluted)			
'A' share	2.52	0.05	2.57
'B' share	0.50	0.01	0.51

Consolidated Statement of Financial Position
at 31st December 2022

	Under previous accounting policy HK$M	Effect on change HK$M	As reported HK$M
Assets			
Joint venture companies	30,396	(50)	30,346
Trade and other receivables	10,334	(500)	9,834
		(550)	
Liabilities			
Taxation payable	371	(60)	311
Deferred tax liabilities	13,112	(22)	13,090
		(82)	
Equity			
Reserves	257,534	(372)	257,162
Non-controlling interests	57,576	(96)	57,480
		(468)	

1. Changes in Accounting Policies and Disclosures (continued)

(d) Representation due to discontinued operations

In March 2022, the Group entered into a sale and purchase agreement to dispose of its 100% interest in the Swire Pacific Offshore group (SPO disposal group). As at 31st December 2021, management believed the disposal was highly probable and the carrying value of the SPO disposal group would be recovered principally through sale rather than through continuing use. Accordingly, management classified the assets and liabilities of the SPO disposal group as held for sale as at 31st December 2021. The results of the SPO disposal group for the years ended 31st December 2022 and 31st December 2021 are presented separately as one line-item below profit from continuing operations as "discontinued operations" in the consolidated statement of profit or loss. The sale was completed in April 2022. Further financial information relating to the discontinued operations is set out in note 44.

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 76 to 78 under the heading "Audited Financial Information".

Interest rate exposure

The impact on the Group's consolidated statements of 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 2022		
Impact on profit or loss: (loss)/gain	**(172)**	**172**
Impact on other comprehensive income: gain/(loss)	**54**	**(49)**
At 31st December 2021		
Impact on profit or loss: gain/(loss)	122	(72)
Impact on other comprehensive income: gain/(loss)	211	(220)

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

2. Financial Risk Management (continued)

Currency exposure

The following analysis details the Group's exposure to currency risk from recognised financial assets and financial liabilities denominated in a currency other than the functional currency.

The impact on the Group's consolidated statements of 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 7.7974 (2021: 7.7966), with all other variables held constant, would have been:

	Weakening in USD to lower peg limit (7.75) HK$M	Strengthening in USD to upper peg limit (7.85) HK$M
At 31st December 2022		
Impact on profit or loss: gain	1	–
Impact on other comprehensive income: gain/(loss)	2	(2)
At 31st December 2021		
Impact on profit or loss: gain/(loss)	1	(3)
Impact on other comprehensive income: (loss)/gain	(14)	18

The impact on the Group's consolidated statements of 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 1.1217 (2021: 1.2234), 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 2022		
Impact on profit or loss: gain/(loss)	4	(4)
Impact on other comprehensive income: (loss)/gain	(1)	1
At 31st December 2021		
Impact on profit or loss: gain/(loss)	2	(2)
Impact on other comprehensive income: (loss)/gain	(1)	1

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 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

Credit exposure

The Group has the following major types of assets that are subject to the expected credit loss model:

– Trade and other receivables
– Contract assets
– Other financial assets at amortised cost

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets. As the Group's historical credit loss experience does not indicate different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the Group's different customer segments. The expected loss rates are based on historical payment profiles. These rates are adjusted to reflect current and forward-looking information about economic conditions.

2. Financial Risk Management (continued)

Credit exposure (continued)
Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment charges on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited to the same line item.

Other financial assets at amortised cost
Other financial assets at amortised cost include other receivables and loans due from related parties. Loans due from joint venture and associated companies and other related companies are considered to have a low credit risk as the financial positions and performances of these companies are regularly monitored and reviewed by management of the Group.

Liquidity exposure
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 periods at the year-end date to the earliest contractual maturity dates.

At 31st December 2022

	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 (excluding deposits received on sale of investment properties)	29	30,215	33,345	27,139	767	1,558	3,881
Borrowings (including interest obligations)	30	68,373	73,717	11,729	7,033	40,186	14,769
Lease liabilities	31	4,916	5,961	941	757	1,464	2,799
Derivative financial instruments	23	225	225	124	3	79	19
Financial guarantee contracts	39	–	4,384	4,384	–	–	–
		103,729	117,632	44,317	8,560	43,287	21,468

At 31st December 2021

	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 (excluding deposits received on sale of investment properties)	29	28,803	31,041	25,678	775	1,359	3,229
Borrowings (including interest obligations)	30	61,549	67,348	18,761	10,780	19,877	17,930
Lease liabilities	31	5,340	6,499	1,007	803	1,584	3,105
Derivative financial instruments	23	202	202	8	88	–	106
Financial guarantee contracts	39	–	4,032	4,032	–	–	–
		95,894	109,122	49,486	12,446	22,820	24,370

3. Critical Accounting Estimates and Judgements

In the year ended 31st December 2022, economic and business conditions were affected by COVID-19 and increases in interest rates. As part of its assessment of its critical accounting estimates and judgements, the Group reviewed the carrying value of its assets with impairment indicators, mainly in the Aviation Division, the trading and industrial businesses and the healthcare business. Impairments of goodwill and other long-term assets totalling HK$467 million were recognised at Qinyuan Bakery, reflecting the forecast impact of business restructuring and closure of stores. An impairment of goodwill of HK$163 million was recognised in respect of the Group's interest in Columbia China Healthcare. The recoverable amounts of the rest of the Group's assets with impairment indicators were tested for impairment, generally determined on a value in use basis. The carrying values of these assets were supported by their recoverable amounts at 31st December 2022.

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) Valuation and impairment of assets (notes 14, 16, 20 and 42)

(c) Fair value of investment properties (note 15)

(d) Accounting for Cathay Pacific Airways Limited (note 20(b))

(e) Retirement benefits (note 33)

(f) Contingencies for Cathay Pacific Airways Limited (note 39(b))

4. Revenue

Accounting Policy

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. Provided the collectability of the related receivable is probable, revenue is recognised as follows:

(a) Rental income is recognised when a lease commences. According to the contractual terms, leased properties do not have alternative uses to the Group after the leasing periods stipulated in the signed tenancy agreements commence. 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. Rental income forgiven not recognised as an expected credit loss of operating lease receivables is treated as a lease modification, and the revised future lease income under the new lease, including any prepaid or accrued lease income relating to the original lease, is subsequently recognised as income on a straight-line basis.

(b) The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the buyer. According to the contractual terms, the properties generally do not have alternative use to the Group after the signing of sales contracts with the buyers. However, in Hong Kong and the USA, an enforceable right to payment does not arise until legal title to the property has been transferred to the buyer. Therefore, revenue is recognised upon completion of the transfer of legal title to the buyer. Revenue from sales of properties in Singapore is recognised over time because, after the signing of a sales contract with the buyer, the Group has an enforceable right to payment for performance completed to date. Revenue from sales of these properties is recognised based on the stage of completion of the contract using the input method.

4. Revenue (continued)

Accounting Policy (continued)

(c) 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. 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.

(d) Sales of services, including aircraft and engine maintenance services and services provided by hotel operations, are recognised when the services are rendered. For certain engine maintenance contracts, revenue is recognised over time rather than at a point in time.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust transaction prices for the time value of money.

Definition of terms
Contract asset: An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditional on something other than the passage of time (for example, the entity's future performance).

Contract liability: An entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment received, a contract asset is recognised. If the payments received exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Contract asset and contract liability are defined in HKFRS 15 "Revenue from Contracts with Customers". These two terms do not apply to rental income from lease agreements, which is specifically excluded from the scope of HKFRS 15.

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

	2022 HK$M	2021 HK$M (Restated)
Gross rental income from investment properties	12,188	12,836
Property trading	921	2,443
Hotels	565	894
Sales of goods	63,727	63,652
Aircraft and engine maintenance services	12,524	10,313
Rendering of other services	1,244	1,091
Total	91,169	91,229

	2022 HK$M	2021 HK$M
Revenue from continuing operations recognised in the current reporting period that was related to the contract liability balance at the beginning of the year	1,016	671

Of the contract liabilities of HK$1,337 million outstanding at 31st December 2022 (2021: HK$1,293 million), HK$1,212 million (2021: HK$1,113 million) is expected to be recognised as revenue within one year and the remaining balance of HK$125 million (2021: HK$180 million) after one year.

4. Revenue (continued)

The following table shows unsatisfied performance obligations resulting from contracts with customers.

	2022 HK$M	2021 HK$M
Aggregate amount of transaction prices allocated to revenue contracts that are partly or fully unsatisfied at the end of the year	3,057	3,278

Of the amount disclosed above at 31st December 2022, HK$2,963 million (2021: HK$3,048 million) is expected to be recognised as revenue within one year.

5. Other Net Gains

	Note	2022 HK$M	2021 HK$M
Gain on disposals of subsidiary companies		520	137
Gain on disposal of a joint venture company		–	448
Gain arising from the acquisition of an interest in a joint venture company		–	24
Gain on partial disposal and deemed disposal of an associated company		64	–
Gain on disposals of investment properties		31	1,028
(Loss)/gain on disposals of property, plant and equipment		(11)	132
Gain on disposals of assets classified as held for sale		20	36
Change in fair value of assets classified as held for sale		48	42
Net foreign exchange gains/(losses)		250	(9)
Fair value gains/(losses) on investments at fair value through profit or loss		7	(5)
Fair value (losses)/gains on cross-currency swaps transferred from cash flow hedge reserve		(190)	9
Fair value gains on forward foreign exchange contracts not qualifying as hedges		1	1
Impairment charges recognised on			
– property, plant and equipment	14	(150)	(55)
– right-of-use assets		(33)	–
– intangible assets	16	(369)	–
– goodwill in respect of interest in an associated company	20(b)	(163)	–
Dividend income on equity investments		2	3
Government subsidies		323	508
Other income		308	271
Total		658	2,570

6. Expenses by Nature

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

	Note	2022 HK$M	2021 HK$M (Restated)
Direct rental outgoings in respect of investment properties*		2,997	3,062
Cost of goods sold		42,398	42,137
Write-down of stocks and work in progress		211	184
Impairment charges on trade receivables		54	23
Depreciation of property, plant and equipment	14	2,628	2,749
Depreciation of right-of-use assets			
– leasehold land held for own use		30	31
– land use rights		48	49
– property		844	901
– plant and equipment		40	51
Amortisation of			
– intangible assets	16	284	242
– initial leasing costs in respect of investment properties		79	35
– others		12	13
Staff costs		17,560	16,872
Other lease expenses**		178	112
Auditors' remuneration			
– audit services		59	59
– tax services		6	9
– other services		20	8
Other expenses		13,362	13,233
Total cost of sales, distribution costs, administrative expenses and other operating expenses		80,810	79,770

* Direct rental outgoings in respect of investment properties include impairment charges relating to ECL on forgiveness of lease payments of operating lease receivables, i.e. rent concession granted to tenants during the year, under HKFRS 9 of HK$319 million (2021 (restated): HK$432 million).

** These expenses relate to short-term leases, leases of low-value assets and leases with variable payments, net of rent concessions received of HK$44 million (2021: HK$83 million). They are directly charged to the consolidated statement of profit or loss and are not included in the measurement of lease liabilities under HKFRS 16.

7. Segment Information

The Group is organised on a divisional basis: Property, Beverages, Aviation 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 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.

In 2021, the results of the SPO disposal group were presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as detailed in note 44.

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2022

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits/(losses) of joint venture companies HK$M	Share of profits/(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$M	Depreciation and amortisation charged to operating profit/(loss) HK$M
Continuing operations												
Property												
Property investment	12,302	38	8,266	(359)	171	1,018	–	(973)	8,123	6,576	7,290	(254)
Change in fair value of investment properties	–	–	810	–	–	510	–	(1,042)	278	110	–	–
Property trading	921	–	209	–	1	(18)	66	(87)	171	140	89	–
Hotels	565	–	(259)	–	–	(67)	(54)	38	(342)	(280)	(280)	(181)
	13,788	**38**	**9,026**	**(359)**	**172**	**1,443**	**12**	**(2,064)**	**8,230**	**6,546**	**7,099**	**(435)**
Beverages												
Chinese Mainland	26,142	–	1,269	(53)	48	59	64	(372)	1,015	902	902	(1,168)
Hong Kong	2,330	2	221	(7)	–	–	–	(23)	191	191	191	(150)
Taiwan	2,123	–	176	(1)	–	–	–	(37)	138	138	138	(72)
USA	23,553	–	1,803	(69)	23	–	–	(365)	1,392	1,392	1,392	(782)
South East Asia	75	–	(48)	(5)	1	–	–	(5)	(57)	(57)	(57)	(7)
Central and other costs	–	–	(147)	–	4	(31)	–	–	(174)	(174)	(174)	–
	54,223	**2**	**3,274**	**(135)**	**76**	**28**	**64**	**(802)**	**2,505**	**2,392**	**2,392**	**(2,179)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	(2,947)	–	(2,947)	(2,947)	(2,947)	–
HAECO group#	13,828	–	270	(144)	29	391	–	(81)	465	185	185	(751)
Others	–	–	(32)	–	–	(6)	(281)	1	(318)	(310)	(310)	(46)
	13,828	**–**	**238**	**(144)**	**29**	**385**	**(3,228)**	**(80)**	**(2,800)**	**(3,072)**	**(3,072)**	**(797)**
Trading & Industrial												
Swire Resources	1,996	–	5	(13)	5	1	–	(3)	(5)	(5)	(5)	(285)
Taikoo Motors	5,636	–	226	(12)	1	–	–	(47)	168	168	168	(153)
Swire Foods#	1,520	68	(487)	(10)	2	–	–	(10)	(505)	(505)	(505)	(109)
Swire Environmental Services	169	–	57	–	–	–	–	(9)	48	48	48	(6)
Central costs	–	–	(13)	–	–	–	–	–	(13)	(13)	(13)	–
	9,321	**68**	**(212)**	**(35)**	**8**	**1**	**–**	**(69)**	**(307)**	**(307)**	**(307)**	**(553)**
Head Office, Healthcare and others												
Healthcare and others#	–	–	(168)	–	–	–	(170)	–	(338)	(338)	(338)	–
Net income/(expenses)	9	55	(354)	(1,212)	94	–	–	2	(1,470)	(1,470)	(1,470)	(1)
Others^	–	–	23	41	–	–	21	–	85	85	85	–
	9	**55**	**(499)**	**(1,171)**	**94**	**–**	**(149)**	**2**	**(1,723)**	**(1,723)**	**(1,723)**	**(1)**
Inter-segment elimination	**–**	**(163)**	**–**	**91**	**(91)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total – continuing operations	**91,169**	**–**	**11,827**	**(1,753)**	**288**	**1,857**	**(3,301)**	**(3,013)**	**5,905**	**3,836**	**4,389**	**(3,965)**
Discontinued operations												
Swire Pacific Offshore group@	**524**	**–**	**(142)**	**(3)**	**–**	**–**	**–**	**(47)**	**(192)**	**(197)**	**(197)**	**–**

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

\# Impairment charges included under operating profit/(loss) in relation to the HAECO group, Qinyuan Bakery and Columbia China Healthcare were HK$65 million, HK$467 million and HK$163 million respectively.

^ Gain on partial disposal and deemed disposal of interest in Cadeler included under operating profit was HK$64 million.

@ The remeasurement gain in respect of the SPO disposal group was HK$556 million. The net gain for the year in respect of the SPO disposal group was HK$364 million.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2021 (Restated)

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits/(losses) of joint venture companies HK$M	Share of profits/(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$M	Depreciation and amortisation charged to operating profit/(loss) HK$M
Continuing operations												
Property												
Property investment	12,938	43	9,456	(582)	229	1,004	–	(1,352)	8,755	7,091	8,047	(215)
Change in fair value of investment properties	–	–	(1,931)	–	–	814	–	(644)	(1,761)	(1,492)	–	–
Property trading	2,443	–	492	(11)	1	120	–	2	604	493	(37)	–
Hotels	894	–	(174)	(14)	–	(70)	(82)	31	(309)	(252)	(234)	(212)
	16,275	**43**	**7,843**	**(607)**	**230**	**1,868**	**(82)**	**(1,963)**	**7,289**	**5,840**	**7,776**	**(427)**
Beverages												
Chinese Mainland	26,862	–	2,063	(60)	56	90	72	(619)	1,602	1,418	1,418	(1,180)
Hong Kong	2,395	2	242	(3)	–	–	–	(26)	213	213	213	(111)
Taiwan	2,071	–	172	(1)	1	–	–	(36)	136	136	136	(81)
USA	20,685	–	1,238	(83)	8	–	–	(174)	989	989	989	(752)
Central adjustments and other costs	1,912	–	(203)	–	3	(7)	–	–	(207)	(207)	(207)	–
	53,925	**2**	**3,512**	**(147)**	**68**	**83**	**72**	**(855)**	**2,733**	**2,549**	**2,549**	**(2,124)**
Aviation												
Cathay Pacific group#	–	–	–	–	–	–	(2,487)	–	(2,487)	(2,487)	(2,487)	–
HAECO group*	11,464	–	445	(156)	11	309	–	(198)	411	394	394	(808)
Others	–	–	108	–	–	(7)	(270)	–	(169)	(287)	(287)	(50)
	11,464	**–**	**553**	**(156)**	**11**	**302**	**(2,757)**	**(198)**	**(2,245)**	**(2,380)**	**(2,380)**	**(858)**
Trading & Industrial												
Swire Resources	2,106	–	(33)	(18)	2	–	–	7	(42)	(42)	(42)	(341)
Taikoo Motors	5,689	–	212	(13)	1	–	–	(40)	160	160	160	(151)
Swire Foods	1,624	63	(45)	(12)	3	–	–	(15)	(69)	(69)	(69)	(164)
Swire Environmental Services	134	–	63	–	–	4	–	(8)	59	59	59	(5)
Central costs	–	–	(13)	(1)	–	–	–	–	(14)	(14)	(14)	–
	9,553	**63**	**184**	**(44)**	**6**	**4**	**–**	**(56)**	**94**	**94**	**94**	**(661)**
Head Office, Healthcare and others												
Healthcare and others	–	–	(7)	–	–	–	(85)	–	(92)	(92)	(92)	–
Net income/(expenses)	12	52	(435)	(1,232)	129	–	–	2	(1,536)	(1,536)	(1,536)	(1)
Others^	–	–	448	–	–	14	19	–	481	481	481	–
	12	**52**	**6**	**(1,232)**	**129**	**14**	**(66)**	**2**	**(1,147)**	**(1,147)**	**(1,147)**	**(1)**
Inter-segment elimination	**–**	**(165)**	**–**	**129**	**(129)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total – continuing operations	**91,229**	**(5)**	**12,098**	**(2,057)**	**315**	**2,271**	**(2,833)**	**(3,070)**	**6,724**	**4,956**	**6,892**	**(4,071)**
Discontinued operations												
Swire Pacific Offshore group@	**1,601**	**5**	**30**	**(17)**	**11**	**–**	**(1)**	**(16)**	**7**	**12**	**12**	**(244)**

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

\# Post-tax impairment and related charges included under share of loss of the Cathay Pacific group were HK$333 million.

* Impairment charges included under operating profit/(loss) in relation to the HAECO group were HK$31 million.

^ The remaining continuing operations of Marine Services are included in Head Office – Others.

@ The remeasurement loss in respect of the SPO disposal group was HK$1,611 million. The loss for the year after taking account of the remeasurement loss in respect of the SPO disposal group was HK$1,604 million.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2022

	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	278,059	35,439	–	4,252	317,750	7,689
Property trading	9,911	2,762	285	164	13,122	–
Hotels	4,107	1,661	240	86	6,094	34
	292,077	**39,862**	**525**	**4,502**	**336,966**	**7,723**
Beverages						
Swire Coca-Cola	**40,504**	**1,189**	**1,742**	**3,106**	**46,541**	**2,464**
Aviation						
Cathay Pacific group	–	–	19,565	–	19,565	–
HAECO group	11,914	1,910	–	1,943	15,767	740
Others	3,911	2,805	–	–	6,716	–
	15,825	**4,715**	**19,565**	**1,943**	**42,048**	**740**
Trading & Industrial						
Swire Resources	869	37	–	275	1,181	183
Taikoo Motors	2,526	–	–	74	2,600	187
Swire Foods	665	3	–	368	1,036	63
Swire Environmental Services	112	–	–	42	154	3
Other activities	1	–	–	2	3	–
	4,173	**40**	**–**	**761**	**4,974**	**436**
Head Office, Healthcare and others	**950**	**–**	**1,985**	**1,302**	**4,237**	**1**
	353,529	45,806	23,817	11,614	434,766	11,364

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

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group^ (continued)

At 31st December 2021 (Restated)

	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	273,997	33,428	–	14,161	321,586	4,374
Property trading	8,058	2,717	219	548	11,542	–
Hotels	4,574	1,409	242	124	6,349	122
	286,629	**37,554**	**461**	**14,833**	**339,477**	**4,496**
Beverages						
Swire Coca-Cola	**31,612**	**1,263**	**1,834**	**3,791**	**38,500**	**3,377**
Aviation						
Cathay Pacific group	–	–	23,611	–	23,611	–
HAECO group	11,932	1,887	–	2,338	16,157	887
Others	3,942	2,812	–	–	6,754	–
	15,874	**4,699**	**23,611**	**2,338**	**46,522**	**887**
Trading & Industrial						
Swire Resources	881	35	–	237	1,153	144
Taikoo Motors	2,151	–	–	635	2,786	416
Swire Foods	1,277	4	–	296	1,577	162
Swire Environmental Services	65	–	–	29	94	4
Other activities	27	–	–	2	29	–
	4,401	**39**	**–**	**1,199**	**5,639**	**726**
Head Office, Healthcare and others	**460**	**–**	**2,499**	**733**	**3,692**	**–**
	338,976	**43,555**	**28,405**	**22,894**	**433,830**	**9,486**

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

^ Assets classified as held for sale from discontinued operations are excluded from the above analysis.

The assets relating to joint venture and associated companies include the 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 2022

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Inter-segment borrowings/ (advances) HK\$M	External borrowings HK\$M	Lease liabilities HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
Property							
Property investment	8,529	11,401	(8,136)	22,821	614	35,229	53,328
Property trading	1,326	20	7,781	1	–	9,128	721
Hotels	167	–	355	13	–	535	1,024
	10,022	**11,421**	**–**	**22,835**	**614**	**44,892**	**55,073**
Beverages							
Swire Coca-Cola	**15,710**	**1,492**	**4,731**	**25**	**801**	**22,759**	**495**
Aviation							
HAECO group	**3,831**	**370**	**2,123**	**77**	**2,390**	**8,791**	**1,912**
Trading & Industrial							
Swire Resources	661	24	(54)	–	391	1,022	–
Taikoo Motors	650	46	–	–	558	1,254	–
Swire Foods	389	11	(6)	–	160	554	–
Swire Environmental Services	61	–	–	–	2	63	–
Other activities	18	–	6	–	–	24	–
	1,779	**81**	**(54)**	**–**	**1,111**	**2,917**	**–**
Head Office, Healthcare and others	**798**	**37**	**(6,800)**	**45,436**	**–**	**39,471**	**–**
	32,140	**13,401**	**–**	**68,373**	**4,916**	**118,830**	**57,480**

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 2021 (Restated)

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Lease liabilities HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property							
Property investment	8,304	11,062	(5,762)	24,601	566	38,771	52,506
Property trading	1,336	21	5,412	–	–	6,769	861
Hotels	164	–	350	–	–	514	1,077
	9,804	**11,083**	**–**	**24,601**	**566**	**46,054**	**54,444**
Beverages							
Swire Coca-Cola	**15,998**	**1,237**	**1,195**	**779**	**834**	**20,043**	**501**
Aviation							
HAECO group	**2,962**	**632**	**1,660**	**104**	**2,571**	**7,929**	**2,160**
Trading & Industrial							
Swire Resources	642	24	(54)	–	497	1,109	–
Taikoo Motors	715	43	–	–	636	1,394	–
Swire Foods	422	21	(7)	–	233	669	–
Swire Environmental Services	27	1	–	–	3	31	–
Other activities	18	–	7	–	–	25	–
	1,824	**89**	**(54)**	**–**	**1,369**	**3,228**	**–**
Head Office, Healthcare and others	**706**	**(71)**	**(2,801)**	**36,065**	**–**	**33,899**	**–**
	31,294	**12,970**	**–**	**61,549**	**5,340**	**111,153**	**57,105**

^ Liabilities associated with assets classified as held for sale from discontinued operations are excluded from the above analysis.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of external revenue of the Group – Timing of revenue recognition from continuing operations

	Year ended 31st December 2022				Year ended 31st December 2021 (Restated)			
	At a point in time HK$M	Overtime HK$M	Rental income on leases HK$M	Total HK$M	At a point in time HK$M	Overtime HK$M	Rental income on leases HK$M	Total HK$M
Property								
Property investment	–	114	12,188	12,302	–	102	12,836	12,938
Property trading	921	–	–	921	2,443	–	–	2,443
Hotels	331	234	–	565	478	416	–	894
	1,252	348	12,188	13,788	2,921	518	12,836	16,275
Beverages								
Chinese Mainland	26,142	–	–	26,142	26,862	–	–	26,862
Hong Kong	2,330	–	–	2,330	2,395	–	–	2,395
Taiwan	2,123	–	–	2,123	2,071	–	–	2,071
USA	23,553	–	–	23,553	20,685	–	–	20,685
South East Asia	75	–	–	75	–	–	–	–
Central adjustment and other costs	–	–	–	–	1,912	–	–	1,912
	54,223	–	–	54,223	53,925	–	–	53,925
Aviation								
HAECO group	717	13,111	–	13,828	448	11,016	–	11,464
Trading & Industrial								
Swire Resources	1,996	–	–	1,996	2,106	–	–	2,106
Taikoo Motors	5,635	1	–	5,636	5,687	2	–	5,689
Swire Foods	1,485	35	–	1,520	1,574	50	–	1,624
Swire Environmental Services	–	169	–	169	–	134	–	134
	9,116	205	–	9,321	9,367	186	–	9,553
Head Office	–	9	–	9	–	12	–	12
Total	65,308	13,673	12,188	91,169	66,661	11,732	12,836	91,229

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong and the Chinese Mainland.

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

	Revenue		Non-current assets (Note)	
	2022 HK$M	2021 HK$M (Restated)	2022 HK$M	2021 HK$M
Hong Kong	17,559	17,404	238,429	237,767
Chinese Mainland and Taiwan	41,248	47,583	59,939	59,788
South East Asia	80	1,717	2,015	–
USA	31,266	24,261	15,642	15,275
Others	1,016	264	194	243
	91,169	91,229	316,219	313,073

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

8. Directors' and Executive Officers' 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 2022 HK$'000	Total 2021 HK$'000
Executive Directors								
G M C Bradley (from 25th August 2021)	6,548	2,287	119	1,441	2,287	9,071	21,753	4,172
M B Swire (until 24th August 2021)	–	–	–	–	–	–	–	10,384
D P Cogman	5,260	1,784	2,130	17	–	–	9,191	10,597
M J Murray (from 1st April 2021)	3,366	1,138	2,218	741	1,138	–	8,601	4,692
M M S Low (until 31st March 2021)	–	–	–	–	–	–	–	4,903
P Healy (from 25th August 2021)	5,841	2,099	2,146	1,285	2,099	595	14,065	2,861
Z P Zhang	2,067	1,308	737	611	–	–	4,723	4,200
Non-Executive Directors								
M Cubbon (until 12th May 2022)	–	–	–	–	–	–	–	–
G D McCallum (from 12th May 2022)	–	–	–	–	–	–	–	–
M B Swire (from 25th August 2021)	–	–	–	–	–	–	–	–
S C Swire (until 12th January 2023)	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
P K Etchells	1,151	–	–	–	–	–	1,151	1,151
T G Freshwater (until 12th May 2022)	250	–	–	–	–	–	250	690
C Lee	1,132	–	–	–	–	–	1,132	1,083
R W M Lee	750	–	–	–	–	–	750	750
E M Ngan (from 24th June 2022)	361	–	–	–	–	–	361	–
G R H Orr	1,344	–	–	–	–	–	1,344	1,276
Y Xu (from 25th August 2021)	690	–	–	–	–	–	690	244
B Y Zhang (from 24th June 2022)	361	–	–	–	–	–	361	–
Total 2022	29,121	8,616	7,350	4,095	5,524	9,666	64,372	N/A
Total 2021	24,570	5,359	6,611	2,185	–	8,278	N/A	47,003

Notes:
i. Independent Non-Executive Directors received fees as members of the Board and its committees. Executive Directors received salaries.
ii. Bonuses are not yet approved for 2022. The amounts disclosed above are related to services as Executive Directors for 2021 but paid and charged to the Group in 2022.
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 include the emoluments received from an associated company by a Director who was nominated by the Company to act as a director of the associated company.
v. An Executive Director took voluntary basic salary reductions during 2021.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	Year ended 31st December	
	2022	2021
Number of individuals:		
Executive Directors (note (i))	2	2
Executive Officers (note (ii))	3	3
	5	5

8. Directors' and Executive Officers' Emoluments (continued)

(b) Five highest paid individuals (continued)

Emoluments paid to the Executive Officers are as follows:

	Year ended 31st December	
	2022 HK$'000	2021 HK$'000
Cash:		
Salary	15,649	10,905
Bonus (note (iii))	6,602	4,747
Allowance and benefits	3,241	3,408
Non-cash:		
Retirement scheme contributions	5,437	2,183
Bonus paid into retirement scheme	1,069	2,573
Housing benefits	358	11,473
	32,356	35,289

Notes:
(i) Details of the emoluments paid to these Directors are included in the disclosure set out in note 8(a) above.
(ii) For the year ended 31st December 2021, an Executive Officer was appointed as an Executive Director with effect from 25th August 2021. Details of the aggregate of the emoluments paid to this Executive Director (including the emoluments paid to this Executive Director and disclosed in note 8(a) above) and the other two highest paid Executive Officers are set out above.
(iii) Bonuses are not yet approved for 2022. The amounts disclosed above are related to services as Executive Officers for 2021 but paid and charged to the Group in 2022.

The number of the above Executive Officers whose emoluments fell within the following bands:

	Year ended 31st December	
	2022	2021
HK$15,500,000 – HK$15,000,000	–	1
HK$13,500,000 – HK$13,000,000	1	–
HK$10,500,000 – HK$10,000,000	–	1
HK$10,000,000 – HK$9,500,000	2	1
	3	3

9. Net Finance Charges

Accounting Policy

Interest costs incurred are charged to the consolidated 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 recognised 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 on financial assets at fair value through profit or loss (FVPL) is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income (FVOCI) calculated using the effective interest method is recognised on a time proportion basis in the consolidated statement of profit or loss as part of finance income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income in other net gains/(losses). Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Refer to the table with the heading "Audited Financial Information" on page 73 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 consolidated statement of profit or loss, except to the extent that it relates to items recognised in the consolidated statement of 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.

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 recognised liabilities for potential tax exposures based on estimates of whether additional taxes will be due. If the Group concludes it is probable that a taxation authority will accept an uncertain tax treatment, the Group determines the taxable profit/(tax loss) consistently with the tax treatment used in the relevant income tax filings. If the Group concludes it is not probable that a taxation authority will accept an uncertain tax treatment, the Group reflects the effect of uncertainty for each uncertain tax treatment by using either (a) the most likely amount – the single most likely amount in a range of possible outcomes or (b) the expected value – the sum of the probability-weighted amounts in a range of possible outcomes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences affect the income tax and deferred tax provisions in the year in which the outcomes become known.

	Note	2022 HK$M	2021 HK$M (Restated)
Current taxation			
Hong Kong profits tax		**417**	791
Overseas tax		**1,584**	1,395
(Over)/under-provisions in prior years		**(48)**	35
		1,953	2,221
Deferred taxation	32		
Change in fair value of investment properties		**472**	437
Origination and reversal of temporary differences		**579**	412
Effect of change in tax rate in the USA		**9**	–
		1,060	849
		3,013	3,070

Hong Kong profits tax is calculated at 16.5% (2021: 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.

10. Taxation (continued)

The tax charge on the Group's profit before taxation from continuing operations differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

	2022 HK$M	2021 HK$M (Restated)
Profit before taxation	8,918	9,794
Calculated at a tax rate of 16.5% (2021: 16.5%)	1,471	1,616
Share of results of joint venture and associated companies	253	93
Effect of different tax rates in other countries	593	714
Effect of change in tax rate in the USA	9	–
Change in fair value of investment properties	189	592
Income not subject to tax	(100)	(373)
Expenses not deductible for tax purposes	356	382
Unused tax losses not recognised	222	136
Utilisation of previously unrecognised tax losses	(94)	(116)
Deferred tax assets written off	2	(1)
(Over)/under-provisions in prior years	(48)	35
Recognition of previously recognised tax losses	(21)	(173)
Withholding tax	215	192
Others	(34)	(27)
Tax charge	3,013	3,070

The Group's share of joint venture companies' tax charges of HK$620 million (2021 (restated): HK$630 million) and share of associated companies' tax charges from continuing operations of HK$379 million (2021: tax credits of HK$203 million) respectively are included in the share of results 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 59 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 declared by the Company's directors, where appropriate.

	2022 HK$M	2021 HK$M
First interim dividend paid on 7th October 2022 of HK$1.15 per 'A' share and HK$0.23 per 'B' share (2021: HK$1.00 and HK$0.20)	1,716	1,502
Second interim dividend declared on 9th March 2023 of HK$1.85 per 'A' share and HK$0.37 per 'B' share (2021 actual dividend paid: HK$1.60 and HK$0.32)	2,688	2,402
	4,404	3,904

12. Dividends (continued)

The second interim dividend is not accounted for in 2022 because it had not been declared or approved at the year-end date. The actual amount payable in respect of 2022 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2023 when declared. The actual amount payable in respect of the second interim dividend for 2022 is calculated based on the number of shares in issue at 9th March 2023.

The first interim dividend paid during the year ended 31st December 2022 does not include the amount of the dividend which would have been payable in respect of the shares of the Company which were repurchased prior to 9th September 2022 if those shares had not been so repurchased.

13. Earnings Per Share (Basic and Diluted)

Earnings per share from continuing operations is calculated by dividing the profit attributable to the Company's shareholders arising from the continuing operations of HK$3,836 million (2021 (restated): HK$4,956 million) by the daily weighted average number of 899,151,926 'A' shares and 2,975,555,658 'B' shares in issue during the year (2021: 905,206,000 'A' shares and 2,981,870,000 'B' shares), in the proportion five to one.

The calculation of earnings/(loss) per share from discontinued operations is calculated by dividing the profit attributable to the Company's shareholders arising from the discontinued operations of HK$359 million (2021: loss of HK$1,599 million) by the daily weighted average number of 899,151,926 'A' shares and 2,975,555,658 'B' shares in issue during the year (2021: 905,206,000 'A' shares and 2,981,870,000 '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 purchases in foreign currency 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.

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:

Property	2% to 5% per annum
Plant and machinery	5% to 34% 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 the consolidated statement of other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in the consolidated statement of other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the consolidated 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 consolidated statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

14. Property, Plant and Equipment (continued)

Critical Accounting Estimates and Judgments

At each reporting 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 charge is recognised to reduce the asset to its recoverable amount. Such impairment charges are recognised in the consolidated statement of profit or loss within other net gains/(losses).

In May 2019, the Xiamen municipal government advised the Company that construction of a new airport in the Xiang'an district of Xiamen had been approved by the Chinese Central Government. Management discussed with the Xiamen authorities the relocation of HAECO Xiamen's premises from their existing location to the new airport, which will represent a significant change to its operations in Xiamen. HAECO Xiamen is entitled to compensation in relation to the move to the new airport. The total net book value of HAECO Xiamen's property, plant and equipment and right-of-use assets in the Group as at 31st December 2022 was HK$2,043 million (2021: HK$1,691 million), some of which will be subject to relocation. In September 2021, HAECO Xiamen signed a Land Reclamation Agreement with the Xiamen authorities. Based on this agreement, the recoverable amounts of property, plant and equipment at the existing Xiamen airport that are affected by the relocation are in excess of the carrying value as at 31st December 2022. Management considers that the carrying value of HAECO Xiamen's property, plant and equipment and right-of-use assets is recoverable as at 31st December 2022.

	Note	Property HK$M	Plant and machinery HK$M	Total HK$M
Cost				
At 1st January 2022		19,466	25,568	45,034
Translation differences		(633)	(1,112)	(1,745)
Acquisition of subsidiary companies		168	375	543
Additions		713	2,285	2,998
Disposals		(33)	(955)	(988)
Net transfers from investment properties	15	1	–	1
Other net transfers		(9)	10	1
At 31st December 2022		19,673	26,171	45,844
Accumulated depreciation and impairment				
At 1st January 2022		8,127	14,369	22,496
Translation differences		(264)	(549)	(813)
Depreciation for the year	6	583	2,045	2,628
Impairment charges	5	45	105	150
Disposals		(18)	(795)	(813)
At 31st December 2022		8,473	15,175	23,648
Net book value				
At 31st December 2022		11,200	10,996	22,196

14. Property, Plant and Equipment (continued)

	Note	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost					
At 1st January 2021		20,025	23,798	17,863	61,686
Translation differences		253	389	102	744
Acquisition of a subsidiary company		–	12	–	12
Disposal of subsidiary companies		–	(25)	–	(25)
Additions		512	2,921	201	3,634
Disposals		(1,264)	(1,295)	(2,077)	(4,636)
Net transfers to investment properties	15	(59)	–	–	(59)
Transfer to assets classified as held for sale		(34)	(208)	(16,089)	(16,331)
Other net transfers		17	(24)	–	(7)
Revaluation surplus		16	–	–	16
At 31st December 2021		19,466	25,568	–	45,034
Accumulated depreciation and impairment					
At 1st January 2021		7,750	13,318	15,205	36,273
Translation differences		98	194	86	378
Disposal of subsidiary companies		–	(15)	–	(15)
Depreciation for the year^	6	684	2,067	223	2,974
Impairment charges	5	4	51	–	55
Disposals		(374)	(1,062)	(1,782)	(3,218)
Net transfers to investment properties	15	(9)	–	–	(9)
Transfer to assets classified as held for sale		(26)	(191)	(13,732)	(13,949)
Other net transfers		–	7	–	7
At 31st December 2021		8,127	14,369	–	22,496
Net book value					
At 31st December 2021		11,339	11,199	–	22,538

^ Depreciation for 2021 included depreciation from discontinued operations of HK$225 million.

Property and plant and machinery include amounts of HK$561 million (2021: HK$254 million) and HK$386 million (2021: HK$550 million) respectively which represent advance payments and deposits under contracts with third parties in respect of assets under construction.

15. Investment Properties

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings held for long-term rental yields or for capital appreciation or for both, and that are not occupied by the Group. Property held by the lessee as a right-of-use asset is classified and accounted for as an investment property when the rest of the definition of investment property is met.

Investment properties (including those under development) 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 2020 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 investment properties under development. Changes in fair values are recognised in the consolidated 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 consolidated 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 or leasehold land under right-of-use assets, and its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

Expenditure incurred in leasing out the Group's investment properties during development is deferred and amortised on a straight-line basis in the consolidated statement of profit or loss upon occupation of the property over a period not exceeding the terms of the leases.

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 2022. This valuation was carried out in accordance with the HKIS Valuation Standards 2020 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 2022		236,099	31,111	267,210
Translation differences		(3,279)	(168)	(3,447)
Disposal of subsidiary companies		–	(556)	(556)
Additions		566	6,753	7,319
Disposals		(269)	–	(269)
Transfer between categories		15,629	(15,629)	–
Net transfers to property, plant and equipment	14	(1)	–	(1)
Net transfers (to)/from right-of-use assets		(3)	2	(1)
Transfer to assets classified as held for sale		(474)	–	(474)
Net fair value (losses)/gains		(755)	1,565	810
		247,513	23,078	270,591
Add: initial leasing costs		177	–	177
At 31st December 2022		247,690	23,078	270,768
At 1st January 2021		238,796	27,337	266,133
Translation differences		1,142	13	1,155
Disposal of subsidiary companies		–	(132)	(132)
Additions		1,183	3,056	4,239
Disposals		(1,603)	–	(1,603)
Transfer between categories		1,131	(1,131)	–
Net transfers from property, plant and equipment	14	50	–	50
Net transfers from right-of-use assets		312	633	945
Transfer to assets classified as held for sale		(1,646)	–	(1,646)
Net fair value (losses)/gains		(3,266)	1,335	(1,931)
		236,099	31,111	267,210
Add: initial leasing costs		144	–	144
At 31st December 2021		236,243	31,111	267,354

Geographical Analysis of Investment Properties

	2022 HK$M	2021 HK$M
Held in Hong Kong		
On medium-term leases (10 to 50 years)	30,670	31,570
On long-term leases (over 50 years)	193,703	191,793
	224,373	223,363
Held in the Chinese Mainland		
On short-term leases (less than 10 years)	49	–
On medium-term leases (10 to 50 years)	41,120	39,203
	41,169	39,203
Held in the USA		
Freehold	5,049	4,644
	270,591	267,210

Additions include capital expenditure in response to climate change. Such expenditure is intended to reduce carbon emission and energy use, with a view to mitigating climate-related risks, and to meet carbon reduction targets.

15. Investment Properties (continued)

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 2022. 95% by value were valued by Cushman & Wakefield Limited and 2% 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 properties had already been completed at the valuation date). It also takes into account the construction cost already incurred and the estimated cost to be incurred to complete the project plus the developer's estimated profit and a 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 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 future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuers at least once every half year, in line with the Group's half year reporting dates.

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$M	Chinese Mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese Mainland HK$M	Total HK$M	Total HK$M
Level 2	1,141	193	–	1,334	5,761	–	5,761	7,095
Level 3	203,420	37,710	5,049	246,179	14,051	3,266	17,317	263,496
Total	204,561	37,903	5,049	247,513	19,812	3,266	23,078	270,591
Add: initial leasing costs								177
At 31st December 2022								270,768

	Completed				Under Development			
	Hong Kong HK$M	Chinese Mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese Mainland HK$M	Total HK$M	Total HK$M
Level 2	1,773	210	–	1,983	13,127	–	13,127	15,110
Level 3	190,479	38,993	4,644	234,116	17,984	–	17,984	252,100
Total	192,252	39,203	4,644	236,099	31,111	–	31,111	267,210
Add: initial leasing costs								144
At 31st December 2021								267,354

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.

15. Investment Properties (continued)

Fair value hierarchy (continued)

The above investment properties principally comprise commercial and residential properties completed and under development in Hong Kong and the Chinese Mainland. The Group has other investment property projects, principally the Brickell City Centre mall in Miami, which was completed in 2016. Because of the unique nature of the Group's investment properties, most of them are valued by reference to a level 3 fair value measurement.

The change in level 3 investment properties during the year is as follows:

	Completed				Under Development			
	Hong Kong HK$M	Chinese Mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese Mainland HK$M	Total HK$M	Total HK$M
At 1st January 2022	190,479	38,993	4,644	234,116	17,984	–	17,984	252,100
Translation differences	–	(3,261)	(1)	(3,262)	–	(168)	(168)	(3,430)
Additions	156	391	17	564	1,813	3,482	5,295	5,859
Transfers between categories	15,629	–	–	15,629	(6,170)	–	(6,170)	9,459
Net transfers to property, plant and equipment	(1)	–	–	(1)	–	–	–	(1)
Net transfers to right-of-use assets	(3)	–	–	(3)	–	–	–	(3)
Net fair value (losses)/gains	(2,840)	1,587	389	(864)	424	(48)	376	(488)
At 31st December 2022	203,420	37,710	5,049	246,179	14,051	3,266	17,317	263,496

	Completed				Under Development			
	Hong Kong HK$M	Chinese Mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese Mainland HK$M	Total HK$M	Total HK$M
At 1st January 2021	195,804	34,615	4,799	235,218	14,533	886	15,419	250,637
Translation differences	–	1,107	29	1,136	–	13	13	1,149
Additions	321	819	42	1,182	2,554	92	2,646	3,828
Disposals	–	(7)	(456)	(463)	–	–	–	(463)
Transfers between categories	445	1,131	–	1,576	–	(1,131)	(1,131)	445
Net transfers from property, plant and equipment	33	–	–	33	–	–	–	33
Net transfers from right-of-use assets	311	–	–	311	–	–	–	311
Net fair value (losses)/gains	(6,435)	1,328	230	(4,877)	897	140	1,037	(3,840)
At 31st December 2021	190,479	38,993	4,644	234,116	17,984	–	17,984	252,100

15. Investment Properties (continued)

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

At 31st December 2022	Valuation technique	Market rent per month[1] HK$ per sq. ft. (lettable) 2022	Capitalisation rates 2022
Completed			
Hong Kong	Income capitalisation	Mid 10's-Low 500's	2.50%-4.75%
Chinese Mainland	Income capitalisation	Less than 10-Mid 200's	5.50%-6.25%
USA	Income capitalisation	Less than 10-Low 70's	5.00%-5.50%
Under development			
Hong Kong	Residual[2]	Low 60's-Low 100's	1.20%-3.75%
Chinese Mainland	Sales comparison	–	–

At 31st December 2021	Valuation technique	Market rent per month[1] HK$ per sq. ft. (lettable) 2021	Capitalisation rates 2021
Completed			
Hong Kong	Income capitalisation	Less than 10-Low 500's	2.50%-4.88%
Chinese Mainland	Income capitalisation	Less than 10-High 200's	6.00%-6.75%
USA	Income capitalisation	Less than 10-Low 70's	5.00%-5.50%
Under development			
Hong Kong	Residual[2]	Low 60's-High 70's	3.63%-3.75%

Note 1: Market rent is determined in accordance with the definition of that term in the HKIS Valuation Standards 2020 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.

16. Intangible Assets

Accounting Policy

(a) Goodwill
Goodwill represents the excess of the consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquired asset 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, is translated at the period-end closing rate.

Goodwill is stated at cost less accumulated impairment. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment charges recognised in respect of 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 into 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 expenses 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).

(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 ten years to forty years.

Service, franchise and operating rights that have an indefinite useful life are not subject to amortisation 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 7.5 to 15 years.

16. 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 2022		8,124	1,171	5,958	1,000	269	16,522
Translation differences		(205)	(39)	(235)	(1)	(4)	(484)
Acquisition of subsidiary companies		286	2	1,054	–	3	1,345
Additions		–	146	143	–	11	300
Disposals		–	(35)	–	–	–	(35)
Other transfers		–	(37)	–	–	37	–
At 31st December 2022		8,205	1,208	6,920	999	316	17,648
Accumulated amortisation and impairment							
At 1st January 2022		1,310	692	431	558	136	3,127
Translation differences		(2)	(24)	–	(1)	(3)	(30)
Amortisation for the year	6	–	114	90	55	25	284
Impairment charges	5	367	2	–	–	–	369
Disposals		–	(32)	–	–	–	(32)
Other transfers		–	(24)	–	–	24	–
At 31st December 2022		1,675	728	521	612	182	3,718
Net book value							
At 31st December 2022		6,530	480	6,399	387	134	13,930

	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 2021		8,109	1,108	5,628	1,018	262	16,125
Translation differences		81	14	101	6	2	204
Acquisition of a subsidiary company		–	–	–	–	6	6
Disposal of a subsidiary company		(58)	(1)	–	(32)	(1)	(92)
Additions		–	194	229	–	–	423
Disposals		–	(38)	–	–	–	(38)
Transfer to assets classified as held for sale		–	(107)	–	–	–	(107)
Other transfers		(8)	1	–	8	–	1
At 31st December 2021		8,124	1,171	5,958	1,000	269	16,522
Accumulated amortisation and impairment							
At 1st January 2021		1,343	696	366	514	110	3,029
Translation differences		7	9	2	3	–	21
Disposal of a subsidiary company		(40)	(1)	–	(15)	–	(56)
Amortisation for the year^	6	–	106	63	56	26	251
Disposals		–	(25)	–	–	–	(25)
Transfer to assets classified as held for sale		–	(94)	–	–	–	(94)
Other transfers		–	1	–	–	–	1
At 31st December 2021		1,310	692	431	558	136	3,127
Net book value							
At 31st December 2021		6,814	479	5,527	442	133	13,395

^ Amortisation for 2021 included amortisation from discontinued operations of HK$9 million.

16. Intangible Assets (continued)

Impairment test of goodwill and indefinite-lived franchise rights

Critical Accounting Estimates and Judgements

The Group recognised HK$3,510 million of goodwill when it took control of HAECO in 2010. The goodwill is attributable to HAECO's businesses in Hong Kong and the Chinese Mainland 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 Group believes that 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 rights may be impaired. These tests require the use of estimates to calculate recoverable amounts.

The recoverable amount of goodwill or any indefinite-lived franchise rights attributable to CGUs 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 historical results. The discount rates used at 31st December 2022 were between 7.5% and 13.5% (2021: 7.5% and 12.5%). These discount rates are pre-tax and reflect the specific risks relating to the relevant CGUs.

Details of the recoverable amount of goodwill allocated to the HAECO Hong Kong and Chinese Mainland businesses, which is subject to higher degrees of uncertainty and sensitivity to changes in external conditions, are set out in note 16(a).

Goodwill is allocated to the Group's CGUs, after impairment, identified by divisional business segment and geographic location.

	Note	2022 HK$M	2021 HK$M
HAECO – Hong Kong and Chinese Mainland	a	3,510	3,510
HAECO – USA	b	283	283
Swire Coca-Cola – Hong Kong and Chinese Mainland	c	2,218	2,421
Swire Coca-Cola – USA		233	233
Swire Coca-Cola – South East Asia	d, 42	286	–
Trading & Industrial		–	367
		6,530	6,814

Notes:

(a) The recoverable amount of HAECO's businesses in Hong Kong and the Chinese Mainland has been determined using a value in use calculation. The recoverable amount represents the present value of estimates of cash flow projections covering a five-year period based on financial budgets prepared by management. The five-year forecast is considered appropriate for the business taking into account expected business recovery and growth plans and modest productivity improvements, with reference to internal and external evidence. A weighted average pre-tax discount rate of 12.0% (2021: 10.0%) has been applied and cash flows beyond the five-year period are assumed not to grow by more than 3.0% (2021: 2.0%) per annum. The results of the impairment test using these assumptions show that the recoverable amount exceeds the carrying amount by approximately 7% at 31st December 2022 (2021: 9%). The Group therefore concluded that no impairment was required to the goodwill allocated to HAECO's businesses in Hong Kong and the Chinese Mainland at 31st December 2022. The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. There is significant uncertainty over the shape and timing of the recovery in demand for aircraft maintenance services, which could give rise to possible impairments in future periods. A 100 basis-points increase in discount rate would decrease the estimated recoverable amount by HK$1,161 million. A 0.5% decrease in gross profit margin would decrease the estimated recoverable amount by HK$275 million. A one-year delay in business recovery to pre-COVID-19 levels would decrease the estimated recoverable amount by HK$680 million. Each of these sensitivities is based on an unfavourable change in an assumption while holding other assumptions constant.

(b) The recoverable amount of this CGU is derived on a value in use basis using financial budgets and plans prepared by management. Management applied a pre-tax discount rate of 13.5% (2021: 12.0%) and assumed growth of no more than 2.0% (2021: 0.5%) per annum for cash flows beyond the forecast period. Reasonably possible changes in the key assumptions would not result in an impairment.

16. Intangible Assets (continued)

Impairment test of goodwill and indefinite-lived franchise rights (continued)

(c) Goodwill attributable to Swire Coca-Cola's businesses in Hong Kong and the Chinese Mainland relates to the acquisitions of new franchise territories and additional equity interests in existing franchise territories in previous years. The goodwill arose from the assembled workforce and synergies expected to be derived from back office and supply chain alignment. The recoverable amount of Swire Coca-Cola's businesses in Hong Kong and the Chinese Mainland has been determined using a value in use calculation. The 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 11.5% (2021: 9.5%). Cash flows beyond the five-year period are assumed not to grow by more than 2.0% (2021: 0.5%) per annum. Reasonably possible changes in the key assumptions would not result in an impairment.

(d) The recoverable amount of this CGU is derived on a value in use basis using financial budgets and plans prepared by management. A ten-year forecast in determining the recoverable amount of this CGU is considered appropriate in order to take into account the new growth opportunity. Management applied a pre-tax discount rate of 13.2% and assumed growth of no more than 5.0% per annum for cash flows beyond the ten-year period. Reasonably possible changes in the key assumptions may result in an impairment charge.

17. Right-of-use Assets

Accounting Policy

The Group (acting as lessee) leases land, offices, warehouses, retail stores and equipment. Except for certain long-term leasehold land in Hong Kong, rental contracts are typically made for fixed periods of 1 to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

Leases are recognised by lessees as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated 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 financial period.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;
– variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date;
– amounts expected to be payable by the lessee under residual value guarantees;
– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
– payment of penalties for terminating the lease, if the lease term used in the computation assumes the lessee exercises an option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability;
– any lease payments made at or before the commencement date less any lease incentives received;
– any initial direct costs; and
– restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. However, if the ownership of the underlying asset is expected to be transferred to the Group by the end of the lease term and if the cost of the right-of-use asset has already included the exercise price of a purchase option, depreciation is calculated on a straight-line basis to write off cost over the anticipated useful life of the underlying asset to its estimated residual value.

Payments by lessees associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as expenses in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

17. Right-of-use Assets (continued)

The recognised right-of-use assets relate to the following types of assets:

	2022 HK$M	2021 HK$M
Leasehold land held for own use	2,951	2,811
Land use rights	1,033	1,180
Property	4,023	4,412
Plant and equipment	110	176
Total	8,117	8,579

The Group is the registered owner or occupant of its leasehold land and land use rights. Upfront payments were made to acquire these interests in land and there are no ongoing payments to be made under the terms of the land leases (so that no lease liabilities are recognised) except government rents and rates and other payments to the relevant government authorities, which may vary from time to time. Details relating to these interests in land are as follows:

	2022		2021	
	Leasehold land held for own use HK$M	Land use rights HK$M	Leasehold land held for own use HK$M	Land use rights HK$M
Held in Hong Kong				
On medium-term leases (10 to 50 years)	432	4	449	15
On long-term leases (over 50 years)	2,332	–	2,343	–
Held outside Hong Kong				
On medium-term leases (10 to 50 years)	187	1,029	19	1,165
	2,951	1,033	2,811	1,180

Lease arrangements for other types of assets are negotiated on an individual asset basis and contain a wide range of different terms and conditions, including as to lease payments and lease terms.

Additions to right-of-use assets and additions to right-of-use assets arising from acquisition of subsidiary companies during the year ended 31st December 2022 were HK$629 million and HK$206 million (2021: HK$1,115 million and HK$1 million) respectively.

During the year ended 31st December 2022, total cash outflow for leases was included in the consolidated statement of cash flows as (a) interest paid of HK$182 million (2021: HK$193 million) under "operating activities", (b) payment for short-term and low-value assets leases and variable lease payments of HK$178 million (2021: HK$112 million) recorded in cash generated from operations under "operating activities", and (c) principal elements of lease payments of HK$880 million (2021: HK$971 million) under "financing activities".

18. Properties Held for Development

Accounting Policy

Properties held for development comprise freehold land at cost and related costs of preliminary works, 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.

	2022 HK$M	2021 HK$M
Properties held for development		
Freehold land	987	986
Development costs	221	221
	1,208	1,207

19. 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 208 to 217.

Swire Pacific Limited has a material non-controlling interest (of 18%) in one subsidiary company, Swire Properties Limited (Swire Properties). There are no significant differences between the recognised financial information presented in the table below and the corresponding information in the separate consolidated financial statements of Swire Properties.

Summarised Statement of Financial Position

	Swire Properties At 31st December 2022 HK$M	Swire Properties At 31st December 2021 HK$M (Restated)
Current:		
Assets	17,709	25,295
Liabilities	10,986	19,014
Total current net assets	6,723	6,281
Non-current:		
Assets	319,257	314,182
Liabilities	33,906	27,040
Total non-current net assets	285,351	287,142
Net assets	292,074	293,423
Net assets allocated to non-controlling interests	52,573	52,816

Summarised Statement of Profit or Loss

	Swire Properties For the year ended 31st December 2022 HK$M	Swire Properties For the year ended 31st December 2021 HK$M (Restated)
Revenue	13,826	16,318
Profit for the year attributable to shareholders	7,983	7,124
Other comprehensive (loss)/income	(4,778)	1,678
Total comprehensive income attributable to shareholders	3,205	8,802
Total comprehensive income allocated to non-controlling interests	577	1,584
Dividends paid to non-controlling interests	1,011	969

19. Subsidiary Companies (continued)

Summarised Statement of Cash Flows

	Swire Properties	
	For the year ended 31st December	
	2022 HK$M	2021 HK$M
Net cash generated from operating activities	4,756	5,045
Net cash used in investing activities	(7,999)	(3,196)
Net cash used in financing activities	(6,547)	(8,371)
Net decrease in cash and cash equivalents	(9,790)	(6,522)
Cash and cash equivalents at 1st January	14,833	21,202
Effect of exchange differences	(541)	153
Cash and cash equivalents at 31st December	4,502	14,833

20. Interests in Joint Venture and Associated Companies

Accounting Policy

Joint venture companies are those companies interests in which are held for the long term and 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 interests 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 interests in joint venture and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

Critical Accounting Estimates and Judgements

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 associated company is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in the consolidated statement of profit or loss equal to the amount by which the carrying amount is higher than the higher of the investment's fair value less costs of disposal and value in use. Any reversal of such impairment loss in subsequent periods is credited to the consolidated statement of profit or loss.

20. Interests in Joint Venture and Associated Companies (continued)

The Group's interest in HAESL, a joint venture company of the Group

The Group's interest in joint venture companies includes HK$4,281 million in respect of the Group's interest in HAESL.

The recoverable amount has been determined using a value in use calculation representing the present value of estimates of cash flow projections covering a five-year period based on financial budgets prepared by management. A pre-tax discount rate of 12.2% (2021: 9.7%) has been applied and cash flows beyond the five-year period are assumed not to grow by more than 3.0% (2021: 2.0%) per annum.

The results of the impairment test using these assumptions show that the recoverable amount approximates the carrying amount at 31st December 2022. The Group therefore concluded that no impairment was required in respect of the Group's interest in HAESL at 31st December 2022.

The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. There is significant uncertainty over the shape and timing of the recovery in demand for engine maintenance services, which could give rise to possible impairments in future periods.

A 100 basis-points increase in discount rate would decrease the estimated recoverable amount by HK$503 million. A one-year delay in business recovery to pre-COVID-19 levels would decrease the estimated recoverable amount by HK$418 million. Each of these sensitivities is based on an unfavorable change in an assumption while holding the other assumption constant.

The Group's interest in Cathay Pacific, an associated company of the Group

The carrying amount of the Group's interest in Cathay Pacific at 31st December 2022 was HK$19,565 million (2021: HK$23,611 million). The market value of the shares held in Cathay Pacific at 31st December 2022 was HK$24,680 million (2021: HK$18,510 million).

The recoverable amount of the interest in Cathay Pacific is determined based on a value in use calculation using ten-year cash flow projections based on financial budgets approved by its board and future business plans.

A ten-year forecast is considered appropriate for airline operations in order to take into account expected growth plans and productivity improvements. An estimated pre-tax discount rate of 9.5% (2021: 7.3%) has been applied and cash flows beyond the ten-year period are extrapolated using a general annual growth rate of 3.0% (2021: 2.25%).

The results of the impairment test using these assumptions show that the recoverable amount exceeds the carrying amount at 31st December 2022. Management of the Group considered more conservative assumptions by reducing the terminal growth rate to 1.5% (2021: 1.0%). This also indicated headroom above the carrying amount. The Group therefore concluded that no impairment was required in respect of the Group's interest in Cathay Pacific.

The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. There is significant uncertainty over the shape and timing of the recovery in travel demand, which could give rise to possible impairments in future periods.

A 100 basis-points increase in the discount rate or a one-year delay in recovery of passenger travel to pre-COVID-19 levels would not reduce the estimated recoverable amount to below its carrying value. This sensitivity is based on an unfavorable change in the relevant assumption while holding other assumptions constant.

20. Interests in Joint Venture and Associated Companies (continued)

(a) Interests in joint venture companies

	2022 HK$M	2021 HK$M (Restated)
Share of net assets, unlisted	29,279	27,019
Goodwill	1,067	800
Joint venture companies	30,346	27,819
Loans due from joint venture companies less provisions		
– Interest-free	13,432	13,498
– Interest-bearing at 1.7% to 6.5% (2021: 0.9% to 6.5%)	2,028	2,238
	15,460	15,736

The loans due from joint venture companies are unsecured and have no fixed terms of repayment.

On 15th December 2022, Swire Properties group entered into three Master Agreements with Sino-Ocean Group Holding Limited and its subsidiaries (Sino-Ocean Group) to purchase in aggregate 50% interests in existing joint venture companies in Sino-Ocean Taikoo Li Chengdu for a total cash consideration of RMB5,550 million. In accordance with the Master Agreements and subject to certain conditions being satisfied:

– the Group agreed to acquire 15% interests in these joint venture companies under the first Master Agreement; and

– the Group agreed to acquire 35% interests in these joint venture companies under the second and third Master Agreements.

The first Master Agreement was completed in December 2022. The second and third Master Agreements were completed in February 2023.

RMB1,000 million of the total cash consideration was paid in 2022. The remaining RMB4,550 million was paid in February 2023. At 31st December 2022, these joint venture companies were still under the joint control of the Swire Properties group.

The Group's share of the assets and liabilities and results of joint venture companies is summarised below:

	2022 HK$M	2021 HK$M (Restated)
Non-current assets	55,387	55,830
Current assets	12,594	8,099
Current liabilities	(9,935)	(5,488)
Non-current liabilities	(28,767)	(31,422)
Net assets	29,279	27,019
Revenue	17,304	14,461
Expenses	(14,827)	(11,560)
Profit before taxation	2,477	2,901
Taxation	(620)	(630)
Profit for the year	1,857	2,271
Other comprehensive (loss)/income	(1,846)	609
Total comprehensive income for the year	11	2,880

Capital commitments and contingencies in respect of joint venture companies are disclosed in notes 38(a) and 39(a) respectively.

20. Interests in Joint Venture and Associated Companies (continued)

(b) Interests in 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.

	2022 HK$M	2021 HK$M
Share of net assets		
– Listed in Hong Kong	18,808	22,854
– Listed in Oslo	662	884
– Unlisted	2,856	3,144
	22,326	26,882
Goodwill	1,360	1,523
Associated companies	23,686	28,405
Loans due from associated companies less provisions		
– Interest-free	12	–
– Interest-bearing at 6.4% to 10.0% (2021: Nil)	119	–
	131	–

The loans due from associated companies are unsecured and have no fixed terms of repayment, except for part of an interest-bearing loan due from an associated company of HK$40 million which is repayable in 2027.

In August 2020, Cathay Pacific undertook a HK$39 billion recapitalisation involving an issuance of preference shares and warrants, a rights issue of ordinary shares and a bridge loan facility. The Company subscribed in full for its entitlement under the rights issue, at a cost of HK$5,272 million. In February 2021, Cathay Pacific completed an issue of convertible bonds in an amount of HK$6.74 billion. Full conversion of these bonds and full exercise of the warrants issued by Cathay Pacific in 2020 would reduce the interest of the Company in the ordinary shares of Cathay Pacific from 45% to 38%. The carrying amount of the Group's interest in Cathay Pacific has been adjusted so as to exclude unpaid preference share dividends of Cathay Pacific.

20. Interests in Joint Venture and Associated Companies (continued)

(b) Interests in associated companies (continued)

On 16th January 2023, Air China issued 1,676 million new A shares to other investors at an average share price of RMB8.95 for a total consideration of RMB15 billion. Consequently, Cathay Pacific's interest was diluted and reduced from 18.13% to 16.26%. This had no impact to the results of the Cathay Pacific group for the year ended 31st December 2022. Cathay Pacific continues to hold Air China as an associated company. The dilution is expected to result in a gain from the deemed partial disposal. The amount of the gain will be finalised once Air China's financial information for relevant subsequent periods is made available to Cathay Pacific.

In October 2022, DeltaHealth China Limited completed an issuance of convertible notes in an amount of US$20 million with an interest rate of 10% per annum and the Group subscribed for convertible notes of HK$79 million. The notes are convertible to preferred shares. The note is measured at fair value through profit or loss and carried at its fair value of HK$79 million as at 31st December 2022, which is categorised within level 3 of the fair value hierarchy.

An impairment of goodwill of HK$163 million was recognised at Columbia China Healthcare during the year ended 31st December 2022, taking into account the latest forecast of demand for its services. The recoverable amount has been determined using a value in use calculation representing the present value of estimates of cash flow projections covering a ten-year period based on the financial budgets prepared by management. A ten-year forecast is considered appropriate in order to take into account expected growth plans for the hospitals and senior housing operated by Columbia China Healthcare which were opened in recent years. A pre-tax discount rate of 10.5% has been applied and cash flows beyond the ten-year period are assumed not to grow by more than 3.0% per annum.

The market value of the Group's interest in Cadeler at 31st December 2022 was HK$902 million (2021: HK$1,260 million).

The principal associated companies of the Group are shown on pages 208 to 217. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 218 and 219.

The Group's share of assets and liabilities and results of associated companies is summarised below:

	2022 HK$M	2021 HK$M
Non-current assets	70,743	76,881
Current assets	14,158	16,228
Current liabilities	(14,198)	(10,617)
Non-current liabilities	(39,360)	(46,592)
Non-controlling interests	(5)	(6)
Preference share and convertible bonds issued	(9,012)	(9,012)
Net assets	22,326	26,882
Revenue	26,749	24,113
Expenses	(29,671)	(27,149)
Loss before taxation	(2,922)	(3,036)
Taxation	(379)	203
Loss for the year	(3,301)	(2,833)
Other comprehensive (loss)/income	(1,067)	1,863
Total comprehensive loss for the year	(4,368)	(970)

During the year ended 31st December 2021, the Group's share of results of Cathay Pacific included the post-tax share of impairment and related charges of HK$333 million.

Contingencies in respect of Cathay Pacific are disclosed in note 39(b).

21. Financial Instruments by Category

Accounting Policy

Financial Assets

(a) Classification
The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through the consolidated statement of other comprehensive income or through the consolidated statement of profit or loss), and

– those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in the consolidated statement of profit or loss or the consolidated statement of other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in relation to which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition
Purchases and sales of financial assets are recognised on their trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement
At initial recognition, except for trade debtors, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs in respect of financial assets at FVPL are expensed in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments:
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other net gains/(losses) together with foreign exchange gains and losses.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in other net gains/(losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other net gains/(losses).

21. Financial Instruments by Category (continued)

Accounting Policy (continued)

Financial Assets (continued)

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of profit or loss and presented net within other net gains/(losses) in the period in which it arises.

Equity instruments:
The Group subsequently measures all equity investments at fair value. Dividends from such investments are recognised in the consolidated statement of profit or loss as other net gains/(losses) when the Group's right to receive payments is established. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit or loss following the derecognition of the investment.

Changes in the fair value of equity investments at FVPL are recognised in other net gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets.

The measurement of expected credit losses of operating lease receivable includes consideration of expectations of forgiveness of lease income recognised as part of the relevant receivable.

Financial Liabilities

The Group classifies its financial liabilities in the following measurement categories:

(i) At fair value through profit or loss
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 the consolidated statement of profit or loss.

(ii) Derivatives used for hedging
Derivative instruments are classified within this category if they qualify for hedge accounting.

(iii) Amortised cost
This category comprises non-derivative financial liabilities with fixed or determinable payments and fixed maturities.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the financial statements where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

21. 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$M	At fair value through other comprehensive income HK$M	Derivatives used for hedging 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 2022							
Loans due from joint venture companies	20(a)	–	–	–	15,460	15,460	15,460
Loans due from associated companies	20(b)	79	–	–	52	131	131
Investments at fair value	22	676	365	–	–	1,041	1,041
Derivative financial assets	23	2	–	152	–	154	154
Trade and other receivables excluding prepayments	26	–	–	–	8,754	8,754	8,754
Bank balances and short-term deposits	27	–	–	–	11,614	11,614	11,614
Total		757	365	152	35,880	37,154	37,154
At 31st December 2021 (Restated)							
Loans due from joint venture companies	20(a)	–	–	–	15,736	15,736	15,736
Investments at fair value	22	638	247	–	–	885	885
Derivative financial assets	23	8	–	280	–	288	288
Trade and other receivables excluding prepayments	26	–	–	–	8,569	8,569	8,569
Bank balances and short-term deposits	27	–	–	–	22,894	22,894	22,894
Total		646	247	280	47,199	48,372	48,372

	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Liabilities as per consolidated statement of financial position						
At 31st December 2022						
Trade and other payables excluding non-financial liabilities	29	2,313	–	26,648	28,961	28,961
Derivative financial liabilities	23	95	130	–	225	225
Short-term loans	30	–	–	25	25	25
Long-term loans and bonds due within one year	30	–	–	10,219	10,219	10,217
Lease liabilities due within one year	31	–	–	776	776	776
Long-term loans and bonds due after one year	30	–	–	58,129	58,129	55,646
Lease liabilities due after one year	31	–	–	4,140	4,140	4,140
Total		2,408	130	99,937	102,475	99,990
At 31st December 2021						
Trade and other payables excluding non-financial liabilities	29	2,169	–	25,917	28,086	28,086
Derivative financial liabilities	23	77	125	–	202	202
Short-term loans	30	–	–	26	26	26
Long-term loans and bonds due within one year	30	–	–	17,257	17,257	17,411
Lease liabilities due within one year	31	–	–	831	831	831
Long-term loans and bonds due after one year	30	–	–	44,266	44,266	44,216
Lease liabilities due after one year	31	–	–	4,509	4,509	4,509
Total		2,246	125	92,806	95,177	95,281

21. Financial Instruments by Category (continued)

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 then 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 contingent considerations approximate their fair values.

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 2022					
Equity investments at fair value through other comprehensive income	22(a)				
– Listed investments		152	–	–	152
– Unlisted investments		–	–	213	213
Equity investments at fair value through profit or loss	22(b)				
– Listed investments		6	–	–	6
– Unlisted investments		–	–	537	537
Debt investments at fair value through profit or loss	22(c)				
– Convertible notes, unlisted		–	–	133	133
Derivative financial assets	23	–	154	–	154
Total		158	154	883	1,195
At 31st December 2021					
Equity investments at fair value through other comprehensive income	22(a)				
– Listed investments		165	–	–	165
– Unlisted investments		–	–	82	82
Equity investments at fair value through profit or loss	22(b)				
– Listed investments		4	–	–	4
– Unlisted investments		–	–	508	508
Debt investments at fair value through profit or loss	22(c)				
– Convertible notes, unlisted		–	–	126	126
Derivative financial assets	23	–	288	–	288
Total		169	288	716	1,173
Liabilities as per consolidated statement of financial position					
At 31st December 2022					
Derivative financial liabilities	23	–	225	–	225
Put option over a non-controlling interest in the USA	29	–	–	590	590
Put option over a non-controlling interest in a subsidiary company	29	–	–	69	69
Contingent consideration	29	–	–	1,654	1,654
Total		–	225	2,313	2,538
At 31st December 2021					
Derivative financial liabilities	23	–	202	–	202
Put option over a non-controlling interest in the USA	29	–	–	551	551
Put option over a non-controlling interest in a subsidiary company	29	–	–	91	91
Contingent consideration	29	–	–	1,527	1,527
Total		–	202	2,169	2,371

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.

21. Financial Instruments by Category (continued)

The assets in the above table exclude the loans due from associated companies which were carried at fair value (note 20(b)).

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 causes the transfer.

The change in level 3 financial instruments for the year is as follows:

	Unlisted investments HK$M	Put options over non-controlling interests HK$M	Contingent consideration HK$M
At 1st January 2022	716	642	1,527
Translation differences	1	–	–
Additions	157	–	–
Distribution	–	(26)	–
Change in fair value during the year recognised in			
– profit or loss*	7	43	276
– other comprehensive income*	2	–	–
Payment of consideration	–	–	(149)
At 31st December 2022	883	659	1,654
* Including unrealised gains/(losses) recognised on balances held at 31st December 2022	9	(43)	(276)

	Unlisted investments HK$M	Put options over non-controlling interests HK$M	Contingent consideration HK$M
At 1st January 2021	1,161	600	1,256
Translation differences	(8)	3	6
Additions	532	–	–
Disposals	(970)	–	–
Distribution	–	(29)	–
Change in fair value during the year recognised in			
– profit or loss*	(4)	68	383
– other comprehensive income*	5	–	–
Payment of consideration	–	–	(118)
At 31st December 2021	716	642	1,527
* Including unrealised gains/(losses) recognised on balances held at 31st December 2021	1	(68)	(383)

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 USA 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 associated 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 2023 and the discount rate used is 6.3% (2021: 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 2022. If the expected time of exercise is later or if the discount rate is higher, the fair value of the put option would be lower. The opposite is true for an earlier time of exercise or a lower discount rate.

21. Financial Instruments by Category (continued)

The fair value of unlisted investments, put options over non-controlling interests in subsidiary companies (except the subsidiary company holding a non-controlling interest in the USA) 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 based on reasonable alternative assumptions would not significantly change the valuation of unlisted investments, put options 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.

22. Investments at Fair Value

	2022 HK$M	2021 HK$M
(a) Equity investments at fair value through other comprehensive income		
Shares listed in Hong Kong	71	89
Shares listed overseas	81	76
Unlisted investments	213	82
	365	247
(b) Equity investments at fair value through profit or loss		
Shares listed overseas	6	4
Unlisted investments	537	508
	543	512
(c) Debt investments at fair value through profit or loss		
Convertible notes, unlisted	133	126
Total	1,041	885

23. Derivative Financial Instruments

Accounting Policy

Derivatives are initially recognised at fair value on the dates derivative contracts are 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 (net investment hedges).

The Group documents at the inception of transactions the economic relationship between hedging instruments and hedged items, including whether the derivatives that are used in hedging transactions are expected to offset changes in cash flows of hedged items. The Group also documents its risk management objectives and strategy for undertaking various hedge transactions.

(a) Cash flow hedges that qualify for hedge accounting
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item (aligned time value) are recognised within OCI in the costs of hedging reserve within equity.

23. Derivative Financial Instruments (continued)

Accounting Policy (continued)

When forward contracts are used to hedge forecast transactions, the Group designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item (aligned forward element) is recognised within OCI in the costs of hedging reserve within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

When cross-currency swap contracts are used to hedge future cash flows, the Group designates only the change in fair value of the swap contract after exclusion of the foreign currency basis spread component as the hedging instrument. Gains or losses relating to the effective portion of the swap contract after exclusion of the foreign currency basis spread component are recognised in the cash flow hedge reserve within equity. The change in fair value of the foreign currency basis spread of the swap contract, to the extent it relates to the hedged item, is recognised separately as a cost of hedging on a systematic and rational basis over the period of the hedging relationship within OCI in equity. Hedge ineffectiveness is recognised in the consolidated statement of profit or loss within finance costs.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the consolidated statement of profit or loss, as follows:

(i) Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in the consolidated statement of profit or loss as the hedged item affects the consolidated statement of profit or loss (for example through cost of sales).

(ii) The gains or losses relating to the effective portion of (a) the interest rate swaps hedging variable rate borrowings and (b) cross-currency swap contracts hedging borrowings in foreign currency are recognised in the consolidated statement of profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

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 and deferred costs of hedging existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately transferred to the consolidated statement of profit or loss.

(b) 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 consolidated statement of profit or loss.

Gains and losses accumulated in equity are transferred to the consolidated statement of profit or loss when the foreign operation is disposed of.

(c) 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 consolidated statement of profit or loss.

(d) Rebalancing of hedge relationships
If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in the consolidated statement of profit or loss at the time of the hedge relationship rebalancing.

23. Derivative Financial Instruments (continued)

	2022		2021	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps				
– cash flow hedges (a)	142	124	280	117
– not qualifying as hedges	–	92	–	77
Interest rate swaps – cash flow hedges	–	–	–	7
Forward foreign exchange contracts				
– cash flow hedges	10	6	–	1
– not qualifying as hedges	1	1	–	–
Commodity swaps-not qualifying as hedges	1	2	8	–
Total	154	225	288	202
Analysed as:				
– Current	35	124	52	8
– Non-current	119	101	236	194
	154	225	288	202

(a) The cross-currency swaps principally hedge the foreign currency risk relating to US$ note issues. Gains and losses recognised in the consolidated statement of other comprehensive income on cross-currency swaps at 31st December 2022 are expected to affect the consolidated statement of profit or loss in the years to redemption of the notes (up to and including 2030). The total notional principal amount of the outstanding cross-currency swap contracts at 31st December 2022 was HK$25,583 million (2021: HK$33,323 million). In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items.

(b) For the years ended 31st December 2022 and 31st December 2021 all cash flow hedges qualifying for hedge accounting were highly effective.

24. Properties for Sale

Accounting Policy

Properties 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.

	2022 HK$M	2021 HK$M
Properties for sale		
Properties under development		
– development costs	619	494
– leasehold land	7,389	5,759
Completed properties		
– development costs	138	8
– freehold land	–	149
– leasehold land	118	1
	8,264	6,411

25. 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.

	2022 HK$M	2021 HK$M
Goods for sale	4,446	3,366
Manufacturing materials	1,495	1,059
Production supplies	1,667	1,260
	7,608	5,685

26. Trade and Other Receivables and Prepayment

Accounting Policy

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components. Other receivables are recognised initially at fair value. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for loss allowance. Trade and other receivables in the consolidated statement of financial position are stated net of such provisions.

	Note	2022 HK$M	2021 HK$M (Restated)
Trade debtors		4,610	4,391
Amounts due from immediate holding company		7	2
Amounts due from joint venture companies		132	103
Amounts due from associated companies		349	266
Prepayments and accrued income		2,222	2,015
Other receivables		2,038	2,052
Deferred receivable (2021: Non-current portion)		520	505
Mortgage loans receivable at 5.5% – Non-current portion		–	17
Prepayment – Non-current portion	45	6,430	–
		16,308	9,351
Amounts due after one year included under non-current assets		(6,474)	(571)
		9,834	8,780

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 their invoice dates) is as follows:

	2022 HK$M	2021 HK$M
Up to three months	4,345	4,082
Between three and six months	231	244
Over six months	34	65
	4,610	4,391

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.

26. Trade and Other Receivables and Prepayment (continued)

At 31st December 2022, trade debtors of HK$151 million (2021: HK$117 million) were impaired and the expected credit losses for the remaining trade and other receivables are not significant. The amount of the provision was HK$151 million at 31st December 2022 (2021: HK$116 million).

The maximum exposure to credit risk at 31st December 2022 and 31st December 2021 is the carrying value of trade debtors, amounts due from joint venture and associated companies, accrued income and other receivables disclosed above. The carrying value of rental deposits from tenants held as security against trade debtors at 31st December 2022 was HK$2,716 million (2021: HK$2,782 million).

27. 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.

	2022 HK$M	2021 HK$M
Bank balances and short-term deposits maturing within three months	10,758	22,276
Short-term deposits maturing after more than three months	856	618
	11,614	22,894

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 5.20% (2021: 0.01% to 2.55%) per annum; these deposits have maturities from 7 to 365 days (2021: 3 to 365 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2022 and 31st December 2021 is the carrying value of the bank balances and short-term deposits disclosed above.

28. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale

Accounting Policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value.

A remeasurement loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities associated with the disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets associated with the disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities associated with the disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

As at 31st December 2022, assets classified as held for sale represented Swire Properties' 100% interest in certain investment properties. Swire Properties' 100% interest in these investment properties comprised 1,078 car parking spaces at stages I to IX of the Taikoo Shing residential development in Hong Kong. The spaces in stage VI were offered to registered owners at Taikoo Shing in the fourth quarter of 2020, and Swire Properties offered further car parking spaces in stages II to IV and VII to IX in batches during 2021. Swire Properties also offered car parking spaces in stages I and V during the year. The car parking spaces have been offered to non-registered owners at Taikoo Shing since September 2022.

28. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale (continued)

As at 31st December 2021, assets classified as held for sale represented Swire Properties' 100% interest in certain investment properties and the assets associated with the SPO disposal group. The 2021 liabilities associated with assets classified as held for sale represented liabilities associated with the SPO disposal group. As at 31st December 2021, management believed the disposal was highly probable and the carrying value of the SPO disposal group would be recovered principally through sale rather than through continuing use. Accordingly, the Group's interest in the SPO disposal group was reclassified as assets held for sale as at 31st December 2021 and was measured at the lower of carrying amount and fair value less costs of disposal. Details are set out in note 44.

29. 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.

	2022 HK$M	2021 HK$M
Trade creditors	5,850	5,245
Amounts due to immediate holding company	114	143
Amounts due to joint venture companies	137	38
Amounts due to associated companies	590	513
Interest-bearing advances from joint venture companies at 1.89%-4.65% (2021: 1.42%-4.65%)	1,018	1,283
Interest-bearing advances from an associated company at 6.02% (2021: 1.52%)	34	81
Advances from non-controlling interests	1,173	1,130
Rental deposits from tenants	2,716	2,782
Deposits received on sale of investment properties	1	10
Put options over non-controlling interests	659	642
Contingent consideration	1,654	1,527
Accrued capital expenditure	1,366	1,511
Other accruals	8,968	9,180
Other payables	5,936	4,728
	30,216	28,813
Amounts due after one year included under non-current liabilities	(1,476)	(1,345)
	28,740	27,468

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, except for the interest-bearing advances from a joint venture company of HK$150 million at 31st December 2021 which were repayable after 2023 and were early settled during the year, and the interest-bearing advances from an associated company which are repayable after 2023. 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:

	2022 HK$M	2021 HK$M
Up to three months	5,610	5,124
Between three and six months	136	93
Over six months	104	28
	5,850	5,245

30. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included in respect of 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 consolidated 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.

During the year ended 31st December 2022 the Group was, and up to date of this annual report the Group has been, in compliance with the loan covenants under the Group's borrowings and available banking facilities.

During the year ended 31st December 2022, the Group designated a Renminbi-denominated borrowings of HK$449 million (2021: Nil) to hedge the exposure arising from the net investment in a subsidiary with major operation in the Chinese Mainland. Loss arising from the hedging instrument of HK$12 million (2021: Nil) has been recognised in other comprehensive income as an effective hedge.

Refer to the tables with the heading "Audited Financial Information" on pages 69 to 78 for details of the Group's borrowings.

31. Lease Liabilities

	2022 HK$M	2021 HK$M
Maturity profile at year end is as follows:		
Within one year	776	831
Between one and two years	615	651
Between two and five years	1,137	1,230
Over five years	2,388	2,628
	4,916	5,340
Amount due within one year included under current liabilities	(776)	(831)
	4,140	4,509

At 31st December 2022, the weighted average incremental borrowing rate applied in measuring the lease liabilities was 3.65% (2021: 3.51%).

For the accounting policy in respect of lease liabilities, please refer to right-of-use assets (note 17).

32. 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 or accounting profit or loss, it is not recognised. Tax rates enacted or substantively 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 profits 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 the Chinese Mainland, 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 the Chinese Mainland is determined on the basis of recovery through use.

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 in the consolidated statement of financial position:

	2022 HK$M	2021 HK$M (Restated)
Deferred tax assets	278	468
Deferred tax liabilities	(13,090)	(12,471)
	(12,812)	(12,003)

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	2022 HK$M	2021 HK$M
At 1st January			
– as originally stated		12,104	10,994
– impact of adjustments in note 1(c)		(101)	(103)
– as restated		12,003	10,891
Translation differences		(668)	222
Acquisition of subsidiary companies		252	–
Disposal of subsidiary companies		(7)	–
Charged to profit or loss^	10	1,060	852
Charged to other comprehensive income		180	37
Transfer to assets classified as held for sale		–	2
Other transfers		(8)	(1)
At 31st December		12,812	12,003

^ 2021 included a deferred tax charge from discontinued operations of HK$3 million.

32. Deferred Taxation (continued)

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	
	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M
At 1st January	5,300	5,064	6,108	5,503	2,590	2,408	13,998	12,975
Translation differences	(92)	35	(489)	168	(69)	36	(650)	239
Acquisition of subsidiary companies	–	–	–	–	252	–	252	–
Disposal of subsidiary companies	(7)	–	–	–	–	–	(7)	–
Charged to profit or loss	613	201	472	437	17	188	1,102	826
Charged to other comprehensive income	–	–	–	–	60	9	60	9
Other transfers	–	–	–	–	(8)	(51)	(8)	(51)
At 31st December	5,814	5,300	6,091	6,108	2,842	2,590	14,747	13,998

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M
At 1st January								
– as originally stated	392	562	423	359	1,079	1,060	1,894	1,981
– impact of adjustments in note 1(c)	–	–	–	–	101	103	101	103
– as restated	392	562	423	359	1,180	1,163	1,995	2,084
Translation differences	37	7	–	3	(19)	7	18	17
Credited/(charged) to profit or loss	2	(178)	104	63	(64)	89	42	(26)
Charged to other comprehensive income	–	–	–	–	(120)	(28)	(120)	(28)
Transfer to assets classified as held for sale	–	–	–	(2)	–	–	–	(2)
Other transfers	(7)	1	7	–	–	(51)	–	(50)
At 31st December	424	392	534	423	977	1,180	1,935	1,995

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$3,080 million (2021: HK$3,014 million) to carry forward against future taxable income.

These amounts are analysed as follows:

	Unrecognised Tax Losses	
	2022 HK$M	2021 HK$M
No expiry date	1,664	1,598
Expiring in 2022	–	53
Expiring in 2023	114	104
Expiring in 2024	105	108
Expiring in 2025	136	124
Expiring in 2026 (2021: 2026 or after)	118	1,027
Expiring in 2027 or after	943	N/A
	3,080	3,014

33. 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 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 consolidated statement of profit or loss so as to spread the regular cost over the service lives of employees.

The asset or liability recognised in the consolidated statement of financial position is the present value of the cost of providing these benefits (the defined benefits 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 payable in respect 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 the consolidated statement of other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the consolidated statement of profit or loss. Any differences between the implicit and actual return on assets are charged as remeasurements to the consolidated statement of other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to the consolidated statement of profit or loss in the periods to which the contributions relate.

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 33(f).

For the year ended 31st December 2022, disclosures in respect of defined benefit schemes are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2021, which were updated to reflect the position at 31st December 2022 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. For the year ended 31st December 2021, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2021. Schemes in the USA, Taiwan and Cambodia are valued by independent qualified actuaries. In addition, the Group operates a post-employment healthcare 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 116% (2021: 121%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$189 million to its defined benefit schemes in 2023.

33. Retirement Benefits (continued)

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 consolidated statement of financial position are as follows:

	2022 HK$M	2021 HK$M
Present value of funded obligations	4,960	6,691
Fair value of plan assets	(4,905)	(5,930)
	55	761
Present value of unfunded obligations	34	47
Net retirement benefit liabilities	89	808
Represented by:		
Retirement benefit assets	(273)	(178)
Retirement benefit liabilities	362	986
	89	808

(b) Changes in the present value of the defined benefit obligations are as follows:

	2022 HK$M	2021 HK$M
At 1st January	6,738	6,912
Translation differences	(17)	18
Transfer of members	(1)	(24)
Transfer to assets classified as held for sale	–	(74)
Acquisition of subsidiary companies	13	–
Current service cost	295	303
Interest expense	159	136
Actuarial (gains)/losses from changes in:		
demographic assumptions	–	(61)
financial assumptions	(1,638)	27
Experience (gains)/losses	(35)	78
Employee contributions	2	3
Benefits paid	(522)	(580)
At 31st December	4,994	6,738

The weighted average duration of the defined benefit obligations is 8.5 years (2021: 9.0 years).

(c) Changes in the fair value of plan assets are as follows:

	2022 HK$M	2021 HK$M
At 1st January	5,930	6,017
Translation differences	(10)	11
Transfer of members	(1)	(24)
Transfer to assets classified as held for sale	–	(84)
Interest income	139	116
Return on plan assets, excluding interest income	(829)	260
Contributions by employers	194	211
Benefits paid	(518)	(577)
At 31st December	4,905	5,930

There were no plan amendments during the year.

33. Retirement Benefits (continued)

(d) Net expenses from continuing operations recognised in the consolidated statement of profit or loss are as follows:

	2022 HK$M	2021 HK$M
Current service cost	295	295
Net interest cost	20	20
Gain on settlements	–	(1)
	315	314

The above net expenses from continuing operations were included in costs of sales, distribution costs and administrative expenses in the consolidated statement of profit or loss.

The actual return on defined benefit plan assets was a loss of HK$690 million (2021: gain of HK$376 million).

(e) The plan assets are invested in the Swire Group Unitised Trust (the Unitised Trust). The Unitised Trust has four 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, fixed income, absolute return funds and short duration bond sub-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:

	2022 HK$M	2021 HK$M
Equities		
Asia Pacific	218	260
Europe	226	326
North America	1,080	1,451
Emerging markets	603	796
Bonds		
Global	890	1,581
Emerging markets	711	174
Absolute return funds	687	749
Cash	490	593
	4,905	5,930

At 31st December 2022, the prices of 96% of equities and 29% of bonds were quoted on active markets (31st December 2021: 96% and 21% 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 and its issuer and 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.

33. Retirement Benefits (continued)

(f) The significant actuarial assumptions used are as follows:

	2022		2021	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	**5.08**	**1.30-5.20**	2.08	0.50-3.10
Expected rate of future salary increases	**2.60-4.00**	**2.75-9.00**	4.00-4.50	3.00-4.13

The sensitivity of the defined benefit obligations to changes in actuarial assumptions is:

	Increase/(decrease) in defined benefit obligations		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
At 31st December 2022			
Discount rate	**0.5%**	**(254)**	**259**
Expected rate of future salary increases	**0.5%**	**186**	**(178)**
At 31st December 2021			
Discount rate	0.5%	(374)	415
Expected rate of future salary increases	0.5%	259	(242)

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 consolidated statement of financial position.

(g) Defined contribution retirement schemes
Total retirement benefit costs from continuing operations charged to the consolidated statement of profit or loss for the year ended 31st December 2022 amounted to HK$740 million (2021: HK$720 million), including HK$425 million (2021: HK$406 million) in respect of defined contribution schemes. There were no retirement benefit costs from discontinued operations charged to the consolidated statement of profit or loss for the year ended 31st December 2022 (2021: HK$9 million). There were no costs relating to defined contribution schemes from discontinued operations in 2021 and 2022.

34. Share Capital

	'A' shares	'B' shares	Total HK$M
Issued and fully paid with no par value			
At 1st January 2022	905,206,000	2,981,870,000	1,294
Repurchased and cancelled during the year	39,383,000	40,727,500	–
At 31st December 2022	865,823,000	2,941,142,500	1,294
At 1st January and 31st December 2021	905,206,000	2,981,870,000	1,294

During the year, the Company repurchased 39,383,000 'A' shares and 44,425,000 'B' shares on The Stock Exchange of Hong Kong Limited for a total aggregate price of HK$2,635 million (excluding transaction fees). The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid for the repurchased 'A' shares and '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:

'A' shares	Number purchased	Highest price paid HK$	Lowest price paid HK$	Total^ HK$M
Month				
August	5,467,500	56.75	53.55	303
September	12,702,000	60.00	53.25	722
October	12,965,000	60.00	50.55	729
November	6,567,000	60.00	51.80	373
December	1,681,500	60.00	59.35	101
	39,383,000			2,228

'B' shares	Number purchased	Highest price paid HK$	Lowest price paid HK$	Total^ HK$M
Month				
August	7,437,500	9.47	8.86	69
September	14,650,000	9.45	8.65	134
October	8,712,500	9.39	7.95	77
November	7,115,000	9.37	8.10	63
December	6,510,000#	10.76	9.15	64*
	44,425,000			407

^ Excluding transaction fees of HK$7 million for 'A' shares and HK$1 million for 'B' shares.
# Including 3,697,500 'B' shares that were repurchased but not yet cancelled as at 31st December 2022.
* Including HK$4 million payable after 31st December 2022.

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares in 2021.

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

35. 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 2022							
– as originally stated		257,166	2,435	(130)	1,013	5,172	265,656
– impact of adjustments in note 1(c)		(428)	–	–	–	(7)	(435)
– as restated		256,738	2,435	(130)	1,013	5,165	265,221
Profit for the year		4,195	–	–	–	–	4,195
Other comprehensive income							
Defined benefit plans							
– remeasurement gains recognised during the year		819	–	–	–	–	819
– deferred tax		(170)	–	–	–	–	(170)
Changes in the fair value of equity investments at fair value through other comprehensive income							
– gains recognised during the year		–	–	256	–	–	256
– deferred tax		–	–	3	–	–	3
– reclassified to revenue reserve on disposal		279	–	(279)	–	–	–
Cash flow hedges							
– losses recognised during the year		–	–	–	(92)	–	(92)
– transferred to net finance charges		–	–	–	(22)	–	(22)
– transferred to operating profit		–	–	–	201	–	201
– deferred tax		–	–	–	(14)	–	(14)
Share of other comprehensive income of joint venture and associated companies		67	2	(2)	(348)	(2,318)	(2,599)
Net translation differences on foreign operations		–	–	–	–	(3,932)	(3,932)
– reclassified to profit or loss on disposal		–	–	–	–	57	57
Total comprehensive income for the year		5,190	2	(22)	(275)	(6,193)	(1,298)
Repurchase of the Company's shares		(2,643)	–	–	–	–	(2,643)
2021 second interim dividend	12	(2,402)	–	–	–	–	(2,402)
2022 first interim dividend	12	(1,716)	–	–	–	–	(1,716)
At 31st December 2022		255,167	2,437	(152)	738	(1,028)	257,162

35. 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 2021							
– as originally stated		256,404	2,362	(138)	(104)	2,874	261,398
– impact of adjustments in note 1(c)		(421)	–	–	–	(5)	(426)
– as restated		255,983	2,362	(138)	(104)	2,869	260,972
Profit for the year (restated)		3,357	–	–	–	–	3,357
Other comprehensive income (restated)							
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	78	–	–	–	78
– deferred tax		–	(5)	–	–	–	(5)
Defined benefit plans							
– remeasurement gains recognised during the year		220	–	–	–	–	220
– deferred tax		(37)	–	–	–	–	(37)
Changes in the fair value of equity investments at fair value through other comprehensive income							
– losses recognised during the year		–	–	(9)	–	–	(9)
– deferred tax		–	–	(1)	–	–	(1)
– reclassified to revenue reserve on disposal		(20)	–	20	–	–	–
Cash flow hedges							
– losses recognised during the year		–	–	–	(52)	–	(52)
– transferred to net finance charges		–	–	–	11	–	11
– transferred to operating profit		–	–	–	(16)	–	(16)
– deferred tax		–	–	–	6	–	6
Share of other comprehensive income of joint venture and associated companies		239	–	(2)	1,168	966	2,371
Net translation differences on foreign operations		–	–	–	–	1,353	1,353
– others		–	–	–	–	(23)	(23)
Total comprehensive income for the year (restated)		3,759	73	8	1,117	2,296	7,253
2020 second interim dividend		(1,502)	–	–	–	–	(1,502)
2021 first interim dividend	12	(1,502)	–	–	–	–	(1,502)
At 31st December 2021 (restated)		256,738	2,435	(130)	1,013	5,165	265,221

(a) The Group's revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$12,704 million (2021 (restated): HK$11,778 million) and retained revenue reserves from associated companies amounting to HK$9,579 million (2021: HK$12,864 million).

(b) The Group's revenue reserve includes HK$2,688 million (2021: HK$2,402 million) representing the declared second interim dividend for the year (note 12).

(c) As at 31st December 2022, the Group's cash flow hedge reserve includes a credit of HK$28 million (net of tax) (2021: HK$54 million) relating to the currency basis element of the Group's derivatives which is recognised separately as a cost of hedging.

36. Non-controlling Interests

The movement of non-controlling interests during the year is as follows:

	2022 HK$M	2021 HK$M
At 1st January		
– as originally stated	57,218	56,454
– impact of adjustments in note 1(c)	(113)	(110)
– as restated	57,105	56,344
Share of profits less losses for the year	2,074	1,763
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	–	17
– deferred tax	–	(1)
Share of defined benefit plans		
– remeasurement gains/(losses) recognised during the year	37	(4)
Share of cash flow hedges		
– losses recognised during the year	(1)	(7)
– transferred to net finance charges	(2)	2
– deferred tax	1	1
Share of other comprehensive income of joint venture and associated companies	(314)	101
Share of net translation differences on foreign operations	(866)	282
Share of total comprehensive income	929	2,154
Capital contribution from a non-controlling interest	1,020	–
Dividends declared and/or paid	(1,570)	(1,423)
Change in composition of the Group	(4)	30
At 31st December	57,480	57,105

37. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

	Note	2022 HK$M	2021 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1	3
Subsidiary companies		45,234	38,314
Associated companies		10,582	9,896
Equity investments at fair value through other comprehensive income		70	101
Deferred tax assets		–	4
Retirement benefit assets		16	–
		55,903	48,318
Current assets			
Trade and other receivables		53	67
Taxation receivable		427	93
Bank balances and short-term deposits		39	6
		519	166
Current liabilities			
Trade and other payables		46,219	36,570
		46,219	36,570
Net current liabilities		(45,700)	(36,404)
Total assets less current liabilities		10,203	11,914
Non-current liabilities			
Retirement benefit liabilities		–	19
Deferred tax liabilities		2	–
		2	19
NET ASSETS		10,201	11,895
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	34	1,294	1,294
Reserves	37(b)	8,907	10,601
TOTAL EQUITY		10,201	11,895

Guy Bradley
Martin Murray
Paul Kenneth Etchells
Directors
Hong Kong, 9th March 2023

37. Company Statement of Financial Position and Reserves (continued)

(b) The movement of the Company's reserves during the year is as follows:

	Note	Revenue reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
At 1st January 2022		10,594	7	10,601
Profit for the year		5,055	–	5,055
Other comprehensive income				
Defined benefit plans				
– remeasurement gains recognised during the year		37	–	37
– deferred tax		(6)	–	(6)
Changes in the fair value of equity investments at fair value through other comprehensive income				
– losses recognised during the year		–	(19)	(19)
– reclassified to revenue reserve on disposal		(6)	6	–
Total comprehensive income for the year		5,080	(13)	5,067
Repurchase of the Company's shares		(2,643)	–	(2,643)
2021 second interim dividend	12	(2,402)	–	(2,402)
2022 first interim dividend	12	(1,716)	–	(1,716)
At 31st December 2022		8,913	(6)	8,907
At 1st January 2021		9,912	42	9,954
Profit for the year		3,685	–	3,685
Other comprehensive income				
Defined benefit plans				
– remeasurement losses recognised during the year		(23)	–	(23)
– deferred tax		4	–	4
Changes in the fair value of equity investments at fair value through other comprehensive income				
– losses recognised during the year		–	(15)	(15)
– reclassified to revenue reserve on disposal		20	(20)	–
Total comprehensive income for the year		3,686	(35)	3,651
2020 second interim dividend		(1,502)	–	(1,502)
2021 first interim dividend	12	(1,502)	–	(1,502)
At 31st December 2021		10,594	7	10,601

(i) Distributable reserves of the Company at 31st December 2022 amounted to HK$8,913 million (2021: HK$10,594 million).

(ii) The Company revenue reserve includes HK$2,688 million (2021: HK$2,402 million) representing the declared second interim dividend for the year (note 12).

38. Capital Commitments

		2022 HK$M	2021 HK$M
(a)	The Group's outstanding capital commitments at the year-end in respect of:		
	Property, plant and equipment		
	Contracted but not provided for	2,907	829
	Authorised by Directors but not contracted for^	7,370	7,836
	Investment properties		
	Contracted but not provided for	2,986	4,541
	Authorised by Directors but not contracted for	17,028	10,924
		30,291	24,130
	The Group's share of capital commitments of joint venture companies at the year-end*		
	Contracted but not provided for	434	186
	Authorised by Directors but not contracted for	7,122	4,750
		7,556	4,936

^ 2021 included outstanding capital commitments from discontinued operations of HK$83 million.
* Of which the Group is committed to funding HK$331 million (2021: HK$1,146 million).

At 31st December 2022, the Group was committed to inject capital of HK$421 million (2021: Nil) to joint venture companies.

(b) At 31st December 2022, the Group had unprovided contractual obligations for future repairs and maintenance in respect of investment properties of HK$380 million (2021: HK$213 million).

39. Contingencies

Accounting Policy

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 guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments" and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

39. Contingencies (continued)

	2022 HK$M	2021 HK$M
(a) Guarantees provided in respect of:		
Bank loans and other liabilities of joint venture companies	**4,249**	3,718
Bank guarantees given in lieu of utility deposits and others^	**135**	314
	4,384	4,032

^ 2021 included bank guarantees in respect of discontinued operations of HK$175 million.

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.

(b) Cathay Pacific

Critical Accounting Estimates and Judgements

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. 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 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 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. The same fine of Euros 57.12 million was imposed on Cathay Pacific, which was paid by Cathay Pacific in June 2017. Cathay Pacific filed an appeal to the General Court against this decision, and on 30th March 2022 the General Court partially annulled the decision, and a refund of a portion of the fine, Euros 10 million, was paid to Cathay Pacific in June 2022. Cathay Pacific filed an appeal to the European Court of Justice (ECJ) in early June 2022 and a final ECJ judgement is expected by mid-2024.

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 Germany, the Netherlands and Norway alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to its air cargo operations. Cathay Pacific is represented by legal counsel and is defending these actions.

40. Lease Commitments

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 by the Group as lessor under operating leases (net of any incentives paid to lessees) are recognised as income in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

For commenced leases (which are not identified as low-value or short-term leases) undertaken by the Group as a lessee, right-of-use assets and the corresponding lease liabilities are recognised in the financial statements when the leased assets became available for use. Commitments in respect of leases payable by the Group as lessees represent the future lease payments for (i) committed leases which have not yet commenced at the year-end date and (ii) short-term leases.

(a) Lessor – lease receivables

The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received from investment properties during the year amounted to HK$837 million (2021: HK$986 million).

The future aggregate minimum lease receipts under non-cancellable operating leases were receivable by the Group at the year end as follows:

	2022 HK$M	2021 HK$M
Investment properties		
Within one year	8,088	8,854
Between one and two years	6,688	7,218
Between two and three years	4,945	5,515
Between three and four years	3,548	3,929
Between four and five years	2,306	2,922
After five years	2,999	4,408
	28,574	32,846
Vessels*		
Within one year	–	159
Between one and two years	–	61
	–	220
	28,574	33,066

* The vessels were classified as assets classified as held for sale in 2021.

Assets held for deployment on operating leases at the year end were as follows:

	2022	2021	
	Investment properties HK$M	Investment properties HK$M	Vessels^ HK$M
Cost or fair value	247,513	236,099	16,089
Less: accumulated depreciation and impairment	–	–	(13,732)
	247,513	236,099	2,357
Depreciation for the year^	–	–	223

^ As at 31st December 2021, vessels were classified as assets classified as held for sale. Depreciation for 2021 included depreciation related to discontinued operations of HK$223 million.

40. Lease Commitments (continued)

(b) Lessee

The future aggregate lease payments under leases committed but not yet commenced were payable by the Group at the year end as follows:

	2022 HK$M	2021 HK$M
Land and buildings		
Within one year	46	44
Between one and five years	104	77
Over five years	82	95
	232	216
Equipment		
Within one year	1	1
Between one and five years	–	1
Over five years	–	1
	1	3
	233	219

At 31st December 2022, there were no short-term lease commitments which were significantly dissimilar to those relating to the portfolio of short-term leases for which expenses were recognised for the year ended 31st December 2022 (2021: none).

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 (JS&SHK) provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JS&SHK 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 subsidiaries and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The Services Agreements were renewed on 1st October 2022 for three years expiring on 31st December 2025. For the year ended 31st December 2022, service fees payable amounted to HK$293 million (2021: HK$315 million). Expenses of HK$308 million (2021: HK$297 million) were reimbursed at cost; in addition, HK$410 million (2021: HK$379 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (Tenancy Framework Agreement) between JS&SHK, the Company and Swire Properties Limited dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JS&SHK group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed on 1st October 2021 for a further term of three years expiring on 31st December 2024. For the year ended 31st December 2022, the aggregate rentals payable to the Group by the JS&SHK group under tenancies to which the Tenancy Framework Agreement applies amounted to HK$109 million (2021: HK$113 million).

41. Related Party Transactions (continued)

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the 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	
	Notes	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M	2022^ HK$M	2021^ HK$M	2022 HK$M	2021 HK$M
Revenue from	(a)								
– Sales of beverage drinks		36	4	11	4	–	–	–	–
– Sales of goods		1,206	1,365	–	–	–	–	–	–
– Rendering of services		79	82	80	28	–	13	8	1
– Aircraft and engine maintenance		31	47	1,862	1,546	–	–	–	–
– Rental of properties	(b)	–	–	1	1	–	–	109	113
Purchase of beverage drinks	(a)	166	190	4,402	4,374	–	–	–	–
Purchase of other goods	(a)	8	10	22	22	–	–	–	–
Purchase of services	(a)	16	30	2	1	16	18	–	–
Interest income	(c)	54	85	1	10	–	–	–	–
Interest charges	(c)	28	21	2	3	–	–	–	–

^ included discontinued operations

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 2022 are disclosed in note 20. Amounts due from and to joint venture and associated companies and advances from these companies are disclosed in notes 26 and 29.

The amounts due to the immediate holding company at 31st December 2022 are disclosed in note 29. 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 executive officers, is disclosed in note 8.

42. Business Combination

Acquisition of equity interests from TCCC in Cambodia

On 25th November 2022, Swire Coca-Cola acquired 100% equity interests in Coca-Cola bottling companies in Cambodia from subsidiaries of The Coca-Cola Company (TCCC). The acquisition extended the Group's beverages business to South East Asia.

Details of the purchase consideration, the net identifiable assets acquired and goodwill are as follows (on a provisional basis):

	Provisional fair value HK$M
Purchase consideration	1,861

		HK$M
Property, plant and equipment		546
Intangible assets		1,058
Right-of-use assets		206
Stocks and work in progress		151
Trade and other receivables		61
Bank balances and short-term deposits maturing within three months		78
Trade and other payables		(226)
Taxation payable		(3)
Lease liabilities		(30)
Deferred tax liabilities		(253)
– Fair value adjustments on acquisition	(218)	
– Others	(35)	
Retirement benefit liabilities		(13)
Net identifiable assets acquired		1,575
Goodwill		286
		1,861
Purchase consideration settled in cash		1,861
Less: Cash and cash equivalents acquired		(78)
Net cash outflow on acquisition		1,783

The fair value of the acquired assets (including identifiable intangible assets) is provisional pending final valuations and measurement period adjustments made by reference to completion accounts. 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$61 million and included trade receivables with a fair value of HK$14 million. None of these are expected to be uncollectible.

The goodwill is mainly attributable to the new growth opportunity. These benefits do not qualify for separate recognition of intangible assets and are not expected to be deductible for tax purposes.

Acquisition-related costs of HK$60 million have been recognised in the consolidated statement of profit or loss.

The acquired business contributed revenue of HK$75 million and a loss of HK$3 million to the Group (before interest charged from the Group) for the period from the date of completion of its acquisition (25th November 2022) to 31st December 2022. If the acquisition had occurred on 1st January 2022, the acquired business would have contributed pro-forma revenue of HK$842 million and a loss of HK$2 million (before interest charged from the Group) for the year ended 31st December 2022. These amounts have been calculated using the results of the acquired business and adjusting them for:

– differences between the accounting policies of the Group and the acquired business, and

– the additional depreciation and amortisation that would have been charged assuming fair value adjustments to property, plant and equipment and intangible assets had applied from 1st January 2022, together with the consequential tax effects.

43. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	2022 HK$M	2021 HK$M (Restated)
Operating profit*	11,685	12,128
Gain on disposals of subsidiary companies	(299)	(137)
Gain on disposal of a joint venture company	–	(448)
Gain on partial disposal and deemed disposal of an associated company	(64)	(110)
Gain arising from the acquisition of an interest in a joint venture company	–	(24)
Gain on disposals of investment properties	(31)	(1,028)
(Loss)/gain on disposals of property, plant and equipment	4	(218)
Gain on disposals of assets classified as held for sale	(20)	(36)
Change in fair value of investment properties	(810)	1,931
Change in fair value of assets classified as held for sale	(48)	(42)
Depreciation, amortisation and impairment charges	4,680	4,370
Other items	586	439
Operating profit before working capital changes	15,683	16,825
Increase in properties for sale	(1,667)	(2,832)
Increase in stocks and work in progress	(2,085)	(600)
Decrease in contract assets	56	53
Increase in trade and other receivables	(774)	(187)
Increase in trade and other payables and contract liabilities	830	2,194
Cash generated from operations	12,043	15,453

* Remeasurement gain/(loss) on assets classified as held for sale is not included.

(b) Purchase of property, plant and equipment and right-of-use assets

	2022 HK$M	2021 HK$M
Property	728	496
Plant and machinery	2,363	2,852
Vessels	23	199
Right-of-use assets	–	265
Total	3,114	3,812

The above purchase amounts do not include interest capitalised on property, plant and equipment.

(c) Analysis of changes in financing during the year

	Loans and bonds		Lease liabilities	
	2022 HK$M	2021 HK$M	2022 HK$M	2021 HK$M
At 1st January	61,549	68,164	5,340	5,152
New leases entered during the year	–	–	682	1,161
Net cash inflow/(outflow) from financing activities				
– Loans drawn and refinancing	25,676	4,879	–	–
– Repayment of loans and bonds	(18,866)	(11,825)	–	–
– Principal elements of lease payments	–	–	(880)	(971)
Change in composition of the Group	–	–	30	1
Effect of exchange differences	(53)	231	(185)	50
Transfer to liabilities associated with assets classified as held for sale	–	–	–	(3)
Other non-cash movements	67	100	(71)	(50)
At 31st December	68,373	61,549	4,916	5,340

43. Notes to the Consolidated Statement of Cash Flows (continued)

(d) Disposal of subsidiary companies

	Subsidiaries in Property Division HK$M	Subsidiaries in Marine Services HK$M	Total HK$M
Net assets disposed of:			
Property, plant and equipment	–	1,351	1,351
Investment properties	556	–	556
Intangible assets	–	9	9
Right-of-use assets	–	5	5
Associated companies	–	3	3
Retirement benefit assets	–	10	10
Stocks and work in progress	–	73	73
Trade and other receivables	1	628	629
Bank balances and short-term deposits	–	261	261
Trade and other payables	(10)	(528)	(538)
Lease liabilities	–	(4)	(4)
Deferred tax liabilities	(7)	–	(7)
	540	1,808	2,348
Gain/(loss) on disposal	520	(221)	299
	1,060	1,587	2,647
Satisfied by:			
Cash received (net of transaction costs)	1,060	375	1,435
Other consideration (net of transaction costs)	–	1,212	1,212
	1,060	1,587	2,647
Analysis of the net inflow of cash and cash equivalents from disposals:			
Net cash proceeds	1,060	375	1,435
Cash and cash equivalents disposed of	–	(261)	(261)
Net inflow of cash and cash equivalents	1,060	114	1,174

44. Discontinued Operations

Accounting Policy

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and the consolidated statement of comprehensive income.

In March 2022, the Group entered into a sale and purchase agreement to dispose of its interest in the SPO disposal group. The Group no longer operates the Marine Services Division.

The results related to the SPO disposal group are presented as discontinued operations in accordance with HKFRS 5.

44. Discontinued Operations (continued)

(a) Results from discontinued operations

	2022 HK$M	2021 HK$M
Revenue	524	1,606
Cost of sales	(375)	(1,506)
Gross profit	149	100
Administrative expenses	(83)	(288)
Other net (losses)/gains	(208)	218
Operating (loss)/profit	(142)	30
Net finance charges	(3)	(6)
Share of losses of associated companies	–	(1)
(Loss)/profit before taxation	(145)	23
Taxation	(47)	(16)
(Loss)/profit after taxation	(192)	7
Remeasurement gain/(loss) on the disposal group	556	(1,611)
Profit/(loss) from discontinued operations	364	(1,604)

During the year ended 31st December 2022, the remeasurement gain recognised in respect of the SPO disposal group represents the change in fair value of share warrants issued by Tidewater Inc. as part of the disposal consideration from 1st January 2022 to the date of completion of the disposal on 22nd April 2022. This remeasurement results in a reversal of the impairment loss previously recognised against property, plant and equipment of the SPO disposal group.

(b) Total comprehensive income/(loss) from discontinued operations

	2022 HK$M	2021 HK$M
Profit/(loss) for the year	364	(1,604)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans		
– remeasurement gains recognised during the year	12	3
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
– losses recognised during the year	–	(3)
– transferred to operating (loss)/profit	1	(3)
Net translation differences on foreign operations		
– recognised during the year	25	1
Other comprehensive income/(loss) for the year, net of tax	38	(2)
Total comprehensive income/(loss) for the year	402	(1,606)

(c) Cash flows from discontinued operations

	2022 HK$M	2021 HK$M
Net cash generated from/(used in) operating activities	16	(140)
Net cash (used in)/generated from investing activities	(6)	614
Net cash generated from/(used in) financing activities	6	(582)
Net cash generated from/(used in) discontinued operations	16	(108)

44. Discontinued Operations (continued)

(d) Assets and liabilities from discontinued operations

	2021 HK$M
Assets classified as held for sale	
Property, plant and equipment	771
Intangible assets	13
Right-of-use assets	3
Associated companies	3
Deferred tax assets	2
Retirement benefit assets	10
Stocks and work in progress	74
Trade and other receivables	718
Bank balances and short-term deposits	243
	1,837
Liabilities associated with assets classified as held for sale	
Trade and other payables	841
Taxation payable	49
Derivative financial instruments	1
Lease liabilities	3
	894

45. Events After the Reporting Period

On 18th July 2022, the Group entered into agreements to acquire from TCCC 100% of the equity interests in certain of its subsidiaries engaged in the business of preparation, packaging, distribution and sale of ready-to-drink beverages bearing trademarks owned by TCCC in Vietnam and Cambodia, for an aggregate consideration of US$1,015 million. The purchase of the TCCC subsidiary in Cambodia was completed on 25th November 2022. The financial impact arising from the completion of this transaction is disclosed in note 42. The purchase of the TCCC subsidiary in Vietnam was completed on 1st January 2023. On 30th December 2022, the Group paid US$823 million (HK$6,430 million) in respect of this transaction and recognised this amount as a prepayment in note 26.

At the date of these financial statements, management is in the process of determining the financial impact of the Vietnam transaction together with the associated purchase price allocation. The relevant disclosures are expected to be made in the Group's 2023 interim report.

On 15th July 2022, the Group entered into an agreement for the purchase of equity interests in six of the beverages preparation and packaging subsidiaries of Coca-Cola Bottlers Manufacturing Holdings Limited. The transaction was completed on 1st January 2023. Management is in the process of determining the financial impact of this transaction. The relevant disclosures are expected to be made in the Group's 2023 interim report.

46. 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 the United Kingdom.

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 financial assets and financial liabilities (including investments at fair value and derivative instruments), investment properties and defined benefit assets/liabilities, each of which are carried at fair value, and assets held for sale which are carried at fair value less cost of disposal.

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 generally 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 consolidated 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 consolidated 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 the consolidated statement of 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 consolidated statement of other comprehensive income are reclassified to the consolidated 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 consolidated 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 consolidated statement of profit or loss, and its share of post-acquisition movements in the consolidated statement of other comprehensive income is recognised in the consolidated 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 the consolidated statement of other comprehensive income is reclassified to the consolidated statement of 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 or loss.

3. Subsidiary Companies

Investments 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 subject to expected credit losses assessment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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 consolidated statement of profit or loss, except when deferred in the consolidated statement of 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 the consolidated statement of other comprehensive income, any associated translation difference is also recognised directly in the consolidated statement of other comprehensive income. When a gain or loss on a non-monetary item is recognised in the consolidated statement of profit or loss, any associated translation difference is also recognised in the consolidated 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 the statement of 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 the consolidated statement of other comprehensive income. When a foreign operation is partly 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.

6. Provisions

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.

7. Government Grants

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

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2022

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY					
Subsidiary companies:					
Incorporated in Hong Kong:					
Achieve Bright Limited	82	–	100	100 shares (HK$100)	Property trading
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
Joyful Sincere Limited •	65.60	–	100	1 share (HK$1)	Property trading
One Queen's Road East Limited	82	–	100	200 shares (HK$200)	Property investment
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 the Chinese Mainland:					
(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
(Sino-foreign owned enterprises)					
Xi'an Tengyun Real Estate Company Limited ^	57.40	–	70	Registered capital of RMB3,653,743,600	Property trading and investment
(Wholly foreign owned enterprises)					
Beijing Anye Property Management Company Limited ^	82	–	100	Registered capital of RMB209,500,000	Property investment
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 6.1% of attributable net assets at 31st December 2022.
5. ^ Translated name.

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY (continued)					
Subsidiary companies (continued):					
Incorporated in the USA:					
700 Brickell City Centre LLC	82	–	100	Limited Liability Company	Property investment
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	51.60	–	87.93	Limited Liability Company	Property investment
Swire Jadeco 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	Holding company
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:					
Boom View Holdings Limited	82	–	100	2 shares of US$1 each	Property investment
Cherish Shine Limited	82	–	100	1 share of US$1	Property investment
High Grade Ventures Limited	82	–	100	1 share of US$1	Property trading and investment
Novel Ray Limited	82	–	100	1 share of US$1	Property investment
One Pacific Place Limited	82	–	100	1 share of US$1	Property investment
Sino Flagship Investments 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
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
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited (operates in the Chinese Mainland)	41	–	50	1,000 shares of US$1 each	Holding company
Fortune Access Holdings Limited (operates in Hong Kong)	20.50	–	25	100 shares of US$1 each	Holding company
Great City China Holdings Limited (operates in the Chinese Mainland)	53.30	–	65	100 shares of US$1 each	Holding company
Honster Investment Limited (operates in Hong Kong)	41	–	50	2 shares of US$1 each	Holding company
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	21.87	–	26.67	15 shares of US$1 each	Holding company

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY (continued)					
Joint venture companies (continued):					
Incorporated in the Chinese Mainland:					
(Domestic companies)					
Beijing Linlian Real Estate Company Limited ^	41	–	50	Registered capital of RMB400,000,000	Property investment
Shanghai Kaiye Commercial Management Company Limited ^	49.20	–	60	Registered capital of RMB10,000,000	Property management
(Sino-foreign owned enterprises)					
Beijing Xingtaitonggang Properties Company Limited ^	28.70	–	35	Registered capital of RMB9,500,000,000	Property investment
Shanghai Qianxiu Company Limited ^	41	–	50	Registered capital of RMB1,549,777,000	Property investment
Sanya CDF Seaside Investment & Development Company Limited ^	41	–	50	Registered capital of RMB2,500,000,000	Property investment
(Wholly foreign owned enterprises)					
Chengdu Qianhao Real Estate Company Limited	53.30	–	*	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
Incorporated in Indonesia:					
PT Jantra Swarna Dipta	41	–	50	1,202,044 shares of Rp1,000,000 each	Property trading
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
Incorporated in Vietnam:					
City Garden Thu Thiem Limited Liability Company •	16.40	–	*	Charter capital of VND969,797,500,000	Property trading
BEVERAGES					
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 Coca-Cola HK Limited	100	–	100	2,400,000 shares (HK$24,000,000)	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Limited	100	–	100	14,600 shares (US$7,300,000)	Holding company and sale of non-alcoholic beverages
Swire Recycling Limited	100	–	100	10,000 shares (HK$10,000)	Holding company
Top Noble Limited	100	–	100	1 share (HK$1)	Holding company

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES (continued)					
Subsidiary companies (continued):					
Incorporated in the Chinese Mainland:					
(Domestic company)					
Swire Coca-Cola Beverages Fuzhou Limited ^	100	–	100	Registered capital of RMB48,000,000	Manufacture and sale of non-alcoholic beverages
(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 Wenzhou Limited	80	–	92.85	Registered capital of RMB71,300,000	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	62.96	–	85.19	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	62.96	–	62.96	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$15,200,000	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 Jiangsu Limited	100	–	100	Registered capital of US$19,000,000	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 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 (China) Co., Ltd.	100	–	100	Registered capital of RMB100,000,000	Procurement and management services
Swire Coca-Cola Supply Chain Management (Hainan) Co., Ltd. ^	100	–	100	Registered capital of RMB100,000,000	Procurement and management services
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
Incorporated in Bermuda:					
Swire Pacific Industries Limited	100	–	100	12,000 shares of US$1 each	Holding company

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES (continued)					
Subsidiary companies (continued):					
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 and 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	1,000 shares of US$1 each	Manufacture and sale of non-alcoholic beverages and holding company
Incorporated in Singapore:					
CC Cambodia Holdings Pte. Ltd. ●	100	–	100	Issued and paid-up capital of SGD11,904,302 and US$24,100,000	Holding company
Incorporated in Cambodia:					
Cambodia Beverage Company Ltd. ●	100	–	100	Registered capital of US$43,392,000	Manufacture and sale of non-alcoholic beverages
Joint venture companies:					
Incorporated in Hong Kong:					
New Life Plastics Limited	33.33	–	33.33	30,000,000 shares (HK$30,000,000)	Waste plastics recycling
Incorporated in the Chinese Mainland:					
(Sino-foreign co-operative joint ventures)					
Shanghai Shen-Mei Beverage and Food Co., Ltd. ●	53.85	–	53.85	Registered capital of US$93,218,600	Manufacture and sale of non-alcoholic beverages and beverage base
Shanghai Shen-Mei Minfa Beverage and Food Co., Ltd. ^ ●	53.85	–	*	Registered capital of RMB100,000,000	Manufacture and sale of non-alcoholic beverages
Associated companies:					
Incorporated in Hong Kong:					
Coca-Cola Bottlers Manufacturing Holdings Limited	41	–	41	30,000 shares issued and HK$2,093,950,029.67 paid	Holding company
Incorporated in the Chinese Mainland:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	41	–	*	Registered capital of US$57,111,958	Manufacture and sale of non-carbonated beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES (continued)					
Associated companies (continued):					
Incorporated in the Chinese Mainland (continued):					
(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 (Changsha) Company Limited ^	41	–	*	Registered capital of RMB66,345,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Chengdu) Company Limited ^	41	–	*	Registered capital of RMB67,800,000	Manufacture and sale of non-carbonated beverages
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$22,631,066	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Jinan) Company Limited	41	–	*	Registered capital of RMB69,976,992	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Nanning) Company Limited	41	–	*	Registered capital of US$11,841,731	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Shijiazhuang) Company Limited	41	–	*	Registered capital of RMB183,700,196	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	41	–	*	Registered capital of US$10,502,829	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Yingkou) Company Limited	41	–	*	Registered capital of RMB150,682,892.73	Manufacture and sale of non-carbonated beverages
AVIATION					
Subsidiary companies:					
Incorporated in Hong Kong:					
HAECO ITM Limited	83.50	–	70 & *	100 shares (HK$100)	Aircraft inventory technical management
Hong Kong Aircraft Engineering Company Limited	100	100	–	1,000,000 shares (HK$185,193,750)	Overhaul, modification and maintenance for commercial aircraft
Incorporated in the Chinese Mainland:					
(Sino-foreign joint ventures)					
HAECO Composite Structures (Jinjiang) Co., Ltd.	82.53	–	84.10 & *	Registered capital of US$11,663,163	Composite material aeronautic parts/systems repair, manufacturing and sales
Shanghai Taikoo Aircraft Engineering Services Company Limited ● ^	69.40	–	75	Registered capital of US$3,700,000	Line services
Taikoo Engine Services (Xiamen) Company Limited	77.27	–	76.59 & *	Registered capital of US$113,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited	62.64	–	58.55 & *	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	90.33	–	90.82 & *	Registered capital of US$83,090,000	Landing gear repair and overhaul
(Wholly foreign owned enterprise)					
HAECO Component Overhaul (Xiamen) Limited	100	–	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 (continued)					
Subsidiary companies (continued):					
Incorporated in the USA:					
HAECO USA Holdings, LLC	100	–	100	Limited Liability Company	Aircraft overhaul and maintenance, cabin modification and interior products manufacturing
HAECO Global Engine Support, LLC ●	100	–	100	Limited Liability Company	Inspection, maintenance, repair and storage of civil aircraft engines
Incorporated in the United Kingdom:					
HAECO Global Engine Support Ltd ●	100	–	100	1 share of GBP1	Inspection, maintenance, repair and storage of civil aircraft engines
Joint venture companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	49	–	49	9,200,000 shares (HK$9,200,000)	Aircraft wheel and brake services
Hong Kong Aero Engine Services Limited	50	–	50	20 shares (HK$200)	Overhaul and maintenance of commercial aero engines
Incorporated in the Chinese Mainland:					
(Sino-foreign joint ventures)					
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited	21.92	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs
Honeywell TAECO Aerospace (Xiamen) Company Limited ●	31.26	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo (Shandong) Aircraft Engineering Company Limited ●	36.26	–	40	Registered capital of RMB200,000,000	Airframe maintenance services for narrow-body aircraft
Associated companies:					
Incorporated in Hong Kong:					
AHK Air Hong Kong Limited ●	45	–	*	1,000,000 shares (HK$90,670,000)	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 Aircraft Leasing (H.K.) Limited ●	45	–	*	1 share (HK$1)	Aircraft financing facilitator
Cathay Pacific Airways Limited ●	45	45	–	6,437,200,203 ordinary shares (HK$28,821,956,644.08) and 195,000,000 preference shares (HK$19,500,000,000)	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited ●	45	–	*	600 shares (HK$600,000)	Airline catering
Cathay Pacific Finance Limited ●	45	–	*	1 share (HK$1)	Aircraft financing facilitator
Cathay Pacific MTN Financing (HK) Limited ●	45	–	*	1 share (HK$1)	Financial services
Cathay Pacific Services Limited ●	45	–	*	1 share (HK$1)	Cargo terminal
Hong Kong Airport Services Limited ●	45	–	*	100 shares (HK$100)	Aircraft ramp handling

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
AVIATION (continued)					
Associated companies (continued):					
Incorporated in Hong Kong (continued):					
Hong Kong Aviation and Airport Services Limited ●	45	–	*	2 shares (HK$2)	Property investment
Hong Kong Express Airways Limited ●	45	–	*	1,000,000 shares (HK$3,150,607,160)	Operation of scheduled airline services
Vogue Laundry Service Limited ●	45	–	*	3,700 shares (HK$1,850,000)	Laundry and dry cleaning
Incorporated in the Chinese Mainland:					
Air China Cargo Co., Ltd. ●	10.8	–	*	Registered capital of RMB10,689,527,205	Cargo carriage service
Air China Limited ●	8.16	–	*	4,562,683,364 'H' shares of RMB1 each and 9,962,131,821 'A' shares of RMB1 each	Airline
(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 Finance III Limited ●	45	–	*	1 share of US$1	Financial services
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 India:					
Connaught Network Services Private Limited ●	45	–	*	90,000 shares of INR100 each	Information processing
TRADING & INDUSTRIAL – INDUSTRIAL					
Subsidiary companies:					
Incorporated in Hong Kong:					
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 Waste Management Limited	100	–	100	1 'A' share (HK$1) and 1 'B' share (HK$1)	Provision of waste management services
Swire Waste Services Limited	100	–	100	1 share (HK$1)	Provision of waste management services
Taikoo Sugar Limited	100	–	100	300,000 shares (HK$4,360,000)	Packing and trading of branded food products

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
TRADING & INDUSTRIAL – INDUSTRIAL (continued)					
Subsidiary companies (continued):					
Incorporated in the Chinese Mainland:					
(Domestic companies)					
Chengdu Xin Qinyuan Food Company Limited ^	100	–	100	Registered capital of RMB10,000,000	Production and trading of bakery products
Chengdu Xin Qinyuan Trading Company Limited ^	100	–	100	Registered capital of RMB11,000,000	Bakery chain stores
Chongqing Heed Food Company Limited ^	100	–	100	Registered capital of RMB100,000	Production and trading of bakery products
Chongqing Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB5,000,000	Bakery chain stores
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	Production and trading of bakery products
Taikoo Sugar Chengdu Limited ^ •	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products
(Wholly foreign owned enterprises)					
Chongqing New Qinyuan Bakery Co., Ltd	100	–	100	Registered capital of RMB75,595,238	Production and trading of bakery products
Reservoir Management Services (Shanghai) Company Limited ^ •	100	–	100	Registered capital of RMB200,000	Provision of business consultancy services
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
TRADING & INDUSTRIAL – TRADING					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited (operates principally in Taiwan)	100	–	100	1 share (HK$1)	Automobile distribution
Beldare Motors Limited (operates principally in Taiwan)	100	–	100	10,000 shares (HK$1,000,000)	Automobile distribution
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
International Automobiles Limited	100	–	100	10,000 shares (US$10,000)	Automobile distribution
Liberty Motors Limited (operates principally in Taiwan)	100	–	100	2 shares (HK$20)	Automobile distribution
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 (operates principally in Taiwan)	100	–	100	2,000 shares (HK$2,000)	Automobile distribution
Yuntung Motors Limited (operates principally in Taiwan)	100	–	100	2 shares (HK$2)	Automobile distribution
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

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
TRADING & INDUSTRIAL – TRADING (continued)					
Subsidiary companies (continued):					
Incorporated in the Chinese Mainland:					
(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 Taiwan:					
Biao Yi Limited ^ •	100	–	100	10,000,000 shares of NT$1 each	Automobile distribution
Incorporated in the British Virgin Islands and operate principally in Taiwan:					
Biao Da Motors Limited	100	–	100	1 share of US$1	Automobile distribution
Supreme Motors Limited •	100	–	100	1 share of US$1	Automobile distribution
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile distribution
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
OTHERS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Global Food Venture Investment Limited	100	100	–	1 share (HK$1)	Holding company
Swire Finance Limited	100	100	–	1,000 shares (HK$10,000)	Financial services
Swire Pacific MTN Financing (HK) Limited	100	100	–	1 share (HK$1)	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services
Associated companies:					
Incorporated in the Cayman Islands and operate in the Chinese Mainland:					
Columbia China Healthcare Co., Limited •	13.01	–	*	500,000,000 shares of US$0.0001 each	Holding company for provision of healthcare services
DeltaHealth China Limited	22	–	22	35,228,989 shares and 1,083,378,480 convertible preferred shares, of US$0.001 each	Holding company for provision of healthcare services
Incorporated in the British Virgin Islands and operates in the Chinese Mainland:					
SHH Core Holding Limited •	20	–	20	20,700,128 shares of US$0.00001 each	Holding company for provision of healthcare services
Incorporated in Denmark:					
Cadeler A/S •	15.11	15.11	–	197,600,000 shares of DKK1 each	Ship operator

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the consolidated results and consolidated 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 2022 and consolidated statement of financial position at 31st December 2022, modified to conform to the Group's financial statements presentation.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2022

	2022 HK$M	2021 HK$M
Revenue	51,036	45,587
Operating expenses	(47,490)	(46,037)
Operating gain/(loss) before non-recurring items	3,546	(450)
Restructuring costs	–	(385)
Impairment and related charges	–	(818)
Gain on deemed partial disposal of an associated company	–	210
Operating gain/(loss)	3,546	(1,443)
Finance charges	(3,074)	(2,704)
Finance income	165	75
Net finance charges	(2,909)	(2,629)
Share of losses of associated companies	(6,677)	(1,985)
Loss before taxation	(6,040)	(6,057)
Taxation	(507)	531
Loss for the year	(6,547)	(5,526)
(Loss)/profit for the year attributable to:		
– Ordinary shareholders of Cathay Pacific	(7,162)	(6,123)
– Preference shareholder of Cathay Pacific	614	596
– Non-controlling interests	1	1
	(6,547)	(5,526)

	HK¢	HK¢
Loss per share attributable to Cathay Pacific's ordinary shareholders (basic and diluted)	(111.3)	(95.1)

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2022

	2022 HK$M	2021 HK$M
Loss for the year	(6,547)	(5,526)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans	108	510
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)	(4)	(5)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(707)	2,581
Share of other comprehensive income of associated companies	227	211
Net translation differences on foreign operations	(1,442)	691
Other comprehensive (loss)/income for the year, net of tax	(1,818)	3,988
Total comprehensive loss for the year	(8,365)	(1,538)
Total comprehensive (loss)/income attributable to:		
Ordinary shareholders of Cathay Pacific	(8,980)	(2,135)
Preference shareholder of Cathay Pacific	614	596
Non-controlling interests	1	1
	(8,365)	(1,538)

Consolidated Statement of Financial Position

At 31st December 2022

	2022 HK$M	2021 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	118,855	123,990
Intangible assets	14,800	15,035
Investments in associated companies	16,492	24,532
Other long-term receivables and investments	3,297	3,327
Deferred tax assets	1,134	846
	154,578	167,730
Current assets		
Stock	1,137	1,269
Trade and other receivables	6,921	8,296
Assets classified as held for sale	1	48
Liquid funds	18,277	19,284
	26,336	28,897
Current liabilities		
Interest-bearing liabilities	14,643	22,350
Trade and other payables	11,199	10,095
Contract liabilities	13,537	7,925
Taxation	4,023	2,765
	43,402	43,135
Net current liabilities	(17,066)	(14,238)
Total assets less current liabilities	137,512	153,492
Non-current liabilities		
Interest-bearing liabilities	62,463	67,504
Other long-term payables	2,766	3,441
Other long-term contract liabilities	282	478
Deferred tax liabilities	8,117	9,820
	73,628	81,243
NET ASSETS	63,884	72,249
EQUITY		
Share capital	48,322	48,322
Reserves	15,556	23,922
Equity attributable to Cathay Pacific's shareholders	63,878	72,244
Non-controlling interests	6	5
TOTAL EQUITY	63,884	72,249

Summary of Past Performance

	2013 HK$M	2014 HK$M	2015 HK$M	2016 HK$M
Ratios				
Return on equity	6.2%	5.0%	6.1%	4.4%
Derived from:				
Recurring underlying profit/(loss)	*4.0%*	*4.2%*	*4.2%*	*2.3%*
Net non-recurring items	*0.0%*	*0.2%*	*0.3%*	*-0.9%*
Net property valuation adjustments	*2.2%*	*0.6%*	*1.6%*	*3.0%*
5-year average	*12.7%*	*10.9%*	*8.1%*	*5.9%*
Gearing ratio (excluding lease liabilities)	19.2%	22.4%	22.6%	23.5%
Statement of Profit or Loss				
Revenue				
Property	12,856	15,297	16,351	16,691
Beverages	15,053	16,382	17,172	18,420
Aviation	7,387	11,927	12,095	13,760
Trading & Industrial	9,836	10,430	9,245	9,276
Marine Services	6,292	7,234	5,988	4,237
Head Office	13	31	34	5
	51,437	61,301	60,885	62,389
Profit/(loss) attributable to the Company's shareholders				
Property	10,207	7,786	11,494	12,357
Beverages	802	854	976	813
Aviation	1,627	1,822	3,017	441
Trading & Industrial	237	423	155	114
Marine Services	1,307	1,072	(1,255)	(3,013)
Head Office	(889)	(888)	(958)	(1,068)
	13,291	11,069	13,429	9,644
Dividends for the year	5,266	5,868	5,867	3,159
Share repurchases	–	–	35	–
Retained profit less share repurchases	8,025	5,201	7,527	6,485
Statement of Financial Position				
Assets employed				
Property – cost and working capital	84,035	88,491	89,009	90,797
– valuation surplus	151,019	154,116	162,217	171,591
Beverages	6,032	6,048	5,833	7,845
Aviation	43,801	41,195	39,311	42,606
Trading & Industrial	2,286	3,950	4,445	5,246
Marine Services	21,412	23,537	22,293	18,170
Head Office	4,428	3,417	462	(41)
	313,013	320,754	323,570	336,214
Financed by				
Equity attributable to the Company's shareholders	220,297	218,775	218,449	224,879
Non-controlling interests	42,211	43,355	45,537	47,289
Net debt	50,505	58,624	59,584	64,046
Lease liabilities	–	–	–	–
	313,013	320,754	323,570	336,214
	HK $	HK $	HK $	HK $
'A' Shares				
Earnings/(loss) per share	8.83	7.36	8.93	6.41
Dividends per share	3.50	3.90	3.90	2.10
Equity attributable to shareholders per share	146.41	145.40	145.22	149.50
'B' Shares				
Earnings/(loss) per share	1.77	1.47	1.79	1.28
Dividends per share	0.70	0.78	0.78	0.42
Equity attributable to shareholders per share	29.28	29.08	29.04	29.90
Underlying				
Profit/(loss) (HK$M)	8,471	9,739	9,892	3,063
Return on equity (historic cost)	8.9%	10.1%	11.2%	3.6%
Earnings/(loss) per 'A' share (HK$)	5.63	6.47	6.58	2.04
Earnings/(loss) per 'B' share (HK$)	1.13	1.29	1.32	0.41
Cash Interest cover – times	4.5	4.9	4.6	2.6
Dividend payout ratio	62.2%	60.3%	59.3%	103.1%

^ Include continuing operations and discontinued operations.

2017 HK$M	2018 HK$M	2019 HK$M	2020^ HK$M (Restated)	2021^ HK$M (Restated)	2022^ HK$M
10.9%	9.0%	3.3%	-4.3%	1.3%	1.6%
2.0%	*2.8%*	*2.7%*	*-0.4%*	*1.8%*	*1.4%*
0.0%	*0.4%*	*-0.8%*	*-2.9%*	*0.2%*	*0.4%*
8.9%	*5.8%*	*1.4%*	*-1.0%*	*-0.7%*	*-0.2%*
6.5%	*7.1%*	*6.7%*	*4.7%*	*4.0%*	*2.2%*
23.7%	19.3%	14.2%	12.2%	11.9%	18.0%
18,443	14,604	14,135	13,542	16,275	13,788
34,066	41,189	43,316	45,080	53,925	54,223
14,546	14,892	15,901	11,483	11,464	13,828
10,163	10,896	9,843	8,308	9,553	9,321
3,066	3,018	2,451	1,889	1,601	524
5	7	6	10	12	9
80,289	84,606	85,652	80,312	92,830	91,693
27,731	23,437	11,007	2,967	5,840	6,546
2,441	1,630	1,686	2,076	2,549	2,392
(1,002)	1,781	1,550	(9,751)	(2,380)	(3,072)
69	2,904	(452)	12	94	(307)
(2,232)	(5,033)	(3,634)	(5,240)	(1,118)	359
(937)	(1,090)	(1,150)	(1,484)	(1,628)	(1,723)
26,070	23,629	9,007	(11,420)	3,357	4,195
3,155	4,505	4,505	2,553	3,904	4,404
165	9	–	–	–	2,643
22,750	19,115	4,502	(13,973)	(547)	(2,852)
95,846	92,805	95,777	96,499	104,969	111,413
198,496	217,858	208,172	200,053	198,788	199,608
17,274	16,657	17,177	16,514	17,474	26,233
44,798	45,449	47,187	42,956	40,590	35,904
5,631	2,252	3,249	2,813	2,527	2,353
16,755	13,014	10,120	3,557	943	–
(192)	(253)	(125)	270	2,324	2,100
378,608	387,782	381,557	362,662	367,615	377,611
253,163	270,424	273,352	262,266	266,515	258,456
52,931	54,691	56,142	56,344	57,105	57,480
72,514	62,667	46,688	38,900	38,655	56,759
–	–	5,375	5,152	5,340	4,916
378,608	387,782	381,557	362,662	367,615	377,611
HK$	HK$	HK$	HK$	HK$	HK$
17.34	15.74	6.00	(7.61)	2.24	2.81
2.10	3.00	3.00	1.70	2.60	3.00
168.58	180.09	182.04	174.66	177.49	177.75
3.47	3.15	1.20	(1.52)	0.45	0.56
0.42	0.60	0.60	0.34	0.52	0.60
33.72	36.02	36.41	34.93	35.50	35.55
4,742	8,523	17,797	(4,390)	5,293	4,748
5.4%	9.3%	18.2%	-3.9%	5.2%	4.8%
3.15	5.68	11.85	(2.92)	3.52	3.18
0.63	1.14	2.37	(0.58)	0.70	0.64
4.0	5.0	10.5	5.3	6.2	6.1
66.5%	52.9%	25.3%	N/A	73.8%	92.8%

Schedule of Principal Group Properties

At 31st December 2022

	Gross floor areas in square feet							
	Hong Kong		Chinese Mainland		USA and Elsewhere		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	2,321,585	223,903	3,239,776	2,534,983	496,508	–	6,057,869	8,816,755
Office	8,474,662	738,548	1,693,125	1,208,566	–	–	10,167,787	12,114,901
Residential/Serviced apartment	555,551	–	50,376	143,059	–	–	605,927	748,986
Hotels	358,371	435,770	678,897	498,603	–	258,750	1,037,268	2,230,391
	11,710,169	1,398,221	5,662,174	4,385,211	496,508	258,750	17,868,851	23,911,033
Property developments for investment								
Retail	–	–	–	1,071,720	–	–	–	1,071,720
Office	223,303	–	–	–	–	–	223,303	223,303
Residential/Serviced apartment	14,768	–	–	–	–	–	14,768	14,768
Under planning	–	–	2,364,668	1,415,930	1,510,000*	–	3,874,668	5,290,598
	238,071	–	2,364,668	2,487,650	1,510,000	–	4,112,739	6,600,389
Completed properties for sale								
Residential/Serviced apartment	10,817	–	–	–	–	50,611	10,817	61,428
	10,817	–	–	–	–	50,611	10,817	61,428
Property developments for sale								
Retail	15,199	–	–	–	–	–	15,199	15,199
Residential/Mixed-use	795,266	159,576	–	–	1,073,000	1,683,168	1,868,266	3,711,010
	810,465	159,576	–	–	1,073,000	1,683,168	1,883,465	3,726,209
	12,769,522	1,557,797	8,026,842	6,872,861	3,079,508	1,992,529	23,875,872	34,299,059

* One Brickell City Centre is currently under planning. The site is included under "Properties held for development" in the financial statements.

Notes:

1. All properties held through subsidiary companies are wholly-owned by the Swire Properties group except for Island Place (60% owned), Chai Wan Inland Lot No. 178 (80% owned), Taikoo Hui, Guangzhou (97% owned), Taikoo Li Xi'an (70% owned) and Brickell City Centre (Retail: 62.93% owned). The above summary table includes the floor areas of these five properties in 100%.
2. "Other companies" comprise joint venture, associated companies and financial assets at fair value through profit or loss. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas in Hong Kong and the Chinese Mainland exclude car parking spaces; there are about 9,840 completed car parking spaces in Hong Kong and the Chinese Mainland, 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 or 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.

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. 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.
4. 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 and PCCW Tower.
5. 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 and One Taikoo Place.
6. 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	Linked to One Taikoo Place.
7. 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.

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. 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	
9. 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)	1,013,368	82	2018	Linked to Lincoln House and Oxford House.
10. 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)	994,545	346	2022	Linked to PCCW Tower.
11. SPACES. 8QRE, 8 Queen's Road East, Wan Chai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	2013 (Refurbishment)	With ground floor retail.
12. 28 Hennessy Road (will be renamed as Five Pacific Place), Wan Chai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	
	Total held through subsidiaries			8,474,662	1,411		
13. 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, Lincoln House and Two Taikoo Place. Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
14. 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.
15. One Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	160,522	63	1999/ 2000	Above Citygate Outlets. Floor area shown represents the whole of the office area of the development, in which the Swire Properties group owns a 26.67% interest.
16. South Island Place, Wong Chuk Hang	AIL 461 RP	2064	25,260	382,499	137	2018	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,552,007	501		
	– of which attributable to the Swire Properties group			738,548			

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	426	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 (part) QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sR ss2 (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)	1,096,898	845	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	–	329,810	2,182	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, Wan Chai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail podium.
6. EAST Residences, 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).
7. STAR STUDIOS I & II, 8-10 & 18 Wing Fung Street, Wan Chai	IL 47 sF (part) IL 47 sG (part) IL 47 sH (part) IL 47 sI (part) IL 8464 (part)	2056/ 2852	6,775 (part)	5,197	–	2016 (Refurbishment)	Floor area shown represents the retail area (excluding residential apartments).

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)							
8. EIGHT STAR STREET, Wan Chai	IL 526 sA ss1 sC IL 526 sA ss1 sB ss1 IL 526 sA ss1 sB RP IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,609 (part)	2,851	–	2022	Floor area shown represent the whole of the retail podium.
	Total held through subsidiaries			2,321,585	3,824		
9. 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 26.67% interest.
10. Citygate Outlets, Tung Chung, Lantau	TCTL 2 (part) TCTL 11 (part)	2047/ 2063	466,476 (part)	803,582	1,197	1999/ 2000/ 2019	Floor area shown represents the whole of the retail area of the development, in which the Swire Properties group owns a 26.67% interest.
	Total held through joint venture companies			839,635	1,272		
	– of which attributable to the Swire Properties group			223,903			
Residential							
1. Pacific Place Apartments, 88 Queensway, Central	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. EAST Residences, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	62,756	–	2014	106 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, Wan Chai	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. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
	Total held through subsidiaries			555,551	–		
Hotel							
1. EAST Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sR ss2 (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	331-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	–		
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	608-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	557-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			

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)							
6. Novotel Citygate Hong Kong, Citygate	TCTL 2 (part)	2047	358,557 (part)	236,758	25	2005	440-room hotel, in which the Swire Properties group owns a 26.67% interest.
7. The Silveri Hong Kong – MGallery, Citygate	TCTL 11 (part)	2063	107,919 (part)	131,965	5	2019	206-room hotel, in which the Swire Properties group owns a 26.67% interest.
	Total held through joint venture companies			368,723	30		
	– of which attributable to the Swire Properties group			98,326			

Completed properties for investment in the Chinese Mainland	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 car parks)	566,332 (part)	776,909	417	2007	Shopping centre with restaurants and cinema.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang district, Beijing	2044 (2054 for car parks)	566,332 (part)	519,399	340	2007	Shopping centre with restaurants.
3. Taikoo Li Sanlitun (Taikoo Li Sanlitun West)	58 Gongti North Road, Chaoyang district, Beijing	2033	40,102	293,405	50	2021	Shopping centre with restaurants leased by the Swire Properties group.
4. Building 15	15 Sanlitun North, Chaoyang district, Beijing	2048	4,861	19,747	–	2000s	Commercial building acquired by the Swire Properties group.
5. The Red	Building 15A, Sanlitun North, Chaoyang district, Beijing	2027	7,641	10,077	–	2000s	Shopping centre leased by the Swire Properties group.
6. Hui Fang	75 Tianhe East Road, Tianhe district, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants.
7. Taikoo Hui	381-389 Tianhe Road (odd numbers), Tianhe district, Guangzhou	2051	526,941 (part)	1,529,392	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			3,239,776	1,625		
8. INDIGO	18 Jiuxianqiao Road, Chaoyang district, Beijing	2044 (2054 for car parks)	631,072 (part)	946,769	617	2012	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
9. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang district, Chengdu	2051	814,604 (part)	1,314,237	1,051	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 65% interest.
10. Heritage Buildings in Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang district, Chengdu	2034	N/A (part)	40,387	–	2014	Heritage Buildings leased from the local government as part of the retail operation of Sino-Ocean Taikoo Li Chengdu, in which the Swire Properties group owns a 65% interest.
11. HKRI Taikoo Hui	South of West Nanjing Road and east of Shi Men Yi Road, Jing'an district, Shanghai	2049	676,091 (part)	1,105,646	240	2016	Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
12. Metrolink in HKRI Taikoo Hui	South of West Nanjing Road and underneath Shi Men Yi Road, Jing'an district, Shanghai	2028	N/A (part)	67,813	–	2018	Shopping corridor leased from Shanghai Shentong Metro and operated by HKRI Taikoo Hui, in which the Swire Properties group owns a 50% interest.
13. Taikoo Li Qiantan	East of Yangsi West Road, West of Dongyu Road, North of Haiyang West Road, Pudong New district, Shanghai	2053	638,125	1,188,727	907	2020	The Swire Properties group owns a 50% interest.
	Total held through joint venture companies			4,663,579	2,815		
	– of which attributable to the Swire Properties group			2,534,983			

Completed properties for investment in the Chinese Mainland	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 Towers 1 & 2	North of Tianhe Road and west of Tianhe East Road, Tianhe district, Guangzhou	2051	526,941 (part)	1,693,125	–	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			1,693,125	–		
2. ONE INDIGO	20 Jiuxianqiao Road, Chaoyang district, Beijing	2054	631,072 (part)	589,071	390	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 50% interest.
3. HKRI Centre 1 and HKRI Centre 2	South of West Nanjing Road and east of Shi Men Yi Road, Jing'an 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			2,417,131	1,188		
	– of which attributable to the Swire Properties group			1,208,566			
Hotel							
1. The Opposite House	11 Sanlitun Road, Chaoyang district, Beijing	2044 (2054 for car parks)	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: 509,434 Serviced apartment: 50,376 559,810	– –	2012	263-room hotel and 24 serviced apartments, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			729,273	32		
3. EAST Beijing	22 Jiuxianqiao Road, Chaoyang district, Beijing	2044 (2054 for office and car parks)	631,072 (part)	358,301	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: 193,137 Serviced apartment: 106,804 299,941	– –	2015	100-room hotel and 42 serviced apartments, in which the Swire Properties group owns a 65% interest.
5. The Sukhothai Shanghai Hotel	380 Weihai Road, Jing'an district, Shanghai	2049	676,091 (part)	Hotel: 246,646	79	2018	201-room hotel, in which the Swire Properties group owns a 50% interest.
The Middle House	366 Shi Men Yi Road, Jing'an district, Shanghai			Hotel: 141,181	43	2018	111-room hotel, in which the Swire Properties group owns a 50% interest.
The Middle House Residences	366 Shi Men Yi Road, Jing'an district, Shanghai			Serviced apartment: 147,273 535,100	40	2018	102 serviced apartments, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,193,342	402		
	– of which attributable to the Swire Properties group			641,662			

Completed properties for investment in the United States	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 portion	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 62.93% interest.
2. Car parking spaces for Two Brickell City Centre, Three Brickell City Centre, EAST Residences and EAST Miami	78 SW 7th Street and 788 Brickell Plaza, Miami, Florida	380,670 (part)	–	389	2016	The Swire Properties group owns the 389 car parking spaces of the sold properties.
	Total held through subsidiaries		496,508	1,526		
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 companies		345,000	600		
	– of which attributable to the Swire Properties group		258,750			

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
Residential								
1. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	Site formation and foundation in progress	2024	Floor area shown is an approximation.
	Total held through subsidiaries			14,768	–			
Office								
1. Six Pacific Place, 46-56 Queen's Road East	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	223,303	88	Superstructure works in progress	2023	Floor area shown is an approximation.
	Total held through subsidiaries			223,303	88			

Property developments for investment in the Chinese Mainland	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
Retail								
1. Phase III of the Sanya International Duty-Free Complex	Next to and on the west of current Phase II of the Sanya International Duty-Free Complex	2063	2,233,387	Under planning: 2,143,440 (under design & further review)	2,075	Site handover completed, foundation works expected from Q1 2023	From late 2024	A premium, resort-style, retail-led development in the Haitang district of Sanya. The Swire Properties group owns a 50% interest.
	Total held through joint venture companies			2,143,440	2,075			
	– of which attributable to the Swire Properties group			1,071,720				

Property developments for investment in the Chinese Mainland	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
Under planning								
1. Taikoo Li Xi'an	The Small Wild Goose Pagoda historical and cultural zone Beilin District, Xi'an	2062	1,290,669	Under planning: 2,364,668	To be determined	Under planning	2025	Retail-led mixed-use development comprising retail and cultural facilities in addition to a hotel, serviced residences and business apartments. The Swire Properties group owns a 70% interest.
	Total held through subsidiaries			2,364,668	–			
2. INDIGO Phase Two, Beijing	Next to and on the east of current INDIGO, Beijing	2060 for retail and hotel, 2070 for office	842,807 (part)	Under planning: 4,045,514	To be determined	Basement structure works are in progress	Phase 1: 2025 Phase 2: 2026	An office-led, mixed-use extension of the existing INDIGO project comprising a shopping mall, office towers, and a hotel. The Swire Properties group owns a 35% interest.
	Total held through joint venture companies			4,045,514	–			
	– of which attributable to the Swire Properties group			1,415,930				

Property developments for investment in the United States	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
Under planning					
1. One Brickell City Centre, Miami, Florida	123,347	Under planning: 1,510,000	To be determined	To be determined	One Brickell City Centre is being planned as a future mixed-use development comprised of retail and Grade A office space. Area shown is in lettable area.
	Total held through subsidiaries	1,510,000	–		

Completed properties for sale in Vietnam	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential						
1. The River	Thu Thiem, Lot 3.15	165,518	253,054	–	2022	3 residential towers with 525 units, in which the Swire Properties group effectively owns a 20% interest. Gross floor area excludes 6,886 sqm of parking and 4,500 sqm of retail which is not included in the Swire Properties group's investment. As of 31st December 2022, sales of 368 units had been closed. Floor area shown represents the gross floor area of the remaining 157 residential units.
	Total held through associated companies		253,054	–		
	– of which attributable to the Swire Properties group		50,611			

Completed properties for sale in the Hong Kong	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential						
1. EIGHT STAR STREET	8 Star Street, Wan Chai	3,609 (part)	10,817	–	2022	Residential block comprising 37 units over retail podium. As of 31st December 2022, sales of 27 units had been closed. Floor area shown represents the gross floor area of remaining 10 residential units.
	Total held through subsidiaries		10,817	–		

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
Residential							
1. 269 Queen's Road East	IL 9061	2072	13,203 (part)	102,990	To be determined	2025	Residential block over retail podium. Floor area shown represents the residential portion of the development.
2. Chai Wan Inland Lot No. 178	CWIL 178	2071	96,876 (part)	692,276	To be determined	2025	The residential portion of the whole development, in which the Swire Properties group owns a 80% interest.
	Total held through subsidiaries			795,266	–		
3. Wong Chuk Hang Station Package Four Property Development	AIL 467	2067	738,199 (part)	638,305	To be determined	2024	Floor area shown represents the whole Package Four development, in which the Swire Properties group owns a 25% interest.
	Total held through joint venture companies			638,305	–		
	– of which attributable to the Swire Properties group			159,576			
Retail							
1. 269 Queen's Road East	IL 9061	2072	13,203 (part)	13,197	To be determined	2025	The retail portion of the whole development.
2. Chai Wan Inland Lot No. 178	CWIL 178	2071	96,876 (part)	2,002	To be determined	2025	The retail portion of the whole development, in which the Swire Properties group owns a 80% interest.
	Total held through subsidiaries			15,199	–		

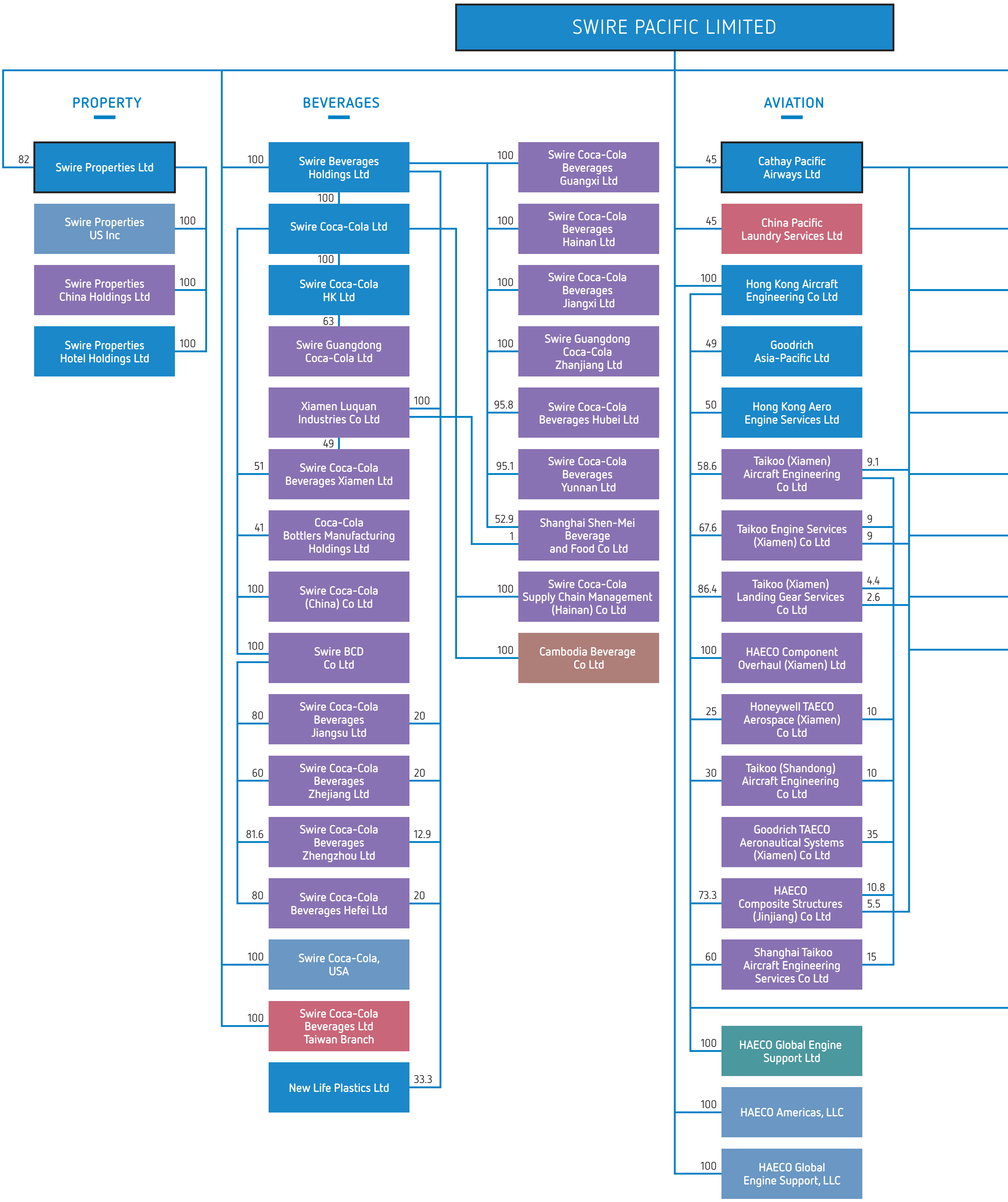
Property developments for sale in the United States	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential: 550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. 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	1,073,000	939		

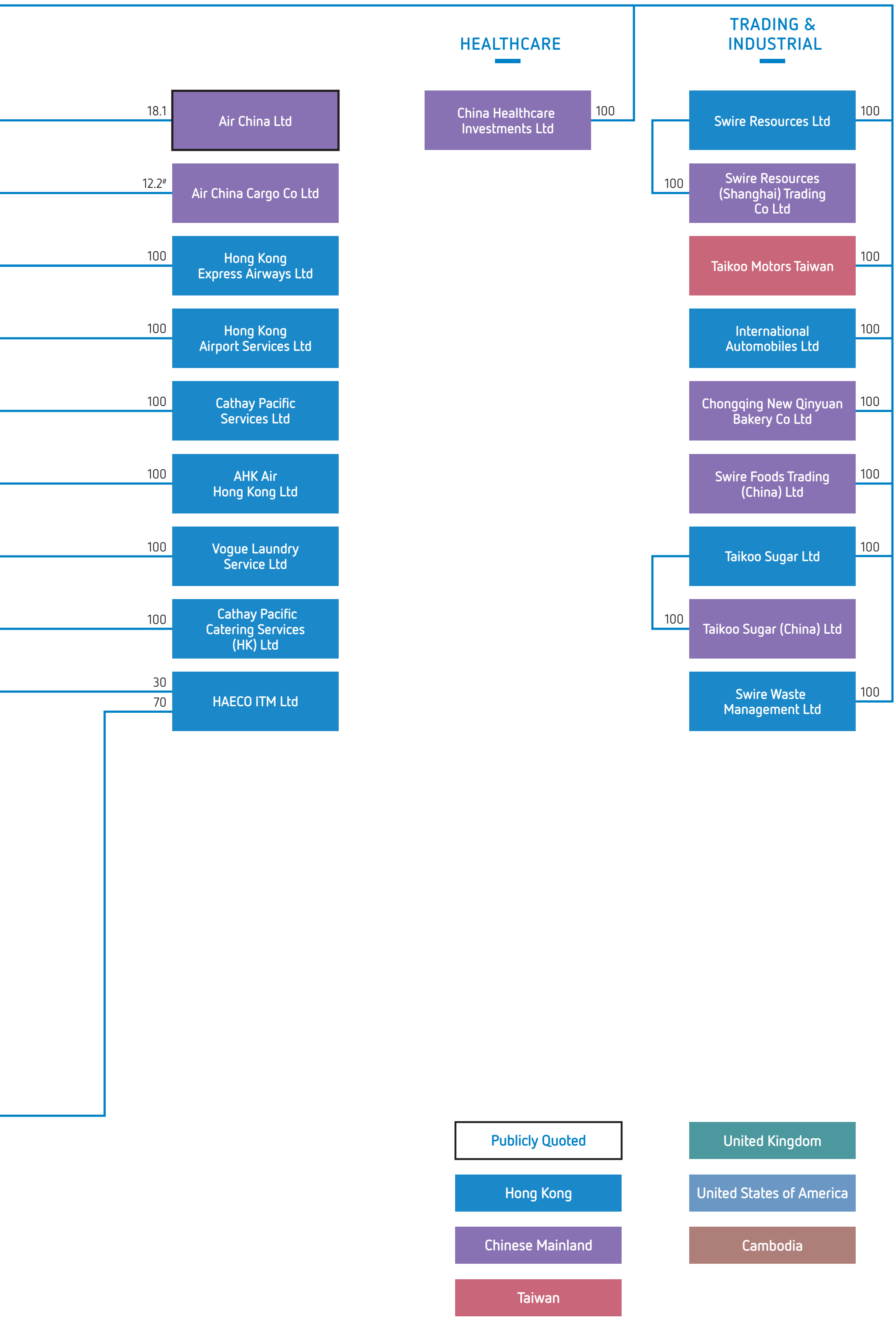
Property developments for sale in Indonesia	Lot number/Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. Savyavasa, South Jakarta	Jalan Wijaya II No.37A Kebayoran Baru, South Jakarta	227,982	Residential: 1,122,728	1,079	2024	Residential tower with 433 units, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies		1,122,728	1,079		
	– of which attributable to the Swire Properties group		561,364			

Property developments for sale in Vietnam	Lot number/Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. Empire City	Thu Thiem, (Zone 2b)	1,103,461	Residential/ Mixed-use: 7,131,624	4,729	In phases up to 2028	A residential-led mixed-use project comprising luxury residential condominiums, an office tower, a hotel, serviced apartments and a retail mall. To be completed in phases up to 2028. The Swire Properties group effectively owns a 15.73% interest. Gross floor area excludes 172,295 sqm of parking (although this is included in the Swire Properties group's investment).
	Total held through financial assets at fair value through profit or loss		7,131,624	4,729		
	– of which attributable to the Swire Properties group		1,121,804			

Group Structure Chart

at 31st December 2022





* This organisation chart is for illustrative purposes only and does not represent the legal structure of the Group.

Shareholding held through subsidiary at 12.24%, another 11.75% held through an economic interest with total holding at 24.00%.

Glossary

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

Financial

Underlying profit or loss
Reported profit or loss adjusted principally for the impact of (i) changes in the fair value of investment properties, (ii) deferred tax on investment properties and (iii) amortisation of right-of-use assets reported under investment properties.

Recurring underlying profit or loss
Underlying profit or loss adjusted for significant credits and charges of a non-recurring nature, including gains and losses on the sale of businesses and investment properties and non-cash impairments.

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Capital employed
Total equity plus net debt and lease liabilities.

Consolidated net worth
Total of share capital, reserves and non-controlling interests.

Consolidated tangible net worth
Consolidated net worth less goodwill and other intangible assets.

Equity attributable to the Company's shareholders
Equity excluding non-controlling interests.

Gross borrowings
Total of loans, bonds and overdrafts.

Net debt or consolidated borrowed money
Total of loans, bonds and overdrafts net of cash, bank deposits and bank balances.

Beverages

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 Coca-Cola and excludes volume that is purchased from third parties.

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 Coca-Cola and excludes volume that is purchased from third parties.

Aviation

Available tonne kilometres (ATK)
Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.

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 cargo tonne kilometres (AFTK)
Cargo capacity, measured in tonnes available for the carriage of freight on each sector multiplied by the sector distance.

Revenue tonne kilometres (RTK)
Traffic volume, measured in tonnes from the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.

Revenue passenger kilometres (RPK)
Number of passengers carried on each sector multiplied by the sector distance.

Cargo revenue tonne kilometres (RFTK)
Amount of cargo, measured in tonnes, carried on each sector multiplied by the sector distance.

On-time performance
Departure within 15 minutes of scheduled departure time.

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 that contributes to the greenhouse effect by absorbing infrared radiation.

– **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 users.

– **Scope 3 emissions** are GHG emissions in an organisation's supply chain or generated by its customers.

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 international independent organisation that helps businesses, governments and other organisations understand and communicate their impact on issues such as climate change, human rights, governance and social wellbeing.

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.

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

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on Equity} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on capital employed} = \frac{\text{Profit/(loss) before net interest after taxation}}{\text{Average capital employed}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend payout ratio} = \frac{\text{Dividends paid and declared}}{\text{Underlying profit/(loss) attributable to the Company's shareholders}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo load factor} = \frac{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}{\text{Available seat kilometres/Available cargo tonne kilometres}}$$

$$\text{Passenger/Cargo yield} = \frac{\text{Passenger revenue/Cargo revenue}}{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses at Cathay Pacific}}{\text{ATK of Cathay Pacific}}$$

Financial Calendar and Information for Investors

Financial Calendar 2023

Annual Report available to shareholders	11th April
'A' and 'B' shares trade ex-dividend	12th April
Share registers closed for second interim dividends entitlement	14th April
Payment of 2022 second interim dividends	5th May
Share registers closed for attending and voting at Annual General Meeting	8th – 11th May
Annual General Meeting	11th May
Interim results announcement	August
First interim dividends payable	October

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Tel: Calls within USA – toll free: 1-888-269-2377
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

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

Investor Relations

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Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

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