

FINANCIAL REVIEW

Additional information is provided below to reconcile reported and underlying profit/(loss) 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/(loss).

Audited Financial Information			
	Note	2021 HK\$M	2020 HK\$M
Underlying profit/(loss)			
Profit/(loss) attributable to the Company's shareholders		3,364	(10,999)
Adjustments in respect of investment properties:			
Valuation losses in respect of investment properties	(a)	692	4,263
Deferred tax on investment properties	(b)	1,027	446
Valuation gains realised on sale of interests in investment properties	(c)	585	3,990
Depreciation of investment properties occupied by the Group	(d)	29	31
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)	(53)	(49)
Non-controlling interests' share of adjustments		(366)	(1,651)
Underlying profit/(loss) attributable to the Company's shareholders		5,300	(3,969)
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/(loss).			

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

	2021 HK\$M	2020 HK\$M
Underlying profit/(loss) attributable to the Company's shareholders	5,300	(3,969)
Significant non-recurring items:		
Gain on disposal of interests in investment properties	(1,959)	(4,584)
Gain on disposal of property, plant and equipment, intangible assets and other investments	(740)	(85)
Impairment of property, plant and equipment, right-of-use assets, intangible assets and investments and write-off of deferred tax assets	522	6,956
Remeasurement loss on assets classified as held for sale	1,611	–
Restructuring costs	151	1,073
Recurring underlying profit/(loss)*	4,885	(609)

* A more detailed definition is provided in the Glossary on page 226.

Recurring underlying profit/(loss) by division is provided below.

	2021 HK\$M	2020 HK\$M
Property	5,824	5,834
Beverages	2,549	2,076
Aviation		
Cathay Pacific group*	(2,250)	(6,439)
HAECO group and others*	398	331
Trading & Industrial	88	12
Marine Services	(176)	(1,019)
Head Office and Swire Investments	(1,548)	(1,404)
Recurring underlying profit/(loss)	4,885	(609)

* 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	2021 HK\$M	2020 HK\$M	Increase / (Decrease)	
				HK\$M	%
Revenue	4	92,403	80,032	12,371	15%
Cost of sales	6	(57,025)	(49,817)	(7,208)	-14%
Expenses	6	(24,102)	(21,525)	(2,577)	-12%
Other net gain/(losses)*	5	1,177	(1,574)	2,751	N/A
Change in fair value of investment properties		(1,931)	(4,421)	2,490	56%
Operating profit		10,522	2,695	7,827	290%
Net finance charges	9	(1,748)	(1,835)	87	5%
Share of profits of joint venture companies	20(a)	2,273	1,315	958	73%
Share of losses of associated companies	20(b)	(2,834)	(9,850)	7,016	71%
Taxation	10	(3,083)	(2,420)	(663)	-27%
Profit/(loss) for the year		5,130	(10,095)	15,225	N/A
Profit/(loss) attributable to the Company's shareholders	35	3,364	(10,999)	14,363	N/A
Underlying profit/(loss) attributable to the Company's shareholders	11	5,300	(3,969)	9,269	N/A

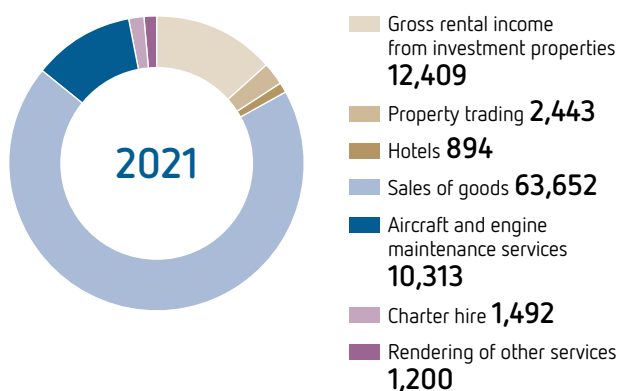
[^] Figures included continuing operations and discontinued operations.

* Figures included remeasurement loss on the disposal group of HK\$1,611 million.

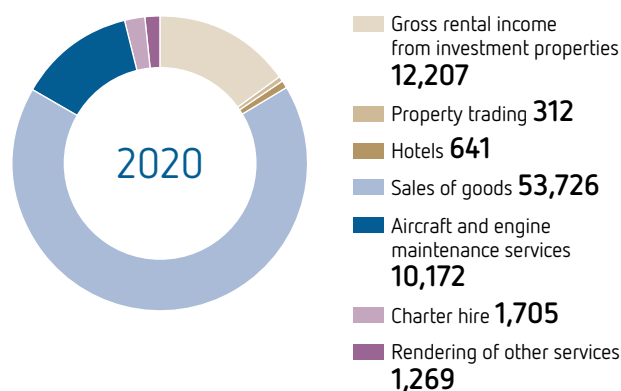
Revenue

Revenue by Category

HK\$M



HK\$M



The increase in revenue of HK\$12,371 million in 2021 principally reflected higher revenue from Swire Coca-Cola (HK\$8,845 million), the Property Division (HK\$2,586 million) and Trading & Industrial (HK\$1,245 million), partly offset by the lower revenue from Marine Services.

In the Property Division, gross rental income from property investment increased by HK\$202 million in 2021. In Hong Kong, gross rental income from office properties decreased by 5%, mainly due to the loss of rental income from the Cityplaza One office tower, which was disposed of in the second half of 2020. Rental income from retail properties in Hong Kong dropped by 10%. The decrease reflected in part the amortisation of rental concessions given in 2020. In the Chinese Mainland, there was higher rental income from retail properties. The high retail sales were stimulated by the strong local demand. In the USA, rental income increased, mainly due to recovery in retail sales. Revenue from property trading increased by HK\$2,131 million compared to 2020. The property trading revenue in 2021 represented the proceeds of sales of 20 EDEN units in Singapore and 25 Reach units and 89 Rise units at the Brickell City Centre development in the USA. Revenue from hotels increased by HK\$253 million in 2021 as the hotels in the Chinese Mainland and the USA performed better.

In Swire Coca-Cola, sales revenue increased in all regions. In the Chinese Mainland and the USA, the solid revenue growth was contributed by the increase in sales volume and price and improvement in product mix. In Hong Kong, the improvement in sales volume led to higher sales revenue. In Taiwan, revenue increased due to favourable sales mix, despite a drop in volume.

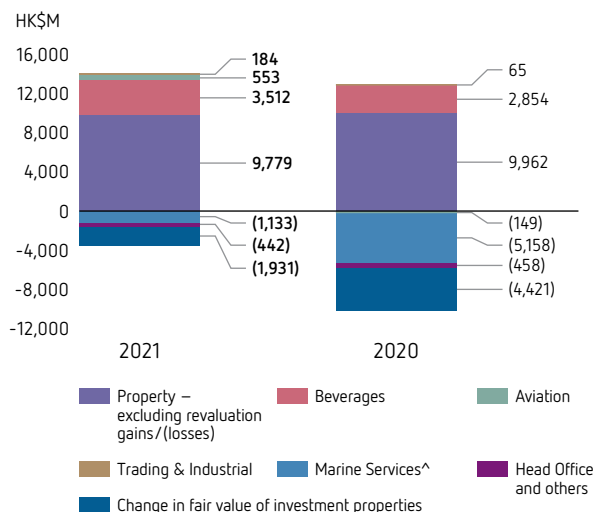
In the Aviation Division, the revenue of the HAECO group decreased marginally in 2021. This principally reflected less performance restoration and quick turn worksopes and less line maintenance services performed, largely offset by higher demand for base maintenance services and passenger to freighter conversion services.

In Trading & Industrial, revenue improved by HK\$1,245 million. Taikoo Motors was the largest revenue contributor. More vehicles were sold.

In Marine Services, the decrease in revenue at SPO principally reflected lower charter hire rates for the specialist fleet and fewer vessels in the fleet.

Operating Profit

Operating Profit/(Loss) by Division



[^] Figures included remeasurement loss on the disposal group of HK\$1,611 million.

There was a reduction in the fair value of investment properties of HK\$1,931 million in 2021, compared with a decrease in such fair value of HK\$4,421 million in 2020. The reduction in 2021 principally reflected a decrease in the valuation of retail and office properties in Hong Kong. Disregarding changes in the fair value of investment properties, operating profit increased by HK\$5,337 million in 2021. The improvement reflected absence in impairment charges at Marine Services in 2021, a gradual recovery at the Aviation Division and an increase in profit at Swire Coca-Cola.

The Property Division's operating profit (disregarding changes in the fair value of investment properties) decreased by HK\$183 million. Profit from property investment decreased by HK\$860 million. This reflected a reduction in the profit on the sale of interests in investment properties of HK\$641 million and increase in administrative and selling expenses. Property trading recorded an operating profit of HK\$492 million, compared with a loss of HK\$49 million in 2020. In 2021, more units were sold than in 2020. The operating loss from hotels reduced by HK\$136 million in 2021 as the hotels in the Chinese Mainland and the USA performed better.

In Swire Coca-Cola, the 2021 operating profit increased by HK\$658 million, principally from the Chinese Mainland and the USA. This reflected revenue growth in the Chinese Mainland and the USA, partly offset by higher raw material costs and operating costs.

In the Aviation Division, the HAECO group's 2021 operating profit increased by HK\$262 million, disregarding the non-recurring impairment charges in both years. The increase in operating profit was due to more aviation maintenance and repair work and reduced costs.

In Marine Services, the operating loss in 2021 included a remeasurement loss of HK\$1,611 million, a gain on actual and deemed disposal of an associated company of HK\$111 million and a gain on disposal of vessels and equipment of HK\$86 million. The operating loss of Marine Services in 2020 included an impairment charge of HK\$4,345 million in respect of vessels, a gain on disposal of vessels and equipment of HK\$71 million and a gain on disposal of a subsidiary of HK\$53 million. Disregarding non-recurring items in both years, operating loss of Marine Services reduced by HK\$1,218 million in 2021.

The operating profit of Trading & Industrial increased by HK\$119 million in 2021 mainly due to improvement at Swire Resources. The operating loss at Swire Resources reduced by HK\$110 million in 2021 as consumer demand in Hong Kong recovered somewhat.

Net Finance Charges

The decrease in net finance charges reflected less borrowings.

Share of Profits of Joint Venture Companies

In the Property Division, profits from joint venture companies increased by HK\$1,052 million. This principally reflected net revaluation gains of HK\$814 million, compared with net revaluation losses of HK\$53 million in 2020. There were lower operating losses from hotels.

In Swire Coca-Cola, profit from a joint venture company in Shanghai was higher than that in 2020.

In the Aviation Division, profits from joint venture companies in the HAECO group decreased by HK\$72 million, principally reflecting lower engine volume and a lighter work mix at HAESL.

In Trading & Industrial, there was a decrease in the share of profit from joint venture companies. This was mainly due to the acquisition of the remaining 50% interest in Swire Waste Management Limited. The company ceased to be a joint venture company and became a subsidiary following the acquisition.

Share of Losses of Associated Companies

The Cathay Pacific group incurred a loss of HK\$2,487 million in 2021 compared to a loss of HK\$9,742 million in 2020. The 2021 loss included post-tax impairment and related charges,

restructuring costs and a gain on the dilution of an associate interest in Air China Cargo, aggregating HK\$394 million, as compared to the non-recurring items of HK\$3,445 million in 2020. Passenger revenue decreased by 62% in 2021 compared to 2020. The number of passengers carried and the load factor were down as compared with 2020. The cargo business performed exceptionally well. Revenue, load factor and yield increased compared to 2020, despite a drop in capacity.

In the Property Division, the performance of the three associate hotels at Pacific Place in Hong Kong was adversely affected by COVID-19. The results were approximately the same as in 2020.

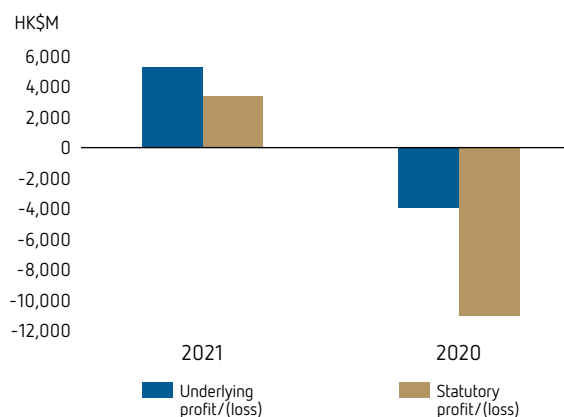
In Swire Coca-Cola, the profit from associated companies decreased marginally. This mainly reflected higher operating expenses at Coca-Cola Bottlers Manufacturing Holdings Limited in the Chinese Mainland.

In Swire Investments, the share of losses increased by HK\$65 million mainly due to the full-year effect on the share of loss from Columbia China Healthcare Co., Limited and share of losses from the new investments (SHH Core Holding Limited and DeltaHealth China Limited).

Taxation

The increase in taxation reflected higher pre-tax profit after excluding non-assessable income.

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



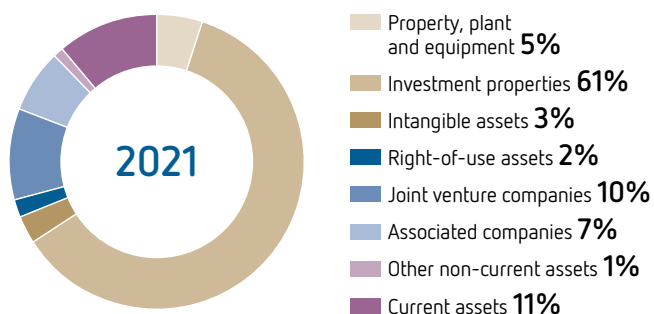
Disregarding investment property valuation adjustments, the underlying profit increased by HK\$9,269 million. The increase in profit principally reflected a reduction in loss at the Aviation Division and at SPO, and a growth in profitability at Swire Coca-Cola, partly offset by a reduction in profit arising from the sale of interests in investment properties at the Property Division.

Consolidated Statement of Financial Position

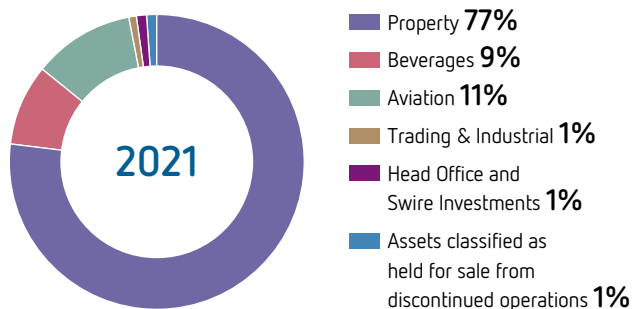
	Notes to the Financial Statements	2021 HK\$M	2020 HK\$M	Increase / (Decrease)	
				HK\$M	%
Property, plant and equipment	14	22,538	25,413	(2,875)	-11%
Investment properties	15	267,354	266,305	1,049	0%
Intangible assets	16	13,395	13,096	299	2%
Right-of-use assets	17	8,579	9,490	(911)	-10%
Joint venture companies	20(a)	43,619	37,068	6,551	18%
Associated companies	20(b)	28,405	28,582	(177)	-1%
Properties for sale	24	6,411	3,538	2,873	81%
Stocks and work in progress	25	5,685	5,112	573	11%
Contract assets		897	950	(53)	-6%
Trade and other receivables	26	9,936	10,350	(414)	-4%
Bank balances and short-term deposits	27	22,894	29,264	(6,370)	-22%
Assets classified as held for sale	28	3,577	384	3,193	832%
Other assets		3,026	3,558	(532)	-15%
Total Assets		436,316	433,110	3,206	1%
Trade and other payables	29	28,813	26,070	2,743	11%
Loans and bonds	30	61,549	68,164	(6,615)	-10%
Lease liabilities	31	5,340	5,152	188	4%
Deferred tax liabilities	32	12,572	11,556	1,016	9%
Liabilities associated with assets classified as held for sale	28	894	–	894	N/A
Other liabilities		2,980	3,022	(42)	-1%
Total Liabilities		112,148	113,964	(1,816)	-2%
Net Assets		324,168	319,146	5,022	2%
Equity attributable to the Company's shareholders	34,35	266,950	262,692	4,258	2%
Non-controlling interests	36	57,218	56,454	764	1%
Total Equity		324,168	319,146	5,022	2%

Total Assets

Total Assets by Category



Total Assets by Division



Property, Plant and Equipment

The decrease in property, plant and equipment principally reflected reclassification of the SPO disposal group assets to assets classified as held for sale and capital expenditure (net of disposals and depreciation).

Investment Properties

The increase in investment properties was principally due to additions during the year of HK\$4,239 million and foreign exchange translation gains of HK\$1,155 million in respect of investment properties in the Chinese Mainland, partly offset by net valuation losses of HK\$1,931 million, the disposals of Taikoo Shing car parking spaces and of EAST Miami service apartments (such disposals aggregating to HK\$1,603 million) and the transfer of unsold Taikoo Shing car parking spaces of HK\$1,646 million to assets classified as held for sale. The additions included capital expenditure on the Taikoo Place redevelopment and on other projects in Hong Kong and the Chinese Mainland.

Intangible Assets

The increase in intangible assets in 2021 principally reflected the purchase of franchise rights relating to the Body Armor franchise right by Swire Coca-Cola in the USA (HK\$229 million), foreign exchange translation gains (HK\$204 million) and computer software purchases. These increases were partly offset by intangible assets relating to disposal of a subsidiary from HAECO Americas and amortisation during the year.

Right-of-Use Assets

The decrease in right-of-use assets was mainly due to leases signed at Swire Coca-Cola, offset by depreciation during the year.

Joint Venture Companies and Loans Due from Joint Venture Companies

The increase principally reflected increases in the equity of INDIGO Phase Two from Property Division and increase in profit retained in the Property Division (including valuation gains), partly offset by dividends paid and the disposal of HUD group.

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, largely offset by the investments in 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, partly offset by gains in other comprehensive income.

Properties for Sale

The increase in properties for sale principally reflected development expenditure at Chai Wan Inland Lot No. 178 in Hong Kong and EIGHT STAR STREET, partly offset by sales of units at EDEN in Singapore and at the Reach and Rise developments at Brickell City Centre in the USA.

Stocks and Work in Progress

The increase in stocks and work in progress was principally due to more stocks at Swire Coca-Cola.

Trade and Other Receivables

The decrease in trade and other receivables was mainly due to transfer of trade and other receivables from the SPO disposal group to assets classified as held for sale (HK\$718 million), partly offset by increase in trade debtors at Swire Coca-Cola.

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

Assets classified as held for sale represents 100% interests in 921 car parking spaces and 185 motorcycle parking spaces at stages II to IV and VI to IX of the Taikoo Shing residential development in Hong Kong and the assets and liabilities associated with the SPO disposal group.

Trade and Other Payables

The increase in trade and other payables principally reflected increase in trade creditors and other accruals at Swire Coca-Cola of HK\$1,212 million, increase in advances from a non-controlling interest of HK\$942 million at Property Division and HK\$767 million increase in interest-bearing advances from joint venture companies at Property Division and Swire Coca-Cola, partly offset by the trade and other payables from the SPO disposal group (which were transferred to assets classified as held for sale).

Bank Balances and Short-Term Deposits/Loans and Bonds

The decrease in net borrowings of HK\$245 million reflected more repayment of loans and bonds. The cash generated from operations exceeded the funds used to finance the Group's property developments, the purchase of other fixed assets and investments in joint venture and associated companies.

Lease Liabilities

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

Deferred Tax Liabilities

The increase in deferred tax liabilities principally reflected deferred tax in respect of valuation gains on investment properties in the Chinese Mainland and exchange translation losses.

Equity Attributable to the Company's Shareholders

The movement in equity attributable to the Company's shareholders in 2021 consists of the total comprehensive income for the year attributable to the Company's shareholders (HK\$7,262 million) less dividends paid to shareholders (HK\$3,004 million).

Non-Controlling Interests

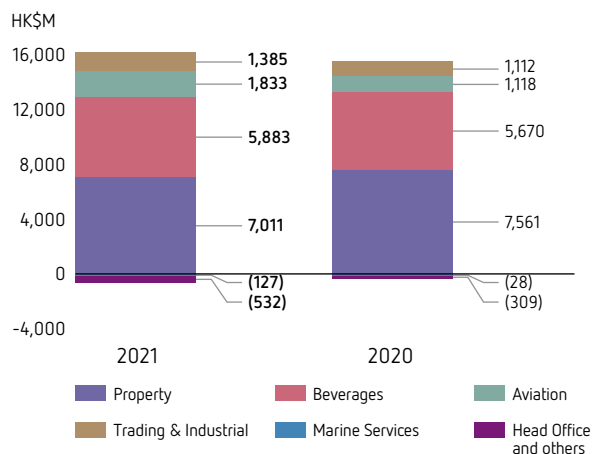
Non-controlling interests principally consist of the 18% non-controlling interest in Swire Properties.

Consolidated Statement of Cash Flows

	Notes to the Financial Statements	2021 HK\$M	2020 HK\$M	Increase/ (Decrease) HK\$M
Cash generated from operations	42(a)	15,453	15,124	329
Net interest paid		(1,870)	(1,932)	62
Tax paid		(2,559)	(2,314)	(245)
Dividends received		641	581	60
Investing activities				
Purchase of property, plant and equipment and right-of-use assets	42(b)	(3,812)	(2,824)	(988)
Additions of investment properties		(3,860)	(1,383)	(2,477)
Purchase of intangible assets		(405)	(177)	(228)
Proceeds from disposals of property, plant and equipment and right-of-use assets		2,514	862	1,652
Proceeds from disposals of investment properties		2,869	1,302	1,567
Proceeds from disposals of subsidiary companies, net of cash disposed of	42(d)	333	9,431	(9,098)
Proceeds from disposals of joint venture companies		357	3	354
Proceeds from partial disposal of an associated company		350	–	350
Purchase of shares in subsidiary companies		43	(134)	177
Purchase of shares in joint venture companies		(3,995)	(1)	(3,994)
Purchase of shares in associated companies		(1,104)	(5,960)	4,856
Purchase of investments at fair value		(505)	(164)	(341)
Net repayment from joint venture companies		571	883	(312)
Net loans to associated companies		(125)	(76)	(49)
Others		425	(37)	462
Net cash generated from businesses and investments		5,321	13,184	(7,863)
Dividends paid	35, 36	(4,425)	(4,883)	458
Loans drawn and refinancing	42(c)	4,879	14,525	(9,646)
Repayment of loans and bonds	42(c)	(11,825)	(14,395)	2,570
Principal elements of lease payments	42(c)	(971)	(935)	(36)
Cash paid to shareholders and net funding by external debt/lease liabilities		(12,342)	(5,688)	(6,654)
(Decrease)/increase in cash and cash equivalents		(7,021)	7,496	(14,517)

Cash Generated from Operations

Cash Generated from Operations by Division



Tax Paid

The increase in tax paid in 2021 principally reflected higher tax from Property Division and Swire Coca-Cola.

Dividends Received

Dividends received in 2021 principally comprised dividends from HAESL, HUD 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 2021 principally reflected the purchase of new production, marketing and distribution equipment by Swire Coca-Cola and the purchase of land use rights at HAECO Xiamen airport.

Additions of Investment Properties

The additions of investment properties in 2021 principally reflected capital expenditure on the Taikoo Place redevelopment and on other projects in Hong Kong and the Chinese Mainland.

Purchase of Intangible Assets

The increase in the amount spent during the year was mainly due to the purchase of the Body Armor franchise rights by Swire Coca-Cola in the USA.

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 and disposal of EAST Miami.

Proceeds from Disposals of Investment Properties

The proceeds from disposals of investment properties principally reflected the disposal of Taikoo Shing car parking spaces and EAST Miami service apartments.

Proceeds from Disposals of Subsidiary Companies

The proceeds from disposals of subsidiary companies mainly comprised the proceeds received from the disposal of subsidiaries holding investment properties in Hong Kong from Property Division and the disposal of a subsidiary owned by the HAECO group.

Proceeds from Disposals of Joint Venture Companies

The proceeds in 2021 reflected the disposal of HUD.

Proceeds from Partial Disposal of an Associated Company

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

Purchase of Shares in Joint Venture Companies

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

Purchase of Shares in Associated Companies

Purchases of shares in associated companies in 2021 principally comprised the acquisition of an interest in SHH Core Holding Limited and DeltaHealth China Limited and the capital injection to Columbia China Healthcare Co., Limited.

Net Repayment from Joint Venture Companies

Loans to joint venture companies in 2021 principally reflected net funding made available in respect of joint venture property projects in the Chinese Mainland. The repayment in 2021 from joint venture companies decreased by HK\$326 million.

Loans Drawn and Refinancing

In 2021, 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*	
	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M
Property investment	288,607	282,596	20,276	18,389
Property trading	9,637	7,249	–	–
Hotels	6,061	7,243	408	281
Property – overall	304,305	297,088	20,684	18,670
Beverages	17,474	16,514	1,994	1,845
Aviation	40,590	42,956	6,278	6,291
Trading & Industrial	2,527	2,813	27	67
Marine Services	943	3,557	83	127
Head Office and Swire Investments	2,324	270	–	–
Total capital employed	368,163	363,198	29,066	27,000
Less: net debt	(38,655)	(38,900)		
Less: lease liabilities	(5,340)	(5,152)		
Less: non-controlling interests	(57,218)	(56,454)		
Equity attributable to the Company's shareholders	266,950	262,692		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2021 HK\$M	2020 HK\$M	2021	2020
Property investment	230,744	228,104	2.4%	1.7%
Property trading	3,912	3,501	13.3%	-2.0%
Hotels	4,758	4,997	-5.2%	-8.6%
Property – overall	239,414	236,602	2.5%	1.4%
Beverages	17,956	15,378	15.3%	14.7%
Aviation	36,433	37,435	-6.4%	-24.6%
Trading & Industrial	2,411	2,507	3.8%	0.5%
Marine Services	943	3,715	-48.0%	-117.4%
Head Office and Swire Investments	(30,207)	(32,945)		
Total	266,950	262,692	1.3%	-4.1%

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