

## 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 199 to 209.

The audited financial statements are set out on pages 123 to 211 and also include the “Audited Financial Information” under Financial Review on page 61 and Financing on pages 70 to 79.

### 1. Changes in Accounting Policies and Disclosures

(a) The following revised standards were required to be adopted by the Group effective from 1st January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
--	--

An amendment to HKFRS 16 “COVID-19-related rent concessions beyond 30 June 2021” was issued in April 2021 and is effective for annual reporting periods beginning on or after 1st April 2021. The Group has early adopted this amendment from 1st January 2021. This amendment extended the availability of the practical expedient (as referred to below) to rent concessions occurring as a direct consequence of COVID-19 for which any reduction in lease payments affects only payments originally due on or before 30th June 2022, provided the other conditions for applying the practical expedient set out in the 2020 amendment to HKFRS 16 “COVID-19-related rent concessions”, which was adopted by the Group from 1st January 2020, are met. The Group has applied the practical expedient to all rent concessions that meet the conditions.

None of the remaining revised standards had a significant effect on the Group’s 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 2022 and such standards have not been applied in preparing these consolidated financial statements.

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations <sup>1</sup>
Annual improvements project	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current <sup>2</sup>
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1, HKAS 8 and HKAS 12	Narrow-scope Amendments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> To be applied by the Group from 1st January 2022.

<sup>2</sup> To be applied by the Group from 1st January 2023.

<sup>3</sup> The effective date is to be determined.

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

## 1. Changes in Accounting Policies and Disclosures (continued)

### (c) 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 and presented the result of the SPO disposal group as discontinued operations. The results of the SPO disposal group for the year ended 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 comparative figures in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income have been re-presented as "discontinued operations". The comparative figures in the consolidated statement of financial position and consolidated statement of cash flows were not re-presented. Further details of financial information of the discontinued operations are set out in note 43.

## 2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 77 to 79 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 2021		
Impact on profit or loss: gain/(loss)	122	(72)
Impact on other comprehensive income: gain/(loss)	211	(220)
At 31st December 2020		
Impact on profit or loss: gain/(loss)	143	(81)
Impact on other comprehensive income: gain/(loss)	93	(95)

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 or 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 7.7966 (2020: 7.7521), with all other variables held constant, would have been:

	Weakening in USD to lower peg limit (7.750) HK\$M	Strengthening in USD to upper peg limit (7.850) HK\$M
At 31st December 2021		
Impact on profit or loss: gain/(loss)	1	(3)
Impact on other comprehensive income: (loss)/gain	(14)	18
At 31st December 2020		
Impact on profit or loss: gain/(loss)	4	(65)
Impact on other comprehensive income: (loss)/gain	(3)	45

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 1.2234 (2020: 1.1866), 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 2021		
Impact on profit or loss: gain/(loss)	2	(2)
Impact on other comprehensive income: (loss)/gain	(1)	1
At 31st December 2020		
Impact on profit or loss: gain/(loss)	40	(40)
Impact on other comprehensive income	–	–

This analysis is based on a hypothetical situation, as in practice market exchange rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- All foreign currency cash flow hedges are expected to be highly effective
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies
- Currency risk does not arise from financial instruments that are non-monetary items

### 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 between the Group's different customer bases. 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 against 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 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 period at the year-end date to the earliest contractual maturity date.

#### 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

#### At 31st December 2020

	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	26,011	27,793	22,904	696	1,408	2,785
Borrowings (including interest obligations)	30	68,164	75,491	8,755	19,221	25,778	21,737
Lease liabilities	31	5,152	6,380	964	827	1,490	3,099
Derivative financial instruments	23	159	159	5	44	72	38
Financial guarantee contracts	39	–	3,667	3,667	–	–	–
		99,486	113,490	36,295	20,788	28,748	27,659

### 3. Critical Accounting Estimates and Judgements

Economic and business conditions continued to be adversely impacted by COVID-19 in the year ended 31st December 2021. This caused the Group to continue to assess its critical accounting estimates and judgements. As part of this process, the Group undertook reviews of the carrying value of those assets with impairment indicators, mainly in the Aviation Division. Cathay Pacific, an associated company of the Company, recognised pre-tax impairment and related charges of HK\$832 million (of which the Group's share is HK\$333 million) in relation to certain aircraft and related equipment. The recoverable amounts of the rest of the Group's assets with impairment indicators have been tested for impairment, generally determined on a value in use basis. These carrying values remain supported by their recoverable amounts at 31st December 2021.

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed in the relevant notes as follows:

- (a) Taxation (note 10)
- (b) Impairment of assets (notes 14, 16 and 20)
- (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 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.
- (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.
- (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.

#### 4. Revenue (continued)

##### Accounting Policy (continued)

- (e) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements.

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 any of the 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". Therefore, 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:

	2021 HK\$M	2020 HK\$M (Note 1c)
Gross rental income from investment properties	12,409	12,207
Property trading	2,443	312
Hotels	894	641
Sales of goods	63,652	53,726
Aircraft and engine maintenance services	10,313	10,172
Ship management services	–	152
Rendering of other services	1,091	1,146
<b>Total</b>	<b>90,802</b>	<b>78,356</b>
	2021 HK\$M	2020 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	671	595

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

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

	2021 HK\$M	2020 HK\$M (Note 1c)
Aggregate amount of the transaction price allocated to revenue contracts that are partly or fully unsatisfied at the end of the year	3,278	2,095

Of the amount disclosed above at 31st December 2021, HK\$3,048 million is expected to be recognised as revenue within one year.

## 5. Other Net Gains

	Note	2021 HK\$M	2020 HK\$M (Note 1c)
Gain on disposals of subsidiary companies		137	1,973
Gain on disposal of a joint venture company		448	–
Gain arising from the acquisition of an interest in a joint venture company		24	–
Gain/(loss) on disposals of investment properties		1,028	(147)
Gain/(loss) on disposals of property, plant and equipment		132	(54)
Gain on disposals of assets classified as held for sale		36	–
Change in fair value of assets classified as held for sale		42	–
Net foreign exchange losses		(9)	(99)
Fair value (losses)/gains on investments at fair value through profit or loss		(5)	2
Fair value gains/(losses) on cross-currency swaps transferred from cash flow hedge reserve		9	(18)
Fair value gains on forward foreign exchange contracts not qualifying as hedges		1	–
Impairment charges recognised on			
– property, plant and equipment	14	(55)	(224)
– intangible assets	16	–	(90)
Dividend income on equity investments		3	3
Government subsidies		508	1,035
Other income		271	301
<b>Total</b>		<b>2,570</b>	<b>2,682</b>

## 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	2021 HK\$M	2020 HK\$M (Note 1c)
Direct rental outgoings in respect of investment properties		2,630	2,350
Cost of goods sold		42,137	34,407
Write-down of stocks and work in progress		184	269
Impairment charged/(reversed) on trade receivables		23	(96)
Depreciation of property, plant and equipment	14	2,749	2,855
Depreciation of right-of-use assets			
– leasehold land held for own use		31	32
– land use rights		49	46
– property		901	898
– plant and equipment		51	65
Amortisation of			
– intangible assets	16	242	234
– initial leasing costs in respect of investment properties		35	33
– others		13	15
Staff costs		16,872	16,070
Other lease expenses*		112	75
Auditors' remuneration			
– audit services		59	51
– tax services		9	8
– other services		8	5
Other expenses		13,233	11,689
<b>Total cost of sales, distribution costs, administrative expenses and other operating expenses</b>		<b>79,338</b>	<b>69,006</b>

\* These expenses relate to short-term leases, leases of low-value assets or leases with variable payments, net of rent concessions received of HK\$83 million (2020: HK\$111 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.

During 2021, the results of the SPO disposal group is presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as detailed in note 43. Last year's comparative segment information has been re-presented to conform with the current year's presentation.



## 7. Segment Information (continued)

### (a) Information about reportable segments

#### Analysis of Consolidated Statement of Profit or Loss

#### Year ended 31st December 2021

	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
<b>Continuing operations</b>												
Property												
Property investment	12,511	43	9,461	(582)	229	1,006	–	(1,349)	8,765	7,098	8,054	(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)
	<b>15,848</b>	<b>43</b>	<b>7,848</b>	<b>(607)</b>	<b>230</b>	<b>1,870</b>	<b>(82)</b>	<b>(1,960)</b>	<b>7,299</b>	<b>5,847</b>	<b>7,783</b>	<b>(427)</b>
Beverages												
Chinese Mainland	28,774	–	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 and other costs	–	–	(203)	–	3	(7)	–	–	(207)	(207)	(207)	–
	<b>53,925</b>	<b>2</b>	<b>3,512</b>	<b>(147)</b>	<b>68</b>	<b>83</b>	<b>72</b>	<b>(855)</b>	<b>2,733</b>	<b>2,549</b>	<b>2,549</b>	<b>(2,124)</b>
Aviation												
Cathay Pacific group <sup>#</sup>	–	–	–	–	–	–	(2,487)	–	(2,487)	(2,487)	(2,487)	–
HAECO group <sup>*</sup>	11,464	–	445	(156)	11	309	–	(198)	411	394	394	(808)
Others	–	–	108	–	–	(7)	(270)	–	(169)	(287)	(287)	(50)
	<b>11,464</b>	<b>–</b>	<b>553</b>	<b>(156)</b>	<b>11</b>	<b>302</b>	<b>(2,757)</b>	<b>(198)</b>	<b>(2,245)</b>	<b>(2,380)</b>	<b>(2,380)</b>	<b>(858)</b>
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)	–
	<b>9,553</b>	<b>63</b>	<b>184</b>	<b>(44)</b>	<b>6</b>	<b>4</b>	<b>–</b>	<b>(56)</b>	<b>94</b>	<b>94</b>	<b>94</b>	<b>(661)</b>
Head Office and												
Swire Investments	–	–	(7)	–	–	–	(85)	–	(92)	(92)	(92)	–
Swire Investments	–	–	(7)	–	–	–	(85)	–	(92)	(92)	(92)	–
Net income/(expenses)	12	52	(435)	(1,232)	129	–	–	2	(1,536)	(1,536)	(1,536)	(1)
Others <sup>^</sup>	–	–	448	–	–	14	19	–	481	481	481	–
	<b>12</b>	<b>52</b>	<b>6</b>	<b>(1,232)</b>	<b>129</b>	<b>14</b>	<b>(66)</b>	<b>2</b>	<b>(1,147)</b>	<b>(1,147)</b>	<b>(1,147)</b>	<b>(1)</b>
Inter-segment elimination	–	(165)	–	129	(129)	–	–	–	–	–	–	–
<b>Total – continuing operations</b>	<b>90,802</b>	<b>(5)</b>	<b>12,103</b>	<b>(2,057)</b>	<b>315</b>	<b>2,273</b>	<b>(2,833)</b>	<b>(3,067)</b>	<b>6,734</b>	<b>4,963</b>	<b>6,899</b>	<b>(4,071)</b>
<b>Discontinued operations</b>												
Swire Pacific Offshore group <sup>@</sup>	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.

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

<sup>\*</sup> Impairment charges included under operating profit/(loss) in the HAECO group were HK\$31 million.

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

<sup>@</sup> Remeasurement loss on the disposal group was HK\$1,611 million. The loss for the year with remeasurement loss on the disposal group was HK\$1,604 million.

## 7. Segment Information (continued)

### (a) Information about reportable segments (continued)

#### Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2020

	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
<b>Continuing operations</b>												
Property												
Property investment	12,309	46	10,321	(600)	263	1,024	–	(1,583)	9,425	7,662	10,919	(201)
Change in fair value of investment properties	–	–	(4,421)	–	–	(53)	–	(235)	(4,709)	(3,773)	–	–
Property trading	312	–	(49)	(29)	1	1	–	(11)	(87)	(71)	(71)	–
Hotels	641	–	(310)	(17)	–	(154)	(86)	43	(524)	(430)	(430)	(221)
	<b>13,262</b>	<b>46</b>	<b>5,541</b>	<b>(646)</b>	<b>264</b>	<b>818</b>	<b>(86)</b>	<b>(1,786)</b>	<b>4,105</b>	<b>3,388</b>	<b>10,418</b>	<b>(422)</b>
Beverages												
Chinese Mainland	22,942	–	1,563	(72)	48	78	75	(494)	1,198	1,041	1,041	(1,039)
Hong Kong	2,197	2	242	(3)	–	–	–	(23)	216	216	216	(98)
Taiwan	1,933	–	149	(2)	1	–	–	(30)	118	118	118	(78)
USA	18,008	–	996	(113)	14	–	–	(100)	797	797	797	(696)
Central costs	–	–	(96)	–	–	–	–	–	(96)	(96)	(96)	–
	<b>45,080</b>	<b>2</b>	<b>2,854</b>	<b>(190)</b>	<b>63</b>	<b>78</b>	<b>75</b>	<b>(647)</b>	<b>2,233</b>	<b>2,076</b>	<b>2,076</b>	<b>(1,911)</b>
Aviation												
Cathay Pacific group <sup>#</sup>	–	–	–	–	–	–	(9,742)	–	(9,742)	(9,742)	(9,742)	–
HAECO group <sup>*</sup>	11,483	–	(94)	(163)	11	381	–	30	165	96	96	(828)
Others	–	–	(55)	–	–	(4)	(65)	–	(124)	(105)	(105)	(55)
	<b>11,483</b>	<b>–</b>	<b>(149)</b>	<b>(163)</b>	<b>11</b>	<b>377</b>	<b>(9,807)</b>	<b>30</b>	<b>(9,701)</b>	<b>(9,751)</b>	<b>(9,751)</b>	<b>(883)</b>
Trading & Industrial												
Swire Resources	1,973	–	(143)	(30)	6	(1)	–	34	(134)	(134)	(134)	(428)
Taikoo Motors	4,984	–	196	(11)	1	–	–	(41)	145	145	145	(146)
Swire Foods	1,351	59	21	(14)	2	–	–	(18)	(9)	(9)	(9)	(153)
Swire Environmental Services	–	–	(1)	–	–	20	–	–	19	19	19	–
Central costs	–	–	(8)	(1)	–	–	–	–	(9)	(9)	(9)	–
	<b>8,308</b>	<b>59</b>	<b>65</b>	<b>(56)</b>	<b>9</b>	<b>19</b>	<b>–</b>	<b>(25)</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>(727)</b>
Head Office and												
Swire Investments												
Swire Investments	–	–	(6)	–	–	–	(20)	–	(26)	(26)	(26)	–
Net income/(expenses)	10	47	(452)	(1,331)	322	–	–	3	(1,458)	(1,458)	(1,458)	(1)
Others <sup>^</sup>	213	–	(242)	(3)	–	23	(12)	–	(234)	(234)	(234)	(234)
	<b>223</b>	<b>47</b>	<b>(700)</b>	<b>(1,334)</b>	<b>322</b>	<b>23</b>	<b>(32)</b>	<b>3</b>	<b>(1,718)</b>	<b>(1,718)</b>	<b>(1,718)</b>	<b>(235)</b>
Inter-segment elimination	–	(155)	–	299	(299)	–	–	–	–	–	–	–
Total – continuing operations	<b>78,356</b>	<b>(1)</b>	<b>7,611</b>	<b>(2,090)</b>	<b>370</b>	<b>1,315</b>	<b>(9,850)</b>	<b>(2,425)</b>	<b>(5,069)</b>	<b>(5,993)</b>	<b>1,037</b>	<b>(4,178)</b>
<b>Discontinued operations</b>												
Swire Pacific Offshore group <sup>*</sup>												
	<b>1,676</b>	<b>1</b>	<b>(4,916)</b>	<b>(126)</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>(5,026)</b>	<b>(5,006)</b>	<b>(5,006)</b>	<b>(376)</b>

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.

<sup>#</sup> Post-tax impairment and related charges included under share of loss of the Cathay Pacific group were HK\$1,656 million.

<sup>\*</sup> Impairment charges included under operating profit/(loss) in the HAECO group and the Swire Pacific Offshore group were HK\$308 million and HK\$4,345 million respectively.

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

## 7. Segment Information (continued)

### (a) Information about reportable segments (continued)

#### Analysis of total assets of the Group<sup>^</sup>

At 31st December 2021

	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	274,582	33,492	–	14,161	322,235	4,374
Property trading	8,058	2,717	219	548	11,542	–
Hotels	4,574	1,409	242	124	6,349	122
	<b>287,214</b>	<b>37,618</b>	<b>461</b>	<b>14,833</b>	<b>340,126</b>	<b>4,496</b>
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	–
	<b>15,874</b>	<b>4,699</b>	<b>23,611</b>	<b>2,338</b>	<b>46,522</b>	<b>887</b>
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	–
	<b>4,401</b>	<b>39</b>	<b>–</b>	<b>1,199</b>	<b>5,639</b>	<b>726</b>
Head Office and Swire Investments	460	–	2,499	733	3,692	–
	<b>339,561</b>	<b>43,619</b>	<b>28,405</b>	<b>22,894</b>	<b>434,479</b>	<b>9,486</b>

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.

<sup>^</sup> 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 assets of the Group (continued)

At 31st December 2020

	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
<b>Property</b>						
Property investment	273,637	27,328	–	20,996	321,961	1,893
Property trading	4,885	2,451	219	96	7,651	(6)
Hotels	5,701	1,384	324	140	7,549	110
	<b>284,223</b>	<b>31,163</b>	<b>543</b>	<b>21,232</b>	<b>337,161</b>	<b>1,997</b>
<b>Beverages</b>						
Swire Coca-Cola	28,898	1,216	1,732	4,308	36,154	2,402
<b>Aviation</b>						
Cathay Pacific group	–	–	24,574	–	24,574	–
HAECO group	12,456	1,830	–	1,149	15,435	409
Others	4,298	2,817	–	–	7,115	–
	<b>16,754</b>	<b>4,647</b>	<b>24,574</b>	<b>1,149</b>	<b>47,124</b>	<b>409</b>
<b>Trading &amp; Industrial</b>						
Swire Resources	1,167	34	–	246	1,447	227
Taikoo Motors	1,953	–	–	490	2,443	192
Swire Foods	1,265	4	–	283	1,552	22
Swire Environmental Services	–	58	–	–	58	–
Other activities	67	–	–	56	123	–
	<b>4,452</b>	<b>96</b>	<b>–</b>	<b>1,075</b>	<b>5,623</b>	<b>441</b>
<b>Marine Services</b>						
Swire Pacific Offshore group	3,530	–	1,189	350	5,069	167
HUD group	–	(54)	–	–	(54)	–
	<b>3,530</b>	<b>(54)</b>	<b>1,189</b>	<b>350</b>	<b>5,015</b>	<b>167</b>
<b>Head Office and Swire Investments</b>	<b>339</b>	<b>–</b>	<b>544</b>	<b>1,150</b>	<b>2,033</b>	<b>–</b>
	<b>338,196</b>	<b>37,068</b>	<b>28,582</b>	<b>29,264</b>	<b>433,110</b>	<b>5,416</b>

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 liabilities and non-controlling interests of the Group<sup>^</sup>

At 31st December 2021

	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	11,163	(5,762)	24,601	566	38,872	52,619
Property trading	1,336	21	5,412	–	–	6,769	861
Hotels	164	–	350	–	–	514	1,077
	<b>9,804</b>	<b>11,184</b>	<b>–</b>	<b>24,601</b>	<b>566</b>	<b>46,155</b>	<b>54,557</b>
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	–
	<b>1,824</b>	<b>89</b>	<b>(54)</b>	<b>–</b>	<b>1,369</b>	<b>3,228</b>	<b>–</b>
Head Office and Swire Investments	706	(71)	(2,801)	36,065	–	33,899	–
	<b>31,294</b>	<b>13,071</b>	<b>–</b>	<b>61,549</b>	<b>5,340</b>	<b>111,254</b>	<b>57,218</b>

<sup>^</sup> 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 total liabilities and non-controlling interests of the Group (continued)

At 31st December 2020

	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
<b>Property</b>							
Property investment	7,711	10,658	(1,648)	24,603	580	41,904	51,953
Property trading	305	1	1,326	1,717	–	3,349	801
Hotels	166	–	322	937	–	1,425	1,127
	<b>8,182</b>	<b>10,659</b>	<b>–</b>	<b>27,257</b>	<b>580</b>	<b>46,678</b>	<b>53,881</b>
<b>Beverages</b>							
Swire Coca-Cola	<b>14,141</b>	<b>1,191</b>	<b>1,683</b>	<b>2,556</b>	<b>668</b>	<b>20,239</b>	<b>537</b>
<b>Aviation</b>							
HAECO group	<b>2,568</b>	<b>451</b>	<b>2,066</b>	<b>88</b>	<b>2,461</b>	<b>7,634</b>	<b>2,055</b>
<b>Trading &amp; Industrial</b>							
Swire Resources	677	9	(49)	–	702	1,339	–
Taikoo Motors	565	25	–	–	498	1,088	–
Swire Foods	420	21	(60)	–	230	611	–
Other activities	18	–	60	–	–	78	–
	<b>1,680</b>	<b>55</b>	<b>(49)</b>	<b>–</b>	<b>1,430</b>	<b>3,116</b>	<b>–</b>
<b>Marine Services</b>							
Swire Pacific Offshore group	<b>1,060</b>	<b>48</b>	<b>198</b>	<b>–</b>	<b>13</b>	<b>1,319</b>	<b>(19)</b>
<b>Head Office and Swire Investments</b>	<b>605</b>	<b>8</b>	<b>(3,898)</b>	<b>38,263</b>	<b>–</b>	<b>34,978</b>	<b>–</b>
	<b>28,236</b>	<b>12,412</b>	<b>–</b>	<b>68,164</b>	<b>5,152</b>	<b>113,964</b>	<b>56,454</b>

## 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 2021				Year ended 31st December 2020 (Note 1c)			
	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
<b>Property</b>								
Property investment	–	102	12,409	12,511	–	102	12,207	12,309
Property trading	2,443	–	–	2,443	312	–	–	312
Hotels	478	416	–	894	380	261	–	641
	2,921	518	12,409	15,848	692	363	12,207	13,262
<b>Beverages</b>								
Chinese Mainland	28,774	–	–	28,774	22,942	–	–	22,942
Hong Kong	2,395	–	–	2,395	2,197	–	–	2,197
Taiwan	2,071	–	–	2,071	1,933	–	–	1,933
USA	20,685	–	–	20,685	18,008	–	–	18,008
	53,925	–	–	53,925	45,080	–	–	45,080
<b>Aviation</b>								
HAECO group	448	11,016	–	11,464	452	11,031	–	11,483
<b>Trading &amp; Industrial</b>								
Swire Resources	2,106	–	–	2,106	1,973	–	–	1,973
Taikoo Motors	5,687	2	–	5,689	4,980	4	–	4,984
Swire Foods	1,574	50	–	1,624	1,351	–	–	1,351
Swire Environmental Services	–	134	–	134	–	–	–	–
	9,367	186	–	9,553	8,304	4	–	8,308
Head Office and Others	–	12	–	12	–	223	–	223
<b>Total</b>	<b>66,661</b>	<b>11,732</b>	<b>12,409</b>	<b>90,802</b>	<b>54,528</b>	<b>11,621</b>	<b>12,207</b>	<b>78,356</b>

### (b) Information about geographical areas

The activities of the Group are principally based in Hong Kong and the Chinese Mainland. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

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)	
	2021 HK\$M	2020 HK\$M (Note 1c)	2021 HK\$M	2020 HK\$M
Hong Kong	17,072	17,379	237,767	241,341
Chinese Mainland and Asia (excluding Hong Kong)	49,299	39,798	59,788	55,182
USA	24,228	20,879	15,275	16,265
Others	203	98	243	–
Ship owning and operating activities	–	202	–	2,716
	90,802	78,356	313,073	315,504

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, 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			Total 2021 HK\$'000	Total 2020 HK\$'000
	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		
<b>Executive Directors</b>								
G M C Bradley (from 25th August 2021)	2,172	–	42	478	–	1,480	4,172	–
M B Swire (until 24th August 2021)	3,780	–	–	11	–	6,593	10,384	15,250
I K L Chu (until 13th April 2020)	–	–	–	–	–	–	–	6,788
D P Cogman	6,228	1,817	2,535	17	–	–	10,597	8,942
M J Murray (from 1st April 2021)	2,295	–	1,824	505	–	68	4,692	–
M M S Low (until 31st March 2021)	1,622	2,606	448	227	–	–	4,903	9,564
P Healy (from 25th August 2021)	1,329	–	957	438	–	137	2,861	–
Z P Zhang (from 14th April 2020)	1,950	936	805	509	–	–	4,200	2,072
<b>Non-Executive Directors</b>								
M Cubbon	–	–	–	–	–	–	–	–
M B Swire (from 25th August 2021)	–	–	–	–	–	–	–	–
S C Swire	–	–	–	–	–	–	–	–
<b>Independent Non-Executive Directors</b>								
P K Etchells	1,151	–	–	–	–	–	1,151	1,073
T G Freshwater	690	–	–	–	–	–	690	633
C Lee	1,083	–	–	–	–	–	1,083	993
R W M Lee	750	–	–	–	–	–	750	688
G R H Orr	1,276	–	–	–	–	–	1,276	1,170
Y Xu (from 25th August 2021)	244	–	–	–	–	–	244	–
S S Lin (1st January 2020 to 18th February 2020)	–	–	–	–	–	–	–	92
<b>Total 2021</b>	<b>24,570</b>	<b>5,359</b>	<b>6,611</b>	<b>2,185</b>	<b>–</b>	<b>8,278</b>	<b>47,003</b>	<b>N/A</b>
<b>Total 2020</b>	<b>20,122</b>	<b>11,848</b>	<b>3,031</b>	<b>1,296</b>	<b>–</b>	<b>10,968</b>	<b>N/A</b>	<b>47,265</b>

Notes:

- Independent Non-Executive Directors received fees as members of the Board and its committees. Executive Directors received salaries.
- Bonuses are not yet approved for 2021. The amounts disclosed above are related to services as Executive Directors for 2020 but paid and charged to the Group in 2021.
- The total emoluments of Executive Directors are charged to the Group in accordance with the amount of time spent on its affairs.
- 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 in the capacity as director in the associated company.
- 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	
	2021	2020
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	
	2021 HK\$'000	2020 HK\$'000
Cash:		
Salary	10,905	9,796
Bonus (note (iii))	4,747	8,212
Allowance and benefits	3,408	2,744
Non-cash:		
Retirement scheme contributions	2,183	2,354
Bonus paid into retirement scheme	2,573	3,340
Housing benefits	11,473	9,488
	<b>35,289</b>	<b>35,934</b>

Notes:

(i) Details of the emoluments paid to these Directors were included in the disclosure as set out in note 8(a) above.

(ii) 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 2021. The amounts disclosed above are related to services as Executive Officers for 2020 but paid and charged to the Group in 2021.

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

	Year ended 31st December	
	2021	2020
HK\$15,500,000 – HK\$15,000,000	1	1
HK\$11,500,000 – HK\$11,000,000	–	1
HK\$10,500,000 – HK\$10,000,000	1	–
HK\$10,000,000 – HK\$9,500,000	1	–
HK\$9,500,000 – HK\$9,000,000	–	1
	<b>3</b>	<b>3</b>

## 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 capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Interest income 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 74 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 recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. If the Group concludes it is probable that the taxation authority will accept an uncertain tax treatment, the Group shall determine 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 the taxation authority will accept an uncertain tax treatment, the Group shall reflect 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 will affect the income tax and deferred tax provisions in the year in which the outcomes become known.

	Note	2021 HK\$M	2020 HK\$M (Note 1c)
Current taxation			
Hong Kong profits tax		791	837
Overseas tax		1,395	1,258
Over-provisions in prior years		35	(30)
		<b>2,221</b>	<b>2,065</b>
Deferred taxation	32		
Change in fair value of investment properties		437	215
Origination and reversal of temporary differences		409	145
		<b>846</b>	<b>360</b>
		<b>3,067</b>	<b>2,425</b>

Hong Kong profits tax is calculated at 16.5% (2020: 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/(loss) 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:

	2021 HK\$M	2020 HK\$M (Note 1c)
Profit/(loss) before taxation	9,801	(2,644)
Calculated at a tax rate of 16.5% (2020: 16.5%)	1,617	(436)
Share of results of joint venture and associated companies	93	1,408
Effect of different tax rates in other countries	710	448
Change in fair value of investment properties	592	850
Income not subject to tax	(373)	(522)
Expenses not deductible for tax purposes	382	353
Unused tax losses not recognised	136	214
Utilisation of previously unrecognised tax losses	(116)	(4)
Deferred tax assets written off	(1)	2
Over-provisions in prior years	35	(30)
Recognition of previously unrecognised tax losses	(173)	(145)
Withholding tax	192	291
Others	(27)	(4)
Tax charge	3,067	2,425

The Group's share of joint venture companies' tax charges of HK\$631 million (2020: HK\$298 million) and share of associated companies' tax credit from continuing operations of HK\$203 million (2020: tax credit of HK\$100 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/(Loss) 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 61 for details of the Group's underlying profit/(loss) 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.

	2021 HK\$M	2020 HK\$M
First interim dividend paid on 6th October 2021 of HK\$1.00 per 'A' share and HK\$0.20 per 'B' share (2020: HK\$0.70 and HK\$0.14)	1,502	1,051
Second interim dividend declared on 10th March 2022 of HK\$1.60 per 'A' share and HK\$0.32 per 'B' share (2020 actual dividend paid: HK\$1.00 and HK\$0.20)	2,402	1,502
	3,904	2,553

The second interim dividend is not accounted for in 2021 because it had not been declared or approved at the year-end date. The actual amount payable in respect of 2021 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2022 when declared.

### 13. Earnings/(Loss) Per Share (Basic and Diluted)

Earnings/(loss) per share from continuing operations is calculated by dividing the profit attributable to the Company's shareholders arising from the continuing operations of HK\$4,963 million (2020: loss of HK\$5,993 million) by the daily weighted average number of 905,206,000 'A' shares and 2,981,870,000 'B' shares in issue during the year (2020: 905,206,000 'A' shares and 2,981,870,000 'B' shares), in the proportion five to one.

The calculation of loss per share from discontinued operations is calculated by dividing the loss attributable to the Company's shareholders arising from the discontinued operations of HK\$1,599 million (2020: HK\$5,006 million) by the daily weighted average shares in issue during the year.

### 14. Property, Plant and Equipment

#### Accounting Policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major renovation costs and modifications that extend the life or usefulness of vessels are capitalised and depreciated over the period until the next drydocking. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred. Vessels under construction are not depreciated until they are completed.

With the exception of freehold land, all other items of property, plant and equipment and vessels 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
Vessels	5% to 7% per annum
Drydocking costs on vessels	20% to 50% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at the end of each reporting period to take into account operational experience and changing circumstances.

On the transfer of owner-occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to 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 on the relocation of HAECO Xiamen's premises from the 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 2021 was HK\$1,691 million (2020: HK\$1,909 million), some of which will be subject to relocation. In September 2021, HAECO Xiamen signed the 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 2021. 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 2021.

	Note	Property HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M
<b>Cost</b>					
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
<b>Accumulated depreciation and impairment</b>					
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 <sup>^</sup>	6	684	2,067	223	2,974
Impairment charges <sup>^</sup>	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
<b>Net book value</b>					
At 31st December 2021		11,339	11,199	–	22,538

## 14. Property, Plant and Equipment (continued)

	Note	Property HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M
<b>Cost</b>					
At 1st January 2020		19,171	22,277	26,147	67,595
Translation differences		543	451	(115)	879
Acquisition of a subsidiary company		–	11	–	11
Disposal of subsidiary companies		(20)	–	(4,509)	(4,529)
Additions		484	2,308	149	2,941
Disposals		(125)	(1,238)	(3,809)	(5,172)
Net transfers to investment properties	15	(33)	–	–	(33)
Other net transfers		(9)	(11)	–	(20)
Revaluation surplus		14	–	–	14
At 31st December 2020		20,025	23,798	17,863	61,686
<b>Accumulated depreciation and impairment</b>					
At 1st January 2020		6,943	11,812	16,160	34,915
Translation differences		146	287	(69)	364
Disposal of subsidiary companies		(5)	–	(2,259)	(2,264)
Depreciation for the year <sup>^</sup>	6	674	1,953	580	3,207
Impairment charges <sup>^</sup>	5	10	273	4,279	4,562
Disposals		(22)	(989)	(3,486)	(4,497)
Net transfers to investment properties	15	(6)	–	–	(6)
Other net transfers		10	(18)	–	(8)
At 31st December 2020		7,750	13,318	15,205	36,273
<b>Net book value</b>					
At 31st December 2020		12,275	10,480	2,658	25,413

<sup>^</sup> Depreciation for the year included depreciation from discontinued operations of HK\$225 million (2020: HK\$352 million). No impairment charges from discontinued operations in 2021 (2020: HK\$4,338 million).

Property, and plant and machinery include amounts of HK\$254 million (2020: HK\$125 million) and HK\$550 million (2020: HK\$448 million) respectively, for 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 both, and that is 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 to 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 2021. 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 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
At 1st January 2020		251,478	24,530	276,008
Translation differences		1,946	44	1,990
Disposal of subsidiary companies		(7,685)	–	(7,685)
Additions		567	1,167	1,734
Disposals		(1,239)	–	(1,239)
Transfer to properties for sale		–	(2)	(2)
Transfer between categories		(883)	883	–
Net transfers from property, plant and equipment	14	27	–	27
Net transfers from right-of-use assets		15	90	105
Transfer to assets classified as held for sale		(384)	–	(384)
Net fair value (losses)/gains		(5,046)	625	(4,421)
		238,796	27,337	266,133
Add: initial leasing costs		172	–	172
At 31st December 2020		238,968	27,337	266,305

## Geographical Analysis of Investment Properties

	2021 HK\$M	2020 HK\$M
<b>Held in Hong Kong</b>		
On medium-term leases (10 to 50 years)	31,570	33,148
On long-term leases (over 50 years)	191,793	192,501
	223,363	225,649
<b>Held in the Chinese Mainland</b>		
On short-term leases (less than 10 years)	–	7
On medium-term leases (10 to 50 years)	39,203	35,678
	39,203	35,685
<b>Held in USA</b>		
Freehold	4,644	4,799
	267,210	266,133

Additions include capital expenditure in response to climate change, in line with Swire Properties' sustainable development strategy to achieve carbon and energy reduction to mitigate climate-related risks and to reach net-zero carbon emissions 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 2021. 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 property had already been completed at the valuation date). It also takes into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rates increase, the fair values decrease. If 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	1,773	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

	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	3,394	184	–	3,578	11,918	–	11,918	15,496
Level 3	195,804	34,615	4,799	235,218	14,533	886	15,419	250,637
Total	199,198	34,799	4,799	238,796	26,451	886	27,337	266,133
Add: initial leasing costs								172
At 31st December 2020								266,305

#### 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 completed commercial and residential properties in Hong Kong and the Chinese Mainland and commercial and residential properties under development in Hong Kong. The Group has other investment property projects, principally comprising 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 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)
Transfer 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

	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 2020	210,252	31,193	6,417	247,862	12,085	768	12,853	260,715
Translation differences	–	1,960	(25)	1,935	–	44	44	1,979
Disposal of subsidiary companies	(7,685)	–	–	(7,685)	–	–	–	(7,685)
Additions	361	150	56	567	999	118	1,117	1,684
Disposals	–	–	(1,139)	(1,139)	–	–	–	(1,139)
Transfer to properties for sale	–	–	–	–	(2)	–	(2)	(2)
Transfer between categories	–	–	–	–	883	–	883	883
Net transfers from property, plant and equipment	1	26	–	27	–	–	–	27
Net transfers from right-of-use asset	15	–	–	15	–	–	–	15
Net fair value (losses)/gains	(7,140)	1,286	(510)	(6,364)	568	(44)	524	(5,840)
At 31st December 2020	195,804	34,615	4,799	235,218	14,533	886	15,419	250,637

## 15. Investment Properties (continued)

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

At 31st December 2021	Valuation method	Market rent per month <sup>1</sup> HK\$ per sq. ft. (lettable) 2021	Capitalisation rates 2021
<b>Completed</b>			
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%
<b>Under development</b>			
Hong Kong	Residual <sup>2</sup>	Low 60's-High 70's	3.63%-3.75%
<b>At 31st December 2020</b>			
At 31st December 2020	Valuation method	Market rent per month <sup>1</sup> HK\$ per sq. ft. (lettable) 2020	Capitalisation rates 2020
<b>Completed</b>			
Hong Kong	Income capitalisation	Less than 10-Low 500's	2.50%-4.88%
Chinese Mainland	Income capitalisation	Less than 10-Mid 200's	6.25%-7.50%
USA	Income capitalisation	Less than 10-Mid 60's	5.00%-5.50%
USA	Sales comparison	–	–
<b>Under development</b>			
Hong Kong	Residual <sup>2</sup>	Low 60's-Low 80's	3.63%-3.75%
Chinese Mainland	Residual <sup>2</sup>	High 20's-High 100's	6.75%

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 consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Goodwill is treated as an asset of the entity acquired and, where attributable to a foreign entity, 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
<b>Cost</b>							
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
<b>Accumulated amortisation and impairment</b>							
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 <sup>^</sup>	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
<b>Net book value</b>							
At 31st December 2021		6,814	479	5,527	442	133	13,395
	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
<b>Cost</b>							
At 1st January 2020		7,950	909	5,480	954	247	15,540
Translation differences		131	21	148	(4)	(1)	295
Acquisition of a subsidiary company		28	–	–	68	16	112
Additions		–	180	–	–	–	180
Disposals		–	(5)	–	–	–	(5)
Other transfers		–	3	–	–	–	3
At 31st December 2020		8,109	1,108	5,628	1,018	262	16,125
<b>Accumulated amortisation and impairment</b>							
At 1st January 2020		1,346	588	304	370	80	2,688
Translation differences		(3)	13	(1)	(1)	(1)	7
Amortisation for the year <sup>^</sup>	6	–	93	63	63	23	242
Impairment charges <sup>^</sup>	5	–	7	–	82	8	97
Disposals		–	(5)	–	–	–	(5)
At 31st December 2020		1,343	696	366	514	110	3,029
<b>Net book value</b>							
At 31st December 2020		6,766	412	5,262	504	152	13,096

<sup>^</sup> Amortisation for the year included amortisation from discontinued operations of HK\$9 million (2020: HK\$8 million). No impairment charges from discontinued operations in 2021 (2020: HK\$7 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 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 2021 were between 7.5% and 12.5% (2020: 7.5% and 12.0%). 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 degree 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	2021 HK\$M	2020 HK\$M
HAECO – Hong Kong and Chinese Mainland	a	3,510	3,510
HAECO – USA	b	283	309
Swire Coca-Cola – Hong Kong and Chinese Mainland	c	2,421	2,349
Swire Coca-Cola – USA		233	231
Trading & Industrial	d	367	367
		<b>6,814</b>	<b>6,766</b>

#### 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 to take 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 10.0% (2020: 10.0%) has been applied and cash flows beyond the five-year period are assumed not to grow by more than 2% (2020: 2%) per annum. The results of the impairment test using these assumptions show that the recoverable amount exceeds the carrying amount by approximately 9% at 31st December 2021. 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 2021. The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. Significant uncertainty remains over the precise 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\$879 million. A 1% decrease in gross profit margin would decrease the estimated recoverable amount by HK\$757 million. A one-year delay in business recovery to pre-COVID-19 level would decrease the estimated recoverable amount by HK\$903 million. These sensitivities are 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 12.0% (2020: 12.0%) and assumed growth of no more than 0.5% (2020: 0.5%) per annum. 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 9.5% (2020: 9.5%). Cash flows beyond the five-year period are assumed not to grow by more than 0.5% (2020: 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 period forecast in determining the recoverable amount of the Trading & Industrial CGU is considered appropriate in order to take into account expected growth. Management applied a pre-tax discount rate of 10.0% (2020: 10.0%) and assumed growth of no more than 2.5% (2020: 2.5%) per annum. 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, equipment and vessels. 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. The lease agreements do not impose any covenants, but leased assets may not be used as security for other 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:

	2021 HK\$M	2020 HK\$M
Leasehold land held for own use	2,811	3,708
Land use rights	1,180	1,342
Property	4,412	4,137
Plant and equipment	176	303
<b>Total</b>	<b>8,579</b>	<b>9,490</b>

For leasehold land and land use rights, the Group is the registered owner or occupant of these property interests. Upfront payments were made to acquire these land interests and there are no ongoing payments to be made under the terms of the land lease (i.e. no lease liabilities are recognised), other than government rents and rates and other payments to the relevant government authorities, which may vary from time to time. Their remaining lease periods are as follows:

	2021		2020	
	Leasehold land held for own use	Land use rights	Leasehold land held for own use	Land use rights
	HK\$M	HK\$M	HK\$M	HK\$M
<b>Held in Hong Kong</b>				
On medium-term leases (10 to 50 years)	449	15	489	16
On long-term leases (over 50 years)	2,343	–	3,200	–
<b>Held outside Hong Kong</b>				
On medium-term leases (10 to 50 years)	19	1,165	19	1,326
	<b>2,811</b>	<b>1,180</b>	3,708	1,342

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 lease payments and lease terms.

Additions to right-of-use assets during the year ended 31st December 2021 were HK\$1,115 million (2020: HK\$530 million).

During the year ended 31st December 2021, total cash outflow for leases was included in the consolidated statement of cash flows as (a) interest paid of HK\$193 million (2020: HK\$207 million) under “operating activities”, (b) payment for short-term and low-value assets leases and variable lease payments of HK\$112 million (2020: HK\$75 million) recorded in cash generated from operations under “operating activities”, and (c) principal elements of lease payments of HK\$971 million (2020: HK\$935 million) under “financing activities”.

## 18. Properties Held for Development

### Accounting Policy

Properties held for development comprise freehold land at cost, less provisions for possible losses. Properties held for development are not expected to be sold or developed within the Group’s normal operating cycle and are classified as non-current assets.

	2021 HK\$M	2020 HK\$M
Properties held for development		
Freehold land	986	981
Development costs	221	219
	<b>1,207</b>	<b>1,200</b>



## 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 199 to 209.

Swire Pacific Limited has material non-controlling interests of 18% in one subsidiary company, Swire Properties Limited (Swire Properties). There are no significant differences between the summarised financial information presented in the table below and the amounts in the separate consolidated financial statements of Swire Properties.

### Summarised Statement of Financial Position

	Swire Properties	
	At 31st December	
	2021 HK\$M	2020 HK\$M
Current:		
Assets	25,880	27,928
Liabilities	19,014	10,565
<b>Total current net assets</b>	<b>6,866</b>	<b>17,363</b>
Non-current:		
Assets	314,246	309,233
Liabilities	27,141	36,113
<b>Total non-current net assets</b>	<b>287,105</b>	<b>273,120</b>
<b>Net assets</b>	<b>293,971</b>	<b>290,483</b>
Net assets allocated to non-controlling interests	52,915	52,287

### Summarised Statement of Profit or Loss

	Swire Properties	
	For the year ended 31st December	
	2021 HK\$M	2020 HK\$M
Revenue	15,891	13,308
Profit for the year attributable to shareholders	7,131	4,132
Other comprehensive income	1,680	2,942
<b>Total comprehensive income attributable to shareholders</b>	<b>8,811</b>	<b>7,074</b>
Total comprehensive income allocated to non-controlling interests	1,586	1,273
Dividends paid to non-controlling interests	969	937

### Summarised Statement of Cash Flows

	Swire Properties	
	For the year ended 31st December	
	2021 HK\$M	2020 HK\$M
Net cash generated from operating activities	5,045	5,469
Net cash (used in)/generated from investing activities	(3,196)	8,416
Net cash used in financing activities	(8,371)	(7,813)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,522)</b>	<b>6,072</b>
Cash and cash equivalents at 1st January	21,202	14,963
Effect of exchange differences	153	167
<b>Cash and cash equivalents at 31st December</b>	<b>14,833</b>	<b>21,202</b>

## 20. Interests in Joint Venture and Associated Companies

### Accounting Policy

Joint venture companies are those companies held for the long term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where the Group has rights to the net assets of those companies.

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in financial and operating policy decisions, generally accompanying a shareholding representing between 20% and 50% of the voting rights.

In the Group's consolidated statement of financial position, its 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.

#### The Group's interest in HAESL, a joint venture company of the Group

The Group's interest in joint venture companies includes HK\$4,250 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 9.7% (2020: 9.7%) has been applied and cash flows beyond the five-year period are assumed not to grow by more than 2% (2020: 2%) per annum.

The results of the impairment test using these assumptions show that the recoverable amount approximates the carrying amount at 31st December 2021. The Group therefore concluded that no impairment was required in respect of the Group's interest in HAESL at 31st December 2021.

The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. Significant uncertainty remains over the precise 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\$531 million. A one-year delay in business recovery to pre-COVID-19 level would decrease the estimated recoverable amount by HK\$248 million. These sensitivities are based on an unfavorable change in an assumption while holding other assumptions 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 2021 was HK\$23,611 million (2020: HK\$24,574 million). The market value of the shares held in Cathay Pacific at 31st December 2021 was HK\$18,510 million (2020: HK\$20,770 million).

## 20. Interests in Joint Venture and Associated Companies (continued)

### The Group's interest in Cathay Pacific, an associated company of the Group (continued)

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 the 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 7.3% (2020: 7.4%) has been applied and cash flows beyond the ten-year period are extrapolated using a general annual growth rate of 2.25% (2020: 2.25%).

The results of the impairment test using these assumptions show that the recoverable amount exceeds the carrying amount at 31st December 2021. Management of the Group considered more conservative assumptions by increasing the pre-tax discount rate to 8.5% and reducing the terminal growth rate to 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. Significant uncertainty remains over the precise 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 level would reduce the estimated recoverable amount to below its carrying value. These sensitivities are based on an unfavorable change in an assumption while holding other assumptions constant.

#### (a) Interests in joint venture companies

	2021 HK\$M	2020 HK\$M
Share of net assets, unlisted	27,083	20,688
Goodwill	800	787
Joint venture companies	27,883	21,475
Loans due from joint venture companies less provisions		
– Interest-free	13,498	13,325
– Interest-bearing at 0.9% to 6.5% (2020: 0.9% to 7.5%)	2,238	2,268
	15,736	15,593

The loans due from joint venture companies are unsecured and have no fixed terms of repayment.

In December 2020, a wholly-owned subsidiary in the Swire Properties group entered into a joint venture arrangement with Sino-Ocean Holding Group (China) Limited (SOG China) in order to invest in a new joint venture company, Beijing Xingtaitonggang Properties Company Limited (BJTG). In accordance with a shareholders' agreement and memorandum of understanding:

- (i) a member of the Swire Properties group has a call option to acquire from SOG China a 14.895% equity interest in BJTG (together with the corresponding shareholder loan) (the Call Option) at an exercise price determined by reference to the average of the valuations of BJTG by two valuers. The Call Option may be exercised when certain criteria are fulfilled; and
- (ii) each of a member of the Swire Properties group and SOG China as grantor (the Grantor) has granted a call option (the Linlian Call Option) to the other as grantee (the Grantee) which gives the Grantee the right to acquire the Grantor's entire 50% interest in Beijing Linlian Real Estate Company Limited (BJLL) (comprising an equity interest and loans) at an exercise price of RMB2,700 million. The Linlian Call Option may be exercised when certain criteria are fulfilled.

At 31st December 2021, the Swire Properties group's interest in BJLL amounted to HK\$2,757 million. The Swire Properties group has not recognised any asset or liability in the consolidated financial statements in relation to the call options as their fair values are considered not to be significant.

The principal joint venture companies of the Group are shown on pages 199 to 209. There are no joint venture companies that are considered individually material to the Group.

## 20. Interests in Joint Venture and Associated Companies (continued)

### (a) Interests in joint venture companies (continued)

The Group's share of assets and liabilities and results of joint venture companies is summarised below:

	2021 HK\$M	2020 HK\$M
Non-current assets	55,830	53,558
Current assets	8,186	7,456
Current liabilities	(5,488)	(6,814)
Non-current liabilities	(31,445)	(33,512)
<b>Net assets</b>	<b>27,083</b>	<b>20,688</b>
Revenue	14,402	14,954
Expenses	(11,498)	(13,341)
Profit before taxation	2,904	1,613
Taxation	(631)	(298)
<b>Profit for the year</b>	<b>2,273</b>	<b>1,315</b>
Other comprehensive income	609	943
<b>Total comprehensive income for the year</b>	<b>2,882</b>	<b>2,258</b>

Capital commitments and contingencies in respect of joint venture companies are disclosed in notes 38(a) and 39(a) respectively.

### (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.

## 20. Interests in Joint Venture and Associated Companies (continued)

### (b) Interests in associated companies (continued)

	2021 HK\$M	2020 HK\$M
Share of net assets		
– Listed in Hong Kong	22,854	23,817
– Listed in Oslo	884	1,100
– Unlisted	3,144	2,593
	<b>26,882</b>	27,510
Goodwill	1,523	987
Associated companies	<b>28,405</b>	28,497
Loans due from associated companies		
– Interest-bearing at 4.0% to 6.0% in 2020	–	85

The loans due from associated companies are unsecured and have no fixed terms of repayment.

In August 2020, Cathay Pacific undertook a HK\$39 billion recapitalisation involving an issue 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 dividends of Cathay Pacific.

In February 2021, the Group acquired an interest in SHH Core Holding Limited, which owns Shenzhen New Frontier United Family Hospital, a premium private hospital being developed in Shenzhen. In August 2021, the Group acquired an interest in DeltaHealth China Limited, which owns and operates a cardiovascular hospital and a multi-specialty clinic in Shanghai.

The market value of the Group's interest in Cadeler at 31st December 2021 was HK\$1,260 million (2020: HK\$1,188 million).

The principal associated companies of the Group are shown on pages 199 to 209. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 210 and 211.

The Group's share of assets and liabilities and results of associated companies is summarised below:

	2021 HK\$M	2020 HK\$M
Non-current assets	76,881	81,691
Current assets	16,228	14,327
Current liabilities	(10,617)	(11,042)
Non-current liabilities	(46,592)	(48,689)
Non-controlling interests	(6)	(2)
Preference share and convertible bonds issued	(9,012)	(8,775)
<b>Net assets</b>	<b>26,882</b>	27,510
Revenue	24,113	23,747
Expenses	(27,149)	(33,697)
Loss before taxation	(3,036)	(9,950)
Taxation	203	100
<b>Loss for the year</b>	<b>(2,833)</b>	(9,850)
Other comprehensive income	1,863	568
<b>Total comprehensive loss for the year</b>	<b>(970)</b>	(9,282)

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 (2020: HK\$1,656 million) and no write-off of deferred tax assets (2020: HK\$716 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 payment 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.

#### 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
<b>Assets as per consolidated statement of financial position</b>							
At 31st December 2021							
Loans due from joint venture companies	20a	–	–	–	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	–	–	–	9,154	9,154	9,154
Bank balances and short-term deposits	27	–	–	–	22,894	22,894	22,894
<b>Total</b>		<b>646</b>	<b>247</b>	<b>280</b>	<b>47,784</b>	<b>48,957</b>	<b>48,957</b>
At 31st December 2020							
Loans due from joint venture companies	20a	–	–	–	15,593	15,593	15,593
Loans due from associated companies	20b	–	–	–	85	85	85
Investments at fair value	22	1,161	190	–	–	1,351	1,351
Derivative financial assets	23	24	–	225	–	249	249
Trade and other receivables excluding prepayments	26	–	–	–	9,442	9,442	9,442
Bank balances and short-term deposits	27	–	–	–	29,264	29,264	29,264
<b>Total</b>		<b>1,185</b>	<b>190</b>	<b>225</b>	<b>54,384</b>	<b>55,984</b>	<b>55,984</b>
<b>Liabilities as per consolidated statement of financial position</b>							
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
<b>Total</b>		<b>2,246</b>	<b>–</b>	<b>125</b>	<b>92,806</b>	<b>95,177</b>	<b>95,281</b>
At 31st December 2020							
Trade and other payables excluding non-financial liabilities	29	1,856	–	–	23,965	25,821	25,821
Derivative financial liabilities	23	63	–	96	–	159	159
Short-term loans	30	–	–	–	105	105	105
Long-term loans and bonds due within one year	30	–	–	–	6,824	6,824	6,841
Lease liabilities due within one year	31	–	–	–	793	793	793
Long-term loans and bonds due after one year	30	–	–	–	61,235	61,235	64,850
Lease liabilities due after one year	31	–	–	–	4,359	4,359	4,359
<b>Total</b>		<b>1,919</b>	<b>–</b>	<b>96</b>	<b>97,281</b>	<b>99,296</b>	<b>102,928</b>



## 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 current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows or based on quotes from market makers, which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

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:

		Level 1 HK\$M	Level 2 HK\$M	Level 3 HK\$M	Total carrying amount HK\$M
<b>Assets as per consolidated statement of financial position</b>					
At 31st December 2021					
Equity investments at fair value through other comprehensive income	22a				
– Listed investments		165	–	–	165
– Unlisted investments		–	–	82	82
Equity investments at fair value through profit or loss	22b				
– Listed investments		4	–	–	4
– Unlisted investments		–	–	508	508
Debt investments at fair value through profit or loss	22c				
– Convertible notes, unlisted		–	–	126	126
Derivative financial assets	23	–	288	–	288
<b>Total</b>		<b>169</b>	<b>288</b>	<b>716</b>	<b>1,173</b>
At 31st December 2020					
Equity investments at fair value through other comprehensive income	22a				
– Listed investments		190	–	–	190
Equity investments at fair value through profit or loss	22b				
– Unlisted investments		–	–	1,042	1,042
Debt investments at fair value through profit or loss	22c				
– Convertible notes, unlisted		–	–	119	119
Derivative financial assets	23	–	249	–	249
<b>Total</b>		<b>190</b>	<b>249</b>	<b>1,161</b>	<b>1,600</b>
<b>Liabilities as per consolidated statement of financial position</b>					
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
<b>Total</b>		<b>–</b>	<b>202</b>	<b>2,169</b>	<b>2,371</b>
At 31st December 2020					
Derivative financial liabilities	23	–	159	–	159
Put option over a non-controlling interest in the USA	29	–	–	513	513
Put option over a non-controlling interest in a subsidiary company	29	–	–	87	87
Contingent consideration	29	–	–	1,256	1,256
<b>Total</b>		<b>–</b>	<b>159</b>	<b>1,856</b>	<b>2,015</b>

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 Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that cause the transfer.

The change in level 3 financial instruments for the year is as follows:

	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
* Included unrealised gains/(losses) recognised on balances held at 31st December 2021	1	(68)	(383)

	Unlisted investments HK\$M	Put options over non-controlling interests HK\$M	Contingent consideration HK\$M
At 1st January 2020	52	677	1,194
Translation differences	–	(3)	(5)
Additions	1,106	–	–
Distribution	–	(14)	–
Change in fair value during the year recognised in profit or loss*	3	(60)	175
Payment of consideration	–	–	(108)
At 31st December 2020	1,161	600	1,256
* Included unrealised gains/(losses) recognised on balances held at 31st December 2020	3	60	(175)

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 2022 and the discount rate used is 6.3% (2020: 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 2021. 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 option over a non-controlling interest in a subsidiary company (other than 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

	2021 HK\$M	2020 HK\$M
(a) Equity investments at fair value through other comprehensive income		
Shares listed in Hong Kong	89	92
Shares listed overseas	76	98
Unlisted investments	82	–
	247	190
(b) Equity investments at fair value through profit or loss		
Shares listed overseas	4	–
Unlisted investments	508	1,042
	512	1,042
(c) Debt investments at fair value through profit or loss		
Convertible notes, unlisted	126	119

## 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)

	2021		2020	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Cross-currency swaps				
– cash flow hedges (a)	280	117	216	55
– not qualifying as hedges	–	77	–	62
Interest rate swaps – cash flow hedges	–	7	–	40
Forward foreign exchange contracts				
– cash flow hedges	–	1	9	1
Commodity swaps-not qualifying as hedges	8	–	24	–
Put options exercisable by other shareholders of a joint venture for sale of their interests to Swire Coca-Cola	–	–	–	1
<b>Total</b>	<b>288</b>	<b>202</b>	<b>249</b>	<b>159</b>
Analysed as:				
– Current	52	8	33	5
– Non-current	236	194	216	154
	<b>288</b>	<b>202</b>	<b>249</b>	<b>159</b>

- (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 2021 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 2021 was HK\$33,323 million (2020: HK\$27,307 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 2021 and 31st December 2020 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.

	2021 HK\$M	2020 HK\$M
Properties for sale		
Properties under development		
– development costs	494	188
– leasehold land	5,759	1,255
Completed properties		
– development costs	8	1,344
– freehold land	149	750
– leasehold land	1	1
	<b>6,411</b>	<b>3,538</b>

## 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.

	2021 HK\$M	2020 HK\$M
Goods for sale	3,366	2,751
Manufacturing materials	1,059	965
Production supplies	1,260	1,393
Work in progress	–	3
	<b>5,685</b>	<b>5,112</b>

## 26. Trade and Other Receivables

### 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.

	2021 HK\$M	2020 HK\$M
Trade debtors	4,391	4,251
Amounts due from immediate holding company	2	6
Amounts due from joint venture companies	103	16
Amounts due from associated companies	266	530
Deposit paid for financial assets at fair value through profit or loss	–	46
Mortgage loans receivable at 5.5% – Non-current portion	17	18
Prepayments and accrued income	2,015	2,269
Other receivables	2,637	2,724
Deferred receivable – Non-current portion	505	490
	<b>9,936</b>	<b>10,350</b>
Amounts due after one year included under non-current assets	<b>(571)</b>	<b>(562)</b>
	<b>9,365</b>	<b>9,788</b>

The amounts due from joint venture and associated companies are unsecured, interest free (except where specified) and on normal trade credit terms.

The analysis of the age of trade debtors at the year-end (based on the invoice date) is as follows:

	2021 HK\$M	2020 HK\$M
Up to three months	4,082	3,941
Between three and six months	244	200
Over six months	65	110
	<b>4,391</b>	<b>4,251</b>

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 (continued)

At 31st December 2021, trade debtors of HK\$117 million (2020: HK\$127 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\$116 million at 31st December 2021 (2020: HK\$127 million).

The maximum exposure to credit risk at 31st December 2021 and 31st December 2020 is the carrying value of trade debtors, amounts due from joint venture and associated companies, mortgage loans receivable, accrued income and other receivables disclosed above. The carrying value of rental deposits from tenants held as security against trade debtors at 31st December 2021 was HK\$2,782 million (2020: HK\$2,745 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.

	2021 HK\$M	2020 HK\$M
Bank balances and short-term deposits maturing within three months	22,276	29,233
Short-term deposits maturing after more than three months	618	31
	<b>22,894</b>	<b>29,264</b>

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 2.55% (2020: 0.01% to 3.25%) per annum; these deposits have maturities from 3 to 365 days (2020: 2 to 365 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2021 and 31st December 2020 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 to 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 to sell. Non-current assets (including those that are part of disposal groups) 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.

Assets classified as held for sale represents Swire Properties' 100% interest in investment properties and the assets associated with the SPO disposal group. Liabilities associated with assets classified as held for sale represents liabilities associated with the SPO disposal group.

Swire Properties' 100% interest in investment properties comprised 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. 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 the year.

## 28. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale

(continued)

In March 2022, the Group entered into a sale and purchase agreement to dispose of its interest in the SPO disposal group, at a consideration of approximately US\$190 million. As at 31st December 2021, management believes the disposal is highly probable and the carrying value of the SPO disposal group will 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 to sell. A remeasurement loss of HK\$1,611 million was recognised within "loss from discontinued operations" in the consolidated statement of profit or loss in 2021. Details are set out in note 43.

## 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.

	2021 HK\$M	2020 HK\$M
Trade creditors	5,245	4,295
Amounts due to immediate holding company	143	145
Amounts due to joint venture companies	38	19
Amounts due to associated companies	513	416
Interest-bearing advances from joint venture companies at 1.42%-4.65% (2020: 0.22%-2.85%)	1,283	565
Interest-bearing advances from an associated company at 1.52% (2020: 1.55%)	81	290
Advances from non-controlling interests	1,130	188
Rental deposits from tenants	2,782	2,745
Deposits received on sale of investment properties	10	59
Put options over non-controlling interests	642	600
Contingent consideration	1,527	1,256
Accrued capital expenditure	1,511	1,400
Provision for restructuring costs	–	28
Other accruals	9,180	9,505
Other payables	4,728	4,559
	<b>28,813</b>	<b>26,070</b>
Amounts due after one year included under non-current liabilities	(1,345)	(1,143)
	<b>27,468</b>	<b>24,927</b>

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 and an associated company which are repayable after 2022. 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:

	2021 HK\$M	2020 HK\$M
Up to three months	5,124	4,168
Between three and six months	93	47
Over six months	28	80
	<b>5,245</b>	<b>4,295</b>



### 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 2021 the Group was, and up to date the Group has been, in compliance with the loan covenants under the Group's borrowings and available banking facilities.

Refer to the tables with the heading "Audited Financial Information" on pages 70 to 79 for details of the Group's borrowings.

### 31. Lease Liabilities

	2021 HK\$M	2020 HK\$M
Maturity profile at year end is as follows:		
Within one year	831	793
Between one and two years	651	669
Between two and five years	1,230	1,133
Over five years	2,628	2,557
	<b>5,340</b>	5,152
Amount due within one year included under current liabilities	<b>(831)</b>	(793)
	<b>4,509</b>	4,359

At 31st December 2021, the weighted average incremental borrowing rate applied in measuring the lease liabilities was 3.51% (2020: 3.78%).

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 profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation relating to investment properties in Hong Kong and the USA is calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in 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.

### 32. Deferred Taxation (continued)

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2021 HK\$M	2020 HK\$M
Deferred tax assets	468	562
Deferred tax liabilities	(12,572)	(11,556)
	<b>(12,104)</b>	<b>(10,994)</b>

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	2021 HK\$M	2020 HK\$M
At 1st January		10,994	10,347
Translation differences		223	393
Disposal of subsidiary companies		–	(28)
Charged to profit or loss <sup>^</sup>	10	849	361
Charged/(credited) to other comprehensive income		37	(3)
Transfer to assets classified as held for sale		2	–
Other transfers		(1)	(76)
At 31st December		<b>12,104</b>	<b>10,994</b>

<sup>^</sup> Included deferred tax charge from discontinued operations of HK\$3 million (2020: HK\$1 million).

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	
	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M
At 1st January	5,064	5,212	5,503	5,084	2,408	2,138	12,975	12,434
Translation differences	35	101	168	239	36	62	239	402
Disposal of subsidiary companies	–	(28)	–	–	–	–	–	(28)
Charged/(credited) to profit or loss	201	(171)	437	215	188	182	826	226
Charged to other comprehensive income	–	–	–	–	9	20	9	20
Other transfers	–	(50)	–	(35)	(51)	6	(51)	(79)
At 31st December	<b>5,300</b>	<b>5,064</b>	<b>6,108</b>	<b>5,503</b>	<b>2,590</b>	<b>2,408</b>	<b>13,998</b>	<b>12,975</b>

#### Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M
At 1st January	562	544	359	461	1,060	1,082	1,981	2,087
Translation differences	7	7	3	–	6	2	16	9
(Charged)/credited to profit or loss	(178)	16	63	(108)	92	(43)	(23)	(135)
(Charged)/credited to other comprehensive income	–	–	–	–	(28)	23	(28)	23
Transfer to assets classified as held for sale	–	–	(2)	–	–	–	(2)	–
Other transfers	1	(5)	–	6	(51)	(4)	(50)	(3)
At 31st December	<b>392</b>	<b>562</b>	<b>423</b>	<b>359</b>	<b>1,079</b>	<b>1,060</b>	<b>1,894</b>	<b>1,981</b>

### 32. Deferred Taxation (continued)

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK\$3,014 million (2020: HK\$4,034 million) to carry forward against future taxable income.

These amounts are analysed as follows:

	Unrecognised Tax Losses	
	2021 HK\$M	2020 HK\$M
No expiry date	1,598	1,629
Expiring in 2021	–	59
Expiring in 2022	53	58
Expiring in 2023	104	99
Expiring in 2024	108	142
Expiring in 2025 (2020: 2025 or after)	124	2,047
Expiring in 2026 or after	1,027	N/A
	<b>3,014</b>	<b>4,034</b>

### 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).

### 33. Retirement Benefits (continued)

For the year ended 31st December 2021, disclosures in respect of defined benefit schemes are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2021. For the year ended 31st December 2020, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2018, which were updated to reflect the position at 31st December 2020 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the USA and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment 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 121% (2020: 108%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK\$182 million to its defined benefit schemes in 2022.

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:

	2021 HK\$M	2020 HK\$M
Present value of funded obligations	6,691	6,825
Fair value of plan assets	(5,930)	(6,017)
	761	808
Present value of unfunded obligations	47	87
Net retirement benefit liabilities	808	895
Represented by:		
Retirement benefit assets	(178)	(196)
Retirement benefit liabilities	986	1,091
	808	895

(b) Changes in the present value of the defined benefit obligations are as follows:

	2021 HK\$M	2020 HK\$M
At 1st January	6,912	6,717
Translation differences	18	10
Transfer of members	(24)	5
Transfer to assets classified as held for sale	(74)	–
Current service cost	303	296
Interest expense	136	190
Actuarial (gains)/losses from changes in:		
demographic assumptions	(61)	(13)
financial assumptions	27	691
Experience losses/(gains)	78	(334)
Employee contributions	3	3
Benefits paid	(580)	(519)
Curtailments and settlements	–	(134)
At 31st December	6,738	6,912

The weighted average duration of the defined benefit obligations is 9.0 years (2020: 8.8 years).

**33. Retirement Benefits** (continued)

(c) Changes in the fair value of plan assets are as follows:

	2021 HK\$M	2020 HK\$M
At 1st January	6,017	5,655
Translation differences	11	3
Transfer of members	(24)	5
Transfer to assets classified as held for sale	(84)	–
Interest income	116	168
Return on plan assets, excluding interest income	260	501
Contributions by employers	211	303
Benefits paid	(577)	(515)
Curtailments and settlements	–	(103)
At 31st December	5,930	6,017

There were no plan amendments during the year.

(d) Net expenses from continuing operations recognised in the consolidated statement of profit or loss are as follows:

	2021 HK\$M	2020 HK\$M (Note 1c)
Current service cost	295	288
Net interest cost	20	23
Gain on settlements	(1)	(14)
	314	297

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.

Total retirement benefit costs from continuing operations charged to the consolidated statement of profit or loss for the year ended 31st December 2021 amounted to HK\$720 million (2020: HK\$653 million), including HK\$406 million (2020: HK\$356 million) in respect of defined contribution schemes. Total retirement benefit costs from discontinued operations charged to the consolidated statement of profit or loss for the year ended 31st December 2021 amounted to HK\$9 million (2020: HK\$7 million). There are no defined contribution schemes from discontinued operations.

The actual return on defined benefit plan assets was a gain of HK\$376 million (2020: gain of HK\$669 million).

### 33. Retirement Benefits (continued)

- (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 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:

	2021 HK\$M	2020 HK\$M
Equities		
Asia Pacific	260	318
Europe	326	413
North America	1,451	1,174
Emerging markets	796	1,039
Bonds		
Global	1,581	1,840
Emerging markets	174	200
Absolute return funds	749	700
Cash	593	333
	<b>5,930</b>	<b>6,017</b>

At 31st December 2021, the prices of 96% of equities and 21% of bonds were quoted on active markets (31st December 2020: 95% and 13% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the appointed investment managers. Investment managers enter into agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark. The investment committee monitors the overall market risk position on a quarterly basis.

- (f) The significant actuarial assumptions used are as follows:

	2021		2020	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	2.08	0.50-3.10	1.64	0.25-2.85
Expected rate of future salary increases	4.00-4.50	3.00-4.13	3.00-4.00	2.75-3.37

The sensitivity of the defined benefit obligations to changes in actuarial assumptions is:

	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK\$M	Decrease in assumption HK\$M
At 31st December 2021			
Discount rate	0.5%	(374)	415
Expected rate of future salary increases	0.5%	259	(242)
At 31st December 2020			
Discount rate	0.5%	(379)	417
Expected rate of future salary increases	0.5%	269	(257)

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.

### 34. Share Capital

	'A' shares	'B' shares	Total HK\$M
<b>Issued and fully paid with no par value</b>			
At 31st December 2020 and 2021	905,206,000	2,981,870,000	1,294

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year (2020: none).

### 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 2021		256,404	2,362	(138)	(104)	2,874	261,398
<b>Profit for the year</b>		3,364	–	–	–	–	3,364
<b>Other comprehensive income</b>							
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		–	–	–	–	1,355	1,355
– others		–	–	–	–	(23)	(23)
<b>Total comprehensive income for the year</b>		3,766	73	8	1,117	2,298	7,262
2020 second interim dividend	12	(1,502)	–	–	–	–	(1,502)
2021 first interim dividend	12	(1,502)	–	–	–	–	(1,502)
At 31st December 2021		257,166	2,435	(130)	1,013	5,172	265,656

## 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 2020		270,330	2,444	(159)	524	(1,081)	272,058
<b>Loss for the year</b>		(10,999)	–	–	–	–	(10,999)
<b>Other comprehensive income</b>							
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	104	–	–	–	104
– deferred tax		–	(3)	–	–	–	(3)
– reclassified to revenue reserve on disposal		183	(183)	–	–	–	–
Defined benefit plans							
– remeasurement gains recognised during the year		148	–	–	–	–	148
– deferred tax		(16)	–	–	–	–	(16)
Changes in the fair value of equity investments at fair value through other comprehensive income							
– gains recognised during the year		–	–	34	–	–	34
– reclassified to revenue reserve on disposal		13	–	(13)	–	–	–
Cash flow hedges							
– losses recognised during the year		–	–	–	(176)	–	(176)
– transferred to net finance charges		–	–	–	21	–	21
– transferred to operating profit		–	–	–	23	–	23
– deferred tax		–	–	–	24	–	24
Share of other comprehensive income of joint venture and associated companies		309	–	–	(520)	1,567	1,356
Net translation differences on foreign operations		–	–	–	–	2,394	2,394
– reclassified to profit or loss on disposal		–	–	–	–	(6)	(6)
<b>Total comprehensive income for the year</b>		(10,362)	(82)	21	(628)	3,955	(7,096)
Change in composition of the Group		(35)	–	–	–	–	(35)
2019 second interim dividend		(2,478)	–	–	–	–	(2,478)
2020 first interim dividend	12	(1,051)	–	–	–	–	(1,051)
At 31st December 2020		256,404	2,362	(138)	(104)	2,874	261,398

- (a) The Group's revenue reserve includes retained revenue reserves from joint venture companies amounting to HK\$11,842 million (2020: HK\$9,776 million) and retained revenue reserves from associated companies amounting to HK\$12,864 million (2020: HK\$15,484 million).
- (b) The Group's revenue reserve includes HK\$2,402 million (2020: HK\$1,502 million) representing the declared second interim dividend for the year (note 12).
- (c) As at 31st December 2021, the Group's cash flow hedge reserve includes credit of HK\$54 million (net of tax) (2020: credit of HK\$123 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:

	2021 HK\$M	2020 HK\$M
At 1st January	56,454	56,142
<b>Share of profits less losses for the year</b>	<b>1,766</b>	<b>904</b>
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	17	23
– deferred tax	(1)	(1)
Share of defined benefit plans		
– remeasurement (losses)/gains recognised during the year	(4)	9
– deferred tax	–	(2)
Share of cash flow hedges		
– losses recognised during the year	(7)	(11)
– transferred to net finance charges	2	5
– deferred tax	1	1
Share of other comprehensive income of joint venture and associated companies	101	155
Share of net translation differences on foreign operations	282	504
<b>Share of total comprehensive income</b>	<b>2,157</b>	<b>1,587</b>
Dividends paid	(1,423)	(1,354)
Change in composition of the Group	30	–
Others	–	79
At 31st December	57,218	56,454

### 37. Company Statement of Financial Position and Reserves

#### (a) Company Statement of Financial Position

	Note	2021 HK\$M	2020 HK\$M
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3	3
Subsidiary companies		38,314	38,072
Joint venture companies		–	28
Loans due from joint venture companies		–	86
Associated companies		9,896	9,896
Equity investments at fair value through other comprehensive income		101	154
Deferred tax assets		4	–
Retirement benefit assets		–	9
		<b>48,318</b>	<b>48,248</b>
<b>Current assets</b>			
Trade and other receivables		67	49
Taxation receivable		93	8
Bank balances and short-term deposits		6	6
		<b>166</b>	<b>63</b>
<b>Current liabilities</b>			
Trade and other payables		36,570	37,062
		<b>36,570</b>	<b>37,062</b>
<b>Net current liabilities</b>			
		<b>(36,404)</b>	<b>(36,999)</b>
<b>Total assets less current liabilities</b>			
		<b>11,914</b>	<b>11,249</b>
<b>Non-current liabilities</b>			
Retirement benefit liabilities		19	–
Deferred tax liabilities		–	1
		<b>19</b>	<b>1</b>
<b>NET ASSETS</b>			
		<b>11,895</b>	<b>11,248</b>
<b>EQUITY</b>			
<b>Equity attributable to the Company's shareholders</b>			
Share capital	34	1,294	1,294
Reserves	37(b)	10,601	9,954
<b>TOTAL EQUITY</b>			
		<b>11,895</b>	<b>11,248</b>

Guy Bradley  
 Martin Murray  
 Paul Kenneth Etchells  
 Directors  
 Hong Kong, 10th March 2022

### 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 2021		9,912	42	9,954
<b>Profit for the year</b>		3,685	–	3,685
<b>Other comprehensive income</b>				
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)	–
<b>Total comprehensive income for the year</b>		3,686	(35)	3,651
2020 second interim dividend	12	(1,502)	–	(1,502)
2021 first interim dividend	12	(1,502)	–	(1,502)
At 31st December 2021		10,594	7	10,601
At 1st January 2020		9,263	9	9,272
<b>Profit for the year</b>		4,190	–	4,190
<b>Other comprehensive income</b>				
Defined benefit plans				
– remeasurement losses recognised during the year		(14)	–	(14)
– deferred tax		2	–	2
Changes in the fair value of equity investments at fair value through other comprehensive income				
– gains recognised during the year		–	33	33
<b>Total comprehensive income for the year</b>		4,178	33	4,211
2019 second interim dividend		(2,478)	–	(2,478)
2020 first interim dividend	12	(1,051)	–	(1,051)
At 31st December 2020		9,912	42	9,954

- (i) Distributable reserves of the Company at 31st December 2021 amounted to HK\$10,594 million (2020: HK\$9,912 million).
- (ii) The Company revenue reserve includes HK\$2,402 million (2020: HK\$1,502 million) representing the declared second interim dividend for the year (note 12).

## 38. Capital Commitments

	2021 HK\$M	2020 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	829	600
Authorised by Directors but not contracted for <sup>^</sup>	7,836	7,844
Investment properties		
Contracted but not provided for	4,541	4,022
Authorised by Directors but not contracted for	10,924	10,047
	<b>24,130</b>	<b>22,513</b>
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted but not provided for	186	48
Authorised by Directors but not contracted for	4,750	4,439
	<b>4,936</b>	<b>4,487</b>

<sup>^</sup> Included outstanding capital commitments from discontinued operations of HK\$83 million (2020: HK\$107 million).

\* Of which the Group is committed to funding HK\$1,146 million (2020: HK\$1,330 million).

At 31st December 2020, Swire Properties group was committed to make a capital injection of HK\$3,946 million into a joint venture company.

- (b) At 31st December 2021, the Group had unprovided contractual obligations for future repairs and maintenance in respect of investment properties of HK\$213 million (2020: HK\$270 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)**

	2021 HK\$M	2020 HK\$M
(a) Guarantees provided in respect of:		
Bank loans and other liabilities of joint venture companies	3,718	3,291
Bank guarantees given in lieu of utility deposits and others <sup>^</sup>	314	376
	<b>4,032</b>	<b>3,667</b>

<sup>^</sup> Included bank guarantees from discontinued operations of HK\$175 million (2020: HK\$146 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. A 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 against this latest decision, to which the European Commission filed a defence. In December 2017, Cathay Pacific filed a Reply to this Defence. On 9th March 2018, the European Commission filed a rejoinder to Cathay Pacific's Reply. The appeal hearing in the General Court took place on 5th July 2019. The General Court is expected to issue its decision in the first half of 2022.

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 Group leases out investment properties and vessels under operating leases. The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received from investment properties during the year amounted to HK\$986 million (2020: HK\$642 million). The leases for vessels typically run for an initial period of one month to three years with an option to renew them after that date, at which time all terms are renegotiated.

The future aggregate minimum lease receipts under non-cancellable operating leases were receivable by the Group at the year end as follows:

	2021 HK\$M	2020 HK\$M
Investment properties		
Within one year	8,854	8,770
Between one and two years	7,218	7,253
Between two and three years	5,515	5,287
Between three and four years	3,929	3,761
Between four and five years	2,922	2,662
After five years	4,408	4,771
	<b>32,846</b>	32,504
Vessels*		
Within one year	159	175
Between one and two years	61	64
	<b>220</b>	239
	<b>33,066</b>	32,743

\* The vessels were classified as assets classified as held for sale.

Assets held for deployment on operating leases at the year end were as follows:

	2021		2020	
	Investment properties HK\$M	Vessels <sup>^</sup> HK\$M	Investment properties HK\$M	Vessels <sup>^</sup> HK\$M
Cost or fair value	236,099	16,089	238,796	17,863
Less: accumulated depreciation and impairment	–	(13,732)	–	(15,205)
	<b>236,099</b>	<b>2,357</b>	238,796	2,658
Depreciation for the year <sup>^</sup>	–	223	–	580

<sup>^</sup> As at 31st December 2021, vessels were classified as assets classified as held for sale. Depreciation for the year included depreciation from discontinued operations of HK\$223 million (2020: HK\$349 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:

	2021 HK\$M	2020 HK\$M
Land and buildings		
Within one year	44	42
Between one and five years	77	68
Over five years	95	69
	<b>216</b>	<b>179</b>
Equipment		
Within one year	1	7
Between one and five years	1	28
Over five years	1	63
	<b>3</b>	<b>98</b>
	<b>219</b>	<b>277</b>

At 31st December 2021, there are no short-term lease commitments which are significantly dissimilar to the portfolio of short-term leases for which expenses were recognised for the year ended 31st December 2021 (2020: 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 subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The Services Agreements (as amended and restated on 9th August 2019) were renewed on 1st October 2019 for three years expiring on 31st December 2022. For the year ended 31st December 2021, service fees payable amounted to HK\$315 million (2020: HK\$291 million). Expenses of HK\$297 million (2020: HK\$303 million) were reimbursed at cost; in addition, HK\$379 million (2020: HK\$354 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 2021, the aggregate rentals payable to the Group by the JS&SHK group under tenancies to which the Tenancy Framework Agreement applies amounted to HK\$113 million (2020: HK\$106 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.

	Notes	Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
		2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M	2021 <sup>^</sup> HK\$M	2020 <sup>^</sup> HK\$M	2021 HK\$M	2020 HK\$M
Revenue from	(a)								
– Sales of beverage drinks		4	14	4	5	–	–	–	–
– Sales of goods		1,365	974	–	–	–	–	–	–
– Rendering of services		82	73	28	11	13	17	1	2
– Aircraft and engine maintenance		47	54	1,546	2,433	–	–	–	–
– Rental of properties	(b)	–	–	1	1	–	–	113	106
Purchase of beverage drinks	(a)	190	132	4,374	3,299	–	–	–	–
Purchase of other goods	(a)	10	10	22	36	–	–	–	–
Purchase of services	(a)	30	53	1	3	18	12	–	–
Interest income	(c)	85	76	10	9	–	–	–	–
Interest charges	(c)	21	5	3	6	–	–	–	–

<sup>^</sup> 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 eight years. The leases were entered into on normal commercial terms.
- (c) Loans advanced to joint venture and associated companies at 31st December 2021 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 2021 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. Notes to the Consolidated Statement of Cash Flows

### (a) Reconciliation of operating profit to cash generated from operations

	2021 HK\$M	2020 HK\$M
Operating profit*	12,133	2,695
Gain on disposals of subsidiary companies	(137)	(2,026)
Gain on disposal of a joint venture company	(448)	–
Gain on partial disposal of an associated company	(110)	–
Gain arising from the acquisition of an interest in a joint venture company	(24)	–
(Gain)/loss on disposals of investment properties	(1,028)	147
Gain on disposals of property, plant and equipment	(218)	(18)
Gain on disposals of assets classified as held for sale	(36)	–
Change in fair value of investment properties	1,931	4,421
Change in fair value of assets classified as held for sale	(42)	–
Depreciation, amortisation and impairment charges	4,370	9,213
Other items	439	318
<b>Operating profit before working capital changes</b>	<b>16,830</b>	<b>14,750</b>
(Increase)/decrease in properties for sale	(2,832)	119
(Increase)/decrease in stocks and work in progress	(600)	572
Decrease in contract assets	53	351
Increase in trade and other receivables	(192)	(1,132)
Increase in trade and other payables and contract liabilities	2,194	464
<b>Cash generated from operations</b>	<b>15,453</b>	<b>15,124</b>

\* Remeasurement loss on assets classified as held for sale is not included.

### (b) Purchase of property, plant and equipment and right-of-use assets

	2021 HK\$M	2020 HK\$M
Property	496	469
Plant and machinery	2,852	2,197
Vessels	199	158
Right-of-use assets	265	–
<b>Total</b>	<b>3,812</b>	<b>2,824</b>

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	
	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M
At 1st January	68,164	68,033	5,152	5,375
New leases entered during the year	–	–	1,161	530
Net cash inflow/(outflow) from financing activities				
– Loans drawn and refinancing	4,879	14,525	–	–
– Repayment of loans and bonds	(11,825)	(14,395)	–	–
– Principal elements of lease payments	–	–	(971)	(935)
Change in composition of the Group	–	10	1	21
Effect of exchange differences	231	(121)	50	75
Transfer to liabilities associated with assets classified as held for sale	–	–	(3)	–
Other non-cash movements	100	112	(50)	86
At 31st December	61,549	68,164	5,340	5,152

## 42. Notes to the Consolidated Statement of Cash Flows (continued)

### (d) Disposal of subsidiary companies

	Subsidiaries in Property Division HK\$M	Subsidiaries in Aviation Division and Trading & Industrial HK\$M	Total HK\$M
Net assets disposed of:			
Property, plant and equipment	–	10	10
Investment properties	132	–	132
Intangible assets	–	36	36
Stocks and work in progress	–	47	47
Trade and other receivables	–	47	47
Taxation receivable	–	1	1
Bank balances and deposits maturing within three months	–	7	7
Trade and other payables	–	(29)	(29)
	132	119	251
Gains on disposal	121	16	137
	253	135	388
Satisfied by:			
Cash received (net of transaction costs)	212	128	340
Other consideration	41	7	48
	253	135	388
Analysis of the net inflow of cash and cash equivalents from disposals:			
Net cash proceeds	212	128	340
Cash and cash equivalents disposed of	–	(7)	(7)
Net inflow of cash and cash equivalents	212	121	333

## 43. 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 will cease to operate the Marine Services Division upon completion of the disposal. The Group has recognised a remeasurement loss on the disposal group of HK\$1,611 million in the consolidated statement of profit or loss.

The results related to the disposal group are presented as discontinued operations in accordance with HKFRS 5.

**43. Discontinued Operations** (continued)

## (a) Results from discontinued operations

	2021 HK\$M	2020 HK\$M
Revenue	1,606	1,677
Cost of sales	(1,506)	(1,959)
<b>Gross profit/(loss)</b>	<b>100</b>	<b>(282)</b>
Administrative expenses	(288)	(378)
Other net gains/(losses)	218	(4,256)
<b>Operating profit/(loss)</b>	<b>30</b>	<b>(4,916)</b>
Net finance charges	(6)	(115)
Share of losses of associated companies	(1)	–
<b>Profit/(loss) before taxation</b>	<b>23</b>	<b>(5,031)</b>
Taxation	(16)	5
<b>Profit/(loss) after taxation</b>	<b>7</b>	<b>(5,026)</b>
Remeasurement loss on the disposal group	(1,611)	–
<b>Loss from discontinued operations</b>	<b>(1,604)</b>	<b>(5,026)</b>

## (b) Total comprehensive loss from discontinued operations

	2021 HK\$M	2020 HK\$M
<b>Loss for the year</b>	<b>(1,604)</b>	<b>(5,026)</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Defined benefit plans		
– remeasurement gains recognised during the year	3	1
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges		
– (losses)/gains recognised during the year	(3)	1
– transferred to operating profit/(loss)	(3)	5
Net translation differences on foreign operations		
– recognised during the year	1	(5)
– reclassified to profit or loss on disposal	–	(6)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(2)</b>	<b>(4)</b>
<b>Total comprehensive loss for the year</b>	<b>(1,606)</b>	<b>(5,030)</b>

## (c) Cash flows from discontinued operations

	2021 HK\$M	2020 HK\$M
Net cash used in operating activities	(140)	(154)
Net cash generated from investing activities	614	1,418
Net cash used in financing activities	(582)	(1,251)
<b>Net cash (used in)/generated from discontinued operations</b>	<b>(108)</b>	<b>13</b>

#### 43. Discontinued Operations (continued)

(d) Assets and liabilities from discontinued operations

	2021 HK\$M
<b>Assets classified as held for sale</b>	
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
	<b>1,837</b>
<b>Liabilities associated with assets classified as held for sale</b>	
Trade and other payables	841
Taxation payable	49
Derivative financial instruments	1
Lease liabilities	3
	<b>894</b>

#### 44. Event After the Reporting Period

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 of a 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. 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.

On 9th March 2022, a subsidiary of the Company entered into a sale and purchase agreement with Tidewater Inc. (Tidewater) for the sale of a 100% interest in Swire Pacific Offshore Holdings Limited, at a consideration of approximately US\$190 million. The consideration for the transaction will be settled partly in cash and partly in the form of warrants issued by Tidewater which will entitle the Group to purchase 8.1 million shares of common stock of Tidewater at a nominal price.

#### 45. 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.