SWIRE PACIFIC

TRUST TOMORROW

BELIEVE IN HONG KONG

ANNUAL REPORT 2021

Stock Codes
'A' Shares 00019 'B' Shares 00087

CONTENTS

Note: Definitions of the terms and ratios used in this report can be found in the Glossary.

CORPORATE STATEMENT

SUSTAINABLE GROWTH

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

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

Our Values

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

Our Core Principles

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

Our Investment Principles

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

OUR BUSINESSES

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

Swire Properties' shopping malls are home to more than 2,200 retail outlets. Its offices house a working population estimated to exceed 75,000. In Hong Kong, Swire Properties is one of the largest commercial landlords and operators of retail space, principally through the ownership and management of its core centres at Pacific Place and Taikoo Place. In the Chinese Mainland, it has developed six retail-led mixed-use projects, in Beijing, Guangzhou, Chengdu and Shanghai. In the USA, it has a mixed-use development in Miami.

Our Beverages Division sold the products of The Coca-Cola Company to a franchise population of 762 million people in Greater China and the USA at the end of 2021. These products comprised 18 carbonated and 44 non-carbonated brands.

Cathay Pacific, with its subsidiaries HK Express and Air Hong Kong, had 234 aircraft at the end of 2021, of which 74 were held at parking locations outside of Hong Kong. Immediately prior to the onset of COVID-19, the Cathay Pacific group directly connected Hong Kong to 119 destinations in 35 countries worldwide (255 and 54 respectively with codeshare agreements), including 26 destinations in the Chinese Mainland. Cathay Pacific has an interest of 18.13% in Air China.

HAECO is a leading provider of international aircraft maintenance and repair services. In 2021, the HAECO group, operating from bases in Hong Kong, the Chinese Mainland and the USA, performed work for almost 400 airlines and other customers.

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

In September 2021, the Group completed the sale of its 50% interest in the HUD group. In March 2022, the Group entered into a sale and purchase agreement to dispose of its interest in the Swire Pacific Offshore group. We will no longer operate any marine services business.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 30,000 employees. In the Chinese Mainland, we have over 34,000 employees. Globally, we employ over 80,000 staff.

2021 PERFORMANCE HIGHLIGHTS^

	Note	2021	2020	Change
Return on equity		1.3%	-4.1%	+5.4% pt
Dividend per 'A' share (HK$)		2.60	1.70	+53%

	Note	HK$M	HK$M	
Profit/(loss) attributable to the Company's shareholders				
As reported		3,364	(10,999)	N/A
Underlying profit/(loss)	(a)	5,300	(3,969)	N/A
Recurring underlying profit/(loss)	(a)	4,885	(609)	N/A
Revenue		92,403	80,032	+15%
Operating profit		10,522	2,695	+290%
Operating profit excluding change in fair value of investment properties		12,453	7,116	+75%
Change in fair value of investment properties		(1,931)	(4,421)	-56%
Cash generated from operations		15,453	15,124	+2%
Net cash inflow before financing		5,321	13,184	-60%
Total equity (including non-controlling interests)		324,168	319,146	+2%
Net debt		38,655	38,900	-1%
Gearing ratio (excluding lease liabilities)		11.9%	12.2%	-0.3% pt

	Note	HK$	HK$	
Earnings/(loss) per share	(b)			
As reported				
'A' share		2.25	(7.32)	N/A
'B' share		0.45	(1.46)	
Underlying				
'A' share		3.53	(2.64)	N/A
'B' share		0.71	(0.53)	
Dividends per share				
'A' share		2.60	1.70	+53%
'B' share		0.52	0.34	
Equity attributable to the Company's shareholders per share	(c)			
'A' share		177.78	174.94	+2%
'B' share		35.56	34.99	

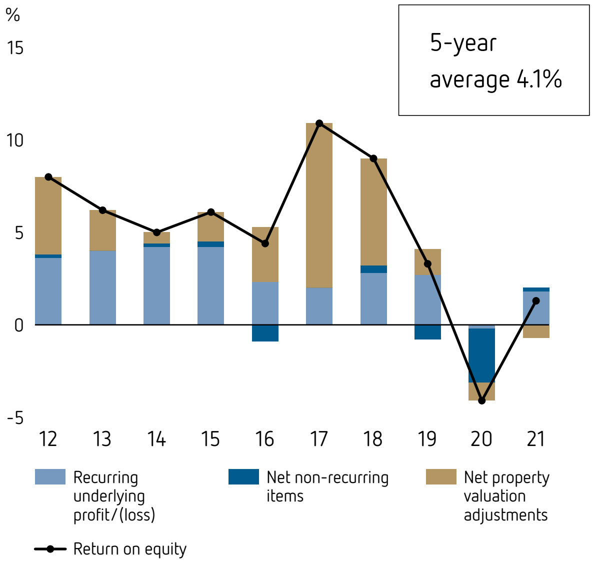
2021 SUSTAINABLE DEVELOPMENT PERFORMANCE

	(d)	2021	2020	Change
GHG emissions (Thousand tonnes of CO_2e)		683	776	-12%
Energy consumed (GJ Million)		5.8	6.3	-9%
Water withdrawn (cbm Million)		18.1	17.1	+6%
LTIR (Number of injuries per 100 full-time equivalent employees)		0.62	0.64	-3%
Employee fatalities (Number of fatalities)		0	1	-100%

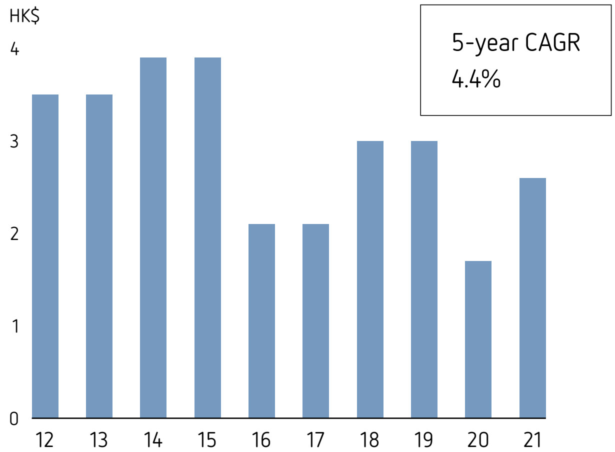
^ Figures included continuing operations and discontinued operations.

Notes:
(a) Reconciliations between the reported and underlying profit/(loss), and between underlying profit/(loss) and recurring underlying profit/(loss) are provided on page 61.
(b) Refer to note 13 in the financial statements for the daily weighted average number of shares in issue throughout the year.
(c) Refer to note 34 in the financial statements for the number of shares at the year end.
(d) 2020 figures are restated following a review of the report boundary. Please refer to the Sustainable Development Review section for data scope and boundary.

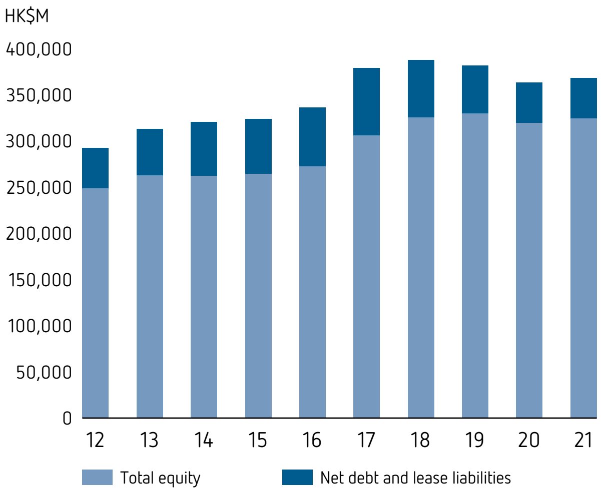
Return on Equity



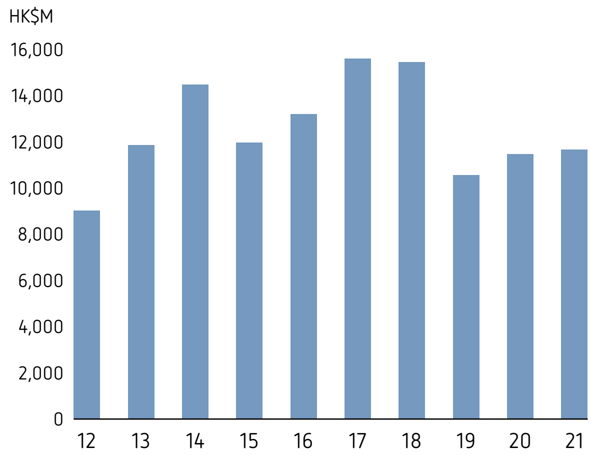
Ordinary Dividends per 'A' Share



Total Equity and Net Debt (including Lease Liabilities)



Net Cash Generated from Operating Activities



CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to be writing my first message to you as Chairman of Swire Pacific.

Whilst the impact of COVID-19 continued to be felt across all our Divisions and the operating environment remained challenging in 2021, overall our businesses made a significant turnaround and the Group returned to profitability. The improved performance was in no small part due to the hard work and commitment of our people and underscores the strength and resilience of our businesses. This robust performance demonstrates that our approach of carefully managing short-term impacts, whilst continuing to invest for the long term in our core markets in Greater China, remains the right one. We are committed to delivering value and growth in these markets, and our solid fundamentals support our confidence in the Group's prospects.

Strategic Developments

In 2021, we continued our strategy of focusing on three core Divisions where we see good opportunities: Property, Beverages and Aviation, all well-positioned to tap into the growth in consumer spending in their core markets. We see a bright future for all of them, although the current COVID-19 impact on the Aviation Division is particularly challenging. We also increased our investment in healthcare in the Chinese Mainland.

We have an exciting investment pipeline in the Property Division, of which we have just announced a RMB7 billion investment in Xi'an. This development, located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district, will be our seventh retail-led mixed-use development in the Chinese Mainland.

Swire Coca-Cola, which is performing strongly, continued to pursue its core strategies during the year and made significant investments in production assets, logistics infrastructure, digital innovation and merchandising equipment to support future revenue growth and operational efficiency.

In Aviation, while Cathay Pacific's business remains significantly impacted by COVID-19, the business is well-placed for a post-COVID-19 recovery, after decisive actions were taken to create a more focused and competitive business with a lower cost base.

During the year, we invested in a premium private hospital in Shenzhen and a healthcare provider specialising in cardiovascular care in Shanghai, all part of our planned long-term capital spending in the healthcare sector in the Chinese Mainland.

We also recently announced the disposal of Swire Pacific Offshore. With this disposal, and the earlier sale of our interest in Hongkong United Dockyards (HUD), we will no longer operate any marine services business, which has been loss-making for a number of years. This is in line with our strategy of reducing exposure to non-core assets and recycling capital to focus on core businesses that have strong growth opportunities in Greater China and South East Asia.

Profits and Dividends

The Group recorded an underlying profit of HK$5,300 million in 2021, compared with an underlying loss of HK$3,969 million in 2020. Disregarding significant non-recurring items in both years, the Group recorded a recurring underlying profit of HK$4,885 million in 2021, compared with a loss of HK$609 million in 2020. We made a higher recurring underlying profit with particularly strong momentum in the Chinese Mainland. Losses at Cathay Pacific and Swire Pacific Offshore were reduced significantly. The recurring underlying profit of the Property Division was stable and Swire Coca-Cola reported record profit. Impairment charges at Swire Pacific Offshore and Cathay Pacific reduced substantially. However, gains from the disposal of non-core assets were also lower.

During the year, as previously announced, we introduced a revised dividend policy to reflect our goal in delivering sustainable growth in dividends. We target in future to pay out not less than half of our recurring underlying profit (excluding our share of the results of associate Cathay Pacific, but including all dividends received from that company) by way of ordinary dividends over time. Dividends for the full year are HK$2.60 per 'A' share and HK$0.52 per 'B' share, an increase of 53% over the 2020 full year dividends.

Resilient Business Performance

Property Division

The recurring underlying profit of the Property Division was stable compared to prior year at HK$5,824 million, against HK$5,834 million in 2020. Retail rental income in the Chinese Mainland increased strongly. Losses from hotels reduced. In Hong Kong, our office portfolio delivered solid returns, maintaining high occupancy, and our redevelopment of Taikoo Place is an example of placemaking at its very best. While Hong Kong's retail market partially recovered, it has not returned to pre-COVID-19 levels, but we remain confident of Hong Kong's long-term prospects and continue to invest in our retail malls and explore new digital technologies and customer-centric initiatives to prepare for the rebound. In September 2021, we opened our sixth Chinese Mainland development, Taikoo Li Qiantan, in Shanghai. In December 2021, we opened Taikoo Li Sanlitun West, an exciting retail addition to our existing Taikoo Li Sanlitun development, contributing to further revenue growth from the Chaoyang district in Beijing.

Beverages Division

Swire Coca-Cola's performance was strong and it reported record profits in 2021. Profits were 23% higher than in 2020, with an overall 8% improvement in volumes. Revenue growth in the Chinese Mainland was particularly strong and buoyant, with growth also achieved in the USA. The record profit reflected strengthened execution capabilities, improved distribution infrastructure, optimised package and product mix and price increases, as well as effective revenue growth management.

Aviation Division

Cathay Pacific substantially reduced losses in 2021 despite ongoing COVID-19 impacts. Cathay Pacific's losses in the year were reduced by 74% to HK$5.5 billion from HK$21.6 billion, driven by a strong performance from cargo and robust cost management, resulting in substantially reduced cash burn. Passenger travel remained acutely affected by travel restrictions and strict quarantine arrangements. Nevertheless, management's decisive actions and the strong cargo market enabled Cathay Pacific to be profitable in the second half of 2021.

At HAECO, COVID-19 adversely affected demand for aircraft maintenance. HAECO continued to invest in the relocation of its Xiamen operations, which are expected to be completed in 2026.

Financial Strength

Our strong balance sheet enables us to take advantage of the investment opportunities available to us. At 31st December 2021, our gearing was 11.9% and our available liquidity was HK$47 billion. This puts us in a position to pursue our long-term plans irrespective of short-term market volatility.

Sustainable Development

Using natural resources responsibly, minimising waste and pollution, and investing in our people and communities are fundamental to the sustainability of business. We are committed to improving in this area. During 2021 we made progress with SwireTHRIVE, our group strategy for sustainable development. We continued to integrate our ESG initiatives across the businesses. Swire Properties and Swire Coca-Cola, which together account for almost 80% of the Group's total emissions, are now committed to SBTi-approved targets aligned with the 1.5°C pathway. Across our Divisions we have set substantial targets for improvement across five priority areas: Climate, Waste, Water, People and Communities.

Supporting Our Communities

Swire has deep roots in the Chinese Mainland going back 155 years, and we engage in a range of charitable activities to support our communities that cover education, rural revitalisation, environmental sustainability and emergency support. Last year we celebrated our 150th anniversary in Hong Kong, and to reaffirm our ongoing commitment to the city, we injected HK$150 million into the Swire Trust, the Group's philanthropic arm, as part of our TrustTomorrow initiative. This funding will boost our work in education, marine conservation and the arts, with a focus on youth empowerment. Through this initiative we are funding over 50 projects, in partnership with about 50 social welfare non-profit organisations.

Additional COVID-19 Support

As COVID-19 continues to impact city life in Hong Kong, we remain committed to doing all we can to help protect and support our communities, especially the most vulnerable. As the fifth wave of COVID-19 emerged, we once again pledged financial assistance to disadvantaged groups in Hong Kong through our TrustTomorrow initiative.

Swire Properties is offering rental relief to its retail tenants and providing hotel rooms and spaces for isolation, quarantine and vaccination purposes and Cathay Pacific has been keeping Hong Kong connected, including maintaining the flow of essential goods and medical supplies to where they are most needed.

Looking Ahead

We expect Swire Properties to continue to perform well, particularly in the Chinese Mainland, where we see significant potential in building on the strong reputation of our Taikoo Li and Taikoo Hui Brands.

Swire Properties intends to invest over HK$100 billion to build an exciting development pipeline over the next ten years. More than half of the funding is intended to be invested in the Chinese Mainland, with a focus on retail-led mixed-use development in Tier-1 and emerging Tier-1 cities. One third of the amount will be invested in Hong Kong to expand and reinforce Taikoo Place and Pacific Place. We are also actively exploring residential trading opportunities across our core markets, leveraging our premium residential brand.

We see good opportunities to support growth in our Beverages Division and will continue to invest in Swire Coca-Cola to create a strong and sustainable business focused on improving returns.

There remains uncertainty on the duration and extent of the ongoing COVID-19 restrictions on Cathay Pacific's operations. Cathay Pacific has had a difficult start to 2022, following the emergence of the highly transmissible Omicron variant. However, Cathay Pacific's lower cost base has positioned the business well for a post-COVID-19 recovery.

Swire Investments is continuing to focus on the Chinese Mainland's healthcare sector, where we target to invest HK$20 billion over the next 10 years.

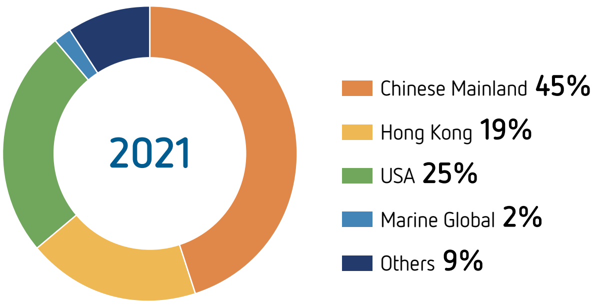
Our resilient and diverse portfolio has enabled us to withstand many challenges and remains well-placed to serve consumer growth in our core markets. We are confident of our future and firmly committed to Hong Kong, the Chinese Mainland and South East Asia.

Our People

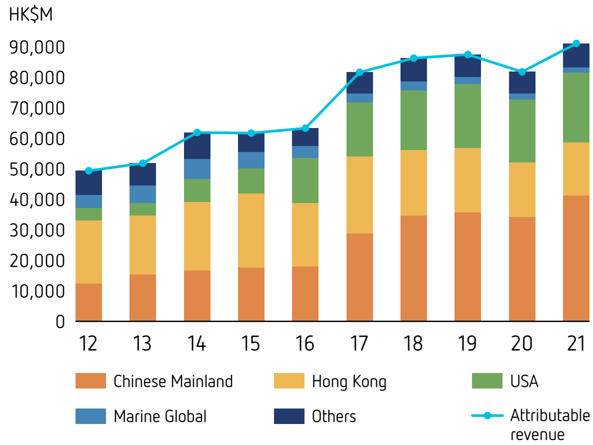
As I reflect on our group performance in 2021, I am immensely proud of our achievements and the strong foundations laid down for the years ahead. Despite the ongoing challenges, we have persevered thanks to the strength, agility and tenacity of our people. I would like again to salute all our teams for the tremendous teamwork, dedication and professionalism which they continue to show in response to the challenges of COVID-19.

Guy Bradley
Chairman
Hong Kong, 10th March 2022

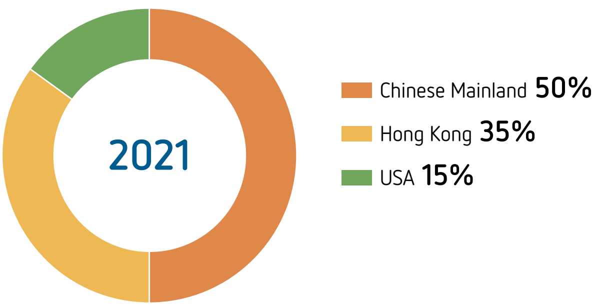
Attributable Revenue by Region[1]



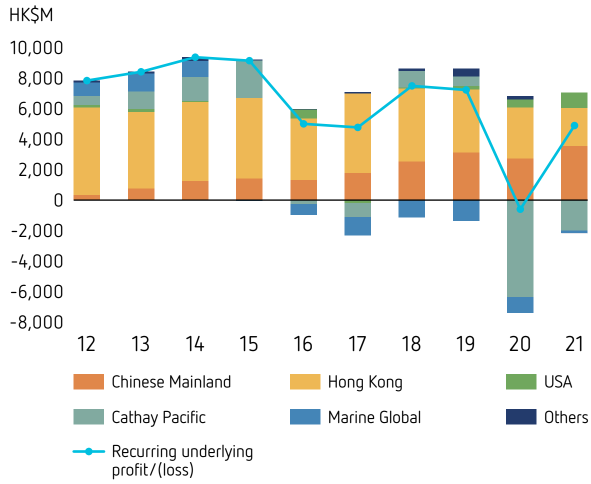
Attributable Revenue by Region[1]



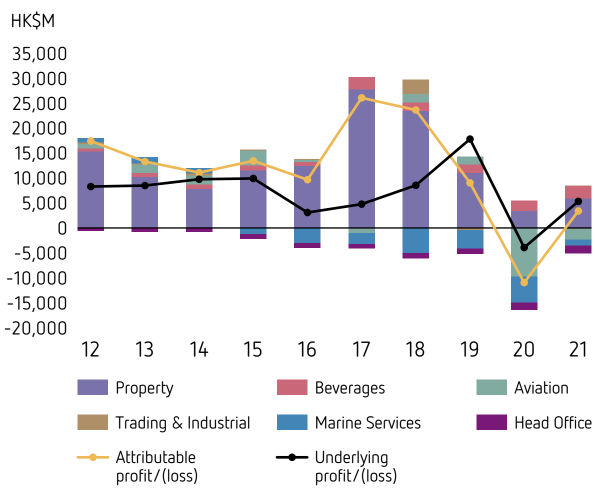
Recurring Underlying Profit/(Loss) by Region[2]



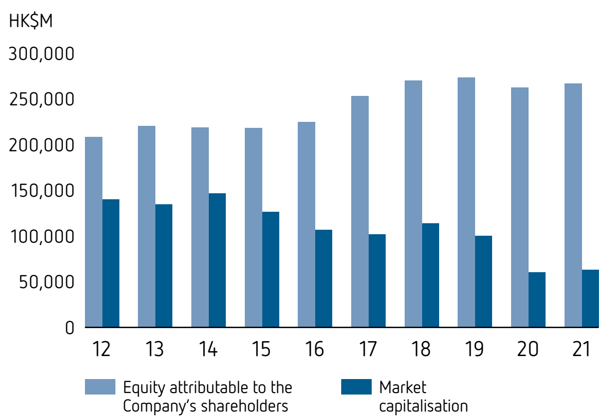
Recurring Underlying Profit/(Loss) by Region



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



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



Notes:
1. Includes joint ventures' attributable gross rental income of the Property Division.
2. Excludes Marine Global and Cathay Pacific.

FINANCE DIRECTOR'S STATEMENT

Results Summary

Swire Pacific performed well during 2021 despite the continuing impact of COVID-19. The recurring underlying profit for 2021, which disregards significant non-recurring items in both years, was HK$4,885 million, compared with a recurring underlying loss of HK$609 million in 2020. Most Divisions put in an improved performance during the year and our solid financial results demonstrated the resilience of our businesses.

The consolidated profit attributable to shareholders (including discontinued operations) for 2021 was HK$3,364 million, compared to a loss of HK$10,999 million in 2020. The underlying profit attributable to shareholders, which principally adjusts for changes in the value of investment properties, was HK$5,300 million, compared with a loss of HK$3,969 million in 2020. The improvement in the underlying results primarily reflects (i) a substantial reduction of losses (including a reduction of impairment charges) at Cathay Pacific and Swire Pacific Offshore, and (ii) a significant increase in the profits of Swire Coca-Cola. There was, however, a decrease in gains on disposal of assets in the Property Division.

The Property Division which is the major contributor to the Group's profit, continued to perform solidly during the year, particularly in the Chinese Mainland, demonstrating the Division's resilience amid challenging times. The recurring underlying profit from the Property Division in 2021 (which excludes gains from the sale of interests in investment properties of HK$1,959 million, compared with HK$4,584 million in 2020) was HK$5,824 million, compared with HK$5,834 million in 2020. This mainly reflected higher rental income from the Chinese Mainland and reduced losses in the hotel business, largely offset by lower retail rental income in Hong Kong and loss of rental income from Cityplaza One.

We continued to see strong growth momentum in our Beverages business throughout the year. Swire Coca-Cola reported a record profit of HK$2,549 million in 2021, 23% higher than in 2020. Revenue increased by 20% to HK$54,769 million. Volume increased by 8% to 1,890 million unit cases. Attributable profit increased in most regions. The Chinese Mainland market remained very dynamic with increased consumer demand met with excellent execution, digital innovation and improved product mix. The buoyant US market was driven by price increases and changes in product mix which were effective in supporting growth throughout the year. Revenue growth and operational efficiency was also fuelled by digital innovations. Swire Coca-Cola is expanding its product and package portfolio and investing in production assets, logistics infrastructure, merchandising equipment and digital capabilities.

The Aviation Division incurred a loss of HK$2,380 million in 2021, compared to a loss of HK$9,751 million in 2020.

The Cathay Pacific group substantially reduced losses in 2021 despite the ongoing COVID-19 impact, with the group reporting a profit in the second half of the year. This improved performance was driven by the cargo business, which performed exceptionally well, and good cost management, resulting in substantially reduced cash burn. Travel remained very challenging with aircrew quarantine and travel restrictions impacting passenger flight capacity substantially. The Cathay Pacific group's attributable loss on a 100% basis was HK$5,527 million in 2021 (2020: loss of HK$21,648 million). The loss for 2021 included impairment and related charges of HK$832 million, restructuring costs of HK$385 million, and a HK$210 million gain on the dilution of an associate interest.

The HAECO group reported an attributable profit of HK$394 million in 2021, compared with HK$96 million in 2020. Disregarding the impairment charges in both years, the recurring profit of the HAECO group increased by HK$46 million to HK$416 million in 2021. COVID-19 adversely affected demand for aircraft maintenance and repair services except base maintenance.

Dividends

A revised dividend policy was introduced in 2021. We target to deliver sustainable growth in dividends and to pay out not less than half of our recurring underlying profit (excluding our share of the results of Cathay Pacific, but including all dividends received from that company) by way of ordinary dividends over time.

The Directors have declared second interim dividends of HK$1.60 per 'A' share and HK$0.32 per 'B' share which, together with the first interim dividends paid in October 2021, amount to full year dividends of HK$2.60 per 'A' share and HK$0.52 per 'B' share. The second interim dividends will be paid on

6th May 2022 to shareholders registered at the close of business on the record date, being Friday, 8th April 2022. Shares of the Company will be traded ex-dividend as from Wednesday, 6th April 2022.

Implementing Our Aims

Our aims are to deliver sustainable growth in shareholder value, achieved through sound returns on equity over the long term, and to return value to shareholders through sustainable growth in ordinary dividends. Capital allocation, achieved by way both of investment and divestment, is central to the achievement of our aims.

We are focused on delivering our corporate strategy. We have strengthened our three core businesses, reinforced our assets, and paved the way for new opportunities.

We continue to invest in healthcare in the Chinese Mainland, through Swire Investments. We will no longer operate any marine services business with the disposal of our interest in Hongkong United Dockyards (HUD) and Swire Pacific Offshore.

Business Developments

Recycling of non-core assets has strengthened the financial position of Swire Properties, leaving the company well-positioned to execute a compelling growth strategy on an exciting pipeline of projects.

In the Chinese Mainland, Taikoo Li Qiantan in Shanghai, and Taikoo Li Sanlitun West (an extension to Taikoo Li Sanlitun) in Beijing were opened in September and December 2021, respectively. INDIGO Phase Two will be an office-led mixed-use development and is planned to be completed in two phases, in mid-2025 and 2026. In July 2021, Swire Properties formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd., for the purpose of revitalising the historic Zhangyuan shikumen compound in the Jing'an district of Shanghai. In August 2021, Swire Properties entered into a cooperation agreement with the Chaoyang district government in Beijing and the Beijing Public Transport Corporation in relation to the transformation of a public transport maintenance facility in Sanlitun. In March 2022, a consortium in which Swire Properties has a 70% interest successfully acquired (via a government land tender) the land use rights of a land located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an. The land is expected to be developed into a retail-led mixed-use development comprising retail and cultural facilities in addition to a hotel, serviced residences and business apartments.

In Hong Kong, the second phase of the Taikoo Place redevelopment will be completed later this year. The Silveri Hong Kong – MGallery, a hotel not managed by the Group at Citygate, is expected to open in phases, subject to COVID-19 conditions, this year. Swire Properties has offered 2,123 car parking spaces in the Taikoo Shing residential development in Hong Kong for sale. 1,235 of the spaces had been sold at 8th March 2022. In the USA, Swire Properties sold EAST Miami to an institutional investor in October 2021. Disposal of a site at Fort Lauderdale was completed in January 2022.

Swire Coca-Cola, which is performing strongly, continues to leverage the close alignment with The Coca-Cola Company to drive portfolio growth, particularly in the no-sugar, energy and coffee categories, while also developing new products to meet evolving consumer preferences.

For Aviation, Cathay Pacific took decisive actions during the year to create a more focused and competitive business with a lower cost base in preparation for a post-COVID-19 recovery. HAECO Xiamen started pre-construction work at the new airport. The relocation will significantly strengthen HAECO Xiamen's operations from 2026.

In February 2021, the Group made an investment in a hospital being developed in Shenzhen. In August 2021, the Group made an investment in a healthcare provider in Shanghai specialising in cardiovascular care. We are determined to build a significant healthcare business and plan to have invested at least HK$20 billion in this fast-growing sector by 2030.

In April 2021, Swire Pacific Offshore sold a 12.7% equity interest in Cadeler A/S. A further sale of 6.7% of the equity interest in Cadeler was completed in February 2022. A disposal of our 50% interest in the HUD group was completed in September 2021. In March 2022, an agreement to sell the Swire Pacific Offshore business (excluding Cadeler) was entered into. A remeasurement loss of HK$1.6 billion was recognised on reclassifying the relevant assets as held for sale.

Financial Strength

In 2021, we generated HK$15.5 billion from operations and HK$7.4 billion from disposals and we made total capital investments of HK$13.2 billion. Net debt at 31st December 2021 was HK$38.7 billion, a decrease of HK$0.2 billion from the end of 2020. Gearing ratio at the end of 2021 was 11.9%, a slight decrease as compared to 12.2% at the end of 2020. Including lease liabilities as part of net debt would increase our gearing ratio at the end of 2021 to 13.6%.

Sustainable Development and ESG

During 2021 we continued to make progress with SwireTHRIVE, our group strategy for sustainable development and to better integrate ESG initiatives across the businesses. We have set substantial targets across five priority areas: Climate, Waste, Water, People and Communities including: 50% reduction in greenhouse gas emissions by 2030, and net-zero by 2050. 65% waste diversion from landfill by 2030, and zero waste to landfill by 2050. 30% reduction in water withdrawal by 2030, and water neutrality by 2050. Our progress on these targets can be seen in the Sustainable Development Review section of our Annual Report.

We continued to invest in the training and development of our people while ensuring fair and equal opportunities for all. Our Diversity and Inclusion Steering Committee and the Swire Women's Network continue to focus on gender diversity and creating an inclusive workforce.

We conduct our operations in a manner which aims to safeguard the health, wellbeing and safety of our people, contractors, suppliers, customers and the communities in which we operate. We continuously strive to improve more and improve our health and safety performance and culture through digital innovation, impactful communication, training, learning and timely reporting.

In 2021 we enhanced our Group's risk governance framework, adopting the three lines of defence model of risk governance and strengthening the oversight on operating companies.

Recognition

In 2021, Swire Properties continued to be the only listed company from Hong Kong to be included in the Dow Jones Sustainability World Index. In 2021, Swire Pacific received a score of B for CDP Climate Change and a score of A- for CDP Water Security. Swire Coca-Cola maintained its score of A for CDP Water Security. Swire Pacific is included for the first time in the Bloomberg Gender-Equality Index.

Looking Ahead

The Property Division is optimistic about its prospects in the Chinese Mainland retail market, driven by strong local demand with steady growth in retail sales. Demand for office space in the Chinese Mainland is mixed. Rents are under pressure in Guangzhou, while office take-up is recovering in Beijing and demand in Shanghai is robust. Despite increasing competition and supply, Swire Properties' Hong Kong office portfolio remains well-placed, with high occupancy and stable demand from a range of tenants, supported by the activities in the financial markets. Recovery of the Hong Kong retail market has been impacted by the fifth wave of the pandemic but is well-positioned for the post-pandemic upturn. The outlook for Hong Kong hotels is difficult, given ongoing travel restrictions. Hotels in the Chinese Mainland and USA continue to recover. The Property Division continues to be supported by strong capital management and is focusing on its ambitious HK$100 billion investment plans to drive future growth.

At Swire Coca-Cola, revenue is expected to grow strongly in the Chinese Mainland and USA. Taiwan is expected to continue to improve, however, Hong Kong will be impacted by the fifth wave of the COVID-19 outbreak. We will continue to explore attractive investment opportunities to further strengthen the business.

There remains uncertainty on the duration and extent of the ongoing COVID-19 restrictions will have on Cathay Pacific in 2022 and its ability to operate fully. Travel is likely to remain significantly impacted, while cargo was weaker during the first few months of the year given intensifying restrictions due to the ongoing pandemic. Cathay Pacific remains firmly committed to keeping Hong Kong safely connected to the world and continues to explore all options to keep the flow of people and goods moving despite the considerable challenges.

At HAECO, base maintenance is expected to continue to recover. Demand for engine services is expected to improve gradually. Recovery in line maintenance in Hong Kong depends on lifting of travel restrictions. Profit in the USA will be lower with the absence of government subsidies and the shortage of skilled labour. HAECO will focus on increasing its exposure to the narrow-body market, along with leveraging technology and digital tools to improve operational efficiency and the customer experience.

Martin Murray
Finance Director
Hong Kong, 10th March 2022

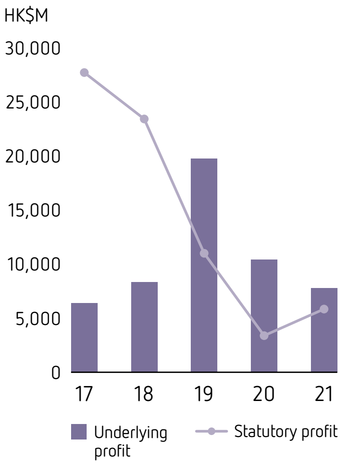
PROPERTY DIVISION

Swire Properties' sixth Chinese Mainland development, Taikoo Li Qiantan, Shanghai, opened in September 2021.

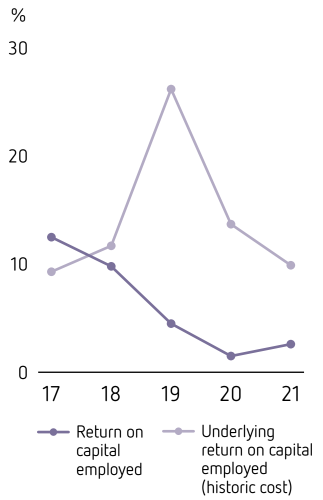
PROPERTY DIVISION

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

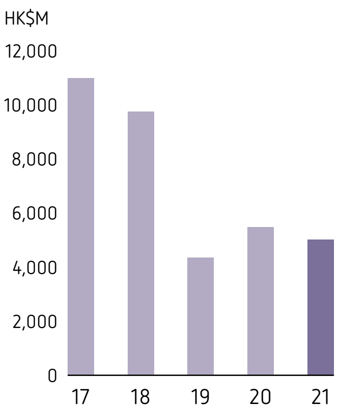
Statutory and Underlying Profit Attributable to the Company's Shareholders



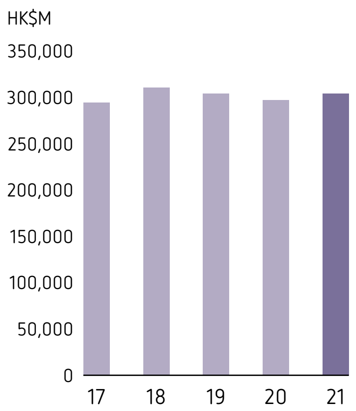
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury and high quality residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 12.0 million square feet of gross floor area, with an additional 1.2 million square feet under development. In the Chinese Mainland, Swire Properties owns and operates major mixed-use commercial developments in Beijing, Guangzhou, Chengdu and Shanghai, in joint venture in most cases, which will total 11.3 million square feet on completion. Of this, 9.8 million square feet has already been completed. Swire Properties' property investment portfolio in Miami, USA totals 0.8 million square feet which comprises the Brickell City Centre development, with an adjoining 1.4 million square feet development under planning.

Hotel Investment

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST Hong Kong at Taikoo Shing. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In the Chinese Mainland, Swire Hotels manages four hotels. The Opposite House at Taikoo Li Sanlitun in Beijing is wholly-owned by Swire Properties. 50% interests are owned in EAST Beijing at INDIGO, in The Temple House at Sino-Ocean Taikoo Li Chengdu, and in The Middle House at HKRI Taikoo Hui in Shanghai. Swire Properties owns 97% and 50% interests in the Mandarin Oriental at Taikoo Hui in Guangzhou and The Sukhothai Shanghai at HKRI Taikoo Hui respectively. In the USA, Swire Properties manages, through Swire Hotels, EAST Miami and owns a 75% interest in the Mandarin Oriental in Miami. The Silveri Hong Kong – MGallery, a non-managed hotel, is part of the 20% owned Citygate development in Hong Kong and is expected to open in phases, subject to COVID-19 conditions, this year.

Property Trading

Swire Properties' trading portfolio comprises six residential projects under development, three in Hong Kong, one in Indonesia and two in Vietnam. There are also land banks in Miami, USA.

Particulars of the Group's key properties are set out on pages 214 to 223.

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

STRATEGY

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

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

Principal Investment Property and Hotel Portfolio – Gross Floor Area

('000 Square Feet)

	At 31st December 2021						At 31st December 2020
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,571	12	–	63	–	5,646	5,646
Cityplaza	–	1,097	200	–	–	1,297	1,297
Others	450	666	73	50	–	1,239	1,241
– Hong Kong	8,207	2,486	769	556	–	12,018	12,020
Taikoo Li Sanlitun	–	1,610	169	–	–	1,779	1,465
Taikoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	294	470	179	–	–	943	943
Sino-Ocean Taikoo Li Chengdu	–	678	98	55	–	831	831
HKRI Taikoo Hui	914	587	194	73	–	1,768	1,768
Taikoo Li Qiantan	–	594	–	–	–	594	619
Others	–	91	–	–	–	91	111
– Chinese Mainland	2,940	5,503	1,224	180	–	9,847	9,578
– USA	–	497	259	–	–	756	1,083
Total completed	11,147	8,486	2,252	736	–	22,621	22,681
Under and pending development							
– Hong Kong^	1,218	3	–	15	–	1,236	1,236
– Chinese Mainland	–	–	–	–	1,416	1,416	1,685
– USA	–	–	–	–	1,444	1,444	1,444
Total	12,365	8,489	2,252	751	2,860	26,717	27,046

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies.

^ The office portfolio principally comprises Two Taikoo Place.

2021 PERFORMANCE

Financial Highlights

	2021 HK$M	2020 HK$M
Revenue		
Gross rental income derived from		
Office	6,193	6,555
Retail	5,785	5,245
Residential	474	454
Other revenue*	102	101
Property investment	12,554	12,355
Property trading	2,443	312
Hotels	894	641
Total revenue	15,891	13,308
Operating profit/(loss) derived from		
Property investment		
From operations	8,276	8,495
Sale of interests in investment properties	1,185	1,826
Valuation losses on investment properties	(1,931)	(4,421)
Property trading	492	(49)
Hotels	(174)	(310)
Total operating profit	7,848	5,541
Share of post-tax profit from joint venture and associated companies	1,788	732
Attributable profit	7,131	4,132
Swire Pacific share of attributable profit	5,847	3,388

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2021 HK$M	2020 HK$M
Property Investment	9,822	13,316
Property Trading	(45)	(87)
Hotels	(285)	(524)
Total underlying attributable profit	9,492	12,705

2021 PERFORMANCE (continued)

Reconciliation of Attributable to Underlying Profit

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for the net valuation movements on investment properties and the associated deferred tax in the Chinese Mainland and the USA, and for other deferred tax provisions in relation to investment properties. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit.

	Note	2021 HK$M	2020 HK$M
Attributable profit		7,131	4,132
Adjustments in respect of investment properties:			
Valuation losses in respect of investment properties	(a)	692	4,263
Deferred tax on investment properties	(b)	1,027	446
Valuation gains realised on sale of interests in investment properties	(c)	585	3,990
Depreciation of investment properties occupied by the Group	(d)	29	31
Impairment loss on a hotel held as part of a mixed-use development	(e)	22	–
Amortisation of right-of-use assets reported under investment properties	(f)	(53)	(49)
Non-controlling interests' share of valuation movements less deferred tax		59	(108)
Underlying attributable profit		9,492	12,705
Profit on sale of interests in investment properties and a hotel		(2,389)	(5,590)
Recurring underlying attributable profit		7,103	7,115
Swire Pacific share of underlying attributable profit		7,783	10,418
Swire Pacific share of recurring underlying attributable profit		5,824	5,834

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

2021 PROPERTY INDUSTRY REVIEW

Office and Retail

Hong Kong

OFFICE | The office market was weak, with consecutive quarters of negative net absorption, reflecting subdued demand and increasing supply. However, leasing activity started to pick up in the second half of 2021.

RETAIL | COVID-19 stopped most inbound tourism. Social distancing reduced local consumption. The retail market was severely disrupted, but has stabilised. Local demand started to recover in the second half of 2021.

Chinese Mainland

RETAIL | Despite COVID-19, retail sales in the Chinese Mainland grew strongly in 2021, particularly of jewellery, watches and other luxury items. Sales benefitted from restrictions on overseas travel and generally effective containment of COVID-19. There was strong demand for retail space from retailers of international luxury brands, and moderate demand for retail space from retailers of sports, fashion and cosmetic brands and from food and beverages outlets.

OFFICE | Demand for office space in Beijing and Shanghai improved in 2021. Take-up increased generally, but was weak in Guangzhou. New supply put pressure on office rents in Guangzhou. Office rents in Shanghai and Beijing recovered, reflecting lower vacancy rates.

USA

RETAIL | Retail sales recovered strongly from the adverse effects of COVID-19.

Property Sales Markets

Sentiment improved in the Hong Kong residential market. Values were stable.

2021 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$5,847 million, compared to HK$3,388 million in 2020. These figures include net property valuation losses, before deferred tax and non-controlling interests, of HK$692 million in 2021, compared to losses of HK$4,263 million in 2020. Attributable underlying profit decreased to HK$7,783 million in 2021 from HK$10,418 million in 2020. This mainly reflected the reduction in profit from the sale of interests in investment properties in Hong Kong. Recurring underlying profit (which excludes the profit on the sale of interests in investment properties) was HK$5,824 million in 2021, compared with HK$5,834 million in 2020. This mainly reflected higher rental income from the Chinese Mainland and reduced losses in the hotel business, largely offset by lower rental income from Hong Kong.

Recurring underlying profit from property investment decreased in 2021. This mainly reflected lower retail rental income (the reduction reflecting in part the amortisation of rental concessions given in 2020) from Hong Kong and the loss of rental income from the Cityplaza One office tower (which was disposed of in the second half of 2020), partly offset by strong retail rental income from the Chinese Mainland.

In Hong Kong, the office portfolio was resilient and occupancy was high despite a weak market. The retail portfolio in Hong Kong was adversely affected by the effect of COVID-19 on inbound tourism. However, local consumption improved and COVID-19 was generally contained in the second half of 2021. The HKSAR Government introduced a consumption voucher scheme, which increased retail sales.

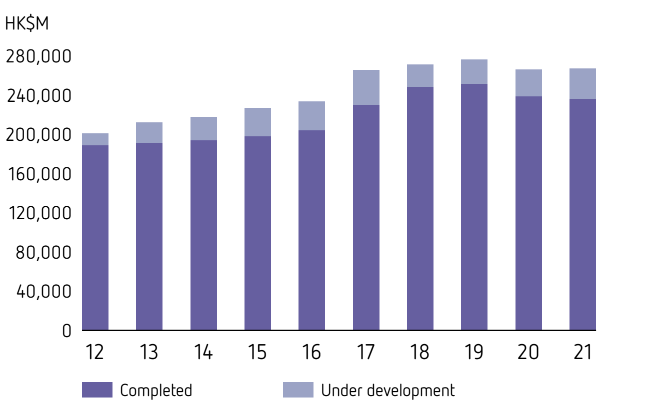
In the Chinese Mainland, our retail performance was strong. Retail sales and gross rental income increased significantly. Local demand was strong. COVID-19 was generally contained.

In the USA, retail sales and gross rental income increased strongly.

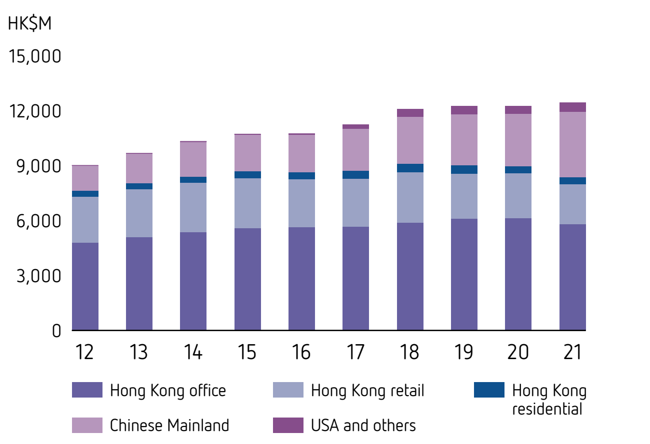
There was a small underlying loss from property trading in 2021. This reflected the sales of EDEN in Singapore and of the remaining units at Reach and Rise in the USA, and adjustments to provisions.

The hotel business in Hong Kong was adversely affected by travel restrictions. Hotels in the Chinese Mainland and the USA performed better. Losses were lower.

Valuation of Investment Properties



Gross Rental Income



KEY DEVELOPMENTS

In January 2021, Swire Properties started to sell units at EIGHT STAR STREET in the Starstreet Precinct in Hong Kong. 28 out of 37 units had been pre-sold at 8th March 2022.

In March 2021, Swire Properties made a minority investment in Empire City, a residential-led mixed-use development (with residential, retail, office, hotel, and serviced apartment components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases up to 2027.

In March 2021, Swire Properties sold all 20 apartments at EDEN in Singapore.

In May 2021, Swire Properties sold almost all remaining units at Reach and Rise, the residential portion of the first phase of the Brickell City Centre development in Miami, USA, to an institutional purchaser. All units available for sale were sold during the year.

In July 2021, Swire Properties formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd., for the purpose of revitalising the historic Zhangyuan shikumen compound in the Jing'an district of Shanghai.

In August 2021, Swire Properties entered into a cooperation agreement with the Chaoyang district government in Beijing and the Beijing Public Transport Corporation. The cooperation relates to the transformation (into a cultural and commercial destination) of a public transport maintenance facility in Sanlitun owned by the Beijing Public Transport Corporation and adjacent to our Taikoo Li Sanlitun development.

In September 2021, Taikoo Li Qiantan, a retail development in Qiantan international business district jointly developed by Swire Properties and Shanghai Lujiazui Group, officially opened. This is our second development in Shanghai and the third Taikoo Li project in the Chinese Mainland.

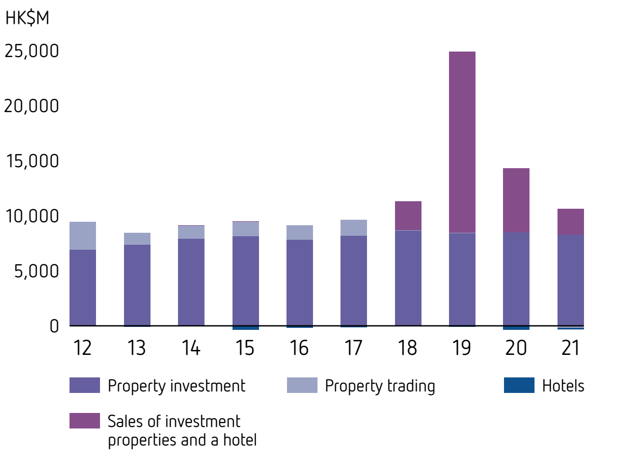
In September 2021, a project company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited accepted the HKSAR Government's land exchange offer in relation to a plot of land in Chai Wan, Hong Kong for a premium of approximately HK$4,540 million. The land exchange was executed in December 2021. The plot of land is expected to be redeveloped into a residential complex with an aggregate gross floor area of approximately 694,000 square feet.

In October 2021, Swire Properties sold EAST Miami to an institutional investor. Swire Hotels remains the hotel operator.

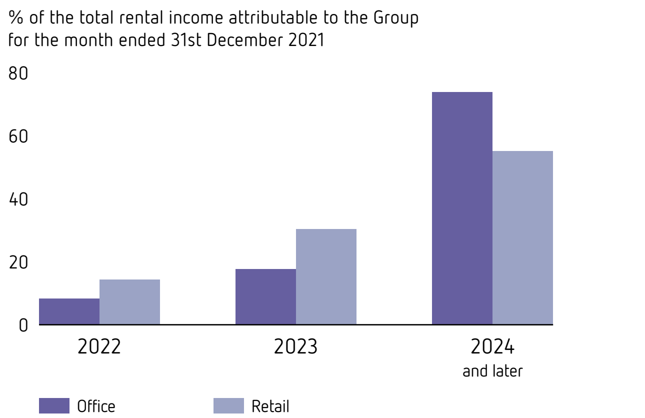
In December 2021, Taikoo Li Sanlitun West, an extension to Taikoo Li Sanlitun in Beijing, opened for business.

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

Underlying Operating Profit



Hong Kong Lease Expiry Profile – at 31st December 2021



The redevelopment of Taikoo Place is an example of placemaking at its very best.

INVESTMENT PROPERTIES

Hong Kong

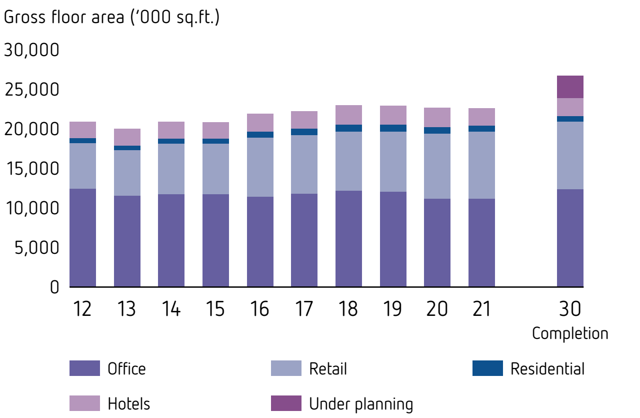
OFFICE | Gross rental income from the Hong Kong office portfolio in 2021 was HK$5,794 million, 5% lower than 2020. The decrease was mainly due to the loss of rental income from the Cityplaza One office tower, which was disposed of in the second half of 2020. Our office portfolio was resilient. Occupancy was high. There were positive rental reversions at our Taikoo Place properties. Disregarding the effect of the disposal of Cityplaza One, gross rental income was approximately the same. At 31st December 2021, the office portfolio was 97% let.

The performance of the offices at One, Two, and Three Pacific Place was relatively solid in 2021. The occupancy rate improved to 98% at 31st December 2021.

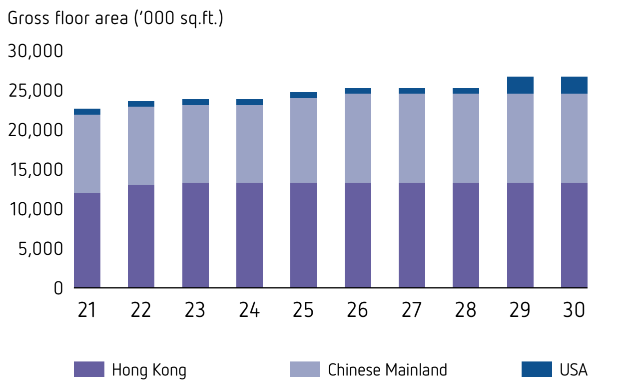
The performance of the offices at Taikoo Place was resilient. The occupancy rates at Taikoo Place, One Taikoo Place and One Island East were 96%, 100% and 99% respectively at 31st December 2021.

The occupancy rate at South Island Place was 88% at 31st December 2021. Swire Properties has a 50% interest in the development.

Completed Investment Property and Hotel Portfolio by Type



Completed Investment Property and Hotel Portfolio by Location



RETAIL | The Hong Kong retail portfolio's gross rental income was HK$2,191 million in 2021, a 10% decrease from 2020. The decrease reflected in part the amortisation of rental concessions given in 2020.

Retail sales in 2021 increased by 27% at The Mall, Pacific Place, by 9% at Cityplaza and by 22% at Citygate Outlets. These increases compare with an 8% increase in retail sales in Hong Kong as a whole. COVID-19 was generally contained in Hong Kong in the second half of 2021. The HKSAR Government introduced a consumption voucher scheme, which increased retail sales. People ate out more. This helped food and beverages businesses. General fashion and accessories businesses struggled. The performance of luxury retail businesses varied.

Rental concessions were given for specific periods on a case by case basis to support tenants. Rental concessions granted in 2020 and 2021 were amortised over the remaining lease terms. Rental concessions (on a cash basis) reduced considerably in 2021. On a cash concession basis, gross rental income was 5% higher in 2021 than 2020.

The malls were almost fully let throughout the year.

RESIDENTIAL | The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wanchai and a number of luxury houses on Hong Kong Island and Lantau Island. The occupancy rate at the residential portfolio was approximately 68% at 31st December 2021.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House) is the construction of an office tower with an aggregate gross floor area of approximately one million square feet, to be named Two Taikoo Place. Curtain wall installation and interior fit out works are in progress. Completion of the redevelopment is expected later this year.

Planning permission to develop the site at 46-56 Queen's Road East for office use was obtained in 2018. The site area is approximately 14,400 square feet. The proposed development has an aggregate gross floor area of approximately 218,000 square feet. Superstructure works are in progress. Completion is expected in 2023.

OTHERS | In 2018, Swire Properties submitted compulsory sale applications in respect of two sites (Wah Ha Factory Building, No. 8 Shipyard Lane and Zung Fu Industrial Building, No. 1067 King's Road) in Hong Kong. In February 2022, the Lands Tribunal granted the compulsory sale order for Zung Fu Industrial Building. Subject to Swire Properties having successfully bid in the compulsory sale of the sites, the sites are intended to be redeveloped for office and other commercial uses with an aggregate gross floor area of approximately 779,000 square feet.

In 2018, a joint venture company in which Swire Properties holds a 50% interest submitted a compulsory sale application in respect of a site at 983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay, Hong Kong. Subject to the joint venture company having successfully bid in the compulsory sale and in accordance with applicable town planning controls, it is expected that the site can be redeveloped for residential and retail uses with a gross floor area of approximately 400,000 square feet.

Since November 2020, Swire Properties has offered 2,123 car parking spaces in the Taikoo Shing residential development in Hong Kong for sale. 1,235 of these car parking spaces had been sold at 8th March 2022. Sales of 1,202 car parking spaces were recognised in 2021.

Chinese Mainland

RETAIL | Retail sales in the Chinese Mainland increased strongly in 2021 despite sporadic COVID-19 resurgences in some cities. Local demand was strong, particularly for watches, jewellery and other luxury items. This reflected continued restrictions on travel outside the Chinese Mainland and generally effective COVID-19 controls by local authorities. Sellers of luxury and international brands did well and sought more space. Our retail sales on an attributable basis in the Chinese Mainland in 2021 increased by 30%. Retail sales in Taikoo Li Sanlitun and INDIGO in Beijing, Taikoo Hui in Guangzhou, Sino-Ocean Taikoo Li Chengdu and HKRI Taikoo Hui in Shanghai increased by 27%, 11%, 33%, 22% and 29% respectively in 2021. National retail sales increased by 13%. Taikoo Li Qiantan opened on 30th September 2021.

The Chinese Mainland retail portfolio's gross rental income for 2021 increased by 27% compared with 2020, to HK$3,168

Taikoo Li Sanlitun West, an exciting retail addition to our existing Taikoo Li Sanlitun development, opened in December 2021.

million (after taking into account a 7% appreciation of the Renminbi against the Hong Kong dollar). Disregarding amortised rental concessions and Renminbi appreciation, gross rental income increased by 16%.

Gross rental income at Taikoo Li Sanlitun was satisfactory in 2021. The occupancy rate was 97% at 31st December 2021. Taikoo Li Sanlitun West officially opened in December 2021. The percentage stabilised yield on the cost of the project is expected to be in the high single digits. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination in Beijing.

Gross rental income at Taikoo Hui in Guangzhou grew strongly in 2021. The occupancy rate at Taikoo Hui was 99% at 31st December 2021.

Occupancy at the shopping mall at INDIGO, Beijing was 100% at 31st December 2021.

At 31st December 2021, the occupancy rate at Sino-Ocean Taikoo Li Chengdu was 96%. The development is reinforcing its position as a premium shopping and leisure destination in Chengdu and the western part of the Chinese Mainland.

At 31st December 2021, the occupancy rate at HKRI Taikoo Hui was 97%.

Taikoo Li Qiantan officially opened in September 2021 and started to contribute rental income. Retail sales and footfall have been strong since the opening. At 31st December 2021, tenants had committed (including by way of letter of intent) to take 90% of the retail space. 59% of the lettable retail space was open. The percentage stabilised yield on the cost of the development is expected to be in the high single digits.

OFFICE | The Chinese Mainland office portfolio's gross rental income for 2021 increased by 6% compared with 2020, to HK$380 million (after taking into account a 7% appreciation of the Renminbi against the Hong Kong dollar). In Renminbi terms, the gross rental income was approximately the same. This was despite weak demand for office space as well as new supply in Guangzhou.

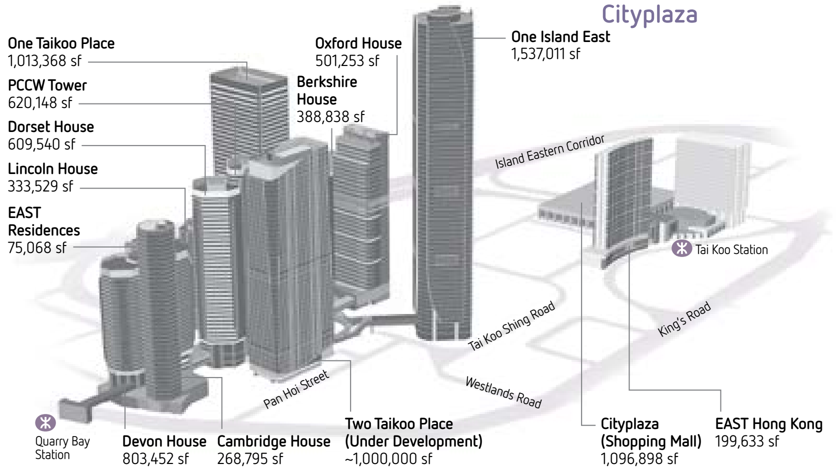
At 31st December 2021, the occupancy rates at the office towers at Taikoo Hui, Guangzhou and at ONE INDIGO, Beijing were 95% and 93% respectively.

The occupancy rate at the two office towers at HKRI Taikoo Hui in Shanghai was 100% at 31st December 2021.

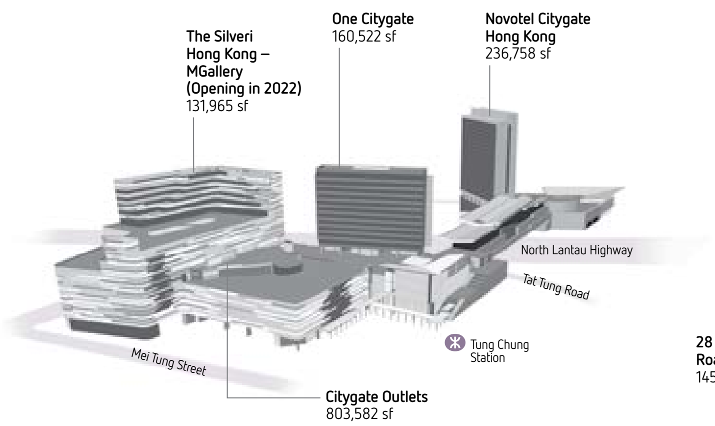
Hong Kong

Taikoo Place

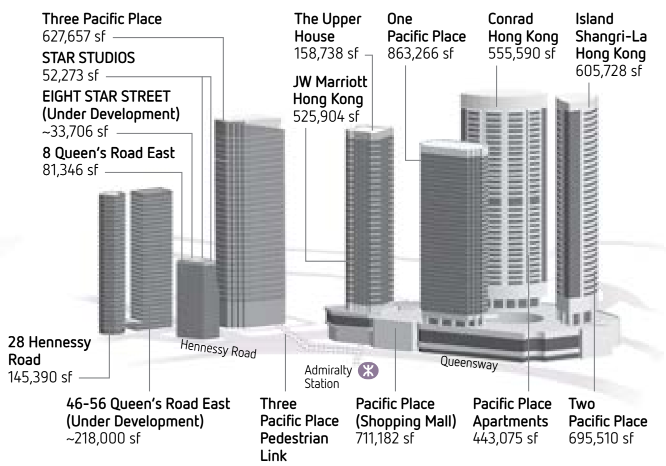
Cityplaza



Citygate



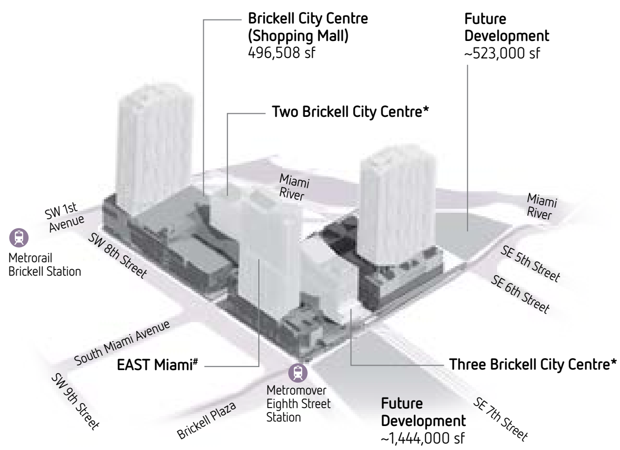
Pacific Place



USA

Brickell City Centre

Miami, Florida

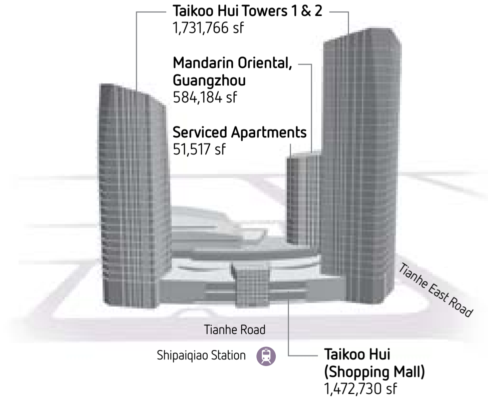


* Two Brickell City Centre and Three Brickell City Centre were sold in 2020. The office towers are now managed by Swire Properties.

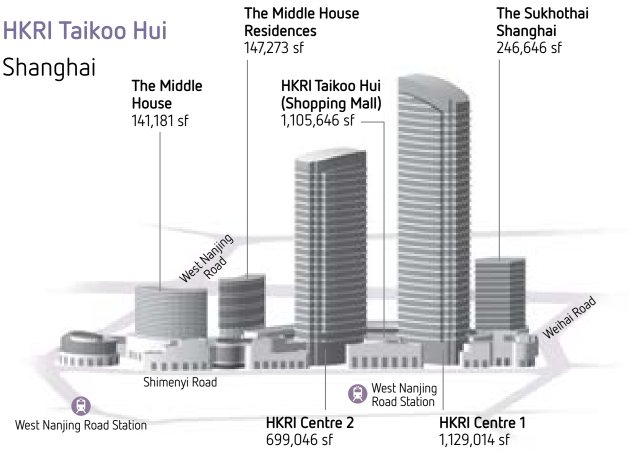
\# EAST Miami was sold in 2021. The hotel and serviced apartments are now managed by Swire Hotels.

Chinese Mainland

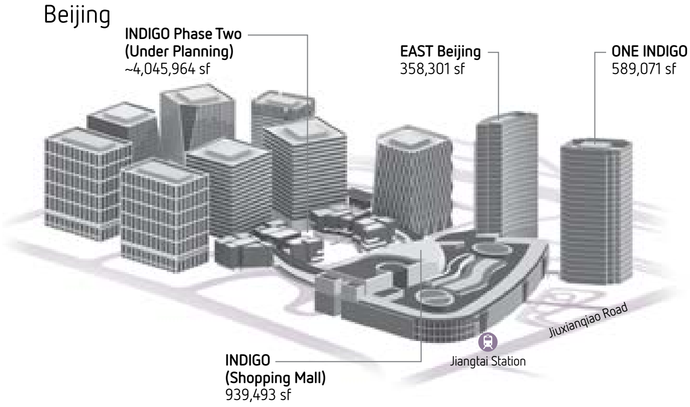
Taikoo Hui
Guangzhou



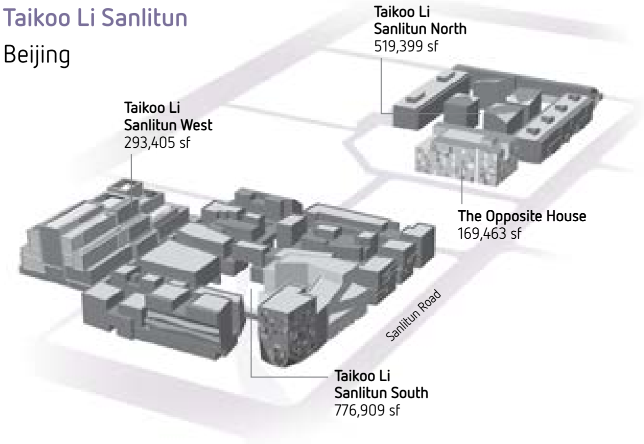
HKRI Taikoo Hui
Shanghai



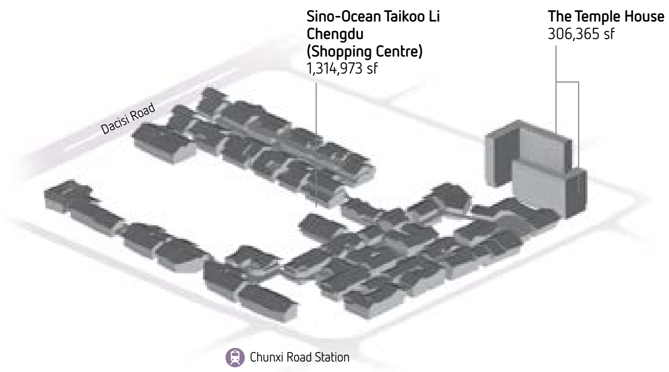
INDIGO
Beijing



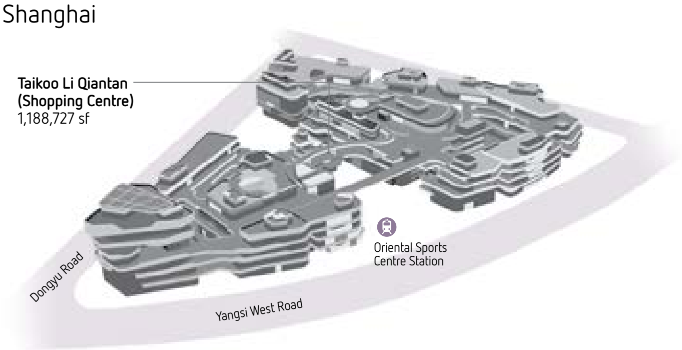
Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



Taikoo Li Qiantan
Shanghai



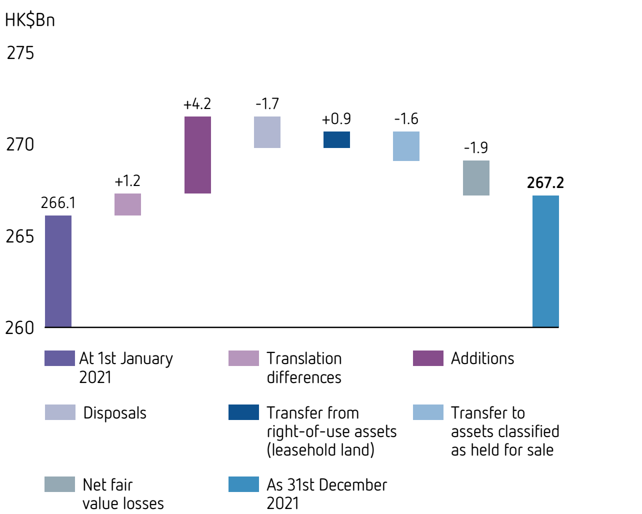
Notes:
- These diagrams are not to scale and are for illustration purposes only.
- These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 214 to 223.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast expenditure				Total commitments^	Commitments relating to joint venture companies*
	2021 HK$M	2022 HK$M	2023 HK$M	2024 HK$M	2025 and later HK$M	At 31st December 2021 HK$M	At 31st December 2021 HK$M
Hong Kong	3,281	5,783	1,448	872	6,397	14,500	73
Chinese Mainland	1,010	1,475	1,172	999	2,538	6,184	4,777
USA	49	–	–	–	–	–	–
Total	4,340	7,258	2,620	1,871	8,935	20,684	4,850

^ The capital commitments represent the Group's capital commitments of HK$15,834 million plus the Group's share of the capital commitments of joint venture companies of HK$4,850 million.
* The Group was committed to funding HK$1,146 million of the capital commitments of joint venture companies in the Chinese Mainland.

Movement in Investment Properties



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

OTHERS | Swire Properties has formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd. This company, which Swire Properties has a 60% interest, will be engaged in the revitalisation and management of the Zhangyuan shikumen compound in the Jing'an district in Shanghai. Construction and renovation were in progress at 31st December 2021. The revitalisation is planned to be completed and opened in two phases, in 2022 and 2025. Swire Properties does not have an ownership interest in the compound.

In March 2022, a consortium in which Swire Properties has a 70% interest successfully acquired (via a government land tender) the land use rights of a land located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an. Spanning a site area of approximately 1.3 million square feet, the land is expected to be developed as Taikoo Li Xi'an, a retail-led mixed-use development comprising retail and cultural facilities in addition to a hotel, serviced residences and business apartments. The estimated gross floor area is approximately 2.9 million square feet (above ground and underground), subject to further planning. The consortium is in collaboration with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd.

USA

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

In October 2021, Swire Properties completed the sale of EAST Miami hotel and serviced apartments at the development. Swire Hotels remains the hotel operator.

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

The shopping centre was 98% leased (including by way of letters of intent) at 31st December 2021. Retail sales in 2021 increased by 112%.

The second phase of the Brickell City Centre development, to be known as One Brickell City Centre, is being planned. It will be a mixed-use development.

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2021 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK$267,210 million, compared to HK$266,133 million at 31st December 2020. There was a decrease in the valuation of the retail and office investment properties in Hong Kong and an increase in the valuation of the investment properties in the Chinese Mainland.

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

HOTELS

The managed hotels in Hong Kong were adversely affected by ongoing travel restrictions associated with COVID-19. The managed hotels in the Chinese Mainland and in the USA performed better. The operating profit before depreciation of the managed hotels (including restaurants and taking account of central costs) in 2021 was HK$22 million.

The non-managed hotels in Hong Kong were adversely affected by COVID-19. The non-managed hotels in the Chinese Mainland and in the USA performed better. Average room rates and occupancy were higher.

PROPERTY TRADING

Hong Kong

A site at 8 Star Street, Wanchai is being redeveloped into an approximately 34,000 square feet residential building with retail outlets on the lowest two levels. Interior fitting out works are in progress. The development is expected to be completed later this year. 28 out of 37 units had been pre-sold at 8th March 2022.

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

In September 2021, a project company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited accepted the HKSAR Government's land exchange offer in relation to a plot of land in Chai Wan, Hong Kong (Inland Lot No. 178) for a premium of approximately HK$4,540 million. The land exchange was executed in December 2021. The plot of land is expected to be redeveloped into a residential complex with an aggregate gross floor area of approximately 694,000 square feet. Site formation works are in progress. The development is expected to be completed in 2025.

USA

The residential portion of the first phase of the Brickell City Centre development (comprising 390 units at Reach and 390 units at Rise) was developed for trading purposes. In May 2021, almost all remaining units at Reach and Rise were sold to an institutional purchaser. All the units available for sale were sold during the year. Sales of 25 units at Reach and 89 units at Rise were recognised in 2021.

Singapore

EDEN, at 2 Draycott Park in District 10, comprises 20 residential units with an aggregate gross floor area of approximately 77,000 square feet. In March 2021, all the units were sold. These sales were recognised in 2021.

Indonesia

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

Vietnam

In 2020, Swire Properties agreed with City Garden Joint Stock Company to develop The River, a luxury residential property in Ho Chi Minh City, Vietnam. The development comprises 525 luxury apartments in three towers. Swire Properties has an effective 20% interest in the development. Approximately 90% of the units had been pre-sold at 8th March 2022.

In March 2021, Swire Properties made a minority investment in Empire City, a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases until 2027. Swire Properties invested in the development through an agreement with Gaw Capital Partners, an existing participant in the development. Over 45% of the residential units had been pre-sold at 8th March 2022.

OUTLOOK

Office demand in Hong Kong will be adversely affected by increased vacancy rates and excess supply. Increasing competition from Central and Kowloon East is exerting downward pressure on rents. However, the prospect of gradual reopening of the border with the Chinese Mainland and strength in the financial markets should increase the take-up of Grade-A office space, particularly by banks and financial services companies. Julius Baer, a Swiss private bank, will be moving from Central to Two Taikoo Place, where it will take 92,000 square feet of office space. With high occupancy, and stable demand from a range of tenants, our office portfolio is well-placed. In Guangzhou, continued new supply is expected to put downward pressure on rents. In Beijing, improved office take-up is expected to continue with rentals recovering due to limited new supply in core areas. In Shanghai, demand is expected to be robust. Despite new supply in decentralised locations, office rents in core central business districts, where supply is limited, are expected to be stable.

There was a rebound in Hong Kong's retail market in 2021, but the pace of recovery has been impacted by the fifth wave of the pandemic which began in January 2022. The market is also vulnerable to restrictions imposed in response to COVID-19. Despite these challenges, we continue to invest in our malls (including in innovative technology), to enhance the mix of tenants and to hold customer-centric marketing events to support the market's eventual recovery upon the reopening of the border with the Chinese Mainland. In the Chinese Mainland, general retail sentiment is expected to remain positive. Notwithstanding the prospect of the reopening of the border with Hong Kong, demand for retail space in the cities in which we operate is expected to be generally strong in 2022. International brand owners are looking for space in which they can showcase their brands in the Chinese Mainland. In Guangzhou, Chengdu and Shanghai, demand for retail space from the owners of luxury international brands is expected to be strong. In Shanghai, demand for retail space from the owners of fashion, cosmetics and lifestyle brands and from food and beverages outlets is expected to be steady. In Beijing, demand for retail space from the owners of fashion, lifestyle and apparel brands is expected to be solid. In Miami, retail sales continue to recover strongly from the adverse effects of COVID-19.

In Hong Kong, demand for residential accommodation is expected to be resilient in the medium and long term. In Jakarta, Indonesia and Ho Chi Minh City, Vietnam, urbanisation, a growing middle class and limited supply of luxury residential properties are expected to support stable residential property markets.

The outlook for our hotels in Hong Kong is difficult because of COVID-19 and associated travel restrictions. The Silveri Hong Kong – MGallery in Hong Kong is expected to open in phases, subject to COVID-19 conditions, this year. Our Chinese Mainland hotels are expected to continue to recover, with strong domestic travel demand. The hotel business in Miami is recovering. Swire Properties is committed to developing the "House" and "EAST" brands as they are integral to our mixed-use developments; and also expanding our reach through third-party management contracts.

Tim Blackburn

BEVERAGES DIVISION

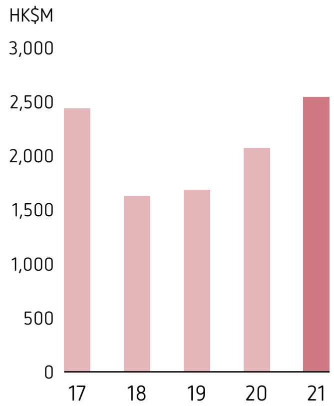
Coca-Cola beverages
bring a refreshing taste
to consumers.


Coca-Cola
Coca-Cola

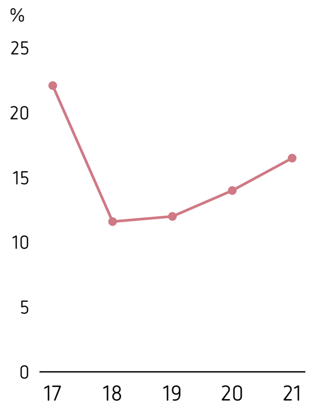
BEVERAGES DIVISION

Swire Coca-Cola has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company (TCCC) in 11 provinces and the Shanghai Municipality in the Chinese Mainland and in Hong Kong, Taiwan and an extensive area of the western USA.

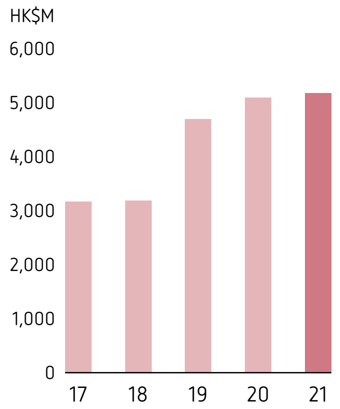
Profit Attributable to the Company's Shareholders



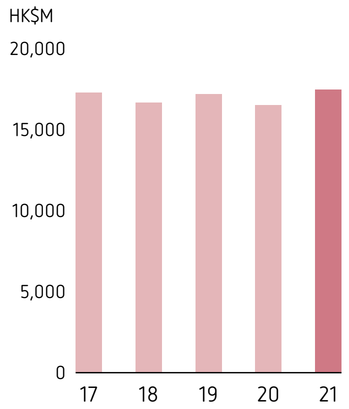
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



Swire Coca-Cola has ten wholly-owned franchise businesses (in Hong Kong, Taiwan and the USA, and in Fujian, Anhui, Guangxi, Jiangxi, Jiangsu and Hainan provinces and the cities of Zhanjiang and Maoming in Guangdong province in the Chinese Mainland) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in the Chinese Mainland). It has a joint venture interest in a franchise in the Shanghai Municipality in the Chinese Mainland and an associate interest in Coca-Cola Bottlers Manufacturing Holdings Limited (CCBMH), which supplies still beverages to all Coca-Cola franchises in the Chinese Mainland.

At the end of 2021, Swire Coca-Cola manufactured 62 beverage brands and distributed them to a franchise population of 762 million people.

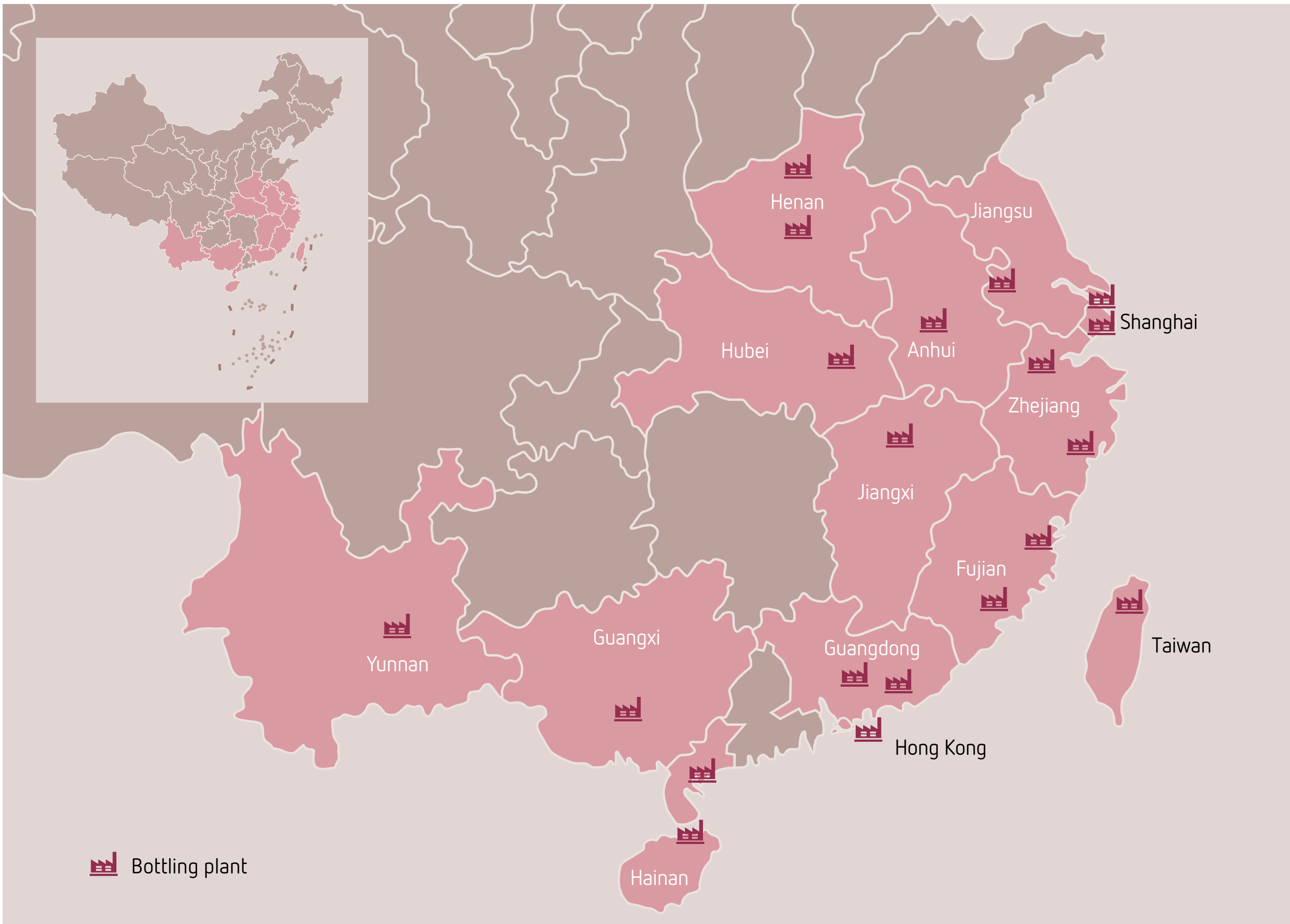
STRATEGY

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

- **Portfolio expansion**
  We are fully aligned with The Coca-Cola Company's commitment to providing drinks that meet the needs of consumers and will capture growth in a fast-changing marketplace. We must not just increase sales of sparkling drinks. We must also develop winning propositions in other major categories of drinks, so as to increase our share of the value of the total non-alcoholic beverage market.
- **Commercial leadership**
  Continuous improvements in execution, customer service, delivery and route-to-market metrics, with a view to being our customers' preferred supplier.
- **Digital leadership**
  Becoming a digital leader, first in the beverage industry, then in the entire fast-moving consumer goods industry, in each of our markets.
- **Benchmarking**
  Benchmarking our operational and financial performance against peers in the Coca-Cola system and learning from such peers in order to adopt global best practices quickly.
- **Sustainability**
  Identifying and implementing sustainable practices in order to meet our commitments to decarbonisation, to reductions in the consumption of water and packaging materials and in the production of waste, to recycling packaging materials and maximising the use of recycled packaging materials, to wider product choice, to sustainable sourcing, to supporting the communities in which we operate and to creating a safe, diverse and inclusive working environment.

Franchise Territories

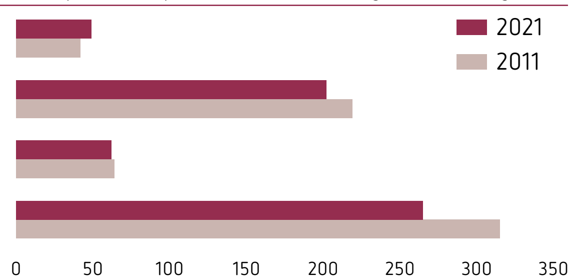
GREATER CHINA



Per Capita Consumption in Franchise Territories

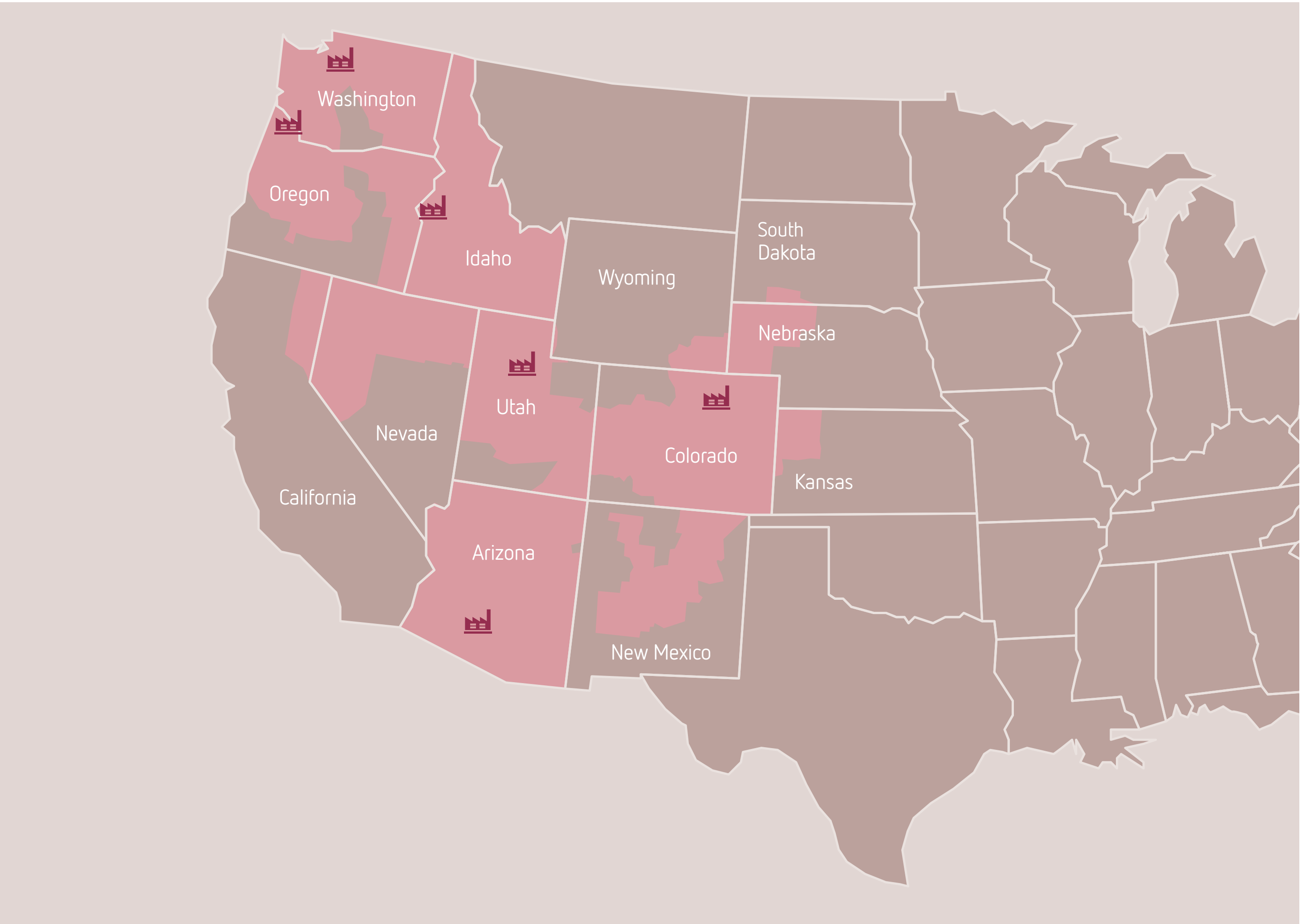
	Franchise population (millions) (end of 2021)	GDP per capita (US$)	Sales volume (million unit cases) 2021	Sales volume (million unit cases) 2011
Chinese Mainland	700.2	14,258	1,429	788
Hong Kong	7.4	48,888	62	65
Taiwan	23.4	32,787	61	61
USA	30.6	54,848	338	81
	761.6		1,890	995

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



Note 1: A unit case comprises 24 8-ounce servings.

USA



Established in
1965

Annual Revenue
HK$53.9 billion

Annual Sales Volume
1,890 million unit cases

Present in
4 markets

Bottling Plants
26

Beverage Brands
62

Consumers
762 million

Employees
32,560

2021 PERFORMANCE

Financial Highlights

	2021 HK$M	2020 HK$M
Revenue	53,927	45,082
EBITDA	5,791	4,918
Operating profit	3,512	2,854
Share of post-tax profits from joint venture and associated companies	155	153
Attributable profit	2,549	2,076

Segment Financial Highlights

	Revenue		EBITDA		Attributable Profit	
	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M
Chinese Mainland	28,774	22,942	3,405	2,755	1,418	1,041
Hong Kong	2,397	2,199	353	340	213	216
Taiwan	2,071	1,933	253	227	136	118
USA	20,685	18,008	1,990	1,692	989	797
Central and other costs	–	–	(210)	(96)	(207)	(96)
Swire Coca-Cola	53,927	45,082	5,791	4,918	2,549	2,076

Accounting for Swire Coca-Cola

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

Segment Performance

	Note	Percentage Change in 2021				
		Chinese Mainland	Hong Kong	Taiwan	USA	Swire Coca-Cola
Active Outlets		9%	-2%	-29%	-2%	7%
Revenue	1	15%	9%	2%	15%	20%
Sales Volume	2	9%	11%	-3%	7%	8%
Gross Profit per unit case		4%	4%	-1%	6%	9%
Water Use Ratio^		0%	-4%	-5%	-2%	-1%
Energy Use Ratio^		-1%	8%	4%	0%	0%
LTIR		15%	-24%	-17%	2%	-1%

	Note	Chinese Mainland	Hong Kong	Taiwan	USA	Swire Coca-Cola
EBITDA Margin	3					
2021		11.4%	15.2%	12.7%	10.2%	11.2%
2020		11.4%	16.1%	11.8%	10.0%	11.1%
EBIT Margin	3					
2021		7.4%	10.4%	8.9%	6.4%	7.2%
2020		7.7%	11.5%	8.0%	5.9%	7.2%

^ Refer to the Glossary on pages 226 and 227.
Note 1: Revenue for Swire Coca-Cola, including that of a joint venture company and excluding sales to other bottlers, was HK$54,769 million (2020: HK$45,657 million).
Note 2: The sales volume for the Chinese Mainland shown in the table above represents sales in 13 franchise territories, in each case including products supplied by CCBMH.
Note 3: (i) EBITDA and EBIT for Swire Coca-Cola (including that of a joint venture company and excluding non-recurring gains and central and other costs) were HK$6,127 million (2020: HK$5,064 million) and HK$3,949 million (2020: HK$3,286 million) respectively.
(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of a joint venture company and excludes sales to other bottlers).

2021 RESULTS SUMMARY

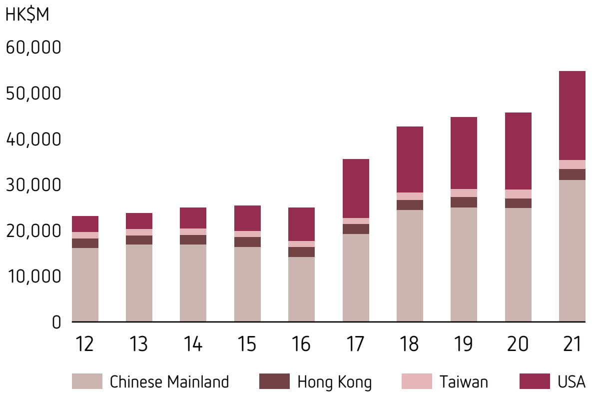
Swire Coca-Cola made an attributable profit of HK$2,549 million in 2021, a 23% increase from 2020 (when business was severely affected by COVID-19).

Total revenue (including that of a joint venture company and excluding sales to other bottlers) increased by 20% to HK$54,769 million. Sales volume increased by 8% to 1,890 million unit cases. Revenue and volume grew in the Chinese Mainland, the USA and Hong Kong. In Taiwan, revenue grew but volume declined.

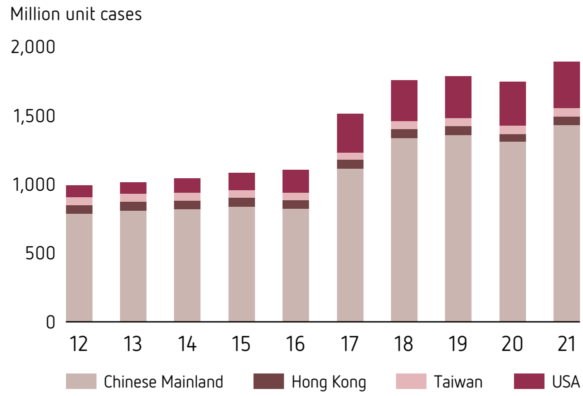
EBITDA (including that of a joint venture company and excluding central and other costs) increased by 21% to HK$6,127 million. The EBITDA margin of 11.2% was similar to that in 2020.

In 2021, Swire Coca-Cola continued to make significant investments in production assets, logistics infrastructure, merchandising equipment and digital capabilities. Capital commitments at 31st December 2021 were HK$1,994 million.

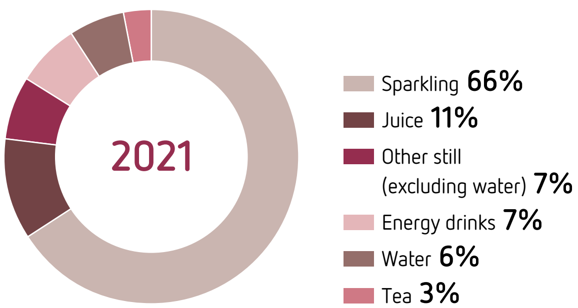
Revenue#

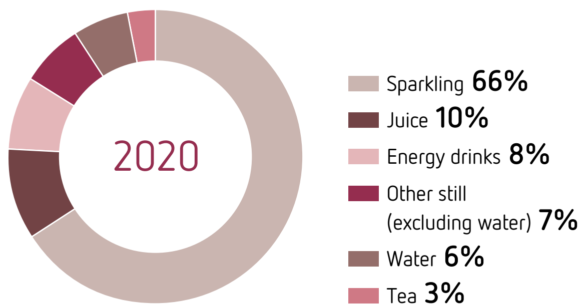


Sales Volume#

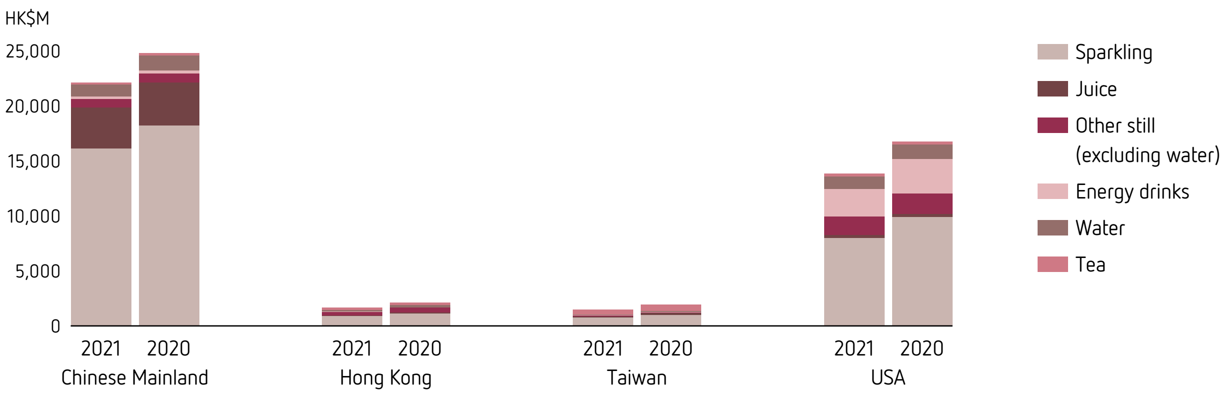


Breakdown of Total Revenue by Category#





Breakdown of Revenue by Region and Category#



Revenue and volume include those of a joint venture company and exclude sales to other bottlers.

Growth in Revenue and Volume in 2021 by Category#

	Chinese Mainland		Hong Kong		Taiwan		USA	
	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume
Sparkling	14%	11%	7%	8%	-3%	-5%	13%	4%
Juice	23%	21%	2%	2%	-13%	-12%	22%	13%
Tea	16%	2%	15%	13%	-1%	-2%	13%	5%
Energy drinks	-4%	-6%	76%	73%	35%	38%	13%	12%
Other still (excluding water)	24%	19%	4%	4%	165%	43%	25%	9%
Water	2%	-5%	18%	16%	-7%	-10%	23%	14%

The revenue growth is measured in local currency terms.
Revenue and volume include those of a joint venture company and exclude sales to other bottlers.

Chinese Mainland

Attributable profit from the Chinese Mainland was HK$1,418 million in 2021, a 36% increase from 2020 (when business in the first quarter was severely affected by COVID-19).

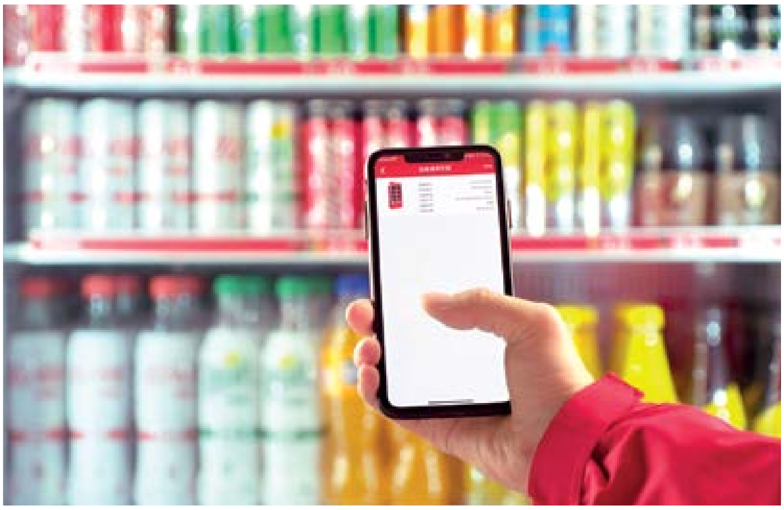
Revenue (including that of a joint venture company and excluding sales to other bottlers) grew by 15% in local currency terms.

Sparkling revenue grew by 14%. Juice and water revenue grew by 23% and 2% respectively. Revenue from premium categories of coffee and tea drinks increased by 65% and 16% respectively.

Total sales volume increased by 9%.

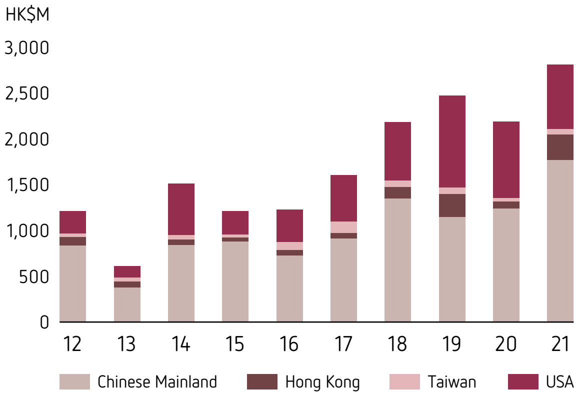
The increase in revenue was partly offset by higher raw material costs, operating expenses and depreciation charges.

EBITDA and EBIT (including that of a joint venture company and excluding central and other costs) increased by 16% and 11% in local currency terms respectively. The EBITDA margin was similar to that in 2020 at 11.4%. The EBIT margin decreased from 7.7% to 7.4%.



Swire Coca-Cola continues to invest in innovation and digitalisation to drive future growth.

Capital Expenditure



Hong Kong

Attributable profit from Hong Kong in 2021 was HK$213 million, a 1% decrease from 2020. The decrease in attributable profit was due to the absence of the financial support provided by the HKSAR Government under the employment subsidy scheme in 2020. Disregarding the non-recurring government subsidy, operating profit increased.

Revenue (excluding sales to other bottlers) increased by 9%. Sales were less affected by COVID-19 than in 2020. Sparkling revenue increased by 7%. Still revenue increased by 12%. The latter increase reflected increases in revenue from tea, water and energy drinks of 15%, 18% and 76% respectively.

Total sales volume increased by 11%.

The increase in revenue was partly offset by higher raw material costs, operating expenses and depreciation charges, the last reflecting upgrades to digital capabilities and production equipment and facilities.

EBITDA increased by 3%. EBIT was similar to that in 2020. The EBITDA margin decreased from 16.1% in 2020 to 15.2% in 2021. The EBIT margin decreased from 11.5% to 10.4%. The decrease in EBIT margin was due to higher depreciation charges and the absence of a government subsidy.

Taiwan

Attributable profit from Taiwan in 2021 was HK$136 million, a 15% increase from 2020. The increase was achieved despite sales and operations being adversely affected by COVID-19 from May to September 2021.

Revenue in local currency terms increased by 2%. This reflected effective revenue growth management and successful introductions of new products.

Sparkling revenue decreased by 3%. Still revenue increased by 7%. Energy drinks revenue increased by 35%. Georgia coffee drinks were introduced in 2021 and sales have grown.

Total sales volume decreased by 3%.

The increase in revenue and savings in operating costs were partly offset by higher raw material costs.

EBITDA and EBIT increased by 10% and 14% in local currency terms respectively. The EBITDA margin increased from 11.8% in 2020 to 12.7% in 2021. The EBIT margin increased from 8.0% to 8.9%.

USA

Attributable profit from the USA was HK$989 million in 2021, a 24% increase from 2020.

Revenue in local currency terms (excluding sales to other bottlers) grew by 15%. The revenue increase reflected higher sales volume, price increases, reductions in sales discounts and promotional expenditure, and an improved product mix.

Sparkling revenue increased by 13%. Still revenue increased by 19%. The latter increase reflected increases in revenue from water, energy and sports drinks of 23%, 13% and 21% respectively.

Total sales volume increased by 7%.

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

The record profit reflected strengthened execution capabilities, improved distribution infrastructure, optimised package and product mix, as well as effective revenue growth management.

EBITDA and EBIT (excluding central and other costs) increased by 18% and 25% in local currency terms respectively. The EBITDA margin increased from 10.0% in 2020 to 10.2% in 2021. The EBIT margin increased from 5.9% to 6.4%.

OUTLOOK

Assuming that COVID-19 will continue to be contained and that economic growth will remain strong, revenue in the Chinese Mainland is expected to grow strongly in 2022. This reflects better product and package mixes and improved market execution. Product innovation and digitalisation will continue. Increased raw material costs and operating costs, particularly staff costs, will put pressure on margins. Significant capital expenditure on plant and equipment will continue as planned.

The beverage markets in Hong Kong and Taiwan are expected to be impacted by the resurgence of COVID-19 in 2022. Increased raw material costs, depreciation charges and operating costs will put pressure on profits.

In the USA, revenue is expected to continue to grow in 2022 with the increase of consumer demand. Raw material costs and operating expenses, particularly staff costs, are expected to increase.

Karen So

AVIATION DIVISION

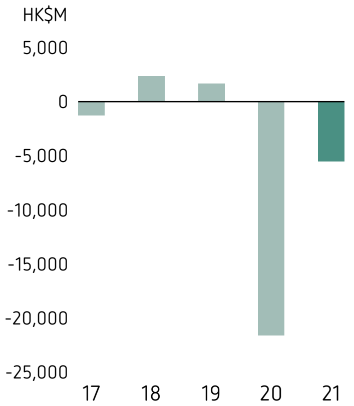
A Cathay Pacific Boeing 747-8F freighter

AVIATION DIVISION

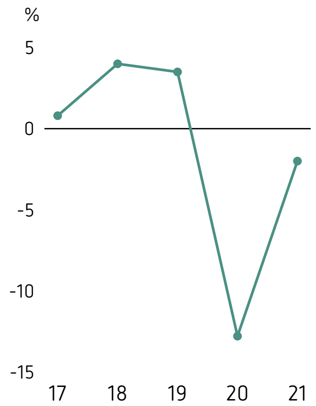
The Aviation Division comprises an associate interest in the Cathay Pacific group and the wholly-owned Hong Kong Aircraft Engineering Company (HAECO) group.

Cathay Pacific group (100% Basis)

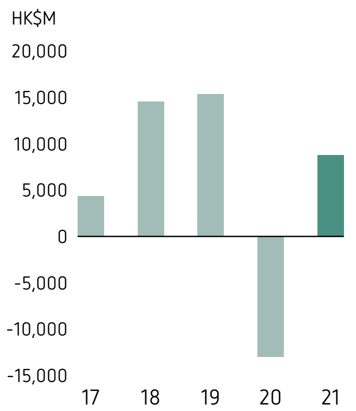
(Loss)/Profit Attributable to the Shareholders of Cathay Pacific



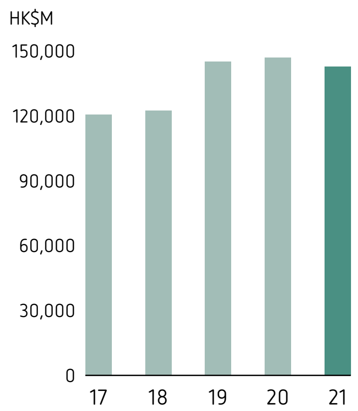
Return on Capital Employed



Net Cash Generated from/(Used in) Operating Activities

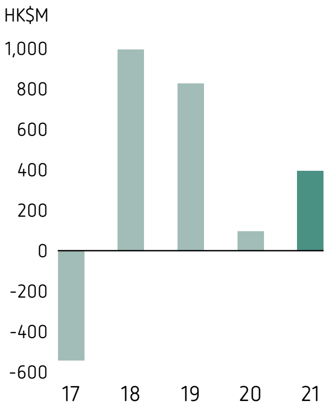


Capital Employed

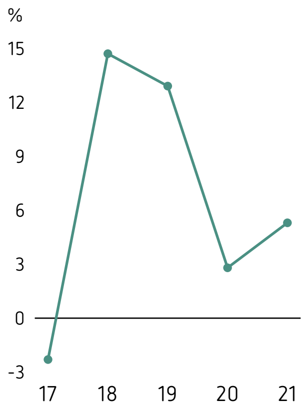


HAECO group (100% Basis)

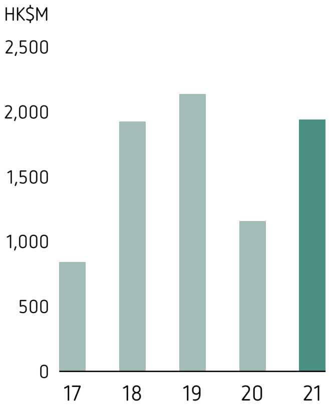
Profit/(Loss) Attributable to the Shareholders of HAECO



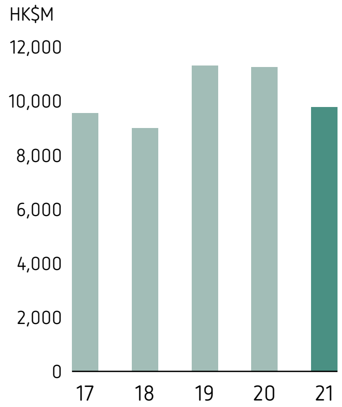
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



The Cathay Pacific group

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

Immediately prior to the onset of COVID-19, the Cathay Pacific group's airlines offered scheduled passenger and cargo services to 119 destinations in 35 countries (255 and 54 respectively including codeshare agreements). At 31st December 2021, Cathay Pacific had 193 aircraft and had ordered 37 new aircraft for future delivery.

HK Express is a low-cost airline based in Hong Kong and offers scheduled services within Asia. At 31st December 2021, it had 27 aircraft and had ordered 16 new aircraft for delivery up to 2025.

Air Hong Kong operates express cargo services for DHL Express to 17 Asian cities. At 31st December 2021, Air Hong Kong operated 14 freighters.

Cathay Pacific owns 18.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese Mainland. Air China Cargo, in which the Cathay Pacific group owns an equity and an economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland.

Cathay Pacific and its subsidiaries employed more than 21,600 people worldwide (around 80% of them in Hong Kong) at 31st December 2021.

The HAECO group

The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO Hong Kong), in Xiamen (by HAECO Xiamen) and in the USA (by HAECO Americas), and engine overhaul work in Hong Kong (by HAECO's 50% joint venture company, HAESL) and in Xiamen (by Taikoo Engine Services (Xiamen) Company Limited (HES)).

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

HAECO is a wholly-owned subsidiary of Swire Pacific.

STRATEGY

Cathay Pacific's purpose is to move people forward in life, with the vision of becoming one of the world's best service brands, by transforming into a digital leader famous for its strong digital culture and capabilities. The strategies employed by Cathay Pacific in order to achieve these objectives and the strategic objectives of HAECO are these:

- To excel across its four core pillars:
  - Customer centricity
  - Safety and operational excellence
  - High performance team
  - Productivity and value creation
- Cathay Pacific's new areas of focus where it needs to win in order to excel across its four pillars include:
  - Capitalising on the opportunities presented by the Greater Bay Area as the airline's extended home market and continuing to contribute to the development of Hong Kong International Airport as a leading international aviation and logistics hub.
  - Developing and expanding the newly launched "Cathay" premium travel lifestyle brand.
  - Continuing to grow HK Express as a successful low-cost carrier.
  - Further building on Cathay Pacific's digital leadership capabilities.
- Cementing its sustainability leadership position, including committing to achieving net-zero carbon emissions by 2050.
- Developing and strengthening the HAECO brand.
- Increasing the range and depth of aircraft engineering services offered by HAECO.
- Maintaining and enhancing high standards of service to aircraft engineering customers.

2021 PERFORMANCE

Financial Highlights

	2021 HK$M	2020 HK$M
HAECO group		
Revenue	**11,464**	11,483
Operating profit/(loss)	**445**	(94)
Attributable profit	**394**	96
Cathay Pacific group		
Share of post-tax loss from associated companies	**(2,487)**	(9,742)
Attributable loss	**(2,380)**	(9,751)

Accounting for the Aviation Division
The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss. For more information on the results and financial position of the Cathay Pacific group, please refer to the abridged financial statements on pages 210 and 211. The figures of HAECO group and the Cathay Pacific group above do not include Swire Pacific's consolidation adjustments.

CATHAY PACIFIC GROUP

Cathay Pacific – 2021 Performance

		2021	2020*	Change
Available tonne kilometres (ATK)	Million	**11,354**	14,620	-22.3%
Available seat kilometres (ASK)	Million	**13,228**	34,609	-61.8%
Available cargo tonne kilometres (AFTK)	Million	**10,094**	11,329	-10.9%
Revenue tonne kilometres (RTK)	Million	**8,615**	10,220	-15.7%
Passenger revenue	HK$M	**4,346**	11,313	-61.6%
Passenger revenue per ASK	HK¢	**32.9**	32.7	+0.6%
Revenue passenger kilometres (RPK)	Million	**4,120**	20,079	-79.5%
Revenue passengers carried	'000	**717**	4,631	-84.5%
Passenger load factor	%	**31.1**	58.0	-26.9%pt
Passenger yield	HK¢	**105.5**	56.3	+87.4%
Cargo revenue	HK$M	**32,377**	24,573	+31.8%
Cargo revenue per AFTK	HK$	**3.21**	2.17	+47.9%
Cargo revenue tonne kilometres (RFTK)	Million	**8,220**	8,309	-1.1%
Cargo carried	'000 Tonnes	**1,333**	1,332	+0.1%
Cargo load factor	%	**81.4**	73.3	+8.1%pt
Cargo yield	HK$	**3.94**	2.96	+33.1%
Cost per ATK (with fuel)**	HK$	**3.88**	4.14	-6.3%
Cost per ATK (without fuel)**	HK$	**3.32**	3.41	-2.6%
Fuel consumption per million RTK	Barrels	**1,612**	1,708	-5.6%
Fuel consumption per million ATK	Barrels	**1,223**	1,195	+2.3%
Aircraft utilisation (including parked aircraft)	Hours per day	**3.4**	4.3	-20.9%
On-time performance	%	**86.2**	86.7	-0.5%pt
Average age of fleet	Years	**10.5**	10.1	+0.4 years

* Included Cathay Dragon.
** Cost per ATK represents total operating costs, including impairment and restructuring costs, over ATK for the year.

2021 AIRLINE INDUSTRY REVIEW

The unprecedented disruption caused by COVID-19 to the global aviation industry and the subsequent travel and operational restrictions around the world have continued to affect the business of Cathay Pacific severely. Notwithstanding these challenges, the situation did improve as 2021 progressed.

The second half of the year is traditionally stronger than the first half, and this was the case in 2021. The exceptional performance of the cargo business, especially during the second-half peak season, was extremely encouraging. Nevertheless, Cathay Pacific continued to face serious challenges. Despite the considerable improvement in results in the second half of the year, the overall loss for the full year was still substantial.

2021 RESULTS SUMMARY

The Cathay Pacific group's attributable loss on a 100% basis was HK$5,527 million in 2021, compared with a loss of HK$21,648 million in 2020. Cathay Pacific reported an attributable loss after tax of HK$1,728 million (2020: loss of HK$17,393 million), and the share of losses from subsidiaries and associates was HK$3,799 million (2020: loss of HK$4,255 million).

The loss for 2021 included impairment and related charges of HK$832 million, mainly relating to 12 aircraft that are unlikely to re-enter meaningful economic service before they retire or are returned to lessors, HK$385 million in restructuring costs and a HK$210 million gain on the dilution of an associate interest in Air China Cargo. This compared to impairment and related charges of HK$4,056 million in 2020 relating to 34 aircraft (and to certain airline service subsidiaries' assets) and HK$2,383 million of restructuring costs. Adjusting for these exceptional items, the Cathay Pacific group's attributable loss was HK$4,520 million (2020: loss of HK$15,209 million) and Cathay Pacific's loss was HK$776 million (2020: loss of HK$12,195 million).

The introduction of strict quarantine requirements for Hong Kong-based aircrew in February 2021 had a substantial impact on the travel business in particular.

Operational and travel restrictions remained in place throughout the year, and this heavily constrained the ability to operate more flights. Cathay Pacific reduced its flight schedule towards the end of December in response to the latest crew quarantine requirements in Hong Kong, and ended the year operating a considerably smaller amount of its pre-COVID-19 passenger capacity than it had planned.

Cargo performed strongly in 2021 as Cathay Pacific kept the flow of goods to and from Hong Kong moving.

Passenger Services

Cathay Pacific

Comparing 2021 with 2020 as a whole, the operating performance in 2021 was generally weaker, due in large part to the first two months of 2020 being relatively strong ahead of the full impact of COVID-19. Passenger revenue in 2021 was HK$4,346 million, a decrease of 62% compared to 2020. Revenue passenger kilometres decreased by 79%. Capacity, measured in available seat kilometres, was down by 62%. 717,000 passengers were carried, an average of 1,965 passengers per day, 85% fewer than in 2020. The load factor was 31.1%, compared with 58.0% in 2020.

HK Express

HK Express reported a loss of HK$1,978 million for 2021 (2020: loss of HK$1,723 million). The results were adversely affected by low demand for passenger travel and COVID-19-related travel restrictions and quarantine requirements, including those affecting Hong Kong-based aircrew.

Cargo Services

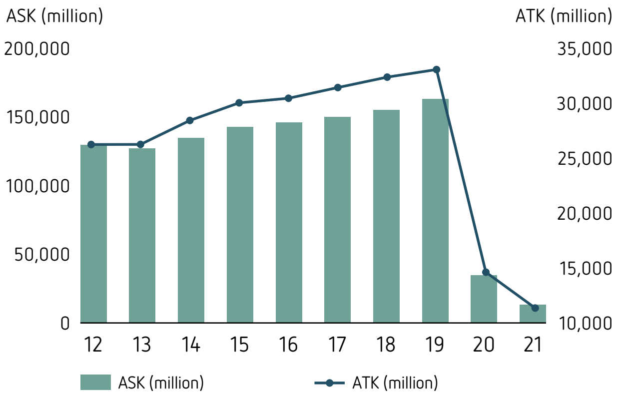
Cathay Pacific

The cargo revenue of Cathay Pacific in 2021 was HK$32,377 million, an increase of 32% compared to 2020. Cargo revenue tonne kilometres decreased by 1%. Capacity, measured by available cargo tonne kilometres, decreased by 11%. Load factor increased by 8.1 percentage points to 81.4%. Yield increased by 33% to HK$3.94.

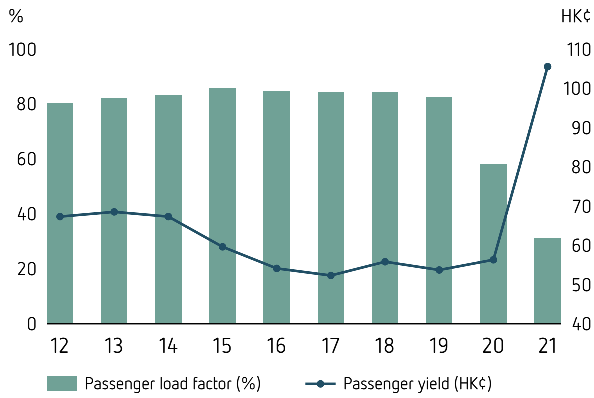
Air Hong Kong

Air Hong Kong recorded a profit in 2021, benefitting from strong cargo demand. The all-cargo airline flew extra sectors for Cathay Pacific.

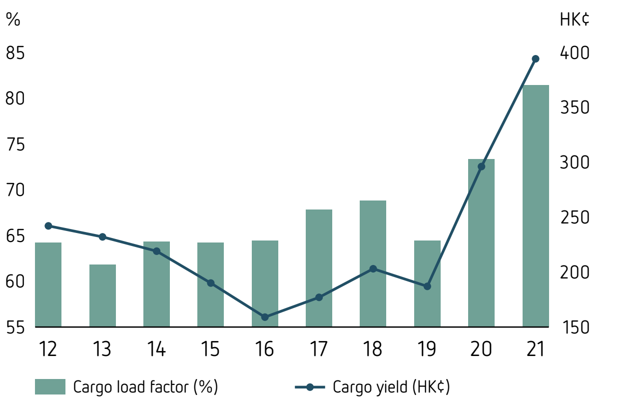
Capacity – Available Seat Kilometres and Available Tonne Kilometres



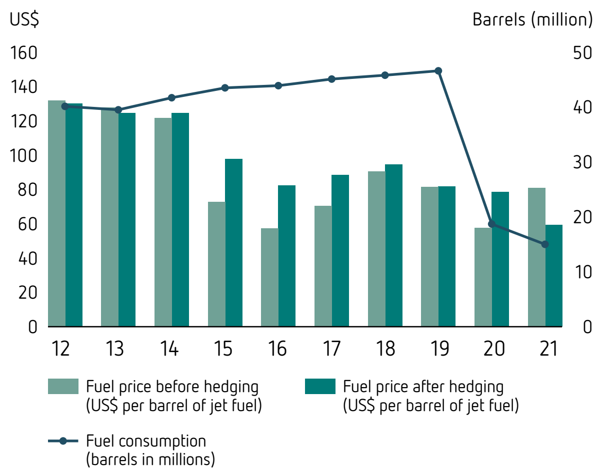
Passenger Services Load Factor and Yield



Cargo Services Load Factor and Yield



Fuel Price and Consumption



Operating Costs

Cathay Pacific remained focused on effective cash and cost management. Non-fuel costs decreased by 24% to HK$37,708 million. Total fuel costs for Cathay Pacific (before the effect of fuel hedging) increased by HK$927 million (or 12%) compared with 2020. This reflected increased fuel prices.

Fleet Profile

At 31st December 2021, the total number of aircraft in the Cathay Pacific group's fleet was 234. 74 passenger aircraft (37% of the Cathay Pacific group's passenger fleet) were parked outside Hong Kong.

Fleet profile*

	Number at 31st December 2021					Orders				Expiry of operating leases**					
		Leased**													
Aircraft type	Owned	Finance	Operating	**Total**	Average age	'22	'23	'24 and beyond	**Total**	'22	'23	'24	'25	'26	'27 and beyond
Cathay Pacific:															
A320-200	5		2	**7**	16.6					2[a]					
A321-200	2		3	**5**	16.7					2[b]	1				
A321-200neo			5	**5**	0.7	7	4		**11**						5
A330-300	37	10	4	**51**	15.2								2	2	
A350-900	19	7	2	**28**	4.1		2		**2**						2
A350-1000	10	5		**15**	2.6	3			**3**						
747-400ERF	6			**6**	13.0										
747-8F	3	11		**14**	8.9										
777-300	17			**17**	20.2										
777-300ER	25	5	15	**45**	9.4					4[c]	2	3	2	4	
777-9								21	**21**						
Total	124	38	31	**193**	10.9	10	6	21	**37**	8	3	3	4	6	7
HK Express:															
A320-200			6	**6**	10.8					1[d]	1	4			
A320-200neo			10	**10**	2.8										10
A321-200			11	**11**	4.2								1	2	8
A321-200neo						1	6	9	**16**						
Total			27	**27**	5.2	1	6	9	**16**	1	1	4	1	2	18
Air Hong Kong*:**															
A300-600F			9	**9**	17.6					5	3			1	
A330-243F			2	**2**	10.0									2	
A330-300P2F			3	**3**	14.0									3	
Total			14	**14**	15.8					5	3			6	
Grand total	**124**	**38**	**72**	**234**	**10.5**	**11**	**12**	**30**	**53**	**14**	**7**	**7**	**5**	**14**	**25**

* The table does not reflect aircraft movements after 31st December 2021.

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

*** The nine Airbus A300-600F, two Airbus A330-243F and three Airbus A330-300P2F freighters are considered to be operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

(a) The operating leases of two Airbus A320-200 aircraft expired in January and February 2022. The aircraft were returned to their lessors.
(b) The operating lease of one Airbus A321-200 aircraft expired in February 2022. The aircraft was returned to its lessor.
(c) The operating lease of one Boeing 777-300ER aircraft expired in January 2022. The aircraft was returned to its lessor.
(d) The operating lease of one Airbus A320-200 aircraft expired in February 2022. The aircraft was returned to its lessor.

Air China and Air China Cargo

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, the 2021 results include Air China's results for the 12 months ended 30th September 2021, adjusted for any significant events or transactions for the period from 1st October 2021 to 31st December 2021.

For the 12 months ended 30th September 2021, Air China was adversely affected by COVID-19. Its financial results were worse than those for the 12 months ended 30th September 2020.

After the dilution in September 2021 of its interest in Air China Cargo (from 34.78% to 24%), the Cathay Pacific group's share of Air China Cargo's results are taken three months in arrear. The 2021 results include Air China Cargo's results for the nine months ended 30th September 2021, adjusted for any significant events or transactions for the period from 1st October 2021 to 31st December 2021.

OUTLOOK

Cathay Pacific has had an extremely challenging start to 2022. Following the emergence of the Omicron variant, the HKSAR Government tightened the quarantine requirements for Hong Kong-based aircrew, notably those operating cargo flights, and temporarily banned all flights from nine countries, including the UK and the USA, which are major markets for Cathay Pacific. Passengers from high-risk places were banned from transiting through Hong Kong International Airport. All this constrained Cathay Pacific's ability to operate flights as planned. As a result, Cathay Pacific expects to operate about 2% of pre-COVID-19 passenger flight capacity and its cargo flight capacity is likely to remain less than one-third of pre-COVID-19 levels while current restrictions remain in place. Cathay Pacific is trying its best to maintain its passenger and cargo networks as far as possible and will try to increase its cargo capacity as much as practicable.

Augustus Tang

HONG KONG AIRCRAFT ENGINEERING COMPANY (HAECO) GROUP

Financial Highlights

	2021 HK$M	2020 HK$M
Revenue		
HAECO Hong Kong	**2,889**	3,092
HAECO Americas	**2,056**	2,007
HAECO Xiamen	**1,951**	1,368
HAECO Engine Services (Xiamen)	**3,340**	3,774
Others	**1,228**	1,242
	11,464	11,483
Operating profit/(loss)	**445**	(94)
Attributable profits/(losses)		
HAECO Hong Kong	**(204)**	(49)
HAECO Americas	**67**	(167)
HAECO Xiamen	**139**	20
HAECO Engine Services (Xiamen)	**63**	113
Share of profits of		
HAESL	**274**	354
Other subsidiary and joint venture companies	**77**	99
Attributable profit (excluding non-recurring items)	**416**	370
Impairment charges in respect of		
Customer relationships and other intangible assets	**–**	(90)*
Rotable aircraft parts	**(22)^**	(184)^
Attributable profit	**394**	96

* representing impairment charges at HAECO Americas.
^ representing impairment charges at HAECO ITM.

Operating Highlights

		2021	2020
Base maintenance manhours sold			
HAECO Hong Kong	Million	**2.61**	1.92
HAECO Americas	Million	**2.81**	2.54
HAECO Xiamen	Million	**3.38**	2.61
Line maintenance movements handled			
HAECO Hong Kong	Thousand	**52**	55
Chinese Mainland and overseas	Thousand	**16**	20
Engines overhauled			
HAECO Engine Services (Xiamen)		**46**	67
HAESL		**237**	263

2021 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

COVID-19 continued to have a significant adverse effect on the aviation industry in 2021. Less aircraft flying means less maintenance and repair of airframes, aircraft engines and components. New virus variants led to more travel restrictions and quarantine requirements in Hong Kong. There has been something of a recovery in the industry. But it differs by region and aircraft type and has had different effects on different HAECO businesses.

2021 RESULTS SUMMARY

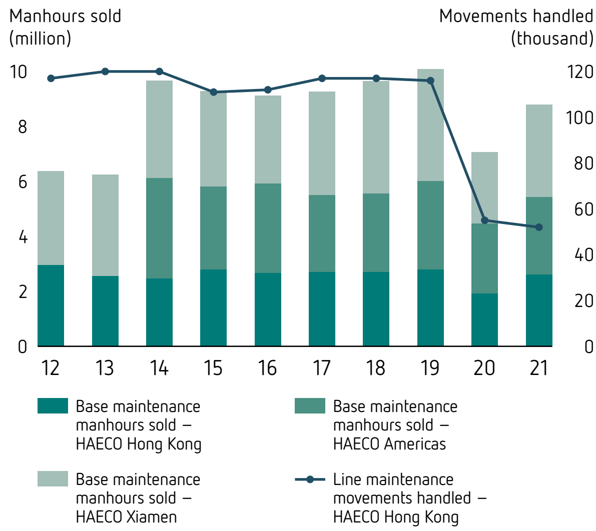
The HAECO group reported an attributable profit of HK$394 million for 2021 (after taking account of post-tax impairment charges of HK$22 million in respect of rotable aircraft parts at HAECO ITM). This compares with a profit of HK$96 million in 2020 (after taking account of post-tax impairment charges of HK$184 million in respect of rotable aircraft parts at HAECO ITM and of HK$90 million in respect of intangible assets at HAECO Americas).

Disregarding the impairment charges in both years, the HAECO group's attributable profit for 2021 was HK$416 million, HK$46 million higher than the profit in 2020. COVID-19 adversely affected demand for maintenance and repair services (except base maintenance). HAECO Hong Kong, HAECO Americas and HAECO Xiamen performed more base maintenance work, selling 8.80 million base maintenance manhours in 2021, 1.73 million more than in 2020. The recovery in base maintenance work principally reflected the fact that US and European airline customers flew more as travel started to recover from the adverse effects of COVID-19. Engine overhaul volume was much lower at HAESL, which had benefitted from a backlog of engines awaiting maintenance in the first half of 2020, and at HAECO Engine Services (Xiamen) (HES). The impact of COVID-19 on the demand for engine maintenance has lagged behind its impact on the demand for airframe maintenance.

Results were significantly worse at HAECO Hong Kong, HES and HAESL. But this was more than compensated for by better results at HAECO Xiamen and HAECO Americas.

At 31st December 2021, HAECO had outstanding capital commitments of HK$6,278 million.

HAECO group – Key Operating Highlights



HAECO Hong Kong

HAECO Hong Kong recorded a loss of HK$204 million in 2021, HK$155 million more than the loss of HK$49 million in 2020. Airline customers flew substantially less. Travel restrictions and quarantine requirements in Hong Kong due to COVID-19 continued to affect cross-border travel adversely. This particularly affected line maintenance services, which only recovered slowly later in the year. There was less maintenance work on parked aircraft. The HKSAR Government did not continue its 2020 subsidy scheme in 2021.

In line maintenance, approximately 52,000 aircraft movements were handled in 2021, a decrease of 5% compared with 2020. 2.61 million base maintenance manhours were sold in 2021, 36% more than those sold in 2020, reflecting more demand from US and European airline customers and more work on leased aircraft being returned to lessors.

HAECO Americas

HAECO Americas recorded a profit of HK$67 million in 2021, compared to a loss of HK$257 million in 2020 (including impairment charges of HK$90 million in respect of intangible assets). Excluding the impairment charges in 2020, HAECO Americas recorded an increase in profit of HK$234 million compared to 2020. Demand for base maintenance recovered somewhat. The results of the cabin solutions business improved, as costs were significantly reduced following its restructuring. US government financial assistance under the CARES Act and Aviation Manufacturing Jobs Protection Program was received in 2021.

Demand for base maintenance increased by 11% from 2020. 2.81 million manhours were sold in 2021 compared with 2.54 million sold in 2020.

Cabin solutions revenue in 2021 was similar to that in 2020. There was more revenue from seats and less from communication kits and reconfiguration work. Seating spares volume was similar to that in 2020, but less than in pre-COVID-19 years.

HAECO Xiamen

HAECO Xiamen recorded an attributable profit of HK$139 million in 2021, HK$119 million more than the attributable profit of HK$20 million in 2020.

3.38 million base maintenance manhours were sold in 2021, 30% more than in 2020. This reflected a gradual recovery in demand for base maintenance from the middle of the year and more demand for passenger to freighter conversions. In line maintenance, 7,700 aircraft movements were handled in 2021, 6% less than in 2020.

HAECO Engine Services (Xiamen)

HES recorded a 44% decrease in profit attributable to HAECO in 2021, to HK$63 million. HES performed 31 performance restoration workscopes and 15 quick turn workscopes on GE90 aircraft engines in 2021 (compared with 36 performance restoration workscopes and 31 quick turn workscopes in 2020). The reduction in profit in 2021 reflected a significant reduction in demand for the repair and overhaul of GE90 aircraft engines. Airlines continue to defer engine maintenance because of COVID-19's effect on aircraft usage.

HAESL

HAESL recorded a 23% decrease in profit attributable to HAECO in 2021, to HK$274 million. The decrease in profit reflected fewer engines being overhauled and a lighter work mix, both due to COVID-19's effect on aircraft usage. Repair and overhaul services were performed on 237 engines, compared with 263 in 2020.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM recorded a profit in 2021 as compared to a loss in 2020. This mainly reflected lower impairment charges in respect of the carrying value of rotable aircraft parts. Staff costs and finance charges were lower.

HAECO Landing Gear Services recorded an increase in profit in 2021, reflecting a recovery of demand. It did more work as a result of the reactivation of aircraft which had previously been parked due to COVID-19. HAECO Composite Services recorded a decrease in profit in 2021, due to impact from COVID-19.

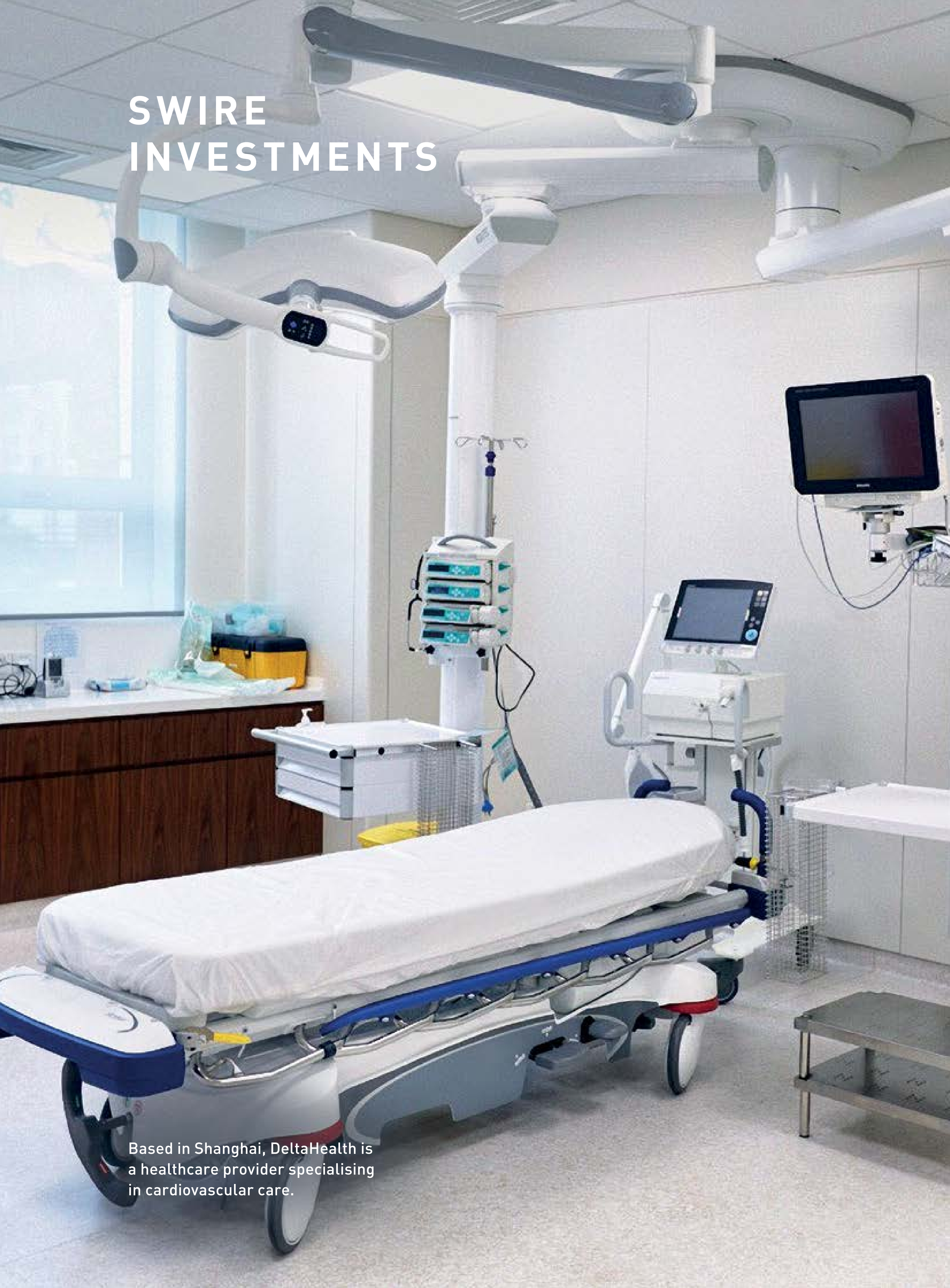
OUTLOOK

The prospects for the HAECO group's businesses in 2022 are dependent on the aviation industry's recovery from the effects of COVID-19. Demand for base maintenance is expected to continue to recover in Xiamen and the USA while that in Hong Kong will be stable. A shortage of skilled labour in the USA continues to cause challenges. The absence of government financial assistance will result in a lower profit in the USA. The pace of recovery in line maintenance work in Hong Kong depends on the timing of the lifting of travel restrictions. Demand for engine services at HES and HAESL is expected to improve gradually as air traffic recovers. Demand for cabin solutions products is expected to increase.

HAECO Xiamen is starting pre-construction work at the new airport after completing the acquisition of the land in November 2021 on which its premises at the new Xiamen airport will be built. The relocation will be material to HAECO Xiamen's operations from 2026.

Frank Walschot

SWIRE INVESTMENTS



Based in Shanghai, DeltaHealth is a healthcare provider specialising in cardiovascular care.

SWIRE INVESTMENTS

Columbia China Healthcare

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

Shenzhen New Frontier United Family Hospital

The Group has an associate investment in SHH Core Holding Limited, which owns Shenzhen New Frontier United Family Hospital, a premium private hospital being developed in Shenzhen. The multi-specialty hospital will be operated by United Family Healthcare, a leading private healthcare provider in the Chinese Mainland.

DeltaHealth

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

Green Monday Holdings

The Group has a financial interest in Green Monday Holdings Limited, which produces and distributes plant-based food products in Asia and elsewhere. It owns OmniFoods, which sells OmniPork and OmniSeafood alternative protein products, and Green Common, which operates health food retail and dining outlets and wholesales and distributes plant-based foods.

Healthcare Investment Strategy

With the investments described above, the Group has exposure to the healthcare sector in the Yangtze River Delta and the Greater Bay Area. We will continue to seek investment opportunities in private healthcare services, particularly in major city clusters in the Chinese Mainland. We have invested HK$1.6 billion in the sector. It is planned that our investment in healthcare should result in a significant business, with at least HK$20 billion planned to be invested by 2030.

David Cogman

TRADING & INDUSTRIAL

2021 PERFORMANCE

Financial Highlights

	2021 HK$M	2020 HK$M
Revenue		
Swire Resources	2,106	1,973
Taikoo Motors	5,689	4,984
Swire Foods	1,687	1,410
Swire Environmental Services	134	–
	9,616	8,367
Operating profits/(losses)		
Swire Resources	(33)	(143)
Taikoo Motors	212	196
Swire Foods	(45)	21
Swire Environmental Services	63	(1)
Central costs	(13)	(8)
	184	65
Attributable profits/(losses)		
Swire Resources	(42)	(134)
Taikoo Motors	160	145
Swire Foods	(69)	(9)
Swire Environmental Services	59	19
Central costs	(14)	(9)
Attributable profit	94	12
Non-recurring items		
Gain on acquisition of interest in a joint venture	24	–
Restructuring costs	(18)	–
Recurring profit	88	12

2021 INDUSTRY REVIEW

Footwear and apparel business in Hong Kong and the Chinese Mainland

In 2021, footwear and apparel sales increased by 21% and 13% in Hong Kong and the Chinese Mainland respectively.

Car sales in Taiwan

Car registrations in Taiwan decreased by 2% to 449,836 units in 2021.

Bakery sales in the Chinese Mainland

Retail sales of bakery products sold in the Chinese Mainland increased by 6% in 2021.

Sugar sales in the Chinese Mainland

The volume of sugar sold in the Chinese Mainland increased by 5% to 34,172 million pounds in 2021.

2021 RESULTS SUMMARY

The attributable profit of Trading & Industrial in 2021 was HK$94 million, an increase of HK$82 million from an attributable profit of HK$12 million in 2020. The improvement mainly reflects reduced losses from Swire Resources and improved results from Swire Environmental Services and Taikoo Motors, partly offset by higher losses from Qinyuan Bakery.

Swire Resources

The attributable loss of Swire Resources in 2021 was HK$42 million, compared to a loss of HK$134 million in 2020. In 2021, consumer demand in Hong Kong improved, while COVID-19 conditions stabilised somewhat. Business benefitted from the HKSAR Government's consumption voucher scheme, but was still affected adversely by the absence of inbound tourism. There was a gradual recovery in Macau as its border with the Chinese Mainland reopened.

The revenue of Swire Resources in 2021 was 7% higher than in 2020. The gross profit percentage increased because of less discounting. Costs were tightly managed.

Stores were rationalised in Hong Kong and Macau. 164 retail outlets were operated at the end of 2021, eight fewer than the end of 2020. Six retail outlets were operated in the Chinese Mainland at the end of 2021 after the termination of The Kooples business. 12 retail outlets were operated in the Chinese Mainland at the end of 2020.

Taikoo Motors

The attributable profit of Taikoo Motors increased to HK$160 million in 2021 from HK$145 million in 2020.

17,323 vehicles were sold in 2021, 1% more than in 2020. Gross margins and operating costs represented similar percentages of revenue in 2020 and 2021.

Swire Foods

Swire Foods reported an attributable loss of HK$69 million in 2021, compared with an attributable loss of HK$9 million in 2020.

Qinyuan Bakery recorded an attributable loss of HK$85 million in 2021 compared with an attributable loss of HK$36 million in 2020. The 2021 results included store and other business rationalisation costs of HK$18 million.

The revenue of Qinyuan Bakery increased by 5% in 2021. The gross profit margin decreased by 2.9 percentage points due to rising raw material costs. Operating costs increased, reflecting higher staff costs and the absence in 2021 of COVID-19-related government subsidies and rental and utility concessions. Qinyuan Bakery operated 538 stores at the end of 2021, eight fewer than the number at the end of 2020.

Taikoo Sugar recorded an attributable profit of HK$16 million in 2021, compared to a profit of HK$27 million in 2020. The 2021 volume of sugar sold (excluding bulk sales) decreased by 11% and 12% in Hong Kong and the Chinese Mainland respectively. Margins decreased because of lower sales volume. Operating costs were higher in 2021 due to the absence of 2020's COVID-19-related government subsidies.

Swire Environmental Services

Swire Environmental Services made an attributable profit of HK$59 million in 2021, compared with an attributable profit of HK$19 million in 2020. The increase reflected the gain arising from the acquisition of shares in Swire Waste Management Limited and the subsequent increase in the share of its profits.

In February 2021, we acquired the 50% interest in Swire Waste Management Limited which we did not already own.

OUTLOOK

The Hong Kong retail market is difficult for Swire Resources. There is no inbound tourism. Supplies are disrupted.

Taikoo Motors is upgrading its outlets and developing motor-related businesses. Demand for vehicles is robust. Supply constraints are expected to ease gradually.

Qinyuan Bakery is rationalising its stores, its products and its supply chain.

Taikoo Sugar will introduce more herbal products.

David Cogman

DISCONTINUED OPERATIONS

The Marine Services Division comprised investments in Swire Pacific Offshore (SPO) group and the Hongkong United Dockyards (HUD) group. SPO owns and operates a fleet of specialist offshore support vessels servicing the energy industry in major offshore production and exploration regions. It also has an equity interest in Cadeler A/S (Cadeler), which provides windfarm installation and transportation and decommissioning services and is listed on the Oslo Stock Exchange.

In April 2021, SPO sold a 12.7% equity interest in Cadeler. A further 6.7% of the equity interest was sold in February 2022, bringing down our shareholding in Cadeler to 21.55%.

In September 2021, the Division completed the sale of its 50% interest in the HUD group. Its presale attributable contribution to the profits of the Group in 2021 was HK$14 million.

In March 2022, the Group entered into a sale and purchase agreement with Tidewater Inc. (Tidewater) for the sale of a 100% interest in SPO, excluding Cadeler, 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. Completion of the transaction is subject to satisfaction of conditions precedent set out in the definitive agreements. A remeasurement loss of HK$1,611 million was recognised on assets classified as held for sale from the discontinued operations.

With the disposal of SPO, and the earlier sale of HUD, the Group will no longer operate any marine services business.

FINANCIAL REVIEW

Additional information is provided below to reconcile reported and underlying profit/(loss) attributable to the Company's shareholders. The reconciling items principally adjust for the net valuation movements on investment properties and the associated deferred tax in the Chinese Mainland and the USA, and for other deferred tax provisions in relation to investment properties. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit/(loss).

Audited Financial Information

	Note	2021 HK$M	2020 HK$M
Underlying profit/(loss)			
Profit/(loss) attributable to the Company's shareholders		3,364	(10,999)
Adjustments in respect of investment properties:			
Valuation losses in respect of investment properties	(a)	692	4,263
Deferred tax on investment properties	(b)	1,027	446
Valuation gains realised on sale of interests in investment properties	(c)	585	3,990
Depreciation of investment properties occupied by the Group	(d)	29	31
Impairment loss on a hotel held as part of a mixed-use development	(e)	22	–
Amortisation of right-of-use assets reported under investment properties	(f)	(53)	(49)
Non-controlling interests' share of adjustments		(366)	(1,651)
Underlying profit/(loss) attributable to the Company's shareholders		5,300	(3,969)

Notes:

(a) This represents the net valuation movements as shown in the Group's consolidated statement of profit or loss and the Group's share of net valuation movements of joint venture companies.

(b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on valuation movements on investment properties in the Chinese Mainland and the USA, and deferred tax provisions made in respect of investment properties held for the long term where it is considered that the liability will not reverse for some considerable time. It also includes certain tax adjustments arising from transfers of investment properties within the Group.

(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the valuation gains/(losses) were transferred from the revaluation reserve to the consolidated statement of profit or loss.

(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, wholly-owned and joint venture hotel properties held for the long term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or decrease in their values would be recorded in the revaluation reserve rather than in the consolidated statement of profit or loss.

(f) HKFRS 16 amends the definition of investment property under HKAS 40 to include properties held by lessees as right-of-use assets to earn rentals or for capital appreciation or both, and requires the Group to account for such right-of-use assets at their fair value. The amortisation of such right-of-use assets is charged to underlying profit/(loss).

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

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

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

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

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

* Including consolidation adjustments.

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

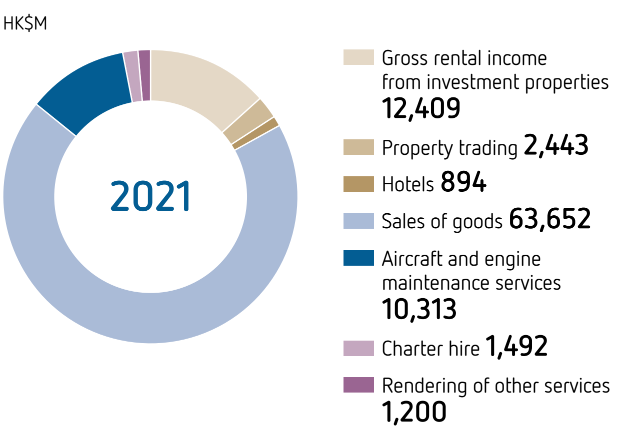
Consolidated Statement of Profit or Loss^

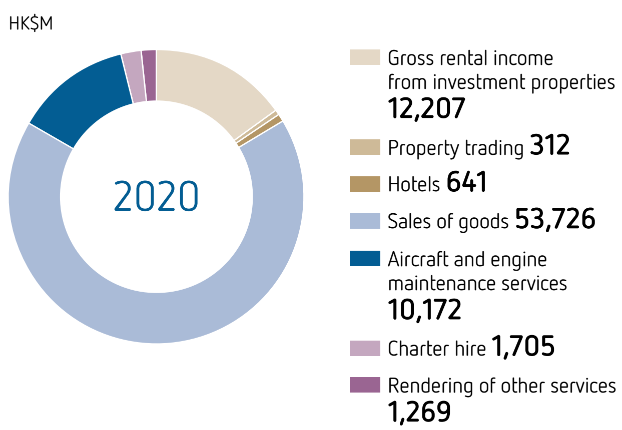
	Notes to the Financial Statements	2021 HK$M	2020 HK$M	Increase / (Decrease) HK$M	Increase / (Decrease) %
Revenue	4	92,403	80,032	12,371	15%
Cost of sales	6	(57,025)	(49,817)	(7,208)	-14%
Expenses	6	(24,102)	(21,525)	(2,577)	-12%
Other net gain/(losses)*	5	1,177	(1,574)	2,751	N/A
Change in fair value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

^ Figures included continuing operations and discontinued operations.
* Figures included remeasurement loss on the disposal group of HK$1,611 million.

Revenue

Revenue by Category





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

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

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

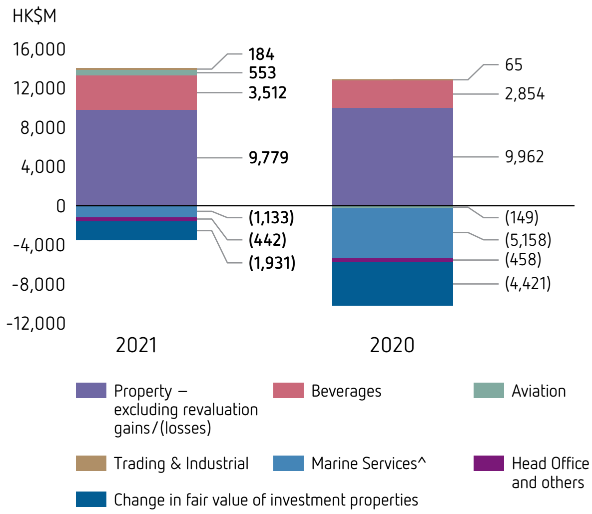
In the Aviation Division, the revenue of the HAECO group decreased marginally in 2021. This principally reflected less performance restoration and quick turn workscopes and less line maintenance services performed, largely offset by higher demand for base maintenance services and passenger to freighter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

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

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

Operating Profit

Operating Profit/(Loss) by Division



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

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

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

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

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

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

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

Net Finance Charges

The decrease in net finance charges reflected less borrowings.

Share of Profits of Joint Venture Companies

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

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

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

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

Share of Losses of Associated Companies

The Cathay Pacific group incurred a loss of HK$2,487 million in 2021 compared to a loss of HK$9,742 million in 2020. The 2021 loss included post-tax impairment and related charges, restructuring costs and a gain on the dilution of an associate interest in Air China Cargo, aggregating HK$394 million, as compared to the non-recurring items of HK$3,445 million in 2020. Passenger revenue decreased by 62% in 2021 compared to 2020. The number of passengers carried and the load factor were down as compared with 2020. The cargo business performed exceptionally well. Revenue, load factor and yield increased compared to 2020, despite a drop in capacity.

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

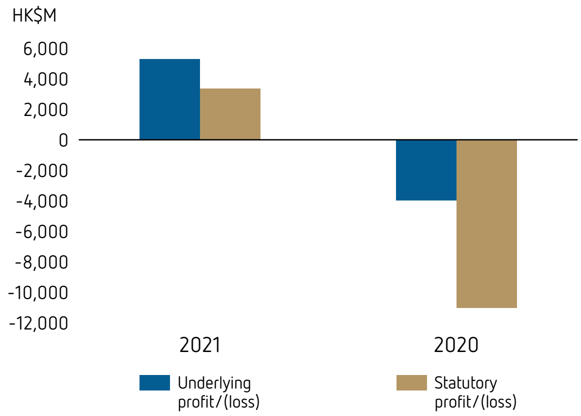
In Swire Coca-Cola, the profit from associated companies decreased marginally. This mainly reflected higher operating expenses at Coca-Cola Bottlers Manufacturing Holdings Limited in the Chinese Mainland.

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

Taxation

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

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



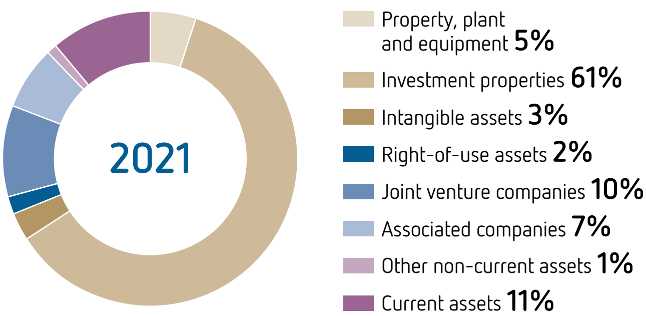
Disregarding investment property valuation adjustments, the underlying profit increased by HK$9,269 million. The increase in profit principally reflected a reduction in loss at the Aviation Division and at SPO, and a growth in profitability at Swire Coca-Cola, partly offset by a reduction in profit arising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

Consolidated Statement of Financial Position

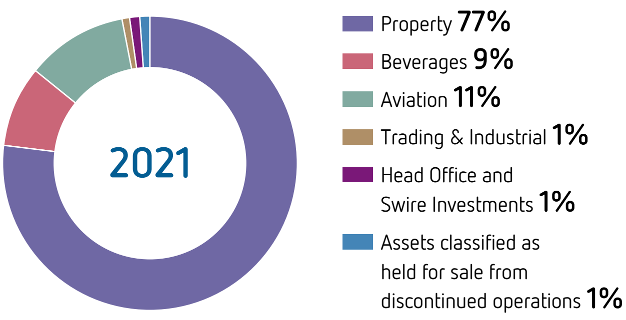
	Notes to the Financial Statements	2021 HK$M	2020 HK$M	Increase / (Decrease) HK$M	%
Property, plant and equipment	14	22,538	25,413	(2,875)	-11%
Investment properties	15	267,354	266,305	1,049	0%
Intangible assets	16	13,395	13,096	299	2%
Right-of-use assets	17	8,579	9,490	(911)	-10%
Joint venture companies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

Total Assets

Total Assets by Category



Total Assets by Division



Property, Plant and Equipment

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

Investment Properties

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

Intangible Assets

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

Right-of-Use Assets

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

Joint Venture Companies and Loans Due from Joint Venture Companies

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

Associated Companies and Loans Due from Associated Companies

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

Properties for Sale

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

Stocks and Work in Progress

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

Trade and Other Receivables

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

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

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

Trade and Other Payables

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

Bank Balances and Short-Term Deposits/Loans and Bonds

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

Lease Liabilities

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

Deferred Tax Liabilities

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

Equity Attributable to the Company's Shareholders

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

Non-Controlling Interests

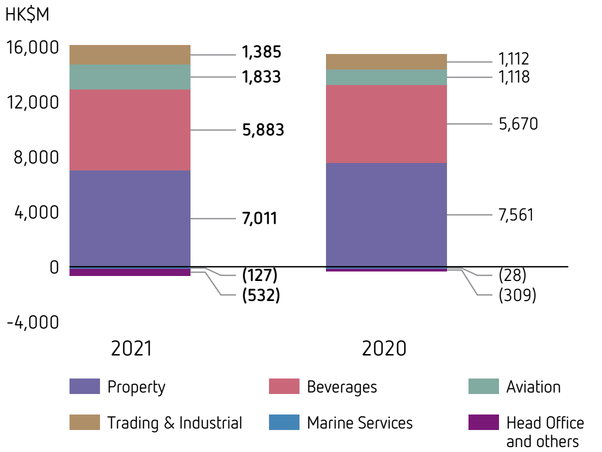
Non-controlling interests principally consist of the 18% non-controlling interest in Swire Properties.

Consolidated Statement of Cash Flows

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

Cash Generated from Operations

Cash Generated from Operations by Division



Tax Paid

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

Dividends Received

Dividends received in 2021 principally comprised dividends from HAESL, HUD and from the Property Division's joint venture investment property companies in Hong Kong and in the Chinese Mainland.

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

Purchase of property, plant and equipment and right-of-use assets in 2021 principally reflected the purchase of new production, marketing and distribution equipment by Swire Coca-Cola and the purchase of land use rights at HAECO Xiamen airport.

Additions of Investment Properties

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

Purchase of Intangible Assets

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

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

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

Proceeds from Disposals of Investment Properties

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

Proceeds from Disposals of Subsidiary Companies

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

Proceeds from Disposals of Joint Venture Companies

The proceeds in 2021 reflected the disposal of HUD.

Proceeds from Partial Disposal of an Associated Company

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

Purchase of Shares in Joint Venture Companies

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

Purchase of Shares in Associated Companies

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

Net Repayment from Joint Venture Companies

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

Loans Drawn and Refinancing

In 2021, loans drawn and refinancing comprised new financing under the Group's medium term note programmes and new loans and drawdowns under financing facilities from banks.

Investment Appraisal and Performance Review

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

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

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

FINANCING

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A1 to A3 on Moody's scale, A+ to A- on Standard & Poor's scale and A+ to A- on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to macro-economic or other circumstances. At 31st December 2021 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, and Swire Properties' long-term credit ratings were A2 from Moody's and A from Fitch.

Changes in Financing

Analysis of changes in financing during the year

Audited Financial Information

	Loans and bonds				
	due within one year HK$M	due after one year HK$M	Lease liabilities HK$M	Total 2021 HK$M	2020 HK$M
At 1st January	6,929	61,235	5,152	73,316	73,408
Loans drawn and refinancing	1,130	3,749	–	4,879	14,525
Repayment of loans and bonds	(8,504)	(3,321)	–	(11,825)	(14,395)
Principal elements of lease payments	–	–	(971)	(971)	(935)
New leases arranged during the year	–	–	1,161	1,161	530
Change in composition of the Group	–	–	1	1	31
Reclassification	17,697	(17,697)	–	–	–
Effect of exchange differences	5	226	50	281	(46)
Transfer to liabilities associated with assets classified as held for sale	–	–	(3)	(3)	–
Other non-cash movements	26	74	(50)	50	198
At 31st December	17,283	44,266	5,340	66,889	73,316

Sources of Finance

Audited Financial Information

At 31st December 2021, committed loan facilities and debt securities amounted to HK$85,969 million, of which HK$24,219 million (28%) were undrawn. In addition, there were lease liabilities amounting to HK$5,340 million. The Group had undrawn uncommitted facilities totalling HK$8,296 million. Sources of gross borrowings at 31st December 2021 comprised:

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M	Total undrawn HK$M
Committed facilities					
Loans and bonds					
Bonds	49,235	49,235	–	–	–
Bank loans, overdrafts and other loans	36,734	12,515	5,139	19,080	24,219
Total committed facilities	85,969	61,750	5,139	19,080	24,219
Uncommitted facilities					
Bank loans, overdrafts and other loans	8,322	26	8,296	–	8,296
Total	94,291	61,776	13,435	19,080	32,515

Note: The figures above are stated before unamortised loan fees of HK$227 million.

i) Loans and Bonds

Audited Financial Information

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

	2021			2020		
	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Short-term loans – unsecured	26	–	26	105	–	105
Long-term loans and bonds at amortised cost – unsecured	61,750	(227)	61,523	68,366	(307)	68,059
Less: amount due within one year included under current liabilities	(17,269)	12	(17,257)	(6,833)	9	(6,824)
	44,481	(215)	44,266	61,533	(298)	61,235

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

	2021 HK$M	2020 HK$M
Bank loans (unsecured)		
Repayable within one year	7,078	5,024
Repayable between one and two years	1,791	7,658
Repayable between two and five years	2,612	4,997
Repayable after five years	944	1,048
Other borrowings (unsecured)		
Repayable within one year	10,179	1,800
Repayable between one and two years	7,768	10,125
Repayable between two and five years	15,066	18,003
Repayable after five years	16,085	19,404
	61,523	68,059
Amount due within one year included under current liabilities	(17,257)	(6,824)
	44,266	61,235

	2021 HK$M	2020 HK$M
The maturity of lease liabilities 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
	5,340	5,152
Amount due within one year included under current liabilities	(831)	(793)
	4,509	4,359

ii) Bank Balances and Short-Term Deposits

The Group had bank balances and short-term deposits of HK$22,894 million at 31st December 2021 compared to HK$29,264 million at 31st December 2020.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2031 (2020: 2030).

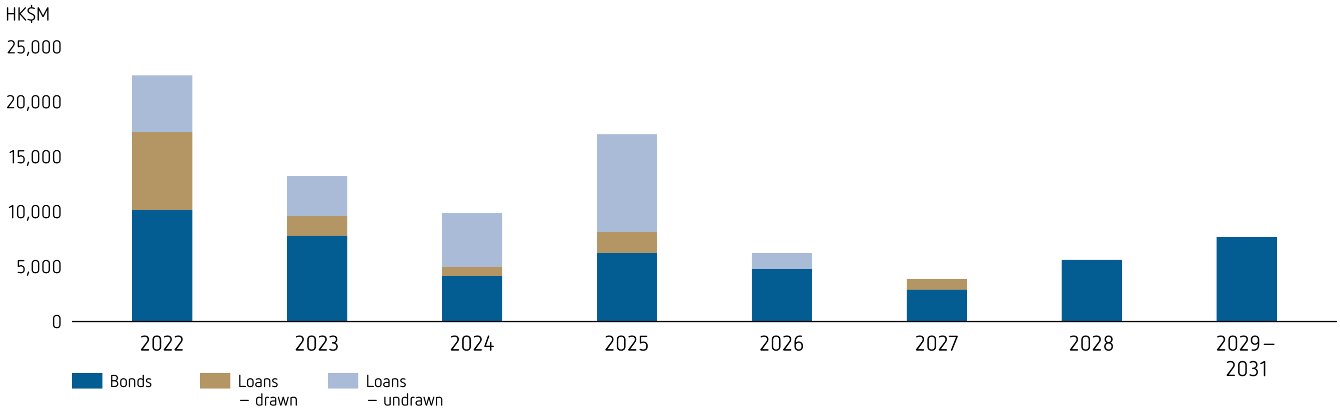
The weighted average term and cost of the Group's debt is:

	2021	2020
Weighted average term of debt	3.0 years	3.4 years
Weighted average cost of debt*	3.2%	3.2%

* on a gross debt basis.

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

Total Available Committed Facilities by Maturity
(at 31st December 2021)



Currency Profile

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

Audited Financial Information

	2021					2020				
	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M
Currency										
Hong Kong dollar	55,830	91%	2,955	55%	58,785	52,462	77%	3,169	62%	55,631
United States dollar	5,719	9%	350	7%	6,069	14,244	21%	411	8%	14,655
Renminbi	–	0%	1,163	22%	1,163	649	1%	1,057	20%	1,706
Others	–	0%	872	16%	872	809	1%	515	10%	1,324
Total	61,549	100%	5,340	100%	66,889	68,164	100%	5,152	100%	73,316

Finance Charges from Continuing Operations

Audited Financial Information

At 31st December 2021, 84% of the Group's gross borrowings were on a fixed rate basis and 16% were on a floating rate basis (2020: 78% and 22%).

The exposure of the Group's loans and bonds to interest rate changes (after interest rate swaps) can be illustrated as follows:

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2021	9,949	11,738	22,834	17,028	61,549
At 31st December 2020	14,851	3,186	29,675	20,452	68,164

Audited Financial Information

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

	2021 HK$M	2020 HK$M (Note 1c)
Interest charged		
Bank loans and overdrafts	118	325
Other loans and bonds	1,774	1,731
Fair value loss/(gain) on derivative instruments		
Cross-currency and interest rate swaps: cash flow hedges, transferred from other comprehensive income	13	26
Cross-currency and interest rate swaps not qualifying as hedges	(2)	6
Amortised loan fees – loans at amortised cost	103	119
	2,006	2,207
Lease liabilities	188	201
Fair value loss/(gain) on put options over non-controlling interests in subsidiary companies	68	(60)
Fair value gain on put options over other shareholders' interests in a joint venture company	(1)	(20)
Other financing costs	138	41
Capitalised on		
Investment properties	(293)	(240)
Properties for sale	(49)	(39)
	2,057	2,090
Less: interest income		
Short-term deposits and bank balances	212	292
Other loans	103	78
	315	370
Net finance charges	1,742	1,720

The capitalised interest charges on loans and bonds borrowed for the development of investment properties and properties for sale were between 3.30% and 3.40% per annum (2020: 3.30% and 3.60% per annum).

The amount transferred from other comprehensive income in respect of cash flow hedges in 2021 included HK$22 million relating to currency basis (2020: HK$20 million).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$2,006 million (2020: HK$2,207 million).

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

	2021				2020			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Short-term loans	–	1.85	–	–	1.85	–	–	1.05
Long-term loans and bonds	0.60-4.00	0.79-4.50	3.90-4.00	0.48	0.57-4.00	0.84-4.50	3.90-4.00	0.48-0.90

Benchmark interest rates like LIBOR are being replaced. The cash flows of the Company and its subsidiaries primarily affected are those associated with US dollar denominated variable interest rate facilities and interest rate swaps which reference LIBOR. These facilities and swaps had principal and notional principal amounts equivalent in aggregate to HK$7,721 million at 31st December 2021. Most of the uncertainty arising from the Group's exposure to interbank offered rates will cease when affected facilities expire this year. Other variable interest rate facilities and interest rate swaps of the Company and its subsidiaries are not referenced to rates which are being replaced.

Covenants and Credit Triggers

Audited Financial Information

There are no specific covenants given by the Group in relation to its debt facilities which would require debt repayment or termination of a facility should its credit rating be revised by the credit rating agencies.

The Company has given financial covenants in respect of gearing limits and maintenance of minimum consolidated net worth, to secure funding for itself and its subsidiaries. These covenants are set out below:

	Covenant requirements	2021	2020
Gearing			
Consolidated borrowed money/consolidated net worth	≤200%	11.9%	12.2%
Consolidated borrowed money and lease liabilities/consolidated net worth	≤200%	13.6%	13.8%

	HK$M	HK$M	HK$M
Maintenance of minimum consolidated tangible net worth			
Consolidated tangible net worth	≥20,000	310,773	306,050

These financial covenants, together with the long-term credit rating objective, establish the framework within which the capital structure of the Group is determined.

To date, none of the covenants have been breached.

Capital Management

Audited Financial Information

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as a going concern, so that it can continue to provide returns for shareholders, and to secure access to finance at a reasonable cost.

The Group considers a number of factors in monitoring its capital structure, principally the gearing ratio, cash interest cover and the return cycle of its investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings (comprising borrowings net of security deposits) less short-term deposits and bank balances. Capital comprises total equity, as shown in the consolidated statement of financial position.

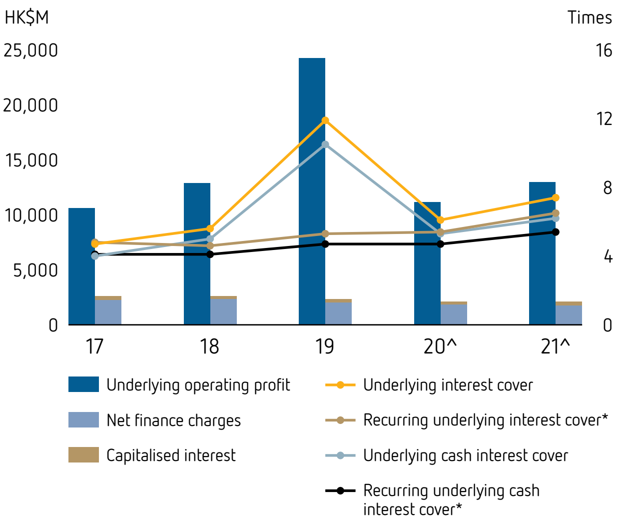
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2021 and 31st December 2020 were as follows:

	2021 HK$M	2020 HK$M
Total borrowings	61,549	68,164
Less: Short-term deposits and bank balances	(22,894)	(29,264)
Net debt	38,655	38,900
Total equity	324,168	319,146
Gearing ratio	11.9%	12.2%
Gearing ratio-including lease liabilities#	13.6%	13.8%
Interest cover – times	6.0	1.5
Cash interest cover – times	5.0	1.3
Underlying cash interest cover – times	6.2	5.3
Return on average equity attributable to the Company's shareholders	1.3%	-4.1%

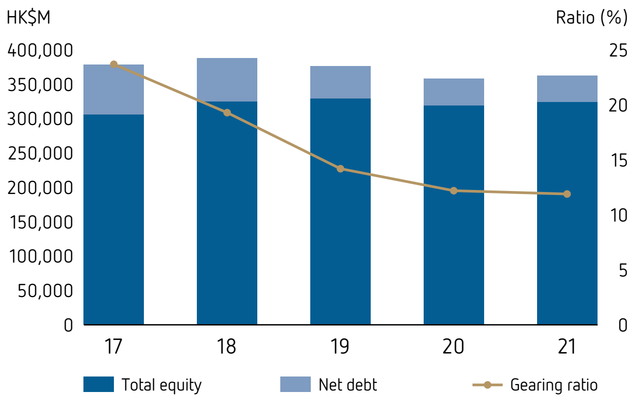
Lease liabilities amounted to HK$5,340 million at 31st December 2021 compared to HK$5,152 million at 31st December 2020 (refer to note 31 to the financial statements).

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

Underlying Interest Cover



Gearing Ratio



* Calculated using recurring underlying operating profit.
^ Included continuing operations and discontinued operations.

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the share of net debt in its joint venture and associated companies. These companies had the following net debt positions at the end of 2021 and 2020:

	Total net debt / (cash) of joint venture and associated companies		Portion of net debt/(cash) shared by the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M
Property	26,761	29,868	9,536	10,236	3,643	2,736
Beverages	(2,417)	(1,565)	(1,020)	(677)	75	55
Aviation						
Cathay Pacific group	35,838	36,154	24,902	25,045	–	–
HAECO group	(127)	283	43	217	–	–
Trading & Industrial	(33)	(118)	(13)	(56)	–	–
Marine Services	–	1,397	–	677	–	500
Head Office and Swire Investments	1,366	(4)	285	(1)	–	–
	61,338	66,015	33,733	35,441	3,718	3,291

If the share of net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 22.3% at 31st December 2021 (2020: 23.3%).

The lease liabilities of these companies at the end of 2021 and 2020 were as follows:

	Total lease liabilities of joint venture and associated companies		Portion of lease liabilities shared by the Group	
	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M
Property	218	222	89	90
Beverages	257	277	111	120
Aviation				
Cathay Pacific group	34,732	37,634	15,630	16,935
HAECO group	28	36	14	18
Marine Services	–	1	–	–
Head Office and Swire Investments	42	–	9	–
	35,277	38,170	15,853	17,163

Financial Risk Management

Audited Financial Information

Structure and Policies
In the normal course of business the Group is exposed to financial risks attributable to interest rates, currencies, credit, commodities and liquidity.

The Finance Committee oversees the management of the Group's financial risks, including setting the Group's financial risk profile and related risk management policies and procedures, within an agreed framework authorised by the Board. These policies and procedures are implemented by the head office treasury department and divisional finance functions. The Finance Committee consists of the Finance Director, Divisional Finance Directors and other senior finance executives. The Finance Committee meets quarterly to review financial risks at Group and divisional levels. In 2021, the Finance Committee met four times.

The treasury department manages the funding needs of the Group's non-listed subsidiaries, as well as resulting interest rate, currency, credit and liquidity risks. Operating subsidiaries manage currency, credit and commodity exposures that are specific to their trading transactions.

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk by applying hedge accounting for derivative instruments. By applying hedge accounting, gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 170 and 171.

The Group's listed subsidiary (Swire Properties Limited) and the Group's joint venture and associated companies arrange their financial and treasury affairs on a stand-alone basis. The Company may provide financial support by way of guarantees to its non-listed joint venture and associated companies in cases where significant cost savings are available and risks are acceptable.

Interest Rate Exposure
The Group's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits.

The Group maintains a significant proportion of debt on a fixed rate basis with a view to increasing certainty of funding costs. The level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and the expected cash flows of the Group's businesses and investments. The Group uses interest rate swaps to manage its long-term interest rate exposure. The Finance Directors of the Group and Swire Properties Limited approve all interest rate hedges prior to implementation.

Financial Risk Management (continued)

Audited Financial Information (continued)

On a quarterly basis, the treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing with varying forecast interest rates. The treasury department reports the results of this testing to the Finance Committee. Refer to page 129 for details of the sensitivity testing performed at 31st December 2021.

Currency Exposure

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Chinese Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations.

The Group's policy is to hedge in full all highly probable transactions in each major currency where their value or time to execution gives rise to a significant currency exposure, provided that the cost of the foreign exchange forward or other derivative contract is not prohibitively expensive having regard to the underlying exposure.

Exposure to movements in exchange rates on transactions is minimised by using appropriate hedging instruments where active markets for the relevant currencies exist. At 31st December 2021, the Group had hedged its significant foreign currency funding exposures, by fixing the foreign exchange rates with forward contracts and cross-currency swaps.

Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Foreign currency funding and deposit exposure is monitored by the treasury department on a continuous basis. The Finance Directors of the Group and Swire Properties Limited approve all foreign currency hedges prior to implementation.

Refer to page 130 for a sensitivity analysis of the Group's exposure to currency risk arising from recognised financial assets or financial liabilities denominated in a currency other than the functional currency at 31st December 2021.

Credit Exposure

The Group's credit risk is primarily attributable to trade and other receivables with wholesale customers, derivative financial instruments, receivables from joint venture companies and associated companies and cash and deposits with banks and financial institutions. Individual operating entities are responsible for setting credit terms appropriate to their industry and assessing the credit profile of individual customers.

Standard settlement terms within the Beverages Division and the HAECO group are 30 days from the date of invoice. In accordance with the provisions of Swire Properties' standard tenancy agreements, rentals and other charges are due on the first day of each calendar month. Typically sales to retail customers within Swire Resources are made by cash or major credit cards. The Group has no significant credit risk with any one customer.

When depositing surplus funds or entering into derivative contracts, the Group controls its exposure to non-performance by counterparties by dealing with investment grade counterparties to the extent possible, setting approved counterparty limits and applying monitoring procedures. Counterparty credit exposure limits for financial institutions are proposed by the treasury department and approved by the Finance Director. The treasury department monitors the counterparties' credit ratings and issues an approved list of counterparties with their limits on a quarterly basis to all subsidiaries. Group companies require prior approval from the Group's treasurer to deal with banks not on the approved list. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint venture companies and associated companies through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

The Group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of derivatives. There are no specific conditions that would require the termination of derivative contracts should the credit rating of Swire Pacific be downgraded.

The maximum credit risk in respect of contingencies is disclosed in note 39 to the financial statements.

Financial Risk Management (continued)

Audited Financial Information (continued)

Liquidity Risk

The Group takes liquidity risk into consideration when deciding its sources of funds and their tenors, so as to avoid over reliance on funds from any one source and to prevent substantial refinancing in any one period. The Group maintains significant undrawn committed revolving credit facilities and cash deposits in order to reduce liquidity risk further and to allow for flexibility in meeting funding requirements.

The Group aims to maintain immediate access to committed funds to meet its refinancing for the following nine months on a rolling basis and capital commitments for the following 12 months on a rolling basis.

The treasury departments of Swire Pacific and its listed subsidiary (Swire Properties Limited) produce a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Group's treasurer presents the forecast funding plan together with funding proposals to the Finance Director on a regular basis, and to the Finance Committee. Refer to page 131 for details of the Group's contractual obligations at 31st December 2021.

Price Risk

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

CORPORATE GOVERNANCE REPORT

Governance Culture

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Swire Pacific believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to shareholders
– that the interests of those who deal with the Company are safeguarded
– that overall business risk is understood and managed appropriately
– the delivery of high-quality products and services to the satisfaction of customers
– that high standards of ethics are maintained.

Corporate Governance Statement

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

– code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
– recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only.

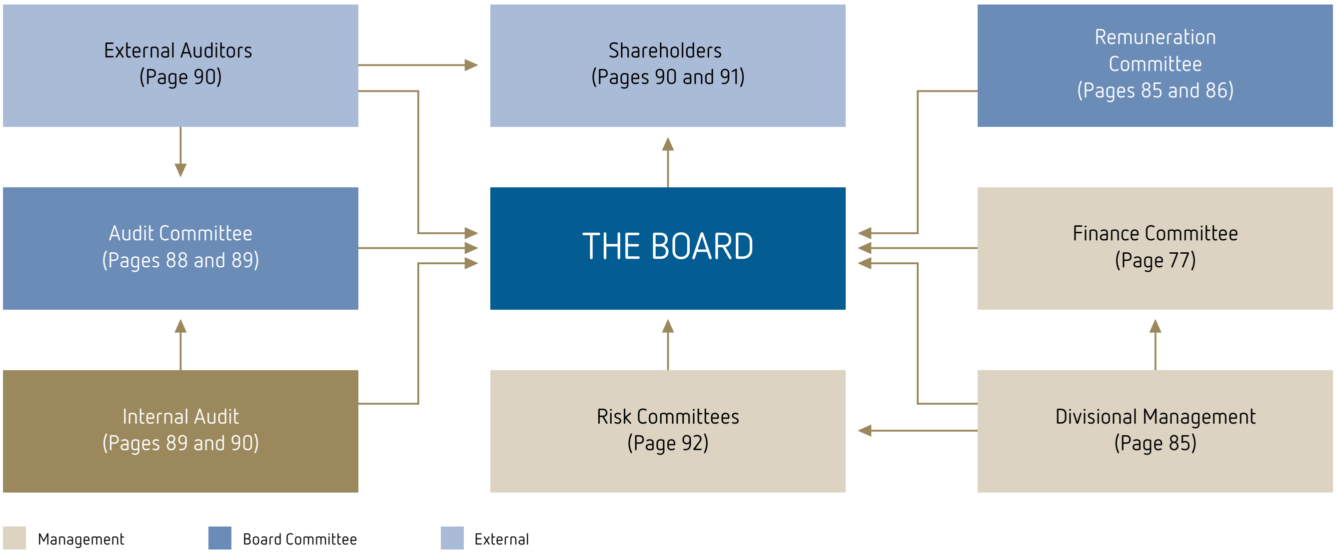
The Company supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Swire Pacific has adopted its own corporate governance code which is available on its website www.swirepacific.com. Corporate governance does not stand still; it evolves with each business and operating environment. The Company is always ready to learn and adopt best practices. As part of its commitment to enhance corporate governance standards within the region, Swire Pacific is a member of the Asian Corporate Governance Association.

The Company complied with all the code provisions set out in the CG Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) throughout the year covered by the annual report with the following exception which it believed does not benefit shareholders:

– **Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee.** The Board considered the merits of establishing a nomination committee but concluded that it was in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allowed a more informed and balanced decision to be made by the Board as to suitability for the role.

During 2021, The Stock Exchange of Hong Kong Limited consulted on changes to the CG Code and related Listing Rules. One of the outcomes of the consultation is that nomination committees have become mandatory. The Board has resolved to form a Nomination Committee (see page 89).

Governance Structure



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

The Board of Directors

Role of the Board

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the interests of those with whom the Group does business and others.

Responsibility for achieving the Company's objectives and running the business on a day-to-day basis is delegated to divisional management. The Board exercises a number of reserved powers which include:

– maintaining and promoting the culture of the Company
– formulation of long-term strategy
– approving public announcements, including financial statements
– committing to major acquisitions, divestments and capital projects
– authorising significant changes to the capital structure and material borrowings
– any issue, or buy-back, of equity securities under the relevant general mandates
– approving treasury policy
– setting dividend policy
– approving appointments to the Board
– reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
– ensuring that appropriate management development and succession plans are in place
– setting the Group remuneration policy
– approving annual budgets and forecasts
– reviewing operational and financial performance
– reviewing the effectiveness of the Group's risk management and internal control systems
– ensuring the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions
– overseeing sustainable development matters.

To assist it in fulfilling its duties, the Board has established three primary committees, the Audit Committee (see pages 88 and 89), the Nomination Committee (see page 89) and the Remuneration Committee (see pages 85 and 86).

Chairman and Chief Executive

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

G M C Bradley, the Chairman, is responsible for:

– leadership of the Board
– setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
– facilitating effective contributions from and dialogue with all Directors and constructive relations between them
– ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information
– obtaining consensus amongst the Directors
– ensuring, through the Board, that good corporate governance practices and procedures are followed.

Each division of the Group has one or more executive directors who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 85).

Throughout the year, there was a clear division of responsibilities between the Chairman and the management executives responsible for the divisions of the Group.

Board Composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board comprises the Chairman, four other Executive Directors and nine Non-Executive Directors. Their biographical details are set out in the section of this annual report headed Directors and Officers and are posted on the Company's website.

G M C Bradley, D P Cogman, P Healy, M J Murray and Z P Zhang are directors and/or employees of the John Swire & Sons Limited (Swire) group. M Cubbon, M B Swire and S C Swire are shareholders, directors and employees of the Swire group. Before she ceased to be a director of the Company, M M S Low was a director and an employee of the Swire group.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit and Remuneration Committees of the Board comprise only Non-Executive Directors.

The Board considers that six of the nine Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. T G Freshwater, C Lee and R W M Lee have served as Non-Executive Directors for more than nine years. The Directors are of the opinion that they remain independent, notwithstanding their length of tenure. T G Freshwater, C Lee and R W M Lee continue to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that their tenure has had any impact on their independence. The Board believes that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company, and that they maintain an independent view of its affairs.

Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules. None of the Independent Non-Executive Directors holds cross-directorships or has significant links with other Directors through involvements in other companies or bodies.

The Independent Non-Executive Directors:

– provide open and objective challenge to management and other Board members
– raise intelligent questions and challenge constructively and with vigour
– bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management.

The number of Independent Non-Executive Directors represents at least one-third of the Board of Directors.

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

Appointment and Re-election

Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his or her appointment, and all Executive and Non-Executive Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

On 10th March 2022, the Board, having reviewed the Board's composition and after taking into account that all directors shall be subject to election/re-election in accordance with the Company's Articles of Association, nominated G M C Bradley, P Healy, R W M Lee, G R H Orr and Y Xu for recommendation to shareholders for election/re-election at the 2022 Annual General Meeting. M Cubbon and T G Freshwater have indicated their intention to retire from the Board with effect from the conclusion of the 2022 Annual General Meeting, and being eligible, have not offered themselves up for re-election at the 2022 Annual General Meeting. The nominations were made in accordance with objective criteria (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service, number of directorships of listed companies and the legitimate interests of the Company's principal shareholders), with due regard for the benefits of diversity, as set out in the board diversity policy. The Board also took into account the respective contributions of G M C Bradley, P Healy, R W M Lee, G R H Orr and Y Xu to the Board and their firm commitment to their roles. The Board is satisfied with the independence of R W M Lee, G R H Orr and Y Xu having regard to the criteria laid down in the Listing Rules. The particulars of the Directors standing for election/re-election are set out in the section of this annual report headed Directors and Officers and will also be set out in the circular to shareholders to be distributed with this annual report and posted on the Company's website.

Full details of changes in the Board during the year and to the date of this report are provided in the section of this annual report headed Directors' Report.

Board Diversity

The Board has adopted a board diversity policy, which is available on the Company's website. The Board's composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness. A summary is set out in the table below:

Age	Gender	Ethnicity	Years of service as Director	Skills, expertise and experience
41-52 years (28%)	Male (86%) Female (14%)	American (7%)	1-5 years (57%)	company executive (43%)
53-64 years (43%)		British (71%)	6-10 years (21%)	accounting, banking and finance (43%)
65-77 years (29%)		Chinese (22%)	over 10 years (22%)	management consultancy (14%)

In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders.

Responsibilities of Directors

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

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

Directors update their skills, knowledge and familiarity with the Group through their participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training and advice.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly. No Director was a director of more than four listed companies (including the Company) at 31st December 2021.

Details of Directors' other appointments are shown in their biographies in the section of this annual report headed Directors and Officers.

Board Processes

All committees of the Board follow the same processes as the full Board.

The dates of the 2021 Board meetings were determined in 2020 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met five times in 2021. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 84. Average attendance at Board meetings was 97%. All Directors attended Board meetings in person or through electronic means of communication during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings.

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting papers, are made available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and records respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:

– review of the health and safety performance of the Group
– review by the Finance Director of financial results, the operating environment for the businesses and the budget outlook for their performance
– review and discussion of longer-term financial plans for the Group, including discussion of capital allocation and portfolio investment plans over a ten-year horizon
– discussion of group strategy, including major investments, divestments and strategic initiatives within the businesses
– the presentation of papers to support decisions requiring Board approval
– an update of legal and compliance matters for the Board's consideration
– any declarations of interest.

The executive management provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. One such meeting was held in 2021.

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

	Meetings Attended/Held			
Directors	Board	Audit Committee	Remuneration Committee	2021 Annual General Meeting
Executive Directors				
G M C Bradley – Chairman (appointed on 25th August 2021)	1/1			N/A
D P Cogman	5/5			√
P Healy (appointed on 25th August 2021)	1/1			N/A
M M S Low (resigned on 31st March 2021)	2/2			N/A
M J Murray (appointed on 1st April 2021)	3/3			√
Z P Zhang	5/5			√
Non-Executive Directors				
M Cubbon	5/5			√
M B Swire	4/5			√
S C Swire	5/5		2/2	√
Independent Non-Executive Directors				
P K Etchells	5/5	4/4		√
T G Freshwater	5/5			√
C Lee	4/5	4/4	2/2	√
R W M Lee	5/5		2/2	√
G R H Orr	5/5	4/4		√
Y Xu (appointed on 25th August 2021)	1/1			N/A
Average attendance	97%	100%	100%	100%

Continuous Professional Development

Continuous professional development for Directors was conducted through the following:

– Directors were provided with training materials about matters relevant to their duties as directors;
– Directors were invited to attend seminars and conferences about financial, commercial, economic, legal, regulatory and/or business affairs; and
– Directors attended training from external legal advisers about applicable laws and regulations and topics pertinent to the business of the Company.

The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Conflicts of Interest

If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

Delegation by the Board

Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the head of each business unit. These individuals have been given clear guidelines and directions as to their powers and, in particular, the circumstances under which they should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

– detailed monthly report dealing with health and safety (and other ESG matters), profit performance, capital allocation, credit metrics and portfolio strategy
– internal and external audit reports
– feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers.

Securities Transactions

The Company has adopted a code of conduct (the Securities Code) regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are available on the Company's website.

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director twice annually, immediately before the two financial period ends, with a reminder that the Director cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors and senior executives of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests at 31st December 2021 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the section of this annual report headed Directors' Report.

Remuneration Committee

Full details of the remuneration of the Directors are provided in note 8 to the financial statements.

The Remuneration Committee comprises three Non-Executive Directors, C Lee, R W M Lee and S C Swire. Two of the Committee members are Independent Non-Executive Directors, one of whom, C Lee, is Chairman. All the members served for the whole of 2021.

The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee exercises the powers of the Board to determine the remuneration packages of individual executive directors (including salaries, bonuses, benefits in kind and the terms on which they participate in any provident fund or other retirement benefit scheme), taking into consideration salaries paid by comparable companies, time commitments and responsibilities and employment conditions elsewhere in the Group.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Company's website.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire Pacific Group. Although the remuneration of executives is not entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability profiles of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in October 2021. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 8 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following fee levels have been approved by the Board:

Fee	2021 HK$	2022 HK$
Director's Fee	690,000	690,000
Fee for Audit Committee Chairman	268,000	268,000
Fee for Audit Committee Member	186,000	186,000
Fee for Remuneration Committee Chairman	83,000	83,000
Fee for Remuneration Committee Member	60,000	60,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim financial statements and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable
- ensuring that the application of the going concern assumption is appropriate.

Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 88 and 89.

The foundation of strong risk management and internal control systems is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

Since profits are, in part, the reward for successful risk taking in business, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key components of the Group's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. This is more significant than any written procedures.

The Company aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by example from the Board down. The Company has a Code of Conduct, which is posted on its internal intranet site.

The Company is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's ways of thinking and acting.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Company's Code of Conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk assessment: The Board of Directors and the management each have a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated.

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

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

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

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

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

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

Management structure: The Group has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and monitoring of risk. Individuals appreciate where they will be held accountable in this process.

A control self-assessment process requires the management in each material business unit to assess, through the use of detailed questionnaires, the adequacy and effectiveness of risk management and internal controls over the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This process and its results are reviewed by internal auditors and form part of the Audit Committee's annual assessment of control effectiveness.

Controls and review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities adopted by Group companies include:

– analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
– direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities

– information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example exception reports
– physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
– performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them and taking corrective action where necessary
– segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

The Company has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Internal audit: Independent of management, the Internal Audit department reports directly to the Audit Committee and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 89 and 90.

Audit Committee

The Audit Committee, consisting of three Independent Non-Executive Directors, P K Etchells, C Lee and G R H Orr, assists the Board in discharging its responsibilities for corporate governance and financial reporting. P K Etchells is the Chairman of the Audit Committee. All the members served for the whole of 2021.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website.

The Audit Committee met four times in 2021. Regular attendees at the meetings are the Finance Director, the Head of Internal Audit, the external auditors and the General Manager Group Finance. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the GRMC, the external auditors and Internal Audit. Other attendees during the year included the Group Treasurer, the Head of Group Risk Management, the Group Manager Information Security and Risk Management, the Head of IT and Digital, the Development Director and the Chief Information Security Officer.

The work of the Committee during 2021 included reviews of the following matters:

– the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2020 annual and 2021 interim reports and announcements, with recommendations to the Board for approval
– the Group's compliance with regulatory and statutory requirements
– the Group's risk management and internal control systems
– the Group's risk management processes
– the Group's cybersecurity
– the approval of the 2022 annual Internal Audit programme and review of progress on the 2021 programme
– periodic reports from Internal Audit and progress in resolving any matters identified in them
– significant accounting and audit issues
– the Company's policy regarding connected transactions and the nature of such transactions
– the relationship with the external auditors as discussed on page 90
– the Company's compliance with the CG Code.

In 2022, the Committee has reviewed, and recommended to the Board for approval, the 2021 financial statements.

Assessing the Effectiveness of Risk Management and Internal Control Systems

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

– the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems, the work and effectiveness of Internal Audit and the assurances provided by the Finance Director
– the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment

– the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
– the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
– the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
– areas of risk identified by management
– significant risks reported by Internal Audit and the GRMC
– work programmes proposed by both Internal Audit and the external auditors
– significant issues arising from internal and external audit reports
– the results of management's control self assessment exercise.

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the CG Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

Nomination Committee

The Nomination Committee consists of three Non-Executive Directors, G R H Orr, C Lee and M B Swire. Two of the Committee members are Independent Non-Executive Directors, one of whom, G R H Orr, is Chairman. The Nomination Committee was formed with effect from 10th March 2022. Its terms of reference comply with the CG Code and are posted on the Company's website.

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update skills and knowledge.

Internal Audit Department

The Swire group has had an Internal Audit department (IA) in place for 26 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 25 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 25 professionals include a team based in the Chinese Mainland which reports to IA in Hong Kong.

IA reports directly to the Audit Committee without the need to consult with management, and via the Audit Committee to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

Scope of Work

Business unit audits are designed to provide assurance that the risk management and internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the GRMC and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 32 assignments were conducted for Swire Pacific in 2021.

IA specifically assists the Audit Committee in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad-hoc projects and investigative work as may be required by management or the Audit Committee.

Audit Conclusion and Response
Copies of IA reports are sent to the Chairman of the Board, the Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations, including those aimed at resolving material internal control defects. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the auditors). PricewaterhouseCoopers, the auditors, have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

– recommending to the Board, for approval by shareholders, the auditors' appointment
– approval of the auditors' terms of engagement
– consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
– review of reports and other ad-hoc papers from the auditors
– annual appraisal of the quality and effectiveness of the auditors
– assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity are not, and are not seen to be, compromised
– approval of audit and non-audit fees.

Auditors' Independence
Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants in accordance with the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work and the nature of the non-audit work) at a meeting of the Audit Committee.

Provision of Non-audit Services
In deciding whether the auditors should provide non-audit services the following key principles are considered:

– the auditors should not audit their own firm's work
– the auditors should not make management decisions
– the auditors' independence should not be impaired
– quality of service.

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

The fees in respect of audit and non-audit services provided to the Group by the auditors for 2021 amounted to approximately HK$63 million and HK$17 million respectively. Fees paid to the auditors are disclosed in note 6 to the financial statements.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

– is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
– conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
– has included in its Corporate Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information
– ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Shareholders

Communication with Shareholders and Investors
The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The methods used to communicate with shareholders include the following:

– The Finance Director is available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2021 the Finance Director held meetings or calls with analysts and investors and conducted analyst briefings
– through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
– through publication of interim and annual reports
– through the annual general meeting as discussed below.

Shareholders may send their enquiries and concerns to the Board by post or email at ir@swirepacific.com. The relevant contact details are set out in the Financial Calendar and Information for Investors section of this Annual Report.

The Annual General Meeting

The annual general meeting is an important forum in which to engage with shareholders. The most recent annual general meeting was held on 13th May 2021. The meeting was open to shareholders. The Directors who attended the meeting are shown in the table on page 84.

At the annual general meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

– receiving the report of the Directors and the audited financial statements for the year ended 31st December 2020
– electing/re-electing Directors
– re-appointing the auditors and authorising the Directors to set their remuneration
– a general mandate authorising the Directors to make on-market share buy-backs
– a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares of any class then in issue, provided that the aggregate number of the shares of any class so allotted wholly for cash would not exceed 5% of the number of the shares of that class then in issue.

Minutes of the meeting together with voting results are available on the Company's website.

Dividend Policy

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

Shareholder Engagement

Pursuant to Article 95 of the Company's Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination at the registered office of the Company within the 7-day period commencing on and including the day after the despatch of the notice of the meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in the Corporate Governance section of the Company's website.

If they wish to propose a resolution relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Corporate Governance section of the Company's website.

Shareholder(s) representing at least 5% of the total voting rights of all members may request the Board to convene a general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance section of the Company's website.

Other Information for Shareholders

Key shareholder dates for 2022 are set out in the section of this annual report headed Financial Calendar and Information for Investors and in the Financial Calendar on the Company's website.

No amendment has been made to the Company's Articles of Association during the year.

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital is held by the public. Details of substantial shareholders' and other interests are included in the section of this annual report headed Directors' Report.

RISK MANAGEMENT

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

Group Risk Governance Structure

The Board of Directors and the management of each division are responsible for identifying, analysing and, reporting on the risks for which they are responsible and for optimising the profile of such risks. Risks are mitigated and, where practicable and economic, eliminated. Where risks cannot be eliminated, the related returns should reflect the level of risk being taken.

The Board has adopted the three lines of defence model of risk governance which is designed to minimise conflicts of interest and ensure independent oversight of risk management. There are two key management committees with responsibility for risk management, both of which report to the Audit Committee:

Finance Committee – a first line committee which determines the parameters within which financial risk is managed and oversees the management by the operating companies of financial risk within those parameters. Membership of the Finance Committee includes all the senior finance officers of the Group and its operating companies.

Group Risk Management Committee (GRMC) – a second line committee which is responsible for overseeing the management of non-financial risks and for providing assurance to the Board and the Audit Committee that risk is being managed effectively. The GRMC comprises the Finance Director, an Executive Director and five heads of operating businesses. The GRMC (i) regularly reviews the Group's risk profile, (ii) oversees the management of major risks at Group and operating company levels, (iii) identifies emerging risks and potential sources of future risk and (iv) analyses risk events which materialise, with a view to their resolution and to learning from them. In these activities the GRMC is supported by four risk forums.

In addition, the Company has its own risk management committee, the Swire Pacific Risk Management Committee (SPACRMC). The SPACRMC oversees risks specific to the Company itself, identifies risks which have a Group dimension and proposes approaches to the management of such risks to the GRMC.

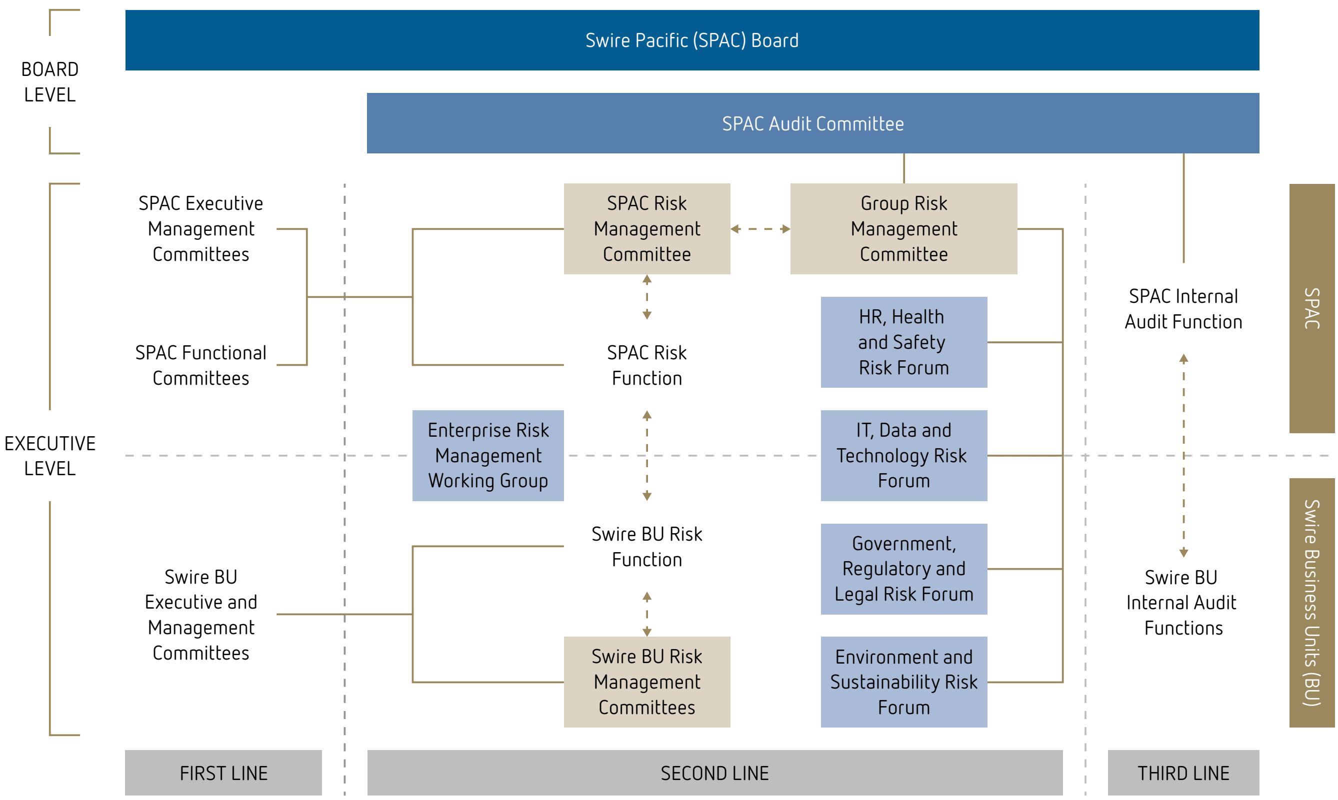
All three of these committees are chaired by the Finance Director, who is also the Company's senior risk officer.

The boards and management of operating companies are responsible for the management of risk at those companies. Risk management governance varies between operating companies. Some have risk committees and dedicated risk functions. Others manage risk through audit or executive committees, supported by individual risk officers.

The Group's risk governance structure was reviewed in 2021. This resulted in the creation of the SPACRMC and the four GRMC risk forums, the movement of committees with executive authority to the first line of defence and the disbanding of the GRMC working committee.

The revised structure is shown below.

Risk Governance Structure



Group ERM Process

The operating companies have adopted a common approach to ERM based on the development and management of their risk registers. This involves:

- **Identification:** Risks are identified by senior executives and categorised by reference to a common risk taxonomy.
- **Assessment:** Each major identified risk is assessed by two or more senior executives. Plausible scenarios are considered in which the risk could eventuate and the impact of the risk rated in six dimensions. The vulnerability of the entity to the risk is then rated according to a) the controls in place to prevent an occurrence, b) the readiness of the organisation to respond to any risk event and c) the degree to which the impact cannot be mitigated.
- **Mitigation:** Designated risk owners then consider the potential for further mitigation and propose action plans. These plans will be expected to reduce the Company's vulnerability to this risk and improve its overall risk profile.

The results of this process are used to update the Company's risk registers.

The SPACRMC also follows the above process. Risks which it identifies which have a Group dimension may be considered by the GRMC, the Audit Committee and/or the Board and passed to operating companies who are then responsible for mitigating these risks in their businesses.

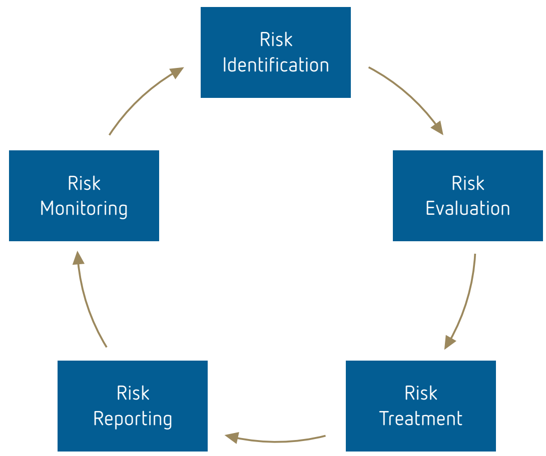
The risk forums of the GRMC provide specialist oversight and support to the operating companies, assisting them in the ERM process and providing additional challenge where appropriate. They also advise the GRMC on emerging risks which may affect the Group, help to analyse risk events that have materialised and develop best practices for managing risks, in each case in areas within their respective remits.

The GRMC reviews Group and divisional risk registers and considers how effectively risks are managed. It issues policies to the operating companies and promotes risk culture across the Group. The GRMC reports to the Audit Committee, which reports to the Board. The Board may itself identify risks, providing an independent perspective of what concerns them. These risks are passed to the GRMC and to the operating companies for incorporation into their risk registers.

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

Risk management is an integral part of each stage of the business management process:

- Strategic planning is informed by the risk identification process which looks for opportunities as well as threats.
- Improving the risk profile is part of the budgeting and planning process.
- Delivery of action plans is included in the performance management process.
- Monitoring changes in the risk profile and its likely impact on the Company's risk profile is part of the ongoing reporting process.
- A risk assessment is also conducted as part of due diligence for any major investment or transaction.



Key Risk Management Focus Areas

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

Key Focus Areas	Mitigation
Evolution of Hong Kong	– Regular review of strategy and investments by the Board. – Gradual rebalancing of business operations within the region with a particular focus on the Greater Bay Area. – Recruitment and training of more leaders with appropriate Chinese Mainland experience. – Enhancing corporate affairs capabilities and reinforcing relationships with government in order to contribute to public policy development.
Regulatory changes	– Through contacts with relevant authorities, understanding planned regulatory changes which may affect the Group's businesses. – Obtaining and acting on external legal and other professional advice.
Political – international tensions	– Monitoring of news, media reports, trends and prevailing public and government opinions. – Having crisis management and business continuity plans in place, with a focus on responding to 'high velocity' risk events. – Systematic management of relationships with key third parties. – Regular reviews of capital allocation to major countries.
Climate change	– Dedicated governance including a GRMC risk forum to oversee environment and sustainability risks and to recommend best practice. – Adopting appropriate targets. – Having contingency plans in place to respond to extreme weather events.
Crisis management	– Having an escalation and reporting protocol in place. – Regularly updating and testing crisis management and business continuity plans. – Bringing in specialist resources as required.
Protection and use of data	– Having the right policies (including relating to personal data), training programmes and penetration testing in place. – Adoption of NIST cybersecurity maturity standard. – Appointment of Chief Information Security Officer. – Dedicated governance including a GRMC risk forum to oversee IT, data and technology risks and to recommend best practice. – Using external service providers for cybersecurity solutions and system testing. – Having cyber incident response plans in place.
Portfolio discipline	– Having in place 10-year capital budgets. Consideration by the Board and management of the resulting make-up of the portfolio and of risks and alternatives. – Having in place formal processes for investment approval, including a dedicated investment committee. – Conducting risk and know your customer assessments of entities considered for investment and proposed joint venture partners. – Evaluating acquisitions after they have been made. Hiring more people who know about executing transactions.
People and culture	– Having in place policies and processes relating to recruitment, performance appraisal, learning and development, succession planning, staff wellness, diversity and inclusion, and compensation and benefits. – Developing digital capabilities by hiring appropriate staff and training existing staff. – Hiring external senior management where appropriate and putting local employees with high potential on a fast track for promotion.

DIRECTORS AND OFFICERS

Executive Directors

BRADLEY, Guy Martin Coutts, aged 56, has been a Director of the Company and its Chairman since August 2021. He is also Chairman of John Swire & Sons (H.K.) Limited and Swire Properties Limited and a Director of Cathay Pacific Airways Limited. He was a Director of the Company from January 2015 to May 2017. He joined the Swire group in 1987 and has worked with the group in the Hong Kong SAR, Papua New Guinea, Japan, the United States, Vietnam, the Chinese Mainland, Taiwan region and the Middle East. He is a chartered surveyor, a fellow of The Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. He is Vice-President of the Real Estate Developers Association of Hong Kong.

COGMAN, David Peter, aged 48, has been a Director of the Company since August 2017. He is also a Director of John Swire & Sons (H.K.) Limited. He joined McKinsey & Company in 1997 and was a partner in McKinsey's Hong Kong office. He joined the Swire group in 2017.

HEALY, Patrick, aged 56, has been a Director of the Company since August 2021. He is also Chairman of Cathay Pacific Airways Limited and Swire Coca-Cola Limited and a Director of John Swire & Sons (H.K.) Limited and Air China Limited. He was a Director of Swire Properties Limited from January 2015 to August 2021. He joined the Swire group in 1988 and has worked with the group in the Hong Kong SAR, Germany and the Chinese Mainland. He is the Director responsible for the Group sustainability strategy and the sustainable development office.

MURRAY, Martin James, aged 55, has been a Director of the Company (and its Finance Director) since April 2021. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Properties Limited. He was previously a Director and chief financial officer of Cathay Pacific Airways Limited and before that deputy finance director of the Company. He joined the Swire group in 1995 and has worked with the group in the Hong Kong SAR, the United States, Singapore and Australia. He is a member of the Institute of Chartered Accountants of Scotland and the Hong Kong Institute of Certified Public Accountants.

ZHANG, Zhuo Ping, aged 50, has been a Director of the Company since April 2020. He is also a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited and Chairman of John Swire & Sons (China) Limited. He spent his early career in investment banking. He was with the Swire group from 2002 to 2011, spending much of his time in the Chinese Mainland, including as chief representative of John Swire & Sons (China) Limited from 2005 to 2008. He ceased to be employed by the Swire group in 2011, when he founded a bioengineering company in Beijing.

Non-Executive Directors

CUBBON, Martin, aged 64, has been a Director of the Company since November 2018. He is also a Director of John Swire & Sons Limited and an Independent Non-Executive Director of Budweiser Brewing Company APAC Limited. He was employed by the Swire group in the Hong Kong SAR from 1986 to 2017 and was a Director of the Company from September 1998 to September 2017.

SWIRE, Merlin Bingham, aged 48, has been a Director of the Company since January 2009. He is also Deputy Chairman, Chief Executive and a shareholder of John Swire & Sons Limited and a Director of Swire Properties Limited and Cathay Pacific Airways Limited. He was Chairman of the Company and Swire Properties Limited from July 2018 to August 2021. He joined the Swire group in 1997 and has worked with the group in the Hong Kong SAR, Australia, the Chinese Mainland and London. He is brother to S C Swire, a Non-Executive Director of the Company.

SWIRE, Samuel Compton, aged 41, has been a Director of the Company since January 2015. He is also Chairman of Swire Shipping Pte. Ltd. He is also a Director and a shareholder of John Swire & Sons Limited and a Director of Cathay Pacific Airways Limited. He joined the Swire group in 2003 and has worked with the group in the Hong Kong SAR, Singapore, the Chinese Mainland, Sri Lanka and London. He is brother to M B Swire, a Non-Executive Director of the Company.

Independent Non-Executive Directors

ETCHELLS, Paul Kenneth, aged 71, has been a Director of the Company since May 2017. He is also an Independent Non-Executive Director of Samsonite International S.A. and an adviser to Cassia Investments Limited. He was employed by the Swire group in the Hong Kong SAR from 1976 to 1998. He was employed by The Coca-Cola Company from July 1998 to June 2010 and worked in the United States, the Chinese Mainland and the Hong Kong SAR.

FRESHWATER, Timothy George, aged 77, has been a Director of the Company since January 2008. He was a Non-Executive Director of Savills plc from 2012 to 2021.

LEE, Chien, aged 68, has been a Director of the Company since January 1993. He is a Non-Executive Director of Hysan Development Company Limited. He is a Council member of The Chinese University of Hong Kong and St. Paul's Co-educational College and also a Director of the CUHK Medical Centre. He is also a Trustee Emeritus of Stanford University.

LEE, Wai Mun Rose, JP, aged 69, has been a Director of the Company since July 2012. She is an Independent Non-Executive Director of CK Hutchison Holdings Limited and MTR Corporation Limited. She is also a Fellow of The Hong Kong Institute of Bankers. She is also a Vice Patron and a member of the Former Directors Committee of the Community Chest of Hong Kong and a Board Member of the West Kowloon Cultural District Authority.

ORR, Gordon Robert Halyburton, aged 59, has been a Director of the Company since August 2015. He joined McKinsey & Company in 1986 and retired in 2015. He was a member of McKinsey's global shareholder board from 2003 to 2015. He is an Independent Non-Executive Director of EQT Partners AB, Lenovo Group Limited and Meituan Dianping and a Board member of the China-Britain Business Council.

XU, Ying, aged 58, has been a Director of the Company with effect from 25th August 2021. She is the president of Wumei Technology Group and a Director of Naspers Limited and Prosus N.V.

Company Secretary

LOMAS, Bernadette Mak, aged 56, has been Company Secretary since February 2022. She is also Group General Counsel of the Group. She is qualified to practise law in the Hong Kong SAR and in the State of New York. Prior to joining the Group, she was Group General Counsel and Company Secretary of a leading Hong Kong listed company.

Notes:
1. The Audit Committee comprises P K Etchells (committee chairman), C Lee and G R H Orr.
2. The Nomination Committee comprises G R H Orr (committee chairman), C Lee and M B Swire.
3. The Remuneration Committee comprises C Lee (committee chairman), R W M Lee and S C Swire.
4. All the Executive Directors and Non-Executive Directors are employees of the John Swire & Sons Limited group.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31st December 2021, which are set out on pages 123 to 211.

Principal Activities

The principal activity of Swire Pacific Limited (the Company) is that of a holding company, and the principal activities of its principal subsidiary, joint venture and associated companies are shown on pages 199 to 209. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 7 to the financial statements.

Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint venture and associated companies. Details of the joint venture and associated companies are provided under note 20 to the financial statements.

Dividends

The Directors have declared second interim dividends of HK$1.60 per 'A' share and HK$0.32 per 'B' share which, together with the first interim dividends of HK$1.00 per 'A' share and HK$0.20 per 'B' share paid in October 2021, amount to full year dividends of HK$2.60 per 'A' share and HK$0.52 per 'B' share, compared to full year dividends of HK$1.70 per 'A' share and HK$0.34 per 'B' share in respect of 2020. The second interim dividends will be paid on 6th May 2022 to shareholders registered at the close of business on the record date, being Friday, 8th April 2022. Shares of the Company will be traded ex-dividend from Wednesday, 6th April 2022.

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

Closure of Register of Members

The register of members will be closed on Friday, 8th April 2022, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 7th April 2022.

To facilitate the processing of proxy voting for the annual general meeting to be held on 12th May 2022, the register of members will be closed from 6th May 2022 to 12th May 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 5th May 2022.

Business Review

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chairman's Statement, Finance Director's Statement, 2021 Performance Review and Outlook, Financial Review, Financing and Risk Management and in the Notes to the Financial Statements. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Sustainable Development Review. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group is provided in the sections of this annual report headed Sustainable Development Review, Corporate Governance Report, Risk Management and Directors' Report.

Reserves

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

Share Capital

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year and the Group has not adopted any share option scheme.

At 31st December 2021, 905,206,000 'A' shares and 2,981,870,000 'B' shares were in issue (31st December 2020: 905,206,000 'A' shares and 2,981,870,000 'B' shares). Details of the movement of share capital are set out in note 34 to the financial statements.

Accounting Policies

The principal accounting policies of the Group are set out in the relevant Notes to the Financial Statements (if they relate to a particular item) and in the section of this annual report headed Principal Accounting Policies.

Auditors

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Financial Review

A review of the consolidated results, consolidated statement of financial position and consolidated statement of cash flows of the Group is shown in the section of this annual report headed Financial Review. A ten-year summary of the financial performance of the Group is shown in the section of this annual report headed Summary of Past Performance.

Corporate Governance

The Company complied with all the code provisions set out in the Corporate Governance Code (the CG Code) contained in Appendix 14 to the Listing Rules throughout the year covered by the annual report with the following exception which it believed did not benefit shareholders:

– Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Board considered the merits of establishing a nomination committee but concluded that it was in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allowed a more informed and balanced decision to be made by the Board as to suitability for the role.

During 2021, The Stock Exchange of Hong Kong Limited consulted on changes to the CG Code and related Listing Rules. One of the outcomes of the consultation is that nomination committees have become mandatory. The Board has resolved to form a nomination committee.

Details of the Company's corporate governance practices (including details of the nomination committee) are set out in the section of this annual report headed Corporate Governance Report.

Environmental, Social and Governance

The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report.

Donations

During the year, the Group made donations for charitable purposes of HK$136 million and donations towards various scholarships of HK$1 million.

Fixed Assets

For details of movements in fixed assets refer to notes 14 and 15 to the financial statements.

The annual valuation of the Group's investment property portfolio, whether completed or in the course of development, was carried out by professionally qualified valuers (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer) on the basis of market value at 31st December 2021. This valuation resulted in a decrease of HK$1,931 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given in the section of this annual report headed Schedule of Principal Group Properties.

Borrowings

For details of the Group's borrowings refer to the section of this annual report headed Financing.

Interest

For details of the amount of interest capitalised by the Group refer to page 74.

Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and suppliers respectively.

Directors

M J Murray was appointed as a Director with effect from 1st April 2021. With effect from 25th August 2021, G M C Bradley was appointed as a Director and elected Chairman of the Company, P Healy and Y Xu were appointed as Directors and M B Swire was re-designated from an Executive Director to a Non-Executive Director on his ceasing to be Chairman of the Company. All the other present Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the calendar year 2021. M M S Low resigned as a Director with effect from 1st April 2021.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (listed in the section of this annual report headed Directors and Officers) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, R W M Lee and G R H Orr retire this year and, being eligible, offer themselves for re-election. G M C Bradley, P Healy and Y Xu, having been appointed to the Board under Article 91 since the last annual general meeting, also retire this year and offer themselves for election. M Cubbon and T G Freshwater have indicated their intention to retire from the Board with effect from the conclusion of the forthcoming annual general meeting, and being eligible, have not offered themselves up for re-election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 8 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$5.2 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2021, the register maintained under Section 352 of the Securities and Futures Ordinance (SFO) showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited and Swire Properties Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
P K Etchells	–	12,000	–	12,000	0.0013	
T G Freshwater	41,000	–	–	41,000	0.0045	
G R H Orr	9,000	–	–	9,000	0.0010	
M B Swire	180,000	–	301,000	481,000	0.0531	3
'B' shares						
M Cubbon	100,000	–	–	100,000	0.0034	
C Lee	1,370,000	–	21,605,000	22,975,000	0.7705	1
M B Swire	390,000	–	3,024,617	3,414,617	0.1145	4
S C Swire	1,225,396	–	–	1,225,396	0.0411	

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
M B Swire	2,693,550	130,000	17,293,967	20,117,517	20.12	2
S C Swire	2,769,333	1,000	20,135,992	22,906,325	22.91	2
8% Cum. Preference Shares of £1						
M B Swire	3,966,125	–	13,384,780	17,350,905	19.28	2
S C Swire	3,018,959	–	17,170,053	20,189,012	22.43	2

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Swire Properties Limited						
Ordinary Shares						
P K Etchells	–	8,400	–	8,400	0.00014	
T G Freshwater	28,700	–	–	28,700	0.00049	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	1
M B Swire	–	–	1,148,812	1,148,812	0.01964	3

Notes:
1. All the shares held by C Lee under Trust interest were held by him as beneficiary of trusts.
2. M B Swire and S C Swire were trustees and/or potential beneficiaries of trusts which held 5,970,631 ordinary shares and 8,812,656 ordinary shares respectively and 3,172,378 preference shares and 6,957,651 preference shares respectively in John Swire & Sons Limited included under Trust interest and did not have any beneficial interest in those shares.
3. Shares held by M B Swire under Trust interest were held by him as one of the executors of a will and he did not have any beneficial interest in those shares.
4. Of 3,024,617 'B' shares of Swire Pacific Limited held by M B Swire under Trust interest, 1,225,395 shares were held by him as a trustee and/or potential beneficiary of a trust and 1,799,222 shares were held by him as one of the executors of a will. He did not have any beneficial interest in those shares.

Other than as stated above, no Director or Chief Executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.

Other than as stated in this report, no transaction, arrangement or contract of significance to which the Group was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Businesses

None of the Directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2021 or during the period from 1st January 2022 to the date of this Report are kept at the Company's registered office and made available for inspection by the members of the Company in accordance with Section 390(6) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

Permitted Indemnity

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), every Director is entitled under the Company's Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by such Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2021 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	'A' shares	Percentage of voting shares (comprised in the class) (%)	'B' shares	Percentage of voting shares (comprised in the class) (%)	Note
Substantial Shareholders					
John Swire & Sons Limited	442,879,720	48.92	2,131,969,282	71.49	1

Notes:

1. John Swire & Sons Limited (Swire) was deemed to be interested in a total of 442,879,720 'A' shares and 2,131,969,282 'B' shares of the Company at 31st December 2021, comprising:
   (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 2,055,000 'B' shares held by Canterbury Holdings Limited, 322,603,700 'A' shares and 123,945,000 'B' shares held by Elham Limited, 39,461,000 'A' shares and 373,003,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 27,716,500 'A' shares held by Waltham Limited.

At 31st December 2021, the Swire group was interested in 57.89% of the equity of the Company and controlled 66.24% of the voting rights attached to shares in the Company.

Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total number of issued shares must at all times be held by the public. The Company has been granted by the Stock Exchange a waiver from strict compliance with Listing Rule 8.08(1) such that the Company's public float percentage continues to be calculated based on its issued share capital as if its shares still had nominal values. From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 25% of the Company's total issued share capital (calculated as described in the previous sentence) is held by the public.

Continuing Connected Transactions

During the year ended 31st December 2021, the Group had the following continuing connected transactions, details of which are set out below:

(a) Services Agreements

There are agreements for services (Services Agreements), in respect of which John Swire & Sons (H.K.) Limited (JS&SHK), a wholly-owned subsidiary of John Swire & Sons Limited (Swire), provided to the Company and some of its subsidiary and associated companies advice and expertise of the directors and senior officers of the Swire group, including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, certain staff services (including full or part time services of members of the staff of the Swire group), certain central services and such other services as may be agreed from time to time, and procured for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. This procuration obligation would fall away if the Services Agreement were terminated or not renewed.

In return for these services, JS&SHK receives annual service fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associates and joint ventures of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiaries and associates with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in arrear in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimburses the Swire group at cost for most of the expenses incurred in the provision of the services.

The Services Agreements took effect from 1st January 2005, were renewed on 1st October 2007, 1st October 2010, 14th November 2013 and 1st October 2016, were amended and restated on 9th August 2019 and were renewed again on 1st October 2019. The current term of the Services Agreements is from 1st January 2020 to 31st December 2022 and they are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2021 are given in note 41 to the financial statements.

(b) Tenancy Framework Agreement

The Company, JS&SHK and Swire Properties Limited (Swire Properties) entered into a Tenancy Framework Agreement (Tenancy Framework Agreement) on 14th August 2014 to govern existing and future tenancy agreements between members of the Group, members of the JS&SHK group and members of the Swire Properties group. The Tenancy Framework Agreement, which took effect from 1st January 2014 and was renewed on 1st October 2015 and 1st October 2018, was renewed again on 1st October 2021 for a term of three years from 1st January 2022 to 31st December 2024. It is renewable for successive periods of three years thereafter unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JS&SHK group and members of the Swire Properties group enter into tenancy agreements from time to time on normal commercial terms based on prevailing market rentals.

Particulars of the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement for the year ended 31st December 2021 are given in note 41 to the financial statements.

The Swire group was interested in 57.89% of the equity of the Company and controlled 66.24% of the voting rights attached to shares in the Company at 31st December 2021. JS&SHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Services Agreements and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 9th August 2019 and 13th May 2021 respectively were published.

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

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that the relevant annual caps have been exceeded.

Discloseable Transactions

On 29th September 2021, Joyful Sincere Limited (Joyful Sincere), in which Swire Properties has an 80% interest, accepted a land exchange offer pursuant to which Joyful Sincere surrendered Chai Wan Inland Lot No. 88 to the HKSAR Government and the HKSAR Government has granted Chai Wan Inland Lot No. 178 to Joyful Sincere for a premium of HK$4,540,210,000. The land exchange constituted a discloseable transaction for the Company under the Listing Rules, in respect of which an announcement dated 29th September 2021 was published. The land exchange was executed on 28th December 2021.

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 (collectively, the Transaction). Chance Ascent has a 70% interest in the Project Company and is obliged to contribute approximately RMB2,558 million to its registered capital. Chance Ascent's total capital commitment to the acquisition and development of the Target Land is estimated to be RMB7,000 million. The Transaction constituted a discloseable transaction for the Company under the Listing Rules, in respect of which an announcement dated 4th March 2022 was published.

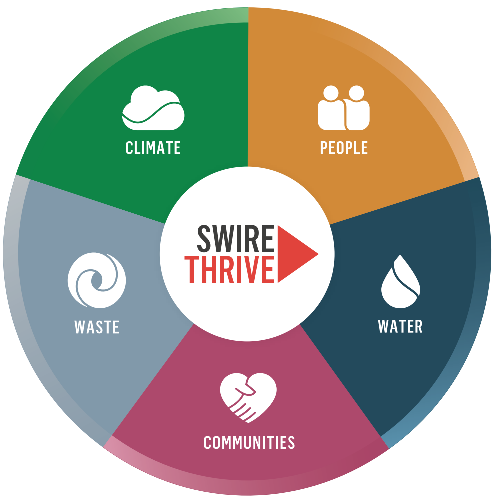
On behalf of the Board

Guy Bradley
Chairman
Hong Kong, 10th March 2022

SUSTAINABLE DEVELOPMENT REVIEW

Sustainable development has been a core principle at Swire Pacific for 150 years. It remains integral to our approach to business and investments. Providing quality products and services that our customers can trust, investing in our people and communities, and protecting shared natural resources is not only the right thing to do, it is fundamental to our ability to create long-term value for our shareholders.

In 2020, we relaunched SwireTHRIVE, our group strategy for sustainable development. It aims to drive innovation and continuous improvement across the Group in five priority areas: Climate, Waste, Water, People and Communities.



We believe that when the world in which we operate thrives, so do we. SwireTHRIVE is underpinned by stretching near-term targets to reduce carbon, water and waste from our business activities. As a group, our ambition is to achieve net-zero carbon, water neutrality and zero waste to landfill by 2050. This commitment is made by our leadership team and agreed by our Board.

We recognise that there are other environmental, social and governance (ESG) topics that are important to our investors, regulators and customers. We have policies (including on human rights, biodiversity and sustainable procurement) which cover and go beyond SwireTHRIVE.

Governance of Sustainable Development

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

In 2021, a three lines of defence risk governance structure, Swire Pacific Risk Management Committee (SPACRMC) and four risk forums were introduced to strengthen oversight of risks, including sustainability risks, at Group level (see Risk Management section for details).

The GRMC, SPACRMC and the new risk forums form the second line of defence, providing oversight and assurance to the Board and the Audit Committee that risks are being managed effectively. The risk forums relevant to SwireTHRIVE focus on Environment and Sustainability, and Human Resources, Health and Safety.

Functional committees are part of the first line of defence and include representatives from our divisions. They are responsible for identifying and managing specific areas of risk, proposing policies and reporting performance to the GRMC. Those relevant to SwireTHRIVE include the Swire Group Environment Committee (SGEC) and the Health and Safety Committee. We have a Diversity and Inclusion Steering Committee (DISC).

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

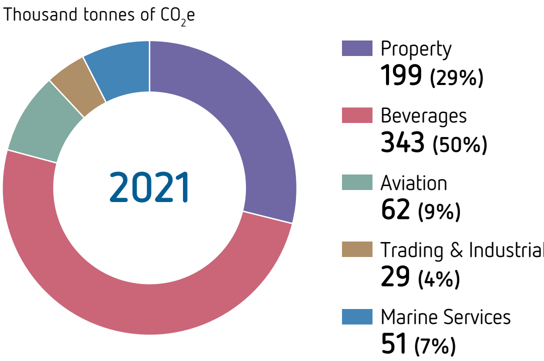
Sustainable Development Fund

The Swire Pacific Sustainable Development Fund offers financial support to operating companies for projects which can deliver significant environmental benefits, but which cannot be justified by reference to our cost of capital targets. Since 2019, the fund has supported trials of innovative cleantech solutions, with a view to accelerating their adoption at scale. In 2021, funding of about HK$8 million was approved for projects at four operating companies.

Sustainable Finance

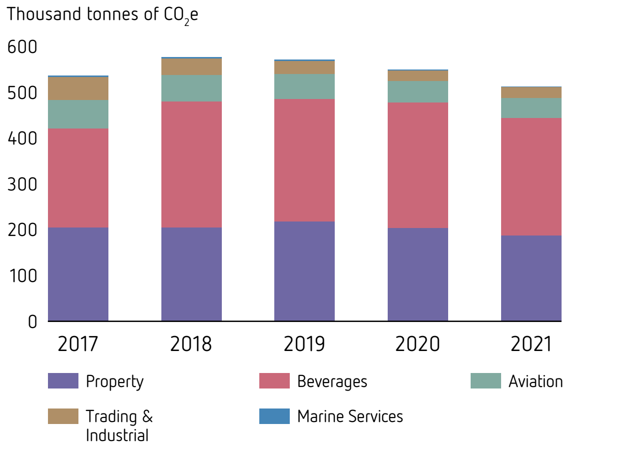
Linking sustainability performance to our financing mechanisms helps demonstrate our commitment to sustainability. In June 2021, the Company converted two revolving credit facilities totalling HK$2.2 billion into sustainability-linked loans. Sustainable finance represented 18% of the Group's total financing in 2021.

Total GHG Emissions (Scopes 1 and 2) by Division



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

Indirect (Scope 2) GHG Emissions by Division



Note:
1. Swire Pacific tracks its energy consumption and GHG emissions through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of records. The figures for 2020 have been updated to reflect such availability.

Climate

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

Climate Risk

As part of its overall coverage of risks, the Group's Enterprise Risk Management (ERM) process supports consideration of the physical, regulatory and financial impact of climate change on our businesses. In 2018, we started to align our reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have since assessed the physical climate risk of more than 850 of our immovable assets. Each of our divisions also has operations covered by the ISO14001 environmental management system.

Greenhouse Gas Emissions

We aim to reduce our emissions in line with international carbon reduction goals. We target a 50% reduction in total GHG emissions (scope 1 and scope 2) by 2030, from 2018 levels, and aim to reach net-zero emissions by 2050.

In 2021, our GHG emissions were 683 thousand tonnes of carbon dioxide equivalent (CO_2e), a 12% decrease from 2020 (calculated on a revised basis). Swire Properties and Swire Coca-Cola account for 79% of the emissions of the Group. Both have set science-based targets (SBTs) aligned with the 1.5°C pathway, which have been approved by the Science Based Targets initiative (SBTi).

Following a review of our report boundary in 2021, Cathay Pacific's emissions are now classified as the Group's scope 3 emissions. In 2021, the Cathay Pacific group's emissions totalled 6,060 thousand tonnes of CO_2e, of which we report 45%, which is equivalent to our ordinary shareholding interest in the company. Cathay Pacific has committed to achieving net-zero carbon emissions by 2050, and for sustainable aviation fuel (SAF) to constitute 10% of its total fuel consumption by 2030.

Fuel efficiency at the Cathay Pacific group was impacted by changes in operations, including the mix of aircraft being operated and capacity reductions due to operational restrictions. Its carbon intensity, measured in tonnes of CO_2 per available tonne kilometre (ATK), increased by 1.1% in 2021 compared with 2020.

Energy

Electricity consumption is our largest source of GHG emissions. In 2021, our indirect emissions (primarily derived from purchased electricity) were 512 thousand tonnes of CO_2e, a 7% decrease from 2020 (calculated on a revised basis). We retrofitted buildings and improved operational procedures. Energy saving initiatives and increased use of renewable electricity contributed to our improved performance.

Our sustainable building design policy requires new and substantially renovated buildings to obtain the highest or, as a minimum, the second highest international or local building environmental certification.

Swire Properties designs, constructs and operates properties with a view to reducing energy use. At the end of 2021, buildings accounting for 96% of Swire Properties' existing buildings are certified green buildings under BEAM, BEAM Plus, LEED, WELL, China Three Star or Green Mark independent rating systems, of which 82% achieved the highest ratings. 100% of its projects under development have achieved the highest ratings.

In 2021, Swire Properties continued to make steady progress towards meeting its new SBTs. Its scope 1 and 2 emissions have decreased by 23% compared with the 2019 base year. Swire Properties offers free energy audits to tenants. Since 2008, free energy audits have covered 5.8 million square metres of commercial space, identifying potential annual energy savings of 9.1 million kWh.

We encourage the use of renewable energy through onsite generation or power purchase agreements. 20.5 million kWh of electricity was generated from renewable sources at Swire Properties, Swire Coca-Cola and HAECO Xiamen in 2021. In 2021, Swire Properties entered into a contract to procure 100% renewable electricity for its Taikoo Hui, Guangzhou development. Swire Coca-Cola's plants in Yunnan, Hubei and Shanghai Jinqiao are powered by 100% renewable electricity.

Waste

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

In 2021, the Group generated 89,227 tonnes of waste, a 12% increase from 2020. Swire Properties and Swire Coca-Cola account for 90% of the Group's waste footprint. We target for 65% of our non-hazardous waste to be diverted from landfill by 2030, and to achieve zero waste to landfill by 2050. Our waste diversion rate increased from 44% in 2020, to 51% in 2021 for subsidiaries covered by our 2030 waste target.

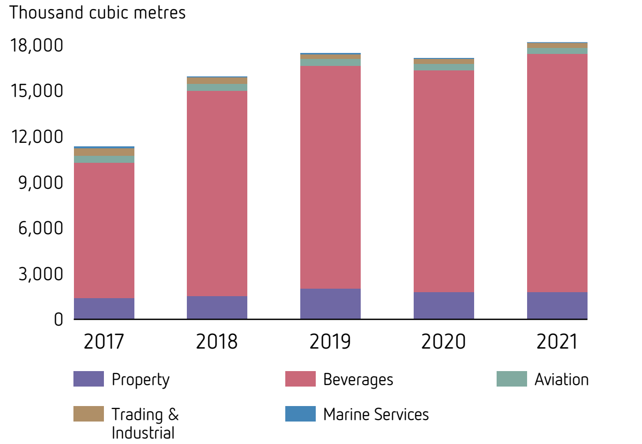
We are conscious of increasing global concerns about single-use plastic and the environmental damage it causes, particularly if not captured at its end-of-life. Whilst plastics are versatile, cost-effective, lightweight and important for our operations, particularly for ensuring food quality and safety, we recognise that we have a responsibility to address the impact of the plastic we use.

In line with The Coca-Cola Company's World Without Waste initiative, Swire Coca-Cola has the following aims:

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

To address post-consumer waste, Swire Coca-Cola has entered into a joint venture with ALBA Group Asia and Baguio Waste Management & Recycling to build and operate New Life Plastics, Hong Kong's first food-grade ready plastics recycling facility which can process around 35,000 tonnes of PET and HDPE annually.

Water Withdrawal by Division



Note:
1. Swire Pacific tracks its water consumption through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of records. The figures for 2020 have been updated to reflect such availability.

Water

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

We abide by all local wastewater treatment laws, and in many cases exceed them. By doing this, we protect our own resources and help the communities in which we operate to have access to safe, good quality water.

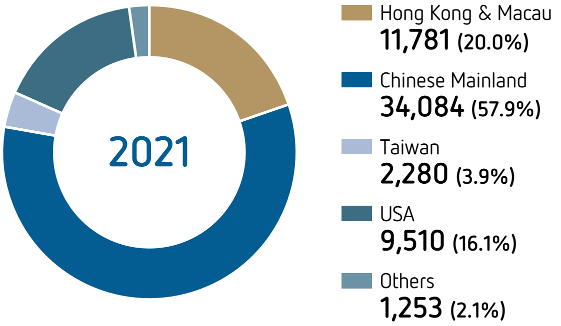
We target to achieve a 30% reduction in the water used by our operations compared to a 2018 frozen efficiency scenario, which assumes no improvements in efficiency from the base year. Water in Swire Coca-Cola's products is excluded. Our goal is to achieve water neutrality by 2050.

In 2021, we withdrew 18.1 million cubic metres of water, an increase of 6% from 2020 (calculated on a revised basis).

Using water to make beverages and maintain hygiene, the Beverages Division accounts for 86% of our water use. In 2021, water intensity at Swire Coca-Cola, which reflects the amount of water needed to produce a litre of beverage product, decreased by 0.55% to 1.81 from 1.82 in 2020. Testing and commissioning new production lines in the Chinese Mainland, Hong Kong and Taiwan, and increased product variation impacted water demand.

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

Employee Numbers by Region



People

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

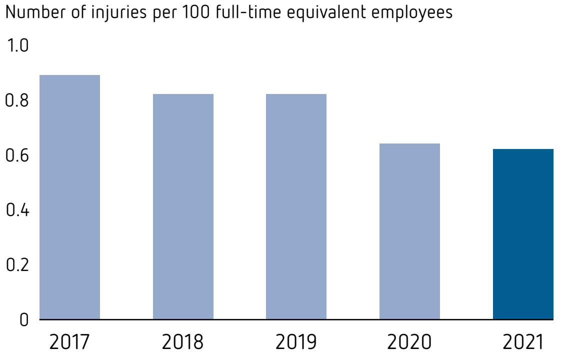
At the end of 2021, the Swire Pacific Group (excluding Cathay Pacific group and HAESL) employed over 58,000 people, a decrease of 6.1% from the end of 2020. The majority of our people are based in Hong Kong and the Chinese Mainland.

Staff turnover is monitored with a view to identifying and managing problems as they arise. In 2021, the turnover rate was 20%, compared with 12.5% in 2020 (figures adjusted to reflect revised report boundary).

Health and Safety

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

Lost Time Injury Rate



Note:
1. Figures for 2017-2020 have been restated to reflect the change in the reporting boundary in 2021.

In 2021, the number of injuries per 100 full-time equivalent employees (lost time injury rate or LTIR) decreased by 3% to 0.62 from 0.64 in 2020.

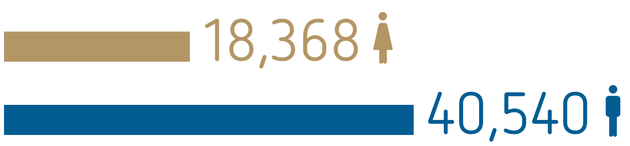
We aim continuously to improve our health and safety performance and culture through systems improvements, training, learning and transparent reporting. We expect our contractors to observe high safety standards. In 2021, we began centrally tracking contractor safety data with a view to improving performance. Regrettably, there were two work-related fatalities of subcontracted workers in 2021. One incident occurred in the Chinese Mainland at Swire Properties and the other at Swire Coca-Cola in Taiwan.

We care about the mental and physical health and wellbeing of our people. Group initiatives include health checks, employee assistance programmes with 24-hour confidential hotlines, and policies on flexible working and parental leave. We will enhance our wellbeing strategy in 2022.

Diversity and Inclusion

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

Employee Breakdown by Gender



Our DISC and the Swire Women's Network help to accomplish our aim of creating a diverse and inclusive workforce. We have a five-year plan with goals, metrics and guidelines.

We have a target that 30% of senior management roles should be held by women by 2024. In 2021, this figure was 24%.

At the end of 2021, the percentage of women on the Company's Board was 14%.

We have conducted unconscious bias training for those responsible for recruitment and promotion.

Employees are required to be fully compliant with applicable employment and other laws. We provide training in order to assist our people to understand their rights and obligations under Hong Kong anti-discrimination legislation.

Training and Development

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

Our in-house leadership development company Ethos International designs and provides learning and development programmes for management staff. Managers attend business management and executive programmes at INSEAD and Stanford. Ethos' training programmes emphasise sustainability and contribute to the development of a strong corporate culture and a style of leadership that is consistent with our values.

We recruit high-calibre individuals every year with a view to developing them into future leaders within the Group. Through three structured programmes which focus on management, finance and human resources, individuals have access to coaching, mentoring and various development initiatives.

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

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

Communities

We believe that when the communities in which we operate prosper, so do we. We concentrate on doing things where we believe we can make a difference. We support our communities with monetary donations, with products and services and with the time and energy of our staff, and through the Swire Group Charitable Trust (the Trust), a Hong Kong charity registered under Section 88 of the Inland Revenue Ordinance. The Trust focuses on education, marine conservation and the arts in Hong Kong.

In 2021, the Trust continued to partner with about 50 Hong Kong-based organisations to support vulnerable groups and build social capital through its flagship programme, TrustTomorrow. The Trust also launched a series of staff engagement activities to encourage colleagues to volunteer their time and gain a deeper understanding of social issues. The Trust organised a total of 58 experiential and volunteering activities where staff contributed 2,385 hours during the year.

At the end of 2021, the Trust had 51 programmes. In 2021, it distributed approximately HK$65 million.

Engaging with Suppliers

Our sustainable procurement policy commits operating companies where possible to purchasing products which do not adversely affect the environment. Our guidelines on doing so are in accordance with international standards.

Our Supplier Corporate Social Responsibility Code of Conduct deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting.

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

Our operating companies are responsible for their own supply chain management. Support is provided by our sustainable supply chain working group.

Reporting and Recognition

Our sustainability performance will be disclosed in detail in a separate sustainable development report, which will be available on our website. It will be prepared with reference to the Global Reporting Initiative (GRI) Standards and the ESG Reporting Guide for listed companies issued by The Stock Exchange of Hong Kong Limited.

Deloitte Touche Tohmatsu have been engaged to provide a limited assurance report in respect of selected sustainability information of Swire Pacific for the year ended 31st December 2021. Further information on the scope and boundaries of our sustainability data and the full limited assurance report can be found at http://www.swirepacific.com/en/sd/sd_reports.php.

Swire Pacific is included in the Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Benchmark Index, the S&P Global Sustainability Yearbook 2022 and the MSCI ACWI ESG Leaders, Hong Kong ESG Leaders, ACWI ESG Universal and ACWI SRI Indices. We received a AAA rating from MSCI. Swire Pacific is included in the 2022 Bloomberg Gender-Equality Index.

Swire Properties is included in the FTSE4Good Index. In 2021, Swire Properties continued to be the only listed company from Hong Kong to be included in the Dow Jones Sustainability World Index.

In 2021, Swire Pacific received a score of B for CDP Climate Change and a score of A- for CDP Water Security. Swire Coca-Cola maintained its score of A for CDP Water Security.

Statistics – Environmental

		Property		Beverages		Aviation	
		Swire Properties		Swire Coca-Cola		Cathay Pacific group (Note 2)	
	Note	2021	2020	2021	2020	2021	2020
Total Energy Consumption (thousand GJ)							
Direct energy consumption		190	165	1,340	1,176	–	–
Indirect energy consumption		1,058	1,050	1,833	1,884	–	–
Total	1	1,247	1,215	3,174	3,060	–	–
% Change year-on-year		3%		4%		–	
Total Greenhouse Gas Emissions from Direct Operations (thousand tonnes CO_2e)							
Direct (Scope 1)		11	12	87	85	–	–
Indirect (Scope 2)		187	204	256	273	–	–
Total	1	199	216	343	358	–	–
% Change year-on-year		-8%		-4%		–	
Material Greenhouse Gas Emissions from Swire Pacific's Value Chain (thousand tonnes CO_2e)							
Indirect (Scope 3)	2, 3	–	–	–	–	2,727	3,415
% Change year-on-year		–		–		-20%	
Total Water Withdrawal (thousand cbm)							
Water withdrawn	4	1,776	1,759	15,619	14,572	–	–
% Change year-on-year		1%		7%		–	

Statistics – Health & Safety

	Property		Beverages		Aviation	
	Swire Properties		Swire Coca-Cola		HAECO group (Note 5)	
	2021	2020	2021	2020	2021	2020
Thousand hours worked	12,980	13,141	74,405	69,271	27,837	28,596
Total lost time injuries	62	82	200	174	117	125
Lost time injury rate (LTIR)	0.96	1.25	0.54	0.50	0.84	0.87
% Change year-on-year (LTIR)	-23%		8%		-3%	
Total fatalities (employee)	0	0	0	1	0	0
Total fatalities (contractor)	1	–	1	–	0	–

Notes:
1. Totals may not be the exact sum of numbers shown here due to rounding.
2. The Group currently reports scope 3 emissions associated with its investment in Cathay Pacific due to its significant contribution to the Group's emissions portfolio. We account for a proportion of the Cathay Pacific group's total GHG emissions under the Group's scope 3 emissions. The proportion is 45%, which is the same as our percentage ordinary shareholding interest in Cathay Pacific.
3. For the Cathay Pacific group's aviation turbine fuel associated emissions, only CO_2 (not CO_2e) emissions are reported as there is no scientific consensus on the global warming effect of other GHGs emissions. Cathay Pacific monitors developments in these areas of atmospheric science, including studies from the UKs OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre.
4. Total water withdrawal refers to the sum of water drawn from municipal water and groundwater. Virtually all water withdrawal by the Group is from municipal water supplies provided by local water supply authorities.

		Trading & Industrial		Marine Services					
HAECO group (Note 5)		Swire Resources, Taikoo Motors, Swire Foods and Swire Environmental Services		Swire Pacific Offshore (Note 6)		HUD group (Note 7)		Total (Note 1)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
202	232	74	72	317	931	237	314	2,360	2,891
337	327	150	141	2	3	11	17	3,392	3,422
539	559	224	214	319	934	248	331	5,752[R]	6,313
-3%		5%		-66%		-25%		-9%	
18	21	5	5	30	77	20	26	171	226
44	47	24	23	0.2	0.3	1.2	2.3	512	550
62	68	29	28	30	77	21	29	683[R]	776
-10%		4%		-61%		-28%		-12%	
–	–	–	–	–	–	–	–	2,727[R]	3,415
–		–		–		–		-20%	
398	417	311	302	–	–	39	86	18,143[R]	17,136
-5%		3%		–		-55%		6%	

Trading & Industrial		Marine Services							
Swire Resources, Taikoo Motors, Swire Foods and Swire Environmental Services		Swire Pacific Offshore		HUD group (Note 7)		Swire Pacific (Head Office)		Total (Note 1)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
13,717	13,257	7,649	10,286	1,113	1,703	84	77	137,785	136,330
40	47	6	6	1	1	0	0	426	435
0.58	0.71	0.16	0.12	0.18	0.12	0	0	0.62[R]	0.64
-18%		33%		50%		–		-3%	
0	0	0	0	0	0	0	0	0[R]	1
0	–	0	–	0	–	0	–	2[R]	–

5. Following a revision to our report boundary in 2021, HAECO group figures exclude Hong Kong Aero Engine Services Limited (HAESL), a joint venture company between Rolls-Royce and HAECO. 2020 figures have been restated.
6. This figure excludes on-hire vessel fuel consumption as this belongs to scope 3 as defined by the Greenhouse Gas Protocol.
7. For 2021, the data for Hongkong United Dockyards group (HUD) covers the period from January to September only.
R. Denotes sustainability data that has been reported on by Deloitte Touche Tohmatsu. Please refer to the independent limited assurance report for further details.

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Independent Auditor's Report

羅兵咸永道

To the Shareholders of Swire Pacific Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Swire Pacific Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 123 to 211, comprise:

- the consolidated statement of financial position as at 31st December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification and remeasurement of carrying value of assets of the Swire Pacific Offshore Holdings Limited disposal group *Refer to notes 28, 43 and 44 in the consolidated financial statements.* As at 31st December 2021, management believed the disposal of Swire Pacific Offshore Holdings Limited (the "SPO disposal group") was highly probable and will be executed in the next twelve months. Management classified the assets and liabilities of the SPO disposal group as held for sale as at 31st December 2021 and presented its results as discontinued operations. Management remeasured the assets of the SPO disposal group to their fair value less cost to sell, with reference to the disposal consideration. A remeasurement loss on assets classified as held for sale of HK$1,611 million has been recognised for the year.	Our procedures in relation to management's classification and remeasurement of carrying value of assets of the SPO disposal group included: – Reviewing the sale and purchase agreement to determine the key contract terms, disposal consideration and accounting implications; – Assessing the basis of estimating the fair value less cost to sell and reviewing the calculation of remeasurement loss recognised for the year by comparing the disposal consideration with the carrying value of assets and liabilities of the SPO disposal group as at 31st December 2021; and – Assessing the appropriateness of the disclosures in the financial statements. We found management's classification and remeasurement of the carrying value of assets to be reasonable. We found the disclosures in notes 28, 43 and 44 to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 15 in the consolidated financial statements.* The fair value of the Group's investment properties amounted to HK$267,354 million at 31st December 2021, with a fair value loss of HK$1,931 million recorded in the consolidated statement of profit or loss for the year. Valuations were obtained from third party valuers (the "valuers") in respect of 97% of the investment properties as at 31st December 2021. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and market rents. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.	Our procedures in relation to valuation of investment properties included: – Evaluation of the valuers' competence, capabilities, independence and objectivity; – Meeting the valuers to discuss the valuations and key assumptions used; – Review of the external valuation reports to assess the appropriateness of methodologies used; – Comparison of the capitalisation rates, market rents and expected developer's profit margin used by the valuers to an estimated range, determined by reference to publicly available information by our in-house valuation experts; – Checking the accuracy of the rental data provided by management to the valuers by agreeing them on a sample basis to the Group's records; and – For investment properties under development, comparing the estimated construction costs to complete with the Group's budgets. We found the key assumptions were supported by the available evidence. We found the disclosures in note 15 to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment assessment of goodwill and the Group's interest in a joint venture company in the Hong Kong Aircraft Engineering Company Limited ("HAECO") group
Refer to notes 16 and 20 in the consolidated financial statements.

Management performed impairment assessments in relation to the goodwill allocated to HAECO Hong Kong and Chinese Mainland of HK$3,510 million as at 31st December 2021 and, given the presence of impairment indicators following the adverse impact of COVID-19, in relation to the Group's interest of HK$4,250 million in Hong Kong Aero Engine Services Limited ("HAESL"), a joint venture company, as at 31st December 2021.

Management compared the carrying values of the HAECO Hong Kong and Chinese Mainland businesses and the Group's interest in HAESL with their respective recoverable amounts which were determined by value in use calculations, using discounted cash flow forecasts, to assess if any impairment provision was required.

The value in use calculations reflect certain key assumptions made by management including estimated future cash flows and growth rates and the discount rates applied.

These assumptions reflect a significant degree of management judgement as well as uncertainty about the duration of the impact of COVID-19 on future cash flows.

Based on the impairment assessments, management concluded impairment provisions were not required as at 31st December 2021.

Our procedures in relation to management's impairment assessment of goodwill allocated to HAECO Hong Kong and Chinese Mainland and the Group's interest in HAESL included:

- Assessing management's allocation of assets to HAECO Hong Kong and Chinese Mainland for the purposes of the impairment assessment;
- Comparing the cash flow forecasts with approved budgets and latest available performance information;
- Making detailed inquiries of management to understand their estimates of the impact of COVID-19 on the demand for aircraft maintenance and engine overhaul work and how this has been reflected in the cash flow forecasts;
- Evaluating the assumptions in the cash flow forecasts relating to the impact of COVID-19 on demand for aircraft maintenance and engine overhaul work with reference to publicly available industry reports;
- Evaluating the discount rates and growth rates applied in the impairment calculations based on historical trends and market data;
- Reviewing management's sensitivity analyses and performing our sensitivity analyses on the key assumptions in the cash flow forecasts, including expected rates of recovery, growth rates and discount rates, and assessing whether there were indicators of management bias in the selection of these assumptions; and
- Assessing the appropriateness of the disclosures in the financial statements.

Based on the available evidence we found management's assumptions in relation to the impairment assessment to be reasonable. We found the disclosures in notes 16 and 20 to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter

Key Audit Matters in relation to Cathay Pacific Airways Limited ("Cathay Pacific")

Refer to note 20 in the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 210 and 211.

The Group's 45% interest in Cathay Pacific is accounted for under the equity method. The Group's share of loss after tax from Cathay Pacific for the year ended 31st December 2021 was HK$2,487 million and the Group's interest in Cathay Pacific's was HK$23,611 million as at 31st December 2021.

Swire Pacific management considered the adverse impact of COVID-19 on Cathay Pacific's performance to be an indicator of potential impairment. As a result, Swire Pacific management performed an impairment assessment of the carrying amount of their interest in Cathay Pacific at 31st December 2021.

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

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

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

Cathay Pacific is a significant associate of the Group and is audited by a non-PwC auditor ("the CX Auditor"). We have met with the CX Auditor and have discussed their identified audit risks and audit approach, results of their work and key audit matters identified; and have reviewed their working papers.

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

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

After considering the procedures performed by us in respect of the impairment assessment of the Group's interest in Cathay Pacific and our review of the audit work of the CX Auditor, we have determined that the audit work performed and evidence obtained are sufficient for our purpose. We discussed the key audit matters relating to Cathay Pacific with Swire Pacific management and evaluated the impact on our audit of the consolidated financial statements.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited ("Cathay Pacific") (continued) *Refer to note 20 in the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 210 and 211.*	
Assessing impairment of property, plant and equipment and intangible assets – The carrying values of Cathay Pacific's property, plant and equipment and intangible assets were HK$123,990 million and HK$15,035 million respectively as at 31st December 2021. At the end of each reporting period, Cathay Pacific management identifies assets which are unlikely to be deployed in economic service in the future, and impairment losses are recorded based on the assets' estimated fair value less costs of disposal. The remaining items of property, plant and equipment and intangible assets are allocated to cash-generating units ("CGUs"). Where indicators of impairment of a CGU are identified, Cathay Pacific management performs an impairment assessment of the CGU by comparing its carrying value with its recoverable amount which is the higher of fair value less costs of disposal and value in use based on discounted cash flow forecasts. In addition, for CGUs containing goodwill, an impairment assessment is performed at least annually even if there is no indicator of impairment. Passenger travel demands remain low as a result of the COVID-19 pandemic, and Cathay Pacific management has reassessed its operating plans including the expected timing of retirement of aircraft. As a result of Cathay Pacific management's assessment, impairment losses of HK$1,010 million were recognised in respect of property, plant and equipment for the year ended 31st December 2021 primarily related to aircraft and related equipment. The CX Auditor identified the assessment of impairment of property, plant and equipment and intangible assets as a key audit matter because (i) of the significance of the carrying value of such assets to the consolidated financial statements of Cathay Pacific and (ii) the preparation of discounted cash flow forecasts for the purpose of impairment assessments involves identifying assets which are unlikely to be deployed in economic service in the future, and estimating future cash flows, growth rates and discount rates involve a significant degree of management judgement and could be subject to management bias.	Meeting with Cathay Pacific management and reviewing board minutes and other papers to understand the impact of COVID-19 on Cathay Pacific, the mitigation strategies adopted, and how these are reflected in the Cathay Pacific's restructuring plan; – Assessing management's identification of assets which are unlikely to be deployed in economic service in the future by obtaining Cathay Pacific's asset utilisation plan and evaluating their recoverable amounts; – Assessing Cathay Pacific management's identification of the CGUs, allocation of assets and methodology adopted by Cathay Pacific management in its impairment assessment with reference to the requirements of the prevailing accounting standards; – Discussing indicators of possible impairment of property, plant and equipment and intangible assets with Cathay Pacific management and, for CGUs where such indicators were identified and CGUs with goodwill, assessing Cathay Pacific management's impairment testing; – Evaluating the assumptions adopted in the preparation of the discounted cash flow forecast, including projected future growth rates for income and expenses and discount rates, with reference to the CX Auditor's understanding of the business, historical trends, available industry information and market data; – Involving the CX Auditor's internal valuation specialists in order to assess the methodology and significant assumptions including discount rates adopted by Cathay Pacific management in its impairment assessment; and – Performing sensitivity analyses on the key assumptions, including projected profitability, expected growth rates and discount rates adopted in the discounted cash flow forecasts and assessing whether there were indicators of management bias in the selection of these assumptions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited ("Cathay Pacific") (continued) *Refer to note 20 in the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 210 and 211.*	
Revenue recognition – Cathay Pacific's revenue amounted to HK$45,587 million for the year ended 31st December 2021. Revenue from passenger and cargo sales is recorded when the related transportation service is provided, using sophisticated information technology systems to track the point of service delivery and, where necessary, estimates of fair values for the services provided that involve a significant degree of management judgement.	– Assessing information technology controls and key manual and application controls over Cathay Pacific's revenue systems; – Performing analytical procedures on revenue; and – Inspecting underlying documentation for journal entries related to revenue which met specific risk-based criteria.
Hedge accounting – Cathay Pacific enters into derivative financial instrument contracts to manage its exposure to fuel price risk, foreign currency risk and interest rate risk. Hedge accounting under HKFRSs is applied to some of these arrangements, and related contracts gave rise to derivative financial assets of HK$1,712 million and liabilities of HK$312 million as at 31st December 2021. These contracts are recorded at fair value and for those contracts hedge accounting is applied, such that gains and losses arising from fair value changes are deferred in equity and recognised in the consolidated statement of profit or loss when hedges mature. The contracts necessitate a sophisticated system to record and track each contract and determine the related valuations at each financial reporting date. The valuation of hedging instruments and consideration of hedge effectiveness can involve a significant degree of both complexity and management judgement and are subject to an inherent risk of error. Furthermore, economic uncertainties caused by COVID-19 have resulted in increased judgement being required for forecasting travel demand and fuel consumption for the purpose of hedge designation and evaluating whether a hedging relationship continues to meet the qualifying criteria.	– Assessing Cathay Pacific's internal controls over derivative financial instruments and hedge accounting; – Discussing with Cathay Pacific management the assumptions used in forecasting flying activity and fuel consumption, and challenging and performing sensitivity analysis on these estimates based on different possible COVID-19 recovery scenarios; – Inspecting, on a sample basis, Cathay Pacific's hedge documentation and contracts; – Re-performing, on a sample basis, the year end valuations of derivative financial instruments and calculations of hedge effectiveness, and testing the discontinuation of hedging relationships where the hedging instrument is terminated or the hedged forecast transaction is no longer considered to be highly probable; and – Obtaining confirmation of derivative financial instruments that exist at the reporting date from counterparties on a sample basis.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited ("Cathay Pacific") (continued) *Refer to note 20 in the consolidated financial statements and the abridged financial statements of Cathay Pacific on pages 210 and 211.*	
Assessment of provisions for taxation, litigation and claims – As at 31st December 2021, Cathay Pacific had provisions in respect of possible or actual taxation disputes, litigation and claims amounting to HK$3,467 million. These provisions are estimated using a significant degree of management judgement in interpreting the various relevant rules, regulations and practices and in considering precedents in the various jurisdictions.	– Assessing the adequacy of Cathay Pacific's tax provisions by reviewing correspondence with tax authorities; – Discussing significant litigation, claims and regulatory enquiries with Cathay Pacific's internal legal counsel; – Obtaining letters from Cathay Pacific's external legal advisors including their views regarding the likely outcome and magnitude of and exposure to the relevant litigation, claims and regulatory enquiries; – Considering opinions given by Cathay Pacific's third party advisors; and – Assessing the reliability of Cathay Pacific management's past estimates.
	We found that, in the context of our audit of the consolidated financial statements of Swire Pacific Limited, Cathay Pacific's management judgements and estimates associated with the key audit matters noted in respect of the Group's share of the loss and interest in Cathay Pacific were supported by the available evidence.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John J. Ryan.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 10th March 2022

Consolidated Statement of Profit or Loss

For the year ended 31st December 2021

	Note	2021 HK$M	2020 HK$M (Note 1c)
Continuing operations			
Revenue	4	90,802	78,356
Cost of sales		(55,524)	(47,859)
Gross profit		35,278	30,497
Distribution costs		(16,456)	(14,380)
Administrative expenses		(7,048)	(6,475)
Other operating expenses		(310)	(292)
Other net gains	5	2,570	2,682
Change in fair value of investment properties		(1,931)	(4,421)
Operating profit		12,103	7,611
Finance charges		(2,057)	(2,090)
Finance income		315	370
Net finance charges	9	(1,742)	(1,720)
Share of profits of joint venture companies	20(a)	2,273	1,315
Share of losses of associated companies	20(b)	(2,833)	(9,850)
Profit/(loss) before taxation		9,801	(2,644)
Taxation	10	(3,067)	(2,425)
Profit/(loss) from continuing operations		6,734	(5,069)
Discontinued operations			
Loss from discontinued operations	43	(1,604)	(5,026)
Profit/(loss) for the year		5,130	(10,095)
Profit/(loss) for the year attributable to:			
The Company's shareholders – from continuing operations	35	4,963	(5,993)
The Company's shareholders – from discontinued operations	35	(1,599)	(5,006)
Non-controlling interests – from continuing operations	36	1,771	924
Non-controlling interests – from discontinued operations	36	(5)	(20)
		5,130	(10,095)
Underlying profit/(loss) attributable to the Company's shareholders	11	5,300	(3,969)

	Note	HK$	HK$
Earnings/(loss) per share from profit/(loss) attributable to the Company's shareholders (basic and diluted)	13		
'A' share – from continuing operations		3.31	(3.99)
'A' share – from discontinued operations		(1.06)	(3.33)
'B' share – from continuing operations		0.66	(0.80)
'B' share – from discontinued operations		(0.21)	(0.66)

The notes on pages 128 to 211 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2021

	2021 HK$M	2020 HK$M (Note 1c)
Profit/(loss) for the year	5,130	(10,095)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group		
gains recognised during the year	95	127
deferred tax	(6)	(4)
Defined benefit plans		
remeasurement gains recognised during the year	216	157
deferred tax	(37)	(18)
Changes in the fair value of equity investments at fair value through other comprehensive income		
(losses)/gains recognised during the year	(9)	34
deferred tax	(1)	–
Share of other comprehensive income of joint venture and associated companies	237	309
	495	605
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
losses recognised during the year	(59)	(187)
transferred to net finance charges	13	26
transferred to operating profit	(16)	23
deferred tax	7	25
Share of other comprehensive income of joint venture and associated companies	2,235	1,202
Net translation differences on foreign operations		
recognised during the year	1,637	2,898
reclassified to profit or loss on disposal	–	(6)
others	(23)	–
	3,794	3,981
Other comprehensive income for the year, net of tax	4,289	4,586
Total comprehensive income/(loss) for the year	9,419	(5,509)
Total comprehensive income/(loss) attributable to:		
The Company's shareholders – from continuing operations	8,863	(2,086)
The Company's shareholders – from discontinued operations	(1,601)	(5,010)
Non-controlling interests – from continuing operations	2,162	1,607
Non-controlling interests – from discontinued operations	(5)	(20)
	9,419	(5,509)

Consolidated Statement of Financial Position

At 31st December 2021

	Note	2021 HK$M	2020 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	22,538	25,413
Investment properties	15	267,354	266,305
Intangible assets	16	13,395	13,096
Right-of-use assets	17	8,579	9,490
Properties held for development	18	1,207	1,200
Joint venture companies	20(a)	27,883	21,475
Loans due from joint venture companies	20(a)	15,736	15,593
Associated companies	20(b)	28,405	28,497
Loans due from associated companies	20(b)	–	85
Investments at fair value	22	885	1,351
Other receivables	26	571	562
Derivative financial instruments	23	236	216
Deferred tax assets	32	468	562
Retirement benefit assets	33	178	196
		387,435	384,041
Current assets			
Properties for sale	24	6,411	3,538
Stocks and work in progress	25	5,685	5,112
Contract assets		897	950
Trade and other receivables	26	9,365	9,788
Derivative financial instruments	23	52	33
Bank balances and short-term deposits	27	22,894	29,264
		45,304	48,685
Assets classified as held for sale	28	3,577	384
		48,881	49,069
Current liabilities			
Trade and other payables	29	27,468	24,927
Contract liabilities		1,293	916
Taxation payable		499	856
Derivative financial instruments	23	8	5
Short-term loans	30	26	105
Long-term loans and bonds due within one year	30	17,257	6,824
Lease liabilities due within one year	31	831	793
		47,382	34,426
Liabilities associated with assets classified as held for sale	28	894	–
		48,276	34,426
Net current assets		605	14,643
Total assets less current liabilities		388,040	398,684
Non-current liabilities			
Long-term loans and bonds	30	44,266	61,235
Long-term lease liabilities	31	4,509	4,359
Derivative financial instruments	23	194	154
Other payables	29	1,345	1,143
Deferred tax liabilities	32	12,572	11,556
Retirement benefit liabilities	33	986	1,091
		63,872	79,538
NET ASSETS		324,168	319,146
EQUITY			
Share capital	34	1,294	1,294
Reserves	35	265,656	261,398
Equity attributable to the Company's shareholders		266,950	262,692
Non-controlling interests	36	57,218	56,454
TOTAL EQUITY		324,168	319,146

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

The notes on pages 128 to 211 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2021

	Note	2021 HK$M	2020 HK$M
Operating activities			
Cash generated from operations	42(a)	15,453	15,124
Interest paid		(2,192)	(2,404)
Interest received		322	472
Tax paid		(2,559)	(2,314)
		11,024	10,878
Dividends received from joint venture and associated companies		641	581
Net cash generated from operating activities		11,665	11,459
Investing activities			
Purchase of property, plant and equipment and right-of-use assets	42(b)	(3,812)	(2,824)
Additions of investment properties		(3,860)	(1,383)
Purchase of intangible assets		(405)	(177)
Proceeds from disposals of property, plant and equipment and right-of-use assets		2,514	862
Proceeds from disposals of investment properties		2,869	1,302
Proceeds from disposals of subsidiary companies, net of cash disposed of	42(d)	333	9,431
Proceeds from disposals of investments at fair value		1,010	21
Proceeds from disposals of joint venture companies		357	3
Proceeds from partial disposal of an associated company		350	–
Purchase of shares in subsidiary companies		43	(134)
Purchase of shares in joint venture companies		(3,995)	(1)
Purchase of shares in associated companies*		(1,104)	(5,960)
Purchase of investments at fair value		(505)	(164)
Deposit paid on purchase of financial assets at fair value through profit or loss		–	(47)
Loans to joint venture companies		(787)	(302)
Loans to associated companies		(210)	(76)
Repayment of loans by joint venture companies		614	940
Repayment of loans by associated companies		85	–
Advances from joint venture companies		744	245
Increase in deposits maturing after more than three months		(579)	(8)
Initial leasing costs incurred		(6)	(3)
Net cash (used in)/generated from investing activities		(6,344)	1,725
Net cash inflow before financing activities		5,321	13,184
Financing activities			
Loans drawn and refinancing	42(c)	4,879	14,525
Repayment of loans and bonds	42(c)	(11,825)	(14,395)
Principal elements of lease payments	42(c)	(971)	(935)
		(7,917)	(805)
Dividends paid to the Company's shareholders	35	(3,004)	(3,529)
Dividends paid to non-controlling interests	36	(1,421)	(1,354)
Net cash used in financing activities		(12,342)	(5,688)
(Decrease)/increase in cash and cash equivalents		(7,021)	7,496
Cash and cash equivalents at 1st January		29,233	21,322
Effect of exchange differences		307	415
Cash and cash equivalents at 31st December		22,519	29,233
Represented by:			
Bank balances and short-term deposits maturing within three months			
– Included in bank balances and short-term deposits	27	22,276	29,233
– Included in assets classified as held for sale	43(d)	243	–
		22,519	29,233

* The figure for the year ended 31st December 2020 includes the amount subscribed for shares in the rights issue of Cathay Pacific in August 2020, at a cost of HK$5,272 million.

The notes on pages 128 to 211 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2021

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2021	1,294	256,404	4,994	262,692	56,454	319,146
Profit for the year	–	3,364	–	3,364	1,766	5,130
Other comprehensive income	–	402	3,496	3,898	391	4,289
Total comprehensive income for the year	–	3,766	3,496	7,262	2,157	9,419
Dividends paid	–	(3,004)	–	(3,004)	(1,423)	(4,427)
Change in composition of the Group	–	–	–	–	30	30
At 31st December 2021	1,294	257,166	8,490	266,950	57,218	324,168

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2020	1,294	270,330	1,728	273,352	56,142	329,494
Loss for the year	–	(10,999)	–	(10,999)	904	(10,095)
Other comprehensive income	–	637	3,266	3,903	683	4,586
Total comprehensive income for the year	–	(10,362)	3,266	(7,096)	1,587	(5,509)
Dividends paid	–	(3,529)	–	(3,529)	(1,354)	(4,883)
Change in composition of the Group	–	(35)	–	(35)	–	(35)
Others	–	–	–	–	79	79
At 31st December 2020	1,294	256,404	4,994	262,692	56,454	319,146

The notes on pages 128 to 211 form part of these financial statements.

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

1 To be applied by the Group from 1st January 2022.
2 To be applied by the Group from 1st January 2023.
3 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
Total	90,802	78,356

	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
Total		2,570	2,682

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
Total cost of sales, distribution costs, administrative expenses and other operating expenses		79,338	69,006

* 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
Continuing operations												
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)
	15,848	**43**	**7,848**	**(607)**	**230**	**1,870**	**(82)**	**(1,960)**	**7,299**	**5,847**	**7,783**	**(427)**
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)	–
	53,925	**2**	**3,512**	**(147)**	**68**	**83**	**72**	**(855)**	**2,733**	**2,549**	**2,549**	**(2,124)**
Aviation												
Cathay Pacific group#	–	–	–	–	–	–	(2,487)	–	(2,487)	(2,487)	(2,487)	–
HAECO group*	11,464	–	445	(156)	11	309	–	(198)	411	394	394	(808)
Others	–	–	108	–	–	(7)	(270)	–	(169)	(287)	(287)	(50)
	11,464	**–**	**553**	**(156)**	**11**	**302**	**(2,757)**	**(198)**	**(2,245)**	**(2,380)**	**(2,380)**	**(858)**
Trading & Industrial												
Swire Resources	2,106	–	(33)	(18)	2	–	–	7	(42)	(42)	(42)	(341)
Taikoo Motors	5,689	–	212	(13)	1	–	–	(40)	160	160	160	(151)
Swire Foods	1,624	63	(45)	(12)	3	–	–	(15)	(69)	(69)	(69)	(164)
Swire Environmental Services	134	–	63	–	–	4	–	(8)	59	59	59	(5)
Central costs	–	–	(13)	(1)	–	–	–	–	(14)	(14)	(14)	–
	9,553	**63**	**184**	**(44)**	**6**	**4**	**–**	**(56)**	**94**	**94**	**94**	**(661)**
Head Office and Swire Investments												
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^	–	–	448	–	–	14	19	–	481	481	481	–
	12	**52**	**6**	**(1,232)**	**129**	**14**	**(66)**	**2**	**(1,147)**	**(1,147)**	**(1,147)**	**(1)**
Inter-segment elimination	**–**	**(165)**	**–**	**129**	**(129)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total – continuing operations	**90,802**	**(5)**	**12,103**	**(2,057)**	**315**	**2,273**	**(2,833)**	**(3,067)**	**6,734**	**4,963**	**6,899**	**(4,071)**
Discontinued operations												
Swire Pacific Offshore group@	**1,601**	**5**	**30**	**(17)**	**11**	**–**	**(1)**	**(16)**	**7**	**12**	**12**	**(244)**

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

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

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

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

@ 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
Continuing operations												
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)
	13,262	**46**	**5,541**	**(646)**	**264**	**818**	**(86)**	**(1,786)**	**4,105**	**3,388**	**10,418**	**(422)**
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)	–
	45,080	**2**	**2,854**	**(190)**	**63**	**78**	**75**	**(647)**	**2,233**	**2,076**	**2,076**	**(1,911)**
Aviation												
Cathay Pacific group#	–	–	–	–	–	–	(9,742)	–	(9,742)	(9,742)	(9,742)	–
HAECO group*	11,483	–	(94)	(163)	11	381	–	30	165	96	96	(828)
Others	–	–	(55)	–	–	(4)	(65)	–	(124)	(105)	(105)	(55)
	11,483	**–**	**(149)**	**(163)**	**11**	**377**	**(9,807)**	**30**	**(9,701)**	**(9,751)**	**(9,751)**	**(883)**
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)	–
	8,308	**59**	**65**	**(56)**	**9**	**19**	**–**	**(25)**	**12**	**12**	**12**	**(727)**
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^	213	–	(242)	(3)	–	23	(12)	–	(234)	(234)	(234)	(234)
	223	**47**	**(700)**	**(1,334)**	**322**	**23**	**(32)**	**3**	**(1,718)**	**(1,718)**	**(1,718)**	**(235)**
Inter-segment elimination	**–**	**(155)**	**–**	**299**	**(299)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total – continuing operations	**78,356**	**(1)**	**7,611**	**(2,090)**	**370**	**1,315**	**(9,850)**	**(2,425)**	**(5,069)**	**(5,993)**	**1,037**	**(4,178)**
Discontinued operations												
Swire Pacific Offshore group*	**1,676**	**1**	**(4,916)**	**(126)**	**11**	**–**	**–**	**5**	**(5,026)**	**(5,006)**	**(5,006)**	**(376)**

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

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

* 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.

^ 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^

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
	287,214	**37,618**	**461**	**14,833**	**340,126**	**4,496**
Beverages						
Swire Coca-Cola	**31,612**	**1,263**	**1,834**	**3,791**	**38,500**	**3,377**
Aviation						
Cathay Pacific group	–	–	23,611	–	23,611	–
HAECO group	11,932	1,887	–	2,338	16,157	887
Others	3,942	2,812	–	–	6,754	–
	15,874	**4,699**	**23,611**	**2,338**	**46,522**	**887**
Trading & Industrial						
Swire Resources	881	35	–	237	1,153	144
Taikoo Motors	2,151	–	–	635	2,786	416
Swire Foods	1,277	4	–	296	1,577	162
Swire Environmental Services	65	–	–	29	94	4
Other activities	27	–	–	2	29	–
	4,401	**39**	**–**	**1,199**	**5,639**	**726**
Head Office and Swire Investments	**460**	**–**	**2,499**	**733**	**3,692**	**–**
	339,561	**43,619**	**28,405**	**22,894**	**434,479**	**9,486**

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

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

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total 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
Property						
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
	284,223	**31,163**	**543**	**21,232**	**337,161**	**1,997**
Beverages						
Swire Coca-Cola	**28,898**	**1,216**	**1,732**	**4,308**	**36,154**	**2,402**
Aviation						
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	–
	16,754	**4,647**	**24,574**	**1,149**	**47,124**	**409**
Trading & Industrial						
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	–
	4,452	**96**	**–**	**1,075**	**5,623**	**441**
Marine Services						
Swire Pacific Offshore group	3,530	–	1,189	350	5,069	167
HUD group	–	(54)	–	–	(54)	–
	3,530	**(54)**	**1,189**	**350**	**5,015**	**167**
Head Office and Swire Investments	**339**	**–**	**544**	**1,150**	**2,033**	**–**
	338,196	**37,068**	**28,582**	**29,264**	**433,110**	**5,416**

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^

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
	9,804	**11,184**	**–**	**24,601**	**566**	**46,155**	**54,557**
Beverages							
Swire Coca-Cola	**15,998**	**1,237**	**1,195**	**779**	**834**	**20,043**	**501**
Aviation							
HAECO group	**2,962**	**632**	**1,660**	**104**	**2,571**	**7,929**	**2,160**
Trading & Industrial							
Swire Resources	642	24	(54)	–	497	1,109	–
Taikoo Motors	715	43	–	–	636	1,394	–
Swire Foods	422	21	(7)	–	233	669	–
Swire Environmental Services	27	1	–	–	3	31	–
Other activities	18	–	7	–	–	25	–
	1,824	**89**	**(54)**	**–**	**1,369**	**3,228**	**–**
Head Office and Swire Investments	**706**	**(71)**	**(2,801)**	**36,065**	**–**	**33,899**	**–**
	31,294	**13,071**	**–**	**61,549**	**5,340**	**111,254**	**57,218**

^ 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
Property							
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
	8,182	**10,659**	**–**	**27,257**	**580**	**46,678**	**53,881**
Beverages							
Swire Coca-Cola	**14,141**	**1,191**	**1,683**	**2,556**	**668**	**20,239**	**537**
Aviation							
HAECO group	**2,568**	**451**	**2,066**	**88**	**2,461**	**7,634**	**2,055**
Trading & Industrial							
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	–
	1,680	**55**	**(49)**	**–**	**1,430**	**3,116**	**–**
Marine Services							
Swire Pacific Offshore group	**1,060**	**48**	**198**	**–**	**13**	**1,319**	**(19)**
Head Office and Swire Investments	**605**	**8**	**(3,898)**	**38,263**	**–**	**34,978**	**–**
	28,236	**12,412**	**–**	**68,164**	**5,152**	**113,964**	**56,454**

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
Property								
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
Beverages								
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
Aviation								
HAECO group	448	11,016	–	11,464	452	11,031	–	11,483
Trading & Industrial								
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
Total	66,661	11,732	12,409	90,802	54,528	11,621	12,207	78,356

(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				
	Salary/ fees (note i) HK$'000	Bonus (note ii) HK$'000	Allowance and benefits HK$'000	Retirement scheme contributions HK$'000	Bonus paid into retirement scheme (note ii) HK$'000	Housing benefits HK$'000	Total 2021 HK$'000	Total 2020 HK$'000
Executive Directors								
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
Non-Executive Directors								
M Cubbon	–	–	–	–	–	–	–	–
M B Swire (from 25th August 2021)	–	–	–	–	–	–	–	–
S C Swire	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
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
Total 2021	24,570	5,359	6,611	2,185	–	8,278	47,003	N/A
Total 2020	20,122	11,848	3,031	1,296	–	10,968	N/A	47,265

Notes:
i. Independent Non-Executive Directors received fees as members of the Board and its committees. Executive Directors received salaries.
ii. Bonuses are not yet approved for 2021. The amounts disclosed above are related to services as Executive Directors for 2020 but paid and charged to the Group in 2021.
iii. The total emoluments of Executive Directors are charged to the Group in accordance with the amount of time spent on its affairs.
iv. The Directors' emoluments shown in the table above include the emoluments received from an associated company by a Director who was nominated by the Company to act in the capacity as director in the associated company.
v. An Executive Director took voluntary basic salary reductions during 2021.

(b) Five highest paid individuals

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

	Year ended 31st December	
	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
	35,289	35,934

Notes:
(i) Details of the emoluments paid to these Directors were included in the disclosure as set out in note 8(a) above.
(i) 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
	3	3

9. Net Finance Charges

Accounting Policy

Interest costs incurred are charged to the consolidated statement of profit or loss except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are 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)
		2,221	2,065
Deferred taxation	32		
Change in fair value of investment properties		437	215
Origination and reversal of temporary differences		409	145
		846	360
		3,067	2,425

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
Cost					
At 1st January 2021		20,025	23,798	17,863	61,686
Translation differences		253	389	102	744
Acquisition of a subsidiary company		–	12	–	12
Disposal of subsidiary companies		–	(25)	–	(25)
Additions		512	2,921	201	3,634
Disposals		(1,264)	(1,295)	(2,077)	(4,636)
Net transfers to investment properties	15	(59)	–	–	(59)
Transfer to assets classified as held for sale		(34)	(208)	(16,089)	(16,331)
Other net transfers		17	(24)	–	(7)
Revaluation surplus		16	–	–	16
At 31st December 2021		19,466	25,568	–	45,034
Accumulated depreciation and impairment					
At 1st January 2021		7,750	13,318	15,205	36,273
Translation differences		98	194	86	378
Disposal of subsidiary companies		–	(15)	–	(15)
Depreciation for the year^	6	684	2,067	223	2,974
Impairment charges^	5	4	51	–	55
Disposals		(374)	(1,062)	(1,782)	(3,218)
Net transfers to investment properties	15	(9)	–	–	(9)
Transfer to assets classified as held for sale		(26)	(191)	(13,732)	(13,949)
Other net transfers		–	7	–	7
At 31st December 2021		8,127	14,369	–	22,496
Net book value					
At 31st December 2021		11,339	11,199	–	22,538

14. Property, Plant and Equipment (continued)

	Note	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost					
At 1st January 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
Accumulated depreciation and impairment					
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^	6	674	1,953	580	3,207
Impairment charges^	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
Net book value					
At 31st December 2020		12,275	10,480	2,658	25,413

^ 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
Held in Hong Kong		
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
Held in the Chinese Mainland		
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
Held in USA		
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[1] HK$ per sq. ft. (lettable) 2021	Capitalisation rates 2021
Completed			
Hong Kong	Income capitalisation	**Less than 10-Low 500's**	**2.50%-4.88%**
Chinese Mainland	Income capitalisation	**Less than 10-High 200's**	**6.00% -6.75%**
USA	Income capitalisation	**Less than 10-Low 70's**	**5.00%-5.50%**
Under development			
Hong Kong	Residual[2]	**Low 60's-High 70's**	**3.63%-3.75%**

At 31st December 2020	Valuation method	Market rent per month[1] HK$ per sq. ft. (lettable) 2020	Capitalisation rates 2020
Completed			
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	–	–
Under development			
Hong Kong	Residual[2]	Low 60's-Low 80's	3.63%-3.75%
Chinese Mainland	Residual[2]	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
Cost							
At 1st January 2021		8,109	1,108	5,628	1,018	262	16,125
Translation differences		81	14	101	6	2	204
Acquisition of a subsidiary company		–	–	–	–	6	6
Disposal of a subsidiary company		(58)	(1)	–	(32)	(1)	(92)
Additions		–	194	229	–	–	423
Disposals		–	(38)	–	–	–	(38)
Transfer to assets classified as held for sale		–	(107)	–	–	–	(107)
Other transfers		(8)	1	–	8	–	1
At 31st December 2021		8,124	1,171	5,958	1,000	269	16,522
Accumulated amortisation and impairment							
At 1st January 2021		1,343	696	366	514	110	3,029
Translation differences		7	9	2	3	–	21
Disposal of a subsidiary company		(40)	(1)	–	(15)	–	(56)
Amortisation for the year^	6	–	106	63	56	26	251
Disposals		–	(25)	–	–	–	(25)
Transfer to assets classified as held for sale		–	(94)	–	–	–	(94)
Other transfers		–	1	–	–	–	1
At 31st December 2021		1,310	692	431	558	136	3,127
Net book value							
At 31st December 2021		6,814	479	5,527	442	133	13,395

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost							
At 1st January 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
Accumulated amortisation and impairment							
At 1st January 2020		1,346	588	304	370	80	2,688
Translation differences		(3)	13	(1)	(1)	(1)	7
Amortisation for the year^	6	–	93	63	63	23	242
Impairment charges^	5	–	7	–	82	8	97
Disposals		–	(5)	–	–	–	(5)
At 31st December 2020		1,343	696	366	514	110	3,029
Net book value							
At 31st December 2020		6,766	412	5,262	504	152	13,096

^ 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
		6,814	6,766

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
Total	8,579	9,490

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
Held in Hong Kong				
On medium-term leases (10 to 50 years)	449	15	489	16
On long-term leases (over 50 years)	2,343	–	3,200	–
Held outside Hong Kong				
On medium-term leases (10 to 50 years)	19	1,165	19	1,326
	2,811	1,180	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
	1,207	1,200

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
Total current net assets	6,866	17,363
Non-current:		
Assets	314,246	309,233
Liabilities	27,141	36,113
Total non-current net assets	287,105	273,120
Net assets	293,971	290,483
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
Total comprehensive income attributable to shareholders	8,811	7,074
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)
Net (decrease)/increase in cash and cash equivalents	(6,522)	6,072
Cash and cash equivalents at 1st January	21,202	14,963
Effect of exchange differences	153	167
Cash and cash equivalents at 31st December	14,833	21,202

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)
Net assets	27,083	20,688
Revenue	14,402	14,954
Expenses	(11,498)	(13,341)
Profit before taxation	2,904	1,613
Taxation	(631)	(298)
Profit for the year	2,273	1,315
Other comprehensive income	609	943
Total comprehensive income for the year	2,882	2,258

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
	26,882	27,510
Goodwill	**1,523**	987
Associated companies	**28,405**	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)
Net assets	**26,882**	27,510
Revenue	**24,113**	23,747
Expenses	**(27,149)**	(33,697)
Loss before taxation	**(3,036)**	(9,950)
Taxation	**203**	100
Loss for the year	**(2,833)**	(9,850)
Other comprehensive income	**1,863**	568
Total comprehensive loss for the year	**(970)**	(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
Assets as per consolidated statement of financial position							
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
Total		646	247	280	47,784	48,957	48,957
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
Total		1,185	190	225	54,384	55,984	55,984

	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Liabilities as per consolidated statement of financial position						
At 31st December 2021						
Trade and other payables excluding non-financial liabilities	29	2,169	–	25,917	28,086	28,086
Derivative financial liabilities	23	77	125	–	202	202
Short-term loans	30	–	–	26	26	26
Long-term loans and bonds due within one year	30	–	–	17,257	17,257	17,411
Lease liabilities due within one year	31	–	–	831	831	831
Long-term loans and bonds due after one year	30	–	–	44,266	44,266	44,216
Lease liabilities due after one year	31	–	–	4,509	4,509	4,509
Total		2,246	125	92,806	95,177	95,281
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
Total		1,919	96	97,281	99,296	102,928

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
Assets as per consolidated statement of financial position					
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
Total		169	288	716	1,173
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
Total		190	249	1,161	1,600
Liabilities as per consolidated statement of financial position					
At 31st December 2021					
Derivative financial liabilities	23	–	202	–	202
Put option over a non-controlling interest in the USA	29	–	–	551	551
Put option over a non-controlling interest in a subsidiary company	29	–	–	91	91
Contingent consideration	29	–	–	1,527	1,527
Total		–	202	2,169	2,371
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
Total		–	159	1,856	2,015

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
Total	288	202	249	159
Analysed as:				
– Current	52	8	33	5
– Non-current	236	194	216	154
	288	202	249	159

(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
	6,411	3,538

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
	5,685	5,112

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
	9,936	10,350
Amounts due after one year included under non-current assets	**(571)**	(562)
	9,365	9,788

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
	4,391	4,251

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
	22,894	29,264

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
	28,813	26,070
Amounts due after one year included under non-current liabilities	(1,345)	(1,143)
	27,468	24,927

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
	5,245	4,295

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
	5,340	5,152
Amount due within one year included under current liabilities	(831)	(793)
	4,509	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)
	(12,104)	(10,994)

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^	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		12,104	10,994

^ 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	5,300	5,064	6,108	5,503	2,590	2,408	13,998	12,975

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	392	562	423	359	1,079	1,060	1,894	1,981

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
	3,014	4,034

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
	5,930	6,017

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
Issued and fully paid with no par value			
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
Profit for the year		3,364	–	–	–	–	3,364
Other comprehensive income							
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)
Total comprehensive income for the year		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
Loss for the year		(10,999)	–	–	–	–	(10,999)
Other comprehensive income							
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)
Total comprehensive income for the year		(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
Share of profits less losses for the year	1,766	904
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
Share of total comprehensive income	2,157	1,587
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
ASSETS AND LIABILITIES			
Non-current assets			
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
		48,318	48,248
Current assets			
Trade and other receivables		67	49
Taxation receivable		93	8
Bank balances and short-term deposits		6	6
		166	63
Current liabilities			
Trade and other payables		36,570	37,062
		36,570	37,062
Net current liabilities		(36,404)	(36,999)
Total assets less current liabilities		11,914	11,249
Non-current liabilities			
Retirement benefit liabilities		19	–
Deferred tax liabilities		–	1
		19	1
NET ASSETS		11,895	11,248
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	34	1,294	1,294
Reserves	37(b)	10,601	9,954
TOTAL EQUITY		11,895	11,248

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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
Profit for the year		3,685	–	3,685
Other comprehensive income				
Defined benefit plans				
– remeasurement losses recognised during the year		(23)	–	(23)
– deferred tax		4	–	4
Changes in the fair value of equity investments at fair value through other comprehensive income				
– losses recognised during the year		–	(15)	(15)
– reclassified to revenue reserve on disposal		20	(20)	–
Total comprehensive income for the year		3,686	(35)	3,651
2020 second interim dividend	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
Profit for the year		4,190	–	4,190
Other comprehensive income				
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
Total comprehensive income for the year		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^	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
		24,130	22,513
	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
		4,936	4,487

^ 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^	**314**	376
		4,032	3,667

^ 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
	32,846	32,504
Vessels*		
Within one year	159	175
Between one and two years	61	64
	220	239
	33,066	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$M	Vessels^ HK$M	Investment properties HK$M	Vessels^ HK$M
Cost or fair value	236,099	16,089	238,796	17,863
Less: accumulated depreciation and impairment	–	(13,732)	–	(15,205)
	236,099	2,357	238,796	2,658
Depreciation for the year^	–	223	–	580

^ 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
	216	179
Equipment		
Within one year	**1**	7
Between one and five years	**1**	28
Over five years	**1**	63
	3	98
	219	277

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.

		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Notes	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M	2021^ HK$M	2020^ HK$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	–	–	–	–

^ 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
Operating profit before working capital changes	16,830	14,750
(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
Cash generated from operations	15,453	15,124

* 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	–
Total	3,812	2,824

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)
Gross profit/(loss)	100	(282)
Administrative expenses	(288)	(378)
Other net gains/(losses)	218	(4,256)
Operating profit/(loss)	30	(4,916)
Net finance charges	(6)	(115)
Share of losses of associated companies	(1)	–
Profit/(loss) before taxation	23	(5,031)
Taxation	(16)	5
Profit/(loss) after taxation	7	(5,026)
Remeasurement loss on the disposal group	(1,611)	–
Loss from discontinued operations	(1,604)	(5,026)

(b) Total comprehensive loss from discontinued operations

	2021 HK$M	2020 HK$M
Loss for the year	(1,604)	(5,026)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans		
– remeasurement gains recognised during the year	3	1
Items that may be reclassified subsequently to profit or loss		
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)
Other comprehensive loss for the year, net of tax	(2)	(4)
Total comprehensive loss for the year	(1,606)	(5,030)

(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)
Net cash (used in)/generated from discontinued operations	(108)	13

43. Discontinued Operations (continued)

(d) Assets and liabilities from discontinued operations

	2021 HK$M
Assets classified as held for sale	
Property, plant and equipment	771
Intangible assets	13
Right-of-use assets	3
Associated companies	3
Deferred tax assets	2
Retirement benefit assets	10
Stocks and work in progress	74
Trade and other receivables	718
Bank balances and short-term deposits	243
	1,837
Liabilities associated with assets classified as held for sale	
Trade and other payables	841
Taxation payable	49
Derivative financial instruments	1
Lease liabilities	3
	894

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.

Principal Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, the other principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention as modified in relation to the revaluation of certain financial assets and financial liabilities (including investments at fair value and derivative instruments), investment properties and defined benefit assets/liabilities, each of which are carried at fair value, and assets held for sale which are carried at fair value less cost to sell.

2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Swire Pacific Limited, its subsidiary companies (together referred to as the Group) and the Group's interests in joint venture and associated companies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are generally expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquired subsidiary either at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired subsidiary and the acquisition-date fair value of any previous equity interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture company or financial asset. In addition, any amounts previously recognised in the consolidated statement of other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the owner of the non-controlling interest, which is not part of a business combination, the Group records a financial liability in respect of the present value of the redemption amount with a corresponding charge directly to equity. Changes to the value of the financial liability are recognised in the consolidated statement of profit or loss within net finance charges.

The Group's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in the consolidated statement of other comprehensive income is recognised in the consolidated statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the joint venture or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associated company.

The Group recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the consolidated statement of other comprehensive income is reclassified to the consolidated statement of profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint venture and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its joint venture and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in respect of investments in associated companies are recognised in the consolidated statement of profit or loss.

3. Subsidiary Companies

Investments in subsidiary companies in the Company's standalone financial statements are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for on the basis of dividends received and receivable. Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there are no defined repayment terms and no expectation of repayment.

4. Joint Venture and Associated Companies

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company on the basis of dividends received and receivable. Long-term loans to joint venture and associated companies are subject to expected credit losses assessment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

5. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss, except when deferred in the consolidated statement of other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in the consolidated statement of other comprehensive income, any associated translation difference is also recognised directly in the consolidated statement of other comprehensive income. When a gain or loss on a non-monetary item is recognised in the consolidated statement of profit or loss, any associated translation difference is also recognised in the consolidated statement of profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the statement of other comprehensive income and accumulated in a separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the consolidated statement of other comprehensive income. When a foreign operation is partly disposed of or sold, exchange differences that were recorded in equity are reclassified to the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

6. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

7. Government Grants

The Group recognises government grants when there is reasonable assurance that the Group will comply with the conditions attached to the grants and the grants will be received. Government grants, that are intended to compensate the Group for expenses incurred, are recognised in the consolidated statement of profit or loss on a systematic basis in the years in which the related expenses are recognised.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2021

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY					
Subsidiary companies:					
Incorporated in Hong Kong:					
Citiluck Development Limited	82	–	100	1,000 shares (HK$1,000)	Property investment
Cityplaza Holdings Limited	82	–	100	100 shares (HK$1,000)	Property investment
Coventry Estates Limited	82	–	100	4 shares (HK$40)	Property investment
Joyful Sincere Limited •	65.60	–	100	1 share (HK$1)	Property trading
One Queen's Road East Limited	82	–	100	2 shares (HK$2)	Property investment
Pacific Place Holdings Limited	82	–	100	2 shares (HK$2)	Property investment
Redhill Properties Limited	82	–	100	250,000 shares (HK$7,300,000)	Property investment
Super Gear Investment Limited	82	–	100	2 shares (HK$2)	Property investment
Swire Properties (Finance) Limited	82	–	100	1,000,000 shares (HK$1,000,000)	Financial services
Swire Properties Limited	82	82	–	5,850,000,000 shares (HK$10,449,437,325.77)	Holding company
Swire Properties Management Limited	82	–	100	2 shares (HK$20)	Property management
Swire Properties MTN Financing Limited	82	–	100	1 share (HK$1)	Financial services
Swire Properties Real Estate Agency Limited	82	–	100	2 shares (HK$20)	Real estate agency
Taikoo Place Holdings Limited	82	–	100	2 shares (HK$2)	Property investment
Incorporated in the Chinese Mainland:					
(Domestic company)					
Beijing Tianlian Real Estate Company Limited ^ •	82	–	100	Registered capital of RMB865,000,000	Holding company
(Sino-foreign joint venture)					
Taikoo Hui (Guangzhou) Development Company Limited ^	79.54	–	97	Registered capital of RMB3,050,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Anye Property Management Company Limited ^ •	82	–	100	Registered capital of RMB209,500,000	Property investment
Beijing Sanlitun Hotel Management Company Limited ^	82	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited ^	82	–	100	Registered capital of RMB2,784,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited ^	82	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	82	–	100	Registered capital of RMB295,000,000	Property investment
Swire Properties (China) Investment Company Limited ^	82	–	100	Registered capital of US$30,000,000	Holding company

Notes:
1. This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.
2. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and ship operating are international, and are not attributable to a principal country of operation.
3. * Group interest held through joint venture or associated companies.
4. • Companies not audited by PricewaterhouseCoopers. These companies accounted for approximately 7.4% of attributable net assets at 31st December 2021.
5. ^ Translated name.

Showing proportion of capital owned at 31st December 2021

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY (continued)					
Subsidiary companies (continued):					
Incorporated in the USA:					
700 Brickell City Centre LLC	82	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	82	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	82	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	51.60	–	87.93	Limited Liability Company	Property investment
FTL/AD LTD	61.50	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	82	–	100	Limited Liability Company	Property trading
Swire Properties Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	82	–	100	Limited Liability Company	Holding company
Swire Properties US Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	82	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands and operating in Hong Kong:					
Boom View Holdings Limited	82	–	100	2 shares of US$1 each	Property investment
Cherish Shine Limited	82	–	100	1 share of US$1	Property investment
High Grade Ventures Limited	82	–	100	1 share of US$1	Property trading and investment
Novel Ray Limited	82	–	100	1 share of US$1	Property investment
One Pacific Place Limited	82	–	100	1 share of US$1	Property investment
Sino Flagship Investments Limited	82	–	100	1 share of US$1	Property investment
Swire and Island Communication Developments Limited ●	49.20	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	82	–	100	1 share of US$1	Holding company
Joint venture companies:					
Incorporated in Hong Kong:					
Hareton Limited ●	41	–	50	100 shares (HK$1,000)	Property investment
Pacific Grace Limited	41	–	*	2 shares (HK$2)	Property investment
Richly Leader Limited	41	–	50	1,000,000,000 shares (HK$700,000,000)	Property investment
Incorporated in the USA:					
Swire Brickell Key Hotel, Ltd.	61.50	–	75	Florida Partnership	Hotel investment
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited (operates in the Chinese Mainland)	41	–	50	1,000 shares of US$1 each	Holding company
Fortune Access Holdings Limited (operates in Hong Kong)	20.50	–	25	100 shares of US$1 each	Holding company
Great City China Holdings Limited (operates in the Chinese Mainland)	41	–	50	100 shares of US$1 each	Holding company
Honster Investment Limited (operates in Hong Kong)	41	–	50	2 shares of US$1 each	Holding company
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	16.40	–	20	5 shares of US$1 each	Holding company

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
PROPERTY (continued)					
Joint venture companies (continued):					
Incorporated in the Chinese Mainland:					
(Domestic companies)					
Beijing Linlian Real Estate Company Limited ^	41	–	50	Registered capital of RMB400,000,000	Property investment
Shanghai Kaiye Commercial Management Company Limited ^●	49.20	–	60	Registered capital of RMB10,000,000	Property management
(Sino-foreign owned enterprise)					
Beijing Xingtaitonggang Properties Company Limited ^	28.70	–	35	Registered capital of RMB9,500,000,000	Property investment
Shanghai Qianxiu Company Limited ^	41	–	50	Registered capital of RMB1,549,777,000	Property investment
(Wholly foreign owned enterprises)					
Chengdu Qianhao Real Estate Company Limited	41	–	*	Registered capital of US$329,000,000	Property investment
Guan Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$1,136,530,000	Property investment
Incorporated in Indonesia:					
PT Jantra Swarna Dipta	41	–	50	1,202,044 shares of Rp1,000,000 each	Property trading
Associated companies:					
Incorporated in Hong Kong:					
Greenroll Limited●	16.40	–	20	45,441,000 shares (HK$454,410,000)	Hotel investment
Queensway Hotel Limited●	16.40	–	*	100,000 shares (HK$1,000,000)	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	16.40	–	20	10,005,000 shares (HK$10,005,000)	Hotel investment
Incorporated in Vietnam:					
City Garden Thu Thiem Limited Liability Company●	16.40	–	*	Charter capital of VND969,797,500,000	Property trading
BEVERAGES					
Subsidiary companies:					
Incorporated in Hong Kong:					
Mount Limited	100	–	100	1 share (HK$1)	Holding company
Swire Beverages Holdings Limited	100	100	–	50,010,002 shares (HK$5,001,000,200)	Holding company
Swire Coca-Cola HK Limited	100	–	100	2,400,000 shares (HK$24,000,000)	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Limited	100	–	100	14,600 shares (US$7,300,000)	Holding company and sale of non-alcoholic beverages
Swire Recycling Limited	100	–	100	10,000 shares (HK$10,000)	Holding company
Top Noble Limited	100	–	100	1 share (HK$1)	Holding company

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES (continued)					
Subsidiary companies (continued):					
Incorporated in the Chinese Mainland:					
(Domestic company)					
Swire Coca-Cola Beverages Fuzhou Limited ^	100	–	100	Registered capital of RMB48,000,000	Manufacture and sale of non-alcoholic beverages
(Sino-foreign joint ventures)					
Swire Coca-Cola Beverages Hubei Limited	95.80	–	95.80	Registered capital of US$17,988,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited	80	–	92.85	Registered capital of RMB71,300,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhejiang Limited	80	–	80	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Ltd.	94.44	–	94.44	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	62.96	–	85.19	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	62.96	–	62.96	Registered capital of RMB510,669,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire BCD Co., Ltd.	100	–	100	Registered capital of US$60,000,000	Holding company
Swire Coca-Cola Beverages Guangxi Limited	100	–	100	Registered capital of US$15,200,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hainan Limited	100	–	100	Registered capital of US$11,700,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Hefei Ltd.	100	–	100	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Jiangsu Limited	100	–	100	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Jiangxi Limited	100	–	100	Registered capital of RMB40,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Luohe Limited	94.44	–	100	Registered capital of RMB115,180,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Xiamen Ltd.	100	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Yunnan Limited	95.10	–	95.10	Registered capital of US$8,800,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola (China) Co., Ltd.	100	–	100	Registered capital of RMB100,000,000	Procurement and management services
Swire Guangdong Coca-Cola Zhanjiang Limited	100	–	100	Registered capital of RMB23,000,000	Manufacture and sale of non-alcoholic beverages
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB63,370,000	Manufacture and sale of non-alcoholic beverages
Incorporated in Bermuda:					
Swire Pacific Industries Limited	100	–	100	12,000 shares of US$1 each	Holding company
Incorporated in the British Virgin Islands:					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding company
Swire Coca-Cola Beverages Limited (operates principally in Taiwan)	100	–	100	1,599,840,000 'A' shares of US$0.01 each 200,160,000 'B' shares of US$0.01 each	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited (operates principally in Taiwan)	100	–	100	20,100 shares of US$1 each	Sale of non-alcoholic beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
BEVERAGES (continued)					
Subsidiary companies (continued):					
Incorporated in the USA:					
Swire Pacific Holdings Inc.	100	–	100	1,000 shares of US$1 each	Manufacture and sale of non-alcoholic beverages and holding company
Joint venture companies:					
Incorporated in Hong Kong:					
New Life Plastics Limited	33.33	–	33.33	30,000,000 shares (HK$30,000,000)	Waste plastics recycling
Incorporated in the Chinese Mainland:					
(Sino-foreign co-operative joint ventures)					
Shanghai Shen-Mei Beverage and Food Co., Ltd. ●	53.85	–	53.85	Registered capital of US$93,218,600	Manufacture and sale of non-alcoholic beverages and beverage base
Shanghai Shen-Mei Minfa Beverage and Food Co., Ltd. ^●	53.85	–	*	Registered capital of RMB100,000,000	Manufacture and sale of non-alcoholic beverages
Associated companies:					
Incorporated in Hong Kong:					
Coca-Cola Bottlers Manufacturing Holdings Limited	41	–	41	30,000 shares are issued and HK$2,093,950,029.67 were paid	Holding company
Incorporated in the Chinese Mainland:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	41	–	*	Registered capital of US$39,341,450	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Management Service (Shanghai) Company Limited ^	41	–	*	Registered capital of US$5,000,000	Management services
Coca-Cola Bottlers Manufacturing (Changsha) Company Limited ^	41	–	*	Registered capital of RMB50,000,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	41	–	*	Registered capital of US$141,218,820	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	41	–	*	Registered capital of US$31,496,700	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Hangzhou) Company Limited ^	41	–	*	Registered capital of US$14,272,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Jinan) Company Limited	41	–	*	Registered capital of US$5,720,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Nanning) Company Limited	41	–	*	Registered capital of US$9,600,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Shijiazhuang) Company Limited	41	–	*	Registered capital of US$11,460,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	41	–	*	Registered capital of US$2,566,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Yingkou) Company Limited	41	–	*	Registered capital of US$12,667,000	Manufacture and sale of non-carbonated beverages

Showing proportion of capital owned at 31st December 2021

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
AVIATION					
Subsidiary companies:					
Incorporated in Hong Kong:					
HAECO ITM Limited	83.50	–	70 & *	100 shares (HK$100)	Aircraft inventory technical management
Hong Kong Aircraft Engineering Company Limited	100	100	–	1,000,000 shares (HK$185,193,750)	Overhaul, modification and maintenance for commercial aircraft
Incorporated in the Chinese Mainland:					
(Sino-foreign joint ventures)					
HAECO Composite Structures (Jinjiang) Co., Ltd.	82.53	–	84.10 & *	Registered capital of US$11,663,163	Composite material aeronautic parts/systems repair, manufacturing and sales
Shanghai Taikoo Aircraft Engineering Services Company Limited● ^	69.40	–	75	Registered capital of US$3,700,000	Line services
Taikoo Engine Services (Xiamen) Company Limited	77.27	–	76.59 & *	Registered capital of US$113,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited	62.64	–	58.55 & *	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	90.33	–	90.82 & *	Registered capital of US$83,090,000	Landing gear repair and overhaul
(Wholly foreign owned enterprise)					
HAECO Component Overhaul (Xiamen) Limited	100	–	100	Registered capital of US$18,600,000	Aircraft component overhaul
Incorporated in the USA:					
HAECO USA Holdings, LLC	100	–	100	Limited Liability Company	Aircraft overhaul and maintenance, cabin modification and interior products manufacturing
HAECO Global Engine Support, LLC●	100	–	100	Limited Liability Company	Inspection, maintenance, repair and storage of civil aircraft engines
Incorporated in the United Kingdom:					
HAECO Global Engine Support Ltd●	100	–	100	1 share of GBP1	Inspection, maintenance, repair and storage of civil aircraft engines
Joint venture companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	49	–	49	9,200,000 shares (HK$9,200,000)	Aircraft wheel and brake services
Hong Kong Aero Engine Services Limited	50	–	50	20 shares (HK$200)	Overhaul and maintenance of commercial aero engines
Incorporated in the Chinese Mainland:					
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	33.64	–	37	Registered capital of US$7,500,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited	21.92	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs
Honeywell TAECO Aerospace (Xiamen) Company Limited●	31.26	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo (Shandong) Aircraft Engineering Company Limited●	36.26	–	40	Registered capital of RMB200,000,000	Airframe maintenance services for narrow-body aircraft

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
AVIATION (continued)					
Associated companies:					
Incorporated in Hong Kong:					
AHK Air Hong Kong Limited ●	45	–	*	1,000,000 shares (HK$90,670,000)	Cargo airline
Airline Property Limited ●	45	–	*	2 shares (HK$20)	Property investment
Airline Stores Property Limited ●	45	–	*	2 shares (HK$20)	Property investment
Airline Training Property Limited ●	45	–	*	2 shares (HK$20)	Property investment
Asia Miles Limited ●	45	–	*	2 shares (HK$2)	Travel reward programme
Cathay Holidays Limited ●	45	–	*	40,000 shares (HK$4,000,000)	Travel tour operator
Cathay Pacific Aero Limited ●	45	–	*	1 share (HK$10)	Financial services
Cathay Pacific Aircraft Leasing (H.K.) Limited ●	45	–	*	1 share (HK$1)	Aircraft leasing facilitator
Cathay Pacific Airways Limited ●	45	45	–	6,437,200,203 ordinary shares (HK$28,821,956,644.08) and 195,000,000 preference shares (HK$19,500,000,000)	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited ●	45	–	*	600 shares (HK$600,000)	Airline catering
Cathay Pacific MTN Financing (HK) Limited ●	45	–	*	1 share (HK$1)	Financial services
Cathay Pacific Services Limited ●	45	–	*	1 share (HK$1)	Cargo terminal
Deli Fresh Limited ●	45	–	*	20 shares (HK$200)	Catering
Global Logistics System (HK) Company Limited ●	43.50	–	*	100 shares (HK$1,000)	Computer network for interchange of air cargo related information
Ground Support Engineering Limited	22.50	–	*	2 shares (HK$2)	Airport ground engineering support and equipment maintenance
Hong Kong Airport Services Limited ●	45	–	*	100 shares (HK$100)	Aircraft ramp handling
Hong Kong Aviation and Airport Services Limited ●	45	–	*	2 shares (HK$2)	Property investment
Hong Kong Express Airways Limited ●	45	–	*	1,000,000 shares (HK$3,150,607,160)	Operation of scheduled airline services
LSG Lufthansa Service Hong Kong Limited ●	14.37	–	*	501 shares (HK$501)	Airline catering
Vehicle Engineering Services Limited	22.50	–	*	2 shares (HK$2)	Repair and maintenance services for transportation companies
Vogue Laundry Service Limited ●	45	–	*	3,700 shares (HK$1,850,000)	Laundry and dry cleaning
Incorporated in the Chinese Mainland:					
Air China Cargo Co., Ltd. ●	5.51	–	*	Registered capital of RMB10,689,527,205	Cargo carriage service
Air China Limited ●	8.16	–	*	4,562,683,364 'H' shares of RMB1 each 9,962,131,821 'A' shares of RMB1 each	Operation of scheduled airline services
Shanghai International Airport Services Co., Limited ^ ●	13.21	–	*	Registered capital of RMB360,000,000	Ground handling
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited ●	45	–	*	Registered capital of HK$8,000,000	Information processing
Incorporated in Cayman Islands:					
Cathay Pacific Finance III Limited ●	45	–	*	1 share of US$1	Financial services
Cathay Pacific MTN Financing Limited ●	45	–	*	1 share of US$1	Financial services

Showing proportion of capital owned at 31st December 2021

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
AVIATION (continued)					
Associated companies (continued):					
Incorporated in Bermuda:					
Troon Limited ●	45	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man:					
Cathay Pacific Aircraft Services Limited ●	45	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc. ●	18	–	*	37,500,000 shares of PHP1 each	Airline catering
TRADING & INDUSTRIAL – INDUSTRIAL					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Bakery Limited	100	–	100	1 share (US$1)	Holding company
Swire Environmental Services Limited	100	–	100	1 share (HK$1)	Holding company
Swire Foods Holdings Limited	100	100	–	1 share (HK$1)	Holding company
Swire Industrial Limited	100	100	–	2 shares (HK$2)	Holding company
Swire Waste Management Limited	100	–	100	1 'A' share (HK$1) and 1 'B' share (HK$1)	Provision of waste management services
Swire Waste Services Limited	100	–	100	1 share (HK$1)	Provision of waste management services
Taikoo Sugar Limited	100	–	100	300,000 shares (HK$4,360,000)	Packing and trading of branded food products
Incorporated in the Chinese Mainland:					
(Domestic companies)					
Chengdu Xin Qinyuan Food Company Limited ^	100	–	100	Registered capital of RMB10,000,000	Production and trading of bakery products
Chengdu Xin Qinyuan Trading Company Limited ^	100	–	100	Registered capital of RMB11,000,000	Bakery chain stores
Chongqing Heed Food Company Limited ^	100	–	100	Registered capital of RMB100,000	Production and trading of bakery products
Chongqing Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB5,000,000	Bakery chain stores
Guiyang Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB13,000,000	Bakery chain stores
Guiyang Yuqinyuan Food Company Limited ^	100	–	100	Registered capital of RMB20,000,000	Production and trading of bakery products
Taikoo Sugar Chengdu Limited ^●	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products
(Wholly foreign owned enterprises)					
Chongqing New Qinyuan Bakery Co., Ltd	100	–	100	Registered capital of RMB75,595,238	Production and trading of bakery products
Reservoir Management Services (Shanghai) Company Limited ^●	100	–	100	Registered capital of RMB200,000	Provision of business consultancy services
Swire Foods Trading (China) Limited ^●	100	–	100	Registered capital of HK$63,500,000	Trading of branded food products
Taikoo Sugar (China) Limited ^●	100	–	100	Registered capital of HK$61,350,000	Packing and trading of branded food products

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
TRADING & INDUSTRIAL – TRADING					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited (operates in Taiwan)	100	–	100	1 share (HK$1)	Automobile distribution
Beldare Motors Limited (operates in Taiwan)	100	–	100	10,000 shares (HK$1,000,000)	Automobile distribution
Chevon Holdings Limited	85	–	85	160,000,000 shares (HK$160,000,000)	Holding company
Chevon (Hong Kong) Limited	85	–	100	1,000,000 shares (HK$1,000,000)	Marketing, distribution and retailing of branded casual apparel and accessories
International Automobiles Limited	100	–	100	10,000 shares (US$10,000)	Automobile distribution
Liberty Motors Limited (operates in Taiwan)	100	–	100	2 shares (HK$20)	Automobile distribution
Swire Resources Limited	100	–	100	4,010,000 shares (HK$40,100,000)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Swire Trading Limited	100	100	–	2 shares (HK$20)	Holding company
Taikoo Commercial Vehicles Limited (operates in Taiwan)	100	–	100	2,000 shares (HK$2,000)	Automobile distribution
Yuntung Motors Limited (operates in Taiwan)	100	–	100	2 shares (HK$2)	Automobile distribution
Incorporated in Macau:					
Swire Resources (Macau) Limited ●	100	–	100	2 shares (MOP25,000)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in the Chinese Mainland:					
(Wholly foreign owned enterprises)					
Chevon (Shanghai) Trading Company Limited ^	85	–	100	Registered capital of US$12,000,000	Marketing, distribution and retailing of branded casual apparel and accessories
Swire Resources (Shanghai) Trading Company Limited ^	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Taiwan:					
Biao Yi Limited ^●	100	–	100	10,000,000 shares of NT$1 each	Automobile distribution
Incorporated in the British Virgin Islands and operate in Taiwan:					
Biao Da Motors Limited	100	–	100	1 share of US$1	Automobile distribution
Supreme Motors Limited ●	100	–	100	1 share of US$1	Automobile distribution
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile distribution
Joint venture company:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	7 'A' shares (HK$70) and 3 'B' shares (HK$30)	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
OTHERS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Global Food Venture Investment Limited	100	100	–	1 share (HK$1)	Holding company
Swire Finance Limited	100	100	–	1,000 shares (HK$10,000)	Financial services
Swire Pacific MTN Financing (HK) Limited	100	100	–	1 share (HK$1)	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services
Associated companies:					
Incorporated in the Cayman Islands and operate in the Chinese Mainland:					
Columbia China Healthcare Co., Limited •	13.01	–	*	500,000,000 shares of US$0.0001 each	Holding company for provision of healthcare services
DeltaHealth China Limited	22	–	22	2,500,000,000 shares of US$0.001 each	Holding company for provision of healthcare services
Incorporated in the British Virgin Islands and operates in the Chinese Mainland:					
SHH Core Holding Limited •	20	–	20	20,700,128 shares of US$0.00001 each	Holding company for provision of healthcare services
Incorporated in Denmark:					
Cadeler A/S •	28.23	–	28.23	138,574,468 shares of DKK1 each	Ship operator
DISCONTINUED OPERATIONS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited	100	–	100	1,000 shares (HK$100,000)	Ship personnel management
Incorporated in Australia:					
Swire Pacific Offshore Pty. Limited •	100	–	100	40,000 shares of AUD1 each	Ship chartering and operating
Swire Pacific Ship Management (Australia) Pty. Limited •	100	–	100	20,000 shares of AUD1 each	Ship personnel management
Incorporated in Bermuda:					
Swire Pacific Offshore Holdings Limited •	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited •	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Ship chartering and operating

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up share/ Registered capital	Principal activities
DISCONTINUED OPERATIONS (continued)					
Subsidiary companies (continued):					
Incorporated in Singapore:					
Swire Emergency Response Services Pte. Ltd.	100	–	100	10,000 shares of S$1 each	Emergency response services
Swire Pacific Offshore Operations (Pte) Ltd	100	–	100	370,400,000 ordinary shares of S$1 each and 2,000,000,000 preference shares of US$1 each	Ship owning and operating
Swire Pacific Offshore Services (Pte.) Limited	100	–	100	500,000 shares of S$1 each	Ship operating
Swire Production Solutions Pte. Ltd.	100	–	100	100,000 shares of US$1 each and 2 shares of S$1 each	Owning, chartering and operating vessels servicing the offshore marine industry
Swire Salvage Pte. Ltd.	100	–	100	2 shares of S$1 each	Salvage and maritime emergency response services
Incorporated in Norway:					
Swire Seabed Shipping AS	100	–	100	126,000 shares of NOK2 each	Ship owning and operating
Incorporated in New Zealand:					
Swire Pacific Offshore NZ Limited ●	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon:					
Swire Pacific Offshore Africa ●	100	–	100	1,000 shares of XAF10,000 each	Ship operator
Incorporated in Cyprus:					
Swire Pacific Offshore (Cyprus) Limited ●	100	–	100	1,000 shares of EUR1.71 each	Owning, chartering and operating vessels servicing the offshore marine industry
Incorporated in Brazil:					
Swire Pacific Navegação Offshore Ltda.	100	–	100	41,600,000 shares of R$1 each	Ship management services
Incorporated in Dubai:					
Swire Pacific Offshore (Dubai) (L.L.C) ●	49	–	49	300 shares of AED1,000 each	Management services
Incorporated in Angola:					
Swire Serviços Maritimos LDA ●	49	–	49	20,191,908 shares of AOA1 each	Ship chartering and operating

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the consolidated results and consolidated financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated statement of profit or loss and consolidated statement of other comprehensive income for the year ended 31st December 2021 and consolidated statement of financial position at 31st December 2021, modified to conform to the Group's financial statements presentation.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2021

	Note	2021 HK$M	2020 HK$M
Revenue		45,587	46,934
Operating expenses		(46,037)	(58,639)
Operating loss before non-recurring items		(450)	(11,705)
Restructuring costs		(385)	(2,383)
Impairment and related charges		(818)	(4,056)
Gain on deemed partial disposal of an associated company	1	210	–
Operating loss		(1,443)	(18,144)
Finance charges		(2,704)	(3,044)
Finance income		75	149
Net finance charges		(2,629)	(2,895)
Share of losses of associated companies		(1,985)	(1,282)
Loss before taxation		(6,057)	(22,321)
Taxation		531	674
Loss for the year		(5,526)	(21,647)
Loss for the year attributable to:			
– Ordinary shareholders of Cathay Pacific		(6,123)	(21,876)
– Preference shareholder of Cathay Pacific		596	228
– Non-controlling interests		1	1
		(5,526)	(21,647)

	HK¢	HK¢
Loss per share attributable to Cathay Pacific's ordinary shareholders (basic and diluted)	(95.1)	(424.3)

Note 1: After the dilution in September 2021, the Cathay Pacific group's equity and economic interest in Air China Cargo of 34.78% was reduced to 24.00%. A gain of HK$210 million was recorded during the year ended 31st December 2021 on this deemed partial disposal.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2021

	2021 HK$M	2020 HK$M
Loss for the year	(5,526)	(21,647)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans	510	599
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)	(5)	–
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	2,581	(1,041)
Share of other comprehensive income/(loss) of associated companies	211	(203)
Net translation differences on foreign operations	691	1,638
Other comprehensive income for the year, net of tax	3,988	993
Total comprehensive loss for the year	(1,538)	(20,654)
Total comprehensive loss attributable to:		
Ordinary shareholders of Cathay Pacific	(2,135)	(20,883)
Preference shareholder of Cathay Pacific	596	228
Non-controlling interests	1	1
	(1,538)	(20,654)

Consolidated Statement of Financial Position

At 31st December 2021

	2021 HK$M	2020 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	123,990	131,925
Intangible assets	15,035	15,061
Investments in associated companies	24,532	26,489
Other long-term receivables and investments	3,327	2,905
Deferred tax assets	846	627
	167,730	177,007
Current assets		
Stock	1,269	1,719
Trade and other receivables	8,296	6,469
Assets classified as held for sale	48	38
Liquid funds	19,284	19,341
	28,897	27,567
Current liabilities		
Interest-bearing liabilities	22,350	24,249
Trade and other payables	10,095	12,376
Contract liabilities	7,925	8,122
Taxation	2,765	1,977
	43,135	46,724
Net current liabilities	(14,238)	(19,157)
Total assets less current liabilities	153,492	157,850
Non-current liabilities		
Interest-bearing liabilities	67,504	68,880
Other long-term payables	3,441	4,210
Other long-term contract liabilities	478	–
Deferred tax liabilities	9,820	11,499
	81,243	84,589
NET ASSETS	72,249	73,261
EQUITY		
Share capital	48,322	48,322
Reserves	23,922	24,935
Equity attributable to Cathay Pacific's shareholders	72,244	73,257
Non-controlling interests	5	4
TOTAL EQUITY	72,249	73,261

Summary of Past Performance

	2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M
Ratios				
Return on equity	8.0%	6.2%	5.0%	6.1%
Derived from:				
Recurring underlying profit/(loss)	*3.6%*	*4.0%*	*4.2%*	*4.2%*
Net non-recurring items	*0.2%*	*0.0%*	*0.2%*	*0.3%*
Net property valuation adjustments	*4.2%*	*2.2%*	*0.6%*	*1.6%*
5-year average	*12.0%*	*12.7%*	*10.9%*	*8.1%*
Gearing ratio (excluding lease liabilities)	17.8%	19.2%	22.4%	22.6%
Statement of Profit or Loss				
Revenue				
Property	13,988	12,856	15,297	16,351
Beverages	14,396	15,053	16,382	17,172
Aviation	5,830	7,387	11,927	12,095
Trading & Industrial	9,956	9,836	10,430	9,245
Marine Services	4,864	6,292	7,234	5,988
Head Office	6	13	31	34
	49,040	51,437	61,301	60,885
Profit/(loss) attributable to the Company's shareholders				
Property	15,282	10,207	7,786	11,494
Beverages	556	802	854	976
Aviation	984	1,627	1,822	3,017
Trading & Industrial	247	237	423	155
Marine Services	964	1,307	1,072	(1,255)
Head Office	(623)	(889)	(888)	(958)
	17,410	13,291	11,069	13,429
Dividends for the year	5,266	5,266	5,868	5,867
Share repurchases	–	–	–	35
Retained profit less share repurchases	12,144	8,025	5,201	7,527
Statement of Financial Position				
Assets employed				
Property – cost and working capital	76,907	84,035	88,491	89,009
– valuation surplus	144,176	151,019	154,116	162,217
Beverages	6,200	6,032	6,048	5,833
Aviation	40,304	43,801	41,195	39,311
Trading & Industrial	2,663	2,286	3,950	4,445
Marine Services	17,631	21,412	23,537	22,293
Head Office	4,755	4,428	3,417	462
	292,636	313,013	320,754	323,570
Financed by				
Equity attributable to the Company's shareholders	208,467	220,297	218,775	218,449
Non-controlling interests	39,915	42,211	43,355	45,537
Net debt	44,254	50,505	58,624	59,584
Lease liabilities	–	–	–	–
	292,636	313,013	320,754	323,570
	HK$	HK$	HK$	HK$
'A' Shares				
Earnings/(loss) per share	11.57	8.83	7.36	8.93
Dividends per share	3.50	3.50	3.90	3.90
Equity attributable to shareholders per share	138.55	146.41	145.40	145.22
'B' Shares				
Earnings/(loss) per share	2.31	1.77	1.47	1.79
Dividends per share	0.70	0.70	0.78	0.78
Equity attributable to shareholders per share	27.71	29.28	29.08	29.04
Underlying				
Profit/(loss) (HK$M)	8,270	8,471	9,739	9,892
Return on equity (historic cost)	8.9%	8.9%	10.1%	11.2%
Earnings/(loss) per 'A' share (HK$)	5.50	5.63	6.47	6.58
Earnings/(loss) per 'B' share (HK$)	1.10	1.13	1.29	1.32
Cash Interest cover – times	5.4	4.5	4.9	4.6
Dividend payout ratio	63.7%	62.2%	60.3%	59.3%

^ Included continuing operations and discontinued operations.

2016 HK$M	2017 HK$M	2018 HK$M	2019 HK$M	2020^ HK$M	2021^ HK$M
4.4%	10.9%	9.0%	3.3%	-4.1%	1.3%
2.3%	*2.0%*	*2.8%*	*2.7%*	*-0.2%*	*1.8%*
-0.9%	*0.0%*	*0.4%*	*-0.8%*	*-2.9%*	*0.2%*
3.0%	*8.9%*	*5.8%*	*1.4%*	*-1.0%*	*-0.7%*
5.9%	*6.5%*	*7.1%*	*6.7%*	*4.7%*	*4.1%*
23.5%	23.7%	19.3%	14.2%	12.2%	11.9%
16,691	18,443	14,604	14,135	13,262	15,848
18,420	34,066	41,189	43,316	45,080	53,925
13,760	14,546	14,892	15,901	11,483	11,464
9,276	10,163	10,896	9,843	8,308	9,553
4,237	3,066	3,018	2,451	1,889	1,601
5	5	7	6	10	12
62,389	80,289	84,606	85,652	80,032	92,403
12,357	27,731	23,437	11,007	3,388	5,847
813	2,441	1,630	1,686	2,076	2,549
441	(1,002)	1,781	1,550	(9,751)	(2,380)
114	69	2,904	(452)	12	94
(3,013)	(2,232)	(5,033)	(3,634)	(5,240)	(1,118)
(1,068)	(937)	(1,090)	(1,150)	(1,484)	(1,628)
9,644	26,070	23,629	9,007	(10,999)	3,364
3,159	3,155	4,505	4,505	2,553	3,904
–	165	9	–	–	–
6,485	22,750	19,115	4,502	(13,552)	(540)
90,797	95,846	92,805	95,777	97,035	105,517
171,591	198,496	217,858	208,172	200,053	198,788
7,845	17,274	16,657	17,177	16,514	17,474
42,606	44,798	45,449	47,187	42,956	40,590
5,246	5,631	2,252	3,249	2,813	2,527
18,170	16,755	13,014	10,120	3,557	943
(41)	(192)	(253)	(125)	270	2,324
336,214	378,608	387,782	381,557	363,198	368,163
224,879	253,163	270,424	273,352	262,692	266,950
47,289	52,931	54,691	56,142	56,454	57,218
64,046	72,514	62,667	46,688	38,900	38,655
–	–	–	5,375	5,152	5,340
336,214	378,608	387,782	381,557	363,198	368,163
HK$	HK$	HK$	HK$	HK$	HK$
6.41	17.34	15.74	6.00	(7.32)	2.25
2.10	2.10	3.00	3.00	1.70	2.60
149.50	168.58	180.09	182.04	174.94	177.78
1.28	3.47	3.15	1.20	(1.46)	0.45
0.42	0.42	0.60	0.60	0.34	0.52
29.90	33.72	36.02	36.41	34.99	35.56
3,063	4,742	8,523	17,797	(3,969)	5,300
3.6%	5.4%	9.3%	18.2%	-3.9%	5.2%
2.04	3.15	5.68	11.85	-2.64	3.53
0.41	0.63	1.14	2.37	-0.53	0.71
2.6	4.0	5.0	10.5	5.3	6.2
103.1%	66.5%	52.9%	25.3%	N/A	73.7%

Schedule of Principal Group Properties

At 31st December 2021

	Gross floor areas in square feet							
	Hong Kong		Chinese Mainland		USA and Elsewhere		Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment								
Retail	2,318,734	167,927	3,173,037	2,328,520	496,508	–	5,988,279	8,484,726
Office	7,480,117	727,847	1,731,766	1,208,566	–	–	9,211,883	11,148,296
Residential/Serviced apartment	555,551	–	51,517	128,565	–	–	607,068	735,633
Hotels	358,371	411,189	753,647	471,318	–	258,750	1,112,018	2,253,275
	10,712,773	1,306,963	5,709,967	4,136,969	496,508	258,750	16,919,248	22,621,930
Property developments for investment								
Retail	2,851	–	–	–	–	–	2,851	2,851
Office	1,218,000	–	–	–	–	–	1,218,000	1,218,000
Residential/Serviced apartment	14,768	–	–	–	–	–	14,768	14,768
Under planning	–	–	–	1,416,087	1,444,000*	–	1,444,000	2,860,087
	1,235,619	–	–	1,416,087	1,444,000	–	2,679,619	4,095,706
Property developments for sale								
Retail	2,002	–	–	–	–	–	2,002	2,002
Residential/Mixed-use	723,131	159,576	–	–	1,073,000	1,852,408	1,796,131	3,808,115
	725,133	159,576	–	–	1,073,000	1,852,408	1,798,133	3,810,117
	12,673,525	1,466,539	5,709,967	5,553,056	3,013,508	2,111,158	21,397,000	30,527,753

* One Brickell City Centre is currently under planning. The site is included under "Properties held for development" in the financial statements.

Notes:

1. All properties held through subsidiary companies are wholly-owned by the Swire Properties group except for Island Place (60% owned), Chai Wan Inland Lot No. 178 (80% owned), Taikoo Hui, Guangzhou (97% owned) and Brickell City Centre (Retail: 62.93% owned). The above summary table includes the floor areas of these four properties in 100%.
2. "Other companies" comprise joint venture companies, associated companies and financial assets at fair value through profit or loss. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas in Hong Kong and the Chinese Mainland exclude car parking spaces; there are about 9,490 completed car parking spaces in Hong Kong and the Chinese Mainland, which are held by subsidiaries and other companies for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the USA are freehold.
6. Gross floor areas for all properties in the USA represent saleable or leasable areas for completed and nearly completed properties, which exclude car parking spaces; there are about 1,976 completed car parking spaces held by subsidiaries and other companies for investment.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050-2852	40,236	627,657	111	2004/07	Linked to The Mall at Pacific Place and Admiralty MTR station.
3. Devon House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Linked to Dorset House and Cambridge House.
4. Dorset House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Linked to Devon House.
5. Lincoln House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,529	164	1998	Linked to PCCW Tower and One Taikoo Place.
6. Oxford House, Taikoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/2899	33,434	501,253	182	1999	Linked to One Taikoo Place.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office (continued)							
7. Cambridge House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Linked to Devon House.
8. One Island East, Taikoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/ 2899	109,929	1,537,011	–	2008	
9. One Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,013,368	82	2018	Linked to Lincoln House and Oxford House.
10. 8 Queen's Road East, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	2013 (Refurbishment)	With ground floor retail.
11. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	
	Total held through subsidiaries			7,480,117	1,065		
12. PCCW Tower, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Linked to Dorset House. Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
13. Berkshire House, Taikoo Place	IL 8854	2047	25,926	388,838	84	1998	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
14. One Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	160,522	63	1999/ 2000	Above Citygate shopping centre. Floor area shown represents the whole of the office area of the development, in which the Swire Properties group owns a 20% interest.
15. South Island Place, Wong Chuk Hang	AIL 461 RP	2064	25,260	382,499	137	2018	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,552,007	501		
	– of which attributable to the Swire Properties group			727,847			

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Pacific Place, 88 Queensway, Central							
The Mall at Pacific Place	IL 8571 (part) IL 8582 & Ext. (part)	2135/ 2047	318,289 (part)	711,182	426	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 (part) QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sR ss2 (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,096,898	845	1983/87/ 97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
3. Commercial areas in Stages I - X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2889/ 2899	–	329,810	2,432	1977-85	Neighbourhood shops, schools and car parking spaces.
4. Island Place 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, in which the Swire Properties group owns a 60% interest.
5. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail podium.
6. EAST Residences, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	12,312	–	2014	Floor area shown represents the whole of a 3-storey retail podium (excluding serviced-suites above).
7. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street	IL 47 sF (part) IL 47 sG (part) IL 47 sH (part) IL 47 sI (part) IL 8464 (part)	2056/ 2852	6,775 (part)	5,197	–	2016 (Refurbishment)	Floor area shown represents the retail area (excluding residential apartments).
	Total held through subsidiaries			2,318,734	4,074		

At 31st December 2021

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail (continued)							
8. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/ 1999	Floor area shown represents the retail space, in which the Swire Properties group owns a 20% interest.
9. Citygate Outlets, Tung Chung, Lantau	TCTL 2 (part) TCTL 11 (part)	2047/ 2063	466,476 (part)	803,582	1,197	1999/ 2000/ 2019	Floor area shown represents the whole of the retail area of the development, in which the Swire Properties group owns a 20% interest.
	Total held through joint venture companies			839,635	1,272		
	– of which attributable to the Swire Properties group			167,927			
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. EAST Residences, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	62,756	–	2014	106 serviced suites above a 3-storey retail podium. Floor area shown excludes retail portion.
3. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street	IL 47 sF (part) IL 47 sG (part) IL 47 sH (part) IL 47 sI (part) IL 8464 (part)	2056/ 2852	6,775 (part)	47,076	–	2016 (Refurbishment)	120 apartments above ground floor shops. Floor area shown excludes retail area (5,197 square feet).
4. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
	Total held through subsidiaries			555,551	–		
Hotel							
1. EAST Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sR ss2 (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009 (Refurbishment)	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			358,371	–		
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	608-room hotel, in which the Swire Properties group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Swire Properties group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	561-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through associated companies			1,687,222	–		
	– of which attributable to the Swire Properties group			337,444			

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel (continued)							
6. Novotel Citygate Hong Kong, Citygate	TCTL 2 (part)	2047	358,557 (part)	236,758	25	2005	440-room hotel, in which the Swire Properties group owns a 20% interest.
7. The Silveri Hong Kong – MGallery, Citygate	TCTL 11 (part)	2063	107,919 (part)	131,965	5	2019	206-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through joint venture companies			368,723	30		
	– of which attributable to the Swire Properties group			73,745			

Completed properties for investment in the Chinese Mainland	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for car parks)	566,332 (part)	776,909	417	2007	Shopping centre with restaurants and cinema.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for car parks)	566,332 (part)	519,399	340	2007	Shopping centre with restaurants.
3. Taikoo Li Sanlitun (Taikoo Li Sanlitun West)	58 Gongti North Road, Chaoyang District, Beijing	2033	40,102	293,405	50	2021	Shopping centre with restaurants leased by the Swire Properties group.
4. Building 15	15 Sanlitun North, Chaoyang District, Beijing	2048	4,861	19,747	–	2000s	Commercial building acquired by the Swire Properties group.
5. Hui Fang	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants.
6. Taikoo Hui	381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			3,173,037	1,625		
7. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for car parks)	631,072 (part)	939,493	617	2012	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
8. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	1,314,973	1,051	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
9. Heritage Buildings in Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2034	N/A (part)	40,387	–	2014	Heritage Buildings leased from the local government as part of the retail operation of Sino-Ocean Taikoo Li Chengdu, in which the Swire Properties group owns a 50% interest.
10. HKRI Taikoo Hui	South of West Nanjing Road and east of Shi Men Yi Road, Jing'an District, Shanghai	2049	676,091 (part)	1,105,646	240	2016	Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
11. Metrolink in HKRI Taikoo Hui	South of West Nanjing Road and underneath Shi Men Yi Road, Jing'an District, Shanghai	2028	N/A (part)	67,813	–	2018	Shopping corridor leased from Shanghai Shentong Metro and operated by HKRI Taikoo Hui, in which the Swire Properties group owns a 50% interest.
12. Taikoo Li Qiantan	East of Yangsi West Road, West of Dongyu Road, North of Haiyang West Road, Pudong New District, Shanghai	2053	638,125 (part)	1,188,727	907	2020	The Swire Properties group owns a 50% interest.
	Total held through joint venture companies			4,657,039	2,815		
	– of which attributable to the Swire Properties group			2,328,520			

Completed properties for investment in the Chinese Mainland	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Taikoo Hui Towers 1 & 2	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,731,766	–	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			1,731,766	–		
2. ONE INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)	589,071	390	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 50% interest.
3. HKRI Centre 1 and HKRI Centre 2	South of West Nanjing Road and east of Shi Men Yi Road, Jing'an District, Shanghai	2059	676,091 (part)	1,828,060	798	2016	Floor area shown represents the office portion, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			2,417,131	1,188		
	– of which attributable to the Swire Properties group			1,208,566			
Hotel							
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for car parks)	566,332 (part)	169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel: 584,184 Serviced apartment: 51,517 635,701	– –	2012	263-room hotel and 24 serviced apartments, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			805,164	32		
3. EAST Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for office and car parks)	631,072 (part)	358,301	240	2012	369-room hotel, in which the Swire Properties group owns a 50% interest.
4. The Temple House	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Hotel: 196,508 Serviced apartment: 109,857 306,365	– –	2015	100-room hotel and 42 serviced apartments, in which the Swire Properties group owns a 50% interest.
5. The Sukhothai Shanghai Hotel	380 Weihai Road, Jing'an District, Shanghai	2049	676,091 (part)	Hotel: 246,646	79	2018	201-room hotel, in which the Swire Properties group owns a 50% interest.
The Middle House	366 Shi Men Yi Road, Jing'an District, Shanghai			Hotel: 141,181	43	2018	111-room hotel, in which the Swire Properties group owns a 50% interest.
The Middle House Residences	366 Shi Men Yi Road, Jing'an District, Shanghai			Serviced apartment: 147,273 535,100	40	2018	102 serviced apartments, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,199,766	402		
	– of which attributable to the Swire Properties group			599,883			

Completed properties for investment in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail						
1. Brickell City Centre – retail portion	701 S Miami Avenue, Miami, Florida	380,670 (part)	496,508	1,137	2016	Floor area shown represents the whole shopping centre, in which the Swire Properties group owns a 62.93% interest.
2. Car parking spaces for Two Brickell City Centre, Three Brickell City Centre, EAST Residences and EAST Miami	78 SW 7th Street and 788 Brickell Plaza, Miami, Florida	380,670 (part)	–	389	2016	The Swire Properties group owns the 389 car parking spaces of the sold properties.
	Total held through subsidiaries		496,508	1,526		
Hotel						
1. Mandarin Oriental, Miami	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Swire Properties group owns a 75% interest.
	Total held through joint venture companies		345,000	600		
	– of which attributable to the Swire Properties group		258,750			

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Residential								
1. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	Site formation is in progress	2023	Floor area shown is an approximation.
	Total held through subsidiaries			14,768	–			
Office								
1. Two Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,000,000	346	Superstructure and interior fitting out works are in progress	2022	Floor area shown is an approximation.
2. 46-56 Queen's Road East	IL 2242 IL 2244 sA IL 2244 sB IL 2244 sC IL 2245 sA IL 2245 sB IL 2245 sC IL 2245 sD IL 2245 sE IL 2245 sF	2843	14,433	218,000	88	Superstructure works in progress	2023	Floor area shown is an approximation.
	Total held through subsidiaries			1,218,000	434			
Retail								
1. EIGHT STAR STREET	IL 526 sA ss1 sC IL 526 sA ss1 sB ss1 IL 526 sA ss1 sB RP IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,609 (part)	2,851	–	Superstructure and interior fitting out works are in progress	2022	Residential block over retail podium. Floor area shown represents the retail portion of the development. The area shown is subject to change.
	Total held through subsidiaries			2,851	–			

Property developments for investment in the Chinese Mainland	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. INDIGO Phase Two, Beijing	Next to and on the east of current INDIGO, Beijing	2060 for retail and hotel, 2070 for office	842,807 (part)	Under planning: 4,045,964	To be determined	Foundation works in progress	Phase 1: 2025 Phase 2: 2026	An office-led, mixed-use extension of the existing INDIGO project comprising a shopping mall, office towers, and a hotel. The Swire Properties group owns a 35% interest.
	Total held through joint venture companies			4,045,964	–			
	– of which attributable to the Swire Properties group			1,416,087				

Property developments for investment in the United States	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. One Brickell City Centre, Miami, Florida	123,347	Under planning: 1,444,000	To be determined	To be determined	One Brickell City Centre is being planned as a future mixed-use development comprised of retail, Grade A office space, condominiums and a hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre (comprising approximately 1.4 million square feet) is planned as an 80-storey luxury high rise tower.
	Total held through subsidiaries	1,444,000	–		

Completed properties for sale in the Chinese Mainland	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pinnacle One	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	702,243 (part)	–	202	2014	Pinnacle One has been completed; the remaining one-and-half floors will be retained for its own use by the joint venture company which owns the property. The tradable assets outstanding are the 202 car parking spaces. The car parking spaces are under contract estimated to be closed in 2022.
	Total held through joint venture companies			–	202		
	– of which attributable to the Swire Properties group			–			

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
Residential							
1. EIGHT STAR STREET	IL 526 sA ss1 sC IL 526 sA ss1 sB ss1 IL 526 sA ss1 sB RP IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,609 (part)	30,855	–	2022	Residential block over retail podium. Floor area shown represents the residential portion of the development. The area shown is subject to change.
2. Chai Wan Inland Lot No. 178	CWIL 178	2071	96,876 (part)	692,276	To be determined	2025	The residential portion of the whole development, in which the Swire Properties group owns an 80% interest.
	Total held through subsidiaries			723,131	–		
3. Wong Chuk Hang Station Package Four Property Development	AIL 467	2067	738,199 (part)	638,305	To be determined	2024	Floor area shown represents the whole Package Four development, in which the Swire Properties group owns a 25% interest.
	Total held through joint venture companies			638,305	–		
	– of which attributable to the Swire Properties group			159,576			

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
Retail							
1. Chai Wan Inland Lot No. 178	CWIL 178	2071	96,876 (part)	2,002	To be determined	2025	The retail portion of the whole development, in which the Swire Properties group owns an 80% interest.
	Total held through subsidiaries			2,002	–		

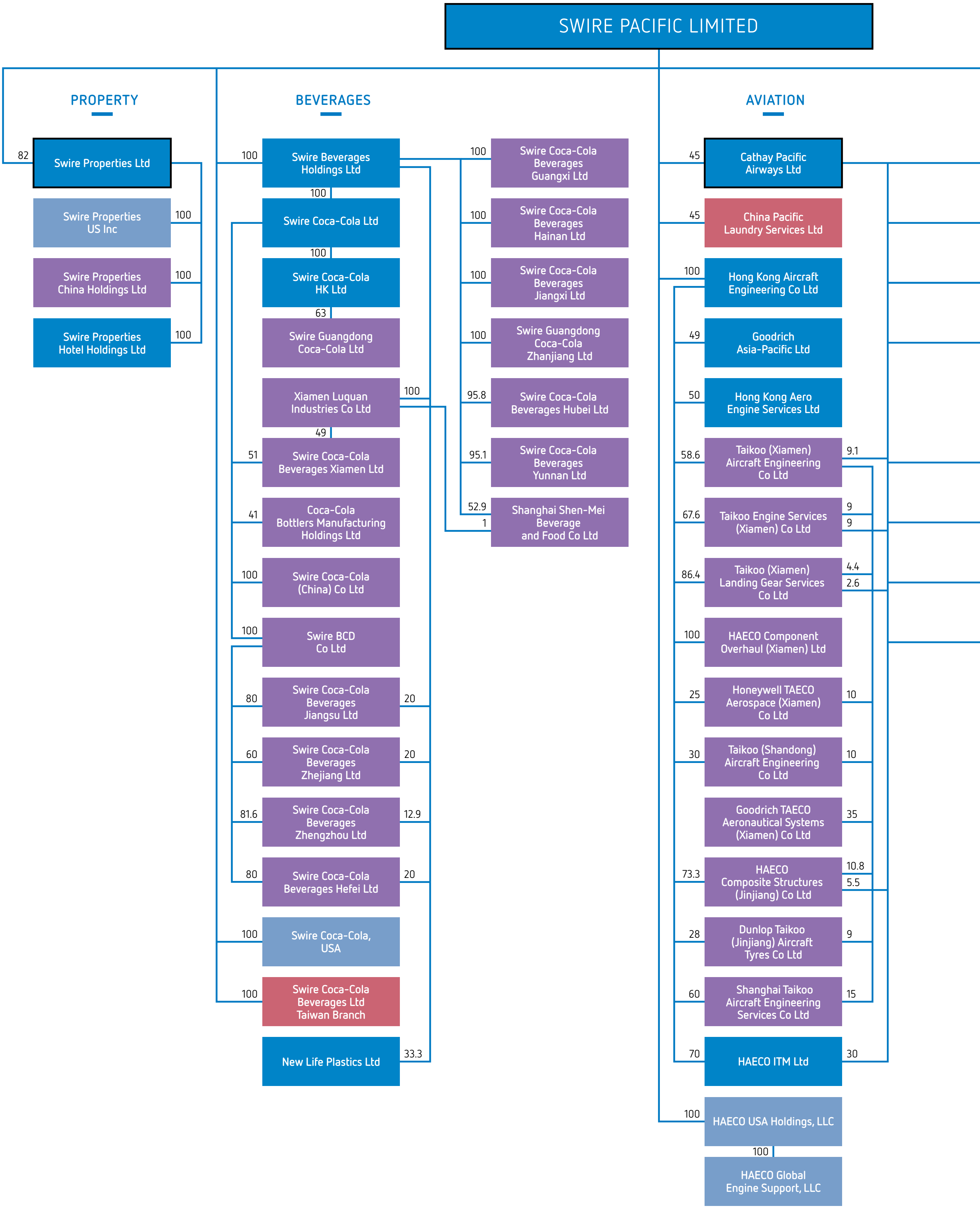
Property developments for sale in the United States	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential: 550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	203,941	Under contract: N/A	N/A	–	The sale of the property was completed in January 2022.
3. North Squared, Miami, Florida	380,670 (part)	Residential: 523,000	544	–	The development on the North Squared site is currently on hold.
	Total held through subsidiaries	1,073,000	939		

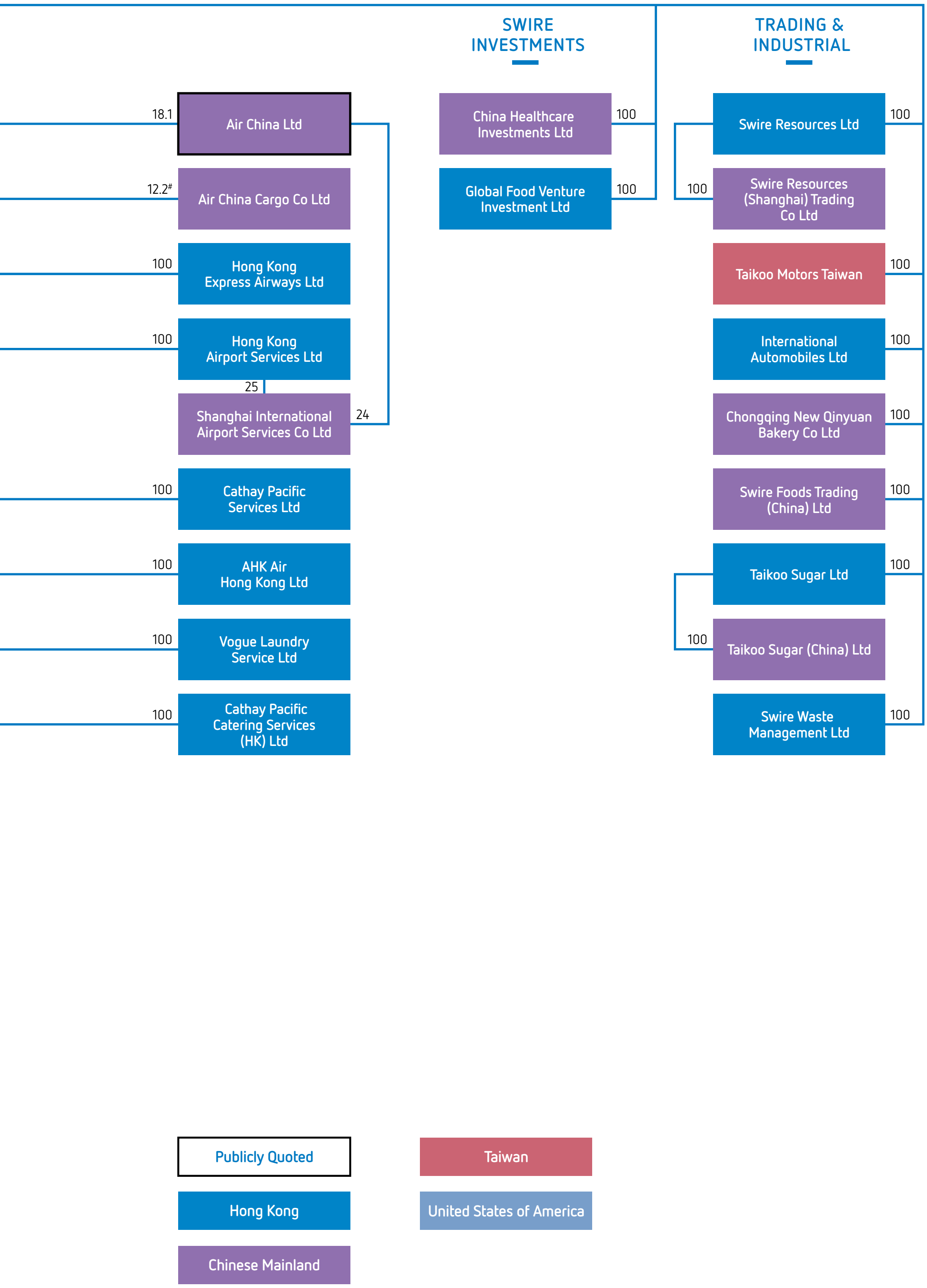
Property developments for sale in Indonesia	Lot number/Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. Savyavasa, South Jakarta	Jalan Wijaya II No.37A Kebayoran Baru, South Jakarta	227,982	Residential: 1,122,728	1,079	2024	Residential tower with 431 units, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies		1,122,728	1,079		
	– of which attributable to the Swire Properties group		561,364			

Property developments for sale in Vietnam	Lot number/Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. The River	Thu Thiem, Lot 3.15	165,518	Residential: 846,201	780	2022	3 residential towers with 525 units, in which the Swire Properties group effectively owns a 20% interest. Gross floor area excludes 6,886 sqm of parking and 4,500 sqm of retail which is not included in the Swire Properties group's investment.
	Total held through associated companies		846,201	780		
	– of which attributable to the Swire Properties group		169,240			
2. Empire City	Thu Thiem, (Zone 2b)	1,200,527	Residential/ Mixed-use: 7,131,624	6,621	In phases up to 2027	A residential-led mixed-use project comprising luxury residential condominiums, an office tower, a hotel, serviced apartments and a retail mall. To be completed in phases until 2027. The Swire Properties group effectively owns a 15.73% interest. Gross floor area excludes 254,474 sqm of parking (although this is included in the Swire Properties group's investment).
	Total held through financial assets at fair value through profit or loss		7,131,624	6,621		
	– of which attributable to the Swire Properties group		1,121,804			

Group Structure Chart

at 31st December 2021





* This organisation chart is for illustrative purposes only and does not represent the legal structure of the Group.

Shareholding held through subsidiary at 12.24%, another 11.75% held through an economic interest with total holding at 24.00%.

Glossary

References in this document to Hong Kong are to Hong Kong SAR, to Macau are to Macao SAR and to Taiwan are to the Taiwan region.

Financial

Underlying profit or loss
Reported profit or loss adjusted principally for the impact of (i) changes in the fair value of investment properties, (ii) deferred tax on investment properties and (iii) amortisation of right-of-use assets reported under investment properties.

Recurring underlying profit or loss
Underlying profit or loss adjusted for significant credits and charges of non-recurring nature, including gains and losses on the sale of businesses and investment properties and non-cash impairments.

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Capital employed
Total equity plus net debt and lease liabilities.

Consolidated net worth
Total of share capital, reserves and non-controlling interests.

Consolidated tangible net worth
Consolidated net worth less goodwill and other intangible assets.

Equity attributable to the Company's shareholders
Equity excluding non-controlling interests.

Gross borrowings
Total of loans, bonds and overdrafts.

Net debt or consolidated borrowed money
Total of loans, bonds and overdrafts net of cash, bank deposits and bank balances.

Beverages

Water use ratio represents the litres of water used to produce a litre of production. It is calculated as total water used divided by total production volume. Production volume only includes volume produced by Swire Coca-Cola and excludes volume that is purchased from third parties.

Energy use ratio represents the energy consumed (measured in Mega joules) used to produce a litre of production. Energy consumed consists of all energy consumed, except for fuel used in fleet operations. Production volume only includes volume produced by Swire Coca-Cola and excludes volume that is purchased from third parties.

Aviation

Available tonne kilometres (ATK)
Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.

Available seat kilometres (ASK)
Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available cargo tonne kilometres (AFTK)
Cargo capacity, measured in tonnes available for the carriage of freight on each sector multiplied by the sector distance.

Revenue tonne kilometres (RTK)
Traffic volume, measured in tonnes from the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.

Revenue passenger kilometres (RPK)
Number of passengers carried on each sector multiplied by the sector distance.

Cargo revenue tonne kilometres (RFTK)
Amount of cargo, measured in tonnes, carried on each sector multiplied by the sector distance.

On-time performance
Departure within 15 minutes of scheduled departure time.

Sustainable Development

Carbon Dioxide Equivalent (CO_2e)
A measure of the global warming potential of releases of the six greenhouse gases specified by the Kyoto protocol. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

Greenhouse Gas (GHG)
A gas that contributes to the greenhouse effect by absorbing infrared radiation.

– **Scope 1 emissions** are direct GHG emissions from sources that are owned or controlled by the Group.

– **Scope 2 emissions** are indirect GHG emissions from consumption of purchased electricity, heat and steam as well as GHG emissions from the generation and transportation of Towngas in Hong Kong from the production plant to users.

Cubic metres (cbm)
A metric unit of volume or capacity equal to 1,000 litres or 1.0 metric tonne of water.

Global Reporting Initiative (GRI)
(www.globalreporting.org)
An international independent organisation that helps businesses, governments and other organisations understand and communicate their impact on issues such as climate change, human rights, governance and social well-being.

Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total days lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Lost Time Injury Rate (LTIR) represents the number of injuries per 100 employees per year. It is calculated as the total injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year. The definitions of an injury and the number of hours worked may vary slightly in different jurisdictions and in different industries. In such cases local legal definitions and industry norms will take precedence.

Total injuries are the number of injuries in the year which result in lost time of a minimum of one scheduled working day.

RATIOS

Financial

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on Equity} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on capital employed} = \frac{\text{Profit/(loss) before net interest after taxation}}{\text{Average capital employed}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend payout ratio} = \frac{\text{Dividends paid and declared}}{\text{Underlying profit/(loss) attributable to the Company's shareholders}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo load factor} = \frac{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}{\text{Available seat kilometres/Available cargo tonne kilometres}}$$

$$\text{Passenger/Cargo yield} = \frac{\text{Passenger revenue/Cargo revenue}}{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses at Cathay Pacific*}}{\text{ATK of Cathay Pacific*}}$$

* Including Cathay Dragon in 2020.

Financial Calendar and Information for Investors

Financial Calendar 2022

'A' and 'B' shares trade ex-dividend	6th April
Annual Report available to shareholders	7th April
Share registers closed for second interim dividends entitlement	8th April
Payment of 2021 second interim dividends	6th May
Share registers closed for attending and voting at Annual General Meeting	6th – 12th May
Annual General Meeting	12th May
Interim results announcement	August
First interim dividends payable	October

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Website: www.mybnymdr.com
E-mail: shrrelations@cpushareownerservices.com
Tel: Calls within USA – toll free: 1-888-269-2377
International callers: 1-201-680-6825

Stock Codes

	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

Auditors

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

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Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

Disclaimer

This document may contain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including the effects of COVID-19, changes in the economies and industries in which the Group operates (in particular in Hong Kong and the Chinese Mainland), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

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