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 214 to 223.

The audited financial statements are set out on pages 129 to 225 and also include the "Audited Financial Information" under Financial Review on page 62 and Financing on pages 72 to 81.

1. Changes in Accounting Policies and Disclosures

(a) The following revised standards and interpretation were required to be adopted by the Group effective from 1st January 2023:

Amendments to HKAS 1, HKAS 8 and HKAS 12	Narrow-scope Amendments
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration

The Group previously accounted for deferred taxation on leases that results in a similar outcome in the consolidated financial statements of the Group following the adoption of the "Narrow-scope Amendments (Amendments to HKAS 1, HKAS 8 and HKAS 12)", except that the deferred tax asset or liability was recognised on a net basis prior to offsetting as permitted in HKAS 12. Following the adoption of these amendments in the Group's accounting policies, the Group has recognised deferred tax assets in relation to its lease liabilities and deferred tax liabilities in relation to its right-of-use assets separately. The key impact for the Group relates to the disclosure of the deferred tax assets and liabilities recognised, this includes the restatement of opening balances and movements, as set out in note 32. There is no impact to the Group's consolidated statement of financial position as of 31st December 2023, 31st December 2022 and 1st January 2022, the opening retained earnings at 1st January 2023 and 2022, consolidated statement of profit or loss and the earnings per share for the year ended 31st December 2023 and 2022. Except for Amendments to HKAS 1, HKAS 8 and HKAS 12, none of the revised standards and interpretation had a significant effect on the Group's consolidated financial statements or accounting policies.

(b) The Group has not early adopted the following relevant new and revised standards and interpretation that have been issued but are effective for annual periods beginning on or after 1st January 2024 and such standards have not been applied in preparing these consolidated financial statements.

Amendments to HKAS 1	Classification of Liabilities as Current and Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangability[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 2024.
2 To be applied by the Group from 1st January 2025.
3 The effective date is to be determined.

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

1. Changes in Accounting Policies and Disclosures (continued)

(c) In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two) (i.e. BEPS 2.0), and various governments around the world have issued, or are in the process of issuing, legislation on this. The ultimate holding company of the Group is in the process of assessing the full impact of this in various regions that the Group has operations. The HKSAR Government and the respective governments of the Group's major operating regions have not enacted the legislation on Pillar Two as of the date of approval of these 2023 financial statements.

(d) On 22nd February 2023, the Hong Kong Institute of Certified Public Accountants published the Financial Reporting Alert 44 to highlight the potential accounting impact of the abolition of the Mandatory Provident Fund (MPF)-Long Service Payment (LSP) offsetting mechanism (the Abolition) on entities in Hong Kong and, in particular, two broad tentative approaches to analyse the issue. The Group has adopted the approach to treat the offsetable accrued benefits as deemed employee contributions. Under this approach, the accrued benefits arising from employer's MPF contributions that have been vested with the employees and which would be used to offset the respective employees' LSP benefits are treated as a deemed contribution towards the employee's LSP benefits. Based on the preliminary assessment, the financial impact to the Group was not material during the year and as at 31st December 2023.

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 79 to 81 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 2023		
Impact on profit or loss: (loss)/gain	**(48)**	**48**
Impact on other comprehensive income: gain/(loss)	**176**	**(178)**
At 31st December 2022		
Impact on profit or loss: (loss)/gain	(172)	172
Impact on other comprehensive income: gain/(loss)	54	(49)

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

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments
- Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
- Changes in market interest rates affect the fair value of derivative financial instruments
- All other financial assets and liabilities are held constant

2. Financial Risk Management (continued)

Currency exposure

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

The impact on the Group's consolidated statements of profit or loss and other comprehensive income of a weakening or strengthening in the US dollar against the Hong Kong dollar from the year-end rate of 7.8141 (2022: 7.7974), with all other variables held constant, would have been:

	Weakening in USD to lower peg limit (7.75) HK$M	Strengthening in USD to upper peg limit (7.85) HK$M
At 31st December 2023		
Impact on profit or loss: (loss)/gain	**(5)**	**4**
Impact on other comprehensive income: gain/(loss)	**3**	**(1)**
At 31st December 2022		
Impact on profit or loss: gain	1	–
Impact on other comprehensive income: gain/(loss)	2	(2)

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 1.1016 (2022: 1.1217), 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 2023		
Impact on profit or loss: gain/(loss)	**19**	**(19)**
Impact on other comprehensive income: (loss)/gain	**–**	**–**
At 31st December 2022		
Impact on profit or loss: gain/(loss)	4	(4)
Impact on other comprehensive income: (loss)/gain	(1)	1

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

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

Credit exposure

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

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

Trade receivables and contract assets

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

2. Financial Risk Management (continued)

Credit exposure (continued)

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

Other financial assets at amortised cost

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

Liquidity exposure

The tables below analyse the contractual undiscounted cash flows of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities by relevant maturity groupings based on the remaining periods at the year-end date to the earliest contractual maturity dates.

At 31st December 2023

	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	28,550	28,852	26,758	586	1,158	350
Borrowings (including interest obligations)	30	69,218	75,747	12,710	14,587	37,318	11,132
Lease liabilities	31	5,079	6,121	1,046	816	1,524	2,735
Derivative financial instruments	23	364	364	33	2	203	126
Financial guarantee contracts	39	–	4,132	4,132	–	–	–
		103,211	115,216	44,679	15,991	40,203	14,343

At 31st December 2022

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade and other payables (excluding deposits received on sale of investment properties)	29	30,215	33,345	27,139	767	1,558	3,881
Borrowings (including interest obligations)	30	68,373	73,717	11,729	7,033	40,186	14,769
Lease liabilities	31	4,916	5,961	941	757	1,464	2,799
Derivative financial instruments	23	225	225	124	3	79	19
Financial guarantee contracts	39	–	4,384	4,384	–	–	–
		103,729	117,632	44,317	8,560	43,287	21,468

3. Critical Accounting Estimates and Judgements

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

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

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

4. Revenue

Accounting Policy

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Provided the collectability of the related receivable is probable, revenue is recognised as follows:

(a) Rental income is recognised when a lease commences. According to the contractual terms, leased properties do not have alternative uses to the Group after the leasing periods stipulated in the signed tenancy agreements commence. Rental income is recognised on a straight-line basis over the shortest of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when the lessee's revenue transaction is recognised. Rental income forgiven not recognised as an expected credit loss of operating lease receivables is treated as a lease modification, and the revised future lease income under the new lease, including any prepaid or accrued lease income relating to the original lease, is subsequently recognised as income on a straight-line basis.

(b) The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the buyer. According to the contractual terms, the properties generally do not have alternative use to the Group after the signing of sales contracts with the buyers. However, in Hong Kong and the USA, an enforceable right to payment does not arise until legal title to the property has been transferred to the buyer. Therefore, revenue is recognised upon completion of the transfer of legal title to the buyer.

(c) Sales of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the use of the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Sales of goods in the Group's beverages and retail operations happen at a point in time and do not include any significant separate performance obligations.

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

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

4. Revenue (continued)

Accounting Policy (continued)

Definition of terms

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

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

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

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

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

	2023 HK$M	2022 HK$M
Gross rental income from investment properties	13,365	12,188
Property trading	166	921
Hotels	977	565
Sales of goods	62,793	63,727
Aircraft and engine maintenance services	16,034	12,524
Rendering of other services	1,488	1,244
Total	94,823	91,169

	2023 HK$M	2022 HK$M
Revenue from continuing operations recognised in the current reporting period that was related to the contract liability balance at the beginning of the year	1,095	1,016

Of the contract liabilities of HK$2,146 million outstanding at 31st December 2023 (2022: HK$1,337 million), HK$2,078 million (2022: HK$1,212 million) is expected to be recognised as revenue within one year and the remaining balance of HK$68 million (2022: HK$125 million) after one year.

4. Revenue (continued)

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

	2023 HK$M	2022 HK$M
Aggregate amount of transaction prices allocated to revenue contracts that are partly or fully unsatisfied at the end of the year	**4,923**	3,057

Of the amount disclosed above at 31st December 2023, HK$4,855 million (2022: HK$2,963 million) is expected to be recognised as revenue within one year.

5. Other Net (Losses)/Gains

	Note	2023 HK$M	2022 HK$M
(Loss)/gain on disposals of subsidiary companies		**(420)**	520
Gain arising from the acquisition of interests in joint venture companies		**551**	–
Gain on partial disposal and deemed disposal of an associated company		**37**	64
(Loss)/gain on disposals of investment properties		**(16)**	31
Loss on disposals of property, plant and equipment		**(86)**	(11)
(Loss)/gain on disposals of assets classified as held for sale		**(44)**	20
Change in fair value of assets classified as held for sale		**(442)**	48
Net foreign exchange (losses)/gains		**(237)**	250
Fair value gains on investments at fair value through profit or loss		**395**	7
Fair value losses on cross-currency swaps transferred from cash flow hedge reserve		**(6)**	(190)
Fair value (losses)/gains on forward foreign exchange contracts not qualifying as hedges		**(19)**	1
Reversal of impairment charges/(impairment charges) recognised on			
– property, plant and equipment	14	**4**	(150)
– right-of-use assets		**–**	(33)
– intangible assets	16	**–**	(369)
– convertible notes receivable, unlisted		**(140)**	–
Provision for amount due from and other payable of a joint venture company		**(239)**	–
Dividend income on equity investments		**1**	2
Government subsidies		**142**	323
Other income		**390**	308
Total		**(129)**	821

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	2023 HK$M	2022 HK$M
Direct rental outgoings in respect of investment properties[(i)]		3,266	2,997
Cost of goods sold		43,173	42,398
Write-down of stocks and work in progress		227	211
Impairment charges on trade receivables		88	54
Depreciation of property, plant and equipment	14	2,947	2,628
Depreciation of right-of-use assets			
– leasehold land held for own use		50	30
– land use rights		53	48
– property		886	844
– plant and equipment		41	40
Amortisation of			
– intangible assets	16	284	284
– initial leasing costs in respect of investment properties		96	79
– others		8	12
Staff costs		18,194	17,560
Other lease expenses[(ii)]		210	178
Auditors' remuneration			
– audit services		60	59
– tax services		15	6
– other services		25	20
Other expenses		13,768	13,362
Total cost of sales, distribution costs, administrative expenses and other operating expenses		83,391	80,810

Notes:
(i) Direct rental outgoings in respect of investment properties include impairment charges relating to expected credit losses on forgiveness of lease payments of operating lease receivables, i.e. rent concession granted to tenants during the year, under HKFRS 9 of HK$36 million (2022: HK$319 million).
(ii) These expenses relate to short-term leases, leases of low-value assets and leases with variable payments, net of rent concessions received of HK$3 million (2022: HK$44 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.

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2023

	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	13,482	43	8,193	(725)	203	866	7	(1,116)	7,428	6,001	9,652	(322)
Change in fair value of investment properties	–	–	(2,860)	–	–	(667)	(454)	(461)	(4,442)	(3,649)	–	–
Property trading	166	–	(89)	–	15	(46)	–	(52)	(172)	(139)	(115)	–
Hotels	977	2	(103)	(13)	–	(29)	31	13	(101)	(82)	(82)	(201)
	14,625	**45**	**5,141**	**(738)**	**218**	**124**	**(416)**	**(1,616)**	**2,713**	**2,131**	**9,455**	**(523)**
Beverages												
Chinese Mainland	24,725	–	1,110	(56)	47	65	25	(313)	878	790	790	(1,412)
Hong Kong	2,415	2	225	(8)	–	–	–	(23)	194	194	194	(167)
Taiwan	2,275	–	160	(1)	–	–	–	(36)	123	123	123	(84)
South East Asia	4,504	–	318	(145)	127	–	–	(102)	198	198	198	(254)
USA(i)	17,923	–	24,856	(44)	31	–	–	(623)	24,220	24,220	24,220	(601)
Central and other costs(ii)	–	–	(467)	–	2	(5)	–	39	(431)	(428)	(428)	(2)
	51,842	**2**	**26,202**	**(254)**	**207**	**60**	**25**	**(1,058)**	**25,182**	**25,097**	**25,097**	**(2,520)**
Aviation												
Cathay group(iii)	–	–	–	–	–	–	4,405	–	4,405	4,405	4,405	–
HAECO group(iv)	17,787	–	224	(155)	55	427	–	(181)	370	45	45	(766)
Others(v)	–	–	(707)	–	–	3	(360)	–	(1,064)	(1,057)	(1,057)	(44)
	17,787	**–**	**(483)**	**(155)**	**55**	**430**	**4,045**	**(181)**	**3,711**	**3,393**	**3,393**	**(810)**
Trading & Industrial												
Swire Resources	2,402	–	108	(15)	7	3	–	(13)	90	90	90	(264)
Taikoo Motors	6,401	–	222	(13)	–	–	–	(44)	165	165	165	(157)
Swire Foods	1,567	92	23	(7)	4	–	–	(13)	7	7	7	(84)
Swire Environmental Services	185	–	63	–	1	–	–	(11)	53	53	53	(7)
Central costs	–	–	(16)	–	–	–	–	–	(16)	(16)	(16)	–
	10,555	**92**	**400**	**(35)**	**12**	**3**	**–**	**(81)**	**299**	**299**	**299**	**(512)**
Head Office, Healthcare and others												
Healthcare and others(vi)	–	–	(393)	–	–	–	(165)	–	(558)	(558)	(558)	–
Net income/(expenses)	14	82	(246)	(1,656)	320	–	–	4	(1,578)	(1,578)	(1,578)	–
Others(vii)	–	–	–	–	–	–	69	–	69	69	69	–
	14	**82**	**(639)**	**(1,656)**	**320**	**–**	**(96)**	**4**	**(2,067)**	**(2,067)**	**(2,067)**	**–**
Inter-segment elimination	**–**	**(221)**	**–**	**226**	**(226)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total – continuing operations	**94,823**	**–**	**30,621**	**(2,612)**	**586**	**617**	**3,558**	**(2,932)**	**29,838**	**28,853**	**36,177**	**(4,365)**

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.

(i) Gain on disposals of subsidiary companies (Swire Coca-Cola, USA) included under operating profit/(loss) was HK$23,103 million.
(ii) Provision for amount due from and other payable of a joint venture company included under operating profit/(loss) was HK$239 million.
(iii) After the share issuance of Air China in January 2023, the Cathay group's equity interest in Air China was reduced from 18.13% to 16.26%. Gain on deemed disposal of interest in Air China under share of profits of the Cathay group was HK$868 million (HK$1,929 million on a 100% basis). The share of profits also included a reversal of impairment charges of HK$94 million (HK$208 million on a 100% basis).
(iv) Loss on disposals of subsidiary companies included under operating profit/(loss) in relation to the HAECO group was HK$420 million.
(v) Impairment charge included under operating profit/(loss) in relation to HAESL was HK$675 million.
(vi) Impairment charges included under operating profit/(loss) in relation to interest in DeltaHealth and a convertible note receivable were HK$250 million and HK$140 million respectively.
(vii) Gain on deemed disposal of interest in Cadeler included under operating profit/(loss) was HK$37 million.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2022

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

Notes:

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

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

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

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2023

	Segment assets HK$M	Joint venture companies(i) HK$M	Associated companies(i) HK$M	Bank deposits HK$M	Total assets HK$M	Additions to non-current assets(ii) HK$M
Property						
Property investment	288,836	25,799	8,366	4,854	327,855	3,206
Property trading	10,869	6,057	2,167	127	19,220	–
Hotels	4,594	2,201	259	116	7,170	67
	304,299	**34,057**	**10,792**	**5,097**	**354,245**	**3,273**
Beverages						
Swire Coca-Cola	**32,087**	**1,115**	**533**	**4,642**	**38,377**	**2,564**
Aviation						
Cathay group	–	–	22,777	–	22,777	–
HAECO group	12,510	1,987	–	2,447	16,944	1,011
Others	3,880	2,130	–	–	6,010	–
	16,390	**4,117**	**22,777**	**2,447**	**45,731**	**1,011**
Trading & Industrial						
Swire Resources	1,006	40	–	287	1,333	432
Taikoo Motors	2,873	–	–	44	2,917	293
Swire Foods	592	3	–	335	930	144
Swire Environmental Services	76	–	–	47	123	–
Other activities	2	–	–	2	4	–
	4,549	**43**	**–**	**715**	**5,307**	**869**
Head Office, Healthcare and others	**1,900**	**–**	**1,011**	**1,181**	**4,092**	**2**
	359,225	**39,332**	**35,113**	**14,082**	**447,752**	**7,719**

Notes:
(i) The assets relating to joint venture and associated companies include the loans due from these companies.
(ii) 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.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group (continued)

At 31st December 2022

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

Notes:
(i) The assets relating to joint venture and associated companies include the loans due from these companies.
(ii) 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.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2023

	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	8,196	14,358	(15,773)	41,169	599	48,549	52,754
Property trading	1,670	89	14,422	–	–	16,181	548
Hotels	237	1	1,351	–	8	1,597	1,037
	10,103	**14,448**	**–**	**41,169**	**607**	**66,327**	**54,339**
Beverages							
Swire Coca-Cola	**13,272**	**2,291**	**–**	**–**	**722**	**16,285**	**321**
Aviation							
HAECO group	**5,382**	**373**	**997**	**40**	**2,542**	**9,334**	**1,985**
Trading & Industrial							
Swire Resources	723	24	(60)	–	542	1,229	–
Taikoo Motors	746	45	–	–	561	1,352	–
Swire Foods	301	15	(6)	–	104	414	–
Swire Environmental Services	25	1	–	–	1	27	–
Other activities	19	–	6	–	–	25	–
	1,814	**85**	**(60)**	**–**	**1,208**	**3,047**	**–**
Head Office, Healthcare and others	**879**	**34**	**(937)**	**28,009**	**–**	**27,985**	**–**
	31,450	**17,231**	**–**	**69,218**	**5,079**	**122,978**	**56,645**

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 2022

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

	Year ended 31st December 2023				Year ended 31st December 2022			
	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	–	117	13,365	13,482	–	114	12,188	12,302
Property trading	166	–	–	166	921	–	–	921
Hotels	465	512	–	977	331	234	–	565
	631	629	13,365	14,625	1,252	348	12,188	13,788
Beverages								
Chinese Mainland	24,725	–	–	24,725	26,142	–	–	26,142
Hong Kong	2,415	–	–	2,415	2,330	–	–	2,330
Taiwan	2,275	–	–	2,275	2,123	–	–	2,123
South East Asia	4,504	–	–	4,504	75	–	–	75
USA	17,923	–	–	17,923	23,553	–	–	23,553
	51,842	–	–	51,842	54,223	–	–	54,223
Aviation								
HAECO group	640	17,147	–	17,787	717	13,111	–	13,828
Trading & Industrial								
Swire Resources	2,402	–	–	2,402	1,996	–	–	1,996
Taikoo Motors	6,399	2	–	6,401	5,635	1	–	5,636
Swire Foods	1,527	40	–	1,567	1,485	35	–	1,520
Swire Environmental Services	–	185	–	185	–	169	–	169
	10,328	227	–	10,555	9,116	205	–	9,321
Head Office	–	14	–	14	–	9	–	9
Total	63,441	18,017	13,365	94,823	65,308	13,673	12,188	91,169

(b) Information about geographical areas

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

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

	Revenue		Non-current assets (Note)	
	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M
Hong Kong	18,816	17,559	233,545	238,429
Chinese Mainland and Taiwan	50,521	41,248	78,683	59,939
South East Asia	4,505	80	9,261	2,015
USA	20,863	31,266	7,854	15,642
Others	118	1,016	256	194
Total	94,823	91,169	329,599	316,219

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, prepayment and other receivables, derivative 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(i) HK$'000	Bonus(ii) HK$'000	Allowance and benefits HK$'000	Retirement scheme contributions HK$'000	Bonus paid into retirement scheme(ii) HK$'000	Housing benefits HK$'000	Total 2023 HK$'000	Total 2022 HK$'000
Executive Directors								
Guy Bradley	7,138	4,895	129	2,149	4,895	9,395	28,601	21,753
David Cogman	3,859	4,563	2,208	17	–	–	10,647	9,191
Patrick Healy	6,566	4,608	2,242	1,977	4,608	587	20,588	14,065
Martin Murray	3,534	2,508	2,164	1,064	2,508	–	11,778	8,601
Zhang Zhuo Ping	2,191	2,412	776	930	–	–	6,309	4,723
Non-Executive Directors								
Martin Cubbon (until 12th May 2022)	–	–	–	–	–	–	–	–
Gordon McCallum (from 12th May 2022)	–	–	–	–	–	–	–	–
Merlin Swire	–	–	–	–	–	–	–	–
Samuel Swire (until 12th January 2023)	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
Paul Etchells	1,255	–	–	–	–	–	1,255	1,151
Timothy Freshwater (until 12th May 2022)	–	–	–	–	–	–	–	250
Chien Lee (until 11th May 2023)	625	–	–	–	–	–	625	1,132
Rose Lee	750	–	–	–	–	–	750	750
Edith Ngan (from 24th June 2022)	810	–	–	–	–	–	810	361
Gordon Orr	1,293	–	–	–	–	–	1,293	1,344
Xu Ying	729	–	–	–	–	–	729	690
Bonnie Zhang (from 24th June 2022)	810	–	–	–	–	–	810	361
Total 2023	29,560	18,986	7,519	6,137	12,011	9,982	84,195	N/A
Total 2022	29,121	8,616	7,350	4,095	5,524	9,666	N/A	64,372

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 2023. The amounts disclosed above are related to services as Executive Directors for 2022 but paid and charged to the Group in 2023.
(iii) The total emoluments of Executive Directors are charged to the Group in accordance with the amount of time spent on its affairs.
(iv) The Directors' emoluments shown in the table above include the emoluments received from an associated company by a Director who was nominated by the Company to act as a director of the associated company.

(b) Five highest paid individuals

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

	Year ended 31st December	
	2023	2022
Number of individuals:		
Executive Directors(i)	3	2
Executive Officers	2	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	
	2023 HK$'000	2022 HK$'000
Cash:		
Salary	**6,874**	15,649
Bonus[ii]	**6,345**	6,602
Allowance and benefits	**3,294**	3,241
Non-cash:		
Retirement scheme contributions	**6,126**	5,437
Bonus paid into retirement scheme	**2,434**	1,069
Housing benefits	**322**	358
	25,395	32,356

Notes:
(i) Details of the emoluments paid to these Directors are included in the disclosure set out in note 8(a) above.
(ii) Bonuses are not yet approved for 2023. The amounts disclosed above are related to services as Executive Officers for 2022 but paid and charged to the Group in 2023.

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

	Year ended 31st December	
	2023	2022
HK$14,000,000 – HK$13,500,000	**1**	–
HK$13,500,000 – HK$13,000,000	**–**	1
HK$12,000,000 – HK$11,500,000	**1**	–
HK$10,000,000 – HK$9,500,000	**–**	2
	2	3

9. Net Finance Charges

Accounting Policy

Interest costs incurred are charged to the consolidated statement of profit or loss except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are recognised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Refer to the table with the heading "Audited Financial Information" on page 76 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.

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

	Note	2023 HK$M	2022 HK$M
Current taxation			
Hong Kong profits tax		500	417
Overseas tax		1,994	1,584
Over-provisions in prior years		(25)	(48)
		2,469	1,953
Deferred taxation	32		
Change in fair value of investment properties		106	472
Origination and reversal of temporary differences		357	579
Effect of change in tax rate in the USA		–	9
		463	1,060
		2,932	3,013

Hong Kong profits tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

10. Taxation (continued)

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

	2023 HK$M	2022 HK$M
Profit before taxation	**32,770**	8,918
Calculated at a tax rate of 16.5% (2022: 16.5%)	**5,407**	1,471
Share of results of joint venture and associated companies	**(467)**	253
Effect of different tax rates in other countries	**470**	593
Effect of change in tax rate in the USA	**–**	9
Change in fair value of investment properties	**640**	189
Income not subject to tax	**(4,052)**	(100)
Expenses not deductible for tax purposes	**584**	356
Unused tax losses not recognised	**95**	222
Utilisation of previously unrecognised tax losses	**(15)**	(94)
Recognition of previously unrecognised tax losses	**(118)**	(21)
Deferred tax assets written off	**–**	2
Over-provisions in prior years	**(25)**	(48)
Withholding tax	**332**	215
Others	**81**	(34)
Tax charge	**2,932**	3,013

The Group's share of joint venture companies' tax charges of HK$337 million (2022: HK$620 million) and share of associated companies' tax charges from continuing operations of HK$365 million (2022: HK$379 million) respectively are included in the share of results of joint venture and associated companies shown in the consolidated statement of profit or loss.

11. Underlying Profit Attributable to the Company's Shareholders

Accounting Policy

Underlying profit attributable to the Company's shareholders is provided for greater understanding of the Group's underlying business performance. Underlying profit principally adjusts for fair value 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 62 for details of the Group's underlying profit attributable to the Company's shareholders.

12. Dividends

Accounting Policy

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or declared by the Company's directors, where appropriate.

	2023 HK$M	2022 HK$M
First interim dividend paid on 13th October 2023 of HK$1.20 per 'A' share and HK$0.24 per 'B' share (2022: HK$1.15 and HK$0.23)	**1,730**	1,716
Special interim dividend paid on 19th September 2023 of HK$8.120 per 'A' share and HK$1.624 per 'B' share (2022: nil)	**11,703**	–
Second interim dividend declared on 14th March 2024 of HK$2.00 per 'A' share and HK$0.40 per 'B' share (2022 actual dividend paid: HK$1.85 and HK$0.37)	**2,853**	2,675
	16,286	4,391

12. Dividends (continued)

The second interim dividend is not accounted for in 2023 because it had not been declared or approved at the year-end date. The actual amount payable in respect of 2023 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2024 when declared. The amount payable in respect of the second interim dividend for 2023 is calculated based on the number of shares in issue at 8th March 2024 and does not include the amount of the dividend which would have been payable in respect of the shares of the Company which were repurchased but not yet cancelled at 8th March 2024.

The second interim dividend paid during the year ended 31st December 2022 does not include the amount of the dividend which would have been payable in respect of the shares of the Company which were repurchased prior to 14th April 2023 if those shares had not been so repurchased.

13. Earnings Per Share (Basic and Diluted)

Earnings per share from continuing operations is calculated by dividing the profit attributable to the Company's shareholders arising from the continuing operations of HK$28,853 million (2022: HK$3,836 million) by the daily weighted average number of 859,770,567 'A' shares and 2,927,357,623 'B' shares in issue during the year (2022: 899,151,926 'A' shares and 2,975,555,658 'B' shares), in the proportion five to one.

For the year ended 31st December 2022, the calculation of earnings per share from discontinued operations was calculated by dividing the profit attributable to the Company's shareholders arising from the discontinued operations of HK$359 million by the daily weighted average number of 899,151,926 'A' shares and 2,975,555,658 'B' shares in issue during the year, in the proportion five to one.

14. Property, Plant and Equipment

Accounting Policy

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

With the exception of freehold land, all other items of property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Property	2% to 5% per annum
Plant and machinery	5% to 34% per annum

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

On the transfer of owner-occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to the consolidated statement of other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in the consolidated statement of other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within other net gains/(losses) in the consolidated statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

14. Property, Plant and Equipment (continued)

Critical Accounting Estimates and Judgements

At each reporting date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs of disposal and/or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognised to reduce the asset to its recoverable amount. Such impairment charges are recognised in the consolidated statement of profit or loss within other net gains/(losses).

In May 2019, the Xiamen municipal government advised the Company that construction of a new airport in the Xiang'an district of Xiamen had been approved by the Chinese Central Government. Management discussed with the Xiamen authorities the relocation of HAECO Xiamen's premises from their existing location to the new airport, which will represent a significant change to its operations in Xiamen. HAECO Xiamen is entitled to compensation in relation to the move to the new airport. The total net book value of HAECO Xiamen's property, plant and equipment and right-of-use assets in the Group as at 31st December 2023 was HK$2,317 million (2022: HK$2,043 million), some of which will be subject to relocation. In September 2021, HAECO Xiamen signed a Land Reclamation Agreement with the Xiamen authorities. Based on this agreement, the recoverable amounts of property, plant and equipment at the existing Xiamen airport that are affected by the relocation are in excess of the carrying value as at 31st December 2023. 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 2023.

	Note	Property HK$M	Plant and machinery HK$M	Total HK$M
Cost				
At 1st January 2023		19,673	26,171	45,844
Translation differences		(112)	(155)	(267)
Acquisition of subsidiary companies		828	2,529	3,357
Disposal of subsidiary companies		(3,723)	(6,902)	(10,625)
Additions		725	2,843	3,568
Disposals		(26)	(1,007)	(1,033)
Net transfers to investment properties	15	(113)	–	(113)
Other net transfers		(40)	42	2
Revaluation surplus		46	–	46
At 31st December 2023		17,258	23,521	40,779
Accumulated depreciation and impairment				
At 1st January 2023		8,473	15,175	23,648
Translation differences		(41)	(88)	(129)
Disposal of subsidiary companies		(1,265)	(4,408)	(5,673)
Depreciation for the year	6	603	2,344	2,947
Reversal of impairment charges	5	–	(4)	(4)
Disposals		(17)	(763)	(780)
Net transfers to investment properties	15	(31)	–	(31)
Other transfer		–	2	2
At 31st December 2023		7,722	12,258	19,980
Net book value				
At 31st December 2023		9,536	11,263	20,799

14. Property, Plant and Equipment (continued)

	Note	Property HK$M	Plant and machinery HK$M	Total HK$M
Cost				
At 1st January 2022		19,466	25,568	45,034
Translation differences		(633)	(1,112)	(1,745)
Acquisition of subsidiary companies		168	375	543
Additions		713	2,285	2,998
Disposals		(33)	(955)	(988)
Net transfers from investment properties	15	1	–	1
Other net transfers		(9)	10	1
At 31st December 2022		19,673	26,171	45,844
Accumulated depreciation and impairment				
At 1st January 2022		8,127	14,369	22,496
Translation differences		(264)	(549)	(813)
Depreciation for the year	6	583	2,045	2,628
Impairment charges	5	45	105	150
Disposals		(18)	(795)	(813)
At 31st December 2022		8,473	15,175	23,648
Net book value				
At 31st December 2022		11,200	10,996	22,196

Property and plant and machinery include amounts of HK$815 million (2022: HK$561 million) and HK$320 million (2022: HK$386 million) respectively which represent advance payments and deposits under contracts with third parties in respect of assets under construction.

At 31st December 2023, property, plant and equipment of HK$460 million (2022: nil) are pledged as security for secured loans and other borrowings.

15. Investment Properties

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings held for long-term rental yields or for capital appreciation or for both, and that are not occupied by the Group. Property held by the lessee as a right-of-use asset is classified and accounted for as an investment property when the rest of the definition of investment property is met.

Investment properties (including those under development) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and are on the basis of market value related to individual properties, and separate values are not attributed to land and buildings. These values represent their fair values in accordance with HKFRS 13. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as investment properties under development. Changes in fair values are recognised in the consolidated statement of profit or loss.

Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with that expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs in respect of an investment property are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment or leasehold land under right-of-use assets, and its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

Expenditure incurred in leasing out the Group's investment properties during development is deferred and amortised on a straight-line basis in the consolidated statement of profit or loss upon occupation of the property over a period not exceeding the terms of the leases.

Critical Accounting Estimates and Judgements

Cushman & Wakefield Limited, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2023. 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 2023		247,513	23,078	270,591
Translation differences		(1,146)	(55)	(1,201)
Acquisition of subsidiary companies		15,230	–	15,230
Additions		915	1,957	2,872
Disposals		(4,006)	–	(4,006)
Net transfers from property, plant and equipment	14	82	–	82
Net transfers to right-of-use assets		(108)	(9)	(117)
Net fair value losses		(2,375)	(485)	(2,860)
		256,105	24,486	280,591
Add: initial leasing costs		192	–	192
At 31st December 2023		256,297	24,486	280,783

	Note	Completed HK$M	Under development HK$M	Total HK$M
At 1st January 2022		236,099	31,111	267,210
Translation differences		(3,279)	(168)	(3,447)
Disposal of subsidiary companies		–	(556)	(556)
Additions		566	6,753	7,319
Disposals		(269)	–	(269)
Transfer between categories		15,629	(15,629)	–
Net transfers to property, plant and equipment	14	(1)	–	(1)
Net transfers (to)/from right-of-use assets		(3)	2	(1)
Transfer to assets classified as held for sale		(474)	–	(474)
Net fair value (losses)/gains		(755)	1,565	810
		247,513	23,078	270,591
Add: initial leasing costs		177	–	177
At 31st December 2022		247,690	23,078	270,768

Geographical Analysis of Investment Properties

	2023 HK$M	2022 HK$M
Held in Hong Kong		
On medium-term leases (10 to 50 years)	30,976	30,670
On long-term leases (over 50 years)	188,385	193,703
	219,361	224,373
Held in the Chinese Mainland		
On short-term leases (less than 10 years)	975	49
On medium-term leases (10 to 50 years)	54,985	41,120
	55,960	41,169
Held in the USA		
Freehold	5,270	5,049
	280,591	270,591

15. Investment Properties (continued)

At 31st December 2023, investment properties of HK$14,948 million (2022: nil) are pledged as security for secured loans and other borrowings.

On 17th November 2023, the Swire Properties group and the Securities and Futures Commission entered into sale and purchase agreements for the sale of the Swire Properties group's interest in the 42nd to 54th floors (excluding the 49th floor) of the One Island East office tower in Hong Kong, for a total cash consideration of HK$5,400 million. Sale of the 45th to 54th floors (excluding the 49th floor) was completed in December 2023 and a loss on disposal was recognised in the consolidated statement of profit or loss during the year.

The 42nd to 44th floors of One Island East with a total fair value of HK$1,342 million, are included in the investment properties at 31st December 2023. The sale of each of these floors will be completed in accordance with the terms specified in the sale and purchase agreements before the end of 2028.

Additions include capital expenditure in response to climate change. Such expenditure is intended to reduce carbon emission and energy use, with a view to mitigating climate-related risks, and to meet carbon reduction targets.

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 2023. 96% by value were valued by Cushman & Wakefield Limited and 2% by value were valued by another independent valuer, in each case on the basis of market value. The independent professionally qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

The valuation of the Group's investment properties under development is derived by making reference to market capitalisation rates and recent comparable sales transactions in the relevant property market (on the assumption that the properties had already been completed at the valuation date). It also takes into account the construction cost already incurred and the estimated cost to be incurred to complete the project plus the developer's estimated profit and a margin for risk.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rates increase, the fair values decrease. If market rents increase, the fair values increase. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair values decrease. The opposite is true for decreases in these inputs.

There are inter-relationships between observable and unobservable inputs. Expected vacancy rates may have an impact on yields, with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the properties' features may result in an increase in future rental values. An increase in future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuers at least once every half year, in line with the Group's half year reporting dates.

15. Investment Properties (continued)

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	1,122	417	–	1,539	5,589	–	5,589	7,128
Level 3	197,079	52,217	5,270	254,566	15,571	3,326	18,897	273,463
Total	198,201	52,634	5,270	256,105	21,160	3,326	24,486	280,591
Add: initial leasing costs								192
At 31st December 2023								280,783

	Completed				Under development			
	Hong Kong HK$M	Chinese Mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese Mainland HK$M	Total HK$M	Total HK$M
Level 2	1,141	193	–	1,334	5,761	–	5,761	7,095
Level 3	203,420	37,710	5,049	246,179	14,051	3,266	17,317	263,496
Total	204,561	37,903	5,049	247,513	19,812	3,266	23,078	270,591
Add: initial leasing costs								177
At 31st December 2022								270,768

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.

The above investment properties principally comprise commercial and residential properties completed and under development in Hong Kong and the Chinese Mainland. The Group has other investment property projects, principally the Brickell City Centre mall in Miami, which was completed in 2016. Because of the unique nature of the Group's investment properties, most of them are valued by reference to a level 3 fair value measurement.

The change in level 3 investment properties during the year is as follows:

	Completed				Under development			
	Hong Kong HK$M	Chinese Mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese Mainland HK$M	Total HK$M	Total HK$M
At 1st January 2023	203,420	37,710	5,049	246,179	14,051	3,266	17,317	263,496
Translation differences	–	(1,144)	11	(1,133)	–	(58)	(58)	(1,191)
Acquisition of subsidiary companies	–	14,994	–	14,994	–	–	–	14,994
Additions	629	241	43	913	1,620	338	1,958	2,871
Disposals	(4,006)	–	–	(4,006)	–	–	–	(4,006)
Net transfers (to)/from property, plant and equipment	(37)	119	–	82	–	–	–	82
Net transfers to right-of-use assets	(108)	–	–	(108)	–	–	–	(108)
Net fair value (losses)/gains	(2,819)	297	167	(2,355)	(100)	(220)	(320)	(2,675)
At 31st December 2023	197,079	52,217	5,270	254,566	15,571	3,326	18,897	273,463

15. Investment Properties (continued)

Fair value hierarchy (continued)

	Completed				Under development			
	Hong Kong HK$M	Chinese Mainland HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Chinese Mainland HK$M	Total HK$M	Total HK$M
At 1st January 2022	190,479	38,993	4,644	234,116	17,984	–	17,984	252,100
Translation differences	–	(3,261)	(1)	(3,262)	–	(168)	(168)	(3,430)
Additions	156	391	17	564	1,813	3,482	5,295	5,859
Transfers between categories	15,629	–	–	15,629	(6,170)	–	(6,170)	9,459
Net transfers to property, plant and equipment	(1)	–	–	(1)	–	–	–	(1)
Net transfers to right-of-use assets	(3)	–	–	(3)	–	–	–	(3)
Net fair value (losses)/gains	(2,840)	1,587	389	(864)	424	(48)	376	(488)
At 31st December 2022	203,420	37,710	5,049	246,179	14,051	3,266	17,317	263,496

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

At 31st December 2023	Valuation technique	Market rent per month(i) HK$ per sq. ft. (lettable) 2023	Capitalisation rates 2023
Completed			
Hong Kong	Income capitalisation	Mid 10's – Low 500's	2.50%-4.75%
Chinese Mainland	Income capitalisation	Less than 10 – High 200's	5.50%-6.50%
USA	Income capitalisation	Less than 10 – Mid 70's	5.50%-6.00%
Under development			
Hong Kong	Residual(ii)	Low 60's – Low 100's	1.20%-3.75%
Chinese Mainland	Sales comparison	–	–

At 31st December 2022	Valuation technique	Market rent per month(i) HK$ per sq. ft. (lettable) 2022	Capitalisation rates 2022
Completed			
Hong Kong	Income capitalisation	Mid 10's – Low 500's	2.50%-4.75%
Chinese Mainland	Income capitalisation	Less than 10 – Mid 200's	5.50%-6.25%
USA	Income capitalisation	Less than 10 – Low 70's	5.00%-5.50%
Under development			
Hong Kong	Residual(ii)	Low 60's – Low 100's	1.20%-3.75%
Chinese Mainland	Sales comparison	–	–

Notes:
(i) 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.
(ii) In using the residual method to make fair value measurements of investment properties, two additional unobservable inputs have been used. These are the estimated costs to complete the development and the developer's estimated profit and margin for risk.

16. Intangible Assets

Accounting Policy

(a) Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquired asset and the equity interests issued by the Group. Goodwill is treated as an asset of the entity acquired and, where attributable to a foreign entity, is translated at the period-end closing rate.

Goodwill is stated at cost less accumulated impairment. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment charges recognised in respect of goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software

Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 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 of 3 to 10 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 10 to 40 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 2023		8,205	1,208	6,920	999	316	17,648
Translation differences		(121)	(5)	(54)	1	–	(179)
Acquisition of subsidiary companies		2,666	20	4,645	–	–	7,331
Disposal of subsidiary companies		(724)	(156)	(2,608)	(397)	(9)	(3,894)
Additions		–	161	–	–	–	161
Disposals		–	(77)	–	–	–	(77)
Other net transfers		601	19	(759)	–	(23)	(162)
At 31st December 2023		10,627	1,170	8,144	603	284	20,828
Accumulated amortisation and impairment							
At 1st January 2023		1,675	728	521	612	182	3,718
Translation differences		2	(2)	2	1	–	3
Disposal of subsidiary companies		(491)	(140)	(231)	(293)	(8)	(1,163)
Amortisation for the year	6	–	122	86	50	26	284
Disposals		–	(53)	–	–	–	(53)
Other net transfers		–	(2)	–	–	–	(2)
At 31st December 2023		1,186	653	378	370	200	2,787
Net book value							
At 31st December 2023		9,441	517	7,766	233	84	18,041

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost							
At 1st January 2022		8,124	1,171	5,958	1,000	269	16,522
Translation differences		(205)	(39)	(235)	(1)	(4)	(484)
Acquisition of subsidiary companies		286	2	1,054	–	3	1,345
Additions		–	146	143	–	11	300
Disposals		–	(35)	–	–	–	(35)
Other net transfers		–	(37)	–	–	37	–
At 31st December 2022		8,205	1,208	6,920	999	316	17,648
Accumulated amortisation and impairment							
At 1st January 2022		1,310	692	431	558	136	3,127
Translation differences		(2)	(24)	–	(1)	(3)	(30)
Amortisation for the year	6	–	114	90	55	25	284
Impairment charges	5	367	2	–	–	–	369
Disposals		–	(32)	–	–	–	(32)
Other net transfers		–	(24)	–	–	24	–
At 31st December 2022		1,675	728	521	612	182	3,718
Net book value							
At 31st December 2022		6,530	480	6,399	387	134	13,930

16. Intangible Assets (continued)

Impairment test of goodwill and indefinite-lived franchise rights

Critical Accounting Estimates and Judgements

The Group believes that certain franchise agreements will continue to be renewed at each expiration date and they have therefore been assigned indefinite useful lives.

At each reporting date, an assessment is made as to whether there is any indication that goodwill or any indefinite-lived franchise rights may be impaired. These tests require the use of estimates to calculate recoverable amounts. The calculation of recoverable amounts considers estimates of both value in use and fair value less costs of disposal. The determination of recoverable amounts and any impairment charges is determined based on the higher of value in use and fair value less costs of disposal.

The value in use 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. The discount rates applicable to the future cash flows reflect the specific risks relating to the relevant CGUs. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historical results.

Intangible assets acquired in recent transactions are more susceptible to impairment given they are initially recorded at fair value based on macroeconomic conditions and forecasts existing at the time of the acquisition. Consequently if operating results and/or macroeconomic conditions deteriorate there is a higher risk of impairment of such acquired assets.

Goodwill is allocated to the Group's CGUs, after impairment, identified by divisional business segment and geographic location.

	Note	2023 HK$M	2022 HK$M
Swire Properties – Taikoo Li Chengdu	a, 42(a)	1,341	–
HAECO – Hong Kong and Chinese Mainland	b	3,510	3,510
HAECO – USA	c	283	283
Swire Coca-Cola – Hong Kong and Chinese Mainland	d	2,183	2,218
Swire Coca-Cola – USA		–	233
Swire Coca-Cola – South East Asia	e, 42(b)	2,124	286
		9,441	6,530

Notes:

(a) The Group recognised HK$1,419 million of goodwill when it took control of Taikoo Li Chengdu (formerly known as Sino-Ocean Taikoo Li Chengdu) in the Chinese Mainland during the year. The goodwill is mainly attributable to the growth opportunity in the Chinese Mainland. It also represents the premium paid over the market price to obtain control of the business. The recoverable amount of goodwill attributable to this CGU is determined using the calculation of the fair value less costs of disposal. It mainly represents the fair value of investment properties of Taikoo Li Chengdu by reference to the valuation performed by independent valuers at each reporting date, less costs of disposal estimated by management based on the Group's experience with disposal of assets and on industry benchmarks. The results of the impairment test using these inputs show that the recoverable amount exceeds the carrying amount of the CGU. The Group therefore concluded that no impairment was required to such goodwill at 31st December 2023.

The main valuation inputs used were effective market rents per month ranging from approximately HK$10 to HK$200 per square feet and capitalisation rates ranging from 5.75% to 6.50% determined by an independent valuer at 31st December 2023 and the costs of disposal estimated by Swire Properties' management. 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)

(b) 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. A weighted average pre-tax discount rate of 12.0% (2022: 12.0%) has been applied and cash flows beyond the five-year period are assumed not to grow by more than 3.0% (2022: 3.0%) per annum. The results of the impairment test using these assumptions show that the recoverable amount exceeds the carrying amount at 31st December 2023. The Group therefore concluded that no impairment was required for the goodwill allocated to HAECO's businesses in Hong Kong and the Chinese Mainland at 31st December 2023. Reasonably possible changes in the key assumptions would not result in an impairment.

(c) 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 14.5% (2022: 13.5%) and assumed growth of no more than 2.0% (2022: 2.0%) per annum for cash flows beyond the forecast period. Reasonably possible changes in the key assumptions would not result in an impairment.

(d) 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% (2022: 9.5%). Cash flows beyond the five-year period are assumed not to grow by more than 2.0% (2022: 2.0%) per annum. Reasonably possible changes in the key assumptions would not result in an impairment.

(e) Goodwill attributable to Swire Coca-Cola's business in South East Asia relates to the acquisitions of new franchise territories in Cambodia in 2022 and Vietnam in 2023. The recoverable amount of this CGU is assessed by considering (i) value in use using financial budgets and plans prepared by management and (ii) fair value less costs of disposal with reference to valuation multiples of comparable companies.

In determining the value in use of this CGU, a ten-year forecast is considered appropriate in order to take into account the new growth opportunities in these developing markets. Management applied a pre-tax discount rate of 13.0% and assumed growth of no more than 5.0% per annum for cash flows beyond the ten-year period.

Based on our assessment at 31st December 2023, the recoverable amount of this CGU approximates its carrying value given this is a recent acquisition and therefore the Group concluded that no impairment was required for the goodwill allocated to this CGU. If the macroeconomic environment in which the business is operating experiences prolonged adverse changes and/or the future operating results indicate that the assumptions set out in the ten-year forecast as noted above need material revision, it is probable that goodwill would require impairment.

17. Right-of-use Assets

Accounting Policy

The Group (acting as lessee) leases land, offices, warehouses, retail stores and equipment. Except for certain long-term leasehold land in Hong Kong, rental contracts are typically made for fixed periods of 1 to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

Leases are recognised by lessees as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each financial period.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term used in the computation assumes the lessee exercises an option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. However, if the ownership of the underlying asset is expected to be transferred to the Group by the end of the lease term and if the cost of the right-of-use asset has already included the exercise price of a purchase option, depreciation is calculated on a straight-line basis to write off cost over the anticipated useful life of the underlying asset to its estimated residual value.

Payments by lessees associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as expenses in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

17. Right-of-use Assets (continued)

The recognised right-of-use assets relate to the following types of assets:

	2023 HK$M	2022 HK$M
Leasehold land held for own use	3,334	2,951
Land use rights	1,206	1,033
Property	4,180	4,023
Plant and equipment	46	110
Total	8,766	8,117

The Group is the registered owner or occupant of its leasehold land and land use rights. Upfront payments were made to acquire these interests in land and there are no ongoing payments to be made under the terms of the land leases (so that no lease liabilities are recognised) except government rents and rates and other payments to the relevant government authorities, which may vary from time to time. Details relating to these interests in land are as follows:

	2023		2022	
	Leasehold land held for own use HK$M	Land use rights HK$M	Leasehold land held for own use HK$M	Land use rights HK$M
Held in Hong Kong				
On medium-term leases (10 to 50 years)	425	4	432	4
On long-term leases (over 50 years)	2,421	–	2,332	–
Held outside of Hong Kong				
On medium-term leases (10 to 50 years)	488	1,202	187	1,029
	3,334	1,206	2,951	1,033

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.

At 31st December 2023, right-of-use assets of HK$99 million (2022: nil) are pledged as security for secured loans and other borrowings.

Additions to right-of-use assets and additions to right-of-use assets arising from acquisition of subsidiary companies during the year ended 31st December 2023 were HK$963 million and HK$626 million (2022: HK$629 million and HK$206 million) respectively.

Disposal to right-of-use assets arising from disposal of subsidiary companies during the year ended 31st December 2023 were HK$450 million (2022: HK$5 million).

During the year ended 31st December 2023, total cash outflow for leases was included in the consolidated statement of cash flows as (a) interest paid of HK$203 million (2022: HK$182 million) under "operating activities", (b) payment for short-term and low-value assets leases and variable lease payments of HK$210 million (2022: HK$178 million) recorded in cash generated from operations under "operating activities", and (c) principal elements of lease payments of HK$895 million (2022: HK$880 million) under "financing activities".

18. Properties Held for Development

Accounting Policy

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

	2023 HK$M	2022 HK$M
Properties held for development		
Freehold land	989	987
Development costs	221	221
	1,210	1,208

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 214 to 223.

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

Summarised Statement of Financial Position

	Swire Properties	
	At 31st December	
	2023 HK$M	2022 HK$M
Current:		
Assets	18,344	17,709
Liabilities	(17,789)	(10,986)
Total current net assets	555	6,723
Non-current:		
Assets	335,901	319,257
Liabilities	(48,538)	(33,906)
Total non-current net assets	287,363	285,351
Net assets	287,918	292,074
Net assets allocated to non-controlling interests	51,825	52,573

19. Subsidiary Companies (continued)

Summarised Statement of Profit or Loss

	Swire Properties	
	For the year ended 31st December	
	2023 HK$M	2022 HK$M
Revenue	14,670	13,826
Profit for the year attributable to shareholders	2,599	7,983
Other comprehensive loss	(863)	(4,778)
Total comprehensive income attributable to shareholders	1,736	3,205
Total comprehensive income allocated to non-controlling interests	312	577
Dividends paid to non-controlling interests	1,064	1,011

Summarised Statement of Cash Flows

	Swire Properties	
	For the year ended 31st December	
	2023 HK$M	2022 HK$M
Net cash generated from operating activities	5,445	4,756
Net cash used in investing activities	(13,861)	(7,999)
Net cash generated from/(used in) financing activities	9,065	(6,547)
Net increase/(decrease) in cash and cash equivalents	649	(9,790)
Cash and cash equivalents at 1st January	4,502	14,833
Effect of exchange differences	(54)	(541)
Cash and cash equivalents at 31st December	5,097	4,502

20. Interests in Joint Venture and Associated Companies

Accounting Policy

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

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

In the Group's consolidated statement of financial position, its interests in joint venture and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in joint venture and associated companies over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition represents goodwill. The Group's interests in joint venture and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

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

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$3,651 million (2022: HK$4,281 million) in respect of the Group's interest in HAESL. An impairment charge of HK$675 million was recognised during the year ended 31st December 2023, reflecting the impact of supply chain challenges which have impacted on the projected engine overhaul volumes in the near term. The carrying amount at 31st December 2023 approximates the recoverable amount after the impairment.

The recoverable amount has been determined using a value in use calculation representing the present value of estimates of cash flow projections covering a five-year period based on financial budgets prepared by management. A pre-tax discount rate of 12.6% (2022: 12.2%) has been applied and cash flows beyond the five-year period are assumed not to grow by more than 3.0% (2022: 3.0%) per annum.

The financial forecasts used to determine the recoverable amount remain highly sensitive to changes in external conditions. There is uncertainty over the shape and timing of the recovery in demand for engine maintenance services, which could give rise to possible impairments in future periods.

A 50 basis-points increase in discount rate would decrease the estimated recoverable amount by HK$218 million. A 50 basis-points decrease in terminal growth rate would decrease the estimated recoverable amount by HK$154 million. A 25 basis-points decrease in gross profit margin would decrease the estimated recoverable amount by HK$564 million. Each of these sensitivities is based on an unfavourable change in an assumption while holding other assumptions constant.

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

(a) Interests in joint venture companies

	2023 HK$M	2022 HK$M
Share of net assets, unlisted	**23,722**	29,279
Goodwill	**757**	1,067
Joint venture companies	**24,479**	30,346
Loans due from joint venture companies less provisions		
– Interest-free	**11,722**	13,432
– Interest-bearing at 3.0% to 11.0% per annum (2022: 1.7% to 6.5% per annum)	**3,131**	2,028
	14,853	15,460

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

On 22nd February 2023, the Swire Properties group completed the second and third master agreements to acquire 35% equity interests in existing joint venture companies in Taikoo Li Chengdu in the Chinese Mainland from Sino-Ocean Group Holding Limited and its subsidiaries. The joint venture companies became wholly-owned subsidiaries of the Swire Properties group at the date of completion. Details of the purchase consideration, the net identifiable assets acquired and goodwill are disclosed in note 42(a).

On 1st November 2023, the Group further acquired 23.33% equity interests in an existing joint venture company, New Life Plastics Limited (NLP). The company became a non-wholly owned subsidiary of the Group at the date of completion. Details of the transaction is disclosed in note 42(d).

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

	2023 HK$M	2022 HK$M
Non-current assets	**42,369**	55,387
Current assets	**16,456**	12,594
Current liabilities	**(9,142)**	(9,935)
Non-current liabilities	**(25,961)**	(28,767)
Net assets	**23,722**	29,279
Revenue	**20,546**	17,304
Expenses	**(19,592)**	(14,827)
Profit before taxation	**954**	2,477
Taxation	**(337)**	(620)
Profit for the year	**617**	1,857
Other comprehensive income/(loss)	**26**	(1,846)
Total comprehensive income for the year	**643**	11

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

The principal joint venture companies of the Group are shown on pages 214 to 223.

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

(b) Interests in associated companies

Critical Accounting Estimates and Judgements

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has considered whether to consolidate Cathay Pacific as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Under HKFRS 10, the Company will be taken to have power over Cathay Pacific if the Company has rights which give the Company the current ability to direct the activities of Cathay Pacific which significantly affect the Company's returns from Cathay Pacific.

As the Company holds less than half (44.995%) 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.

	2023 HK$M	2022 HK$M
Share of net assets		
– Listed in Hong Kong	22,020	18,808
– Listed in Oslo	–	662
– Unlisted	10,939	2,856
	32,959	22,326
Goodwill	1,822	1,360
Associated companies	34,781	23,686
Loans due from associated companies less provisions		
– Interest-free	169	12
– Interest-bearing at 7.2% to 10.0% per annum (2022: 6.4% to 10.0% per annum)	163	119
	332	131

The loans due from associated companies are unsecured and have no fixed terms of repayment, except for part of an interest-bearing loan due from an associated company of HK$40 million which is repayable in 2027.

In August 2020, Cathay Pacific undertook a HK$39 billion recapitalisation involving an issuance of preference shares and warrants, a rights issue of ordinary shares and a bridge loan facility. The Company subscribed in full for its entitlement under the rights issue, at a cost of HK$5,272 million. In February 2021, Cathay Pacific completed an issue of convertible bonds in an amount of HK$6.74 billion. Full conversion of these bonds and full exercise of the warrants issued by Cathay Pacific in 2020 would reduce the interest of the Company in the ordinary shares of Cathay Pacific to 38%. The carrying amount of the Group's interest in Cathay Pacific has been adjusted so as to exclude unpaid preference share dividends of Cathay Pacific.

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

(b) Interests in associated companies (continued)

In August 2023, 700,116 ordinary shares were allotted and issued on exercise of the conversion rights of the Cathay Pacific convertible bonds. Consequently, Swire Pacific's interest was diluted and reduced from 45.000% to 44.995%. Gain on deemed disposal of interest in Cathay group was HK$0.3 million (2022: nil).

In January 2023, Air China issued 1,676 million new A shares to investors with proceeds of the issuance totalling RMB15 billion. Consequently, Cathay Pacific's interest was diluted from 18.13% to 16.26%. The gain on deemed disposal of interest in Air China under share of profits of the Cathay group was HK$868 million (HK$1,929 million on a 100% basis) for the year ended 31st December 2023. Cathay Pacific continues to use equity accounting for its interest in Air China as an associated company.

In February 2024, Air China issued 393 million new H shares to a specific investor with proceeds of the issuance totalling HK$2 billion. Consequently, Cathay Pacific's interest was diluted from 16.26% to 15.87%. Cathay Pacific continues to equity account for its interest in Air China as an associated company. This transaction had no impact on the results of the Cathay group for the year ended 31st December 2023, but is expected to result in a gain from deemed partial disposal in 2024.

The carrying amount of the Group's interest in Cathay Pacific at 31st December 2023 was HK$22,777 million (2022: HK$19,565 million). The market value of the shares held in Cathay Pacific at 31st December 2023 was HK$23,638 million (2022: HK$24,680 million), which is higher than the carrying amount. Management assessed and concluded the Group did not identify any impairment indicators based on the latest financial results of Cathay Pacific.

The Company held 15.11% of interest in Cadeler at the end of 2022 and the interest was further diluted to 9.59% as at 31st December 2023 following a business combination of Cadeler which was completed in December 2023. The investment has been reclassified to investments at fair value as the Group ceased to have any representative in the board of Cadeler.

An impairment of interest in DeltaHealth of HK$250 million was recognised during the year ended 31st December 2023. The recoverable amount has been determined using a value in use calculation representing the present value of estimates of cash flow projections covering a ten-year period based on the financial budgets prepared by management. A ten-year forecast is considered appropriate in order to take into account expected service demand growth for the hospital operated by DeltaHealth which was initially opened in 2016. A pre-tax discount rate of 10.5% has been applied and cash flows beyond the ten-year period are assumed not to grow by more than 3.0% per annum.

The principal associated companies of the Group are shown on pages 214 to 223. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 224 and 225.

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

	2023 HK$M	2022 HK$M
Non-current assets	**73,631**	70,743
Current assets	**17,297**	14,158
Current liabilities	**(21,469)**	(14,198)
Non-current liabilities	**(36,251)**	(39,360)
Non-controlling interests	**(12)**	(5)
Preference shares and convertible bonds issued	**(237)**	(9,012)
Net assets	**32,959**	22,326
Revenue	**42,727**	26,749
Expenses	**(38,804)**	(29,671)
Profit/(loss) before taxation	**3,923**	(2,922)
Taxation	**(365)**	(379)
Profit/(loss) for the year	**3,558**	(3,301)
Other comprehensive loss	**(708)**	(1,067)
Total comprehensive income/(loss) for the year	**2,850**	(4,368)

Contingencies in respect of Cathay Pacific are disclosed in note 39(b).

21. Financial Instruments by Category

Accounting Policy

Financial Assets

(a) Classification
The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through the consolidated statement of other comprehensive income or through the consolidated statement of profit or loss), and

– those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in the consolidated statement of profit or loss or the consolidated statement of other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in relation to which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition
Purchases and sales of financial assets are recognised on their trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement
At initial recognition, except for trade debtors, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs in respect of financial assets at FVPL are expensed in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments:
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other net gains/(losses) together with foreign exchange gains and losses.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in other net gains/(losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other net gains/(losses).

21. Financial Instruments by Category (continued)

Accounting Policy (continued)

Financial Assets (continued)

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of profit or loss and presented net within other net gains/(losses) in the period in which it arises.

Equity instruments:
The Group subsequently measures all equity investments at fair value. Dividends from such investments are recognised in the consolidated statement of profit or loss as other net gains/(losses) when the Group's right to receive payments is established. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit or loss following the derecognition of the investment.

Changes in the fair value of equity investments at FVPL are recognised in other net gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets.

The measurement of expected credit losses of operating lease receivable includes consideration of expectations of forgiveness of lease income recognised as part of the relevant receivable.

Financial Liabilities

The Group classifies its financial liabilities in the following measurement categories:

(i) At fair value through profit or loss
Derivatives are included within this category unless they are designated as hedges. Put options over non-controlling interests in subsidiary companies and contingent consideration included in trade and other payables are measured at fair value through the consolidated statement of profit or loss.

(ii) Derivatives used for hedging
Derivative instruments are classified within this category if they qualify for hedge accounting.

(iii) Amortised cost
This category comprises non-derivative financial liabilities with fixed or determinable payments and fixed maturities.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the financial statements where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

21. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

Assets as per consolidated statement of financial position

	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
At 31st December 2023							
Loans due from joint venture companies	20(a)	–	–	–	14,853	14,853	14,853
Loans due from associated companies	20(b)	–	–	–	332	332	332
Investments at fair value	22	1,707	286	–	–	1,993	1,993
Derivative financial assets	23	5	–	99	–	104	104
Trade and other receivables excluding prepayments	26	–	–	–	8,023	8,023	8,023
Bank balances and short-term deposits	27	–	–	–	14,082	14,082	14,082
Total		1,712	286	99	37,290	39,387	39,387
At 31st December 2022							
Loans due from joint venture companies	20(a)	–	–	–	15,460	15,460	15,460
Loans due from associated companies	20(b)	79	–	–	52	131	131
Investments at fair value	22	676	365	–	–	1,041	1,041
Derivative financial assets	23	2	–	152	–	154	154
Trade and other receivables excluding prepayments	26	–	–	–	8,754	8,754	8,754
Bank balances and short-term deposits	27	–	–	–	11,614	11,614	11,614
Total		757	365	152	35,880	37,154	37,154

Liabilities as per consolidated statement of financial position

	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
At 31st December 2023						
Trade and other payables excluding non-financial liabilities	29	638	–	26,875	27,513	27,513
Derivative financial liabilities	23	15	349	–	364	364
Long-term loans and bonds due within one year	30	–	–	10,605	10,605	10,575
Lease liabilities due within one year	31	–	–	873	873	873
Long-term loans and bonds due after one year	30	–	–	58,613	58,613	57,111
Lease liabilities due after one year	31	–	–	4,206	4,206	4,206
Total		653	349	101,172	102,174	100,642
At 31st December 2022						
Trade and other payables excluding non-financial liabilities	29	2,313	–	26,648	28,961	28,961
Derivative financial liabilities	23	95	130	–	225	225
Short-term loans	30	–	–	25	25	25
Long-term loans and bonds due within one year	30	–	–	10,219	10,219	10,217
Lease liabilities due within one year	31	–	–	776	776	776
Long-term loans and bonds due after one year	30	–	–	58,129	58,129	55,646
Lease liabilities due after one year	31	–	–	4,140	4,140	4,140
Total		2,408	130	99,937	102,475	99,990

21. Financial Instruments by Category (continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the then current bid prices.

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

The book values of trade and other receivables and trade and other payables 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:

Assets as per consolidated statement of financial position

	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
At 31st December 2023					
Equity investments at fair value through other comprehensive income	22(a)				
– Listed investments		**42**	**–**	**–**	**42**
– Unlisted investments		**–**	**–**	**244**	**244**
Equity investments at fair value through profit or loss	22(b)				
– Listed investments		**1,075**	**–**	**–**	**1,075**
– Unlisted investments		**–**	**–**	**632**	**632**
Derivative financial assets	23	**–**	**104**	**–**	**104**
Total		**1,117**	**104**	**876**	**2,097**
At 31st December 2022					
Equity investments at fair value through other comprehensive income	22(a)				
– Listed investments		152	–	–	152
– Unlisted investments		–	–	213	213
Equity investments at fair value through profit or loss	22(b)				
– Listed investments		6	–	–	6
– Unlisted investments		–	–	537	537
Debt investments at fair value through profit or loss	22(c)				
– Convertible notes, unlisted		–	–	133	133
Derivative financial assets	23	–	154	–	154
Total		158	154	883	1,195

21. Financial Instruments by Category (continued)

Liabilities as per consolidated statement of financial position

	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
At 31st December 2023					
Derivative financial liabilities	23	–	364	–	364
Put option over a non-controlling interest in the USA	29	–	–	613	613
Put option over a non-controlling interest in a subsidiary company	29	–	–	25	25
Total		–	364	638	1,002
At 31st December 2022					
Derivative financial liabilities	23	–	225	–	225
Put option over a non-controlling interest in the USA	29	–	–	590	590
Put option over a non-controlling interest in a subsidiary company	29	–	–	69	69
Contingent consideration	29	–	–	1,654	1,654
Total		–	225	2,313	2,538

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.

The assets in the above table exclude the loans due from associated companies which were carried at fair value (note 20(b)).

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

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

	Unlisted investments HK$M	Put options over non-controlling interests HK$M	Contingent consideration HK$M
At 1st January 2023	883	659	1,654
Translation differences	2	1	11
Additions	209	–	–
Disposal of subsidiary companies	(88)	–	(1,740)
Distribution	–	(31)	–
Change in fair value during the year recognised in			
– profit or loss*	7	9	113
– other comprehensive income*	3	–	–
Payment of consideration	–	–	(38)
Impairment	(140)	–	–
At 31st December 2023	876	638	–
* Including unrealised gains/(losses) recognised on balances held at 31st December 2023	10	(9)	–

21. Financial Instruments by Category (continued)

	Unlisted investments HK$M	Put options over non-controlling interests HK$M	Contingent consideration HK$M
At 1st January 2022	716	642	1,527
Translation differences	1	–	–
Additions	157	–	–
Distribution	–	(26)	–
Change in fair value during the year recognised in			
– profit or loss*	7	43	276
– other comprehensive income*	2	–	–
Payment of consideration	–	–	(149)
At 31st December 2022	883	659	1,654
* Including unrealised gains/(losses) recognised on balances held at 31st December 2022	9	(43)	(276)

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 2024 and the discount rate used is 6.3% (2022: 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 2023. 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.

The fair value of unlisted investments and put options over non-controlling interests in subsidiary companies (except the subsidiary company holding a non-controlling interest in the USA) 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 and put options.

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

	2023 HK$M	2022 HK$M
(a) Equity investments at fair value through other comprehensive income		
Shares listed in Hong Kong	**42**	71
Shares listed overseas	**–**	81
Unlisted investments	**244**	213
	286	365
(b) Equity investments at fair value through profit or loss		
Shares listed overseas	**1,075**	6
Unlisted investments	**632**	537
	1,707	543
(c) Debt investments at fair value through profit or loss		
Convertible notes, unlisted	**–**	133
Total	**1,993**	1,041

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.

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 flow, 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).

23. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(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.

	2023		2022	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps				
– cash flow hedges[i]	50	329	142	124
– not qualifying as hedges	–	–	–	92
Interest rate swaps – cash flow hedges	40	–	–	–
Forward foreign exchange contracts				
– cash flow hedges	9	20	10	6
– not qualifying as hedges	–	13	1	1
Commodity swaps – not qualifying as hedges	5	2	1	2
Total	104	364	154	225
Analysed as:				
– Current	20	33	35	124
– Non-current	84	331	119	101
	104	364	154	225

Notes:
(i) The cross-currency swaps principally hedge the foreign currency risk relating to USD note issues. Gains and losses recognised in the consolidated statement of other comprehensive income on cross-currency swaps at 31st December 2023 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 2023 was HK$18,747 million (2022: HK$25,583 million). In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items.
(ii) For the years ended 31st December 2023 and 31st December 2022 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. Completed properties are available for immediate sale and are classified as current assets.

	2023 HK$M	2022 HK$M
Properties for sale		
Properties under development		
– development costs	**1,586**	619
– leasehold land	**7,389**	7,389
Completed properties		
– development costs	**84**	138
– leasehold land	**62**	118
	9,121	8,264

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.

	2023 HK$M	2022 HK$M
Goods for sale	**3,519**	4,446
Manufacturing materials	**1,150**	1,495
Production supplies	**2,078**	1,667
	6,747	7,608

26. Trade and Other Receivables and Prepayment

Accounting Policy

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components. Other receivables are recognised initially at fair value. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for loss allowance. Trade and other receivables in the consolidated statement of financial position are stated net of such provisions.

	2023 HK$M	2022 HK$M
Trade debtors	**2,701**	4,610
Amounts due from immediate holding company	**3**	7
Amounts due from joint venture companies	**169**	132
Amounts due from associated companies	**286**	349
Prepayments and accrued income	**2,242**	2,222
Other receivables	**3,619**	2,038
Other financial assets at amortised cost	**–**	520
Prepayment – Non-current portion	**–**	6,430
	9,020	16,308
Amounts due after one year included under non-current assets	**(312)**	(6,474)
	8,708	9,834

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

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

	2023 HK$M	2022 HK$M
Up to three months	**2,539**	4,345
Between three and six months	**129**	231
Over six months	**33**	34
	2,701	4,610

Other receivables include rent free and other lease incentives to tenants of HK$1,451 million (2022: HK$1,198 million), which are amortised over the relevant lease terms.

Other financial assets at amortised cost represented a deferred receivable for the sale of the Swire Properties group's interest in the Cityplaza One office tower in Hong Kong in 2020. The deferred receivable was recognised at amortised cost using an effective interest rate of 3% per annum. The amount of HK$535 million was received during the year in accordance with the sale and purchase agreement.

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.

At 31st December 2023, trade debtors of HK$96 million (2022: HK$151 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$95 million at 31st December 2023 (2022: HK$151 million).

The maximum exposure to credit risk at 31st December 2023 and 31st December 2022 is the carrying value of trade debtors, amounts due from joint venture and associated companies, accrued income and other receivables disclosed above. The carrying value of rental deposits from tenants held as security against trade debtors at 31st December 2023 was HK$2,965 million (2022: HK$2,716 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.

	2023 HK$M	2022 HK$M
Bank balances and short-term deposits maturing within three months	**11,831**	10,758
Short-term deposits maturing after more than three months	**2,251**	856
	14,082	11,614

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 8.1% per annum (2022: 0.01% to 5.20% per annum); these deposits have maturities from 7 to 365 days (2022: 7 to 365 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2023 and 31st December 2022 is the carrying value of the bank balances and short-term deposits disclosed above.

28. Assets Classified as Held for Sale

Accounting Policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value.

Assets classified as held for sale represented the Swire Properties group's 100% interest in investment properties comprising 384 car parking spaces at stages I to IX of the Taikoo Shing residential development in Hong Kong.

29. Trade and Other Payables

Accounting Policy

Trade and other payables (except put options over non-controlling interests in subsidiary companies) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2023 HK$M	2022 HK$M
Trade creditors	**5,988**	5,850
Amounts due to immediate holding company	**166**	114
Amounts due to joint venture companies	**12**	137
Amounts due to associated companies	**20**	590
Interest-bearing advances from joint venture companies at 2.85%-5.19% per annum (2022: 1.89%-4.65% per annum)	**599**	1,018
Interest-bearing advances from an associated company (2022: 6.02% per annum)	**–**	34
Advances from non-controlling interests	**1,236**	1,173
Rental deposits from tenants	**2,965**	2,716
Deposits received on sale of investment properties	**269**	1
Put options over non-controlling interests	**638**	659
Contingent consideration	**–**	1,654
Accrued capital expenditure	**1,457**	1,366
Other accruals	**7,681**	8,968
Other payables	**7,788**	5,936
	28,819	30,216
Amounts due after one year included under non-current liabilities	**(1,233)**	(1,476)
	27,586	28,740

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. Apart from the amounts due to joint venture companies, which are interest-bearing as specified above, the balances are interest free.

Other payables due after one year under non-current liabilities include deposits received for the sale of the Swire Properties group's interest in the 42nd to 44th floors of the One Island East office tower in Hong Kong during the year. The sale of each of these floors will be completed in accordance with the terms specified in the sale and purchase agreements before the end of 2028.

The analysis of the age of trade creditors at the year-end is as follows:

	2023 HK$M	2022 HK$M
Up to three months	**5,767**	5,610
Between three and six months	**165**	136
Over six months	**56**	104
	5,988	5,850

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 or 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 2023 the Group was, and up to date of this annual report the Group has been, in compliance with the loan covenants under the Group's borrowings and available banking facilities.

During the year ended 31st December 2023, the Group designated the Renminbi-denominated borrowings of HK$12,062 million (2022: HK$449 million) to hedge the exposure arising from the net investments in subsidiaries with major operations in the Chinese Mainland. Loss arising from the hedging instrument of HK$8 million (2022: HK$12 million) has been recognised in other comprehensive income as an effective hedge.

Refer to the tables with the heading "Audited Financial Information" on pages 72 to 81 for details of the Group's borrowings.

31. Lease Liabilities

	2023 HK$M	2022 HK$M
Maturity profile at year end is as follows:		
Within one year	873	776
Between one and two years	673	615
Between two and five years	1,200	1,137
Over five years	2,333	2,388
	5,079	4,916
Amount due within one year included under current liabilities	(873)	(776)
	4,206	4,140

At 31st December 2023, the weighted average incremental borrowing rate applied in measuring the lease liabilities was 3.82% per annum (2022: 3.65% per annum).

For the accounting policy in respect of lease liabilities, please refer to right-of-use assets (note 17).

32. Deferred Taxation

Accounting Policy

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable or accounting profit or loss, it is not recognised. Tax rates enacted or substantively enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

Deferred taxation relating to investment properties in Hong Kong and the USA is calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in the Chinese Mainland, because the business model applicable to them is to consume substantially all the economic benefits embodied in them over time rather than through sale. Accordingly, deferred tax relating to investment properties in the Chinese Mainland is determined on the basis of recovery through use.

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

	2023 HK$M	2022 HK$M
Deferred tax assets	**567**	278
Deferred tax liabilities	**(16,660)**	(13,090)
	(16,093)	(12,812)

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	2023 HK$M	2022 HK$M
At 1st January		**12,812**	12,003
Translation differences		**(222)**	(668)
Acquisition of subsidiary companies		**3,375**	252
Disposal of subsidiary companies		**(137)**	(7)
Charged to profit or loss	10	**463**	1,060
(Credited)/charged to other comprehensive income		**(41)**	180
Other net transfers		**(157)**	(8)
At 31st December		**16,093**	12,812

32. Deferred Taxation (continued)

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of investment properties		Right-of-use assets		Others		Total	
	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M
At 1st January										
– as originally stated	5,814	5,300	6,091	6,108	–	–	2,842	2,590	14,747	13,998
– impact of amendments to HKAS 12	(25)	(7)	–	–	581	540	(23)	–	533	533
– as restated	5,789	5,293	6,091	6,108	581	540	2,819	2,590	15,280	14,531
Translation differences	(29)	(92)	(170)	(489)	(14)	(3)	(42)	(66)	(255)	(650)
Acquisition of subsidiary companies	367	–	2,084	–	38	29	1,062	223	3,551	252
Disposal of subsidiary companies	(437)	(7)	–	–	–	–	(538)	–	(975)	(7)
Charged/(credited) to profit or loss	413	595	106	472	(28)	15	187	20	678	1,102
(Credited)/charged to other comprehensive income	–	–	–	–	–	–	(40)	60	(40)	60
Other net transfers	–	–	–	–	–	–	(157)	(8)	(157)	(8)
At 31st December	6,103	5,789	8,111	6,091	577	581	3,291	2,819	18,082	15,280

Deferred tax assets

	Provisions		Tax losses		Lease liabilities		Others		Total	
	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M
At 1st January										
– as originally stated	424	392	534	423	–	–	977	1,180	1,935	1,995
– impact of amendments to HKAS 12	–	–	–	–	552	540	(19)	(7)	533	533
– as restated	424	392	534	423	552	540	958	1,173	2,468	2,528
Translation differences	(20)	37	(1)	–	2	(3)	(14)	(16)	(33)	18
Acquisition of subsidiary companies	65	–	47	–	39	–	25	–	176	–
Disposal of subsidiary companies	(222)	–	–	–	(8)	–	(608)	–	(838)	–
(Charged)/credited to profit or loss	(79)	2	158	104	2	15	134	(79)	215	42
Credited/(charged) to other comprehensive income	–	–	–	–	–	–	1	(120)	1	(120)
Other net transfers	–	(7)	(1)	7	–	–	1	–	–	–
At 31st December	168	424	737	534	587	552	497	958	1,989	2,468

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$3,052 million (2022: HK$3,080 million) to carry forward against future taxable income.

These amounts are analysed as follows:

	Unrecognised tax losses	
	2023 HK$M	2022 HK$M
No expiry date	1,755	1,664
Expiring in 2023	–	114
Expiring in 2024	93	105
Expiring in 2025	135	136
Expiring in 2026	110	118
Expiring in 2027 (2022: 2027 or after)	68	943
Expiring in 2028 or after	891	N/A
	3,052	3,080

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 benefit 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.

The Group's obligations and expenses in respect of defined benefit schemes are dependent on a number of factors that are determined using a number of actuarial assumptions. The details of the actuarial assumptions used, including applicable sensitivities are disclosed in note 33(f).

For the year ended 31st December 2023 and 2022, disclosures in respect of defined benefit schemes are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2021, which were updated to reflect the position at 31st December 2023 and 2022 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in Taiwan and Cambodia are valued by independent qualified actuaries. 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 100% (2022: 116%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$184 million to its defined benefit schemes in 2024.

33. Retirement Benefits (continued)

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:

	2023 HK$M	2022 HK$M
Present value of funded obligations	3,626	4,960
Fair value of plan assets	(3,573)	(4,905)
	53	55
Present value of unfunded obligations	–	34
Net retirement benefit liabilities	53	89
Represented by:		
Retirement benefit assets	(68)	(273)
Retirement benefit liabilities	121	362
	53	89

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

	2023 HK$M	2022 HK$M
At 1st January	4,994	6,738
Translation differences	13	(17)
Transfer of members	(10)	(1)
Acquisition of subsidiary companies	–	13
Disposal of subsidiary companies	(1,665)	–
Current service cost	206	295
Interest expense	214	159
Actuarial losses/(gains) from changes in financial assumptions	105	(1,638)
Experience losses/(gains)	189	(35)
Employee contributions	1	2
Benefits paid	(421)	(522)
At 31st December	3,626	4,994

The weighted average duration of the defined benefit obligations is 7.5 years (2022: 8.5 years).

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

	2023 HK$M	2022 HK$M
At 1st January	4,905	5,930
Translation differences	10	(10)
Transfer of members	(10)	(1)
Disposal of subsidiary companies	(1,553)	–
Interest income	219	139
Return on plan assets, excluding interest income	178	(829)
Contributions by employers	242	194
Benefits paid	(418)	(518)
At 31st December	3,573	4,905

There were no plan amendments during the year.

33. Retirement Benefits (continued)

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

	2023 HK$M	2022 HK$M
Current service cost	**206**	295
Net interest cost	**(5)**	20
	201	315

The above net expenses from continuing operations were included in costs of sales, distribution costs and administrative expenses in the consolidated statement of profit or loss.

The actual return on defined benefit plan assets was a gain of HK$397 million (2022: loss of HK$690 million).

(e) The plan assets are invested in the Swire Group Unitised Trust (the Unitised Trust). The Unitised Trust has four sub-funds in which the assets may be invested in accordance with separate and distinct investment policies and objectives. The Unitised Trust and sub-funds are overseen by an investment committee, which meets four times a year.

The make-up of the Unitised Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities, fixed income, absolute return funds and short duration bond sub-funds.

The management of the assets within the sub-funds is delegated by the investment committee to a number of reputable investment managers. The plan assets comprise:

	2023 HK$M	2022 HK$M
Equities		
Asia Pacific	**202**	218
Europe	**165**	226
North America	**576**	1,080
Emerging markets	**611**	603
Bonds		
Global	**878**	890
Emerging markets	**75**	711
Absolute return funds	**653**	687
Cash	**413**	490
	3,573	4,905

At 31st December 2023, the prices of 89% of equities and 70% of bonds were quoted on active markets (31st December 2022: 96% and 29% respectively). The remainder of the prices were not quoted on active markets.

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

33. Retirement Benefits (continued)

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

	2023		2022	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	4.26	1.20-6.00	5.08	1.30-5.20
Expected rate of future salary increases	2.50-4.00	3.00-10.00	2.60-4.00	2.75-9.00

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

	Increase/(decrease) in defined benefit obligations		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
At 31st December 2023			
Discount rate	0.5%	(138)	145
Expected rate of future salary increases	0.5%	142	(137)
At 31st December 2022			
Discount rate	0.5%	(254)	259
Expected rate of future salary increases	0.5%	186	(178)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the consolidated statement of financial position.

(g) Defined contribution retirement schemes
Total retirement benefit costs from continuing operations charged to the consolidated statement of profit or loss for the year ended 31st December 2023 amounted to HK$705 million (2022: HK$740 million), including HK$504 million (2022: HK$425 million) in respect of defined contribution schemes.

34. Share Capital

	'A' shares	'B' shares	Total HK$M
Issued and fully paid with no par value			
At 1st January 2023	865,823,000	2,941,142,500	1,294
Repurchased in 2022 and cancelled during the year	–	(3,697,500)	–
Repurchased and cancelled during the year	(8,998,500)	(15,107,500)	–
At 31st December 2023	856,824,500	2,922,337,500	1,294

	'A' shares	'B' shares	Total HK$M
Issued and fully paid with no par value			
At 1st January 2022	905,206,000	2,981,870,000	1,294
Repurchased and cancelled during the year	(39,383,000)	(40,727,500)	–
At 31st December 2022	865,823,000	2,941,142,500	1,294

During the year, the Company repurchased 11,625,000 'A' shares and 18,562,500 'B' shares on The Stock Exchange of Hong Kong Limited for a total aggregate price of HK$875 million (excluding transaction fees). The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid for the repurchased 'A' shares and 'B' shares was paid wholly out of the distributable profits of the Company included in its revenue reserve.

34. Share Capital (continued)

Details of shares acquired by month are as follows:

'A' shares	Number purchased	Highest price paid HK$	Lowest price paid HK$	Total[i] HK$M
Month				
March	4,548,000	60.00	58.05	270
April	4,233,000	60.00	57.55	249
May	217,500	60.00	59.70	13
December	2,626,500[ii]	66.40	57.45	163[iii]
	11,625,000			695

'B' shares	Number purchased	Highest price paid HK$	Lowest price paid HK$	Total[i] HK$M
Month				
January	797,500	10.72	10.06	8
March	6,380,000	10.00	9.11	61
April	5,467,500	10.12	9.33	53
May	2,462,500	10.24	9.56	24
December	3,455,000[ii]	10.44	8.97	34[iii]
	18,562,500			180

Notes:
(i) Excluding transaction fees of HK$3 million for 'A' shares and 'B' shares.
(ii) These shares were repurchased but not yet cancelled as at 31st December 2023.
(iii) Including HK$31 million payable after 31st December 2023.

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in proportion five to one.

35. Reserves

	Note	Revenue reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2023		255,167	2,437	(152)	738	(1,028)	257,162
Profit for the year		28,853	–	–	–	–	28,853
Other comprehensive income							
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	35	–	–	–	35
– deferred tax		–	(10)	–	–	–	(10)
Defined benefit plans							
– remeasurement losses recognised during the year		(108)	–	–	–	–	(108)
– deferred tax		9	–	–	–	–	9
Changes in the fair value of equity investments at fair value through other comprehensive income							
– losses recognised during the year		–	–	(15)	–	–	(15)
– deferred tax		–	–	(2)	–	–	(2)
Cash flow hedges							
– losses recognised during the year		–	–	–	(178)	–	(178)
– transferred from net finance charges		–	–	–	(50)	–	(50)
– transferred from operating profit		–	–	–	11	–	11
– deferred tax		–	–	–	44	–	44
Share of other comprehensive income of joint venture and associated companies							
– recognised during the year		79	–	(1)	(530)	(481)	(933)
– reclassified to profit or loss on deemed disposal		–	–	–	–	228	228
Net translation differences on foreign operations		–	–	–	–	(1,041)	(1,041)
– reclassified to profit or loss on disposal		–	–	–	–	(45)	(45)
Total comprehensive income for the year		28,833	25	(18)	(703)	(1,339)	26,798
Repurchase of the Company's shares		(878)	–	–	–	–	(878)
2022 second interim dividend	12	(2,675)	–	–	–	–	(2,675)
2023 first interim dividend	12	(1,730)	–	–	–	–	(1,730)
2023 special interim dividend	12	(11,703)	–	–	–	–	(11,703)
Change in composition of the Group		(139)	–	–	–	–	(139)
At 31st December 2023		266,875	2,462	(170)	35	(2,367)	266,835

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 2022		256,738	2,435	(130)	1,013	5,165	265,221
Profit for the year		4,195	–	–	–	–	4,195
Other comprehensive income							
Defined benefit plans							
– remeasurement gains recognised during the year		819	–	–	–	–	819
– deferred tax		(170)	–	–	–	–	(170)
Changes in the fair value of equity investments at fair value through other comprehensive income							
– gains recognised during the year		–	–	256	–	–	256
– deferred tax		–	–	3	–	–	3
– reclassified to revenue reserve on disposal		279	–	(279)	–	–	–
Cash flow hedges							
– losses recognised during the year		–	–	–	(92)	–	(92)
– transferred from net finance charges		–	–	–	(22)	–	(22)
– transferred from operating profit		–	–	–	201	–	201
– deferred tax		–	–	–	(14)	–	(14)
Share of other comprehensive income of joint venture and associated companies		67	2	(2)	(348)	(2,318)	(2,599)
Net translation differences on foreign operations		–	–	–	–	(3,932)	(3,932)
– reclassified to profit or loss on disposal		–	–	–	–	57	57
Total comprehensive income for the year		5,190	2	(22)	(275)	(6,193)	(1,298)
Repurchase of the Company's shares		(2,643)	–	–	–	–	(2,643)
2021 second interim dividend		(2,402)	–	–	–	–	(2,402)
2022 first interim dividend	12	(1,716)	–	–	–	–	(1,716)
At 31st December 2022		255,167	2,437	(152)	738	(1,028)	257,162

(a) The Group's revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$8,616 million (2022: HK$12,704 million) and retained revenue reserves from associated companies amounting to HK$10,796 million (2022: HK$9,579 million).

(b) The Group's revenue reserve includes HK$2,853 million (2022: HK$2,675 million) representing the declared second interim dividend for the year (note 12).

(c) As at 31st December 2023, the Group's cash flow hedge reserve includes a credit of HK$128 million (net of tax) (2022: HK$28 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:

	2023 HK$M	2022 HK$M
At 1st January	57,480	57,105
Share of profits less losses for the year	985	2,074
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	8	–
– deferred tax	(2)	–
Share of defined benefit plans		
– remeasurement (losses)/gains recognised during the year	(9)	37
Share of cash flow hedges		
– losses recognised during the year	(13)	(1)
– transferred from net finance charges	(7)	(2)
– deferred tax	2	1
Share of other comprehensive income/(loss) of joint venture and associated companies	23	(314)
Share of net translation differences on foreign operations	(221)	(866)
Share of total comprehensive income	766	929
Capital contribution from non-controlling interests	26	1,020
Dividends declared and/or paid	(1,464)	(1,570)
Change in composition of the Group	(163)	(4)
At 31st December	56,645	57,480

37. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

	Note	2023 HK$M	2022 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1	1
Subsidiary companies		33,350	45,234
Associated companies		9,896	10,582
Equity investments at fair value		1,117	70
Retirement benefit assets		7	16
		44,371	55,903
Current assets			
Trade and other receivables		56	53
Taxation receivable		427	427
Bank balances and short-term deposits		200	39
		683	519
Current liabilities			
Trade and other payables		32,951	46,219
		32,951	46,219
Net current liabilities		(32,268)	(45,700)
Total assets less current liabilities		12,103	10,203
Non-current liabilities			
Deferred tax liabilities		–	2
		–	2
NET ASSETS		12,103	10,201
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	34	1,294	1,294
Reserves	37(b)	10,809	8,907
TOTAL EQUITY		12,103	10,201

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Martin Murray
Paul Etchells
Directors
Hong Kong, 14th March 2024

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 2023		8,913	(6)	8,907
Profit for the year		18,925	–	18,925
Other comprehensive income				
Defined benefit plans				
– remeasurement losses recognised during the year		(11)	–	(11)
– deferred tax		2	–	2
Changes in the fair value of equity investments at fair value through other comprehensive income				
– losses recognised during the year		–	(28)	(28)
Total comprehensive income for the year		18,916	(28)	18,888
Repurchase of the Company's shares		(878)	–	(878)
2022 second interim dividend	12	(2,675)	–	(2,675)
2023 first interim dividend	12	(1,730)	–	(1,730)
2023 special interim dividend	12	(11,703)	–	(11,703)
At 31st December 2023		10,843	(34)	10,809
At 1st January 2022		10,594	7	10,601
Profit for the year		5,055	–	5,055
Other comprehensive income				
Defined benefit plans				
– remeasurement gains recognised during the year		37	–	37
– deferred tax		(6)	–	(6)
Changes in the fair value of equity investments at fair value through other comprehensive income				
– losses recognised during the year		–	(19)	(19)
– reclassified to revenue reserve on disposal		(6)	6	–
Total comprehensive income for the year		5,080	(13)	5,067
Repurchase of the Company's shares		(2,643)	–	(2,643)
2021 second interim dividend		(2,402)	–	(2,402)
2022 first interim dividend	12	(1,716)	–	(1,716)
At 31st December 2022		8,913	(6)	8,907

(i) Distributable reserves of the Company at 31st December 2023 amounted to HK$10,843 million (2022: HK$8,913 million).

(ii) The Company's revenue reserve includes HK$2,853 million (2022: HK$2,675 million) representing the declared second interim dividend for the year (note 12).

38. Capital Commitments

	2023 HK$M	2022 HK$M
(a) The Group's outstanding capital commitments at the year-end in respect of:		
Property, plant and equipment and others		
Contracted but not provided for	**3,112**	2,907
Authorised by Directors but not contracted for	**7,422**	7,370
Investment properties		
Contracted but not provided for	**5,795**	2,986
Authorised by Directors but not contracted for	**12,012**	17,028
	28,341	30,291
The Group's share of capital commitments of joint venture companies at the year-end (Note)		
Contracted but not provided for	**923**	434
Authorised by Directors but not contracted for	**6,883**	7,122
	7,806	7,556

Note:
Of which the Group is committed to funding HK$797 million (2022: HK$331 million).

At 31st December 2023, the Group was committed to inject capital of HK$275 million (2022: HK$421 million) to joint venture companies.

(b) At 31st December 2023, the Group had unprovided contractual obligations for future repairs and maintenance in respect of investment properties of HK$267 million (2022: HK$380 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)

		2023 HK$M	2022 HK$M
(a)	Guarantees provided in respect of:		
	Bank loans and other liabilities of joint venture companies	**3,997**	4,249
	Bank guarantees given in lieu of utility deposits and others	**135**	135
		4,132	4,384

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

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

The proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the accounting policy set out above in this note.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on Cathay Pacific. However, the European Commission's finding against Cathay Pacific and the imposition of this fine was annulled by the General Court in December 2015 and the fine of Euros 57.12 million was refunded to Cathay Pacific in February 2016. The European Commission issued a new decision against Cathay Pacific and the other airlines involved in the case in March 2017. The same fine of Euros 57.12 million was imposed on Cathay Pacific, which was paid by Cathay Pacific in June 2017. Cathay Pacific filed an appeal to the General Court against this decision, and on 30th March 2022 the General Court partially annulled the decision, and a refund of a portion of the fine, Euros 10 million, was paid to Cathay Pacific in June 2022. Cathay Pacific filed an appeal to the European Court of Justice (ECJ) in early June 2022 and a final ECJ judgement is expected by mid-2024.

Cathay Pacific is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries, including Germany, the Netherlands and Norway alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to its air cargo operations. Cathay Pacific is represented by legal counsel and is defending these actions.

40. Lease Commitments

Accounting Policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts by the Group as lessor under operating leases (net of any incentives paid to lessees) are recognised as income in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

For commenced leases (which are not identified as low-value or short-term leases) undertaken by the Group as a lessee, right-of-use assets and the corresponding lease liabilities are recognised in the financial statements when the leased assets became available for use. Commitments in respect of leases payable by the Group as lessees represent the future lease payments for (i) committed leases which have not yet commenced at the year-end date and (ii) short-term leases.

(a) Lessor – lease receivables

The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received from investment properties during the year amounted to HK$1,224 million (2022: HK$837 million).

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

	2023 HK$M	2022 HK$M
Investment properties		
Within one year	**8,736**	8,088
Between one and two years	**6,888**	6,688
Between two and three years	**5,134**	4,945
Between three and four years	**3,401**	3,548
Between four and five years	**1,990**	2,306
After five years	**2,932**	2,999
	29,081	28,574

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

	Investment properties	
	2023 HK$M	2022 HK$M
Investment properties at fair value	**256,105**	247,513

(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:

	2023 HK$M	2022 HK$M
Land and buildings		
Within one year	**45**	46
Between one and five years	**65**	104
Over five years	**72**	82
	182	232
Equipment		
Within one year	**1**	1
	183	233

At 31st December 2023, there were no short-term lease commitments which were significantly dissimilar to those relating to the portfolio of short-term leases for which expenses were recognised for the year ended 31st December 2023 (2022: none).

41. Related Party Transactions

Accounting Policy

Related parties of the Group are individuals and companies, including subsidiary, fellow subsidiary, joint venture and associated companies and key management of the Group or the parent of the Group (including close members of their families), where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

There are agreements for services (Services Agreements), in respect of which John Swire & Sons (H.K.) Limited (JS&SHK) provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JS&SHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiaries and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The Services Agreements were renewed on 1st October 2022 for three years expiring on 31st December 2025. For the year ended 31st December 2023, service fees payable amounted to HK$300 million (2022: HK$293 million). Expenses of HK$354 million (2022: HK$308 million) were reimbursed at cost; in addition, HK$545 million (2022: HK$410 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 2023, the aggregate rentals payable to the Group by the JS&SHK group under tenancies to which the Tenancy Framework Agreement applies amounted to HK$105 million (2022: HK$109 million).

Under the management services agreement (Management Services Agreement) between Swire Coca-Cola Limited (SCCL), John Swire & Sons Limited (Swire) and Swire Pacific Holdings Inc. (SPHI) dated 18th July 2023, members of the Group enter into management services agreement with members of the Swire group for the provision of management and administrative support services by SCCL to SPHI group from time to time on normal commercial terms. The Management Services Agreement covers the service period from 7th September 2023 until 27th April 2037. For the year ended 31st December 2023, the management fees payable by SPHI to SCCL under the Management Services Agreement amounted to HK$40 million (2022: nil).

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 and Management Services 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	
	Note	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M	2023 HK$M	2022* HK$M	2023 HK$M	2022 HK$M
Revenue from	(i)								
– Sales of beverage drinks		**484**	36	**20**	11	**–**	–	**–**	–
– Sales of goods		**1,119**	1,206	**–**	–	**–**	–	**–**	–
– Rendering of services		**88**	79	**14**	80	**42**	–	**2**	8
– Aircraft and engine maintenance		**38**	31	**2,590**	1,862	**–**	–	**–**	–
– Rental of properties	(ii)	**–**	–	**2**	1	**–**	–	**105**	109
Purchase of beverage drinks	(i)	**92**	166	**–**	4,402	**–**	–	**–**	–
Purchase of other goods	(i)	**9**	8	**129**	22	**–**	–	**–**	–
Purchase of services	(i)	**15**	16	**5**	2	**14**	16	**–**	–
Interest income	(iii)	**131**	54	**7**	1	**–**	–	**–**	–
Interest charges	(iii)	**15**	28	**2**	2	**–**	–	**–**	–

* included discontinued operations

Notes:
(i) 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.
(ii) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
(iii) Loans advanced to joint venture and associated companies at 31st December 2023 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 from and to the immediate holding company at 31st December 2023 are disclosed in notes 26 and 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 directors officers, is disclosed in note 8.

42. Business Combination

(a) Acquisition of equity interests in Taikoo Li Chengdu

As mentioned in note 20, the Swire Properties group further acquired 35% equity interests in the existing joint venture companies owning Taikoo Li Chengdu in the Chinese Mainland from Sino-Ocean Group Holding Limited and its subsidiaries and these joint venture companies became wholly-owned subsidiaries of the Swire Properties group on 22nd February 2023. The acquisition creates long-term value for the Swire Properties group and its shareholders.

Details of the purchase consideration, the net identifiable assets acquired and goodwill are as follows:

	Fair value HK$M
Purchase consideration	12,088
Property, plant and equipment	632
Investment properties (Note)	15,291
Intangible assets	8
Right-of-use assets	105
Stocks and work in progress	6
Trade and other receivables	536
Bank balances and short-term deposits	684
Trade and other payables	(837)
Taxation payable	(27)
Long-term loans and bonds	(3,151)
Lease liabilities	(42)
Deferred tax liabilities	(2,536)
Net identifiable assets acquired	10,669
Goodwill	1,419
	12,088
Satisfied by:	
Purchase consideration settled in cash	4,383
Fair value of the equity interests previously held by the Swire Properties group	7,705
	12,088
Analysis of the net outflow of cash and cash equivalents for acquisition:	
Purchase consideration settled in cash	4,383
Less: Cash and cash equivalents acquired	(684)
Net cash outflow on acquisition	3,699

Note:
The amounts include investment properties acquired of HK$15,230 million and initial leasing costs acquired of HK$61 million.

The fair value of the acquired trade and other receivables was HK$536 million and included trade receivables with a fair value of HK$65 million. None of these are expected to be uncollectible.

The goodwill is mainly attributable to the growth opportunity. These benefits do not qualify for separate recognition of intangible assets and are not expected to be deductible for tax purposes.

The gain arising from remeasuring the fair value of the existing equity interests in Taikoo Li Chengdu held by the Swire Properties group before the acquisition amounted to HK$551 million. It is recognised in the consolidated statement of profit or loss within other net (losses)/gains.

Acquisition-related costs of HK$11 million have been recognised in the consolidated statement of profit or loss.

42. Business Combinations (continued)

(a) Acquisition of equity interests in Taikoo Li Chengdu (continued)

The acquired business contributed revenue of HK$1,256 million and a profit of HK$960 million to the Swire Properties group for the period from the date of completion of its acquisition (22nd February 2023) to 31st December 2023.

If the acquisition had occurred on 1st January 2023, the acquired business would have contributed pro-forma revenue of HK$1,494 million and earned a profit of HK$1,073 million for the year ended 31st December 2023. These amounts have been calculated using the results of the acquired business and adjusting them for the additional depreciation and amortisation that would have been charged assuming fair value adjustments to property, plant and equipment and intangible assets had applied from 1st January 2023, together with the consequential tax effects.

(b) Acquisition of equity interests from TCCC in South East Asia

On 18th July 2022, the Group entered into agreements to acquire from TCCC 100% of the equity interests in certain of its subsidiaries engaged in the business of preparation, packaging, distribution and sale of ready-to-drink beverages bearing trademarks owned by TCCC in Vietnam and Cambodia, for an aggregate consideration of US$1,015 million, subject to completion adjustments. The acquisition expanded the Group's beverages business in South East Asia.

On 25th November 2022, Swire Coca-Cola acquired 100% equity interests in Coca-Cola bottling companies in Cambodia from subsidiaries of TCCC.

On 1st January 2023, Swire Coca-Cola acquired 100% equity interests in Coca-Cola bottling companies in Vietnam from subsidiaries of TCCC.

42. Business Combinations (continued)

(b) Acquisition of equity interests from TCCC in South East Asia (continued)

Details of the purchase consideration, the net identifiable assets acquired and goodwill are as follows:

	Vietnam	Cambodia	South East Asia
	Fair value		Total
	HK$M	HK$M	HK$M
Purchase consideration			9,811
Property, plant and equipment	1,235	546	1,781
Intangible assets	4,631	318	4,949
Right-of-use assets	329	206	535
Stocks and work in progress	386	151	537
Trade and other receivables	571	61	632
Bank balances and short-term deposits maturing within three months	155	78	233
Short-term deposits maturing after more than three months	1,593	–	1,593
Trade and other payables	(1,276)	(226)	(1,502)
Taxation payable	(28)	(3)	(31)
Lease liabilities	(31)	(30)	(61)
Deferred tax liabilities			
– Fair value adjustments on acquisition	(942)	(64)	(1,006)
– Others	65	(35)	30
Retirement benefit liabilities	–	(13)	(13)
Net identifiable assets acquired	6,688	989	7,677
Goodwill			2,134
			9,811
Satisfied by:			
Purchase consideration settled in cash			8,426
Other payable			1,385
			9,811
Analysis of the net outflow of cash and cash equivalents for acquisition:			
Purchase consideration settled in cash			8,426
Less: Cash and cash equivalents acquired			(233)
Less: Short-term deposits maturing after more than three months acquired			(1,593)
Net cash outflow on acquisition			6,600

The fair value of the franchise rights acquired was determined using discounted cash flow valuation techniques. The key assumptions included the discount rate, future revenues and margins.

The fair value of the acquired trade and other receivables from the companies in Vietnam was HK$571 million and included trade receivables with a fair value of HK$96 million of which HK$1 million is expected to be uncollectible.

Acquisition-related costs for Vietnam of HK$70 million have been recognised in the consolidated statement of profit or loss.

The goodwill relating to the South East Asia business is mainly attributable to the new growth opportunity in these developing markets in the South East Asia region. These benefits do not qualify for separate recognition of intangible assets and are not expected to be deductible for tax purposes.

The acquired business in Vietnam contributed revenue of HK$3,734 million and a profit of HK$344 million to the Group for the period from the date of completion of its acquisition (1st January 2023) to 31st December 2023.

42. Business Combinations (continued)

(c) Acquisition of equity interests from CCBMH in the Chinese Mainland

On 1st January 2023, Swire Coca-Cola acquired 100% equity interests in six of the beverages preparation and packaging subsidiaries of CCBMH in the Chinese Mainland.

Details of the purchase consideration and the net identifiable assets acquired are as follows:

	Fair value HK$M
Purchase consideration	1,830
Property, plant and equipment	1,526
Intangible assets	7
Right-of-use assets	195
Stocks and work in progress	37
Deferred tax assets	70
Trade and other receivables	147
Bank balances and short-term deposits maturing within three months	876
Trade and other payables	(881)
Lease liabilities	(117)
Deferred tax liabilities	
– Fair value adjustments on acquisition	(12)
– Others	(14)
Net identifiable assets acquired	1,834
Gain arising from acquisition	(4)
	1,830
Satisfied by:	
Other payable	606
Fair value of the equity interests previously held by Swire Coca-Cola	1,224
	1,830
Analysis of the net inflow of cash and cash equivalents for acquisition:	
Cash and cash equivalents acquired	876

The fair value of the acquired trade and other receivables was HK$147 million and included trade receivables with a fair value of HK$137 million. None of these are expected to be uncollectible.

Acquisition-related costs of HK$30 million have been recognised in the consolidated statement of profit or loss.

During the year, HK$429 million of the other payables have been settled.

(d) Acquisition of additional equity interests in New Life Plastics

As mentioned in note 20, the Group further acquired 23.33% equity interests in an existing joint venture company, NLP at a consideration of HK$7 million. This company became a non-wholly owned subsidiary of the Group after completion. As at the acquisition date, the net identifiable liabilities of NLP acquired by the Group were HK$92 million.

43. Notes to the Consolidated Statement of Cash Flows

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

	2023 HK$M	2022 HK$M
Operating profit (Note)	30,621	11,685
Gain on disposals of subsidiary companies	(22,683)	(299)
Gain arising from the acquisition of interests in joint venture companies	(323)	–
Gain on partial disposal and deemed disposal of an associated company	(37)	(64)
Loss/(gain) on disposals of investment properties	16	(31)
Loss on disposals of property, plant and equipment	86	4
Loss/(gain) on disposals of assets classified as held for sale	44	(20)
Change in fair value of investment properties	2,860	(810)
Change in fair value of assets classified as held for sale	442	(48)
Depreciation, amortisation and impairment charges	5,426	4,680
Provision for amount due from and other payable of a joint venture company	239	–
Other items	(461)	586
Operating profit before working capital changes	16,230	15,683
Increase in properties for sale	(589)	(1,667)
Increase in stocks and work in progress	(724)	(2,085)
(Increase)/decrease in contract assets	(192)	56
Increase in trade and other receivables	(1,641)	(774)
Increase in trade and other payables and contract liabilities	1,395	830
Cash generated from operations	14,479	12,043

Note:
Remeasurement gain on assets classified as held for sale is not included.

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

	2023 HK$M	2022 HK$M
Property	656	728
Plant and machinery	2,688	2,363
Vessels	–	23
Right-of-use assets	97	–
Total	3,441	3,114

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	
	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M
At 1st January	68,373	61,549	4,916	5,340
New leases entered during the year	–	–	967	682
Net cash inflow/(outflow) from financing activities				
– Loans drawn and refinancing	23,462	25,676	–	–
– Repayment of loans and bonds	(25,886)	(18,866)	–	–
– Principal elements of lease payments	–	–	(895)	(880)
Change in composition of the Group	3,151	–	(250)	30
Effect of exchange differences	81	(53)	(6)	(185)
Other non-cash movements	37	67	347	(71)
At 31st December	69,218	68,373	5,079	4,916

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

(d) Disposal of subsidiary companies

	Subsidiaries in Beverages Division HK$M	Subsidiaries in Aviation Division HK$M	Total HK$M
Net assets disposed of:			
Property, plant and equipment	4,806	133	4,939
Intangible assets	2,725	8	2,733
Right-of-use assets	450	19	469
Investments at fair value	318	–	318
Stocks and work in progress	1,661	314	1,975
Trade and other receivables	2,781	107	2,888
Bank balances and short-term deposits	1,388	15	1,403
Trade and other payables	(3,398)	(132)	(3,530)
Contract liabilities	–	(30)	(30)
Taxation payable	(50)	–	(50)
Lease liabilities	(487)	(3)	(490)
Other payable	(1,755)	–	(1,755)
Deferred tax liabilities	(131)	(6)	(137)
Retirement benefit liabilities	(113)	–	(113)
	8,195	425	8,620
Gain/(loss) on disposal	23,103	(420)	22,683
	31,298	5	31,303
Satisfied by:			
Cash received (net of transaction costs)	31,298	–	31,298
Deferred consideration	–	5	5
	31,298	5	31,303
Analysis of the net inflow of cash and cash equivalents from disposals:			
Net cash proceeds	31,298	–	31,298
Cash and cash equivalents disposed of	(1,388)	(15)	(1,403)
Net inflow/(outflow) of cash and cash equivalents	29,910	(15)	29,895

44. Discontinued Operations

Accounting Policy

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and the consolidated statement of comprehensive income.

In March 2022, the Group entered into a sale and purchase agreement to dispose of its interest in the SPO disposal group. The Group no longer operates the Marine Services Division.

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

(a) Results from discontinued operations

	2023 HK$M	2022 HK$M
Revenue	–	524
Cost of sales	–	(375)
Gross profit	–	149
Administrative expenses	–	(83)
Other net losses	–	(208)
Operating loss	–	(142)
Net finance charges	–	(3)
Loss before taxation	–	(145)
Taxation	–	(47)
Loss after taxation	–	(192)
Remeasurement gain on the disposal group	–	556
Profit from discontinued operations	–	364

During the year ended 31st December 2022, the remeasurement gain recognised in respect of the SPO disposal group represents the change in fair value of share warrants issued by Tidewater Inc. as part of the disposal consideration from 1st January 2022 to the date of completion of the disposal on 22nd April 2022. This remeasurement results in a reversal of the impairment loss previously recognised against property, plant and equipment of the SPO disposal group.

(b) Total comprehensive income from discontinued operations

	2023 HK$M	2022 HK$M
Profit for the year	–	364
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans		
– remeasurement gains recognised during the year	–	12
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
– transferred to operating profit	–	1
Net translation differences on foreign operations		
– recognised during the year	–	25
Other comprehensive income for the year, net of tax	–	38
Total comprehensive income for the year	–	402

44. Discontinued Operations (continued)

(c) Cash flows from discontinued operations

	2023 HK$M	2022 HK$M
Net cash generated from operating activities	–	16
Net cash used in investing activities	–	(6)
Net cash generated from financing activities	–	6
Net cash generated from discontinued operations	–	16

45. Events After the Reporting Period

On 9th February 2024, the Group entered into an agreement and conditionally agreed to acquire (through purchases and subscriptions in two phases) a majority stake in ThaiNamthip Corporation Ltd. (TNTC) for an aggregate consideration of approximately THB42,615.7 million (equivalent to approximately HK$9,470.1 million), subject to customary post-completion adjustments and excluding the deemed exercise of the put option.

On 9th February 2024, CC Cambodia Holdings Pte. Ltd. and Coca-Cola Indochina Pte. Ltd. (each a wholly-owned subsidiary of the Group) respectively entered into the Cambodia share purchase agreement and the Vietnam capital transfer agreement with TNTC which conditionally agreed to acquire 30% of each of the issued share capital of Cambodia Beverage Company Limited and the charter capital of Coca-Cola Beverages Viet Nam Limited Liability Company for an aggregate consideration of approximately US$271.1 million (equivalent to approximately HK$2,114.6 million), subject to customary post-completion adjustments.

The Group has become interested in 39% of the issued share capital of TNTC on 9th February 2024. The second phase of the acquisition is subject to the satisfaction of conditions precedent under the relevant transaction document.

46. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in the United Kingdom.