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SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

2022 Final Results

2022 Performance Highlights[^]

	Note	2022	2021 (Restated)	Change
Return on equity		1.6%	1.3%	+0.3% pt
Dividend per 'A' share (HK\$)		3.00	2.60	+15%
		HK\$M	HK\$M	
Profit attributable to the Company's shareholders				
As reported		4,195	3,357	+25%
Underlying profit	(a)	4,748	5,293	-10%
Recurring underlying profit	(a)	3,800	4,878	-22%
Revenue		91,693	92,830	-1%
Operating profit		12,241	10,517	+16%
Operating profit excluding change in fair value of investment properties		11,431	12,448	-8%
Change in fair value of investment properties		810	(1,931)	N/A
Cash generated from operations		12,043	15,453	-22%
Net cash (outflow)/inflow before financing		(9,386)	5,321	-276%
Total equity (including non-controlling interests)		315,936	323,620	-2%
Net debt		56,759	38,655	+47%
Gearing ratio (excluding lease liabilities)		18.0%	11.9%	+6.1% pt
		HK\$	HK\$	
Earnings per share	(b)			
As reported				
'A' share		2.81	2.24	+25%
'B' share		0.56	0.45	
Underlying				
'A' share		3.18	3.52	-10%
'B' share		0.64	0.70	
Dividends per share				
'A' share		3.00	2.60	+15%
'B' share		0.60	0.52	
Equity attributable to the Company's shareholders per share	(c)			
'A' share		177.75	177.49	0%
'B' share		35.55	35.50	

2022 Sustainable Development Performance

	2022	2021 (Restated)	Change
GHG emissions from direct operations – location based (Thousand tonnes of CO ₂ e)	649	728	-11%
Energy consumed (GJ Million)	5.4	6.1	-11%
Water withdrawn (cbm Million)	16.9	18.1	-7%
LTIR (Number of injuries per 100 full-time equivalent employees)	0.42	0.62	-32%
Employee fatalities (Number of fatalities)	0	0	N/A

[^] Figures include continuing operations and discontinued operations.

Notes:

- (a) Reconciliations between the reported and underlying profit, and between underlying profit and recurring underlying profit are provided on pages 42 and 43.
- (b) Refer to note 7 to the financial statements for the daily weighted average number of shares in issue throughout the year.
- (c) Refer to note 10 to the financial statements for the number of shares at the year end.

Corporate Statement

Sustainable Growth

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

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

Our Values

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

Our Core Principles

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

Our Investment Principles

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

Our Businesses

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

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

Corporate Statement (continued)

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

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

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

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

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

Chairman's Statement**Dear Shareholders,**

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

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

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

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

Strategic Developments

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

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

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

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

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

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

Chairman's Statement (continued)

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

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

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

Results Summary

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

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

Dividends and Share Buy-back

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

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

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

Business Performance**Property Division**

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

Chairman's Statement (continued)

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

Beverages Division

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

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

Aviation Division

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

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

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

Other Businesses

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

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

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

Financial Strength

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

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

Chairman's Statement (continued)

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

Sustainability

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

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

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

Looking Ahead

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

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

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

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

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

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

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

Guy Bradley

Chairman

Hong Kong, 9th March 2023

REVIEW OF OPERATIONS

PROPERTY DIVISION

OVERVIEW OF THE BUSINESS

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

Swire Properties' business comprises three main areas:

Property Investment:

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury and high quality residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 13.1 million square feet of gross floor area, with an additional 0.2 million square feet under development. In the Chinese Mainland, Swire Properties has major mixed-use commercial developments in Beijing, Guangzhou, Chengdu, Shanghai, Xi'an and Sanya, in joint venture in many cases, which will total 14.9 million square feet on completion. Of this, 10.0 million square feet has already been completed. Swire Properties' property investment portfolio in Miami, USA totals 0.8 million square feet. It comprises the Brickell City Centre development, with an adjoining 1.5 million square feet development under planning.

Hotel Investment:

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST Hong Kong at Taikoo Shing. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and a 26.67% interest in the Novotel Citygate and the Silveri Hong Kong - MGallery in Tung Chung. In the Chinese Mainland, Swire Hotels manages four hotels. The Opposite House at Taikoo Li Sanlitun in Beijing and The Temple House at Sino-Ocean Taikoo Li Chengdu are wholly-owned by Swire Properties. 50% interests are owned in EAST Beijing at INDIGO, and in The Middle House at HKRI Taikoo Hui in Shanghai. Swire Properties owns 97% and 50% interests in the Mandarin Oriental at Taikoo Hui in Guangzhou and The Sukhothai Shanghai at HKRI Taikoo Hui respectively. In the USA, Swire Properties manages, through Swire Hotels, EAST Miami and owns a 75% interest in the Mandarin Oriental in Miami.

Property Trading:

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

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

Principal Investment Property and Hotel Portfolio – Gross Floor Area
 ('000 Square Feet)

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

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

^ The office properties principally comprise Six Pacific Place.

^^The properties principally comprise INDIGO Phase Two, Taikoo Li Xi'an and a retail-led project in Sanya.

STRATEGY:

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

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

2022 PERFORMANCE
Property Division – Financial Highlights

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

* Other revenue is mainly estate management fees.

** Following a change in accounting policy resulting from the agenda decision approved by the IFRS Interpretation Committee on "Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)", the 2021 comparative figures have been restated. Refer to note 13(c) to the financial statements for further details.

Property Division – Underlying Profit/(Loss) by Segment

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

Property Division – Reconciliation of Attributable to Underlying Profit

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

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

Notes:

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

2022 PROPERTY INDUSTRY REVIEW**Office and Retail:****Hong Kong:****Office**

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

Retail

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

Chinese Mainland:**Retail**

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

Office

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

USA:**Retail**

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

Property Sales Markets:

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

2022 RESULTS SUMMARY

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

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

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

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

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

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

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

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

HK\$100 BILLION INVESTMENT PLAN

In March 2022, Swire Properties announced a plan to invest HK\$100 billion over ten years in development projects in Hong Kong and the Chinese Mainland and in residential trading projects (including in South East Asia). The target allocation is HK\$30 billion to Hong Kong, HK\$50 billion to the Chinese Mainland and HK\$20 billion to residential trading projects (including in South East Asia). At 7th March 2023 approximately HK\$39 billion of the planned investments had been committed (HK\$17 billion to the Chinese Mainland, HK\$11 billion to Hong Kong and HK\$11 billion to residential trading projects). Major committed projects are a retail-led mixed-use development in Xi'an, residential developments at Chai Wan Inland Lot No. 178 and at 269 Queen's Road East in Hong Kong, a retail-led development in Sanya, office and other commercial use developments at 8 Shipyard Lane and at 1067 King's Road in Hong Kong, the acquisition of the remaining 50% interests in Sino-Ocean Taikoo Li Chengdu and the acquisition of a 40% interest in a residential development in Bangkok. Uncommitted projects include further retail-led mixed-use projects in Tier 1 and emerging Tier 1 cities in the Chinese Mainland (with a letter of intent and a framework agreement having been signed in

2022 FINAL RESULTS

relation to projects in Guangzhou and Beijing and a plan to double gross floor area in the Chinese Mainland), further expansion at Pacific Place and Taikoo Place in Hong Kong and further residential trading projects in Hong Kong, the Chinese Mainland and South East Asia.

KEY DEVELOPMENTS

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

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

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

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

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

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

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

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

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

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

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

in February 2023), Swire Properties' interest in the investment properties of Sino-Ocean Taikoo Li Chengdu increased to 100%. The consideration was RMB1,000 million under the first agreement, RMB59 million under the second agreement and RMB4,491 million under the third agreement.

In February 2023, Swire Properties acquired a 40% interest in a site located in Lumpini sub-district in Pathum Wan district, Bangkok for a consideration of approximately THB2.4 billion. In partnership with City Realty Co. Ltd., the site is expected to be developed for residential purposes with a site area of approximately 136,000 square feet.

INVESTMENT PROPERTIES

Hong Kong

Office

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

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

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

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

Retail

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

The malls were almost fully let throughout the year.

Residential

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

Investment Properties under Development

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

Others

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

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

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

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

Chinese Mainland**Retail**

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

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

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

destination. The development was 94% let at 31st December 2022.

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

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

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

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

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

Office

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

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

Investment Properties under Development

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

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

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

Others

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

USA

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

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

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

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

Hong Kong Lease Expiry Profile – at 31st December 2022

% of the total rental income attributable to the Group for the month ended 31st December 2022	2025 and later		
	2023	2024	
Office	13.8%	16.3%	69.9%
Retail	26.8%	34.2%	39.0%

HOTELS

The managed and non-managed hotels in Hong Kong and the Chinese Mainland were affected by COVID-19 related travel restrictions. The hotels in the USA performed well. The managed hotels (including restaurants and taking account of central costs) recorded an

VALUATION OF INVESTMENT PROPERTIES

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

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

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

operating loss before depreciation of HK\$118 million in 2022, compared with an operating profit before depreciation of HK\$22 million in 2021. The Silveri Hong Kong – MGallery in Hong Kong opened in phases from the middle of 2022.

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

[^] The capital commitments represent the Group's capital commitments of HK\$20,517 million plus the Group's share of the capital commitments of joint venture companies of HK\$7,437 million.

^{*} The Group is committed to funding HK\$331 million of the capital commitments of joint venture companies.

PROPERTY TRADING

Hong Kong

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

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

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

Foundation works are in progress. The development is expected to be completed in 2025.

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

Indonesia

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

Vietnam

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

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

Thailand

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

OUTLOOK**Offices**

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

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

Retail

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

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

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

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

Tim Blackburn

REVIEW OF OPERATIONS
BEVERAGES DIVISION
OVERVIEW OF THE BUSINESS

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

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

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

FRANCHISE TERRITORIES

	Franchise population (millions) (end of 2022)	GDP per capita (US\$)	Sales volume (million unit cases)		Per capita consumption of Coca-Cola beverages (8-oz servings)	
			2022	2012	2022	2012
Chinese Mainland	703.3	13,635	1,366	783	47	42
Hong Kong	7.3	48,920	58	65	192	219
Taiwan	23.2	32,914	63	58	65	60
USA	30.9	58,726	338	84	263	325
Cambodia (note 2)	17.3	1,648	3	N/A	N/A	N/A
Vietnam (note 3)	99.5	4,110	N/A	N/A	N/A	N/A
	881.5		1,828	990		

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

Note 2: The sales volume shown for 2022 represents the period from the completion of the acquisition on 25th November 2022 to the end of the year.

Note 3: The acquisition of the franchise business in Vietnam was completed on 1st January 2023. Accordingly the sales volume and per capita consumption information is not applicable.

STRATEGY:

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

- Portfolio expansion

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

- Commercial leadership

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

- Digital leadership

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

- Benchmarking

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

- Sustainability

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

2022 PERFORMANCE
Beverages Division - Financial Highlights

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

Segment Financial Highlights

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

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

Accounting for Swire Coca-Cola

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

Segment Performance

	Note	Percentage Change in 2022					Swire Coca-Cola
		Chinese Mainland	Hong Kong	Taiwan	USA	Cambodia	
Active Outlets		4%	0%	48%	0%	N/A	7%
Revenue	1, 4	-2%	-3%	10%	14%	N/A	4%
Sales Volume	2	-4%	-6%	4%	0%	N/A	-3%
Gross Profit per unit case		-3%	0%	3%	19%	N/A	7%
Water Use Ratio	5	-4%	-2%	4%	-2%	N/A	-3%
Energy Use Ratio	5	-3%	-7%	8%	4%	N/A	-3%
LTIR	5	-32%	-56%	109%	-19%	N/A	-22%
		Chinese Mainland	Hong Kong	Taiwan	USA	Cambodia	Swire Coca-Cola
EBITDA Margin	3, 4						
2022		9.8%	16.5%	12.4%	11.9%	11.3%	11.0%
2021		12.3%	15.2%	12.7%	10.2%	N/A	11.6%
EBIT Margin	3, 4						
2022		5.1%	9.8%	8.9%	8.4%	2.2%	6.7%
2021		7.9%	10.4%	8.9%	6.4%	N/A	7.5%

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

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

Note 3: (i) EBITDA and EBIT for Swire Coca-Cola (including that of Shanghai Shen-Mei and excluding non-recurring gains and central and other costs) were HK\$6,041 million (2021: HK\$6,127 million) and HK\$3,694 million (2021: HK\$3,949 million) respectively.

(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of Shanghai Shen-Mei and excludes sales to other bottlers).

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

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

2022 RESULTS SUMMARY

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

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

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

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

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

Chinese Mainland

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

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

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

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

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

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

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

Hong Kong

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

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

Total sales volume decreased by 6%.

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

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

Taiwan

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

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

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

Total sales volume increased by 4%.

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

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

Cambodia

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

USA

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

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

Sparkling revenue increased by 21%. Still revenue increased by 4%. The latter increase reflected increases in revenue

from energy and sports drinks of 9% and 3% respectively.

Total sales volume was similar to that in 2021.

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

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

OUTLOOK

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

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

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

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

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

Karen So

REVIEW OF OPERATIONS

AVIATION DIVISION

OVERVIEW OF THE BUSINESS

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

The Cathay Pacific group:

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

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

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

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

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

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

The HAECO group:

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

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

HAECO is a wholly-owned subsidiary of Swire Pacific.

STRATEGY:

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

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

2022 PERFORMANCE
Aviation Division – Financial Highlights

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

Accounting for the Aviation Division

The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss.

Cathay Pacific – 2022 Performance

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

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

Cathay Pacific group**2022 AIRLINE INDUSTRY REVIEW**

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

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

2022 RESULTS SUMMARY

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

Passenger Services**Cathay Pacific**

Passenger revenue in 2022 was HK\$13,686 million, an increase of 215% compared to 2021. Revenue passenger kilometres increased by 258%. Capacity, measured

in available seat kilometres, increased by 52%. 2.8 million passengers were carried, an average of 7,682 passengers per day, 291% more than in 2021. The load factor was 73.6%, compared with 31.1% in 2021.

HK Express

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

Cargo Services**Cathay Pacific**

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

Air Hong Kong

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

Operating Costs

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

Fleet Profile

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

Fleet profile*

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

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

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

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

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

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

Air China and Air China Cargo

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

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

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

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

OUTLOOK

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

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

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

Ronald Lam

Hong Kong Aircraft Engineering Company (HAECO) group
HAECO group – Financial Highlights

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

[^] representing impairment charges at HAECO ITM.

HAECO group – Operating Highlights

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

2022 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

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

2022 RESULTS SUMMARY

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

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

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

Airframe

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

HAECO Hong Kong

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

HAECO Xiamen

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

HAECO Americas

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

Cabin

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

Components

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

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

Engine

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

HAESL

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

HAECO Engine Services (Xiamen)

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

Global Engine Support

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

OUTLOOK

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

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

Frank Walschot

REVIEW OF OPERATIONS**HEALTHCARE****OVERVIEW OF THE BUSINESS****Columbia China Healthcare**

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

Shenzhen New Frontier United Family Hospital and HEAL Medical Group

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

DeltaHealth

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

2022 RESULTS SUMMARY

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

HEALTHCARE INVESTMENT STRATEGY

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

David Cogman

REVIEW OF OPERATIONS
TRADING & INDUSTRIAL
2022 PERFORMANCE
Trading & Industrial – Financial Highlights

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

2022 INDUSTRY REVIEW

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

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

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

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

2022 RESULTS SUMMARY

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

Swire Resources

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

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

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

Taikoo Motors

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

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

Swire Foods

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

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

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

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

Swire Environmental Services

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

OUTLOOK

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

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

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

David Cogman

REVIEW OF OPERATIONS**DISCONTINUED OPERATIONS**

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

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

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

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

FINANCIAL REVIEW

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

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

Notes:

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

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

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

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

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

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

FINANCIAL REVIEW (continued)

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

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

Recurring underlying profit by division is provided below.

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

* Including consolidation adjustments.

Consolidated Statement of Profit or Loss For the year ended 31st December 2022	Note	2022 HK\$M	2021 HK\$M (Restated)
Continuing operations			
Revenue	2	91,169	91,229
Cost of sales		(56,981)	(55,956)
Gross profit		34,188	35,273
Distribution costs		(16,151)	(16,456)
Administrative expenses		(7,385)	(7,048)
Other operating expenses		(293)	(310)
Other net gains		658	2,570
Change in fair value of investment properties		810	(1,931)
Operating profit	3	11,827	12,098
Finance charges		(1,753)	(2,057)
Finance income		288	315
Net finance charges	4	(1,465)	(1,742)
Share of profits of joint venture companies		1,857	2,271
Share of losses of associated companies		(3,301)	(2,833)
Profit before taxation		8,918	9,794
Taxation	5	(3,013)	(3,070)
Profit from continuing operations		5,905	6,724
Discontinued operations			
Profit/(loss) from discontinued operations		364	(1,604)
Profit for the year		6,269	5,120
Profit/(loss) for the year attributable to:			
The Company's shareholders – from continuing operations		3,836	4,956
The Company's shareholders – from discontinued operations		359	(1,599)
Non-controlling interests – from continuing operations		2,069	1,768
Non-controlling interests – from discontinued operations		5	(5)
		6,269	5,120
Underlying profit attributable to the Company's shareholders			
		4,748	5,293
		HK\$	HK\$
Earnings/(loss) per share from profit/(loss) attributable to the Company's shareholders (basic and diluted)			
	7		
'A' share – from continuing operations		2.57	3.30
'A' share – from discontinued operations		0.24	(1.06)
'B' share – from continuing operations		0.51	0.66
'B' share – from discontinued operations		0.05	(0.21)

Consolidated Statement of Other Comprehensive Income For the year ended 31st December 2022	2022 HK\$M	2021 HK\$M (Restated)
Profit for the year	6,269	5,120
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group gains recognised during the year	-	95
deferred tax	-	(6)
Defined benefit plans		
remeasurement gains recognised during the year	856	216
deferred tax	(170)	(37)
Changes in the fair value of equity investments at fair value through other comprehensive income		
gains/(losses) recognised during the year	256	(9)
deferred tax	3	(1)
Share of other comprehensive income of joint venture and associated companies	65	237
	1,010	495
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
losses recognised during the year	(93)	(59)
transferred to net finance charges	(24)	13
transferred to operating profit	201	(16)
deferred tax	(13)	7
Share of other comprehensive (loss)/income of joint venture and associated companies	(2,978)	2,235
Net translation differences on foreign operations		
recognised during the year	(4,798)	1,635
reclassified to profit or loss on disposal	57	-
others	-	(23)
	(7,648)	3,792
Other comprehensive (loss)/income for the year, net of tax	(6,638)	4,287
Total comprehensive (loss)/income for the year	(369)	9,407
Total comprehensive (loss)/income attributable to:		
The Company's shareholders – from continuing operations	(1,695)	8,854
The Company's shareholders – from discontinued operations	397	(1,601)
Non-controlling interests – from continuing operations	924	2,159
Non-controlling interests – from discontinued operations	5	(5)
	(369)	9,407

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

Consolidated Statement of Cash Flows
For the year ended 31st December 2022

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

1. Segment Information

(a) Information about reportable segments – Analysis of Consolidated Statement of Profit or Loss
Year ended 31st December 2022

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

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

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

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

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

1. Segment Information (continued)

(a) Information about reportable segments – Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2021 (Restated)

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

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

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

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

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

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

 Analysis of total assets of the Group[^]
At 31st December 2022

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

At 31st December 2021 (Restated)

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

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

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

Note:

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

1. Segment Information (continued)

- (a) Information about reportable segments (continued)
 Analysis of total liabilities and non-controlling interests of the Group[^]

At 31st December 2022							
	Segment liabilities	Current and deferred tax liabilities	Inter-segment borrowings/ (advances)	External borrowings	Lease liabilities	Total liabilities	Non-controlling interests
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	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

At 31st December 2021 (Restated)

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

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

1. Segment Information (continued)
(a) Information about reportable segments (continued)

The Group is organised on a divisional basis: Property, Beverages, Aviation and Trading & Industrial.

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.

(b) Information about geographical areas

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

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

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

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

2. Revenue

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

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

3. Operating Profit

	2022	2021
	HK\$M	HK\$M
		(Restated)
<i>Operating profit has been arrived at after charging:</i>		
Depreciation of property, plant and equipment	2,628	2,749
Depreciation of right-of-use assets		
- leasehold land held for own use	30	31
- land use rights	48	49
- property	844	901
- plant and equipment	40	51
Amortisation of		
- intangible assets	284	242
- initial leasing costs in respect of investment properties	79	35
- others	12	13
Impairment charges recognised on		
- property, plant and equipment	150	55
- right-of-use assets	33	-
- intangible assets	369	-
- goodwill in respect of interest in an associated company	163	-
Loss on disposals of property, plant and equipment	11	-
	<hr/>	<hr/>
<i>And after crediting:</i>		
Gain on disposals of subsidiary companies	520	137
Gain on disposal of a joint venture company	-	448
Gain arising from the acquisition of an interest in a joint venture company	-	24
Gain on partial disposal and deemed disposal of an associated company	64	-
Gain on disposals of investment properties	31	1,028
Gain on disposals of property, plant and equipment	-	132
Gain on disposals of assets classified as held for sale	20	36
Government subsidies	323	508
	<hr/>	<hr/>

4. Net Finance Charges

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

5. Taxation

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

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

6. Dividends

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

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

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

The register of members will be closed on Friday, 14th April 2023, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13th April 2023.

To facilitate the processing of proxy voting for the annual general meeting to be held on 11th May 2023, the register of members will be closed from 8th May 2023 to 11th May 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5th May 2023.

7. Earnings Per Share (Basic and Diluted)

Earnings per share from continuing operations is calculated by dividing the profit attributable to the Company's shareholders arising from the continuing operations of HK\$3,836 million (2021 (restated): HK\$4,956 million) by the daily weighted average number of 899,151,926 'A' shares and 2,975,555,658 'B' shares in issue during the year (2021: 905,206,000 'A' shares and 2,981,870,000 'B' shares), in the proportion five to one.

The calculation of earnings/(loss) per share from discontinued operations is calculated by dividing the profit attributable to the Company's shareholders arising from the discontinued operations of HK\$359 million (2021: loss of HK\$1,599 million) by the daily weighted average number of 899,151,926 'A' shares and 2,975,555,658 'B' shares in issue during the year (2021: 905,206,000 'A' shares and 2,981,870,000 'B' shares), in the proportion five to one.

8. Trade and Other Receivables

	2022	2021
	HK\$M	HK\$M
		(Restated)
Trade debtors	4,610	4,391
Amounts due from immediate holding company	7	2
Amounts due from joint venture companies	132	103
Amounts due from associated companies	349	266
Prepayments and accrued income	2,222	2,015
Other receivables	2,038	2,052
Deferred receivable (2021: Non-current portion)	520	505
Mortgage loans receivable at 5.5% - Non-current portion	-	17
Prepayment – Non-current portion	6,430	-
	16,308	9,351
Amounts due after one year included under non-current assets	(6,474)	(571)
	9,834	8,780

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

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

	2022	2021
	HK\$M	HK\$M
Up to three months	4,345	4,082
Between three and six months	231	244
Over six months	34	65
	4,610	4,391

Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

9. Trade and Other Payables

	2022	2021
	HK\$M	HK\$M
Trade creditors	5,850	5,245
Amounts due to immediate holding company	114	143
Amounts due to joint venture companies	137	38
Amounts due to associated companies	590	513
Interest-bearing advances from joint venture companies at 1.89%-4.65% (2021: 1.42%-4.65%)	1,018	1,283
Interest-bearing advances from an associated company at 6.02% (2021: 1.52%)	34	81
Advances from non-controlling interests	1,173	1,130
Rental deposits from tenants	2,716	2,782
Deposits received on sale of investment properties	1	10
Put options over non-controlling interests	659	642
Contingent consideration	1,654	1,527
Accrued capital expenditure	1,366	1,511
Other accruals	8,968	9,180
Other payables	5,936	4,728
	30,216	28,813
Amounts due after one year included under non-current liabilities	(1,476)	(1,345)
	28,740	27,468

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

	2022	2021
	HK\$M	HK\$M
Up to three months	5,610	5,124
Between three and six months	136	93
Over six months	104	28
	5,850	5,245

10. Share Capital

	'A' shares	'B' shares	Total HK\$M
Issued and fully paid with no par value			
At 1st January 2022	905,206,000	2,981,870,000	1,294
Repurchased and cancelled during the year	39,383,000	40,727,500	-
At 31st December 2022	865,823,000	2,941,142,500	1,294
At 1st January and 31st December 2021	905,206,000	2,981,870,000	1,294

During the year, the Company repurchased 39,383,000 'A' shares and 44,425,000 'B' shares on The Stock Exchange of Hong Kong Limited for a total aggregate price of HK\$2.635 million (excluding transaction fees). The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid for the repurchased 'A' shares and 'B' shares was paid wholly out of the distributable profits of the Company included in its revenue reserve.

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares in 2021.

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

11. Reserves

	Revenue reserve	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
At 1st January 2022						
- as originally stated	257,166	2,435	(130)	1,013	5,172	265,656
- impact of adjustments in note 13(c)	(428)	-	-	-	(7)	(435)
- as restated	256,738	2,435	(130)	1,013	5,165	265,221
Profit for the year	4,195	-	-	-	-	4,195
Other comprehensive income						
Defined benefit plans						
- remeasurement gains recognised during the year	819	-	-	-	-	819
- deferred tax	(170)	-	-	-	-	(170)
Changes in the fair value of equity investments at fair value through other comprehensive income						
- gains recognised during the year	-	-	256	-	-	256
- deferred tax	-	-	3	-	-	3
- reclassified to revenue reserve on disposal	279	-	(279)	-	-	-
Cash flow hedges						
- losses recognised during the year	-	-	-	(92)	-	(92)
- transferred to net finance charges	-	-	-	(22)	-	(22)
- transferred to operating profit	-	-	-	201	-	201
- deferred tax	-	-	-	(14)	-	(14)
Share of other comprehensive income of joint venture and associated companies	67	2	(2)	(348)	(2,318)	(2,599)
Net translation differences on foreign operations	-	-	-	-	(3,932)	(3,932)
- reclassified to profit or loss on disposal	-	-	-	-	57	57
Total comprehensive income for the year	5,190	2	(22)	(275)	(6,193)	(1,298)
Repurchase of the Company's shares	(2,643)	-	-	-	-	(2,643)
2021 second interim dividend (note 6)	(2,402)	-	-	-	-	(2,402)
2022 first interim dividend (note 6)	(1,716)	-	-	-	-	(1,716)
At 31st December 2022	255,167	2,437	(152)	738	(1,028)	257,162

11. Reserves (continued)

	Revenue reserve	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
At 1st January 2021						
- as originally stated	256,404	2,362	(138)	(104)	2,874	261,398
- impact of adjustments in note 13(c)	(421)	-	-	-	(5)	(426)
- as restated	255,983	2,362	(138)	(104)	2,869	260,972
Profit for the year (restated)	3,357	-	-	-	-	3,357
Other comprehensive income (restated)						
Revaluation of property previously occupied by the Group						
- gains recognised during the year	-	78	-	-	-	78
- deferred tax	-	(5)	-	-	-	(5)
Defined benefit plans						
- remeasurement gains recognised during the year	220	-	-	-	-	220
- deferred tax	(37)	-	-	-	-	(37)
Changes in the fair value of equity investments at fair value through other comprehensive income						
- losses recognised during the year	-	-	(9)	-	-	(9)
- deferred tax	-	-	(1)	-	-	(1)
- reclassified to revenue reserve on disposal	(20)	-	20	-	-	-
Cash flow hedges						
- losses recognised during the year	-	-	-	(52)	-	(52)
- transferred to net finance charges	-	-	-	11	-	11
- transferred to operating profit	-	-	-	(16)	-	(16)
- deferred tax	-	-	-	6	-	6
Share of other comprehensive income of joint venture and associated companies	239	-	(2)	1,168	966	2,371
Net translation differences on foreign operations	-	-	-	-	1,353	1,353
- others	-	-	-	-	(23)	(23)
Total comprehensive income for the year (restated)	3,759	73	8	1,117	2,296	7,253
2020 second interim dividend	(1,502)	-	-	-	-	(1,502)
2021 first interim dividend (note 6)	(1,502)	-	-	-	-	(1,502)
At 31st December 2021 (restated)	<u>256,738</u>	<u>2,435</u>	<u>(130)</u>	<u>1,013</u>	<u>5,165</u>	<u>265,221</u>

12. Events after the Reporting Period

On 18th July 2022, the Group entered into agreements to acquire from TCCC 100% of the equity interests in certain of its subsidiaries engaged in the business of preparation, packaging, distribution and sale of ready-to-drink beverages bearing trademarks owned by TCCC in Vietnam and Cambodia, for an aggregate consideration of US\$1,015 million. The purchase of the TCCC subsidiary in Cambodia was completed on 25th November 2022. The financial impact arising from the completion of this transaction is disclosed in the annual report. The purchase of the TCCC subsidiary in Vietnam was completed on 1st January 2023. On 30th December 2022, the Group paid US\$823 million (HK\$6,430 million) in respect of this transaction and recognised this amount as a prepayment in note 8.

12. Events after the Reporting Period (continued)

At the date of these financial statements, management is in the process of determining the financial impact of the Vietnam transaction together with the associated purchase price allocation. The relevant disclosures are expected to be made in the Group's 2023 interim report.

On 15th July 2022, the Group entered into an agreement for the purchase of equity interests in six of the beverages preparation and packaging subsidiaries of Coca-Cola Bottlers Manufacturing Holdings Limited. The transaction was completed on 1st January 2023. Management is in the process of determining the financial impact of this transaction. The relevant disclosures are expected to be made in the Group's 2023 interim report.

13. Changes in Accounting Policies and Disclosures

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

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

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

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

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

1 To be applied by the Group from 1st January 2023.

2 To be applied by the Group from 1st January 2024.

3 The effective date is to be determined.

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

13. Changes in Accounting Policies and Disclosures (continued)

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

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

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

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

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

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2021	As previously reported HK\$M	Effect on change HK\$M	As restated HK\$M
Continuing operations			
Revenue	90,802	427	91,229
Cost of sales	(55,524)	(432)	(55,956)
Share of profits of joint venture companies	2,273	(2)	2,271
Taxation	(3,067)	(3)	(3,070)
Profit for the year attributable to:			
- The Company's shareholders	4,963	(7)	4,956
- Non-controlling interests	1,771	(3)	1,768
Net translation differences on foreign operations recognised during the year	1,637	(2)	1,635
Total comprehensive income attributable to:			
- The Company's shareholders	8,863	(9)	8,854
- Non-controlling interests	2,162	(3)	2,159
Earnings per share (basic and diluted) – HK\$			
'A' share	3.31	(0.01)	3.30
'B' share	0.66	-	0.66

13. Changes in Accounting Policies and Disclosures (continued)

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

Consolidated Statement of Financial Position at 31st December 2021	As previously reported HK\$M	Effect on change HK\$M	As restated HK\$M
Assets			
Joint venture companies	27,883	(64)	27,819
Trade and other receivables	9,365	(585)	8,780
		<u>(649)</u>	
Liabilities			
Deferred tax liabilities	12,572	(101)	12,471
Equity			
Reserves	265,656	(435)	265,221
Non-controlling interests	57,218	(113)	57,105
		<u>(548)</u>	

Consolidated Statement of Financial Position at 1st January 2021	As previously reported HK\$M	Effect on change HK\$M	As restated HK\$M
Assets			
Joint venture companies	21,475	(62)	21,413
Trade and other receivables	9,788	(577)	9,211
		<u>(639)</u>	
Liabilities			
Deferred tax liabilities	11,556	(103)	11,453
Equity			
Reserves	261,398	(426)	260,972
Non-controlling interests	56,454	(110)	56,344
		<u>(536)</u>	

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2022	Under previous accounting policy HK\$M	Effect on change HK\$M	As reported HK\$M
Continuing operations			
Revenue	90,764	405	91,169
Cost of sales	(56,662)	(319)	(56,981)
Share of profits of joint venture companies	1,843	14	1,857
Taxation	(2,994)	(19)	(3,013)
Profit for the year attributable to:			
- The Company's shareholders	3,772	64	3,836
- Non-controlling interests	2,052	17	2,069
Net translation differences on foreign operations recognised during the year	(4,797)	(1)	(4,798)
Total comprehensive (loss)/income attributable to:			
- The Company's shareholders	(1,758)	63	(1,695)
- Non-controlling interests	907	17	924
Earnings per share (basic and diluted) – HK\$			
'A' share	2.52	0.05	2.57
'B' share	0.50	0.01	0.51

13. Changes in Accounting Policies and Disclosures (continued)

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

Consolidated Statement of Financial Position at 31st December 2022	Under previous accounting policy HK\$M	Effect on change HK\$M	As reported HK\$M
Assets			
Joint venture companies	30,396	(50)	30,346
Trade and other receivables	10,334	(500)	9,834
		<u>(550)</u>	
Liabilities			
Taxation payable	371	(60)	311
Deferred tax liabilities	13,112	(22)	13,090
		<u>(82)</u>	
Equity			
Reserves	257,534	(372)	257,162
Non-controlling interests	57,576	(96)	57,480
		<u>(468)</u>	

(d) Representation due to discontinued operations

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

14. Requirement in Connection with Publication of "Non-statutory Accounts" under Section 436 of the Hong Kong Companies Ordinance Cap. 622

The financial information relating to the years ended 31st December 2021 and 2022 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the Ordinance)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2021 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2022 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2021 and 2022. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

Sources of Finance

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

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

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

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

Corporate Governance

The Company complied with all the code provisions set out in the Corporate Governance Code (the CG Code) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) throughout the year covered by the annual report.

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

On specific enquiries made, all the Directors of the Company have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code and the Securities Code.

The annual results have been reviewed by the Audit Committee of the Company.

Annual Report

The 2022 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website www.swirepacific.com. Printed copies will be available to shareholders on 11th April 2023.

List of Directors

As at the date of this announcement, the Directors of the Company are:

Executive Directors: G.M.C. Bradley (Chairman), D.P. Cogman, P. Healy, M.J. Murray, Z.P. Zhang;

Non-Executive Directors: G.D. McCallum, M.B. Swire; and

Independent Non-Executive Directors: P.K. Etchells, C. Lee, R.W.M. Lee, E.M. Ngan, G.R.H. Orr, Y. Xu and B.Y. Zhang.

By Order of the Board

SWIRE PACIFIC LIMITED

Guy Bradley

Chairman

Hong Kong, 9th March 2023

Disclaimer

This document may contain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including the effects of COVID-19, changes in the economies and industries in which the Group operates (in particular in Hong Kong and the Chinese Mainland), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

References in this document to Hong Kong are to Hong Kong SAR, to Macau are to Macao SAR and to Taiwan are to the Taiwan region.