2022

INTERIM REPORT

SWIRE PACIFIC

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

CONTENTS

SUSTAINABLE GROWTH

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

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

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.

PERFORMANCE HIGHLIGHTS^

	Note	Six months ended 30th June 2022 HK$M	Six months ended 30th June 2021 HK$M	Change %	Year ended 31st December 2021 HK$M
Profit/(loss) attributable to the Company's shareholders					
As reported		**1,891**	(792)	N/A	3,364
Underlying profit	(a)	**1,729**	1,256	+38%	5,300
Recurring underlying profit	(a)	**1,249**	786	+59%	4,885
Revenue		**44,596**	46,738	-5%	92,403
Operating profit		**6,760**	4,751	+42%	10,522
Operating profit excluding change in fair value of investment properties		**6,057**	7,264	-17%	12,453
Change in fair value of investment properties		**703**	(2,513)	N/A	(1,931)
Cash generated from operations		**6,147**	10,657	-42%	15,453
Net cash (outflow)/inflow before financing		**(2,243)**	2,611	N/A	5,321
Total equity (including non-controlling interests)		**321,941**	319,136	+1%	324,168
Net debt	(b)	**43,911**	39,081	+12%	38,655
Gearing ratio (excluding lease liabilities)	(b)	**13.6%**	12.2%	+1.4%pt	11.9%

		HK$	HK$	Change %	HK$
Earnings/(loss) per share	(c)				
As reported					
'A' share		**1.26**	(0.53)	N/A	2.25
'B' share		**0.25**	(0.11)		0.45
Underlying					
'A' share		**1.15**	0.84	+38%	3.53
'B' share		**0.23**	0.17		0.71
Dividends per share					
'A' share		**1.15**	1.00	+15%	2.60
'B' share		**0.23**	0.20		0.52
Equity attributable to the Company's shareholders per share	(d)				
'A' share		**176.08**	175.03	+1%	177.78
'B' share		**35.22**	35.01		35.56

^ Figures included 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 36 and 37.

(b) Net debt is the total of loans, bonds and overdrafts net of cash, bank deposits and bank balances. Gearing ratio is measured as net debt to total equity. Including lease liabilities as part of net debt would increase our gearing ratio to 15.2% (see page 42).

(c) Refer to note 11 in the financial statements for the daily weighted average number of shares in issue throughout the period.

(d) Refer to note 25 in the financial statements for the number of shares at the period end.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The first six months of 2022 were challenging, with the continuing impact of COVID-19 on our businesses, inflation and increased economic uncertainty. However, 2022 is also proving to be a year of exciting expansion for Swire Properties and Swire Coca-Cola. Despite everything, our diverse portfolio of businesses was resilient. This was achieved thanks to the continued dedication and tremendous teamwork of all our people. I would like to thank them for their passion and commitment to our long-term vision and their unsparing efforts in the face of the pandemic challenge.

2022 is a significant year for Swire Properties as it celebrates its 50th anniversary. This year we also celebrate the 25th anniversary of the establishment of the Hong Kong Special Administrative Region. Hong Kong is our home. We remain fully committed to supporting the city and reinforcing its position as an international financial centre.

PROFITS AND DIVIDENDS

The Group recorded an underlying profit of HK$1,729 million in the first half of 2022, compared with HK$1,256 million in the same period in 2021. Disregarding significant non-recurring items in both periods, the Group recorded a recurring underlying profit of HK$1,249 million in the first half of 2022, compared with HK$786 million in the first half of 2021.

The higher recurring underlying profit was principally due to a reduction of losses at Cathay Pacific. The recurring underlying profit of the Property Division was solid. The recurring underlying profit of Swire Coca-Cola and HAECO group fell. The increase in underlying profit reflected in addition a net gain on disposal of Swire Pacific Offshore and reduced impairment charges at Cathay Pacific, partly offset by impairment charges at Qinyuan Bakery and a reduction in gains on disposal of investment properties.

The Directors have declared first interim dividends of HK$1.15 per 'A' share and HK$0.23 per 'B' share, an increase of 15% over the first interim dividends in 2021.

STRATEGIC DEVELOPMENTS

In March, Swire Properties announced a HK$100 billion investment plan. HK$30 billion is allocated to Hong Kong to build out its investments in Taikoo Place and Pacific Place. Good progress has been made at Taikoo Place, with the newest Grade-A office tower, Two Taikoo Place, set to be completed later this year.

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 favourable position to continue its placemaking strategy at Taikoo Place and to strengthen Taikoo Place's position as a global business district.

In accordance with its master plan for Pacific Place, Swire Properties will be expanding its Pacific Place portfolio over the next few years, taking advantage of Admiralty's growing connectivity and importance as a major transportation hub. Good progress has been made with the new Grade-A office tower near Three Pacific Place. The new tower will add approximately 218,000 square feet to the wider Pacific Place portfolio.

50% of the Swire Properties' HK$100 billion investment plan is allocated to the Chinese Mainland.

Swire Properties has announced its seventh mixed-use development in the Chinese Mainland – Taikoo Li Xi'an. The development is next to a UNESCO World Heritage site. Securing this investment speaks volumes for the trust Swire Properties has built up in the Chinese Mainland in a very short time, and local esteem for the Taikoo Hui and Taikoo Li brands.

A key focus for Swire Properties' future investment in the Chinese Mainland is the Greater Bay Area, given its rapid growth and strategic importance to Hong Kong. Last year, Swire Properties announced plans to develop a potential commercial project in the Julong Bay Area of Guangzhou. It also announced a new, luxury (third party owned) hotel in Shenzhen Bay which will be managed by Swire Hotels.

In South East Asia, Swire Properties broke ground on the Savyavasa development in Jakarta and is making good progress on its two minority investments in Ho Chi Minh City.

In July 2022, Swire Coca-Cola conditionally agreed to acquire the Coca-Cola bottling businesses in Vietnam and Cambodia. Completion of the transactions will result in Swire Coca-Cola's owning and operating three bottling facilities in Vietnam and one bottling facility in Cambodia and increasing its franchise population by 15% to 876 million people. We are very excited by this, the first investment by Swire Coca-Cola in South East Asia. The investment will give Swire Coca-Cola access to two fast growing beverage markets. Completion conditions include anti-trust approvals. Subject to satisfaction of the conditions, completion is expected to take place in the fourth quarter of 2022.

Also in July 2022, Swire Coca-Cola conditionally agreed a restructuring of the Coca-Cola still beverage production facilities in the Chinese Mainland. On completion of the restructuring, Swire Coca-Cola will directly own and operate six still beverage production facilities in the Chinese Mainland. The restructuring will lead to synergies and improve the ability to innovate, so enabling Swire Coca-Cola to improve its services to its customers and consumers in the Chinese Mainland. The restructuring is subject to conditions, including anti-trust approval.

BUSINESS PERFORMANCE

PROPERTY DIVISION

The recurring underlying profit of the Property Division was HK$2,971 million, a slight decrease from HK$3,029 million in the first half of 2021. This was a very encouraging result given the adverse effects of COVID-19 during the period.

The Hong Kong office portfolio was resilient. Despite downward pressure on rents, there were some positive reversions at Taikoo Place. Pre-leasing of Two Taikoo Place is going well.

The Hong Kong retail portfolio was adversely affected by COVID-19 in the first quarter of the year. It recovered gradually in May and June.

In the Chinese Mainland, retail sales started the year strongly, but the Swire Properties malls were adversely affected to varying degrees by COVID-19 related lockdowns in the second quarter. Occupancy remained high in the Chinese Mainland office portfolio.

Losses from hotels increased. Results continued to be affected by COVID-19 and its associated travel restrictions.

BEVERAGES DIVISION

Swire Coca-Cola made an attributable profit of HK$1,152 million in the first half of 2022, a 22% decrease from the first half of 2021. The business was adversely affected by COVID-19 in the Chinese Mainland, Hong Kong and Taiwan and by rising input costs. Revenue grew strongly in the USA, where profits increased by 34%.

AVIATION DIVISION

Cathay Pacific reduced its losses in the first half of 2022 by 34% to HK$5.0 billion, despite the continuing adverse effect of COVID-19 and significantly weaker results from associates. The first few months were very difficult, because of COVID-19 related travel restrictions and quarantine requirements. Adjustments to these restrictions and requirements from 1st May permitted an increase in capacity and improved performance.

The cargo business was strong, but load factors were slightly lower. There was a full freighter schedule from June. Passenger capacity improved in the second quarter, but only to 11% of pre-COVID-19 levels. Progressive resumption of flights helped to reduce cash burn. The business became cash positive in the second quarter.

Passenger capacity is expected to reach up to a quarter of its pre-COVID-19 level by the end of the year. Cargo capacity is expected to reach up to 65% of its pre-COVID-19 level by the end of the year. These capacity increases should result in better second half results, but the position of associates remains difficult.

At ***HAECO***, profit decreased, principally due to the absence of financial assistance provided by the US government in the first half of 2021. Disregarding this non-recurring item, HAECO group's profit increased. This reflected a recovery in demand for engine overhaul and more airframe base maintenance. Line maintenance in Hong Kong remained weak.

OTHER BUSINESSES

In April 2022, we completed the disposal of Swire Pacific Offshore, so ceasing operations in the marine services business. The recurring profit of our trading & industrial businesses increased despite a difficult business environment. Shenzhen New Frontier United Family Hospital opened in May.

FINANCIAL STRENGTH

Our strong balance sheet enables us to take advantage of investment opportunities. At 30th June 2022, our gearing was 13.6% and our available liquidity was HK$39.1 billion. This puts us in a comfortable position to pursue our long-term plans irrespective of short-term market volatility.

SUSTAINABLE DEVELOPMENT

If our business is to thrive in the long term, we must contribute to protecting the environment and must support the communities in which we operate. Through ***SwireThrive***, we have specific aims to reduce our carbon footprint and build climate resilience, to turn today's waste into a resource for tomorrow, 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.

LOOKING AHEAD

Short-term challenges remain. But we are optimistic about our medium and long-term prospects. The Swire Properties Taikoo Hui and Taikoo Li brands are well-established and sought after in the Chinese Mainland. In Hong Kong, Swire Properties continues to strengthen Taikoo Place's position as a global business district. Swire Coca-Cola's expansion into South East Asia bodes well for future growth. Any further adjustments to COVID-19 related travel and quarantine restrictions should benefit our aviation businesses.

Guy Bradley
Chairman
Hong Kong, 11th August 2022

FINANCE DIRECTOR'S STATEMENT

RESULTS SUMMARY

The consolidated profit attributable to shareholders (including discontinued operations) for the first half of 2022 was HK$1,891 million, compared to a loss of HK$792 million in the first half of 2021. The underlying profit attributable to shareholders, which principally adjusts for changes in the value of investment properties, was HK$1,729 million, compared with HK$1,256 million in the same period in 2021. The recurring underlying profit for the first half of 2022, which disregards significant non-recurring items in both years, was HK$1,249 million, compared with a recurring underlying profit of HK$786 million in the same period of 2021. The higher recurring underlying profit was due to a reduction of losses at Cathay Pacific. The recurring underlying profit of the Property Division was solid. The recurring underlying profit of Swire Coca-Cola and HAECO group fell.

The improvement in the underlying results primarily reflects (in addition to the factors which led to the increase in recurring underlying profit) a net gain on disposal of Swire Pacific Offshore and reduced impairment charges at Cathay Pacific, partly offset by impairment charges at Qinyuan Bakery and a reduction in gains on disposal of investment properties.

The recurring underlying profit from the Property Division in the first half of 2022 (which excludes gains from the sale of interests in investment properties of HK$407 million, compared with HK$653 million in the first half of 2021) was HK$2,971 million, compared with HK$3,029 million in the first half of 2021. The decline mainly reflected lower retail rental income from Hong Kong, which was adversely affected by the fifth COVID-19 wave in the first quarter, and higher operating costs. This more than offset higher retail rental income from the Chinese Mainland.

Swire Coca-Cola reported a profit of HK$1,152 million in the first half of 2022, a 22% decrease from HK$1,471 million in the first half of 2021. Revenue increased by 0.5% to HK$26,592 million. Volume decreased by 8% to 896 million unit cases. Sales in the Chinese Mainland, Hong Kong and Taiwan were adversely affected by COVID-19 related restrictions. Higher costs affected margins. Attributable profits decreased everywhere except the USA, where profits increased by 34%. Revenue grew by 13% in the USA, reflecting price increases and higher volumes.

The Aviation Division incurred a loss of HK$2,236 million in the first half of 2022, compared to a loss of HK$3,254 million in the first half of 2021.

The Cathay Pacific group's attributable loss on a 100% basis was HK$4,999 million in the first half of 2022 (2021 first half: loss of HK$7,565 million). The reduction occurred despite the continuing adverse effect of COVID-19 and significantly weaker results from associates. The first few months were very difficult. Adjustments to COVID-19 restrictions from 1st May permitted an increase in capacity and improved performance. The cargo business was strong, but load factors were slightly lower. There was a full freighter schedule from June. Passenger capacity improved in the second quarter, but only to 11% of pre-COVID-19 levels. Progressive resumption of flights helped to reduce cash burn. The business became cash positive in the second quarter.

The HAECO group reported an attributable profit of HK$166 million in the first half of 2022, compared with HK$310 million in the first half of 2021. Profit decreased principally due to the absence of financial assistance provided by the US government in the first half of 2021. Disregarding this non-recurring item, HAECO group's profit increased. This reflected a recovery in demand for engine overhaul and more airframe base maintenance. Line maintenance in Hong Kong remained weak.

Our healthcare investments were adversely affected by COVID-19 related lockdowns in Shanghai and Shenzhen in the second quarter. In January 2022, Columbia China Healthcare opened a senior living facility in Suzhou. DeltaHealth expanded its oncology services in the first half of 2022. Shenzhen New Frontier United Family Hospital opened in May 2022.

DIVIDENDS AND SHARE BUYBACKS

The Directors have declared first interim dividends of HK$1.15 per 'A' share and HK$0.23 per 'B' share. The first interim dividends will be paid on 7th October 2022 to shareholders registered at the close of business on the record date, being Friday, 9th September 2022. Shares of the Company will be traded ex-dividend as from Wednesday, 7th September 2022.

The Company has separately announced its entry into an agreement with an unconnected third party broker under which the broker will, on behalf of the Company, purchase shares in the Company of up to HK$4 billion. For further details, investors should refer to the separate announcement.

FINANCIAL STRENGTH

In the first half of 2022, we generated HK$6.1 billion from operations and HK$1.0 billion from disposals and made total capital investments of HK$7.3 billion. Net debt at 30th June 2022 was HK$43.9 billion, an increase of HK$5.3 billion from the end of 2021. The gearing ratio at 30th June 2022 was 13.6%, compared with 11.9% at the end of 2021. Including lease liabilities as part of net debt would increase the gearing ratio at 30th June 2022 to 15.2%.

Available Group liquidity at 30th June 2022 was HK$39.1 billion. 72% of the Group's gross borrowings are on a fixed rate basis. This positions us well as interest rates rise.

LOOKING AHEAD

At Swire Properties, demand for office space in Hong Kong is expected to be weak in the second half of 2022, reflecting increased vacancy rates and new supply. However, the flight-to-quality is expected to continue. Assuming a gradual reopening of the international border and the border with the Chinese Mainland and improvements in the financial markets, the demand for Grade-A office space, particularly from financial institutions and professional services companies, should increase. In the retail sector in Hong Kong, Swire Properties continues to maintain almost full occupancy in its malls. The retail market has been showing signs of recovery, boosted by the introduction of the HKSAR Government's consumption voucher scheme and the release of pent-up local demand. Despite the resurgence of COVID-19 in the cities where Swire Properties operates in the Chinese Mainland, demand for retail space is expected to be stable and to recover steadily over the second half of this year. In Beijing, Shanghai and Guangzhou, office demand and market sentiment are expected to recover in the second half of 2022 assuming COVID-19 restrictions continue to be relaxed. However, the continued new supply of office space in Shanghai and Guangzhou, particularly in emerging decentralised submarkets, is putting downward pressure on rents. The outlook for our hotels remains difficult, with recovery dependent on the full reopening of the border with the Chinese Mainland and a relaxation of travel restrictions.

At Swire Coca-Cola, the adverse effect of COVID-19 on the beverages market in the Chinese Mainland, Hong Kong and Taiwan is expected to ease in the second half of 2022. Increased raw material costs and operating expenses will continue to put pressure on profits. In the USA, revenue is expected to remain strong in the second half of 2022, mainly reflecting price increases. However, economic weakness in the USA may affect consumer purchasing power and raw material costs and operating expenses are expected to increase.

The HKSAR Government's most recent adjustments to quarantine arrangements for arriving passengers are expected to improve travel sentiment. Cathay Pacific is targeting to progressively increase passenger flight capacity to up to a quarter and cargo flight capacity to up to 65% of pre-COVID-19 levels by the end of the year. Cathay Pacific is confident that its airlines and subsidiaries will perform more strongly in the second than in the first half. However, the results from associates (most of them reported three months in arrears) will remain very challenging.

At HAECO, demand for base maintenance in the second half of 2022 is expected to be stable. Line maintenance work in Hong Kong is expected to recover gradually. Demand for engine services in the Chinese Mainland in the second half of 2022 is expected to be similar to that in the first half of the year. Demand for engine services at HAESL in the second half of the year is expected to increase compared to the first half of the year.

Martin Murray
Finance Director
Hong Kong, 11th August 2022

PROPERTY DIVISION

Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury and high quality residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 12.1 million square feet of gross floor area, with an additional 1.2 million square feet under development. In the Chinese Mainland, Swire Properties owns and operates major mixed-use commercial developments in Beijing, Guangzhou, Chengdu, Shanghai and Xi'an, in joint venture in most cases, which will total 14.2 million square feet on completion. Of this, 9.8 million square feet has already been completed. Swire Properties' property investment portfolio in Miami, USA totals 0.8 million square feet which comprises the Brickell City Centre development, with an adjoining 1.4 million square feet development under planning.

Hotel Investment

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

Property Trading

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

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

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
Revenue			
Gross rental income derived from			
Office	**3,039**	3,075	6,193
Retail	**2,781**	2,875	5,785
Residential	**183**	247	474
Other revenue*	**50**	50	102
Property investment	**6,053**	6,247	12,554
Property trading	**383**	2,394	2,443
Hotels	**262**	427	894
Total revenue	**6,698**	9,068	15,891
Operating profit/(loss) derived from			
Property investment			
From operations	**4,043**	4,299	8,276
Sale of interests in investment properties	**31**	302	1,185
Valuation gains/(losses) on investment properties	**703**	(2,513)	(1,931)
Property trading	**218**	496	492
Hotels	**(137)**	(109)	(174)
Total operating profit	**4,858**	2,475	7,848
Share of post-tax profit from joint venture and associated companies	**473**	817	1,788
Attributable profit	**4,318**	1,992	7,131
Swire Pacific share of attributable profit	**3,540**	1,634	5,847

* Other revenue is mainly estate management fees.

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.

		Six months ended 30th June		Year ended 31st December
	Note	**2022 HK$M**	2021 HK$M	2021 HK$M
Attributable profit		**4,318**	1,992	7,131
Adjustments in respect of investment properties:				
Valuation (gains)/losses in respect of investment properties	(a)	**(757)**	2,046	692
Deferred tax on investment properties	(b)	**213**	521	1,027
Valuation gains/(losses) realised on sale of interests in investment properties	(c)	**299**	(134)	585
Depreciation of investment properties occupied by the Group	(d)	**14**	15	29
Impairment loss on a hotel held as part of a mixed-use development	(e)	**–**	22	22
Amortisation of right-of-use assets reported under investment properties	(f)	**(42)**	(16)	(53)
Non-controlling interests' share of valuation movements less deferred tax		**75**	44	59
Underlying attributable profit		**4,120**	4,490	9,492
Profit from divestment		**(497)**	(797)	(2,389)
Recurring underlying attributable profit		**3,623**	3,693	7,103
Swire Pacific share of underlying attributable profit		**3,378**	3,682	7,783
Swire Pacific share of recurring underlying attributable profit		**2,971**	3,029	5,824

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.

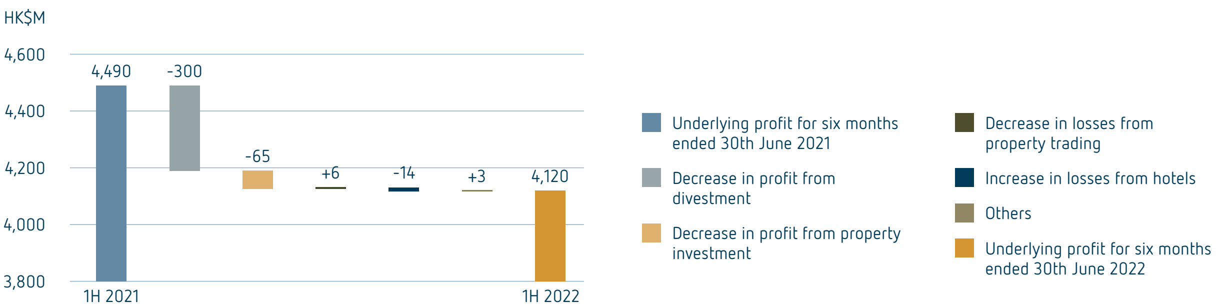
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the valuation gains/(losses) were transferred from the revaluation reserve to the consolidated statement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

Property Division – Movement in Underlying Profit on a 100% basis



RESULTS SUMMARY

Attributable profit from the Property Division for the first half of 2022 was HK$3,540 million compared to HK$1,634 million in the first half of 2021. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK$757 million in the first half of 2022 and net property valuation losses of HK$2,046 million in the first half of 2021. Attributable underlying profit, which principally adjusts for changes in the valuation of investment properties, decreased by HK$304 million to HK$3,378 million. The decrease principally reflected the reduction in profit from the sale of car parking spaces in Hong Kong.

Recurring underlying profit in the first half of 2022 (which excludes the profit from divestment aggregating HK$407 million, and HK$653 million in the first half of 2021) was HK$2,971 million, compared with HK$3,029 million in the first half of 2021.

Recurring underlying profit from property investment decreased slightly in the first half of 2022. This mainly reflected lower retail rental income from Hong Kong (the reduction reflecting in part the amortisation of rental concessions granted in previous years) and higher operating costs, partly offset by higher retail rental income from the Chinese Mainland. In Hong Kong, despite a weak market due to the effects of COVID-19, the office portfolio was resilient, with high occupancy. The retail portfolio was adversely affected by the fifth wave of COVID-19 particularly during the first quarter of 2022. However, footfall and tenants' sales recovered in May and June, following the gradual relaxation of social distancing measures and the introduction of the HKSAR Government's consumption voucher scheme. In the Chinese Mainland, our six shopping malls were affected to varying degrees by COVID-19 resurgences. Shopping malls in Shanghai were closed in April and May, and gradually reopened thereafter. Retail sales in Beijing were also adversely affected by COVID-19 resurgences in May and June.

The small underlying loss from property trading in the first half of 2022 primarily resulted from sales and marketing expenses at EIGHT STAR STREET in Hong Kong.

Losses at hotels increased as hotels in Hong Kong and the Chinese Mainland continued to suffer from COVID-19 and associated travel restrictions.

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

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. As a result, Swire Properties' interest in the Citygate development has increased from 20% to 26.67%.

In June 2022, Swire Properties acquired (via a government land tender) a plot of land located at 269 Queen's Road East in Wan Chai, Hong Kong for a consideration of approximately HK$1,962 million. The plot of land is expected to be developed primarily for residential use with an aggregate gross floor area of approximately 116,200 square feet.

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.

Principal Investment Property and Hotel Portfolio – Gross Floor Area ('000 square feet)

	At 30th June 2022						At 31st December 2021
Location	**Office**	**Retail**	**Hotels**	**Residential**	**Under Planning**	**Total**	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,571	12	–	63	–	5,646	5,646
Cityplaza	–	1,097	200	–	–	1,297	1,297
Others	461	725	97	50	–	1,333	1,239
– Hong Kong	8,218	2,545	793	556	–	12,112	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	470	179	–	–	943	943
Sino-Ocean Taikoo Li Chengdu	–	678	98	55	–	831	831
HKRI Taikoo Hui	914	587	194	73	–	1,768	1,768
Taikoo Li Qiantan	–	594	–	–	–	594	594
Others	–	91	–	–	–	91	91
– Chinese Mainland	2,901	5,569	1,149	179	–	9,798	9,847
– USA	–	497	259	–	–	756	756
Total completed	**11,119**	**8,611**	**2,201**	**735**	**–**	**22,666**	22,621
Under and pending development							
– Hong Kong^	1,218	–	–	15	–	1,233	1,236
– Chinese Mainland	–	–	–	–	4,388	4,388	1,416
– USA	–	–	–	–	1,444	1,444	1,444
Total	**12,337**	**8,611**	**2,201**	**750**	**5,832**	**29,731**	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 portfolio principally comprises Two Taikoo Place.

INVESTMENT PROPERTIES

Hong Kong

Office

Gross rental income from the Hong Kong office portfolio in the first half of 2022 was HK$2,843 million, a decrease of 1% from the same period in 2021. The office market was weak, with eight consecutive quarters of negative net absorption, reflecting subdued demand and a decline in business activity, particularly during the fifth wave of COVID-19 in the first quarter of 2022. However, leasing activity started to pick up following the gradual easing of COVID-19 restrictions in mid-April. Despite downward pressure on rents, positive reversions were achieved at some Taikoo Place properties for tenants seeking quality office space. Our overall office portfolio was resilient, with high occupancy. At 30th June 2022, the office portfolio was 96% let.

Retail

Hong Kong retail market recovered in late 2021, but the recovery was halted when the fifth wave of COVID-19 hit in January this year. During the first quarter of 2022, the retail market was severely disrupted by social distancing measures including dining restrictions and mandatory closures of certain outlets and premises. Both tenants' sales and footfall at our malls decreased significantly during this period. There was very little inbound tourism. Leasing activity was low. However, local consumption started to show signs of recovery in the middle of the second quarter of 2022 due to pent-up demand, following the gradual relaxation of social distancing measures, and the introduction of the HKSAR Government's consumption voucher scheme. During the first half as a whole, retail sales decreased by 2%, 5% and 2% respectively at The Mall at Pacific Place, Cityplaza and Citygate Outlets.

Gross rental income from the retail portfolio in Hong Kong was HK$1,002 million in the first half of 2022, a decrease of 10% compared to the same period in 2021. The decrease reflected the impact of the fifth wave of COVID-19 and, in part, the amortisation of rental concessions given in previous years. Rental concessions (which were amortised over the remaining lease terms) were given for specific periods on a case-by-case basis to support tenants. In the first half of 2022, rental concessions (on a cash basis) reduced as compared to the same period in 2021. The malls were almost fully let throughout the period.

Residential

The occupancy rate at the residential portfolio was approximately 70% at 30th June 2022.

Investment Properties under Development

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. The development has been built to the highest sustainability standards, achieving pre-certified platinum ratings for LEED, WELL and BEAM Plus. Interior fit out works are in progress. Completion is expected later this year.

Planning permission to develop the site at 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 proposed development has an aggregate gross floor area of approximately 218,000 square feet. Superstructure works are in progress. Completion is expected in 2023.

Others

In 2018, Swire Properties submitted compulsory sale applications in respect of two sites (Wah Ha Factory Building, No. 8 Shipyard Lane and Zung Fu Industrial Building, No. 1067 King's Road) in 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 in 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. The development plan is under review, and 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. 1,405 of these car parking spaces had been sold at 9th August 2022. Sales of 1,366 car parking spaces have been recognised, 164 of them in the first half of 2022. Sales of 39 car parking spaces are expected to be recognised in the second half of 2022.

Outlook

The office market in Hong Kong is expected to be weak in the second half of 2022, reflecting increased vacancy rates and new supply. Increasing competition from Central and Kowloon East will also exert downward pressure on rents. However, it is expected that the flight-to-quality will benefit us as prospective tenants upgrade their premises and place a higher value on sustainability and wellness in the workplace. Assuming a gradual reopening of the international border and the border with the Chinese Mainland and improvements in the financial markets, the demand for Grade-A office space, particularly from financial institutions and professional services companies, should increase.

The pre-leasing of Two Taikoo Place has been making steady progress, with a commitment rate approaching 50%. In addition to Julius Baer, more strategic tenants have been secured, including one of the biggest office lease transactions on Hong Kong Island in recent years, with an anchor tenant for over 150,000 square feet of office space.

It is expected that overall footfall and tenants' sales will continue to improve assuming progressive relaxation of COVID-19 related social distancing measures. The second phase of the HKSAR Government's consumption voucher distribution will help to boost retail sales. We are also offering shopping incentives at our malls to support local consumption and maintain positive momentum. Nevertheless, a full recovery of the retail market depends on the full reopening of the border.

Chinese Mainland

Retail

In the Chinese Mainland, retail sales began the year strongly. There were also contributions from the newly opened Taikoo Li Sanlitun West and Taikoo Li Qiantan. However, our six shopping malls were affected to varying degrees in the second quarter of 2022 by the resurgence of COVID-19 and related preventive measures in cities where we operate, particularly in Shanghai and Beijing. In Shanghai, retail shops were closed in April and May, and gradually reopened thereafter. Retail sales in Beijing were adversely affected by COVID-19 resurgences in May and June. Our retail sales (excluding Taikoo Li Sanlitun West and Taikoo Li Qiantan) on an attributable basis in the Chinese Mainland in the first half of 2022 decreased by 19%. Retail sales at Taikoo Li Sanlitun in Beijing, Taikoo Hui in Guangzhou, INDIGO in Beijing, Sino-Ocean Taikoo Li Chengdu and HKRI Taikoo Hui in Shanghai decreased by 26%, 7%, 25%, 8% and 53% respectively in the first half of 2022. National retail sales decreased by 1% in the first half of 2022 compared to the same period in 2021.

The group's gross rental income from retail properties in the Chinese Mainland increased by 3%, to HK$1,586 million, in the first half of 2022. Rental concessions (which were amortised over the remaining lease terms) were given for specific periods on a case-by-case basis to support tenants. Disregarding amortised rental concessions and changes in the value of the Renminbi, gross rental income increased by 1%.

Gross rental income at Taikoo Li Sanlitun in Beijing increased in the first half of 2022, despite the disruption arising from the closure of retail shops and suspension of dine-in services during May and certain days in June. This reflected the contribution from the newly opened Taikoo Li Sanlitun West and improvements to the tenant mix. Retail sales decreased by 26%. The occupancy rate including Taikoo Li Sanlitun West was 98% at 30th June 2022.

In the first half of 2022, gross rental income and retail sales at Taikoo Hui in Guangzhou decreased by 2% and 7% respectively as compared with the first half of 2021, reflecting the impact of COVID-19. The mall was 99%

occupied at 30th June 2022. Improvements to the tenant mix were made.

The mall at INDIGO in Beijing was 100% occupied at 30th June 2022. Retail sales decreased by 25% in the first half of 2022. Improvements were made to the tenant mix.

Gross rental income at Sino-Ocean Taikoo Li Chengdu was approximately the same in the first half of 2022 as in the same period in 2021. Retail sales decreased by 8%. At 30th June 2022, the occupancy rate was 96%.

Gross rental income at HKRI Taikoo Hui in Shanghai was approximately the same in the first half of 2022 as in the same period in 2021. Retail sales increased in the first two months of 2022, benefitting from improvements to the tenant mix and increased footfall until a COVID-19 resurgence in March. Retail shops were closed in April and May, and gradually reopened thereafter. Retail sales decreased by 53%. The occupancy rate was 98% at 30th June 2022.

Taikoo Li Qiantan in Shanghai opened on 30th September 2021. Retail sales and footfall were strong until a COVID-19 resurgence in March. Operations were gradually resumed from late May. As at 30th June 2022, tenants had committed (including by way of letters of intent) to take up 91% of the retail space. 68% of the lettable retail space was open.

Office

The group's gross rental income from office properties in the Chinese Mainland increased by 1% to HK$191 million in the first half of 2022. Office demand in Shanghai in the first half of 2022 was adversely affected by the COVID-19 resurgence. Demand for office space in Beijing in the first half of 2022 was stable as supply was limited in the core areas. Demand for office space in Guangzhou was weak and new supply adversely affected rents.

The occupancy rates at the office towers of Taikoo Hui in Guangzhou, ONE INDIGO in Beijing and the office towers of HKRI Taikoo Hui in Shanghai were 94%, 95% and 100% respectively at 30th June 2022.

Outlook

Demand for retail space is expected to be stable and to recover steadily in the second half of 2022. 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 stable. In Beijing, retail sales and demand for retail space are expected to recover steadily.

In Beijing, Shanghai and Guangzhou, office demand and market sentiment are expected to recover in the second half of 2022 assuming COVID-19 restrictions continue to be relaxed. However, the continued new supply of office space in Shanghai and Guangzhou, particularly in emerging decentralised submarkets, is exerting downward pressure on rents.

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, respectively. Piling works have been completed. Foundation 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 located at 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 in addition to a hotel, serviced residences and business apartments. The estimated gross floor area is approximately three million square feet (above ground and underground), subject to further planning. The project is expected to be completed in 2025. The consortium is a collaboration with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd.

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 of 645,840 square feet above ground and 753,480 square feet underground, of which an underground area of 197,000 square feet will be for commercial use. There are 43 shikumen blocks with about 170 two or three-storey houses. There are connections to three metro lines and to HKRI Taikoo Hui. Construction and renovation were in progress at 30th June 2022. The revitalisation is planned to be completed and opened in two phases, in the fourth quarter of 2022 and in 2025. 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, exercisable from February 2020, to sell its interest to Swire Properties.

The shopping centre was 93% leased (including by way of letters of intent) at 30th June 2022. Retail sales in the first half of 2022 increased by 36%.

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 connecting to the first phase of Brickell City Centre.

Outlook

In Miami, retail sales are expected to grow, thanks to strong domestic demand.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 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$270,404 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 in the Chinese Mainland and an increase in the valuation of the car parking spaces and properties held for development in Hong Kong, 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.

HOTELS

Our managed and non-managed hotels in Hong Kong and the Chinese Mainland continued to be affected by COVID-19. The hotels in the USA performed well. Our managed hotels (including restaurants and taking account of central costs) recorded an operating loss before depreciation of HK$74 million in the first half of 2022, compared with an operating profit before depreciation of HK$4 million in the first half of 2021.

Outlook

The outlook for our hotels in Hong Kong remains challenging due to COVID-19 and its associated travel restrictions. Recovery of the hotel businesses depends on the full reopening of the border with the Chinese Mainland. Our Chinese Mainland hotels are expected to recover with the gradual relaxation of COVID-19 restrictions. The USA hotels continue to perform well. The Silveri Hong Kong – MGallery in Hong Kong is being opened in phases.

We are expanding our hotel management business, with a focus on extending our hotel brands outside Hong Kong through hotel management agreements.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast expenditure				Total commitments^	Commitments relating to joint venture companies*
	Six months ended 30th June 2022 HK$M	Six months ending 31st December 2022 HK$M	2023 HK$M	2024 HK$M	2025 and later HK$M	At 30th June 2022 HK$M	At 30th June 2022 HK$M
Hong Kong	**1,287**	4,260	1,629	755	6,397	**13,041**	**76**
Chinese Mainland	**3,547**	1,847	2,287	3,315	5,119	**12,568**	**4,486**
USA	**18**	2	–	–	–	**2**	**–**
Total	**4,852**	6,109	3,916	4,070	11,516	**25,611**	**4,562**

^ The capital commitments represent the Group's capital commitments of HK$21,049 million plus the Group's share of the capital commitments of joint venture companies of HK$4,562 million.

* The Group was committed to funding HK$147 million of the capital commitments of joint venture companies in the Chinese Mainland.

PROPERTY TRADING

Hong Kong

EIGHT STAR STREET at 8 Star Street in Wan Chai is a residential building (with retail outlets on the lowest two levels) of approximately 34,000 square feet. The occupation permit has been obtained and the units will be handed over to purchasers later this year. 28 out of 37 units had been pre-sold at 9th August 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. Subject to getting necessary approvals, pre-sales are expected to start by the end of 2022. 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 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 successfully acquired (via a government land tender) a plot of land located at 269 Queen's Road East in Wan Chai. The plot of land is expected to be developed for residential use with an aggregate gross floor area of approximately 116,200 square feet.

Indonesia

In 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in South Jakarta, Indonesia. The land is being developed into a residential development with an aggregate gross floor area of approximately 1,123,000 square feet. Basement works are under construction. 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-sale is 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 90% of the units had been pre-sold at 9th August 2022.

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 2027. Swire Properties invested in the development through an agreement with Gaw Capital Partners, an existing participant in the development. Over 45% of the residential units had been pre-sold at 9th August 2022.

Outlook

In Hong Kong, demand for residential accommodation is expected to be resilient in the medium and long term.

With urbanisation, a growing middle class and a limited supply of luxury residential properties, the residential markets in Jakarta, Indonesia and Ho Chi Minh City, Vietnam are expected to be stable.

Tim Blackburn

BEVERAGES DIVISION

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

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

At 30th June 2022, Swire Coca-Cola manufactured 60 beverage brands and distributed them to a franchise population of 762 million people.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
Revenue	**26,331**	26,832	53,927
EBITDA	**2,773**	3,161	5,791
Operating profit	**1,603**	1,979	3,512
Share of post-tax profits from joint venture and associated companies	**76**	164	155
Attributable profit	**1,152**	1,471	2,549

Segment Financial Highlights

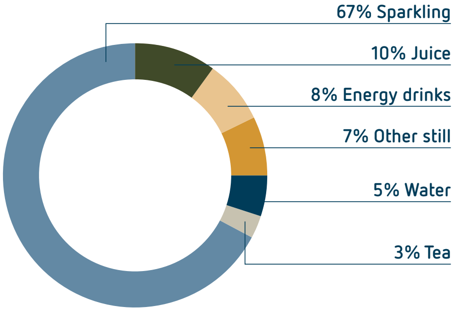
	Revenue			EBITDA			Attributable Profit		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M	**2022 HK$M**	2021 HK$M	2021 HK$M	**2022 HK$M**	2021 HK$M	2021 HK$M
Chinese Mainland	**13,029**	13,812	26,862	**1,514**	2,080	3,405	**586**	1,002	1,418
Hong Kong	**1,045**	1,130	2,397	**147**	131	353	**62**	71	213
Taiwan	**994**	1,003	2,071	**104**	117	253	**53**	60	136
USA	**11,263**	9,932	20,685	**1,114**	909	1,990	**554**	414	989
Central adjustments and other costs	**–**	955	1,912	**(106)**	(76)	(210)	**(103)**	(76)	(207)
Swire Coca-Cola	**26,331**	26,832	53,927	**2,773**	3,161	5,791	**1,152**	1,471	2,549

Revenue by Territory (Note 1(iii))

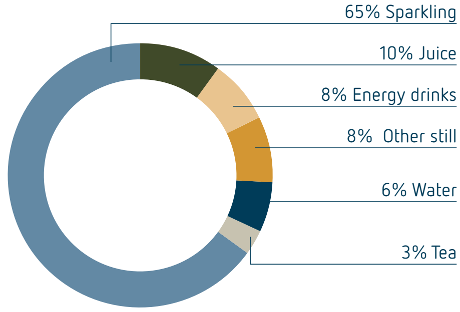
Revenue shown in the table below includes that of a joint venture company and excludes sales to other bottlers and central adjustments.

	Chinese Mainland HK$M	Hong Kong HK$M	Taiwan HK$M	USA HK$M	Total HK$M
Six months ended 30th June 2022	**14,021**	**1,010**	**994**	**10,567**	**26,592**
Six months ended 30th June 2021	15,100	1,095	1,002	9,269	26,466

Breakdown of Total Revenue by Category (%) (Note 1(iii))



Six months ended 30th June 2022



Six months ended 30th June 2021

Segment Performance

	Note	Chinese Mainland	Hong Kong	Taiwan	USA	Swire Coca-Cola
EBITDA Margin	1					
Six months ended 30th June 2022		**11.1%**	**14.6%**	**11.4%**	**10.8%**	**11.1%**
Six months ended 30th June 2021		14.1%	12.0%	12.2%	9.8%	12.4%
EBIT Margin	1					
Six months ended 30th June 2022		**6.3%**	**7.4%**	**7.5%**	**7.2%**	**6.8%**
Six months ended 30th June 2021		10.1%	7.6%	8.2%	5.9%	8.5%

Note 1: (i) EBITDA and EBIT for Swire Coca-Cola (including that of a joint venture company and excluding central and other costs) for the first half of 2022 were HK$2,950 million (2021: HK$3,294 million) and HK$1,797 million (2021: HK$2,241 million) respectively.

(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of a joint venture company and excludes sales to other bottlers).

(iii) Revenue, EBITDA margin and EBIT margin in the Chinese Mainland for the six months ended 30th June 2021 have been re-presented to provide a like-for-like comparison following changes to contractual arrangements with customers that became effective in 2022.

RESULTS SUMMARY

Swire Coca-Cola made an attributable profit of HK$1,152 million in the first half of 2022, a 22% decrease from the first half of 2021. The results were adversely affected by COVID-19 related travel and social restrictions in the Chinese Mainland, Hong Kong and Taiwan, and by higher raw material costs.

Total revenue (including that of a joint venture company and excluding sales to other bottlers) increased by 0.5% to HK$26,592 million. Sales volume decreased by 8% to 896 million unit cases. Revenue and volume grew in the USA. In the Chinese Mainland and Hong Kong, revenue and volume declined. Revenue grew but volume declined in Taiwan.

EBITDA (including that of a joint venture company and excluding central and other costs) decreased by 10% to HK$2,950 million. The EBITDA margin decreased from 12.4% to 11.1%.

In July 2022, Swire Coca-Cola announced it had entered into agreements to acquire from The Coca-Cola Company (TCCC) certain of its subsidiaries engaged in the business of preparation, packaging, distribution and sale of ready-to-drink beverages bearing trade marks owned by TCCC in Vietnam and Cambodia for an aggregate consideration of US$1,015 million. The consideration will be payable in cash at completion and will be subject to completion adjustments by reference to the net cash and the working capital of the relevant companies in Vietnam and Cambodia. Completion of the transactions is subject to certain conditions, including applicable anti-trust approvals, and is expected to take place in the fourth quarter of 2022.

Chinese Mainland

Attributable profit from the Chinese Mainland for the first half of 2022 was HK$586 million, a 41% decrease from the first half of 2021. At the start of March 2022, sales were adversely affected by the lockdown of various cities in response to COVID-19.

Revenue (including that of a joint venture company and excluding sales to other bottlers) decreased by 6% in local currency terms.

Sparkling revenue decreased by 4%. Water and juice revenue decreased by 27% and 3% respectively. Energy drinks revenue decreased by 3%. Revenue from premium categories of coffee and tea increased by 24%, and 19% respectively.

Total sales volume decreased by 10%.

Raw material costs, operating expenses and depreciation charges were higher. EBITDA and EBIT (including those of a joint venture company and excluding central and other costs) decreased by 27% and 42% in local currency terms respectively. The EBITDA margin decreased from 14.1% in the first half of 2021 to 11.1% in the first half of 2022. The EBIT margin decreased from 10.1% to 6.3%.

In July 2022, a wholly-owned subsidiary of Swire Coca-Cola entered into an agreement with CCBMH to purchase CCBMH's 100% equity interests in six of its subsidiaries. Completion of the equity transfer is subject to the satisfaction of conditions, including applicable anti-trust approval, and is expected to happen on or before 31st March 2023.

Hong Kong

Attributable profit from Hong Kong for the first half of 2022 was HK$62 million, a 13% decrease from the first half of 2021. The result was adversely affected by COVID-19 related travel restrictions and social distancing measures.

Revenue (excluding sales to other bottlers) decreased by 8%. Sparkling revenue decreased by 8%. Still revenue decreased by 8%. Coffee, tea, juice and water revenue decreased by 7%, 1%, 24% and 6% respectively.

Total sales volume decreased by 10%.

The decrease in revenue and higher operating expenses and depreciation charges were partly offset by the second round of financial support provided by the HKSAR Government under the employment subsidy scheme.

EBITDA increased by 12% but EBIT decreased by 10%. The EBITDA margin increased from 12.0% in the first half of 2021 to 14.6% in the first half of 2022. The EBIT margin decreased from 7.6% to 7.4%. The decrease in EBIT margin was due to higher depreciation charges.

Taiwan

Attributable profit from Taiwan for the first half of 2022 was HK$53 million, a 12% decrease from the first half of 2021. At the start of May 2022, sales were adversely affected by COVID-19 related travel restrictions and social distancing measures.

Revenue in local currency terms increased by 1%. Sparkling revenue increased by 8%. Still revenue decreased by 5%. Tea revenue decreased by 10%. Energy drinks revenue increased by 26%.

Total sales volume decreased by 4%.

The small increase in revenue was more than offset by higher raw material costs and operating expenses. As a result, EBITDA and EBIT decreased by 6% and 7% in local currency terms respectively. The EBITDA margin decreased from 12.2% in the first half of 2021 to 11.4% in the first half of 2022. The EBIT margin decreased from 8.2% to 7.5%.

USA

Attributable profit from the USA for the first half of 2022 was HK$554 million, a 34% increase from the first half of 2021.

Revenue in local currency terms (excluding sales to other bottlers) grew by 13%. The revenue increases reflected price increases and a small increase in sales volume. COVID-19 did not significantly affect operations.

Sparkling revenue increased by 19%. Still revenue increased by 5%. The latter increase reflected an increase in revenue from energy and sport drinks of 8% and 6% respectively.

Total sales volume increased by 1%.

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 24% and 39% in local currency terms respectively. The EBITDA margin increased from 9.8% in the first half of 2021 to 10.8% in the first half of 2022. The EBIT margin increased from 5.9% to 7.2%.

Outlook

The impact of COVID-19 on the beverages market in the Chinese Mainland is expected to ease in the second half of 2022. Increased raw material costs and operating expenses will continue to put pressure on profits.

The impact of COVID-19 on operations in Hong Kong is expected to ease in the second half of 2022. However, lack of tourists, and increases in raw material costs, depreciation charges and operating expenses will continue to put pressure on profits.

The impact of COVID-19 on sales and operations in Taiwan is expected to ease in the second half of 2022.

In the USA, revenue is expected to remain strong in the second half of 2022, mainly reflecting price increases. Economic weakness may adversely affect consumer purchasing power. Raw material costs and operating expenses, particularly staff costs and distribution costs, are expected to increase.

Karen So

AVIATION DIVISION

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

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
HAECO group			
Revenue	**6,557**	5,402	11,464
Operating profit	**192**	342	445
Attributable profit	**166**	310	394
Cathay Pacific group			
Share of post-tax loss from associated companies	**(2,250)**	(3,404)	(2,487)
Attributable loss	**(2,236)**	(3,254)	(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. The figures of HAECO group and Cathay Pacific group above do not include Swire Pacific's consolidation adjustments.

RESULTS SUMMARY

The Aviation Division reported an attributable loss of HK$2,236 million in the first half of 2022. This compared with a loss of HK$3,254 million in the same period in 2021.

CATHAY PACIFIC GROUP

The Cathay Pacific group had an extremely difficult start to 2022. For more than two years, COVID-19 has had an unprecedented impact on global aviation, with the situation often fluctuating between periods of relative improvement and significant setbacks as new variants of the virus have emerged. The first half of 2022 bore similarities to the first half of 2021. The spread of a new COVID-19 variant, Omicron, led to increasingly stringent travel and operational restrictions in Hong Kong and the Chinese Mainland, which severely constrained Cathay Pacific's ability to operate flights and greatly affected the demand for travel.

Early in January, Hong Kong saw the introduction of a number of measures intended to combat the resurgence of COVID-19. These restrictions resulted in a particularly unfavourable first few months of 2022 and significantly reduced passenger and cargo flight capacities. The progressive adjustments to these restrictions from 1st May were positive developments, including adjustments to the testing and quarantine requirements for Hong Kong-based aircrew. This enabled flights to be progressively resumed to more destinations in May and June. This included the resumption of daily London passenger flights, and a full freighter schedule.

The Cathay Pacific group's attributable loss on a 100% basis was HK$4,999 million in the first half of 2022 (2021 first half: loss of HK$7,565 million). Cathay Pacific reported a loss after tax of HK$1,501 million in the first half of 2022 (2021 first half: loss of HK$5,031 million). The share of losses from subsidiaries was HK$1,015 million (2021 first half: loss of HK$1,224 million), and the share of losses from associates was HK$2,483 million (2021 first half: loss of HK$1,310 million).

Cathay Pacific – Key Operating Highlights

		Six months ended 30th June		
		2022	2021	Change
Available tonne kilometres (ATK)	*Million*	**3,094**	4,454	-30.5%
Available seat kilometres (ASK)	*Million*	**3,059**	4,167	-26.6%
Available cargo tonne kilometres (AFTK)	*Million*	**2,801**	4,058	-31.0%
Revenue tonne kilometres (RTK)	*Million*	**2,297**	3,377	-32.0%
Passenger revenue	*HK$M*	**2,068**	745	+177.6%
Passenger revenue per ASK	*HK¢*	**67.6**	17.9	+277.7%
Revenue passenger kilometres (RPK)	*Million*	**1,810**	788	+129.7%
Revenue passengers carried	*'000*	**335**	157	+113.4%
Passenger load factor	*%*	**59.2**	18.9	+40.3%pt
Passenger yield	*HK¢*	**114.3**	94.5	+21.0%
Cargo revenue	*HK$M*	**12,148**	11,112	+9.3%
Cargo revenue per AFTK	*HK$*	**4.34**	2.74	+58.4%
Cargo revenue tonne kilometres (RFTK)	*Million*	**2,123**	3,301	-35.7%
Cargo carried	*'000 Tonnes*	**526**	549	-4.2%
Cargo load factor	*%*	**75.8**	81.4	-5.6%pt
Cargo yield	*HK$*	**5.72**	3.37	+69.7%
Cost per ATK (with fuel)*	*HK$*	**5.88**	4.44	+32.4%
Cost per ATK (without fuel)*	*HK$*	**5.19**	3.98	+30.4%
Fuel consumption per million RTK	*Barrels*	**1,772**	1,463	+21.1%
Fuel consumption per million ATK	*Barrels*	**1,316**	1,109	+18.7%
Aircraft utilisation (including parked aircraft)	*Hours per day*	**2.2**	2.3	-4.3%
On-time performance	*%*	**82.9**	89.7	-6.8%pt
Average age of fleet	*Years*	**11.3**	10.6	+0.7year

* Cost per ATK represents total operating costs, including impairment and restructuring costs, over ATK for the period.

Refer to Glossary on pages 82 and 83 for definitions.

Passenger Services

Cathay Pacific

Passenger revenue increased by 178% to HK$2,068 million in the first half of 2022 compared with the first half of 2021. Revenue passenger kilometres increased by 130%. Passenger capacity decreased by 27%. Passengers carried were 335 thousand in the first half of the year, an average of 1,853 passengers per day, 113% more than in the first half of 2021. The load factor was 59.2%, compared with 18.9% in the first half of 2021.

HK Express

HK Express reported a loss for the first half of 2022. Its results were adversely affected by the stringent travel restrictions and quarantine requirements, including those affecting Hong Kong-based aircrew.

Cargo Services

Cathay Pacific

Cargo revenue for the first half of 2022 was HK$12,148 million, an increase of 9% compared with the same period in 2021. The cargo performance was adversely affected by restrictions and quarantine requirements for Hong Kong-based aircrew. Cathay Pacific's cargo capacity decreased by 31%. Total tonnage carried decreased by 4% to 526 thousand tonnes. Revenues were strong in the circumstances, sustained by cargo yield increases of 70% to HK$5.72 and load factors of 75.8% (2021 first half: 81.4%).

Air Hong Kong

Air Hong Kong reported a profit in the first half of 2022. Quarantine requirements for locally based aircrew affected its ability to mount further cargo flight capacity.

Operating Costs

Total fuel costs for Cathay Pacific (before the effect of fuel hedging) increased by HK$1,458 million (or 55%) compared with the first half of 2021. Non-fuel costs decreased by 5% to HK$16,056 million.

Fleet Profile

At 30th June 2022, the total number of aircraft in the Cathay Pacific, HK Express and Air Hong Kong fleets was 228.

Fleet profile*

	Number at 30th June 2022															
		Leased**				Orders				Expiry of operating leases**						
Aircraft type	Owned	Finance	Operating	**Total**	Average age	'22	'23	'24 and beyond	**Total**	'22	'23	'24	'25	'26	'27 and beyond
Cathay Pacific:															
A320-200	5			**5**	19.8										
A321-200	2		2	**4**	17.9					1	1				
A321-200neo		2	5	**7**	0.9	5	4		**9**						5
A330-300	38	9	4	**51**	15.7								2	2	
A350-900	19	7	2	**28**	4.6		2		**2**						2
A350-1000	10	5		**15**	3.1	3			**3**						
747-400ERF	6			**6**	13.5										
747-8F	3	11		**14**	9.4										
777-300	17			**17**	20.7										
777-300ER	28	2	11	**41**	9.7						2	3	2	4	
777-9								21	**21**						
Total	128	36	24	**188**	11.3	8	6	21	**35**	1	3	3	4	6	7
HK Express:															
A320-200			5	**5**	10.0						1	4			
A320-200neo			10	**10**	3.3										10
A321-200			11	**11**	4.7								1	2	8
A321-200neo						1	6	9	**16**						
Total			26	**26**	5.2	1	6	9	**16**		1	4	1	2	18
Air Hong Kong*:**															
A300-600F			9	**9**	18.2						7	2			
A330-243F			2	**2**	10.5									2	
A330-300P2F			3	**3**	14.6									3	
Total			14	**14**	16.3						7	2		5	
Grand total	**128**	**36**	**64**	**228**	**10.9**	**9**	**12**	**30**	**51**	**1**	**11**	**9**	**5**	**13**	**25**

* The table does not reflect aircraft movements after 30th June 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 nine Airbus A300-600F, two Airbus A330-243F and three Airbus A330-300P2F freighters are considered to be operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

Air China and Air China Cargo

The Cathay Pacific group's share of the results of Air China and Air China Cargo (in which the Cathay Pacific group had 18.13% and 24% interests respectively at 30th June 2022) is based on their financial statements drawn up three months in arrear. Consequently the 2022 interim results include Air China's and Air China Cargo's results for the six months ended 31st March 2022.

Air China's financial results declined in the six months to 31st March 2022 as a result of the adverse impact of COVID-19.

On 2nd August 2022, the board of Air China approved the non-public issuance of A shares (the Issuance). The Issuance remains subject to certain conditions being satisfied. On the assumption that additional shares are issued, Cathay Pacific's shareholdings in Air China could be diluted. This has no impact to the results of the Cathay Pacific group for the six months ended 30th June 2022.

Outlook

The HKSAR Government's most recent adjustments to quarantine arrangements for arriving passengers are expected to improve travel sentiment. Cathay Pacific is targeting to progressively increase passenger flight capacity to up to a quarter and cargo flight capacity to 65% of the pre-COVID-19 levels by the end of the year.

Cathay Pacific is confident that its airlines and subsidiaries will see a stronger second-half than first-half performance. However, the results from associates (the majority of which are reported three months in arrears) will remain very challenging.

Cathay Pacific is actively preparing to meet the rising global demand for travel. However, Cathay Pacific will only be able to operate more flight capacity when the existing stringent travel restrictions and quarantine requirements applicable to Hong Kong-based aircrew are lifted.

Augustus Tang

HONG KONG AIRCRAFT ENGINEERING COMPANY (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) (HES)).

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.

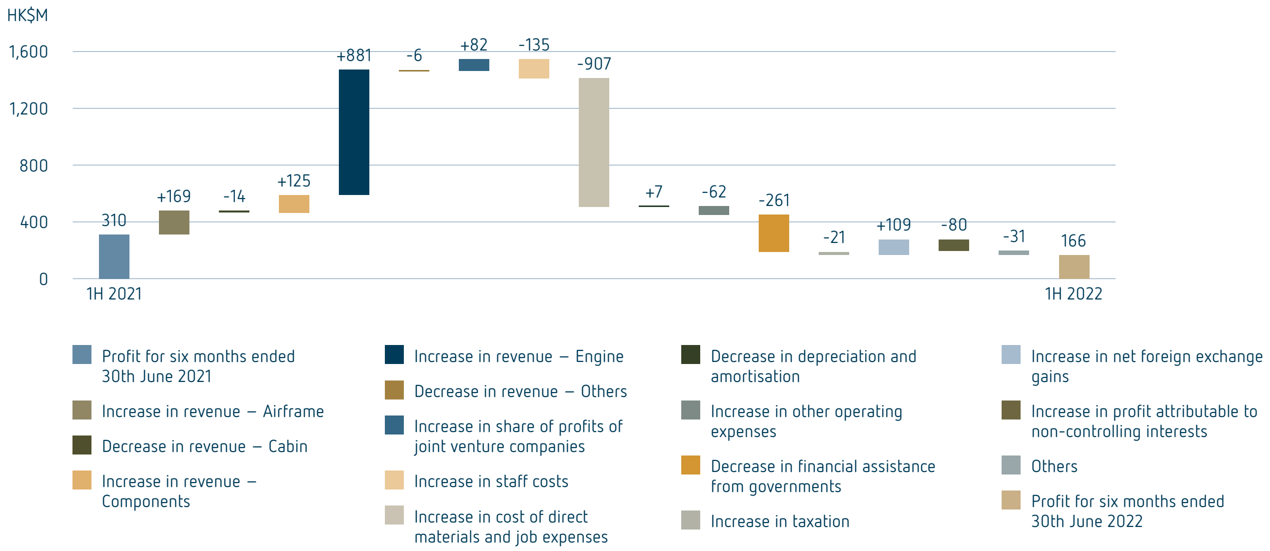
HAECO is a wholly-owned subsidiary of Swire Pacific.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
Revenue			
Airframe	**3,025**	2,856	5,472
Cabin	**155**	169	374
Components	**657**	532	1,256
Engine	**2,569**	1,688	4,070
Others	**151**	157	292
	6,557	5,402	11,464
Operating profit	**192**	342	445
Attributable profit/(loss)			
Airframe	**(23)**	215	206
Cabin	**(49)**	(48)	(124)
Components	**23**	34	44
Engine	**250**	138	352
Others	**(35)**	(29)	(62)
Attributable profit (excluding non-recurring item)	**166**	310	416
Components – impairment charges in respect of rotable aircraft parts	**–**	–	(22)^
Attributable profit	**166**	310	394

^ representing impairment charges at HAECO ITM.
Revenue shown in the table above excludes that of joint venture companies.

HAECO group – Movement in Attributable Profit



Key Operating Highlights

		Six months ended 30th June		
		2022	2021	Change
Airframe – base maintenance manhours sold				
HAECO Hong Kong	*Million*	**1.29**	1.28	1%
HAECO Americas	*Million*	**1.29**	1.45	-11%
HAECO Xiamen	*Million*	**1.79**	1.52	18%
Total	*Million*	**4.37**	4.25	3%
Airframe – line maintenance movements handled				
HAECO Hong Kong	*Thousand*	**23.6**	22.1	7%
Chinese Mainland and overseas	*Thousand*	**6.5**	8.5	-24%
Total	*Thousand*	**30.1**	30.6	-2%
Engines overhauled				
HAECO Engine Services (Xiamen)		**31**	18	72%
HAESL		**129**	108	19%

RESULTS SUMMARY

The HAECO group reported an attributable profit of HK$166 million for the first six months of 2022. This compares with a profit of HK$310 million for the equivalent period in 2021 which included financial assistance primarily provided by the US government. Disregarding non-recurring financial assistance, profit increased. This mainly reflected a significant growth in the engine business, which in turn reflected a recovery in demand for engine overhaul. The profit (excluding financial assistance) of the airframe business improved. It benefitted from higher base maintenance workload and unrealised foreign exchange gains at HAECO Xiamen. There was little line maintenance work at HAECO Hong Kong because of COVID-19 related travel restrictions and quarantine requirements in Hong Kong and the Chinese Mainland.

Airframe

The airframe business reported a loss of HK$23 million in the first half of 2022, compared with a profit of HK$215 million in the corresponding period in 2021 (which included the financial assistance provided by the US government). Revenue grew by 6% reflecting 4.37 million base maintenance manhours sold in the first half of 2022 (3% more than in the first half of 2021) and a different work mix. HAECO Hong Kong and HAECO Xiamen did more base maintenance work. HAECO Americas did less. There was little line maintenance work in Hong Kong. Unrealised foreign exchange gains recorded at HAECO Xiamen in the first half of 2022 partly offset the absence of financial assistance at HAECO Americas.

HAECO Hong Kong

The airframe business of HAECO Hong Kong recorded similar losses in the first half of 2022 compared with those in the first half of 2021. Line maintenance continued to be affected by COVID-19 related travel restrictions and quarantine requirements. Approximately 23,600 line maintenance aircraft movements were handled in the first half of 2022, an increase of 7% compared with the first half of 2021, but the workscope per aircraft reduced. 1.29 million base maintenance manhours were sold in first half of 2022, which was 1% more than in the first half of 2021, reflecting stable demand. The increase in total revenue was offset by higher operating costs.

HAECO Americas

The airframe business of HAECO Americas recorded a decrease in profit in the first half of 2022 compared to the first half of 2021, mainly due to the absence of US government financial assistance under the CARES Act. Demand for base maintenance recovered to pre-COVID-19 levels as domestic air travel in the USA recovered from COVID-19. Base maintenance output was limited by the availability of skilled labour. Turnover of skilled labour was exceptionally high. 1.29 million base maintenance manhours were sold, 11% less than those sold in the first half of 2021. Profits were also adversely affected by a less profitable work mix.

HAECO Xiamen

In the first half of 2022, airframe services of HAECO Xiamen recorded a strong increase in attributable profit compared with the first half of 2021. In base maintenance, 1.79 million manhours were sold in the first half of 2022, 18% more than in the first half of 2021. This reflected a recovery in demand for base maintenance and more demand for passenger to freighter conversions. The results in the first half of 2022 also benefitted from unrealised foreign exchange gains (compared with losses in the first half of 2021).

Cabin

The cabin business lost HK$49 million in the first half of 2022, 2% more than in the corresponding period in 2021. Revenue in the first half of 2022 decreased by 8%. The adverse effect of supply chain difficulties was partially offset by increases in Panasonic communication kit sales and in cabin reconfiguration work. Freight costs increased.

Components

Attributable profit from the components business was HK$23 million in the first half of 2022, a 32% decrease from the corresponding period in 2021. Revenue in the first half of 2022 grew by 23% from that in the first half of 2021. The repair and overhaul business did well. Profits were lower at HAECO ITM and HAECO Landing Gear Services.

Engine

The attributable profit from the engine business was HK$250 million in the first half of 2022, an 81% increase from the corresponding period in 2021. Revenue (including only that of HES and Global Engine Support and excluding that of HAESL, which does not form part of the consolidated revenue) in the first half of 2022 grew by 52% from that in the first half of 2021. The profit growth mainly resulted from a recovery in demand for engine overhaul.

HAECO Engine Services (Xiamen)

In the first half of 2022, HES recorded an increase in attributable profit compared with the first half of 2021. 25 performance restoration workscopes and six quick turn workscopes on GE90 aircraft engines were performed in the first half of 2022 (compared with 13 performance restoration workscopes and five quick turn workscopes in the same period in 2021). The improved profit reflected a recovery in demand for the repair and overhaul of GE90 aircraft engines.

HAESL

In the first half of 2022, HAESL recorded a strong increase in attributable profit compared to the first half in 2021. The increase in profit reflected a growth in engine volume and heavier workscopes due to the increase in global aircraft usage. Repair and overhaul services were performed on 129 engines, compared with 108 in the first half of 2021.

Global Engine Support

Global Engine Support, which provides on-wing and off-wing engine support from the HAECO group's facilities in Hong Kong, Dallas in the USA, Amsterdam in the Netherlands and London in the UK, recorded a reduction in profit in the first half of 2022 compared with the first half of 2021. This mainly reflected the adverse effect on volume caused by COVID-19 related travel restrictions, and less engine storage revenue.

Outlook

Demand for base maintenance in the second half of 2022 is expected to be stable. Line maintenance work in Hong Kong is expected to recover gradually in the latter part of the year depending on the timing of the lifting of travel and other restrictions. Demand for cabin products is expected to be higher and improvements in the supply chain are expected. Demand for engine services at HES in the second half of 2022 is expected to be similar to that in the first half of the year. Demand for engine services at HAESL in the second half of the year is expected to increase compared to the first half of the year.

HAECO Xiamen is doing pre-construction work at the new Xiamen airport. The relocation to the new airport will be material to HAECO Xiamen's operations from 2026.

Frank Walschot

HEALTHCARE

Columbia China Healthcare

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

Shenzhen New Frontier United Family Hospital 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.

Healthcare Investment Strategy

With the investments described above, the Group has exposure to the healthcare sector in the Yangtze River Delta and the Greater Bay Area. We will continue to seek investment opportunities in private healthcare services, particularly in major city clusters in the Chinese Mainland. We have invested HK$1.7 billion in the sector. It is planned that our investment in healthcare should result in a significant business, with at least HK$20 billion planned to be invested by 2030.

David Cogman

TRADING & INDUSTRIAL

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
Revenue			
Swire Resources	**980**	1,117	2,106
Taikoo Motors	**2,695**	2,768	5,689
Swire Foods	**776**	780	1,687
Swire Environmental Services	**83**	52	134
	4,534	4,717	9,616
Operating profits/(losses)			
Swire Resources	**21**	(8)	(33)
Taikoo Motors	**129**	109	212
Swire Foods	**(425)**	(20)	(45)
Swire Environmental Services	**27**	40	63
Central costs	**(7)**	(7)	(13)
	(255)	114	184
Attributable profits/(losses)			
Swire Resources	**13**	(14)	(42)
Taikoo Motors	**97**	82	160
Swire Foods	**(437)**	(31)	(69)
Swire Environmental Services	**23**	41	59
Central costs	**(7)**	(7)	(14)
Attributable (loss)/profit	**(311)**	71	94
Non-recurring items			
Write-off of goodwill in respect of Qinyuan Bakery	**(367)**	–	–
Impairment of long-term assets for Qinyuan Bakery	**(57)**	–	–
Gain on acquisition of interest in a joint venture	**–**	24	24
Restructuring costs	**–**	–	(18)
Recurring profit	**113**	47	88

RESULTS SUMMARY

The attributable loss of the trading & industrial businesses in the first half of 2022 was HK$311 million, compared with an attributable profit of HK$71 million in the first half of 2021. The 2022 figure includes non-recurring losses of HK$367 million on the impairment of goodwill and HK$57 million impairment of long-term assets for Qinyuan Bakery.

Excluding the non-recurring losses, the trading & industrial businesses made a profit of HK$113 million in the first half of 2022.

Swire Resources

The attributable profit of Swire Resources in the first half of 2022 was HK$13 million, compared with an attributable loss of HK$14 million in the first half of 2021. The first phase of the HKSAR Government's consumption voucher scheme and the employment subsidy scheme offset the adverse effect of COVID-19, resulting in a better financial performance. The absence of inbound tourists continued to affect the business.

Revenue in the first half of 2022 was 12% lower than in the first half of 2021 after a net reduction of 10 stores. Gross profit margins increased because of less discounting. Costs were tightly managed.

Taikoo Motors

The attributable profit of Taikoo Motors increased from HK$82 million in the first half of 2021 to HK$97 million in the first half of 2022.

8,330 vehicles were sold in the first half of 2022, 3% more than that of the first half of 2021. Revenue decreased by 3%, mainly due to an unfavourable mix of vehicle sales. Both gross and attributable profits increased, as less discounting was offered due to limited supply.

Swire Foods

The Swire Foods group reported an attributable loss of HK$437 million for the first half of 2022, compared with an attributable loss of HK$31 million for the first half of 2021.

Qinyuan Bakery incurred an attributable loss of HK$444 million in the first half of 2022. The 2022 figure includes non-recurring losses arising from a HK$367 million impairment of goodwill and a HK$57 million impairment in respect of other long-term assets. Excluding the non-recurring losses, Qinyuan Bakery incurred an attributable loss of HK$20 million compared with an attributable loss of HK$40 million in the first half of 2021. 498 stores were operated at 30th June 2022, compared with 538 stores at the end of 2021.

Taikoo Sugar recorded an attributable profit of HK$7 million in the first half of 2022, compared to HK$9 million in the first half of 2021. The volume of sugar sold by Taikoo Sugar's retail and food services business decreased by 6% in Hong Kong but increased by 6% in the Chinese Mainland. Margins decreased with lower retail sales volume in Hong Kong.

Swire Environmental Services

Swire Environmental Services reported an attributable profit of HK$23 million in the first half of 2022, compared to an attributable profit of HK$41 million in the first half of 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

Market conditions are difficult for Swire Resources because of the absence of inbound tourism. The HKSAR Government's consumption voucher scheme may help.

Taikoo Motors expects more vehicles to be supplied in the second half of 2022. However, the second half results are expected to be lower than those of the first half due to an unfavourable mix of car sales and exchange rate movements.

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.

Taikoo Sugar's food services business will continue to be adversely affected by COVID-19 restrictions. With improved margins after price increases, its second half results are expected to be better than those of the first half.

The business of Swire Environmental Services is expected to be worse in the second half of 2022 than in the first half.

The recurring profits of the trading & industrial businesses in the second half of 2022 are expected to be lower than those in the first half of 2022.

David Cogman

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 also has an equity interest in Cadeler A/S (Cadeler), which provides windfarm installation and transportation and decommissioning services and is listed on the Oslo Stock Exchange. In February 2022, 6.7% of the equity interest in Cadeler was sold. Our shareholding in Cadeler was reduced to 18.13%.

In April 2022, the Group completed the sale of a 100% interest in SPO (excluding the stake 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 entitle the Group to purchase 8.1 million shares of common stock of Tidewater at a nominal price.

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

Financial Information Reviewed by Auditors

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.

		Six months ended 30th June		Year ended 31st December
	Note	**2022 HK$M**	2021 HK$M	2021 HK$M
Underlying profit				
Profit/(loss) attributable to the Company's shareholders		**1,891**	(792)	3,364
Adjustments in respect of investment properties:				
Valuation (gains)/losses in respect of investment properties	(a)	**(757)**	2,046	692
Deferred tax on investment properties	(b)	**213**	521	1,027
Valuation gains/(losses) realised on sale of interests in investment properties	(c)	**299**	(134)	585
Depreciation of investment properties occupied by the Group	(d)	**14**	15	29
Impairment loss on a hotel held as part of a mixed-use development	(e)	**–**	22	22
Amortisation of right-of-use assets reported under investment properties	(f)	**(42)**	(16)	(53)
Non-controlling interests' share of adjustments		**111**	(406)	(366)
Underlying profit attributable to the Company's shareholders		**1,729**	1,256	5,300

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.

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

	Six months ended 30th June 2022 HK$M	Six months ended 30th June 2021 HK$M	Year ended 31st December 2021 HK$M
Underlying profit attributable to the Company's shareholders	**1,729**	1,256	5,300
Significant non-recurring items:			
Gain on disposal of interests in investment properties	**(266)**	(653)	(1,959)
Gain on disposal of property, plant and equipment, intangible assets, properties for sale and other investments	**(220)**	(198)	(740)
Impairment of property, plant and equipment, right-of-use assets, intangible assets and investments	**424**	226	522
Remeasurement (gain)/loss and disposal of assets classified as held for sale	**(418)**	–	1,611
Restructuring costs	**–**	155	151
Recurring underlying profit	**1,249**	786	4,885

Recurring underlying profit by division is provided below.

	Six months ended 30th June 2022 HK$M	Six months ended 30th June 2021 HK$M	Year ended 31st December 2021 HK$M
Property	**2,971**	3,029	5,824
Beverages	**1,152**	1,471	2,549
Aviation			
Cathay Pacific group*	**(2,385)**	(3,146)	(2,250)
HAECO group and others*	**149**	289	398
Trading & Industrial	**113**	47	88
Marine Services	**17**	(71)	(176)
Head Office, Healthcare and others	**(768)**	(833)	(1,548)
Recurring underlying profit	**1,249**	786	4,885

* Including consolidation adjustments.

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
Net cash from businesses and investments			
Cash generated from operations	**6,147**	10,657	15,453
Dividends received	**386**	241	641
Tax paid	**(1,357)**	(1,160)	(2,559)
Net interest paid	**(915)**	(929)	(1,870)
Cash used in investing activities	**(6,504)**	(6,198)	(6,344)
	(2,243)	2,611	5,321
Cash paid to shareholders and net funding by external debt			
Capital contribution from a non-controlling interest	**986**	–	–
Dividends paid	**(3,261)**	(2,386)	(4,425)
Decrease in borrowings	**(4,187)**	(5,103)	(6,946)
Principal elements of lease payments	**(460)**	(456)	(971)
	(6,922)	(7,945)	(12,342)
Decrease in cash and cash equivalents	**(9,165)**	(5,334)	(7,021)

Changes in Financing

Financial Information Reviewed by Auditors
Analysis of Changes in Financing During the Period

	Six months ended 30th June 2022		Year ended 31st December 2021	
	Loans and bonds HK$M	Lease liabilities HK$M	Loans and bonds HK$M	Lease liabilities HK$M
At 1st January	61,549	5,340	68,164	5,152
Loans drawn and refinancing	10,853	–	4,879	–
Repayment of loans and bonds	(15,040)	–	(11,825)	–
Principal elements of lease payments	–	(460)	–	(971)
New leases arranged during the period	–	317	–	1,161
Change in composition of the Group	–	–	–	1
Effect of exchange differences	104	(105)	231	50
Other non-cash movements	42	(33)	100	(53)
At 30th June/31st December	57,508	5,059	61,549	5,340

Sources of Finance

Financial Information Reviewed by Auditors

At 30th June 2022, committed loan facilities and debt securities amounted to HK$83,108 million, of which HK$25,464 million (31%) were undrawn. In addition, there were lease liabilities amounting to HK$5,059 million. The Group had undrawn uncommitted facilities totalling HK$7,846 million. Sources of gross borrowings at 30th June 2022 comprised:

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M	Total Undrawn HK$M
Committed facilities					
Loans and bonds					
Bonds	40,778	40,778	–	–	–
Bank loans, overdrafts and other loans	42,330	16,866	5,814	19,650	25,464
Total committed facilities	83,108	57,644	5,814	19,650	25,464
Uncommitted facilities					
Bank loans, overdrafts and other loans	7,988	142	7,846	–	7,846
Total	91,096	57,786	13,660	19,650	33,310

Note: The figures above are stated before unamortised loan fees of HK$278 million.

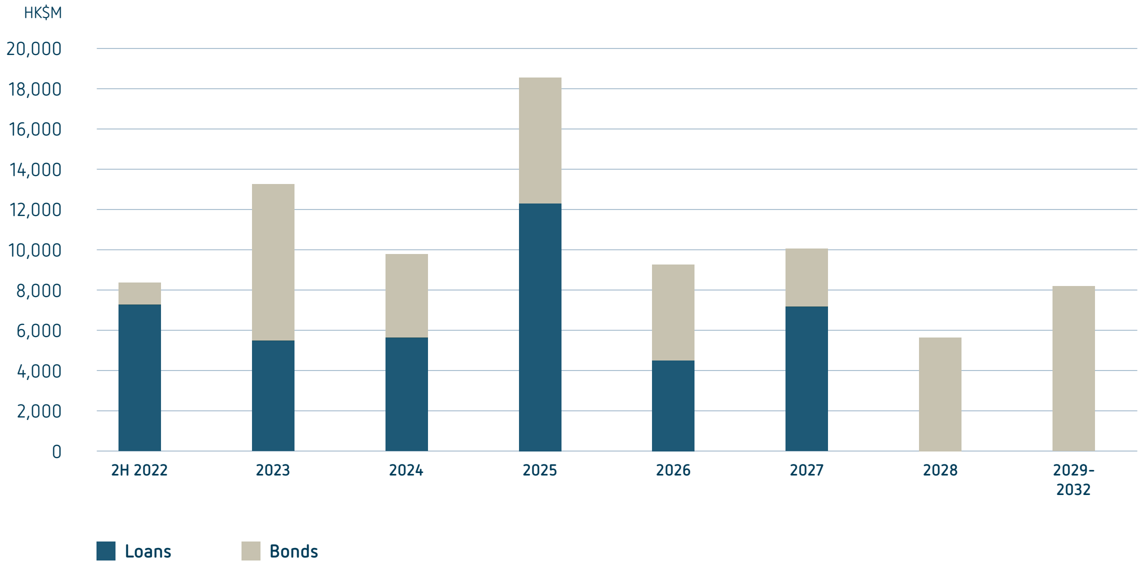
The Group had bank balances and short-term deposits of HK$13,597 million at 30th June 2022 compared to HK$22,894 million at 31st December 2021.

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

Maturity Profile and Refinancing

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

Total Available Committed Facilities by Maturity (at 30th June 2022)



Financial Information Reviewed by Auditors
Gross Borrowings and Lease Liabilities Maturity Profile

	30th June 2022					31st December 2021				
	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M
Within one year	**8,989**	**16%**	**771**	**15%**	**9,760**	17,283	28%	831	16%	18,114
Between one and two years	**7,870**	**14%**	**623**	**12%**	**8,493**	9,559	15%	651	12%	10,210
Between two and five years	**25,604**	**44%**	**1,157**	**23%**	**26,761**	17,678	29%	1,230	23%	18,908
Over five years	**15,045**	**26%**	**2,508**	**50%**	**17,553**	17,029	28%	2,628	49%	19,657
Total	**57,508**	**100%**	**5,059**	**100%**	**62,567**	61,549	100%	5,340	100%	66,889

Currency Profile

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

	30th June 2022					31st December 2021				
	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M	Loans and bonds HK$M	%	Lease liabilities HK$M	%	Total HK$M
Currency										
Hong Kong dollar	**52,484**	**91%**	**2,810**	**55%**	**55,294**	55,830	91%	2,955	55%	58,785
United States dollar	**5,011**	**9%**	**387**	**8%**	**5,398**	5,719	9%	350	7%	6,069
Renminbi	**–**	**0%**	**1,094**	**22%**	**1,094**	–	0%	1,163	22%	1,163
Others	**13**	**0%**	**768**	**15%**	**781**	–	0%	872	16%	872
Total	**57,508**	**100%**	**5,059**	**100%**	**62,567**	61,549	100%	5,340	100%	66,889

Finance Charges

Financial Information Reviewed by Auditors

At 30th June 2022, 72% of the Group's gross borrowings were on a fixed rate basis and 28% were on a floating rate basis (31st December 2021: 84% and 16% respectively). Interest charged and earned from continuing operations was as follows:

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M (Note 2d)	2021 HK$M
Interest charged			
Bank loans and overdrafts	**72**	69	118
Other loans and bonds	**807**	886	1,774
Fair value (gain)/loss on derivative instruments			
Cross-currency and interest rate swaps: cash flow hedges, transferred from other comprehensive income	**(14)**	8	13
Cross-currency and interest rate swaps not qualifying as hedges	**(4)**	1	(2)
Amortised loan fees – loans at amortised cost	**44**	57	103
	905	1,021	2,006
Lease liabilities	**93**	95	188
Fair value loss on put options over non-controlling interests in subsidiary companies	**27**	46	68
Fair value gain on put options over other shareholders' interests in a joint venture company	**–**	(1)	(1)
Other financing costs	**65**	71	138
Capitalised on			
Investment properties	**(191)**	(135)	(293)
Properties for sale	**(83)**	(17)	(49)
	816	1,080	2,057
Less: interest income			
Short-term deposits and bank balances	**106**	99	212
Other loans	**27**	49	103
	133	148	315
Net finance charges	**683**	932	1,742

The amount transferred from other comprehensive income in respect of cash flow hedges for the six months ended 30th June 2022 included HK$10 million (30th June 2021: HK$11 million; year ended 31st December 2021: HK$22 million) relating to currency basis.

Gearing Ratio and Interest Cover

	30th June		31st December
	2022	2021	2021
Gearing ratio*	**13.6%**	12.2%	11.9%
Gearing ratio – including lease liabilities#	**15.2%**	13.8%	13.6%
Interest cover – times*	**9.9**	5.1	6.0
Cash interest cover – times*	**7.0**	4.4	5.0
Underlying cash interest cover – times	**6.6**	6.6	6.2

* Refer to Glossary on pages 82 and 83 for definition.

Lease liabilities amounted to HK$5,059 million at 30th June 2022 and HK$5,340 million at 31st December 2021 (refer to note 23 to the financial statements).

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the share of net debt in its joint venture and associated companies. These companies had the following net debt positions at 30th June 2022 and 31st December 2021:

	Total net debt/(cash) of joint venture and associated companies		Portion of net debt/(cash) shared by the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2022 HK$M	31st December 2021 HK$M	**30th June 2022 HK$M**	31st December 2021 HK$M	**30th June 2022 HK$M**	31st December 2021 HK$M
Property	**26,961**	26,761	**9,443**	9,536	**4,014**	3,643
Beverages	**(2,102)**	(2,417)	**(880)**	(1,020)	**77**	75
Aviation						
Cathay Pacific group	**33,905**	35,838	**24,032**	24,902	**–**	–
HAECO group	**460**	(127)	**272**	43	**–**	–
Trading & Industrial	**(32)**	(33)	**(13)**	(13)	**–**	–
Head Office, Healthcare and others	**1,657**	1,366	**346**	285	**–**	–
	60,849	61,388	**33,200**	33,733	**4,091**	3,718

If the share of net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 24.0% at 30th June 2022 (31st December 2021: 22.3%).

The lease liabilities of these companies at 30th June 2022 and 31st December 2021 were as follows:

	Total lease liabilities of joint venture and associated companies		Portion of lease liabilities shared by the Group	
	30th June 2022 HK$M	31st December 2021 HK$M	**30th June 2022 HK$M**	31st December 2021 HK$M
Property	**211**	218	**87**	89
Beverages	**260**	257	**116**	111
Aviation				
Cathay Pacific group	**32,023**	34,732	**14,410**	15,630
HAECO group	**27**	28	**13**	14
Head Office, Healthcare and others	**41**	42	**8**	9
	32,562	35,277	**14,634**	15,853

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

pwc

羅兵咸永道

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

INTRODUCTION

We have reviewed the condensed interim financial statements set out on pages 44 to 78, which comprise the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2022 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of these condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 11th August 2022

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June 2022 — unaudited

	Note	(Unaudited) Six months ended 30th June 2022 HK$M	(Unaudited) Six months ended 30th June 2021 HK$M (Note 2d)	(Audited) Year ended 31st December 2021 HK$M
Continuing operations				
Revenue	4	**44,072**	45,974	90,802
Cost of sales		**(27,170)**	(28,144)	(55,524)
Gross profit		**16,902**	17,830	35,278
Distribution costs		**(7,869)**	(8,068)	(16,456)
Administrative expenses		**(3,411)**	(3,335)	(7,048)
Other operating expenses		**(165)**	(167)	(310)
Other net (losses)/gains	5	**(35)**	878	2,570
Change in fair value of investment properties		**703**	(2,513)	(1,931)
Operating profit		**6,125**	4,625	12,103
Finance charges		**(816)**	(1,080)	(2,057)
Finance income		**133**	148	315
Net finance charges	7	**(683)**	(932)	(1,742)
Share of profits of joint venture companies		**744**	1,077	2,273
Share of losses of associated companies		**(2,453)**	(3,527)	(2,833)
Profit before taxation		**3,733**	1,243	9,801
Taxation	8	**(1,321)**	(1,534)	(3,067)
Profit/(loss) from continuing operations		**2,412**	(291)	6,734
Discontinued operations				
Profit/(loss) from discontinued operations	32	**585**	118	(1,604)
Profit/(loss) for the period		**2,997**	(173)	5,130
Profit/(loss) for the period attributable to:				
The Company's shareholders – from continuing operations		**1,311**	(917)	4,963
The Company's shareholders – from discontinued operations		**580**	125	(1,599)
Non-controlling interests – from continuing operations		**1,101**	626	1,771
Non-controlling interests – from discontinued operations		**5**	(7)	(5)
		2,997	(173)	5,130
Underlying profit attributable to the Company's shareholders	9	**1,729**	1,256	5,300
		HK$	HK$	HK$
Earnings/(loss) per share from profit/(loss) attributable to the Company's shareholders (basic and diluted)	11			
'A' share – from continuing operations		**0.87**	(0.61)	3.31
'A' share – from discontinued operations		**0.39**	0.08	(1.06)
'B' share – from continuing operations		**0.17**	(0.12)	0.66
'B' share – from discontinued operations		**0.08**	0.01	(0.21)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 30th June 2022 – unaudited

	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December
	2022 HK$M	2021 HK$M (Note 2d)	2021 HK$M
Profit/(loss) for the period	**2,997**	(173)	5,130
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 period	**–**	59	95
deferred tax	**–**	(1)	(6)
Defined benefit plans			
remeasurement gain/(loss) recognised during the period	**10**	(6)	216
deferred tax	**1**	1	(37)
Changes in the fair value of equity investments at fair value through other comprehensive income	**44**	(12)	(10)
Share of other comprehensive income of joint venture and associated companies	**14**	15	237
	69	56	495
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
gain/(loss) recognised during the period	**128**	(145)	(59)
transferred (from)/to net finance charges	**(14)**	8	13
transferred to operating profit	**86**	36	(16)
deferred tax	**(33)**	14	7
Share of other comprehensive (loss)/income of joint venture and associated companies	**(532)**	1,916	2,235
Net translation differences on foreign operations			
recognised during the period	**(2,383)**	711	1,637
reclassified to profit or loss on disposal	**57**	–	–
others	**–**	–	(23)
	(2,691)	2,540	3,794
Other comprehensive (loss)/income for the period, net of tax	**(2,622)**	2,596	4,289
Total comprehensive income for the period	**375**	2,423	9,419
Total comprehensive income/(loss) attributable to:			
The Company's shareholders – from continuing operations	**(765)**	1,480	8,863
The Company's shareholders – from discontinued operations	**618**	159	(1,601)
Non-controlling interests – from continuing operations	**517**	791	2,162
Non-controlling interests – from discontinued operations	**5**	(7)	(5)
	375	2,423	9,419

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June 2022 – unaudited

	Note	(Unaudited) 30th June 2022 HK$M	(Audited) 31st December 2021 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**21,887**	22,538
Investment properties	13	**270,535**	267,354
Intangible assets	14	**12,728**	13,395
Right-of-use assets	15	**8,178**	8,579
Properties held for development		**1,215**	1,207
Joint venture companies	16	**28,028**	27,883
Loans due from joint venture companies	16	**15,370**	15,736
Associated companies	17	**26,230**	28,405
Loans due from associated companies	17	**29**	–
Investments at fair value		**2,271**	885
Other receivables	20	**560**	571
Derivative financial instruments	19	**462**	236
Deferred tax assets	24	**309**	468
Retirement benefit assets		**169**	178
		387,971	387,435
Current assets			
Properties for sale		**6,554**	6,411
Stocks and work in progress		**5,783**	5,685
Contract assets		**1,103**	897
Trade and other receivables	20	**11,104**	9,365
Derivative financial instruments	19	**2**	52
Bank balances and short-term deposits		**13,597**	22,894
		38,143	45,304
Assets classified as held for sale	21	**2,227**	3,577
		40,370	48,881
Current liabilities			
Trade and other payables	22	**27,649**	27,468
Contract liabilities		**827**	1,293
Taxation payable		**295**	499
Derivative financial instruments	19	**20**	8
Short-term loans		**64**	26
Long-term loans and bonds due within one year		**8,925**	17,257
Lease liabilities due within one year	23	**771**	831
		38,551	47,382
Liabilities associated with assets classified as held for sale	21	**–**	894
		38,551	48,276
Net current assets		**1,819**	605
Total assets less current liabilities		**389,790**	388,040
Non-current liabilities			
Long-term loans and bonds		**48,519**	44,266
Long-term lease liabilities	23	**4,288**	4,509
Derivative financial instruments	19	**234**	194
Other payables	22	**1,520**	1,345
Deferred tax liabilities	24	**12,279**	12,572
Retirement benefit liabilities		**1,009**	986
		67,849	63,872
NET ASSETS		**321,941**	324,168
EQUITY			
Share capital	25	**1,294**	1,294
Reserves	26	**263,107**	265,656
Equity attributable to the Company's shareholders		**264,401**	266,950
Non-controlling interests	27	**57,540**	57,218
TOTAL EQUITY		**321,941**	324,168

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30th June 2022 – unaudited

	Note	(Unaudited) Six months ended 30th June 2022 HK$M	2021 HK$M	(Audited) Year ended 31st December 2021 HK$M
Operating activities				
Cash generated from operations		**6,147**	10,657	15,453
Interest paid		**(1,027)**	(1,049)	(2,192)
Interest received		**112**	120	322
Tax paid		**(1,357)**	(1,160)	(2,559)
		3,875	8,568	11,024
Dividends received from joint venture and associated companies		**386**	241	641
Net cash generated from operating activities		**4,261**	8,809	11,665
Investing activities				
Purchase of property, plant and equipment and right-of-use assets		**(1,333)**	(1,845)	(3,812)
Additions of investment properties		**(5,027)**	(1,504)	(3,860)
Purchase of intangible assets		**(57)**	(75)	(405)
Proceeds from disposals of property, plant and equipment and right-of-use assets		**86**	383	2,514
Proceeds from disposals of investment properties		**412**	790	2,869
Proceeds from disposals of subsidiary companies, net of cash disposed of	31	**186**	127	333
Proceeds from disposals of investments at fair value		**11**	975	1,010
Proceeds from disposal of a joint venture company		**–**	–	357
Proceeds from partial disposal of an associated company		**263**	351	350
Purchase of shares in subsidiary companies		**–**	43	43
Purchase of shares in joint venture companies		**(794)**	(3,978)	(3,995)
Purchase of shares in associated companies		**(79)**	(658)	(1,104)
Purchase of investments at fair value		**(137)**	(382)	(505)
Loans to joint venture companies		**(149)**	(1,025)	(787)
Loans to associated companies		**(29)**	(103)	(210)
Repayment of loans by joint venture companies		**577**	387	614
Repayment of loans by associated companies		**–**	89	85
Advances (to)/from joint venture companies		**(285)**	199	744
(Increase)/decrease in deposits maturing after more than three months		**(146)**	30	(579)
Initial leasing costs incurred		**(3)**	(2)	(6)
Net cash used in investing activities		**(6,504)**	(6,198)	(6,344)
Net cash (outflow)/inflow before financing activities		**(2,243)**	2,611	5,321
Financing activities				
Loans drawn and refinancing		**10,853**	2,279	4,879
Repayment of loans and bonds		**(15,040)**	(7,382)	(11,825)
Principal elements of lease payments		**(460)**	(456)	(971)
		(4,647)	(5,559)	(7,917)
Capital contribution from a non-controlling interest		**986**	–	–
Dividends paid to the Company's shareholders		**(2,403)**	(1,502)	(3,004)
Dividends paid to non-controlling interests		**(858)**	(884)	(1,421)
Net cash used in financing activities		**(6,922)**	(7,945)	(12,342)
Decrease in cash and cash equivalents		**(9,165)**	(5,334)	(7,021)
Cash and cash equivalents at 1st January		**22,519**	29,233	29,233
Effect of exchange differences		**(492)**	133	307
Cash and cash equivalents at end of the period		**12,862**	24,032	22,519
Represented by:				
Bank balances and short-term deposits maturing within three months				
– Included in bank balances and short-term deposits		**12,862**	24,032	22,276
– Included in assets classified as held for sale		**–**	–	243
		12,862	24,032	22,519

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June 2022 – unaudited

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2022	**1,294**	**257,166**	**8,490**	**266,950**	**57,218**	**324,168**
Profit for the period	**–**	**1,891**	**–**	**1,891**	**1,106**	**2,997**
Other comprehensive income/(loss)	**–**	**19**	**(2,057)**	**(2,038)**	**(584)**	**(2,622)**
Total comprehensive income/(loss) for the period	**–**	**1,910**	**(2,057)**	**(147)**	**522**	**375**
Dividends paid	**–**	**(2,402)**	**–**	**(2,402)**	**(1,182)**	**(3,584)**
Capital contribution from a non-controlling interest	**–**	**–**	**–**	**–**	**986**	**986**
Change in composition of group	**–**	**–**	**–**	**–**	**(4)**	**(4)**
At 30th June 2022 (unaudited)	**1,294**	**256,674**	**6,433**	**264,401**	**57,540**	**321,941**

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2021	1,294	256,404	4,994	262,692	56,454	319,146
(Loss)/profit for the period	–	(792)	–	(792)	619	(173)
Other comprehensive income	–	9	2,422	2,431	165	2,596
Total comprehensive (loss)/income for the period	–	(783)	2,422	1,639	784	2,423
Dividends paid	–	(1,502)	–	(1,502)	(931)	(2,433)
At 30th June 2021 (unaudited)	1,294	254,119	7,416	262,829	56,307	319,136

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Statement of Profit or Loss

Six months ended 30th June 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 period HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M
Continuing operations											
Property											
Property investment	6,031	22	4,074	(168)	89	597	–	(623)	3,969	3,218	3,542
Change in fair value of investment properties	–	–	703	–	–	(66)	–	(142)	495	344	–
Property trading	383	–	218	–	–	(9)	13	(71)	151	124	(18)
Hotels	262	–	(137)	–	–	(13)	(49)	20	(179)	(146)	(146)
	6,676	**22**	**4,858**	**(168)**	**89**	**509**	**(36)**	**(816)**	**4,436**	**3,540**	**3,378**
Beverages											
Chinese Mainland	13,029	–	827	(31)	23	27	58	(244)	660	586	586
Hong Kong	1,044	1	75	(4)	–	–	–	(9)	62	62	62
Taiwan	994	–	67	–	–	–	–	(14)	53	53	53
USA	11,263	–	731	(33)	4	–	–	(148)	554	554	554
Central and other costs	–	–	(97)	–	3	(9)	–	–	(103)	(103)	(103)
	26,330	**1**	**1,603**	**(68)**	**30**	**18**	**58**	**(415)**	**1,226**	**1,152**	**1,152**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	(2,250)	–	(2,250)	(2,250)	(2,250)
HAECO group	6,557	–	192	(75)	11	222	–	(48)	302	166	166
Others	–	–	(16)	–	–	(5)	(136)	–	(157)	(152)	(152)
	6,557	**–**	**176**	**(75)**	**11**	**217**	**(2,386)**	**(48)**	**(2,105)**	**(2,236)**	**(2,236)**
Trading & Industrial											
Swire Resources	980	–	21	(7)	2	–	–	(3)	13	13	13
Taikoo Motors	2,695	–	129	(6)	1	–	–	(27)	97	97	97
Swire Foods*	744	32	(425)	(5)	1	–	–	(8)	(437)	(437)	(437)
Swire Environmental Services	83	–	27	–	–	–	–	(4)	23	23	23
Central costs	–	–	(7)	–	–	–	–	–	(7)	(7)	(7)
	4,502	**32**	**(255)**	**(18)**	**4**	**–**	**–**	**(42)**	**(311)**	**(311)**	**(311)**
Head Office, Healthcare and others											
Healthcare and others	–	–	(8)	–	–	–	(95)	–	(103)	(103)	(103)
Net income/(expenses)	7	27	(183)	(542)	54	–	–	–	(671)	(671)	(671)
Others^	–	–	(66)	–	–	–	6	–	(60)	(60)	(60)
	7	**27**	**(257)**	**(542)**	**54**	**–**	**(89)**	**–**	**(834)**	**(834)**	**(834)**
Inter-segment elimination	**–**	**(82)**	**–**	**55**	**(55)**	**–**	**–**	**–**	**–**	**–**	**–**
Total – continuing operations	**44,072**	**–**	**6,125**	**(816)**	**133**	**744**	**(2,453)**	**(1,321)**	**2,412**	**1,311**	**1,149**
Discontinued operations											
Swire Pacific Offshore group@	**524**	**–**	**79**	**(3)**	**–**	**–**	**–**	**(47)**	**29**	**24**	**24**

Note: 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 Qinyuan Bakery were HK$424 million.

^ Loss on disposal of the SPO disposal group was HK$138 million. Gain on partial disposal and deemed disposal of interest in Cadeler included under operating profit was HK$72 million.

@ Remeasurement gain on the SPO disposal group was HK$556 million. The gain for the period on the SPO disposal group was HK$585 million.

1. SEGMENT INFORMATION (continued)

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

Six months ended 30th June 2021	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits/(losses) of joint venture companies HK$M	Share of profits/(losses) of associated companies HK$M	Tax (charge)/credit HK$M	Profit/(loss) for the period HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M
Continuing operations											
Property											
Property investment	6,226	21	4,601	(310)	112	518	–	(687)	4,234	3,424	3,840
Change in fair value of investment properties	–	–	(2,513)	–	–	261	–	(319)	(2,571)	(2,144)	–
Property trading	2,394	–	496	(10)	–	128	–	7	621	507	(23)
Hotels	427	–	(109)	(7)	–	(48)	(42)	20	(186)	(153)	(135)
	9,047	**21**	**2,475**	**(327)**	**112**	**859**	**(42)**	**(979)**	**2,098**	**1,634**	**3,682**
Beverages											
Chinese Mainland	13,812	–	1,352	(33)	24	69	97	(391)	1,118	1,002	1,002
Hong Kong	1,129	1	83	(1)	–	–	–	(11)	71	71	71
Taiwan	1,003	–	77	(1)	–	–	–	(16)	60	60	60
USA	9,932	–	541	(45)	5	–	–	(87)	414	414	414
Central adjustments and other costs	955	–	(74)	–	–	(2)	–	–	(76)	(76)	(76)
	26,831	**1**	**1,979**	**(80)**	**29**	**67**	**97**	**(505)**	**1,587**	**1,471**	**1,471**
Aviation											
Cathay Pacific group#	–	–	–	–	–	–	(3,404)	–	(3,404)	(3,404)	(3,404)
HAECO group	5,402	–	342	(93)	3	140	–	(26)	366	310	310
Others	–	–	(27)	–	–	(4)	(139)	–	(170)	(160)	(160)
	5,402	**–**	**315**	**(93)**	**3**	**136**	**(3,543)**	**(26)**	**(3,208)**	**(3,254)**	**(3,254)**
Trading & Industrial											
Swire Resources	1,117	–	(8)	(10)	1	–	–	3	(14)	(14)	(14)
Taikoo Motors	2,768	–	109	(6)	1	–	–	(22)	82	82	82
Swire Foods	751	29	(20)	(7)	1	–	–	(5)	(31)	(31)	(31)
Swire Environmental Services	52	–	40	–	–	4	–	(3)	41	41	41
Central costs	–	–	(7)	–	–	–	–	–	(7)	(7)	(7)
	4,688	**29**	**114**	**(23)**	**3**	**4**	**–**	**(27)**	**71**	**71**	**71**
Head Office, Healthcare and others											
Healthcare and others	–	–	–	–	–	–	(39)	–	(39)	(39)	(39)
Net income/(expenses)	6	26	(258)	(625)	69	–	–	3	(811)	(811)	(811)
Others^	–	–	–	–	–	11	–	–	11	11	11
	6	**26**	**(258)**	**(625)**	**69**	**11**	**(39)**	**3**	**(839)**	**(839)**	**(839)**
Inter-segment elimination	**–**	**(77)**	**–**	**68**	**(68)**	**–**	**–**	**–**	**–**	**–**	**–**
Total – continuing operations	**45,974**	**–**	**4,625**	**(1,080)**	**148**	**1,077**	**(3,527)**	**(1,534)**	**(291)**	**(917)**	**1,131**
Discontinued operations											
Swire Pacific Offshore group@	**764**	**–**	**126**	**(8)**	**8**	**–**	**(1)**	**(7)**	**118**	**125**	**125**

Note: 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$197 million.

^ The remaining continuing operations of Marine Services are included in Head office – Others.

@ Gain on partial disposal of interest in Cadeler included under operating profit of the Swire Pacific Offshore group was HK$117 million.

1. SEGMENT INFORMATION (continued)

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

Year ended 31st December 2021	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits/(losses) of joint venture companies HK$M	Share of profits/(losses) of associated companies HK$M	Tax (charge)/credit HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M
Continuing operations											
Property											
Property investment	12,511	43	9,461	(582)	229	1,006	–	(1,349)	8,765	7,098	8,054
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)
	15,848	**43**	**7,848**	**(607)**	**230**	**1,870**	**(82)**	**(1,960)**	**7,299**	**5,847**	**7,783**
Beverages											
Chinese Mainland	26,862	–	2,063	(60)	56	90	72	(619)	1,602	1,418	1,418
Hong Kong	2,395	2	242	(3)	–	–	–	(26)	213	213	213
Taiwan	2,071	–	172	(1)	1	–	–	(36)	136	136	136
USA	20,685	–	1,238	(83)	8	–	–	(174)	989	989	989
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**
Aviation											
Cathay Pacific group#	–	–	–	–	–	–	(2,487)	–	(2,487)	(2,487)	(2,487)
HAECO group*	11,464	–	445	(156)	11	309	–	(198)	411	394	394
Others	–	–	108	–	–	(7)	(270)	–	(169)	(287)	(287)
	11,464	**–**	**553**	**(156)**	**11**	**302**	**(2,757)**	**(198)**	**(2,245)**	**(2,380)**	**(2,380)**
Trading & Industrial											
Swire Resources	2,106	–	(33)	(18)	2	–	–	7	(42)	(42)	(42)
Taikoo Motors	5,689	–	212	(13)	1	–	–	(40)	160	160	160
Swire Foods	1,624	63	(45)	(12)	3	–	–	(15)	(69)	(69)	(69)
Swire Environmental Services	134	–	63	–	–	4	–	(8)	59	59	59
Central costs	–	–	(13)	(1)	–	–	–	–	(14)	(14)	(14)
	9,553	**63**	**184**	**(44)**	**6**	**4**	**–**	**(56)**	**94**	**94**	**94**
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)
Others^	–	–	448	–	–	14	19	–	481	481	481
	12	**52**	**6**	**(1,232)**	**129**	**14**	**(66)**	**2**	**(1,147)**	**(1,147)**	**(1,147)**
Inter-segment elimination	**–**	**(165)**	**–**	**129**	**(129)**	**–**	**–**	**–**	**–**	**–**	**–**
Total – continuing operations	**90,802**	**(5)**	**12,103**	**(2,057)**	**315**	**2,273**	**(2,833)**	**(3,067)**	**6,734**	**4,963**	**6,899**
Discontinued operations											
Swire Pacific Offshore group@	**1,601**	**5**	**30**	**(17)**	**11**	**–**	**(1)**	**(16)**	**7**	**12**	**12**

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

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

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

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

@ Remeasurement loss on the SPO disposal group was HK$1,611 million. The loss for the year with remeasurement loss on the SPO disposal group was HK$1,604 million.

1. SEGMENT INFORMATION (continued)

(b) Analysis of total assets of the Group

At 30th June 2022	Segment assets HK$M	Joint venture companies# HK$M	Associated companies# HK$M	Bank deposits HK$M	Total assets HK$M
Property					
Property investment	278,592	33,200	–	5,310	317,102
Property trading	8,208	2,721	232	492	11,653
Hotels	4,235	1,548	221	111	6,115
	291,035	**37,469**	**453**	**5,913**	**334,870**
Beverages					
Swire Coca-Cola	**32,449**	**1,175**	**1,814**	**3,241**	**38,679**
Aviation					
Cathay Pacific group	–	–	21,762	–	21,762
HAECO group	11,748	1,908	–	2,079	15,735
Others	3,927	2,806	–	–	6,733
	15,675	**4,714**	**21,762**	**2,079**	**44,230**
Trading & Industrial					
Swire Resources	799	36	–	224	1,059
Taikoo Motors	2,204	–	–	452	2,656
Swire Foods	799	4	–	298	1,101
Swire Environmental Services	77	–	–	33	110
Other activities	3	–	–	2	5
	3,882	**40**	**–**	**1,009**	**4,931**
Head Office, Healthcare and others	**2,046**	**–**	**2,230**	**1,355**	**5,631**
	345,087	**43,398**	**26,259**	**13,597**	**428,341**

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

1. SEGMENT INFORMATION (continued)

(b) Analysis of total assets of the Group^ (continued)

At 31st December 2021	Segment assets HK$M	Joint venture companies# HK$M	Associated companies# HK$M	Bank deposits HK$M	Total assets HK$M
Property					
Property investment	274,582	33,492	–	14,161	322,235
Property trading	8,058	2,717	219	548	11,542
Hotels	4,574	1,409	242	124	6,349
	287,214	**37,618**	**461**	**14,833**	**340,126**
Beverages					
Swire Coca-Cola	**31,612**	**1,263**	**1,834**	**3,791**	**38,500**
Aviation					
Cathay Pacific group	–	–	23,611	–	23,611
HAECO group	11,932	1,887	–	2,338	16,157
Others	3,942	2,812	–	–	6,754
	15,874	**4,699**	**23,611**	**2,338**	**46,522**
Trading & Industrial					
Swire Resources	881	35	–	237	1,153
Taikoo Motors	2,151	–	–	635	2,786
Swire Foods	1,277	4	–	296	1,577
Swire Environmental Services	65	–	–	29	94
Other activities	27	–	–	2	29
	4,401	**39**	**–**	**1,199**	**5,639**
Head Office, Healthcare and others	**460**	**–**	**2,499**	**733**	**3,692**
	339,561	**43,619**	**28,405**	**22,894**	**434,479**

^ 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.

1. SEGMENT INFORMATION (continued)

(c) Analysis of total liabilities and non-controlling interests of the Group

At 30th June 2022	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Lease liabilities HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property							
Property investment	7,706	11,136	(5,794)	20,839	573	34,460	53,335
Property trading	1,406	20	5,435	–	–	6,861	864
Hotels	143	–	359	–	–	502	1,038
	9,255	**11,156**	**–**	**20,839**	**573**	**41,823**	**55,237**
Beverages							
Swire Coca-Cola	**15,896**	**1,288**	**991**	**640**	**823**	**19,638**	**478**
Aviation							
HAECO group	**3,275**	**449**	**1,929**	**130**	**2,471**	**8,254**	**1,825**
Trading & Industrial							
Swire Resources	595	–	(40)	–	422	977	–
Taikoo Motors	779	26	–	–	569	1,374	–
Swire Foods	419	28	(7)	–	198	638	–
Swire Environmental Services	46	5	–	–	3	54	–
Other activities	19	–	7	–	–	26	–
	1,858	**59**	**(40)**	**–**	**1,192**	**3,069**	**–**
Head Office, Healthcare and others	**975**	**(378)**	**(2,880)**	**35,899**	**–**	**33,616**	**–**
	31,259	**12,574**	**–**	**57,508**	**5,059**	**106,400**	**57,540**

1. SEGMENT INFORMATION (continued)

(c) Analysis of total liabilities and non-controlling interests of the Group^ (continued)

At 31st December 2021	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Lease liabilities HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property							
Property investment	8,304	11,163	(5,762)	24,601	566	38,872	52,619
Property trading	1,336	21	5,412	–	–	6,769	861
Hotels	164	–	350	–	–	514	1,077
	9,804	**11,184**	**–**	**24,601**	**566**	**46,155**	**54,557**
Beverages							
Swire Coca-Cola	**15,998**	**1,237**	**1,195**	**779**	**834**	**20,043**	**501**
Aviation							
HAECO group	**2,962**	**632**	**1,660**	**104**	**2,571**	**7,929**	**2,160**
Trading & Industrial							
Swire Resources	642	24	(54)	–	497	1,109	–
Taikoo Motors	715	43	–	–	636	1,394	–
Swire Foods	422	21	(7)	–	233	669	–
Swire Environmental Services	27	1	–	–	3	31	–
Other activities	18	–	7	–	–	25	–
	1,824	**89**	**(54)**	**–**	**1,369**	**3,228**	**–**
Head Office, Healthcare and others	**706**	**(71)**	**(2,801)**	**36,065**	**–**	**33,899**	**–**
	31,294	**13,071**	**–**	**61,549**	**5,340**	**111,254**	**57,218**

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

1. SEGMENT INFORMATION (continued)

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

	Six months ended 30th June 2022				Six months ended 30th June 2021 (Note 2d)			
	At a point in time HK$M	Over time HK$M	Rental income on leases HK$M	Total HK$M	At a point in time HK$M	Over time HK$M	Rental income on leases HK$M	Total HK$M
Property								
Property investment	–	50	5,981	6,031	–	50	6,176	6,226
Property trading	383	–	–	383	2,394	–	–	2,394
Hotels	153	109	–	262	219	208	–	427
	536	159	5,981	6,676	2,613	258	6,176	9,047
Beverages								
Chinese Mainland	13,029	–	–	13,029	13,812	–	–	13,812
Hong Kong	1,044	–	–	1,044	1,129	–	–	1,129
Taiwan	994	–	–	994	1,003	–	–	1,003
USA	11,263	–	–	11,263	9,932	–	–	9,932
Central adjustments and other costs	–	–	–	–	955	–	–	955
	26,330	–	–	26,330	26,831	–	–	26,831
Aviation								
HAECO group	217	6,340	–	6,557	219	5,183	–	5,402
Trading & Industrial								
Swire Resources	980	–	–	980	1,117	–	–	1,117
Taikoo Motors	2,694	1	–	2,695	2,754	14	–	2,768
Swire Foods	725	19	–	744	751	–	–	751
Swire Environmental Services	–	83	–	83	–	52	–	52
	4,399	103	–	4,502	4,622	66	–	4,688
Head Office	–	7	–	7	–	6	–	6
Total	31,482	6,609	5,981	44,072	34,285	5,513	6,176	45,974

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.

There are no significant differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

2. BASIS OF PREPARATION

(a) The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of The Listing Rules of The Stock Exchange of Hong Kong Limited.

The unaudited condensed interim financial statements are set out on pages 44 to 78 and also include the "Financial Information Reviewed by Auditors" under Financial Review on pages 36 and 37 and Financing on pages 38 to 42.

The financial information relating to the year ended 31st December 2021 that is included in this document as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year 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 Company's auditor has reported on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies and methods of computation and presentation used in the preparation of the condensed interim financial statements are consistent with those described in the 2021 annual financial statements except for those noted in 2(b) and 2(c) below.

(b) 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 financial statements or accounting policies.

2. BASIS OF PREPARATION (continued)

(c) The preparation of the condensed interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgements in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgements or complexity and areas where assumptions and estimates are significant to the Group's consolidated financial statements are detailed in the 2021 annual financial statements.

Economic and business conditions continued to be adversely impacted by COVID-19 in the period ended 30th June 2022. This caused the Group to continue to assess its critical accounting estimates and judgements. As part of this process, the Group undertook reviews of the carrying value of those assets with impairment indicators, mainly assets in the Aviation Division and in the trading and industrial businesses. Qinyuan Bakery recognised impairments of goodwill and other long-term assets totalling HK$424 million. The recoverable amounts of the rest of the Group's assets with impairment indicators have been tested for impairment, generally determined on a value in use basis. These carrying values remain supported by their recoverable amounts at 30th June 2022. The headrooms of recoverable amounts over carrying values as at 30th June 2022 are comparable with those as at 31st December 2021.

(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 and presented the result of the SPO disposal group as discontinued operations. The sale was completed in April 2022. The results of the SPO disposal group for the period ended 30th June 2022 are presented separately as one line-item below profit from continuing operations as "discontinued operations" in the consolidated statement of profit or loss. The comparative figures in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income have been re-presented as "discontinued operations". The comparative figures in the consolidated statement of financial position and consolidated statement of cash flows were not re-presented. Further details of financial information of the discontinued operations are set out in note 32.

3. FINANCIAL RISK MANAGEMENT

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2021 annual financial statements. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. REVENUE

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

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M (Note 2d)	2021 HK$M
Gross rental income from investment properties	**5,981**	6,176	12,409
Property trading	**383**	2,394	2,443
Hotels	**262**	427	894
Sales of goods	**30,908**	31,613	63,652
Aircraft and engine maintenance services	**5,883**	4,819	10,313
Rendering of other services	**655**	545	1,091
	44,072	45,974	90,802

5. OTHER NET (LOSSES)/GAINS

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M (Note 2d)	2021 HK$M
(Loss)/gain on disposals of subsidiary companies	**(138)**	–	137
Gain on disposal of a joint venture company	**–**	–	448
Gain arising from the acquisition of an interest in a joint venture company	**–**	24	24
Gain on partial disposal and deemed disposal of an associated company	**72**	–	–
Gain on disposals of investment properties	**27**	302	1,028
(Loss)/gain on disposals of property, plant and equipment	**(3)**	(4)	132
Gain on disposals of assets classified as held for sale	**4**	–	36
Change in fair value of assets classified as held for sale	**49**	4	42
Net foreign exchange gains/(losses)	**159**	40	(9)
Fair value gains/(losses) on investments at fair value through profit or loss	**4**	4	(5)
Fair value (losses)/gains on cross-currency swaps transferred from cash flow hedge reserve	**(82)**	(42)	9
Fair value gains on forward foreign exchange contracts not qualifying as hedges	**3**	–	1
Impairment (charges)/reversal recognised on			
Property, plant and equipment	**(20)**	12	(55)
Intangible assets	**(369)**	–	–
Dividend income on equity investments	**–**	1	3
Government subsidies	**180**	393	508
Other income	**79**	144	271
Total	**(35)**	878	2,570

6. EXPENSES BY NATURE

Expenses from continuing operations included in cost of sales, distribution costs, administrative expenses and other operating expenses are analysed as follows:

	Note	Six months ended 30th June 2022 HK$M	Six months ended 30th June 2021 HK$M (Note 2d)	Year ended 31st December 2021 HK$M
Direct rental outgoings in respect of investment properties		**1,205**	1,214	2,630
Cost of goods sold		**20,380**	21,697	42,137
Write-down of stocks and work in progress		**58**	77	184
Impairment charged on trade receivables		**7**	16	23
Depreciation of property, plant and equipment	12	**1,324**	1,358	2,749
Depreciation of right-of-use assets				
Leasehold land held for own use		**15**	15	31
Land use rights		**26**	23	49
Property		**430**	435	901
Plant and equipment		**23**	26	51
Amortisation of				
Intangible assets	14	**133**	119	242
Initial leasing costs in respect of investment properties		**16**	19	35
Others		**6**	7	13
Staff costs		**8,907**	8,400	16,872
Other lease expenses*		**72**	60	112
Other expenses		**6,013**	6,248	13,309
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**38,615**	39,714	79,338

* These expenses relate to short-term leases, leases of low-value assets or leases with variable payments, net of rent concessions received of HK$40 million for the six months ended 30th June 2022 (30th June 2021: HK$42 million; year ended 31st December 2021: HK$83 million). They are directly charged to the consolidated statement of profit or loss and are not included in the measurement of lease liabilities under HKFRS 16.

7. NET FINANCE CHARGES

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 41 for details of the Group's net finance charges.

8. TAXATION

	Note	Six months ended 30th June 2022 HK$M	Six months ended 30th June 2021 HK$M (Note 2d)	Year ended 31st December 2021 HK$M
Current taxation				
Hong Kong profits tax		**274**	372	791
Overseas tax		**886**	814	1,395
(Over)/under-provisions in prior years		**(2)**	11	35
		1,158	1,197	2,221
Deferred taxation	24			
Change in fair value of investment properties		**(34)**	193	437
Origination and reversal of temporary differences		**200**	144	409
Effect of change in tax rate in USA		**(3)**	–	–
		163	337	846
		1,321	1,534	3,067

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

The Group's share of joint venture companies' tax charges of HK$217 million (30th June 2021: HK$321 million; year ended 31st December 2021: HK$631 million) and share of associated companies' tax credits from continuing operations for the six months ended 30th June 2022 of HK$154 million (30th June 2021: tax credit of HK$173 million; year ended 31st December 2021: tax credit of HK$203 million) respectively are included in the share of results of joint venture and associated companies shown in the consolidated statement of profit or loss.

9. UNDERLYING PROFIT ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 36 for details of the Group's underlying profit attributable to the Company's shareholders.

10. DIVIDENDS

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
First interim dividend declared on 11th August 2022 of HK$1.15 per 'A' share and HK$0.23 per 'B' share (2021 first interim dividends paid: HK$1.00 and HK$0.20)	**1,727**	1,502	1,502
Second interim dividend paid on 6th May 2022 of HK$1.60 per 'A' share and HK$0.32 per 'B' share	**–**	–	2,402
	1,727	1,502	3,904

The Directors have declared first interim dividends of HK$1.15 (2021: HK$1.00) per 'A' share and HK$0.23 (2021: HK$0.20) per 'B' share for the year ending 31st December 2022. The first interim dividends, which total HK$1,727 million (2021: HK$1,502 million), will be paid on Friday, 7th October 2022 to shareholders registered at the close of business on the record date, being Friday, 9th September 2022. Shares of the Company will be traded ex-dividend as from Wednesday, 7th September 2022.

The register of members will be closed on Friday, 9th September 2022, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first 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, 8th September 2022.

11. EARNINGS/(LOSS) PER SHARE (BASIC AND DILUTED)

Earnings/(loss) per share from continuing operations is calculated by dividing the profit attributable to the Company's shareholders arising from the continuing operations for the period ended 30th June 2022 of HK$1,311 million (30th June 2021: loss of HK$917 million; year ended 31st December 2021: profit of HK$4,963 million) by the daily weighted average number of 905,206,000 'A' shares and 2,981,870,000 'B' shares in issue during the period (30th June 2021 and 31st December 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$580 million (30th June 2021: profit of HK$125 million; 31st December 2021: loss of HK$1,599 million) by the daily weighted average shares in issue during the period.

12. PROPERTY, PLANT AND EQUIPMENT

	Note	HK$M
Cost		
At 1st January 2022		45,034
Translation differences		(837)
Additions		1,216
Disposals		(442)
Other net transfers		3
At 30th June 2022		**44,974**
Accumulated depreciation and impairment		
At 1st January 2022		22,496
Translation differences		(392)
Depreciation for the period	6	1,324
Impairment charges	5	20
Disposals		(362)
Other net transfers		1
At 30th June 2022		**23,087**
Net book value		
At 30th June 2022		**21,887**
At 1st January 2022		22,538

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

13. INVESTMENT PROPERTIES

	HK$M
At 1st January 2022	267,210
Translation differences	(1,668)
Additions	4,911
Disposals	(222)
Net transfers to right-of-use assets	(7)
Transfer to assets classified as held for sale	(523)
Net fair value gains	703
At 30th June 2022	270,404
Add: initial leasing costs	131
At 30th June 2022	**270,535**
At 1st January 2022 (including initial leasing costs)	267,354

14. INTANGIBLE ASSETS

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost							
At 1st January 2022		8,124	1,171	5,958	1,000	269	16,522
Translation differences		(92)	(21)	(99)	6	2	(204)
Additions		–	39	2	–	–	41
Disposals		–	(7)	–	–	–	(7)
Other transfers		–	(3)	–	–	–	(3)
At 30th June 2022		**8,032**	**1,179**	**5,861**	**1,006**	**271**	**16,349**
Accumulated amortisation and impairment							
At 1st January 2022		1,310	692	431	558	136	3,127
Translation differences		5	(12)	3	3	1	–
Amortisation for the period	6	–	54	40	27	12	133
Disposals		–	(7)	–	–	–	(7)
Impairment losses	5	367	2	–	–	–	369
Other transfers		–	(1)	–	–	–	(1)
At 30th June 2022		**1,682**	**728**	**474**	**588**	**149**	**3,621**
Net book value							
At 30th June 2022		**6,350**	**451**	**5,387**	**418**	**122**	**12,728**
At 1st January 2022		6,814	479	5,527	442	133	13,395

15. RIGHT-OF-USE ASSETS

The Group (acting as lessee) leases land, offices, warehouses, retail stores and equipment. Except for certain long-term leasehold land in Hong Kong, rental contracts are typically made for fixed periods of 1 to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

	30th June 2022 HK$M	31st December 2021 HK$M
Leasehold land held for own use	**2,803**	2,811
Land use rights	**1,111**	1,180
Property	**4,115**	4,412
Plant and equipment	**149**	176
Total	**8,178**	8,579

Additions to right-of-use assets during the six months ended 30th June 2022 were HK$266 million (30th June 2021: HK$299 million; year ended 31st December 2021: HK$1,115 million).

15. RIGHT-OF-USE ASSETS (continued)

During the six months ended 30th June 2022, total cash outflow for leases was included in the consolidated statement of cash flows as (a) interest paid of HK$93 million (30th June 2021: HK$100 million; year ended 31st December 2021: HK$193 million) under "operating activities", (b) payment for short-term and low-value assets leases and variable lease payments of HK$72 million (30th June 2021: HK$60 million; year ended 31st December 2021: HK$112 million) recorded in cash generated from operations under "operating activities", and (c) principal elements of lease payments of HK$460 million (30th June 2021: HK$456 million; year ended 31st December 2021: HK$971 million) under "financing activities".

16. INTERESTS IN JOINT VENTURE COMPANIES

	30th June 2022 HK$M	31st December 2021 HK$M
Share of net assets, unlisted	**27,246**	27,083
Goodwill	**782**	800
	28,028	27,883
Loans due from joint venture companies less provisions		
Interest-free	**13,281**	13,498
Interest-bearing	**2,089**	2,238
	15,370	15,736

17. INTERESTS IN ASSOCIATED COMPANIES

	30th June 2022 HK$M	31st December 2021 HK$M
Share of net assets		
Listed in Hong Kong	**21,005**	22,854
Listed in Oslo	**711**	884
Unlisted	**2,991**	3,144
	24,707	26,882
Goodwill	**1,523**	1,523
	26,230	28,405
Loans due from associated companies		
Interest-free	**9**	–
Interest-bearing	**20**	–
	29	–

The market value of the shares in the listed associated companies, Cathay Pacific and Cadeler, at 30th June 2022 was HK$24,883 million and HK$762 million respectively (31st December 2021: HK$18,510 million and HK$1,260 million respectively).

On 2nd August 2022, the board of Air China approved the non-public issuance of A shares (the Issuance). The Issuance remains subject to certain conditions being satisfied. On the assumption that additional shares are issued, Cathay Pacific's shareholdings in Air China could be diluted. This has no impact to the results of the Cathay Pacific group for the six months ended 30th June 2022.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments that are measured at fair value are included in the following fair value hierarchy:

	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per consolidated statement of financial position					
At 30th June 2022					
Equity investments at fair value through other comprehensive income					
– Listed investments		**169**	**–**	**–**	**169**
– Unlisted investments		**–**	**1,267**	**166**	**1,433**
Equity investments at fair value through profit or loss					
– Listed investments		**3**	**–**	**–**	**3**
– Unlisted investments		**–**	**–**	**535**	**535**
Debt investments at fair value through profit or loss					
– Convertible notes, unlisted		**–**	**–**	**131**	**131**
Derivative financial assets	19	**–**	**464**	**–**	**464**
Total		**172**	**1,731**	**832**	**2,735**
At 31st December 2021					
Equity investments at fair value through other comprehensive income					
– Listed investments		165	–	–	165
– Unlisted investments		–	–	82	82
Equity investments at fair value through profit or loss					
– Listed investments		4	–	–	4
– Unlisted investments		–	–	508	508
Debt investments at fair value through profit or loss					
– Convertible notes, unlisted		–	–	126	126
Derivative financial assets	19	–	288	–	288
Total		169	288	716	1,173
Liabilities as per consolidated statement of financial position					
At 30th June 2022					
Derivative financial liabilities	19	**–**	**254**	**–**	**254**
Put option over a non-controlling interest in the USA	22	**–**	**–**	**569**	**569**
Put option over a non-controlling interest in a subsidiary company	22	**–**	**–**	**92**	**92**
Contingent consideration	22	**–**	**–**	**1,587**	**1,587**
Total		**–**	**254**	**2,248**	**2,502**
At 31st December 2021					
Derivative financial liabilities	19	–	202	–	202
Put option over a non-controlling interest in the USA	22	–	–	551	551
Put option over a non-controlling interest in a subsidiary company	22	–	–	91	91
Contingent consideration	22	–	–	1,527	1,527
Total		–	202	2,169	2,371

Notes:

The levels in the hierarchy represent the following:

Level 1 – Financial instruments measured at fair value using quoted prices in active markets.

Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.

Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The change in level 3 financial instruments for the period ended 30th June 2022 is as follows:

	Unlisted investments HK$M	Put options over non-controlling interests HK$M	Contingent consideration HK$M
At 1st January 2022	716	642	1,527
Translation differences	(1)	4	10
Additions	110	–	–
Distribution	–	(12)	–
Change in fair value during the period recognised in			
– profit or loss*	4	27	76
– other comprehensive income*	3	–	–
Payment of consideration	–	–	(26)
At 30th June 2022	**832**	**661**	**1,587**
* Including unrealised gains/(losses) recognised on balances held at 30th June 2022	**7**	**(27)**	**(76)**

There has been no change in the valuation techniques for level 2 and level 3 fair value hierarchy classifications.

The fair value of derivatives used for hedging in level 2 has been based on quotes from market makers or discounted cash flow valuation techniques and is supported by observable inputs. The most significant observable inputs are market interest rates, exchange rates, yields and commodity prices.

The fair value estimate of the put option over a non-controlling interest in the USA classified within level 3 is determined using a discounted cash flow valuation technique and contains a number of unobservable inputs, including the expected fair value of the associated investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is in 2023 and the discount rate used is 6.3% (31st December 2021: 6.3%).

The investment property's fair value at the expected time of exercise is itself subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected fair market rent and the expected capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 30th June 2022. If the expected time of exercise is later or if the discount rate is higher, the fair value of the put option would be lower. The opposite is true for an earlier time of exercise or a lower discount rate.

The fair value of unlisted investments, put option over a non-controlling interest in a subsidiary company (other than the subsidiary company holding a non-controlling interest in the USA) and contingent consideration classified within level 3 are determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs based on reasonable alternative assumptions would not significantly change the valuation of unlisted investments, put option and contingent consideration.

The Group's finance departments perform the valuations of financial instruments required for reporting purposes, including level 3 fair values. The valuations are reviewed and approved by Divisional Finance Directors.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value:

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values at 30th June 2022 and 31st December 2021 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	At 30th June 2022		At 31st December 2021	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Long-term loans and bonds	**57,444**	**56,110**	61,523	61,627

19. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments solely for management of an underlying risk. The Group minimises its exposure to market risk since gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

	30th June 2022		31st December 2021	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps				
Cash flow hedges	**462**	**152**	280	117
Not qualifying as hedges	**–**	**82**	–	77
Interest rate swaps – cash flow hedges	**–**	**–**	–	7
Forward foreign exchange contracts				
Cash flow hedges	**1**	**7**	–	1
Not qualifying as hedges	**1**	**–**	–	–
Commodity swaps – not qualifying as hedges	**–**	**13**	8	–
Total	**464**	**254**	288	202
Analysed as:				
Current	**2**	**20**	52	8
Non-current	**462**	**234**	236	194
	464	**254**	288	202

20. TRADE AND OTHER RECEIVABLES

	30th June 2022 HK$M	31st December 2021 HK$M
Trade debtors	**5,480**	4,391
Amounts due from immediate holding company	**9**	2
Amounts due from joint venture companies	**145**	103
Amounts due from associated companies	**387**	266
Mortgage loan receivable – Non-current portion	**1**	17
Prepayments and accrued income	**2,263**	2,015
Other receivables	**2,866**	2,637
Deferred receivables – Non-current portion	**513**	505
	11,664	9,936
Amounts due after one year included under non-current assets	**(560)**	(571)
	11,104	9,365

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

	30th June 2022 HK$M	31st December 2021 HK$M
Under three months	**5,179**	4,082
Between three and six months	**199**	244
Over six months	**102**	65
	5,480	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.

21. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As at 30th June 2022, assets classified as held for sale represents Swire Properties' 100% interest in certain investment properties. Swire Properties' 100% interest in these investment properties comprised 1,164 car parking spaces and 196 motorcycle parking spaces in stages I to IX of the Taikoo Shing residential development in Hong Kong. The spaces in stage VI were offered to registered owners at Taikoo Shing in the fourth quarter of 2020, and Swire Properties offered further car parking spaces in stages II to IV and VII to IX in batches during 2021. Swire Properties also offered car parking spaces in stages I and V during the period.

22. TRADE AND OTHER PAYABLES

	30th June 2022 HK$M	31st December 2021 HK$M
Trade creditors	6,482	5,245
Amounts due to immediate holding company	168	143
Amounts due to joint venture companies	113	38
Amounts due to associated companies	433	513
Interest-bearing advances from joint venture companies	940	1,283
Interest-bearing advances from an associated company	82	81
Advances from non-controlling interests	1,135	1,130
Rental deposits from tenants	2,782	2,782
Deposits received on sale of investment properties	8	10
Put options over non-controlling interests	661	642
Contingent consideration	1,587	1,527
Accrued capital expenditure	1,148	1,511
Other accruals	8,612	9,180
Other payables	5,018	4,728
	29,169	28,813
Amounts due after one year included under non-current liabilities	(1,520)	(1,345)
	27,649	27,468

The analysis of the age of trade creditors is as follows:

	30th June 2022 HK$M	31st December 2021 HK$M
Under three months	6,389	5,124
Between three and six months	73	93
Over six months	20	28
	6,482	5,245

23. LEASE LIABILITIES

	30th June 2022 HK$M	31st December 2021 HK$M
Maturity profile		
Within one year	771	831
Between one and two years	623	651
Between two and five years	1,157	1,230
Over five years	2,508	2,628
	5,059	5,340
Amounts due within one year included under current liabilities	(771)	(831)
	4,288	4,509

24. DEFERRED TAXATION

The movement on the net deferred tax liabilities account is as follows:

	Note	HK$M
At 1st January 2022		12,104
Translation differences		(331)
Charged to profit or loss	8	163
Charged to other comprehensive income		30
Others		4
At 30th June 2022		**11,970**
Represented by:		
Deferred tax assets		(309)
Deferred tax liabilities		12,279
		11,970

25. SHARE CAPITAL

	'A' shares	'B' shares	Total HK$M
Issued and fully paid with no par value:			
At 30th June 2022 and 31st December 2021	905,206,000	2,981,870,000	1,294

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

26. RESERVES

	Revenue reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2022	257,166	2,435	(130)	1,013	5,172	265,656
Profit for the period	1,891	–	–	–	–	1,891
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the period	10	–	–	–	–	10
– deferred tax	1	–	–	–	–	1
Changes in the fair value of equity investments at fair value through other comprehensive income						
– gains recognised during the period	–	–	42	–	–	42
– deferred tax	–	–	2	–	–	2
– reclassified to revenue reserve on disposal	(6)	–	6	–	–	–
Cash flow hedges						
– gains recognised during the period	–	–	–	118	–	118
– transferred to net finance charges	–	–	–	(13)	–	(13)
– transferred to operating profit	–	–	–	86	–	86
– deferred tax	–	–	–	(31)	–	(31)
Share of other comprehensive income of joint venture and associated companies	14	–	–	943	(1,309)	(352)
Net translation differences on foreign operations	–	–	–	–	(1,901)	(1,901)
Total comprehensive income for the period	**1,910**	**–**	**50**	**1,103**	**(3,210)**	**(147)**
2021 second interim dividend	(2,402)	–	–	–	–	(2,402)
At 30th June 2022	**256,674**	**2,435**	**(80)**	**2,116**	**1,962**	**263,107**

(a) The Group's revenue reserve at 30th June 2022 includes HK$1,727 million representing the declared first interim dividend for the year (31st December 2021: HK$2,402 million representing the second interim dividend for 2021).

(b) At 30th June 2022, the Group's cash flow hedge reserve includes credit of HK$92 million (net of tax) (31st December 2021: a credit of HK$54 million) relating to the currency basis element of the Group's derivatives which is recognised separately as a cost of hedging.

27. NON-CONTROLLING INTERESTS

The movement of non-controlling interests during the period is as follows:

	HK$M
At 1st January 2022	**57,218**
Share of profits less losses for the period	1,106
Share of cash flow hedges	
– gains recognised during the period	10
– transferred to net finance charges	(1)
– deferred tax	(2)
Share of other comprehensive income of joint venture and associated companies	(166)
Share of net translation differences on foreign operations	(425)
Share of total comprehensive income for the period	**522**
Dividends paid and payable	(1,182)
Capital contribution from a non-controlling interest	986
Change in composition of group	(4)
At 30th June 2022	**57,540**

28. CAPITAL COMMITMENTS

	30th June 2022 HK$M	31st December 2021 HK$M
The Group's outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted but not provided for	**2,265**	829
Authorised by Directors but not contracted for^	**8,065**	7,836
Investment properties		
Contracted but not provided for	**3,787**	4,541
Authorised by Directors but not contracted for	**16,897**	10,924
	31,014	24,130
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted but not provided for	**620**	186
Authorised by Directors but not contracted for	**4,062**	4,750
	4,682	4,936

^ Included outstanding capital commitments from discontinued operations of HK$83 million as at 31st December 2021.

* Of which the Group is committed to funding HK$147 million (31st December 2021: HK$1,146 million).

29. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK$4,091 million (31st December 2021: HK$3,718 million). Bank guarantees given in lieu of utility deposits and others totalled HK$141 million at the end of the period (31st December 2021: HK$314 million).

(b) Cathay Pacific

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

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

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

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

30. RELATED PARTY TRANSACTIONS

There are agreements for services (Services Agreements), in respect of which John Swire & Sons (H.K.) Limited (JS&SHK) provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JS&SHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The Services Agreements (as amended and restated on 9th August 2019) were renewed on 1st October 2019 for three years expiring on 31st December 2022. For the six months ended 30th June 2022, service fees payable amounted to HK$162 million (2021: HK$166 million). Expenses of HK$172 million (2021: HK$166 million) were reimbursed at cost; in addition, HK$221 million (2021: HK$186 million) in respect of shared administrative services was reimbursed.

30. RELATED PARTY TRANSACTIONS (continued)

Under a tenancy framework agreement (Tenancy Framework Agreement) between JS&SHK, the Company and Swire Properties Limited dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JS&SHK group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed on 1st October 2021 for a further term of three years expiring on 31st December 2024. For the six months ended 30th June 2022, the aggregate rentals payable to the Group by the JS&SHK group under tenancies to which the Tenancy Framework Agreement applies amounted to HK$57 million (2021: HK$56 million).

The above transactions under the Services Agreements and the Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

The following is a summary of significant transactions between the Group and related parties (including transactions under the Tenancy Framework Agreement), which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the financial statements.

		For the six months ended 30th June							
		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	**2022 HK$M**	2021 HK$M	**2022 HK$M**	2021 HK$M	**2022^ HK$M**	2021^ HK$M	**2022 HK$M**	2021 HK$M
Revenue from	(a)								
Sales of beverage drinks		**25**	1	**3**	1	**–**	–	**–**	–
Sales of goods		**534**	481	**–**	–	**–**	–	**–**	–
Rendering of services		**34**	38	**48**	17	**–**	7	**1**	1
Aircraft and engine maintenance		**16**	27	**879**	709	**–**	–	**–**	–
Rental of properties	(b)	**–**	–	**–**	–	**–**	–	**57**	56
Purchases of beverage drinks	(a)	**87**	110	**1,860**	2,019	**–**	–	**–**	–
Purchases of other goods	(a)	**5**	5	**12**	14	**–**	–	**–**	–
Purchases of services	(a)	**6**	9	**–**	–	**11**	4	**–**	–
Interest income	(c)	**19**	41	**–**	7	**–**	–	**–**	–
Interest charges	(c)	**13**	8	**1**	2	**–**	–	**–**	–

^ Included discontinued operations

Notes:

(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.

(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.

(c) Loans advanced to joint venture and associated companies are disclosed in notes 16 and 17. Amounts due from and to joint venture and associated companies and advances from these companies are disclosed in notes 20 and 22.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of subsidiary companies

	Subsidiaries in Marine Services HK$M
Net assets disposed of:	
Property, plant and equipment	1,351
Intangible assets	9
Right-of-use assets	5
Associated companies	3
Retirement benefit assets	10
Stocks and work in progress	73
Trade and other receivables	628
Bank balances and short-term deposits	261
Trade and other payables	(543)
Lease liabilities	(4)
	1,793
Loss on disposal	(138)
	1,655
Satisfied by:	
Cash received (net of transaction costs)	443
Other consideration (net of transaction costs)	1,212
	1,655
Analysis of the net inflow of cash and cash equivalents from disposals:	
Net cash proceeds	443
Cash and cash equivalents disposed of	(261)
Net inflow of cash and cash equivalents	**182**

The valuation of assets and liabilities of the SPO disposal group at the closing date will be subject to finalisation within 120 days from the closing date of 22nd April 2022. Any adjustment to the provisional amount, if necessary, will be reflected in the upcoming consolidated financial statement of the Group.

32. DISCONTINUED OPERATIONS

(a) Results from discontinued operations

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
Revenue	**524**	764	1,606
Cost of sales	**(375)**	(710)	(1,506)
Gross profit	**149**	54	100
Administrative expenses	**(83)**	(121)	(288)
Other net gains	**13**	193	218
Operating profit	**79**	126	30
Net finance charges	**(3)**	–	(6)
Share of losses of associated companies	**–**	(1)	(1)
Profit before taxation	**76**	125	23
Taxation	**(47)**	(7)	(16)
Profit after taxation	**29**	118	7
Remeasurement gain/(loss) on the disposal group	**556**	–	(1,611)
Profit/(loss) from discontinued operations	**585**	118	(1,604)

During the period ended 30th June 2022, the remeasurement gain recognised in respect of the SPO disposal group represents the change in fair value of share warrants issued by Tidewater Inc. as part of the disposal consideration from 1st January 2022 to the date of completion of the disposal on 22nd April 2022. This remeasurement results in a reversal of the impairment loss previously recognised against property, plant and equipment of the SPO disposal group.

(b) Total comprehensive income/(loss) from discontinued operations

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
Profit/(loss) for the period	**585**	118	(1,604)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plans			
– remeasurement gains recognised during the period	**12**	–	3
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
– losses recognised during the period	**–**	(3)	(3)
– transferred from/(to) operating profit	**1**	(4)	(3)
Net translation differences on foreign operations			
– recognised during the period	**25**	41	1
Other comprehensive income/(loss) for the period, net of tax	**38**	34	(2)
Total comprehensive income/(loss) for the period	**623**	152	(1,606)

32. DISCONTINUED OPERATIONS (continued)

(c) Cash flows from discontinued operations

	Six months ended 30th June		Year ended 31st December
	2022 HK$M	2021 HK$M	2021 HK$M
Net cash generated from/(used in) operating activities	**16**	(120)	(140)
Net cash (used in)/generated from investing activities	**(6)**	613	614
Net cash generated from/(used in) financing activities	**6**	(596)	(582)
Net cash generated from/(used in) discontinued operations	**16**	(103)	(108)

33. EVENT AFTER THE REPORTING PERIOD

In July 2022, Swire Coca-Cola announced that it had entered into agreements to acquire from The Coca-Cola Company (TCCC) certain of its subsidiaries engaged in the business of preparation, packaging, distribution and sale of ready-to-drink beverages bearing trade marks owned by TCCC in Vietnam and Cambodia, for an aggregate consideration of US$1,015 million. The consideration will be payable in cash at completion and will be subject to completion adjustments by reference to the net cash and the working capital of the relevant companies in Vietnam and Cambodia. Completion of the transactions is subject to certain conditions, including, without limitation, applicable anti-trust approval, and is expected to take place within six months after the date of the relevant agreements.

In July 2022, a wholly-owned subsidiary of the Company entered into an agreement for the restructuring of Coca-Cola Bottlers Manufacturing Holdings Limited (CCBMH), which the Group holds 41% of the shares. Pursuant to the agreement, the Group has agreed to purchase the equity interests in six of the beverage preparation and packaging subsidiaries of CCBMH. Completion of the equity transfer is subject to the satisfaction of conditions, including applicable anti-trust approval, and is expected to happen on or before 31st March 2023.

SUPPLEMENTARY INFORMATION

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 accounting period covered by the interim report.

During 2021, The Stock Exchange of Hong Kong Limited consulted on changes to the CG Code and related Listing Rules. The changes are applicable to financial years commencing on or after 1st January 2022 and relevant changes will be reflected in the Company's 2022 Annual Report.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) 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) set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the interim report, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

The interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

SHARE CAPITAL

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

DIRECTORS' PARTICULARS

Changes in the particulars of the Directors are set out as follows:

1. M Cubbon resigned as a Non-Executive Director of the Company with effect from the conclusion of the Company's 2022 annual general meeting held on 12th May 2022 (2022 AGM).

2. T G Freshwater resigned as an Independent Non-Executive Director of the Company with effect from the conclusion of the Company's 2022 AGM.

3. G D McCallum was appointed as a Non-Executive Director of the Company with effect from the conclusion of the Company's 2022 AGM.

4. E M Ngan was appointed as an Independent Non-Executive Director of the Company with effect from 24th June 2022.

5. B Y Zhang was appointed as an Independent Non-Executive Director of the Company with effect from 24th June 2022.

DIRECTORS' INTERESTS

At 30th June 2022, the register maintained under Section 352 of the Securities and Futures Ordinance (SFO) showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited and Cathay Pacific Airways Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
P K Etchells	–	12,000	–	12,000	0.0013	
G R H Orr	9,000	–	–	9,000	0.0010	
M B Swire	180,000	–	301,000	481,000	0.0531	3
'B' shares						
C Lee	1,370,000	–	21,605,000	22,975,000	0.7705	1
G D McCallum	77,500	–	–	77,500	0.0026	
M B Swire	390,000	–	3,024,617	3,414,617	0.1145	4
S C Swire	1,225,396	–	–	1,225,396	0.0411	

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
G D McCallum	46,177	–	–	46,177	0.05	
M B Swire	2,693,550	130,000	17,293,967	20,117,517	20.12	2
S C Swire	2,769,333	1,000	20,135,992	22,906,325	22.91	2
8% Cum. Preference Shares of £1						
G D McCallum	64,247	–	–	64,247	0.07	
M B Swire	3,966,125	–	13,384,780	17,350,905	19.28	2
S C Swire	3,018,959	–	17,170,053	20,189,012	22.43	2

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

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Cathay Pacific Airways Limited						
Ordinary Shares						
E M Ngan	2,000	–	–	2,000	0.00003	

Notes:

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

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER INTERESTS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2022 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

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

Note:

1. John Swire & Sons Limited (Swire) was deemed to be interested in a total of 442,879,720 'A' shares and 2,131,969,282 'B' shares of the Company at 30th June 2022, comprising:
   (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 2,055,000 'B' shares held by Canterbury Holdings Limited, 322,603,700 'A' shares and 123,945,000 'B' shares held by Elham Limited, 39,461,000 'A' shares and 373,003,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 27,716,500 'A' shares held by Waltham Limited.

At 30th June 2022, the Swire group was interested in 57.89% of the equity of the Company and controlled 66.24% of the voting rights attached to shares in the Company.

GLOSSARY

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

FINANCIAL

Underlying profit or loss
Reported profit or loss adjusted principally for the impact of (i) changes in the fair value of investment properties, (ii) deferred tax on investment properties and (iii) amortisation of right-of-use assets reported under investment properties.

Recurring underlying profit or loss
Underlying profit or loss adjusted for significant credits and charges of non-recurring nature, including gains and losses on the sale of businesses and investment properties and non-cash impairments.

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Equity attributable to the Company's shareholders
Equity excluding non-controlling interests.

Gross borrowings
Total of loans, bonds and overdrafts.

Net debt
Total of loans, bonds and overdrafts net of cash, bank deposits and bank balances.

AVIATION

Available tonne kilometres (ATK)
Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.

Available seat kilometres (ASK)
Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available cargo tonne kilometres (AFTK)
Cargo capacity, measured in tonnes available for the carriage of freight on each sector multiplied by the sector distance.

Revenue tonne kilometres (RTK)
Traffic volume, measured in tonnes from the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.

Revenue passenger kilometres (RPK)
Number of passengers carried on each sector multiplied by the sector distance.

Cargo revenue tonne kilometres (RFTK)
Amount of cargo, measured in tonnes, carried on each sector multiplied by the sector distance.

On-time performance
Departure within 15 minutes of scheduled departure time.

RATIOS

FINANCIAL

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the period/year}}$$

$$\text{Equity attributable to the Company's shareholders per share} = \frac{\text{Equity excluding non-controlling interests}}{\text{Number of shares in issue at the end of the period/year}}$$

$$\text{Return on equity} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the period/year attributable to the Company's shareholders}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

AVIATION

$$\text{Passenger/Cargo load factor} = \frac{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}{\text{Available seat kilometres/Available cargo tonne kilometres}}$$

$$\text{Passenger/Cargo yield} = \frac{\text{Passenger revenue/Cargo revenue}}{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses at Cathay Pacific}}{\text{ATK of Cathay Pacific}}$$

FINANCIAL CALENDAR AND INFORMATION FOR INVESTORS

FINANCIAL CALENDAR 2022

Interim Report available to shareholders	7th September
'A' and 'B' shares trade ex-dividend	7th September
Share registers closed for 2022 first interim dividends entitlement	9th September
Payment of 2022 first interim dividends	7th October
Annual results announcement	March 2023
2022 second interim dividends payable	May 2023
Annual General Meeting	May 2023

REGISTERED OFFICE

Swire Pacific Limited
33rd Floor, One Pacific Place
88 Queensway
Hong Kong

REGISTRARS

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Website: www.computershare.com

DEPOSITARY

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 505000
Louisville, KY 40233-5000
USA
Website: www.mybnymdr.com
E-mail: shrrelations@cpushareownerservices.com
Tel: Calls within USA – toll free: 1-888-269-2377
International callers: 1-201-680-6825

STOCK CODES

STOCK CODES	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

INVESTOR RELATIONS

E-mail: ir@swirepacific.com

PUBLIC AFFAIRS

E-mail: publicaffairs@swirepacific.com
Tel: (852) 2840-8093
Fax: (852) 2526-9365
Website: www.swirepacific.com

REQUEST FOR FEEDBACK

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

DISCLAIMER

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

Printed in Hong Kong

MIX
Paper from responsible sources
FSC™ C120915

SWIRE PACIFIC

www.swirepacific.com