

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report these excellent financial results for 2023. The year saw a significant turnaround from the Aviation Division, driven by the strong post-COVID demand for travel. The growing momentum of the post-COVID recovery also benefitted our Property Division's retail and hotel businesses. Our core businesses remained solid despite the difficult economic environment and ongoing geopolitical tensions in the second half of the year.

The record underlying profit of HK\$36.2 billion was also driven by some very large non-recurring items during the year. In particular, these included the HK\$22.9 billion gain from the sale of our Swire Coca-Cola, USA business in September 2023 and the significant gains arising from Swire Properties entering into agreements to sell 12 floors at One Island East for a total consideration of HK\$5.4 billion (the sale of nine floors with an attributable underlying disposal gain of HK\$2.7 billion was recognised in 2023). These gains were partially offset by impairments at HAESL and DeltaHealth, a loss on the disposal of HAECO's cabin solutions business, and a provision for New Life Plastics.

As a company with more than 150 years of history in Hong Kong, we are fully committed to Hong Kong and to reinforcing its position as an international financial centre and aviation hub, as well as supporting its widening economic integration into the Greater Bay Area under the principle of "One Country, Two Systems". We are optimistic about Hong Kong's ability to recover and are confident about the long-term economic outlook for the Chinese Mainland where we will continue to identify and seize investment opportunities.

I offer my special thanks and appreciation for the support shown by our shareholders, partners and communities over the past three, difficult years. I am proud of the way our employees have weathered the pandemic and today's results stand as testimony to their hard work and dedication. Although the economic outlook over the short term is uncertain, we remain steadfast in our belief that our prudent management, strong financial position and strategy of investing for the long term will keep us on the right path.

Strategic Developments

In 2023, we remained committed to our long-term strategy of continuous investment in our core markets of Hong Kong, the Chinese Mainland and South East Asia. We continued to focus on enhancing shareholder returns through both ordinary and special dividends, and announced a new HK\$6 billion share buy-back programme in December 2023.

Swire Properties continued with its HK\$100 billion plan, announced in March 2022 and, by March 2024, had committed almost 60% of this in projects in our core markets. In Hong Kong, we continued to invest in our core assets in Taikoo Place and Pacific Place. In the Chinese Mainland, new projects included the retail-led, mixed-use development Taikoo Li Xi'an, a retail-led development in Sanya and mixed-use developments in Shanghai. Swire Properties also has a pipeline of residential developments in Hong Kong and South East Asia. In November 2023, Swire Properties broke ground at its Taikoo Li Xi'an development, which is situated within the Small Wild Goose Pagoda historical and cultural zone. It will be Swire Properties' largest "Taikoo Li" project in the Chinese Mainland once completed. In September 2023, the business bid successfully to acquire a 40% interest in both the Yangjing and the New Bund Mixed-use Projects in Shanghai, scaling up its presence in the city and marking Swire Properties' residential brand's debut in the Chinese Mainland. The two sites in Shanghai will be developed into large-scale, mixed-use projects, and include retail, office and premium residential components.

Swire Coca-Cola completed the sale of 100% equity interest in Swire Coca-Cola, USA, in September 2023. The non-recurring profit derived from the sale further strengthens our balance sheet and reinforces our long-term strategy. At the beginning of the year, Swire Coca-Cola completed the restructuring of Coca-Cola Bottlers Manufacturing Holdings Limited's still beverages business, and assumed ownership of its six subsidiaries in the Chinese Mainland. Swire Coca-Cola continued to expand its footprint in South East Asia, which began with bottling business acquisitions in Vietnam and Cambodia. On 9th February 2024, Swire Coca-Cola conditionally agreed to acquire a majority stake in ThaiNamthip Corporation Ltd.'s bottling businesses in Thailand and Laos for an aggregate consideration of approximately THB42,616 million (approximately HK\$9,470 million).

The Cathay group has had a very successful year, with its passenger businesses performing especially well. By December 2023, the Cathay group operated passenger flights covering approximately 80 destinations, with Cathay Pacific carrying 18.0 million passengers in 2023 – over five times greater than in 2022. The Cathay group achieved a consolidated profit for the year overall, making 2023 its first profitable year since 2019. In December 2023, the Cathay group bought back 50% – HK\$9.75 billion – of the HK\$19.5 billion preference shares issued to the HKSAR Government as part of the Cathay group's recapitalisation financing during the pandemic. The Cathay group intends to buy back the remaining 50% of shares by the end of July 2024 subject to market conditions and business operations. The Cathay group's strong results in 2023 have also allowed it to announce its first dividend to ordinary shareholders since 2019. Other key milestones include ordering an additional 32 Airbus A321neo and A320neo aircraft for the passenger business in September 2023, as well as six Airbus A350F freighters for the cargo business in December 2023, with the right to acquire 20 more. The Cathay group has also invested in new seats across First class, Business class and Premium Economy in the passenger business. In October 2023, the Cathay group's low-cost carrier HK Express added a new route between Hong Kong and Manila.

Business Performance

Last year, underlying profit across our businesses was driven by the post-COVID surge in demand for travel. Most significantly, this had a huge impact on the Cathay group, but it also benefitted HAECO, Swire Properties' retail operations and Swire Hotels.

In 2023, the consolidated profit attributable to shareholders was HK\$28,853 million, compared with HK\$4,195 million in 2022. The underlying profit attributable to shareholders for the year, adjusted for changes in the value of investment properties, was HK\$36,177 million compared with HK\$4,748 million in 2022. Disregarding changes in the value of investment properties and significant non-recurring items in both years, the Group recorded a recurring underlying profit of HK\$10,449 million in 2023 compared with HK\$3,800 million in 2022.

The Cathay group was the key driver of this substantial increase in our recurring underlying profit as its businesses continued to rebuild. The HAECO group achieved a significant growth of 86% in recurring profit, buoyed by the improved sentiment in the aviation industry. Swire Properties also generated an increase in recurring underlying profit and Swire Coca-Cola's performance remained stable.

Property Division

Swire Properties continued to grow in 2023. The division's attributable recurring underlying profit for the year was HK\$5,942 million, a 2% increase on 2022's profit of HK\$5,844 million. Swire Properties' retail portfolio in Hong Kong recovered significantly throughout the year following the city's reopening, as well as a roll-out of marketing, digital and loyalty initiatives. Demand for office space in Hong Kong remains subdued, reflecting the ongoing economic uncertainty and high interest rates.

In the Chinese Mainland, since the removal of pandemic restrictions and the full reopening of the border, there has been a significant improvement in foot traffic, while retail sales strongly exceeded levels seen before the pandemic. Operating results for Swire Hotels in Hong Kong and the Chinese Mainland also improved following the resumption of travel after pandemic restrictions were lifted. Property trading recorded a loss due to sales and marketing expenses, as well as fewer units sold.

Beverages Division

At **Swire Coca-Cola**, the business reported a recurring profit of HK\$2,394 million in 2023 compared with HK\$2,392 million in 2022. The figure excludes a gain arising from the disposal of the franchise business in the USA, as well as a gain from the fair value adjustment relating to the acquisition of equity interests in still bottling plants in the Chinese Mainland and a provision for New Life Plastics. The sale of the franchise business in the USA in September 2023 impacted revenue due to the non-recording of the last four months of revenue for the year. However, this was partly offset by the full-year contribution from the franchise businesses in Vietnam and Cambodia.

Last year saw profit decreases in both the Chinese Mainland and Taiwan, while profit increased in Hong Kong. Vietnam also posted a strong performance. Cambodia, however, recorded an attributable loss due to challenging market conditions.

Aviation Division

In what was a year of challenges and opportunities, the **Cathay** group's attributable profit on a 100% basis for 2023 was HK\$9,789 million compared with 2022's restated loss of HK\$6,623 million. The Cathay group has worked hard to re-establish Hong Kong's connectivity, as well as cater to huge demand for travel following the removal of pandemic restrictions.

Cathay Pacific's strong turnaround is the key driver of Swire Pacific's outstanding performance in 2023. The Cathay group continues to work towards strengthening the business for its customers, people, shareholders and home hub, and the airline's performance is also indicative of Hong Kong's ongoing recovery as an international aviation hub. In 2023, HK Express posted its first-ever profit since being acquired by the Cathay group in 2019. The low-cost carrier benefitted from a surge in demand for short-haul flights within Asia.

The results of the Cathay group's associate business, Air China, are reported three months in arrears and therefore do not reflect the full benefit of the post-COVID recovery in the second half of 2023.

The **HAECO** group also performed well. In 2023, the group achieved a recurring profit of HK\$465 million, disregarding an impairment loss of HK\$675 million from HAESL, as well as a disposal loss of HK\$420 million for the cabin solutions business in September 2023. This compares with 2022's profit of HK\$250 million, disregarding an impairment charge of HK\$65 million in respect of rotatable aircraft parts. The majority of the HAECO group's businesses performed better in 2023 than in 2022, driven primarily by an uptick in workload recovery of base and line maintenance, and the strong demand for engine overhaul at HAECO Engine Services (Xiamen).

Other Businesses

We maintained our focus on expanding our healthcare services platform and explored investment opportunities in major city clusters in the Chinese Mainland and South East Asia. In December 2023, we announced a minority investment with the Indonesia Investment Authority, Indonesia's sovereign wealth fund, in the Indonesia Healthcare Corporation. This investment underscores a commitment by the Group to support the enhancement of healthcare services in Indonesia, and reflects our confidence in the development of the sector. The transaction is subject to anti-trust approval and is expected to close in the second quarter of 2024.

Our trading & industrial businesses achieved a higher recurring profit than in 2022. This was attributable mainly to the turnaround at Swire Resources following an increase in tourist arrivals and better local sentiment.

Progressive Dividends and Share Buy-Back

We continue to focus on crystallising value and improving returns to our shareholders by exercising our progressive dividend policy. The Directors are pleased to declare a second interim dividend of HK\$2.00 per 'A' share and HK\$0.40 per 'B' share which, together with the dividend paid in October 2023, amount to full-year dividends of HK\$3.20 per 'A' share and HK\$0.64 per 'B' share. This is an increase of 7% on the ordinary dividends for 2022.

The second interim dividend will be paid on 3rd May 2024 to shareholders registered at the close of business on the record date, being Friday, 12th April 2024. Shares of the Company will be traded ex-dividend from Wednesday, 10th April 2024.

In addition to ordinary dividends, in September 2023 the Company also paid a special dividend of HK\$8.120 per 'A' share and HK\$1.624 per 'B' share after the completion of the disposal of Swire Coca-Cola, USA. The sale enabled us to provide a substantial, immediate return of cash to shareholders.

We continued to improve our shareholder returns with our share buy-back programme of up to HK\$4 billion, which was announced in August 2022 and completed in May 2023. In light of the value created for shareholders by this buy-back programme, we announced in December 2023 a new 'A' and 'B' share buy-back programme of up to HK\$6 billion, which, unless terminated earlier under the terms of the programme, will run through to the conclusion of the Company's annual general meeting to be held in May 2025. During 2023, the Company repurchased 11,625,000 'A' shares and 18,562,500 'B' shares for an aggregate cash consideration of HK\$875 million at an average price of HK\$59.8 per 'A' share and HK\$9.7 per 'B' share.

Financial Strength

Our financial position remains robust. As of 31st December 2023, our available liquidity increased from HK\$33.1 billion to HK\$48.9 billion. Weighted average cost of debt remained at a healthy level of 4.0%, with 76% of the Group's gross borrowing being on a fixed-rate basis. Our gearing ratio was 17.0%. We have a very healthy balance sheet, which positions us well to continue investing in our core markets for the mid to long term, despite any short-term volatility that may arise as a result of the current high interest environment, global economic challenges and geopolitical tensions.

Sustainability

Swire Pacific has a long-standing commitment to sustainability. Under our **SwireTHRIVE** strategy, we have chosen five areas on which to focus: climate, waste, water, people and communities, with the aim of contributing to a more sustainable, equitable and prosperous future.

In 2023, we piloted internal carbon pricing for our operating companies. The initiative comprises carbon fees and shadow pricing, and will continue throughout 2024. Swire Properties, Swire Coca-Cola and HAECO, which collectively account for more than 90% of the Group's greenhouse gas emissions, are participating in the internal carbon pricing initiative. We have also included sustainable finance, where a portion of cost is linked to the achievement of sustainability targets. At the end of 2023, sustainable finance represented more than 47% of the Group's total financing.

Last year, Swire Pacific was included in the Dow Jones Sustainability Asia Pacific Index and the Company has appeared in Dow Jones sustainability indices since 2001. Swire Pacific also received an AA+ rating from the Hang Seng Corporate Sustainability Index, and is included in the Hang Seng Corporate Sustainability Benchmark and Hang Seng ESG 50 indices. Also in 2023, Swire Pacific received an AAA rating from MSCI ESG Research, making us one of the top performers in our sector.

In 2023, Swire Properties and Swire Coca-Cola achieved global and local recognition for their sustainability efforts, and Cathay Pacific continued towards its goal of using sustainable aviation fuel for 10% of its total fuel use by 2030 and achieving net-zero carbon emissions by 2050.

Looking Ahead

In 2024, we are striving to build on last year's achievements across all our businesses through our long-term strategy of investing in our core markets.

Swire Properties continues to invest in the Chinese Mainland and Hong Kong, where its flagship brands remain highly sought-after. In Hong Kong, we expect to see continuing improvements in retail sales and in the hotel business – although the office market will likely remain soft. In the Chinese Mainland, we foresee 2024 as being a year of stabilisation. We are building a presence in the residential markets of Bangkok, Jakarta and Ho Chi Minh City.

We anticipate that Swire Coca-Cola will perform steadily in the Chinese Mainland in the year ahead, despite a challenging business environment. Our franchise business in Vietnam is on track to deliver stable profits in 2024 and our operations in Cambodia are moving towards achieving marginal growth. The new investment in ThaiNamthip will be carried out in two phases. Upon completion, Swire Coca-Cola will hold approximately 55.7% of ThaiNamthip's issued share capital. The investment underscores the immense growth potential we see in Thailand and will add significant scale to Swire Coca-Cola's portfolio of businesses in South East Asia, which is one of the most rapidly growing beverages markets.

Cathay Pacific has made good progress with its rebuild journey. The Cathay group expects 2024 to be a year of measured and sustainable growth through its continued investment in its fleet, products and service, network and people. At HAECO, demand for base maintenance work is likely to be stable. We expect demand for engine services to be strong and line maintenance work to increase.

Regarding our healthcare business, we will seek investment opportunities in the Chinese Mainland and South East Asia which have demonstrated profitability and have the potential for future growth. Our healthcare investment in Indonesia, announced in December 2023, reflects our confidence in – and commitment to – the economic development of the country. In March 2024, we reached an in-principle agreement to acquire a controlling stake in DeltaHealth in Shanghai, in which we first made a minority investment in 2021. Upon completion, this proposed acquisition will mark the Group's first controlling position in healthcare and aligns with our healthcare strategy of being a long-term owner and operator of healthcare services. The challenges and uncertainty in the current economic environment may result in more opportunities coming to market in the medium term. We will remain disciplined in our approach and prudent towards valuation, ensuring sustainable and stable returns for shareholders.

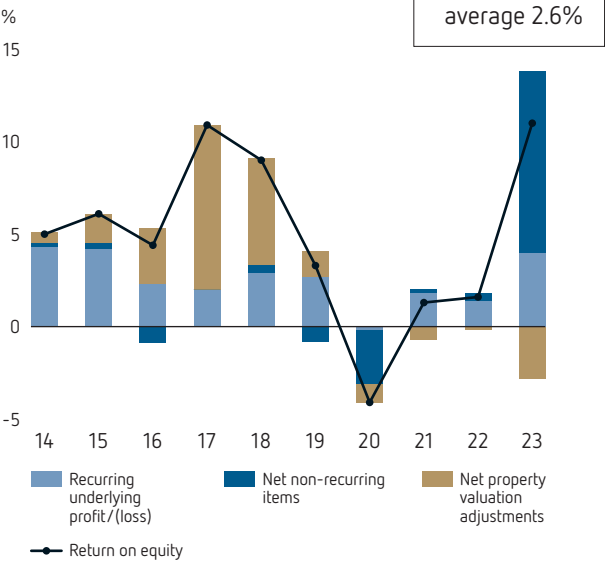
Last year was a successful year for Swire Pacific after what has been a challenging period for our businesses. Despite uncertainties that may lie ahead, we remain focused on achieving more value for shareholders in 2024.

Guy Bradley

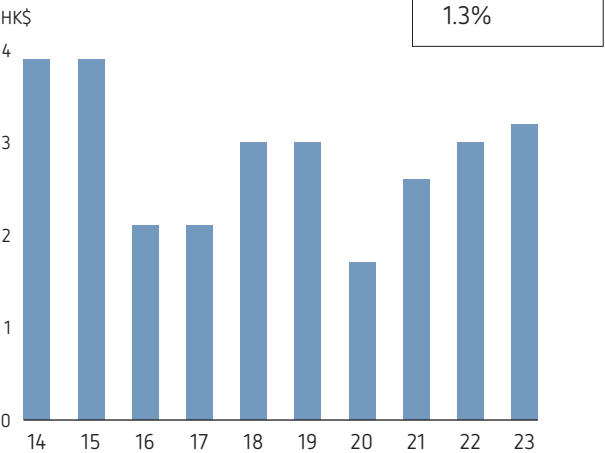
Chairman

Hong Kong, 14th March 2024

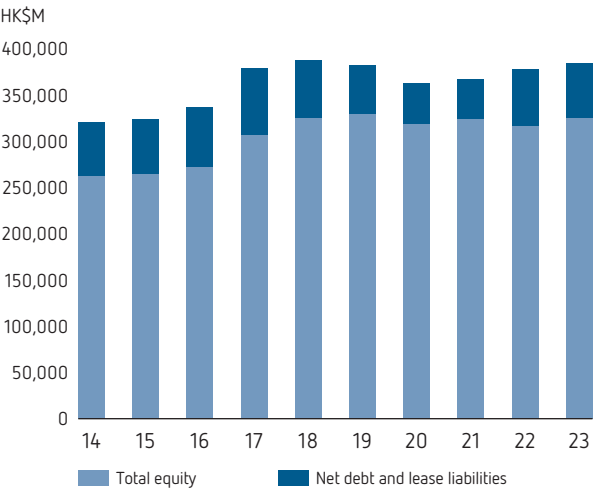
Return on Equity



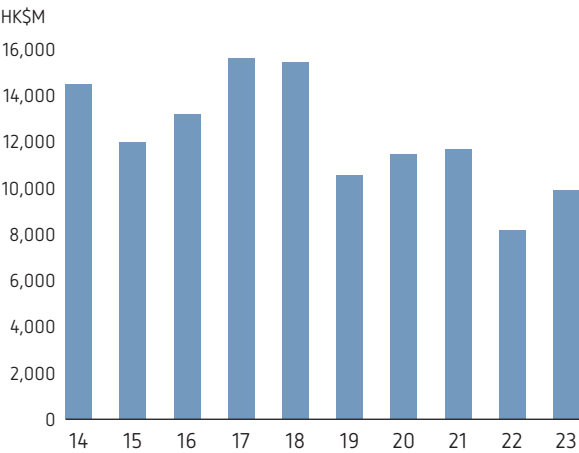
Ordinary Dividends per 'A' Share

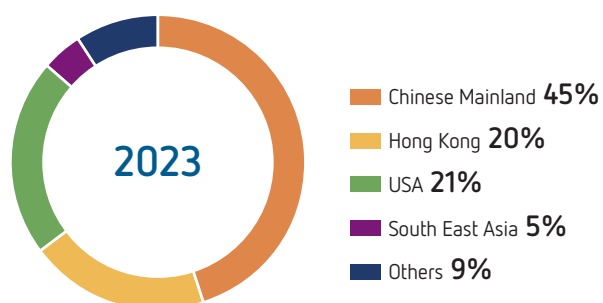
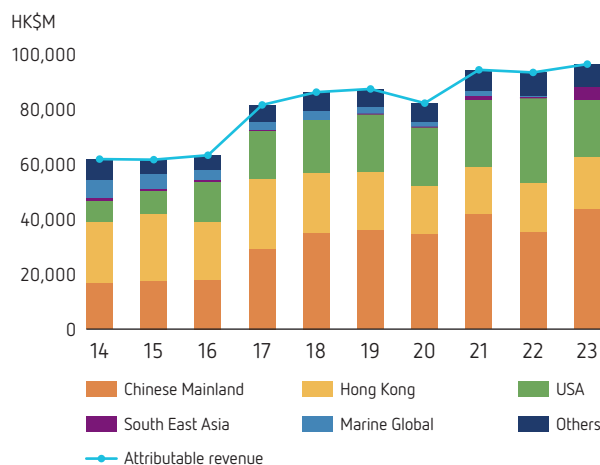


Total Equity and Net Debt (including Lease Liabilities)

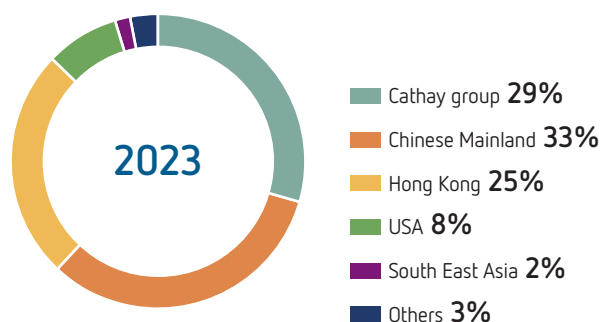


Net Cash Generated from Operating Activities

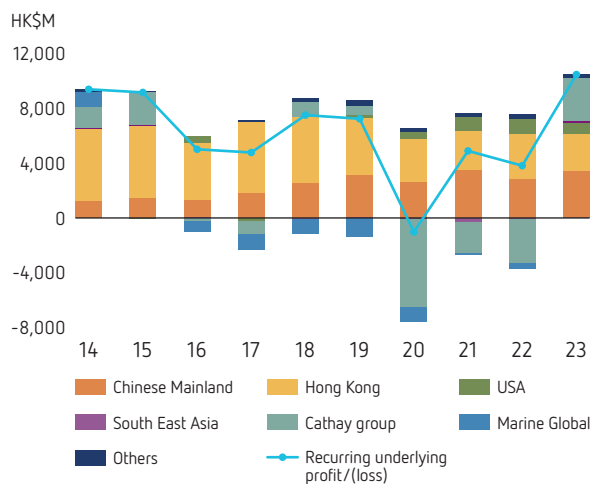


Attributable Revenue by Region⁽ⁱ⁾

Attributable Revenue by Region⁽ⁱ⁾


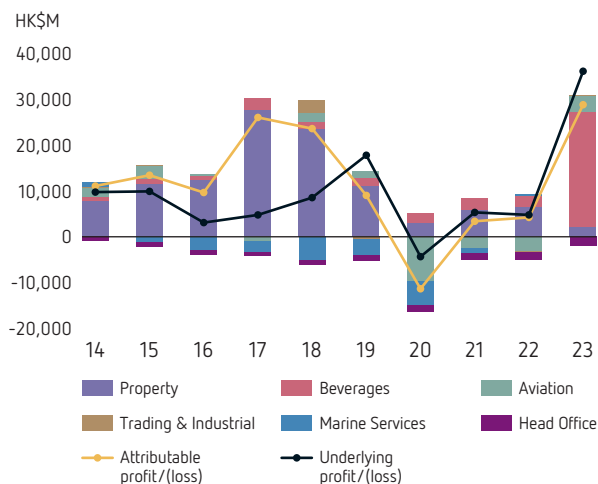
Recurring Underlying Profit by Region



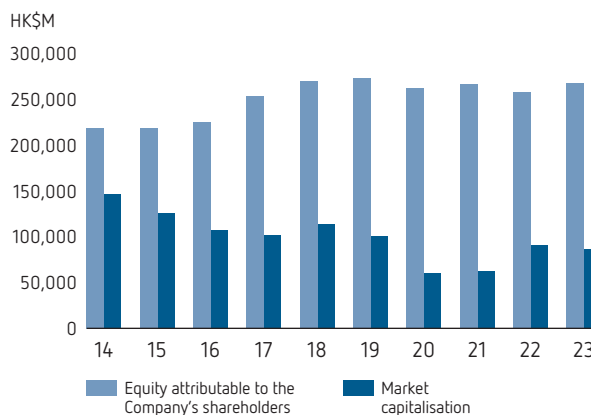
Recurring Underlying Profit/(Loss) by Region



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



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



Notes:

(i) Includes joint ventures' attributable gross rental income of the Property Division.