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## **SWIRE PACIFIC LIMITED**

(Incorporated in Hong Kong with limited liability)

**(Stock Codes: 00019 and 00087)**

# **2023 Annual Results**

**2023 Performance Highlights**

	Note	2023	2022 <sup>(iv)</sup>	Change
Return on equity		<b>11.0%</b>	1.6%	+9.4% pt
Dividend per 'A' share (HK\$)		<b>11.32</b>	3.00	+277%
		<b>HK\$M</b>	HK\$M	
Profit attributable to the Company's shareholders				
As reported		<b>28,853</b>	4,195	+588%
Underlying profit	(i)	<b>36,177</b>	4,748	+662%
Recurring underlying profit	(i)	<b>10,449</b>	3,800	+175%
Revenue		<b>94,823</b>	91,693	+3%
Operating profit		<b>30,621</b>	12,241	+150%
Operating profit excluding change in fair value of investment properties		<b>33,481</b>	11,431	+193%
Change in fair value of investment properties		<b>(2,860)</b>	810	-453%
Cash generated from operations		<b>14,479</b>	12,043	+20%
Net cash inflow/(outflow) before financing		<b>22,947</b>	(9,386)	N/A
Total equity (including non-controlling interests)		<b>324,774</b>	315,936	+3%
Net debt		<b>55,136</b>	56,759	-3%
Gearing ratio (excluding lease liabilities)		<b>17.0%</b>	18.0%	-1.0% pt
		<b>HK\$</b>	HK\$	
Earnings per share	(ii)			
As reported				
'A' share		<b>19.96</b>	2.81	
'B' share		<b>3.99</b>	0.56	+610%
Underlying				
'A' share		<b>25.03</b>	3.18	
'B' share		<b>5.01</b>	0.64	+687%
Dividends per share				
'A' share		<b>11.32</b>	3.00	
'B' share		<b>2.26</b>	0.60	+277%
Equity attributable to the Company's shareholders per share	(iii)			
'A' share		<b>186.03</b>	177.75	
'B' share		<b>37.21</b>	35.55	+5%

**2023 Sustainability Performance**

	2023	2022	Change
GHG emissions from direct operations – location based (Thousand tonnes of CO <sub>2</sub> e)	<b>722</b>	649	+11%
Energy consumed (GJ Million)	<b>6.1</b>	5.4	+13%
Water withdrawn (cbm Million)	<b>20.9</b>	16.9	+24%
LTIR (Number of injuries per 100 full-time equivalent employees)	<b>0.48</b>	0.42	+14%
Employee fatalities (Number of fatalities)	<b>1</b>	0	N/A

## Notes:

- (i) Reconciliations between the reported and underlying profit, and between underlying profit and recurring underlying profit are provided on pages 44 and 45.
- (ii) Refer to note 7 to the financial statements for the daily weighted average number of shares in issue throughout the year.
- (iii) Refer to note 10 to the financial statements for the number of shares at the year end.
- (iv) Figures include continuing operations and discontinued operations.

## **Corporate Statement**

### **Sustainable Growth**

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

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

### **Our Values**

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

### **Our Core Principles**

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

### **Our Investment Principles**

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

### **Our Businesses**

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

Swire Properties' shopping malls are home to more than 2,200 retail outlets. Its offices house a working population estimated to exceed 70,000. In Hong Kong, Swire Properties is one of the largest commercial landlords and operators of retail space, principally through the ownership and management of its core centres at Pacific Place and Taikoo Place. In the Chinese Mainland, it has major mixed-use commercial developments, in Beijing, Guangzhou, Chengdu, Shanghai, Xi'an and Sanya. In the USA, it has a mixed-use development in Miami.

**Corporate Statement (continued)**

As at 31st December 2023, our Beverages Division sold the products of The Coca-Cola Company to a franchise population of 847 million people in Greater China and South East Asia. It also provides management and administrative support services to Swire Coca-Cola, USA which serves a franchise population of 31 million people in the USA. Swire Coca-Cola manufactures and distributes products comprising 39 beverage brands in franchise territories owned.

Cathay Pacific, with its subsidiaries HK Express and Air Hong Kong, had 230 aircraft at the end of 2023. At 31st December 2023, the Cathay group offered scheduled passenger and cargo services to 92 destinations worldwide (an additional 149 with codeshare agreements). Cathay Pacific had an interest of 16.26% in Air China as at 31st December 2023.

HAECO is a leading provider of international aircraft maintenance and repair services. In 2023, the HAECO group, operating from bases in Hong Kong, the Chinese Mainland, the USA and Europe, performed work for around 400 airlines and other customers.

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

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 32,000 employees. In the Chinese Mainland, we have over 35,000 employees. Globally, we employ over 78,000 people.

**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.

**Chairman's Statement (continued)**

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.

**Chairman's Statement (continued)****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).

**Chairman's Statement (continued)****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.

**Chairman's Statement (continued)****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.

**Chairman's Statement (continued)**

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

## REVIEW OF OPERATIONS

### PROPERTY DIVISION

#### OVERVIEW OF THE BUSINESS

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

Swire Properties' business comprises three main areas:

#### Property Investment:

Of the aggregate gross floor area attributable to Swire Properties, approximately 34.4 million square feet are investment properties and hotels, comprising completed investment properties and hotels of approximately 24.4 million square feet and investment properties under development or held for future development of approximately 10.0 million square feet. In Hong Kong, the investment property and hotel portfolio comprise approximately 14.2 million square feet attributable to Swire Properties of primarily Grade-A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In the Chinese Mainland, Swire Properties has interests in ten major commercial developments in prime locations in Beijing, Guangzhou, Chengdu, Shanghai, Xi'an and Sanya. These developments are expected to comprise approximately 18.1 million square feet of attributable gross floor area when they are all completed. Of this, 10.6 million square feet has already been completed. Outside of Hong Kong and the Chinese Mainland, the investment property portfolio comprises the Brickell City Centre development in Miami, USA.

#### Hotel Investment and Management:

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

#### Property Trading:

Swire Properties' trading portfolio comprises completed units available for sale at EIGHT STAR STREET in Hong Kong and The River in Vietnam. There are nine residential projects under development, four in Hong Kong, two in the Chinese Mainland, one in Indonesia, one in Vietnam and one in Thailand. There is also a plan to develop a residential project on part of Swire Properties' land banks in Miami, USA.

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

**Investment Property and Hotel Portfolio**

(Gross floor area (or expected gross floor area) attributable to the Group in million square feet)

Location	At 31st December 2023						At 31st December 2022 Total
	Office	Retail	Hotels	Residential/ Serviced Apartments	Under Planning	Total	
<b>Completed</b>							
Pacific Place	2.2	0.7	0.5	0.4	-	3.8	3.8
Taikoo Place	6.3	-	-	0.1	-	6.4	6.7
Cityplaza	-	1.1	0.2	-	-	1.3	1.3
Others	0.7	0.8	0.1	0.1	-	1.7	1.7
- Hong Kong	9.2	2.6	0.8	0.6	-	13.2	13.5
Taikoo Li Sanlitun	-	1.6	0.2	-	-	1.8	1.8
Taikoo Li Chengdu	-	1.4	0.2	0.1	-	1.7	1.1
Taikoo Hui	1.6	1.5	0.5	-	-	3.6	3.6
INDIGO	0.3	0.5	0.2	-	-	1.0	1.0
HKRI Taikoo Hui	1.0	0.5	0.2	0.1	-	1.8	1.8
Taikoo Li Qiantan	-	0.6	-	-	-	0.6	0.6
Others	-	0.1	-	-	-	0.1	0.1
- Chinese Mainland	2.9	6.2	1.3	0.2	-	10.6	10.0
- USA	-	0.3	0.3	-	-	0.6	0.6
<b>Total completed</b>	<b>12.1</b>	<b>9.1</b>	<b>2.4</b>	<b>0.8</b>	<b>-</b>	<b>24.4</b>	<b>24.1</b>
<b>Under and pending development</b>							
- Hong Kong <sup>(i)</sup>	0.2	-	-	-	0.8	1.0	0.2
- Chinese Mainland <sup>(ii)</sup>	1.6	2.1	0.1	-	3.7	7.5	4.1
- USA	-	-	-	-	1.5	1.5	1.5
<b>Total</b>	<b>13.9</b>	<b>11.2</b>	<b>2.5</b>	<b>0.8</b>	<b>6.0</b>	<b>34.4</b>	<b>29.9</b>

Notes:

- (i) The properties principally comprise Six Pacific Place, Wah Ha Factory Building, 8 Shipyard Lane and Zung Fu Industrial Building, 1067 King's Road.
- (ii) The properties principally comprise INDIGO Phase Two, Taikoo Li Xi'an, a retail-led project in Sanya and two mixed-use projects in Shanghai.

**STRATEGY:**

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

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

**2023 PERFORMANCE**
**Property Division – Financial Highlights**

	2023 HK\$M	2022 HK\$M
<b>Revenue</b>		
<b>Gross rental income derived from</b>		
Office	5,835	6,003
Retail	7,143	5,849
Residential	430	374
<b>Other revenue *</b>	<b>117</b>	<b>114</b>
<b>Property investment</b>	<b>13,525</b>	<b>12,340</b>
<b>Property trading</b>	<b>166</b>	<b>921</b>
<b>Hotels</b>	<b>979</b>	<b>565</b>
<b>Total revenue</b>	<b>14,670</b>	<b>13,826</b>
<b>Operating profit/(loss) derived from</b>		
Property investment		
From operations	8,253	7,695
Sale of interests in investment properties	(60)	571
Fair value (losses)/gains in respect of investment properties	(2,860)	810
Property trading	(89)	209
Hotels	(103)	(259)
<b>Total operating profit</b>	<b>5,141</b>	<b>9,026</b>
<b>Share of post-tax (loss)/profit from joint venture and associated companies</b>	<b>(292)</b>	<b>1,455</b>
<b>Attributable profit</b>	<b>2,599</b>	<b>7,983</b>
<b>Swire Pacific share of attributable profit</b>	<b>2,131</b>	<b>6,546</b>

\* Other revenue is mainly estate management fees.

**Property Division – Underlying Profit/(Loss) by Segment**

	2023 HK\$M	2022 HK\$M
Property investment	7,486	7,360
Property trading	(140)	108
Hotels	(100)	(341)
<b>Recurring underlying attributable profit</b>	<b>7,246</b>	<b>7,127</b>
Divestment	4,285	1,530
<b>Underlying attributable profit</b>	<b>11,531</b>	<b>8,657</b>

**Property Division – Reconciliation of Attributable to Underlying Profit**

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for the fair value 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. There is a further adjustment to remove the effect of remeasurement gains on interests in joint venture companies which became subsidiary companies after completion of acquisition.

	Note	2023 HK\$M	2022 HK\$M
<b>Attributable profit</b>		<b>2,599</b>	7,983
Adjustments in respect of investment properties:			
Fair value losses/(gains) in respect of investment properties	(i)	<b>4,423</b>	(1,735)
Deferred tax on investment properties	(ii)	<b>461</b>	1,402
Fair value gains realised on sale of interests in investment properties	(iii)	<b>4,398</b>	915
Depreciation of investment properties occupied by the Group	(iv)	<b>29</b>	28
Amortisation of right-of-use assets reported under investment properties	(v)	<b>(81)</b>	(80)
Remeasurement gains on interests in joint venture companies which became subsidiary companies after completion of acquisition	(vi)	<b>(306)</b>	-
Non-controlling interests' share of fair value movements less deferred tax		<b>8</b>	144
<b>Underlying attributable profit</b>		<b>11,531</b>	8,657
Profit from divestment		<b>(4,285)</b>	(1,530)
<b>Recurring underlying attributable profit</b>		<b>7,246</b>	7,127
<b>Swire Pacific share of underlying attributable profit</b>		<b>9,455</b>	7,099
<b>Swire Pacific share of recurring underlying attributable profit</b>		<b>5,942</b>	5,844

## Notes:

- (i) This represents the fair value movements as shown in the Group's consolidated statement of profit or loss and the Group's share of fair value movements of joint venture and associated companies.
- (ii) 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 and associated companies. These comprise deferred tax on fair value 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.
- (iii) 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 fair value gains/(losses) were transferred from the revaluation reserve to the consolidated statement of profit or loss.
- (iv) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
- (v) 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.
- (vi) The remeasurement gains on interests in joint venture companies were calculated principally by reference to the estimated market value of the underlying properties portfolio of the joint venture companies, netting off with all related cumulative exchange difference.

**2023 PROPERTY INDUSTRY REVIEW****Office and Retail:****Hong Kong:****Office**

The office market remained weak, with subdued demand and increased supply. Economic uncertainty and the high interest rate environment had an impact on leasing demand.

**Retail**

Following the lifting of all pandemic-related restrictions in Hong Kong, retail business rebounded strongly.

**Chinese Mainland:****Retail**

Retail sales in the Chinese Mainland recovered strongly following the lifting of all pandemic-related restrictions and the full reopening of the borders, particularly at the start of the year.

**Office**

In Beijing, Shanghai and Guangzhou demand for office space was weak. Uncertainty on the economic outlook caused tenants to remain cautious, with multinational companies more inclined to renew in existing location and downsize. With an abundance of new supply in Guangzhou and Shanghai, landlords offered increasingly competitive commercial terms.

**USA:****Retail**

Consumer spending remained strong in the USA, driven by growth in disposable income and stable labour market conditions.

**Property Sales Markets:**

In Hong Kong, residential market sentiment remained soft in the light of the high interest rate environment and economic uncertainty.

**2023 RESULTS SUMMARY**

Attributable profit from the Property Division for the year was HK\$2,131 million, compared to HK\$6,546 million in 2022. These figures include fair value losses, before deferred tax and after non-controlling interests, of HK\$4,432 million in 2023, compared to fair value gains of HK\$1,582 million in 2022, principally due to the decrease in the fair value gain on Swire Properties' retail investment properties in the Chinese Mainland and the fair value loss on Swire Properties' investment properties under development (as opposed to a fair value gain for 2022). Attributable underlying profit, which principally adjusts for changes in fair value of investment properties, increased to HK\$9,455 million in 2023 from HK\$7,099 million in 2022. The increase principally reflected the profit on disposal of certain office floors in Hong Kong.

Attributable recurring underlying profit, which excludes the profit from divestment aggregating HK\$3,513 million (HK\$1,255 million in 2022), was HK\$5,942 million in 2023, compared with HK\$5,844 million in 2022.

Recurring underlying profit from property investment increased in 2023. This mainly reflected higher retail rental income from Hong Kong and the Chinese Mainland, partly offset by lower office rental income from Hong Kong.

In Hong Kong, the retail portfolio has significantly recovered, following the lifting of all travel restrictions and pandemic related control measures, together with the investment in marketing, digital and loyalty initiatives. Despite a weak office market (reflecting subdued demand and increased supply), the office portfolio in Hong Kong has proved to be resilient with solid occupancy, as a result of the high sustainability standards of the office buildings.

In the Chinese Mainland, foot traffic improved significantly and retail sales strongly exceeded pre-pandemic levels for most of our malls, after the COVID-19 associated restrictions were lifted.

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

The small underlying loss from property trading in 2023 was primarily a result of sales and marketing expenses incurred for several residential trading projects.

The hotel businesses in Hong Kong and the Chinese Mainland recovered strongly following the lifting of COVID-19 measures and the full reopening of the border. There was solid performance in the USA hotels.

#### **HK\$100 BILLION INVESTMENT PLAN**

In March 2022, Swire Properties announced a plan to invest HK\$100 billion over ten years in development projects in Hong Kong and the Chinese Mainland and in residential trading projects (including in South East Asia). The target allocation is HK\$30 billion to Hong Kong, HK\$50 billion to the Chinese Mainland and HK\$20 billion to residential trading projects (including in South East Asia). At 8th March 2024 approximately HK\$58 billion of the planned investments had been committed (HK\$11 billion to Hong Kong, HK\$37 billion to the Chinese Mainland and HK\$10 billion to residential trading projects). Major committed projects are residential developments at Chai Wan Inland Lot No. 178, at 269 Queen's Road East, at 983-987A King's Road and 16-94 Pan Hoi Street in Hong Kong, and at Wireless Road in Bangkok, a retail-led mixed-use development in Xi'an, a retail-led development in Sanya, mixed-use developments in the Yangjing and New Bund in Shanghai, office and other commercial use developments at 8 Shipyard Lane and at 1067 King's Road in Hong Kong. Uncommitted projects include further retail-led mixed-use projects in Tier-1 and emerging Tier-1 cities in the Chinese Mainland, including Guangzhou and Beijing, with a plan to double our gross

floor area in the Chinese Mainland, further expansion at Pacific Place and Taikoo Place in Hong Kong as well as further residential trading projects in Hong Kong, the Chinese Mainland, Miami and South East Asia.

#### **KEY DEVELOPMENTS**

In December 2022, Swire Properties entered into three conditional agreements with the Sino-Ocean group to acquire further interests in Taikoo Li Chengdu (formerly known as Sino-Ocean Taikoo Li Chengdu). Under the first agreement (which was completed in December 2022), Swire Properties' interest in Taikoo Li Chengdu increased from 50% to 65%. Under the second agreement (which was completed in February 2023), Swire Properties' interest in the property management of Taikoo Li Chengdu increased to 100%. Under the third agreement (which was completed in February 2023), Swire Properties' interest in the investment properties of Taikoo Li Chengdu increased to 100%. The consideration was RMB1,000 million under the first agreement, RMB59 million under the second agreement and RMB4,491 million under the third agreement.

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

In June 2023, Swire Properties announced plans to develop a luxury residential and hospitality project in Miami, which will include the redevelopment of the existing Mandarin Oriental Miami hotel. The project, which has been branded as The Residences at The Mandarin Oriental, Miami, will consist of two towers at the southernmost point of Brickell Key. The first tower will comprise luxury private residences managed by Mandarin Oriental. The second tower will comprise a new Mandarin Oriental hotel as well as private residences and hotel residences. Sales reservations were launched in December 2023.

In July 2023, Swire Properties obtained full ownership of Wah Ha Factory Building in Quarry Bay, Hong Kong. Together with the adjacent wholly-owned Zung Fu Industrial Building, the two sites are intended to be redeveloped for office and other commercial uses.

In July 2023, a joint venture company in which Swire Properties holds a 25% interest started the pre-sales of LA MONTAGNE, a residential development in Wong Chuk Hang, Hong Kong. Superstructure works of the development are in progress.

In September 2023, Swire Properties successfully bid and entered into equity transfer agreements to acquire a 40% equity interest in each of the Shanghai Yangjing Mixed-use Project and the Shanghai New Bund Mixed-use Project, from Shanghai Lujiazui Group Co., Ltd and Shanghai Qiantan International Commercial Area Investment Group Co., Ltd (Lujiazui Group), respectively. The consideration was RMB6,594 million for the Shanghai Yangjing Mixed-use Project and RMB3,116 million for the Shanghai New Bund Mixed-use Project. The two sites will be developed into large-scale, mixed-use projects, including retail, office and premium residential components. The Yangjing and New Bund projects have an expected gross floor area of approximately 4.2 million and 4.1 million

square feet respectively. The transactions were completed in November 2023.

In October 2023, a joint venture company in which Swire Properties holds a 50% interest obtained full ownership of the sites in 983-987A King's Road and 16-94 Pan Hoi Street in Quarry Bay. The sites are intended to be redeveloped for residential and retail uses.

In November 2023, Swire Properties entered into agreements for the sale of twelve office floors (42nd to 54th floors excluding the 49th floor) at One Island East in Quarry Bay, Hong Kong to the Securities and Futures Commission (SFC) for a total consideration of HK\$5.4 billion. The completion of the sale of the nine floors (45th to 54th floors excluding the 49th floor) currently occupied by SFC took effect in December 2023. The completion for the 43rd floor will take place not earlier than 31st December 2025 and not later than 31st December 2026 while the completion for the 44th floor will take place not earlier than 31st December 2026 and not later than 31st December 2027, and the completion for the 42nd floor will take place not earlier than 31st December 2027 and not later than 31st December 2028. The total gross floor area of the twelve floors is approximately 300,000 square feet.

In February 2024, Swire Properties obtained the occupation permit for Six Pacific Place. Six Pacific Place, the newest addition to Pacific Place, is an office tower with an aggregate gross floor area of approximately 223,000 square feet.

**INVESTMENT PROPERTIES****Hong Kong****Office**

Gross rental income from the Hong Kong office portfolio in 2023 was HK\$5,466 million, 2% lower than in 2022. Demand remained subdued reflecting continued economic uncertainty and the high interest rate environment. Office rental remained under pressure given increased availability (due to vacancy and new supply). However, our office portfolio was resilient. Leasing activity has picked up since the reopening of the border, with increased inspections. We continue to leverage on our placemaking attributes including health and wellness, amenity provision and our ESG credentials. At 31st December 2023, the office portfolio was 89% let. Excluding Two Taikoo Place (which was completed in September 2022), the office portfolio was 93% let.

The performance of the offices at One, Two and Three Pacific Place was resilient in 2023. These offices were 98% let at 31st December 2023. At Six Pacific Place, tenants have committed (including by way of letters of intent) to take approximately 40% of the space at 31st December 2023. Occupation permit has been obtained in February 2024.

The performance of the offices at Taikoo Place was resilient. Those at One Taikoo Place, One Island East (excluding the nine floors disposed of) and the other office towers at Taikoo Place were 98%, 89% and 90% let respectively at 31st December 2023. Two Taikoo Place, the newest addition to Taikoo Place, was 62% leased.

The offices at South Island Place were 88% let at 31st December 2023. Swire Properties has a 50% interest in the development.

**Retail**

Gross rental income from the retail portfolio in Hong Kong was HK\$2,453 million in 2023, a 13% increase from 2022. Disregarding rental concessions, gross rental income increased by 5%. Following the lifting of all travel restrictions and COVID-19 related measures, and with the investment in marketing, digital and loyalty initiatives, the Hong Kong retail portfolio has recovered significantly in 2023. Sales have returned to pre-pandemic levels in some of our malls. There are still factors such as a strong US currency, a rebound in outbound travel and a high interest rate environment which might affect local consumptions. However, we remain confident that the sales momentum in Hong Kong retail business will continue in 2024. Retail sales in 2023 increased by 44% at The Mall, Pacific Place, by 43% at Citygate Outlets, and by 6% at Cityplaza. Retail sales in Hong Kong as a whole increased by 16% in 2023.

The malls were almost fully let throughout the year.

**Residential**

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wan Chai and a number of luxury houses on Hong Kong Island and Lantau Island. The residential portfolio was 78% let at 31st December 2023.

**Investment Properties under Development**

In 2018, Swire Properties submitted compulsory sale applications in respect of two sites (Wah Ha Factory Building, 8 Shipyard Lane and Zung Fu Industrial Building, 1067 King's Road) in Quarry Bay. Swire Properties obtained full ownership of Zung Fu Industrial Building and Wah Ha Factory Building in March 2022 and July 2023, respectively. 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.

**Others**

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

Since November 2020, Swire Properties has offered 2,530 car parking spaces in the Taikoo Shing residential development in Hong Kong for sale. 2,521 of these car parking spaces had been sold at 8th March 2024. Sales of 2,146 car parking spaces had been recognised at 31st December 2023, 694 of them in 2023. Sales of 375 car parking spaces are expected to be recognised in 2024.

In November 2023, Swire Properties entered into agreements for the sale of twelve office floors (42nd to 54th floors, excluding the 49th floor) at One Island East in Quarry Bay to SFC. The completion of the sale of the nine floors (45th to 54th floors excluding the 49th floor) currently occupied by SFC took effect in December 2023. The completion for the 43rd floor will take place not earlier than 31st December 2025 and not later than 31st December 2026 while the completion for the 44th floor will take place not earlier than 31st December 2026 and not later than 31st December 2027, and the completion for the 42nd floor will take place not earlier than 31st December 2027 and not later than 31st December 2028. The total gross floor area of the twelve floors is approximately 300,000 square feet.

**Chinese Mainland****Retail**

In the Chinese Mainland, foot traffic improved significantly and retail sales strongly exceeded pre-pandemic levels for most of our malls, following the lifting of COVID-19 related restrictions. Swire Properties' retail sales (excluding sales by vehicle retailers) in the Chinese Mainland increased on an attributable basis by 46% in 2023. Retail sales in Taikoo Li Sanlitun in Beijing, Taikoo Li Chengdu, Taikoo Hui in Guangzhou, INDIGO in Beijing, HKRI Taikoo Hui and Taikoo Li Qiantan in Shanghai increased by 31%, 33%, 15%, 27%, 29% and 79%, respectively in 2023. Retail sales in the Chinese Mainland market as a whole increased by 7%.

Swire Properties' gross rental income from retail properties in the Chinese Mainland increased by 42%, to HK\$4,191 million, in 2023. Disregarding rental concessions and changes in the value of the Renminbi, gross rental income increased by 45%.

Retail sales at Taikoo Li Sanlitun increased by 31% in 2023, following the reopening of Workers' Stadium and lifting of COVID-19 associated restrictions. Foot traffic recovered to 2021 levels. Gross rental income increased by 4%. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination. The development was 94% let at 31st December 2023 including spaces allocated to prospective tenants who have signed letters of intent.

Disregarding the impact arising from the incremental shareholding at Taikoo Li Chengdu, retail sales and gross rental income increased by 33% and 12% respectively. Swire Properties continues to reinforce the development as a premium shopping and leisure destination. The development was 97% let at 31st December 2023.

Retail sales and gross rental income at Taikoo Hui in Guangzhou increased by 15% and 5% respectively in 2023. There were improvements to the tenant mix. The mall was 100% let at 31st December 2023.

Retail sales and gross rental income at INDIGO in Beijing increased by 27% and 13% respectively in 2023. The mall was 99% let at 31st December 2023.

Retail sales at HKRI Taikoo Hui in Shanghai increased by 29% in 2023 while gross rental income decreased by 3% as a result of certain part of the mall undergoing renovation. The mall was 93% let at 31st December 2023.

With the economic recovery from the pandemic, footfall and retail sales at Taikoo Li Qiantan in Shanghai were strong in 2023. Retail sales and gross rental income increased by 79% and 22%, respectively in 2023. At 31st December 2023, tenants had committed to take 98% of the retail space and 95% of the lettable retail space was open.

### **Office**

Demand for office space in Beijing, Shanghai and Guangzhou remained weak amid a slower than anticipated economic recovery. Swire Properties' gross rental income from office properties in the Chinese Mainland increased slightly to HK\$366 million in 2023. Disregarding changes in the value of the Renminbi, the gross rental income increased by 6%.

The office towers at Taikoo Hui in Guangzhou, ONE INDIGO in Beijing and the office towers at HKRI Taikoo Hui in

Shanghai were 92%, 85% and 98% let, respectively, at 31st December 2023.

### **Investment Properties under Development**

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

Taikoo Li Xi'an is located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an and is expected to be developed as a retail-led mixed-use development comprising retail and cultural facilities, a hotel and serviced residences. The estimated gross floor area is approximately 2.9 million square feet and is subject to the finalisation of development scheme. Excavation works are in progress. The project is expected to be completed in phases from 2026. The development is being done in collaboration with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd. Swire Properties has a 70% interest in Taikoo Li Xi'an.

Strategically located in the heart of Haitang Bay National Coastal Recreation Park in Sanya, the development is Swire Properties' first-ever resort-style premium retail development including underground parking and other ancillary facilities, with gross floor area of approximately 2.2 million square feet. In collaboration with China Tourism Group Duty Free Corporation Limited, the development will be Phase III of the Sanya International Duty-Free Complex. Basement works are in progress. The development is expected to be completed in phases from late 2025. Swire Properties has a 50% interest in this development.

The New Bund Mixed-use Project is situated within Shanghai's middle-ring road and spans a site area of approximately 686,000 square feet. Located at the intersection of three Shanghai metro lines, the site is directly opposite to Taikoo Li Qiantan, Swire Properties' first joint venture development with the Lujiazui Group. It is a mixed-use development comprising retail, office and residential components, with an approximate gross floor area of 4.1 million square feet (including retail floor area below ground). Office towers have been topped out. Basement and retail construction works are in progress. The development is expected to be completed from 2025. Swire Properties has a 40% interest in the development.

Jointly developed with the Lujiazui Group, the Yangjing Mixed-use Project, which is along the Huangpu River and within the inner-ring road in Pudong district of Shanghai, will be developed into a mixed-use landmark comprising premium residential properties, retail, office and cultural facilities, potentially a lifestyle hotel as well. The estimated gross floor area is approximately 4.2 million square feet (including retail floor area below ground and residential portion for trading), subject to relevant plan approval. Basement structure works are in progress. The development is expected to be completed in phases from 2027. Swire Properties has a 40% interest in the development.

### **Others**

In 2021, Swire Properties formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd. This company, in which Swire Properties has a 60% interest, is engaged in the revitalisation and management of the ZHANGYUAN shikumen compound in the Jing'an district of Shanghai. When the revitalisation is completed, the compound will have a gross floor area (including car parking spaces) of 673,871 square feet above ground and 956,949 square feet underground. There are over 40 shikumen blocks, with

about 170 two or three-storey houses. There are connections to three metro lines and to HKRI Taikoo Hui. The first phase (the West zone) was completed and opened in November 2022. Construction and renovation at the second phase (the East zone) are in progress. The second phase is planned to be completed and opened in late 2026. Swire Properties does not have an ownership interest in the compound.

### **USA**

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

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

The shopping centre was 100% leased (including by way of letters of intent) at 31st December 2023. Retail sales in 2023 increased by 13% compared to the same period in 2022.

The second phase of the Brickell City Centre development is being planned.

### **VALUATION OF INVESTMENT PROPERTIES**

The portfolio of investment properties was valued at 31st December 2023 on the basis of market value (96% 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\$280,591 million, compared to HK\$270,591 million at 31st December 2022.

The increase in the valuation of the investment property portfolio primarily reflected the acquisition of subsidiary companies in the Chinese Mainland and the additions for the year, partly offset by a decrease in the fair value of the office investment properties in Hong Kong, the disposal of certain office floors 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.

### **Lease Expiry Profile – at 31st December 2023**

<b>% of the gross rental income attributable to the Group for the month ended 31st December 2023</b>	<b>2024</b>	<b>2025</b>	<b>2026 and later</b>
Hong Kong office	15.2%	19.1%	65.7%
Hong Kong retail	28.2%	24.5%	47.3%
Chinese Mainland office	19.1%	19.5%	61.4%
Chinese Mainland retail	33.9%	21.4%	44.7%

### **HOTELS**

The managed and non-managed hotels in Hong Kong and the Chinese Mainland recovered strongly following the lifting of COVID-19 associated measures and the full reopening of the border. Operating performance of the managed hotel in the USA was stable. The managed hotels (including restaurants and hotel management office) recorded an operating profit before depreciation of HK\$88 million in 2023, compared with an operating loss before depreciation of HK\$118 million in 2022.

	<b>Expenditure</b>					<b>Total commitments<sup>(i)</sup> At 31st December 2023 HK\$M</b>	<b>Commitments relating to joint venture companies<sup>(ii)</sup> At 31st December 2023 HK\$M</b>
	<b>2023</b>		<b>Forecast expenditure</b>				
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027 and later</b>		
	<b>HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>		
Hong Kong	2,319	1,466	749	1,489	6,215	<b>9,919</b>	<b>22</b>
Chinese Mainland	935	4,158	4,423	3,480	3,210	<b>15,271</b>	<b>7,106</b>
USA	49	25	-	-	-	<b>25</b>	<b>-</b>
<b>Total</b>	<b>3,303</b>	<b>5,649</b>	<b>5,172</b>	<b>4,969</b>	<b>9,425</b>	<b>25,215</b>	<b>7,128</b>

Notes:

- (i) The capital commitments represent Swire Properties' capital commitments of HK\$18,087 million plus Swire Properties' share of the capital commitments of joint venture companies of HK\$7,128 million.
- (ii) Swire Properties is committed to funding HK\$797 million of the capital commitments of joint venture companies.

**PROPERTY TRADING****Hong Kong**

EIGHT STAR STREET at 8 Star Street, Wan Chai is a residential building (with retail outlets on the lowest two levels) of approximately 34,000 square feet. The occupation permit was obtained in May 2022. 34 out of 37 units had been sold at 8th March 2024. Sales of 33 units had been recognised at 31st December 2023, 6 of them in 2023. Sale of 1 unit is expected to be recognised in 2024.

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 (Phases 4A and 4B) with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units. Superstructure works are in progress. Pre-sales of Phase 4A started in July 2023. 52 out of 432 units had been pre-sold at 8th March 2024, all of them in 2023. Sales of these units are expected to be recognised in 2025. The development is expected to be completed and handed over to the purchasers in 2024 and 2025 respectively. 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 being redeveloped into a residential complex (with retail outlet) with an aggregate gross floor area of approximately 694,000 square feet. Superstructure works are in progress at the Phase 1 site, while substructure works are underway at the Phase 2 site. The development is expected to be completed from 2025.

In June 2022, Swire Properties acquired (via a government land tender) a plot of land at 269 Queen's Road East in Wan Chai. The plot of land will be developed primarily for residential use with an aggregate gross floor area of approximately 116,000 square feet. Site formation works and foundation works have commenced since July 2023 and are in progress. The development is under design stage and expected to be completed in 2026.

In 2018, a joint venture company in which Swire Properties holds a 50% interest submitted a compulsory sale application in respect of the site at 983-987A King's Road and 16-94 Pan Hoi Street in Quarry Bay. In August 2023, the Lands Tribunal granted the compulsory sale order for the site. In October 2023, the joint venture company obtained full ownership of the sites. 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.

**Chinese Mainland**

In November 2023, Swire Properties completed the acquisition of 40% equity interest in developments from the Lujiazui Group to develop two new landmarks (Shanghai New Bund Mixed-use Project and Shanghai Yangjing Mixed-use Project) in Shanghai's Pudong New Area. These two sites will be developed into large-scale, mixed-use projects, including retail, office and premium residential components. Structural works are in progress at the New Bund plot while basement structure works are underway at the Yangjing plot. Around 75% of the total saleable area in the New Bund plot residential project have been presold at 31st December 2023, with an expected completion date from 2025 onwards.

**Indonesia**

In 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in South Jakarta, Indonesia. The land is being developed for residential purposes with an aggregate gross floor area of approximately 1,123,000 square feet. Towers have been topped out. The development is expected to comprise around 400 residential units and to be completed in 2024. Swire Properties has a 50% interest in the joint venture. Pre-sales are in progress. 80 units had been pre-sold at 8th March 2024.

**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, which was completed in August 2022, comprises 525 luxury apartments in three towers. Swire Properties has an effective 20% interest in the development. Approximately 93% of the units had been sold at 8th March 2024. Handover of the completed units to purchasers is in progress.

In 2021, Swire Properties made a minority investment in Empire City, a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases up to 2028. Swire Properties invested in the development through an agreement with Gaw Capital Partners, an existing participant in the development. Over 53% of the residential units had been pre-sold or sold at 8th March 2024.

**Thailand**

In February 2023, Swire Properties acquired a 40% interest in a site located on Wireless Road in Lumpini sub-district in Pathum Wan district, Bangkok. In partnership with City Realty Co. Ltd., the site, which is under design stage, is expected to be developed for residential purposes with a site area of approximately 136,000 square feet. The development is expected to comprise over 400 residential units in two towers and to be completed in 2029.

**USA**

In June 2023, Swire Properties announced plans to develop a luxury residential and hospitality project in Miami. The project, branded as The Residences at The Mandarin Oriental, Miami, will consist of two towers on Brickell Key. The first tower will comprise luxury private residences. The second tower will comprise a new Mandarin Oriental hotel as well as private residences and hotel residences. Sales reservations were launched in December 2023.

**OUTLOOK**

The office market in Hong Kong is expected to remain subdued in 2024, on the back of weak demand and increased availability. Increasing competition from Central and Kowloon East will continue to exert downward pressure on rents across the portfolio. The 'flight-to-quality' trend is expected to benefit Swire Properties, as prospective tenants upgrade their offices and place a higher value on sustainability as well as the health and wellness of their workforce. Assuming improvements in the financial markets, stabilisation of interest rate and an increase in economic activity, the demand for Grade-A office space, particularly from financial institutions and professional services companies, should recover.

In Guangzhou, new supply in decentralised areas is expected to put downward pressure on office rents. In Beijing, limited new supply is expected in core areas meaning the market is well-placed once demand returns. In Shanghai, new supply and existing vacant stock is expected to put downward pressure on office rents, however core central business districts are expected to be more stable. Overall, all cities continue to experience negative sentiment due to economic uncertainties which are causing tenants to remain cautious. Office rents are expected to decline and have yet to bottom out.

It is expected that footfall and tenants' sales in Hong Kong will continue to improve despite uncertainty over economic environment, outbound travel and volatile stock market. With Swire Properties' strong marketing campaigns and loyalty programme initiatives, it is anticipated that the sales momentum will carry on.

After benefitting from years of double-digit growth in retail sales in the Chinese Mainland, 2024 is expected to be a year of stabilisation, where retailers will take a more prudent approach but maintaining positive outlook in medium to long term. Inbound and outbound travel are anticipated to increase and a recalibration between onshore and offshore spending behaviour from customers (as compared to pre-COVID-19 pattern) is expected. The overall demand for retail space is expected to be stable. It is expected that the demand for retail space from retailers of luxury brands will remain strong in Guangzhou and Chengdu. In Shanghai and Beijing, demand for retail space from fashion, cosmetics, lifestyle brands and food and beverage operators is expected to be steady with retailers of luxury brands taking a relatively more prudent expansion approach.

In Hong Kong, residential market sentiment remains soft in light of economic uncertainties and high interest rate environment, despite the cancellation of stamp duty measures issued by the HKSAR Government. It is anticipated that the market confidence and sentiment might take some time to be rebuilt after the end of interest rate hikes. Demand remains resilient in the medium to long term, supported by local demand and limited supply. With urbanisation, a growing middle class and a limited supply of luxury residential properties, the residential markets in Shanghai, the Chinese Mainland, Jakarta, Indonesia, Ho Chi Minh City, Vietnam and Bangkok, Thailand are expected to be stable. The outlook for the luxury residential market in Miami remains positive.

The hotels in Hong Kong are expected to further improve with more international visitors, while the hotel business in the Chinese Mainland is anticipated to grow in 2024. The hotels in the USA are expected to have a stable performance in 2024. Swire Properties is expanding its hotel management business, with a focus on extending its hotel brands outside Hong Kong through hotel management agreements.

**Tim Blackburn**

**REVIEW OF OPERATIONS**
**BEVERAGES DIVISION**
**OVERVIEW OF THE BUSINESS**

Swire Coca-Cola has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company (TCCC) in 11 provinces and the Shanghai Municipality in the Chinese Mainland and in Hong Kong, Taiwan, Vietnam and Cambodia. The acquisition of the franchise business in Vietnam was completed on 1st January 2023. The disposal of 100% equity interests in the franchise business in the USA (doing business as Swire Coca-Cola, USA (SCCU)) was completed on 7th September 2023. Swire Coca-Cola continues to provide management and administrative support services to SCCU at an agreed annual management fee.

On 9th February 2024, Swire Coca-Cola acquired 39% of the issued share capital of ThaiNamthip Corporation Ltd. (TNTC) from The Coca-Cola Export Corporation, a wholly-owned subsidiary of TCCC. TNTC, together with its subsidiary in Laos, is principally engaged in the business of manufacturing, distribution and sale of non-alcoholic ready-to-drink beverages bearing trademarks owned by TCCC in Thailand and Laos.

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

At the end of 2023, Swire Coca-Cola manufactured 39 beverage brands and distributed them to a franchise population of 847 million people in franchise territories owned, while it managed 36 beverage brands and distributed to a franchise population of 31 million people for SCCU.

	Franchise Population (millions) (end of 2023)	GDP per capita (US\$)	Sales volume (million unit cases)		Per capita consumption of Coca-Cola beverages (8-oz servings)	
			2023	2013	2023	2013
<b>Chinese Mainland</b>	<b>698.9</b>	<b>14,242</b>	<b>1,394</b>	807	<b>48</b>	47
<b>Hong Kong</b>	<b>7.5</b>	<b>50,007</b>	<b>62</b>	65	<b>199</b>	216
<b>Taiwan</b>	<b>23.4</b>	<b>32,247</b>	<b>68</b>	56	<b>70</b>	57
<b>Vietnam<sup>(ii)</sup></b>	<b>100.3</b>	<b>4,199</b>	<b>155</b>	N/A	<b>37</b>	N/A
<b>Cambodia<sup>(ii)</sup></b>	<b>16.9</b>	<b>1,924</b>	<b>28</b>	N/A	<b>40</b>	N/A
<b>USA<sup>(iii)</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>233</b>	85	<b>N/A</b>	N/A
	<b>847.0</b>		<b>1,940</b>	1,013		
<b>USA (managed by Swire Coca-Cola)<sup>(iv)</sup></b>	<b>31.0</b>	<b>61,857</b>	<b>103</b>	N/A	<b>N/A</b>	N/A
	<b>878.0</b>		<b>2,043</b>	1,013		

Notes:

- (i) A unit case comprises 24 8-ounce servings.
- (ii) The acquisitions of the franchise businesses in Cambodia and Vietnam were completed on 25th November 2022 and 1st January 2023 respectively. Accordingly, the sales volume and per capita consumption information in 2013 are not applicable.
- (iii) Since the disposal of SCCU was completed on 7th September 2023, the franchise population, GDP per capita and per capita consumption information at the end of 2023 are not applicable. The sales volume of 2023 represents sales up to the completion of the disposal.
- (iv) The information represents the position after the completion of disposal of SCCU. The sales volume of 2023 represents sales after the completion of the disposal. The per capita consumption would be 260, if calculated based on full year sales volume.

**STRATEGY:**

At Swire Coca-Cola, we win together by serving as constant and true advocates for our people, our customers, our community and our planet. Our strategic vision is to be a leading bottler for the Coca-Cola System through winning performance, capabilities, people and culture. To achieve this objective, Swire Coca-Cola has five strategic priorities:

- **Progressive People Development**

We will maintain our role as one of the leading bottlers through the continuous development of our people's capabilities and the functional competencies of their teams. We will provide a modern and engaging working place to support our people to achieve their full career potential.

- **Portfolio of Leading Brands**

We will protect and grow our sparkling business while collaborating with TCCC to build a future-oriented portfolio of market leading brands in other key categories.

- **Differentiated Commercial Competencies**

We will strive for execution excellence, provide superior service, and continuously improve customer loyalty. Our revenue growth strategies will focus on providing consumers with the brands, products and packages that they want, when they want them, while concurrently delivering long-term sustainable growth for our customers and ourselves.

- **Market Speed and Agility**

We collaborate with our business partners in an agile way to continuously seek new sources of value. We will continue to build and optimise processes and systems that will enable our front-line operations to compete in a dynamic and continually evolving marketplace.

- **Sustainability Ownership**

Our 2030 sustainable development targets are integrated into our business plans. Sustainability considerations will be embedded in all our decision-making processes and every single Swire Coca-Cola employee will be empowered to contribute to our achievement of these targets.

**2023 PERFORMANCE**
**Beverages Division - Financial Highlights**

	<b>2023</b>	2022
	<b>HK\$M</b>	HK\$M
<b>Revenue</b>	<b>51,844</b>	54,225
<b>EBITDA</b>	<b>28,807</b>	5,545
<b>Operating profit derived from</b>		
Operating activities	<b>3,334</b>	3,274
Non-recurring items	<b>22,868</b>	-
Total operating profit	<b>26,202</b>	3,274
<b>Share of post-tax profits from joint venture and associated companies</b>	<b>85</b>	92
<b>Attributable profit (excluding SCCU and non-recurring items)</b>	<b>1,081</b>	1,000
Attributable profit from SCCU*	<b>1,313</b>	1,392
<b>Attributable profit (excluding non-recurring items)</b>	<b>2,394</b>	2,392
<b>Non-recurring items</b>		
Write-off of a joint venture company	<b>(239)</b>	-
Fair value adjustments on acquisition of equity interests	<b>35</b>	-
Disposal of SCCU	<b>22,907</b>	-
<b>Attributable profit (including non-recurring items)</b>	<b>25,097</b>	2,392

**Beverages Division - Segment Financial Highlights**

	Revenue		EBITDA		Attributable Profit	
	2023	2022	2023	2022	2023	2022
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Chinese Mainland						
Operating activities	<b>24,725</b>	26,142	<b>2,577</b>	2,560	<b>755</b>	902
Non-recurring item	-	-	<b>35</b>	-	<b>35</b>	-
	<b>24,725</b>	26,142	<b>2,612</b>	2,560	<b>790</b>	902
Hong Kong	<b>2,417</b>	2,332	<b>392</b>	371	<b>194</b>	191
Taiwan	<b>2,275</b>	2,123	<b>244</b>	248	<b>123</b>	138
South East Asia	<b>4,504</b>	75	<b>572</b>	9	<b>198</b>	(6)
USA*						
Operating activities	<b>17,923</b>	23,553	<b>2,354</b>	2,585	<b>1,313</b>	1,392
Non-recurring item	-	-	<b>23,103</b>	-	<b>22,907</b>	-
	<b>17,923</b>	23,553	<b>25,457</b>	2,585	<b>24,220</b>	1,392
Central and other costs						
Operating activities	-	-	<b>(231)</b>	(228)	<b>(189)</b>	(225)
Non-recurring item	-	-	<b>(239)</b>	-	<b>(239)</b>	-
	-	-	<b>(470)</b>	(228)	<b>(428)</b>	(225)
<b>Swire Coca-Cola</b>	<b>51,844</b>	54,225	<b>28,807</b>	5,545	<b>25,097</b>	2,392

\* The 2023 figures represent those for the period up to the completion of disposal of SCCU on 7th September 2023.

**Accounting for Swire Coca-Cola**

For the year ended 31st December 2023, the eleven wholly-owned franchise businesses (in Hong Kong, Taiwan, Vietnam, Cambodia and in Fujian, Anhui, Guangxi, Jiangxi, Jiangsu and Hainan provinces and the cities of Zhanjiang and Maoming in Guangdong province in the Chinese Mainland), 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) and six wholly-owned still bottling businesses (in Guangdong, Guangxi, Hubei, Jiangsu and Zhejiang provinces in the Chinese Mainland) were accounted for as subsidiaries in the financial statements of Swire Pacific. SCCU was accounted for as a subsidiary up to the completion of the disposal on 7th September 2023. Revenue, EBITDA and operating profit from these franchise businesses are included in the revenue, EBITDA and operating profit shown above. While for SCCU, the results up to disposal date have been included in the figures above. The division's joint venture interest in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. was accounted for using the equity method of accounting. Swire Pacific recognised its share of net profit or loss from the joint venture interest as a single line-item in the consolidated statement of profit or loss.

**Beverages Division - Segment Performance**

	Note	Percentage Change in 2023				Swire Coca-Cola (v)(vi)
		Chinese Mainland	Hong Kong	Taiwan	South East Asia (iv)	
Active Outlets		1%	0%	11%	N/A	-2%
Revenue	(i)	0%	4%	12%	N/A	-5%
Sales Volume	(ii)	2%	6%	8%	N/A	6%
Gross Profit per unit case		-5%	-1%	3%	N/A	-1.4%
Water Use Ratio		10%	-2%	10%	N/A	7%
Energy Use Ratio		14%	-2%	7%	N/A	13%
LTIR		38%	41%	-66%	N/A	13%
		Chinese Mainland	Hong Kong	Taiwan	South East Asia (vi)	Swire Coca-Cola (v)(vi)
EBITDA Margin	(iii)					
2023		9.4%	16.8%	11.5%	13.8%	11.7%
2022		9.8%	16.5%	12.4%	11.3%	11.0%
EBIT Margin	(iii)					
2023		4.4%	9.7%	7.9%	8.0%	7.1%
2022		5.1%	9.8%	8.9%	2.2%	6.7%

**Notes:**

- (i) Revenue for Swire Coca-Cola, including that of Shanghai Shen-Mei and excluding sales to other bottlers, was HK\$51,935 million (2022: HK\$54,727 million).
- (ii) The sales volume for the Chinese Mainland shown in the table above represents sales in 13 franchise territories.
- (iii) (a) EBITDA and EBIT for Swire Coca-Cola (including that of Shanghai Shen-Mei and excluding non-recurring gains and central and other costs) were HK\$6,084 million (2022: HK\$6,041 million) and HK\$3,669 million (2022: HK\$3,694 million) respectively.  
(b) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of Shanghai Shen-Mei and excludes sales to other bottlers).
- (iv) The percentage change figures of South East Asia are not applicable as the franchise businesses in Cambodia and Vietnam were only acquired on 25th November 2022 and 1st January 2023 respectively.
- (v) Due to the disposal of SCCU in 2023, the USA standalone percentage change figures and margins do not provide meaningful comparison. The percentage change figures of Swire Coca-Cola include the results of the USA up to the completion of the disposal, except for active outlets as this is a year-end metric.
- (vi) The figures include the results of Vietnam and Cambodia from the dates of acquisitions except that water use ratio, energy use ratio and LTIR in 2022 were not available for Cambodia as the franchise business was acquired on 25th November 2022.

**2023 RESULTS SUMMARY**

Swire Coca-Cola made an attributable profit of HK\$25,097 million in 2023. This included a non-recurring gain of HK\$22,907 million (net of withholding tax) arising from the disposal of 100% equity interests in the franchise business in the USA (doing business as Swire Coca-Cola, USA (SCCU)) and a gain of HK\$35 million arising from the fair value adjustment related to the acquisition of equity interests in the six subsidiaries of CCBMH in the Chinese Mainland, partly offset by a non-recurring loss of HK\$239 million arising from a write-off of the investment and relevant provisions in the joint venture for plastic recycling. Excluding these non-recurring items, the attributable profit was HK\$2,394 million, which was similar to that in 2022.

Total revenue (including that of Shanghai Shen-Mei and excluding sales to other bottlers) decreased by 5% to HK\$51,935 million. Sales volume increased by 6% to 1,940 million unit cases. In the Chinese Mainland, revenue was similar to 2022 with volume growth. Revenue and volume grew in Hong Kong and Taiwan. In the USA, revenue and volume dropped due to the disposal of SCCU on 7th September 2023. On a comparable basis (up to 7th September for both years), revenue increased and volume remained stable. The newly acquired franchise businesses in Vietnam and Cambodia contributed a full year revenue in 2023.

EBITDA (including that of Shanghai Shen-Mei and excluding central and other costs) increased by 1% to HK\$6,084 million. The EBITDA margin increased from 11.0% to 11.7%.

In June 2023, Swire Coca-Cola entered into an agreement with JS&S (Beverages) Inc., to sell its entire equity interests in SCCU for an aggregate consideration of US\$4.0 billion. The transaction was completed on 7th September 2023. Swire Coca-Cola recorded a consolidated gain on disposal of HK\$22,907 million (net of withholding tax). Following the disposal, Swire Coca-Cola continues to provide management and administrative support services to SCCU at an agreed annual management fee.

On 9th February 2024, Swire Coca-Cola entered into an agreement and conditionally agreed to acquire (through purchases and subscriptions in two phases) a majority stake in TNTC for an aggregate consideration of approximately THB42,615.7 million (equivalent to approximately HK\$9,470.1 million), subject to customary post-completion adjustments and excluding the deemed exercise of the put option. TNTC, together with its subsidiary in Laos, is principally engaged in the business of manufacturing, distribution and sale of non-alcoholic ready-to-drink beverages bearing trademarks owned by TCCC in Thailand and Laos.

On the same date, TNTC conditionally agreed to acquire 30% of each of the issued share capital of the franchise business in Cambodia and the charter capital of the franchise business in Vietnam for an aggregate consideration of approximately US\$271.1 million (equivalent to approximately HK\$2,114.6 million), subject to customary post-completion adjustments.

In 2023, Swire Coca-Cola continued to make significant investments in production assets, logistics infrastructures, merchandising equipment and digital capabilities. Capital commitments at 31st December 2023 were HK\$4,699 million.

### **Chinese Mainland**

Attributable profit from the Chinese Mainland was HK\$790 million in 2023. Excluding the non-recurring gain, the attributable profit was HK\$755 million, a 16% decrease from 2022.

Revenue (including that of Shanghai Shen-Mei and excluding sales to other bottlers) was similar to that in 2022 in local currency terms.

Sparkling revenue decreased by 4%. Water and energy drinks revenue increased by 4% and 28% respectively. Revenue from premium categories of coffee and tea drinks increased by 25% and 16% respectively.

Total sales volume increased by 2%.

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

EBITDA and EBIT (including that of Shanghai Shen-Mei and excluding non-recurring gain and central and other costs) decreased by 4% and 13% in local currency terms respectively. The EBITDA margin decreased from 9.8% to 9.4%. The EBIT margin decreased from 5.1% to 4.4%.

### **Hong Kong**

Attributable profit from Hong Kong in 2023 was HK\$194 million, a 2% increase from 2022. Sales gradually recovered in 2023.

Revenue (excluding sales to other bottlers) increased by 4%. Sparkling revenue increased by 1%. Still revenue increased by 7%. Tea, juice and water revenue increased by 3%, 16% and 21% respectively.

Total sales volume increased by 6%.

The increase in revenue was partly offset by higher raw material costs, operating expenses and depreciation charges as well as the absence of financial support provided by the HKSAR Government under the employment subsidy scheme in 2022.

EBITDA and EBIT (excluding central and other costs) increased by 6% and 2% respectively. The EBITDA margin increased from 16.5% in 2022 to 16.8% in 2023. The EBIT margin decreased from 9.8% to 9.7%.

### **Taiwan**

Attributable profit from Taiwan in 2023 was HK\$123 million, an 11% decrease from 2022.

Revenue in local currency terms increased by 12%. This reflected effective revenue growth management and execution excellence.

Sparkling revenue increased by 12%. Still revenue increased by 12%. Coffee and energy drinks revenue increased by 18% and 38% respectively.

Total sales volume increased by 8%.

The higher raw material costs, operating expenses and depreciation charges were partly offset by the increase in revenue. Results were adversely affected by unfavourable exchange rate movements.

EBITDA and EBIT (excluding central and other costs) increased by 4% and decreased by 1% in local currency terms respectively. The EBITDA margin decreased from 12.4% in 2022 to 11.5% in 2023. The EBIT margin decreased from 8.9% to 7.9%.

### **South East Asia**

Attributable profit and EBITDA (excluding central and other costs) from South East Asia were HK\$198 million and HK\$620 million respectively. The EBITDA margin and EBIT margin were 13.8% and 8.0%, respectively. The performance in Vietnam was strong though facing slower economic growth. The beverages market in Cambodia was challenging.

### **USA**

Excluding the non-recurring gain, the attributable profit from the USA up to disposal date was HK\$1,313 million in 2023, a 6% decrease from 2022.

### **OUTLOOK**

Sales and operations in the Chinese Mainland are expected to remain challenging amid subdued domestic consumer spending. Increasing raw material prices and operating expenses are expected to exert pressure on profits.

Business is expected to be stable with moderate volume growth in Hong Kong. Raw material prices and operating expenses are expected to increase.

Sales and operations in Taiwan are expected to grow in 2024.

We anticipate the franchise business in Vietnam to deliver steady profits, while the business in Cambodia is expected to improve. The strategic acquisition of the bottling operations in Thailand and Laos is anticipated to yield immediate positive impacts to our bottom line.

Our balanced portfolio of regional performances underscores our strategic approach to navigating varied market conditions and capitalising on growth opportunities.

### **Karen So**

**REVIEW OF OPERATIONS****AVIATION DIVISION****OVERVIEW OF THE BUSINESS**

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

**The Cathay group**

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

At 31st December 2023, the Cathay group's airlines offered scheduled passenger and cargo services to 92 destinations worldwide. There are also codeshare agreements in relation to 149 destinations. At 31st December 2023, Cathay Pacific had 181 aircraft and had ordered 46 new aircraft for future delivery.

HK Express is a low-cost airline based in Hong Kong and offers scheduled services within Asia. At 31st December 2023, it had 33 aircraft and had ordered 29 new aircraft for future delivery.

Air Hong Kong operates express cargo services for DHL Express to 15 cities in Asia and the Middle East. At 31st December 2023, Air Hong Kong operated 16 freighters.

As at 31st December 2023, Cathay Pacific owned 16.26% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese Mainland. Air China Cargo, in which the Cathay group owns an equity and an economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland.

Cathay Pacific and its subsidiaries employed more than 23,800 people (around 82% of them in Hong Kong) at 31st December 2023.

**The HAECO group**

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

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

HAECO is a wholly-owned subsidiary of Swire Pacific.

**STRATEGY:**

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

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

**2023 PERFORMANCE**
**Aviation Division – Financial Highlights**

	<b>2023</b>	2022
	<b>HK\$M</b>	HK\$M
<b>HAECO group</b>		
Revenue	<b>17,787</b>	13,828
Operating profit	<b>224</b>	270
Attributable profit	<b>45</b>	185
<b>Cathay group</b>		
Share of post-tax profit/(loss) from associated companies	<b>4,405</b>	(2,947)
<b>Attributable profit/(loss)</b>	<b>3,393</b>	(3,072)

**Accounting for the Aviation Division**

The Group accounts for its associate interest in the Cathay 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 the HAECO group and the Cathay group above do not include Swire Pacific's consolidation adjustments. In 2023, an impairment loss of HK\$675 million was recognised for the Group's interest in HAESL, a joint venture company of the HAECO group. The impairment loss was part of the consolidation adjustments and was not included in the HAECO group's results.

**Cathay Pacific – 2023 Performance**

		<b>2023</b>	2022	Change
Available tonne kilometres (ATK)	Million	<b>21,225</b>	10,100	+110.1%
Available seat kilometres (ASK)	Million	<b>85,607</b>	20,056	+326.8%
Available cargo tonne kilometres (AFTK)	Million	<b>13,069</b>	8,181	+59.7%
Revenue tonne kilometres (RTK)	Million	<b>15,090</b>	7,190	+109.9%
Passenger revenue	HK\$M	<b>55,951</b>	13,686	+308.8%
Passenger revenue per ASK	HK¢	<b>65.4</b>	68.2	-4.1%
Revenue passenger kilometres (RPK)	Million	<b>73,342</b>	14,764	+396.8%
Revenue passengers carried	'000	<b>17,985</b>	2,804	+541.4%
Passenger load factor	%	<b>85.7</b>	73.6	+12.1%pt
Passenger yield	HK¢	<b>76.3</b>	92.7	-17.7%
Cargo revenue	HK\$M	<b>22,162</b>	26,990	-17.9%
Cargo revenue per AFTK	HK\$	<b>1.70</b>	3.30	-48.5%
Cargo revenue tonne kilometres (RFTK)	Million	<b>8,099</b>	5,774	+40.3%
Cargo carried	'000 Tonnes	<b>1,381</b>	1,154	+19.7%
Cargo load factor	%	<b>62.0</b>	70.6	-8.6%pt
Cargo yield	HK\$	<b>2.74</b>	4.67	-41.3%
Cost per ATK (with fuel)*	HK\$	<b>3.55</b>	4.35	-18.4%
Cost per ATK (without fuel)*	HK\$	<b>2.47</b>	3.43	-28.0%
Fuel consumption per million RTK	Barrels	<b>1,746</b>	1,679	+4.0%
Fuel consumption per million ATK	Barrels	<b>1,241</b>	1,195	+3.8%
Aircraft utilisation (including parked aircraft)	Hours per day	<b>7.7</b>	3.3	+133.3%
On-time performance	%	<b>76.2</b>	80.1	-3.9%pt
Average age of fleet	Years	<b>11.1</b>	10.8	+0.3year

\* Cost per ATK represents total operating costs divided by ATK for the year.

**Cathay group****2023 AIRLINE INDUSTRY REVIEW**

The Cathay group has made good progress in two key areas of focus: rebuilding and investing. Throughout the year, the group rebuilt the brand, flights and home hub, whilst also making strategic investment decisions that will benefit its customers, its people and Hong Kong as a whole.

Among the primary objectives in 2023, more flights were reintroduced to serve more destinations. By the end of 2023, the group has achieved the target of 70% of pre-COVID-19 passenger flight capacity covering about 80 destinations in December. The group was operating about 85% of its pre-COVID-19 cargo flight capacity by the end of 2023.

**2023 RESULTS SUMMARY**

The Cathay group's attributable profit on a 100% basis was HK\$9,789 million in 2023, compared with a restated loss of HK\$6,623 million in 2022. Cathay Pacific reported an attributable profit after tax of HK\$11,341 million (2022 restated: profit of HK\$1,434 million). Its profits from subsidiaries was HK\$10 million (2022 restated: loss of HK\$1,764 million). Its share of losses from associates (most of which are recognised three months in arrear) was HK\$1,562 million (2022: loss of HK\$6,293 million).

**Passenger Services****Cathay Pacific**

Passenger revenue in 2023 was HK\$55,951 million, an increase of 309% compared to 2022. Revenue passenger kilometres increased by 397%. Capacity, measured in available seat kilometres, increased by 327%. 18.0 million passengers were carried, an average of 49,300 passengers per day, 541% more than in 2022. The load factor was 85.7%, compared with 73.6% in 2022.

**HK Express**

HK Express reported a profit of HK\$433 million for 2023 (2022 restated: loss of HK\$1,369 million).

**Cargo Services****Cathay Pacific**

The cargo revenue of Cathay Pacific in 2023 was HK\$22,162 million, a decrease of 18% compared to 2022. Cargo revenue tonne kilometres increased by 40%. Capacity, measured by available cargo tonne kilometres, increased by 60%. The load factor decreased by 8.6 percentage points to 62.0%. Yield decreased by 41% to HK\$2.74.

**Air Hong Kong**

Air Hong Kong recorded a profit in 2023, reflecting a consistently solid performance.

**Operating Costs**

Non-fuel costs increased by 51% to HK\$52,366 million. Total fuel costs for Cathay Pacific (before the effect of fuel hedging) increased by HK\$10,658 million (or 82%) compared with 2022. This principally reflected an increase in fuel consumption.

**Fleet Profile**

At 31st December 2023, the total number of aircraft in the Cathay group's fleet was 230. five passenger aircraft (3% of the group's passenger fleet) were parked outside Hong Kong.

**Fleet Profile<sup>(i)</sup>**

Aircraft type	Number at 31st December 2023			Total	Average age	Orders <sup>(iii)</sup>			Total	Expiry of operating leases <sup>(ii)</sup>												
	Leased <sup>(ii)</sup>					'24	'25	'26 and beyond		'24	'25	'26	'27	'28	'29 and beyond							
	Owned	Finance	Operating																			
<b>Cathay Pacific:</b>																						
A321-200	2			<b>2</b>	20.2																	
A321/A320-200neo	4	3	5	<b>12</b>	1.7	4		15 <sup>(iv)</sup>	<b>19</b>											5		
A330-300	37	2	4	<b>43</b>	15.3							2	2									
A350-900	20	8	2	<b>30</b>	5.7															2		
A350-1000	11	7		<b>18</b>	4.0																	
A350F								6	<b>6</b>													
747-400ERF	6			<b>6</b>	15.0																	
747-8F	10	4		<b>14</b>	10.9																	
777-300	17			<b>17</b>	22.2																	
777-300ER	30		9	<b>39</b>	11.1							3	2	4								
777-9							2	19	<b>21</b>													
<b>Total</b>	<b>137</b>	<b>24</b>	<b>20</b>	<b>181</b>	<b>11.1</b>	<b>4</b>	<b>2</b>	<b>40</b>	<b>46</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>-</b>	<b>2</b>	<b>5</b>							
<b>HK Express:</b>																						
A320-200		3 <sup>(v)</sup>	5	<b>8</b>	14.4							4								1		
A320-200neo			10	<b>10</b>	4.8			8 <sup>(iv)(vi)</sup>	<b>8</b>											2		
A321-200			11	<b>11</b>	6.2							1	2							8		
A321-200neo		4 <sup>(vii)</sup>		<b>4</b>	0.3	7 <sup>(viii)</sup>	5	9 <sup>(iv)(vi)</sup>	<b>21</b>													
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>	<b>7.1</b>	<b>7</b>	<b>5</b>	<b>17</b>	<b>29</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>3</b>	<b>16</b>							
<b>Air Hong Kong<sup>(ix)(x)</sup>:</b>																						
A300-600F			7	<b>7</b>	18.6							4	3									
A330-243F			2	<b>2</b>	12.0								2									
A330-300P2F			7	<b>7</b>	13.0								3	4								
<b>Total</b>			<b>16</b>	<b>16</b>	<b>15.3</b>					<b>4</b>	<b>3</b>	<b>5</b>	<b>4</b>									
<b>Grand total</b>	<b>137</b>	<b>31</b>	<b>62</b>	<b>230</b>	<b>10.8</b>	<b>11</b>	<b>7</b>	<b>57</b>	<b>75</b>	<b>11</b>	<b>8</b>	<b>13</b>	<b>-</b>	<b>9</b>	<b>21</b>							

**Notes:**

- (i) The table does not reflect aircraft movements after 31st December 2023.
- (ii) 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.
- (iii) The group believes that based on its available unrestricted liquidity as at 31st December 2023, as well as its ready access to both loan and debt capital markets, it will have sufficient financing capacity to fund this material investment in the fleet.
- (iv) Final number subject to reallocation between Cathay Pacific and HK Express.
- (v) The aircraft are owned by Cathay Dragon and sub-leased to HK Express.
- (vi) Final split between Airbus A320-200neo and A321-200neo subject to adjustment in accordance with future operational requirements.
- (vii) The aircraft are finance leased by Cathay Pacific and sub-leased to HK Express.
- (viii) One Airbus A321-200neo was delivered in February 2024.
- (ix) The contractual arrangements relating to the freighters operated by Air Hong Kong do not constitute leases in accordance with HKFRS 16.
- (x) We plan to return seven Airbus A300-600F between 2024 and 2025 and to have them replaced with six second-hand A330F. This allows the Air Hong Kong fleet to remain at 15 at least until 2025.

**Air China and Air China Cargo**

The Cathay group's share of Air China's results is based on its financial statements drawn up three months in arrears. Consequently, the 2023 results include Air China's results for the 12 months ended 30th September 2023, adjusted for any significant events or transactions for the period from 1st October 2023 to 31st December 2023.

For the 12 months ended 30th September 2023, Air China was loss-making due to incomplete recovery of international routes, intensified competition in the domestic market and fluctuations in oil prices and exchange rates. Nonetheless, results improved as compared with the results for the 12 months ended 30th September 2022.

In January 2023, Air China issued 1,676 million new A shares to investors with proceeds of the issuance totalling RMB15 billion. Cathay Pacific did not participate in this issue. As a result, its interest in the equity of Air China decreased from 18.13% to 16.26%.

In February 2024, Cathay Pacific's interest in Air China was further diluted from 16.26% to 15.87% as a result of Air China issuing 393 million new H shares to a specific investor with proceeds of the issuance totalling HK\$2 billion.

The Cathay group's share of Air China Cargo's results is based on its financial statements drawn up three months in arrears. The 2023 results include Air China Cargo's results for the 12 months ended 30th September 2023, adjusted for any significant events or transactions for the period from 1st October 2023 to 31st December 2023.

**OUTLOOK**

The group anticipates it will reach 80% of its pre-pandemic passenger flights within the second quarter of 2024. It will also work towards reaching 100% within the first quarter of 2025. It remains focused on rebuilding in a measured and responsible manner, while it looks ahead to the exciting opportunities presented by the upcoming Three-Runway System at Hong Kong International Airport.

**Ronald Lam**

**Hong Kong Aircraft Engineering Company (HAECO) group**

<b><u>HAECO Group – Financial Highlights</u></b>	<b>2023</b>	2022
	<b>HK\$M</b>	HK\$M
<b>Revenue</b>		
Airframe	<b>7,056</b>	6,033
Cabin	<b>474</b>	380
Components	<b>1,824</b>	1,489
Engine	<b>8,247</b>	5,788
Others	<b>186</b>	138
	<b>17,787</b>	13,828
<b>Operating profit</b>	<b>224</b>	270
<b>Attributable profits/(losses)</b>		
Airframe	<b>74</b>	(107)
Cabin	<b>(272)</b>	(145)
Components	<b>188</b>	139
Engine	<b>589</b>	469
Others	<b>(114)</b>	(106)
<b>Attributable profit (excluding non-recurring items)</b>	<b>465</b>	250
Cabin – loss on disposal of cabin business	<b>(420)</b>	-
Components – impairment charges in respect of rotatable aircraft parts	-	(65) ^
<b>Attributable profit</b>	<b>45</b>	185

^ representing impairment charges at HAECO ITM.

<b><u>HAECO Group – Operating Highlights</u></b>		<b>2023</b>	2022
Airframe – base maintenance manhours sold			
HAECO Hong Kong	<i>Million</i>	<b>2.62</b>	2.51
HAECO Xiamen	<i>Million</i>	<b>4.17</b>	3.59
HAECO Americas	<i>Million</i>	<b>2.71</b>	2.54
Total	<i>Million</i>	<b>9.50</b>	8.64
Airframe – line maintenance movements handled			
Hong Kong	<i>Thousand</i>	<b>83</b>	52
Chinese Mainland	<i>Thousand</i>	<b>22</b>	14
Total	<i>Thousand</i>	<b>105</b>	66
Engines overhauled			
HAESL		<b>300</b>	278
HAECO Engine Services (Xiamen)		<b>95</b>	68

**2023 AVIATION MAINTENANCE AND REPAIR  
INDUSTRY REVIEW**

The industry continued to rebuild from the pandemic in 2023. Following the recovery of air traffic in most markets in 2022, the full reopening of borders in Hong Kong and in the Chinese Mainland as of late 2022 led to a substantial resurgence in Hong Kong air traffic throughout 2023 which drove the increase in demand for maintenance and repair of airframes, particularly line maintenance in Hong Kong.

**2023 RESULTS SUMMARY**

The HAECO group reported an attributable profit of HK\$45 million for 2023 (after taking account of a loss on disposal of cabin business of HK\$420 million). This compares with a profit of HK\$185 million in 2022 (after taking account of post-tax impairment charges of HK\$65 million in respect of rotatable aircraft parts at HAECO ITM).

The HAECO group's recurring attributable profit for 2023 was HK\$465 million, HK\$215 million higher than the profit in 2022. Most of the group's businesses performed better than in 2022, primarily benefitting from higher activity in base maintenance, line maintenance and engine overhauls. This was partially offset by a higher operating loss incurred in the cabin business and unrealised foreign exchange losses (versus significant unrealised foreign exchange gains in 2022) at HAECO Xiamen.

In September 2023, the group completed the sale of the cabin business which resulted in a non-recurring loss on disposal of HK\$420 million.

At 31st December 2023, HAECO had outstanding capital commitments of HK\$5,297 million.

**Airframe**

The airframe business delivered an attributable profit of HK\$74 million in 2023, improving from a loss of HK\$107 million in 2022. Revenue grew by 17% reflecting the recovery of line maintenance movements handled (59% more than in 2022) in addition to 9.50 million base maintenance manhours sold in 2023 (10% more than in 2022). HAECO Hong Kong, HAECO Xiamen and HAECO Americas all did more base maintenance work in 2023. The swing from unrealised foreign exchange gains recorded at HAECO Xiamen in 2022 to losses in 2023 offset part of the gain from the growth in workload and the benefits from cost control initiatives in all locations.

**HAECO Hong Kong**

The airframe business of HAECO Hong Kong recorded a significantly smaller loss in 2023 than in 2022. Line maintenance reported a substantial growth in revenue driven by continued recovery in air traffic upon the lifting of pandemic-related travel restrictions and quarantine requirements at the end of 2022 in Hong Kong. Approximately 83,000 line maintenance aircraft movements were handled in 2023, an increase of 60% compared with 2022. 2.62 million base maintenance manhours were sold in 2023, 4% more than those sold in 2022, reflecting a stable demand and more cabin modification work.

**HAECO Xiamen**

In 2023, the attributable profit of HAECO Xiamen's airframe services was comparable to 2022 (which benefitted from significant unrealised foreign exchange gains). Disregarding such gains in 2022 and losses in 2023, the attributable profit of HAECO Xiamen increased. 4.17 million base maintenance manhours were sold in 2023, 16% more than in 2022. This reflected a continuous recovery in demand for base maintenance.

**HAECO Americas**

The airframe business of HAECO Americas recorded an operating profit in 2023, compared to an operating loss in 2022. The improvement was driven by an increase in selling rates to customers and improving customer mix combined with cost control initiatives. Demand for base maintenance was steady, but output continued to be limited by the availability of skilled labour. 2.71 million manhours were sold in 2023, 7% higher than in 2022.

**Cabin**

The group ceased to operate in the cabin business after the disposal of this business in September 2023. Revenue and profit were recorded up to that period.

The cabin business lost HK\$272 million on the recurring level in 2023, compared with a loss of HK\$145 million in 2022. Its results were adversely affected by continued supply chain difficulties, as well as higher cost of sales and provisions.

**Components**

Recurring attributable profit from the components business was HK\$188 million in 2023, a 35% increase from 2022. Revenue in 2023 grew by 22% from that of 2022. The component repair and overhaul business delivered strong improvement. Profit of HAECO ITM also increased.

**Engine**

The attributable profit from the engine business was HK\$589 million in 2023, a 26% increase from 2022. Revenue (comprising that of HAECO Engine Services (Xiamen) and the Global Engine Support business and excluding that of HAESL, which is not consolidated) grew by 42%. The profit growth mainly resulted from a strong demand for engine overhaul at HAECO Engine Services (Xiamen).

**HAESL**

HAESL recorded an increase in attributable profit from 2022 to 2023. The increase reflected more engines being overhauled. Repair and overhaul services were performed on 300 engines, compared with 278 in 2022.

**HAECO Engine Services (Xiamen)**

HAECO Engine Services (Xiamen) recorded a strong increase in attributable profit from 2022 to 2023. 75 performance restoration worksopes and 20 quick turn worksopes on GE90 aircraft engines were performed in 2023 (compared with 56 performance restoration worksopes and 12 quick turn worksopes in 2022).

**Global Engine Support**

Results of the Global Engine Support business (which provides on-wing and off-wing engine support from HAECO group's facilities in Hong Kong, Dallas, Amsterdam and London) in 2023 was comparable to 2022.

**OUTLOOK**

Demand for base maintenance in 2024 is expected to be stable. Line maintenance work is expected to increase as air traffic continues to recover in Hong Kong. Demand for engine services is expected to remain strong in 2024.

The availability of skilled manpower remains a constraint, especially in Hong Kong and the USA. Global supply chain issues are expected to persist until well into 2024. The business is addressing the inflationary pressures arising from these two issues through further cost efficiency improvements and price increases.

Superstructure construction of HAECO Xiamen's hangar facilities at the new Xiamen airport is underway. The main structure of hangar annex buildings has been completed. The relocation to the new airport will be material to HAECO Xiamen's operations from 2026.

**Richard Sell**

## REVIEW OF OPERATIONS

### HEALTHCARE

#### OVERVIEW OF THE BUSINESS

##### **Columbia China Healthcare**

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

##### **Shenzhen New Frontier United Family Hospital and HEAL Medical Group**

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

##### **DeltaHealth**

In March 2024, we reached an in-principal agreement to acquire a controlling stake in DeltaHealth China Limited (DeltaHealth), a healthcare provider in the Chinese Mainland specialising in cardiovascular care in which we first made a minority investment in 2021. Upon completion, this proposed acquisition will mark the Group's first control position in healthcare and aligns with our healthcare strategy of being a long-term owner and operator of healthcare services. With DeltaHealth's best-in-class cardiovascular team, differentiated clinical offering and quality of service, this is a unique asset in Shanghai which we are excited to be adding to our healthcare portfolio.

##### **Indonesia Healthcare Corporation (IHC)**

In December 2023, the Group and the Indonesia Investment Authority entered into an agreement to jointly invest in IHC, a hospital group in Indonesia. IHC comprises 37 majority-owned hospitals and operates 66 clinics throughout Indonesia. The investment in IHC marks the Group's first healthcare investment in South East Asia, and is in line with the Group's strategy to identify new healthcare opportunities in regions within Asia in which we already have a commercial presence. The transaction is subject to anti-trust approval and is expected to close in the second quarter of 2024.

#### 2023 RESULTS SUMMARY

The share of the losses from the above healthcare companies was HK\$165 million in 2023, compared with a loss of HK\$170 million in 2022. In 2023, an impairment charge of HK\$250 million was made in respect of the investment in DeltaHealth, whereas an impairment in goodwill of HK\$163 million was made at Columbia China Healthcare in 2022.

#### OUTLOOK

Taking the investment in IHC into account, we have invested HK\$2.7 billion in the sector as at 31st December 2023. Going forward, we will continue to explore investment opportunities in healthcare services in the Chinese Mainland and South East Asia which have potential for future growth. We will remain disciplined in our approach towards valuation, ensuring sustainable and stable returns for shareholders.

**Jeffrey Staples**

**REVIEW OF OPERATIONS**
**TRADING & INDUSTRIAL**
**2023 PERFORMANCE**
**Trading & Industrial – Financial Highlights**

	<b>2023</b>	2022
	<b>HK\$M</b>	HK\$M
<b>Revenue</b>		
Swire Resources	<b>2,402</b>	1,996
Taikoo Motors	<b>6,401</b>	5,636
Swire Foods	<b>1,659</b>	1,588
Swire Environmental Services	<b>185</b>	169
	<b>10,647</b>	9,389
<b>Operating profits/(losses)</b>		
Swire Resources	<b>108</b>	5
Taikoo Motors	<b>222</b>	226
Swire Foods	<b>23</b>	(487)
Swire Environmental Services	<b>63</b>	57
Central costs	<b>(16)</b>	(13)
	<b>400</b>	(212)
<b>Attributable profits/(losses)</b>		
Swire Resources	<b>90</b>	(5)
Taikoo Motors	<b>165</b>	168
Swire Foods	<b>7</b>	(505)
Swire Environmental Services	<b>53</b>	48
Central costs	<b>(16)</b>	(13)
	<b>299</b>	(307)
<b>Attributable profit/(loss)</b>		
<b>Non-recurring items</b>		
Write-off of goodwill in respect of Qinyuan Bakery	-	(367)
Impairment of long-term assets at Qinyuan Bakery	-	(100)
	<b>299</b>	160
<b>Recurring profit</b>		

**2023 INDUSTRY REVIEW**

**Footwear and apparel business in Hong Kong and the Chinese Mainland** – In 2023, footwear and apparel sales increased by 41% and 13% in Hong Kong and the Chinese Mainland, respectively.

**Car sales in Taiwan** – Car registrations in Taiwan increased by 11% to 476,956 units in 2023.

**Bakery sales in the Chinese Mainland** – Retail sales of bakery products in the Chinese Mainland increased by 6% in 2023.

**Sugar sales in the Chinese Mainland** – The volume of sugar sold in the Chinese Mainland increased by 2% to 34,613 million pounds in 2023.

**2023 RESULTS SUMMARY**

The attributable profit of the trading & industrial businesses in 2023 was HK\$299 million, compared with an attributable loss of HK\$307 million in 2022. The 2022 figure includes non-recurring losses aggregating HK\$467 million in respect of goodwill and fixed assets at Qinyuan Bakery. Excluding non-recurring items, profit of the trading & industrial businesses increased by 87% from HK\$160 million in 2022.

**Swire Resources**

The attributable profit of Swire Resources in 2023 was HK\$90 million, compared to a loss of HK\$5 million in 2022. Border reopening in early 2023 with progressive return of tourists and the HKSAR Government's consumption voucher scheme contributed to positive financial performance. Growth slowed down starting from the third quarter of 2023, with increasing trend of northbound travel by local residents over weekends, affecting store traffic.

Revenue in 2023 was 20% higher than in 2022 with increasing tourists. Gross profit margins increased because of less discounting. Costs were tightly managed. Talent shortage remains the key challenge of the business.

167 retail outlets were operated in Hong Kong and Macau at the end of 2023, eleven more than the end of 2022. Six retail outlets were operated in the Chinese Mainland at the end of 2023, the same number as at the end of 2022.

**Taikoo Motors**

The attributable profit of Taikoo Motors decreased to HK\$165 million in 2023 from HK\$168 million in 2022.

19,517 vehicles were sold in 2023, 8% more than in 2022. Margins were compressed due to vehicle over-supply and increased market competition, especially from Japanese brands as benefitted from weaker Yen.

**Swire Foods**

Swire Foods reported an attributable profit of HK\$7 million in 2023, compared with an attributable loss of HK\$505 million in 2022.

Qinyuan Bakery recorded an attributable profit of HK\$3 million in 2023 compared with an attributable loss of HK\$520 million in 2022. The 2022 figure includes non-recurring losses arising from a HK\$367 million impairment of goodwill and a HK\$100 million impairment in respect of other long-term assets. Excluding the non-recurring losses, Qinyuan Bakery incurred an attributable loss of HK\$53 million in 2022.

The revenue of Qinyuan Bakery decreased by 7% in 2023. The gross profit margin was similar to that in 2022. Qinyuan Bakery operated 363 stores at the end of 2023, compared with 436 stores at the end of 2022.

Taikoo Sugar recorded an attributable profit of HK\$4 million in 2023, compared to a profit of HK\$15 million in 2022. The decrease in profit was mainly due to a one-off closure expense incurred for the factory in Shanghai. The 2023 volume of sugar sold increased by 15%. Margins decreased because of the surge in sugar cost as well as lower sales volume in higher margin retail sector as home consumption reduces after COVID-19 measures were lifted.

### **Swire Environmental Services**

Swire Environmental Services made an attributable profit of HK\$53 million in 2023, compared with an attributable profit of HK\$48 million in 2022.

### **OUTLOOK**

At Swire Resources, mild growth is expected with the return of tourists in 2024, but partly offset by northbound travelling of Hong Kong and Macau locals. Shortage of labour and increasing costs are expected to affect the business.

At Taikoo Motors, vehicle sales continue to be challenging but aftersales will continue to expand given the growth of car population and new investment in workshop facilities.

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.

At Taikoo Sugar, Chinese Mainland food service recovery is not sufficient to cover the drop in retail as home consumption reduces after COVID-19 measures were lifted. Taikoo Sugar will introduce more wellness products to capture new market opportunities.

The business of Swire Environmental Services is expected to drop in 2024 due to the expiry of a waste transfer services contract with the HKSAR Government in March 2024.

**David Cogman**

## FINANCIAL REVIEW

Additional information is provided below to reconcile reported and underlying profit attributable to the Company's shareholders. The reconciling items principally adjust for the fair value 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. There is a further adjustment to remove the effect of remeasurement gains on interests in joint venture companies which became subsidiary companies after completion of acquisition.

<b>Audited Financial Information</b>			
	Note	<b>2023 HK\$M</b>	2022 HK\$M
<b>Underlying profit</b>			
Profit attributable to the Company's shareholders		<b>28,853</b>	4,195
Adjustments in respect of investment properties:			
Fair value losses/(gains) in respect of investment properties	(i)	<b>4,423</b>	(1,735)
Deferred tax on investment properties	(ii)	<b>461</b>	1,402
Fair value gains realised on sale of interests in investment properties	(iii)	<b>4,398</b>	915
Depreciation of investment properties occupied by the Group	(iv)	<b>29</b>	28
Amortisation of right-of-use assets reported under investment properties	(v)	<b>(81)</b>	(80)
Remeasurement gains on interests in joint venture companies which became subsidiary companies after completion of acquisition	(vi)	<b>(306)</b>	-
Non-controlling interests' share of fair value movements less deferred tax		<b>(1,600)</b>	23
<b>Underlying profit attributable to the Company's shareholders</b>		<b>36,177</b>	4,748
Notes:			
(i) This represents the fair value movements as shown in the Group's consolidated statement of profit or loss and the Group's share of fair value movements of joint venture and associated companies.			
(ii) 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 and associated companies. These comprise deferred tax on fair value 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.			
(iii) 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 fair value gains/(losses) were transferred from the revaluation reserve to the consolidated statement of profit or loss.			
(iv) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.			
(v) 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.			
(vi) The remeasurement gains on interests in joint venture companies were calculated principally by reference to the estimated market value of the underlying properties portfolio of the joint venture companies, netting off with all related cumulative exchange difference.			

**Financial Review (continued)**

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

	<u>2023</u> <u>HK\$M</u>	<u>2022</u> <u>HK\$M</u>
<b>Underlying profit attributable to the Company's shareholders</b>	<b>36,177</b>	4,748
Significant non-recurring items:		
Gain on disposals of interests in investment properties and properties for sale	<b>(3,513)</b>	(1,255)
Gain on disposals of property, plant and equipment, intangible assets and other investments	<b>(23,425)</b>	(64)
Impairment of property, plant and equipment, right-of-use assets, intangible assets and investments	<b>1,210</b>	706
Remeasurement gain and disposal of assets classified as held for sale	<b>-</b>	(335)
<b>Recurring underlying profit</b>	<b>10,449</b>	3,800

Recurring underlying profit by division is provided below.

	<u>2023</u> <u>HK\$M</u>	<u>2022</u> <u>HK\$M</u>
Property	<b>5,942</b>	5,844
Beverages	<b>2,394</b>	2,392
Aviation		
Cathay group (Note)	<b>3,083</b>	(3,228)
HAECO group and others (Note)	<b>443</b>	221
Trading & Industrial	<b>299</b>	160
Marine Services	<b>-</b>	17
Head Office, Healthcare and others	<b>(1,712)</b>	(1,606)
<b>Recurring underlying profit</b>	<b>10,449</b>	3,800

Note: Including consolidation adjustments.

<b>Consolidated Statement of Profit or Loss For the year ended 31st December 2023</b>	Note	<b>2023 HK\$M</b>	2022 HK\$M
<b>Continuing operations</b>			
Revenue	2	<b>94,823</b>	91,169
Cost of sales		<b>(59,674)</b>	(56,981)
<b>Gross profit</b>		<b>35,149</b>	34,188
Distribution costs		<b>(14,985)</b>	(16,151)
Administrative expenses		<b>(8,432)</b>	(7,385)
Other operating expenses		<b>(300)</b>	(293)
Other net (losses)/gains		<b>(129)</b>	821
Gain on disposals of subsidiary companies – Swire Coca-Cola, USA		<b>23,103</b>	-
Impairment charges on interests in joint venture and associated companies		<b>(925)</b>	(163)
Change in fair value of investment properties		<b>(2,860)</b>	810
<b>Operating profit</b>	3	<b>30,621</b>	11,827
Finance charges		<b>(2,612)</b>	(1,753)
Finance income		<b>586</b>	288
Net finance charges	4	<b>(2,026)</b>	(1,465)
Share of profits of joint venture companies		<b>617</b>	1,857
Share of profits/(losses) of associated companies		<b>3,558</b>	(3,301)
<b>Profit before taxation</b>		<b>32,770</b>	8,918
Taxation	5	<b>(2,932)</b>	(3,013)
<b>Profit from continuing operations</b>		<b>29,838</b>	5,905
<b>Discontinued operations</b>			
Profit from discontinued operations		-	364
<b>Profit for the year</b>		<b>29,838</b>	6,269
Profit for the year attributable to:			
The Company's shareholders – from continuing operations		<b>28,853</b>	3,836
The Company's shareholders – from discontinued operations		-	359
Non-controlling interests – from continuing operations		<b>985</b>	2,069
Non-controlling interests – from discontinued operations		-	5
		<b>29,838</b>	6,269
Underlying profit attributable to the Company's shareholders		<b>36,177</b>	4,748
		<b>HK\$</b>	HK\$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted):			
'A' share – from continuing operations	7	<b>19.96</b>	2.57
'A' share – from discontinued operations		-	0.24
'B' share – from continuing operations		<b>3.99</b>	0.51
'B' share – from discontinued operations		-	0.05

<b>Consolidated Statement of Other Comprehensive Income For the year ended 31st December 2023</b>	<b>2023 HK\$M</b>	<b>2022 HK\$M</b>
<b>Profit for the year</b>	<b>29,838</b>	<b>6,269</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Revaluation of property previously occupied by the Group gains recognised during the year	<b>43</b>	-
deferred tax	<b>(12)</b>	-
Defined benefit plans		
remeasurement (losses)/gains recognised during the year	<b>(117)</b>	856
deferred tax	<b>9</b>	(170)
Changes in the fair value of equity investments at fair value through other comprehensive income		
(losses)/gains recognised during the year	<b>(15)</b>	256
deferred tax	<b>(2)</b>	3
Share of other comprehensive income of joint venture and associated companies	<b>78</b>	65
Net translation differences on foreign operations	<b>(221)</b>	(866)
	<b>(237)</b>	144
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges		
losses recognised during the year	<b>(191)</b>	(93)
transferred from net finance charges	<b>(57)</b>	(24)
transferred from operating profit	<b>11</b>	201
deferred tax	<b>46</b>	(13)
Share of other comprehensive loss of joint venture and associated companies		
recognised during the year	<b>(988)</b>	(2,978)
reclassified to profit or loss on deemed disposal	<b>228</b>	-
Net translation differences on foreign operations recognised during the year	<b>(1,041)</b>	(3,932)
reclassified to profit or loss on disposal	<b>(45)</b>	57
	<b>(2,037)</b>	(6,782)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(2,274)</b>	(6,638)
<b>Total comprehensive income/(loss) for the year</b>	<b>27,564</b>	(369)
Total comprehensive income/(loss) attributable to:		
The Company's shareholders – from continuing operations	<b>26,798</b>	(1,695)
The Company's shareholders – from discontinued operations	-	397
Non-controlling interests – from continuing operations	<b>766</b>	924
Non-controlling interests – from discontinued operations	-	5
	<b>27,564</b>	(369)

<b>Consolidated Statement of Financial Position At 31st December 2023</b>		<b>31st December 2023 HK\$M</b>	<b>31st December 2022 HK\$M</b>
	Note		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		20,799	22,196
Investment properties		280,783	270,768
Intangible assets		18,041	13,930
Right-of-use assets		8,766	8,117
Properties held for development		1,210	1,208
Joint venture companies		24,479	30,346
Loans due from joint venture companies		14,853	15,460
Associated companies		34,781	23,686
Loans due from associated companies		332	131
Investments at fair value		1,993	1,041
Prepayment and other receivables	8	312	6,474
Derivative financial instruments		84	119
Deferred tax assets		567	278
Retirement benefit assets		68	273
		<b>407,068</b>	<b>394,027</b>
<b>Current assets</b>			
Properties for sale		9,121	8,264
Stocks and work in progress		6,747	7,608
Contract assets		1,033	841
Trade and other receivables	8	8,708	9,834
Taxation receivable		430	505
Derivative financial instruments		20	35
Bank balances and short-term deposits		14,082	11,614
		<b>40,141</b>	<b>38,701</b>
Assets classified as held for sale		543	2,038
		<b>40,684</b>	<b>40,739</b>
<b>Current liabilities</b>			
Trade and other payables	9	27,586	28,740
Contract liabilities		2,146	1,337
Taxation payable		571	311
Derivative financial instruments		33	124
Short-term loans		-	25
Long-term loans and bonds due within one year		10,605	10,219
Lease liabilities due within one year		873	776
		<b>41,814</b>	<b>41,532</b>
<b>Net current liabilities</b>		<b>(1,130)</b>	<b>(793)</b>
<b>Total assets less current liabilities</b>		<b>405,938</b>	<b>393,234</b>
<b>Non-current liabilities</b>			
Long-term loans and bonds		58,613	58,129
Long-term lease liabilities		4,206	4,140
Derivative financial instruments		331	101
Other payables	9	1,233	1,476
Deferred tax liabilities		16,660	13,090
Retirement benefit liabilities		121	362
		<b>81,164</b>	<b>77,298</b>
<b>NET ASSETS</b>		<b>324,774</b>	<b>315,936</b>
<b>EQUITY</b>			
Share capital	10	1,294	1,294
Reserves	11	266,835	257,162
<b>Equity attributable to the Company's shareholders</b>		<b>268,129</b>	<b>258,456</b>
<b>Non-controlling interests</b>		<b>56,645</b>	<b>57,480</b>
<b>TOTAL EQUITY</b>		<b>324,774</b>	<b>315,936</b>

**Consolidated Statement of Cash Flows**  
**For the year ended 31st December 2023**

	2023 HK\$M	2022 HK\$M
<b>Operating activities</b>		
Cash generated from operations	14,479	12,043
Interest paid	(3,363)	(2,165)
Interest received	515	296
Tax paid	(2,142)	(2,628)
	<u>9,489</u>	<u>7,546</u>
Dividends received from joint venture and associated companies	428	610
<b>Net cash generated from operating activities</b>	<b>9,917</b>	<b>8,156</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment and right-of-use assets	(3,441)	(3,114)
Additions of investment properties	(2,771)	(7,096)
Purchase of intangible assets	(158)	(314)
Proceeds from disposals of property, plant and equipment and right-of-use assets	331	695
Proceeds from disposals of investment properties	5,291	609
Proceeds from disposals of subsidiary companies, net of cash disposed of	30,430	1,174
Proceeds from partial disposal of an associated company	-	263
Proceeds from disposals of investments at fair value	-	1,484
Payment for acquisition of subsidiary companies, net of cash acquired	(3,255)	(1,783)
Purchase of shares in joint venture companies	(791)	(1,720)
Purchase of shares in associated companies	(10,477)	(97)
Prepayment of shares in respect of a subsidiary company	-	(6,430)
Equity to joint venture companies	(356)	(1,127)
Purchase of investments at fair value	(341)	(186)
Loans to joint venture companies	(1,754)	(178)
Loans to associated companies	(63)	(177)
Repayment of loans by joint venture companies	435	917
Repayment of loans by associated companies	17	-
Advances from joint venture companies	-	101
Advances to joint venture companies	(157)	(200)
Decrease/(increase) in deposits maturing after more than three months	169	(288)
Initial leasing costs incurred	(79)	(75)
<b>Net cash generated from/(used in) investing activities</b>	<b>13,030</b>	<b>(17,542)</b>
<b>Net cash inflow/(outflow) before financing activities</b>	<b>22,947</b>	<b>(9,386)</b>
<b>Financing activities</b>		
Loans drawn and refinancing	23,462	25,676
Repayment of loans and bonds	(25,886)	(18,866)
Principal elements of lease payments	(895)	(880)
	<u>(3,319)</u>	<u>5,930</u>
Capital contribution from non-controlling interests	16	1,003
Repurchase of the Company's shares	(851)	(2,639)
Dividends paid to the Company's shareholders	(16,108)	(4,118)
Dividends paid to non-controlling interests	(1,464)	(1,578)
<b>Net cash used in financing activities</b>	<b>(21,726)</b>	<b>(1,402)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,221</b>	<b>(10,788)</b>
Cash and cash equivalents at 1st January	10,758	22,519
Effect of exchange differences	(148)	(973)
<b>Cash and cash equivalents at 31st December</b>	<b>11,831</b>	<b>10,758</b>
<b>Represented by:</b>		
Bank balances and short-term deposits maturing within three months	<u>11,831</u>	<u>10,758</u>

**1. Segment Information**

 (a) Information about reportable segments – Analysis of Consolidated Statement of Profit or Loss  
**Year ended 31st December 2023**

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

**Notes:**

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

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

**1. Segment Information (continued)**

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

Year ended 31st December 2022

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

**Notes:**

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

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

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

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

**1. Segment Information (continued)**

## (a) Information about reportable segments (continued)

Analysis of total assets of the Group

**At 31st December 2023**

	Segment assets	Joint venture companies <sup>(i)</sup>	Associated companies <sup>(i)</sup>	Bank deposits	Total assets	Additions to non-current assets <sup>(ii)</sup>
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Property						
Property investment	288,836	25,799	8,366	4,854	327,855	3,206
Property trading	10,869	6,057	2,167	127	19,220	-
Hotels	4,594	2,201	259	116	7,170	67
	<b>304,299</b>	<b>34,057</b>	<b>10,792</b>	<b>5,097</b>	<b>354,245</b>	<b>3,273</b>
Beverages						
Swire Coca-Cola	<b>32,087</b>	<b>1,115</b>	<b>533</b>	<b>4,642</b>	<b>38,377</b>	<b>2,564</b>
Aviation						
Cathay group	-	-	22,777	-	22,777	-
HAECO group	12,510	1,987	-	2,447	16,944	1,011
Others	3,880	2,130	-	-	6,010	-
	<b>16,390</b>	<b>4,117</b>	<b>22,777</b>	<b>2,447</b>	<b>45,731</b>	<b>1,011</b>
Trading & Industrial						
Swire Resources	1,006	40	-	287	1,333	432
Taikoo Motors	2,873	-	-	44	2,917	293
Swire Foods	592	3	-	335	930	144
Swire Environmental Services	76	-	-	47	123	-
Other activities	2	-	-	2	4	-
	<b>4,549</b>	<b>43</b>	<b>-</b>	<b>715</b>	<b>5,307</b>	<b>869</b>
Head Office, Healthcare and others	<b>1,900</b>	<b>-</b>	<b>1,011</b>	<b>1,181</b>	<b>4,092</b>	<b>2</b>
	<b>359,225</b>	<b>39,332</b>	<b>35,113</b>	<b>14,082</b>	<b>447,752</b>	<b>7,719</b>
<b>At 31st December 2022</b>						
	Segment assets	Joint venture companies <sup>(i)</sup>	Associated companies <sup>(i)</sup>	Bank deposits	Total assets	Additions to non-current assets <sup>(ii)</sup>
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Property						
Property investment	278,059	35,439	-	4,252	317,750	7,689
Property trading	9,911	2,762	285	164	13,122	-
Hotels	4,107	1,661	240	86	6,094	34
	292,077	39,862	525	4,502	336,966	7,723
Beverages						
Swire Coca-Cola	40,504	1,189	1,742	3,106	46,541	2,464
Aviation						
Cathay group	-	-	19,565	-	19,565	-
HAECO group	11,914	1,910	-	1,943	15,767	740
Others	3,911	2,805	-	-	6,716	-
	15,825	4,715	19,565	1,943	42,048	740
Trading & Industrial						
Swire Resources	869	37	-	275	1,181	183
Taikoo Motors	2,526	-	-	74	2,600	187
Swire Foods	665	3	-	368	1,036	63
Swire Environmental Services	112	-	-	42	154	3
Other activities	1	-	-	2	3	-
	4,173	40	-	761	4,974	436
Head Office, Healthcare and others	950	-	1,985	1,302	4,237	1
	<b>353,529</b>	<b>45,806</b>	<b>23,817</b>	<b>11,614</b>	<b>434,766</b>	<b>11,364</b>

Notes:

- (i) The assets relating to joint venture and associated companies include the loans due from these companies.
- (ii) In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, financial instruments, deferred tax assets, retirement benefit assets and non-current assets acquired in business combinations.

**1. Segment Information (continued)**

(a) Information about reportable segments (continued)

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

**At 31st December 2023**

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

**At 31st December 2022**

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

**1. Segment Information (continued)**

## (a) Information about reportable segments (continued)

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

The reportable segments within each of the divisions are classified according to the nature of the business. The Head Office is also considered to be a reportable segment as discrete financial information is available for the Head Office activities and regularly provided to the Board.

## (b) Information about geographical areas

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

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

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

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

**2. Revenue**

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

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

**3. Operating Profit**

	<b>2023</b>	2022
	<b>HK\$M</b>	HK\$M
<b><i>Operating profit has been arrived at after charging:</i></b>		
Depreciation of property, plant and equipment	<b>2,947</b>	2,628
Depreciation of right-of-use assets		
- leasehold land held for own use	<b>50</b>	30
- land use rights	<b>53</b>	48
- property	<b>886</b>	844
- plant and equipment	<b>41</b>	40
Amortisation of		
- intangible assets	<b>284</b>	284
- initial leasing costs in respect of investment properties	<b>96</b>	79
- others	<b>8</b>	12
Impairment charges recognised on		
- property, plant and equipment	-	150
- right-of-use assets	-	33
- intangible assets	-	369
- convertible notes receivable, unlisted	<b>140</b>	-
Provision for amount due from and other payable of a joint venture company	<b>239</b>	-
Loss on disposals of subsidiary companies	<b>420</b>	-
Loss on disposals of investment properties	<b>16</b>	-
Loss on disposals of property, plant and equipment	<b>86</b>	11
Loss on disposals of assets classified as held for sale	<b>44</b>	-
	<hr/>	<hr/>
<b><i>And after crediting:</i></b>		
Gain on disposals of subsidiary companies	-	520
Gain arising from the acquisition of interests in joint venture companies	<b>551</b>	-
Gain on partial disposal and deemed disposal of an associated company	<b>37</b>	64
Gain on disposals of investment properties	-	31
Gain on disposals of assets classified as held for sale	-	20
Reversal of impairment charges recognised on		
- property, plant and equipment	<b>4</b>	-
Government subsidies	<b>142</b>	323
	<hr/>	<hr/>

**4. Net Finance Charges**

	<b>2023</b>	2022
	<b>HK\$M</b>	HK\$M
<b>Interest charged</b>		
Bank loans and overdrafts	<b>1,494</b>	393
Other loans and bonds	<b>1,466</b>	1,495
Fair value (gain)/loss on derivative instruments		
Cross-currency and interest rate swaps: cash flow hedges, transferred from other comprehensive income	<b>(57)</b>	(24)
Cross-currency swaps not qualifying as hedges	<b>6</b>	(4)
Amortised loan fees – loans at amortised cost	<b>110</b>	91
	<b>3,019</b>	1,951
Lease liabilities	<b>201</b>	181
Fair value loss on put options over non-controlling interests in subsidiary companies	<b>9</b>	43
Other financing costs	<b>163</b>	134
Capitalised on		
Investment properties	<b>(510)</b>	(370)
Properties for sale	<b>(270)</b>	(186)
	<b>2,612</b>	1,753
<b>Less: interest income</b>		
Short-term deposits and bank balances	<b>411</b>	216
Other loans	<b>175</b>	72
	<b>586</b>	288
<b>Net finance charges</b>	<b>2,026</b>	1,465

**5. Taxation**

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

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

**6. Dividends**

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

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

The Directors have declared second interim dividends of HK\$2.00 per 'A' share and HK\$0.40 per 'B' share which, together with the first interim dividends of HK\$1.20 per 'A' share and HK\$0.24 per 'B' share paid in October 2023 and the special interim dividend of HK\$8.120 per 'A' share and HK\$1.624 per 'B' share paid in September 2023, amount to full year dividends of HK\$11.32 per 'A' share and HK\$2.264 per 'B' share, compared to full year dividends of HK\$3.00 per 'A' share and HK\$0.60 per 'B' share in respect of 2022. The second interim dividends will be paid on Friday, 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.

The register of members will be closed on Friday, 12th April 2024, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11th April 2024.

To facilitate the processing of proxy voting for the annual general meeting to be held on 9th May 2024, the register of members will be closed from 6th May 2024 to 9th May 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 3rd May 2024.

## 7. Earnings Per Share (Basic and Diluted)

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

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

## 8. Trade and Other Receivables

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

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

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

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

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

**9. Trade and Other Payables**

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

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

	<b>2023</b>	2022
	<b>HK\$M</b>	HK\$M
Up to three months	<b>5,767</b>	5,610
Between three and six months	<b>165</b>	136
Over six months	<b>56</b>	104
	<b>5,988</b>	5,850

**10. Share Capital**

	'A' shares	'B' shares	Total HK\$M
Issued and fully paid with no par value			
At 1st January 2023	<b>865,823,000</b>	<b>2,941,142,500</b>	<b>1,294</b>
Repurchased in 2022 and cancelled during the year	-	<b>(3,697,500)</b>	-
Repurchased and cancelled during the year	<b>(8,998,500)</b>	<b>(15,107,500)</b>	-
At 31st December 2023	<b>856,824,500</b>	<b>2,922,337,500</b>	<b>1,294</b>
	'A' shares	'B' shares	Total HK\$M
Issued and fully paid with no par value			
At 1st January 2022	905,206,000	2,981,870,000	1,294
Repurchased and cancelled during the year	<b>(39,383,000)</b>	<b>(40,727,500)</b>	-
At 31st December 2022	865,823,000	2,941,142,500	1,294

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

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

**11. Reserves**

	Revenue reserve	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
At 1st January 2023	255,167	2,437	(152)	738	(1,028)	257,162
<b>Profit for the year</b>	<b>28,853</b>	-	-	-	-	<b>28,853</b>
<b>Other comprehensive income</b>						
Revaluation of property previously occupied by the Group						
- gains recognised during the year	-	35	-	-	-	35
- deferred tax	-	(10)	-	-	-	(10)
Defined benefit plans						
- remeasurement losses recognised during the year	(108)	-	-	-	-	(108)
- deferred tax	9	-	-	-	-	9
Changes in the fair value of equity investments at fair value through other comprehensive income						
- losses recognised during the year	-	-	(15)	-	-	(15)
- deferred tax	-	-	(2)	-	-	(2)
Cash flow hedges						
- losses recognised during the year	-	-	-	(178)	-	(178)
- transferred from net finance charges	-	-	-	(50)	-	(50)
- transferred from operating profit	-	-	-	11	-	11
- deferred tax	-	-	-	44	-	44
Share of other comprehensive income of joint venture and associated companies						
- recognised during the year	79	-	(1)	(530)	(481)	(933)
- reclassified to profit or loss on deemed disposal	-	-	-	-	228	228
Net translation differences on foreign operations	-	-	-	-	(1,041)	(1,041)
- reclassified to profit or loss on disposal	-	-	-	-	(45)	(45)
<b>Total comprehensive income for the year</b>	<b>28,833</b>	<b>25</b>	<b>(18)</b>	<b>(703)</b>	<b>(1,339)</b>	<b>26,798</b>
Repurchase of the Company's shares	(878)	-	-	-	-	(878)
2022 second interim dividend (note 6)	(2,675)	-	-	-	-	(2,675)
2023 first interim dividend (note 6)	(1,730)	-	-	-	-	(1,730)
2023 special interim dividend (note 6)	(11,703)	-	-	-	-	(11,703)
Change in composition of the Group	(139)	-	-	-	-	(139)
At 31st December 2023	<u>266,875</u>	<u>2,462</u>	<u>(170)</u>	<u>35</u>	<u>(2,367)</u>	<u>266,835</u>

**11. Reserves (continued)**

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

## 12. Events after the Reporting Period

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

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

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

## 13. Changes in Accounting Policies and Disclosures

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

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

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

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

Amendments to HKAS 1	Classification of Liabilities as Current and Non-current <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>

### 13. Changes in Accounting Policies and Disclosures (continued)

Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangability <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

- 1 To be applied by the Group from 1st January 2024.
- 2 To be applied by the Group from 1st January 2025.
- 3 The effective date is to be determined.

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

- (c) In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two) (i.e. BEPS 2.0), and various governments around the world have issued, or are in the process of issuing, legislation on this. The ultimate holding company of the Group is in the process of assessing the full impact of this in various regions that the Group has operations. The HKSAR Government and the respective governments of the Group's major operating regions have not enacted the legislation on Pillar Two as of the date of approval of these 2023 financial statements.
- (d) On 22nd February 2023, the Hong Kong Institute of Certified Public Accountants published the Financial Reporting Alert 44 to highlight the potential accounting impact of the abolition of the Mandatory Provident Fund (MPF)-Long Service Payment (LSP) offsetting mechanism (the Abolition) on entities in Hong Kong and, in particular, two broad tentative approaches to analyse the issue. The Group has adopted the approach to treat the offsettable accrued benefits as deemed employee contributions. Under this approach, the accrued benefits arising from employer's MPF contributions that have been vested with the employees and which would be used to offset the respective employees' LSP benefits are treated as a deemed contribution towards the employee's LSP benefits. Based on the preliminary assessment, the financial impact to the Group was not material during the year and as at 31st December 2023.

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

The financial information relating to the years ended 31st December 2022 and 2023 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the Ordinance)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2022 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2023 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2022 and 2023. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

**Sources of Finance**

At 31st December 2023, committed loan facilities and debt securities amounted to HK\$104,341 million, of which HK\$34,850 million (33%) were undrawn. In addition, there were lease liabilities amounting to HK\$5,079 million. The Group had undrawn uncommitted facilities totalling HK\$10,548 million. Sources of gross borrowings at 31st December 2023 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
<b>Committed facilities</b>					
Loans and bonds					
Bonds	42,216	42,216	-	-	-
Bank loans	62,125	27,275	1,000	33,850	34,850
<b>Total committed facilities</b>	<b>104,341</b>	<b>69,491</b>	<b>1,000</b>	<b>33,850</b>	<b>34,850</b>
<b>Uncommitted facilities</b>					
Bank loans and overdrafts	10,588	40	10,548	-	10,548
<b>Total</b>	<b>114,929</b>	<b>69,531</b>	<b>11,548</b>	<b>33,850</b>	<b>45,398</b>

Note: The figures above are stated before unamortised loan fees of HK\$313 million.

At 31st December 2023, 76% of the Group's gross borrowings were on a fixed rate basis and 24% were on a floating rate basis (2022: 59% and 41%).

**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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) throughout the year covered by the annual report.

The Company has adopted a code of conduct (the Securities Code) regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code) contained in Appendix C3 to the Listing Rules. These rules are available on the Company's website.

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

Details of the Company's corporate governance principles and processes will be available in the 2023 annual report.

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

**Annual Report**

The 2023 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website [www.swirepacific.com](http://www.swirepacific.com). Printed copies will be available to shareholders on 9th April 2024.

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**List of Directors**

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

Executive Directors: Guy Bradley (Chairman), David Cogman, Patrick Healy, Martin Murray, Zhang Zhuo Ping;

Non-Executive Directors: Gordon McCallum, Merlin Swire; and

Independent Non-Executive Directors: Paul Etchells, Rose Lee, Edith Ngan, Gordon Orr, Xu Ying and Bonnie Zhang.

By Order of the Board

**SWIRE PACIFIC LIMITED**

Guy Bradley

Chairman

Hong Kong, 14th March 2024

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**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 changes in the economies and industries in which the Group operates (in particular in Hong Kong and the Chinese Mainland), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

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