THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Swire Pacific Limited, you should at once hand this circular and the proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SWIRE PACIFIC

SWIRE PACIFIC LIMITED
太古股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

MAJOR AND CONNECTED TRANSACTION REGARDING THE SALE OF 100% EQUITY INTEREST IN SWIRE PACIFIC HOLDINGS INC.

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company	Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Financial adviser to the Independent Board Committee
Morgan Stanley	SOMERLEY CAPITAL LIMITED	Goldman Sachs

Capitalised terms used in this cover page have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders of the Company, is set out on pages 15 to 39 of this circular.

The notice convening the EGM of the Company to be held on Wednesday, 30th August 2023 at 4:00 p.m. at the Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A proxy form for use by the Shareholders at the EGM is also enclosed with this circular.

Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit the same with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the EGM (or any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM should you so wish.

14th August 2023

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Adjusted EBITDA"	the Target Group's earnings before interest, tax, depreciation and amortisation for the year ended 31st December 2022, adjusted to take into account payment of management fee that the Target Group would have made had the Management Services Agreement become effective on 1st January 2022;
"Adjusted Net Profit"	the Target Group's net profit for the year ended 31st December 2022, adjusted to take into account: (i) payment of management fee that the Target Group would have made had the Management Services Agreement become effective on 1st January 2022; (ii) elimination of Group adjustments relating to net finance cost on certain intra-group balances incurred by the Target Group; and (iii) tax impact arising from (i) and (ii) above;
"Adjustments"	the purchase price adjustments to be made pursuant to the Share Purchase Agreement by reference to the amount of net debt and working capital of the Target Group as at the end of the accounting month-end date immediately prior to Completion, as further particularised in the section headed "2. The Share Purchase Agreement – Consideration and payment" in the "Letter from the Board" in this circular;
"associates"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors of the Company;
"Company" or "Seller's Guarantor"	Swire Pacific Limited 太古股份有限公司, an investment holding company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange, the subsidiaries, associates and joint ventures of which are engaged principally in the property, beverages and aviation businesses, as well as new areas of growth in healthcare and sustainable foods;
"Completion"	the completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement;

"Completion Statement"	the statement reflecting the financial position of the Target Group as at the end of the accounting month-end date immediately prior to Completion to be prepared and finalised in accordance with the terms of the Share Purchase Agreement;
"Consideration"	the consideration for the Sale Shares, being US$3.9 billion (equivalent to approximately HK$30.4 billion) in cash, subject to the Adjustments;
"Directors"	the directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened and held on Wednesday, 30th August 2023 at 4:00 p.m. at the Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, approving the Transaction, and any adjournment thereof;
"Group"	the Company and its subsidiaries from time to time;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Hong Kong Government"	The Government of the Hong Kong Special Administrative Region;
"Independent Board Committee"	the independent board committee of the Company comprising all of the independent non-executive directors of the Company;
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction;
"Independent Shareholders"	the shareholders of the Company other than the Purchaser and JS&SL and their respective associates, and any other shareholder with a material interest in the Transaction;

"JS&SHK"	John Swire & Sons (H.K.) Limited 香港太古集團有限公司, a private investment holding company incorporated in Hong Kong and wholly-owned by JS&SL;
"JS&SL" or "Purchaser's Guarantor"	John Swire & Sons Limited, a private limited company incorporated in England and a controlling shareholder of the Company;
"Latest Practicable Date"	8th August 2023, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
"Management Services Agreement"	the management services agreement dated 18th July 2023 entered into between the Purchaser's Guarantor, the Target Company and SCCL for the provision of management and administrative support services by SCCL to the Target Group with effect from Completion, as described in the Company's announcement dated 18th July 2023;
"Purchaser"	JS&S (Beverages) Inc., a wholly-owned subsidiary of JS&SL incorporated in the State of Delaware, the US, the principal activity of which is investment holding;
"Sale Shares"	1,000 shares with a par value of US$1.00 each in the capital of the Target Company, representing the entire issued share capital of the Target Company;
"SCCL"	Swire Coca-Cola Limited 太古可口可樂有限公司, a wholly-owned subsidiary of the Company incorporated in Hong Kong, the principal activities of which are investment holding and the preparation, packaging, distribution and sale of beverages;
"Seller"	SPHI Capital Management Limited Liability Company, a wholly-owned subsidiary of the Company incorporated in Hungary, the principal activity of which is management activities of holding companies;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

"Share Purchase Agreement"	the share purchase agreement dated 28th June 2023 entered into between the Seller, the Purchaser, the Purchaser's Guarantor and the Company (in its capacity as the Seller's Guarantor) for the sale and purchase of the Sale Shares;
"Shareholders"	shareholders of the Company;
"Special Dividend"	the special dividend in the aggregate amount of approximately HK$11.7 billion (equivalent to HK$8.120 per 'A' share and HK$1.624 per 'B' share based on the number of shares in issue as at the Latest Practicable Date and representing, in aggregate, approximately 50% of the expected gain on disposal from the Transaction), conditional upon Completion of the Transaction and compliance with applicable statutory requirements, proposed to be declared and paid to the Shareholders whose names appear on the register of members of the Company on a record date to be determined;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司;
"Swire Group"	JS&SL and its subsidiaries from time to time, other than members of the Group;
"Target Company"	Swire Pacific Holdings Inc. (doing business as Swire Coca-Cola, USA), a wholly-owned subsidiary of the Company incorporated in the State of Delaware, the US;
"Target Group"	the Target Company and its subsidiaries from time to time;
"Transaction"	the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement;
"US$"	United States Dollars, the lawful currency of the US; and
"US"	the United States of America.

For the purpose of this circular, translations of US$ into HK$ or vice versa have been calculated by using the exchange rate of US$1=HK$7.8. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

SWIRE PACIFIC LIMITED
太古股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

Executive Directors:
BRADLEY, Guy Martin Coutts (*Chairman*)
COGMAN, David Peter
HEALY, Patrick
MURRAY, Martin James
ZHANG, Zhuo Ping

Non-Executive Directors:
MCCALLUM, Gordon Douglas
SWIRE, Merlin Bingham

Independent Non-Executive Directors:
ETCHELLS, Paul Kenneth
LEE, Wai Mun Rose
NGAN, Edith Manling
ORR, Gordon Robert Halyburton
XU, Ying
ZHANG, Yi Bonnie

Registered Office:
33rd Floor
One Pacific Place
88 Queensway
Hong Kong

14th August 2023

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION REGARDING THE SALE OF 100% EQUITY INTEREST IN SWIRE PACIFIC HOLDINGS INC.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 28th June 2023 in respect of the Transaction. The purpose of this circular is to provide the Shareholders with, among others, (i) further details on the Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders concerning the Transaction; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders concerning the Transaction; and (iv) the notice of the EGM.

2. THE SHARE PURCHASE AGREEMENT

Date:	28th June 2023
Parties:	SPHI Capital Management Limited Liability Company (as the Seller) The Company (as the Seller's Guarantor) JS&S (Beverages) Inc. (as the Purchaser) JS&SL (as the Purchaser's Guarantor)
Sale Shares:	1,000 shares with a par value of US$1.00 each in the capital of the Target Company, representing the entire issued share capital of the Target Company
Consideration:	US$3.9 billion (equivalent to approximately HK$30.4 billion), subject to the Adjustments

Introduction

On 28th June 2023, the Seller, the Purchaser, the Purchaser's Guarantor and the Company (in its capacity as the Seller's Guarantor) entered into a Share Purchase Agreement for the sale and purchase of the Sale Shares.

The Coca-Cola Company has authorised the Target Group to retain all of its rights under its existing bottling agreements after the change in ownership.

Business of the Target Group

The Target Group produces, sells and distributes Coca-Cola and other beverages in 13 states across the western US. The Target Group's territory includes parts of Arizona, California, Colorado, Idaho, Kansas, Nebraska, Nevada, New Mexico, Oregon, South Dakota, Utah, Washington, and Wyoming, with a franchise population of approximately 30 million.

Consideration and payment

The Consideration for the Sale Shares shall be equal to:

A – B + C

where

A: is US$3,900,000,000 (equivalent to approximately HK$30.4 billion);

B: is the amount of the Target Group's net debt as set out in the Completion Statement; and

C: is the amount of the Target Group's working capital as set out in the Completion Statement *less* a reference amount of US$175,000,000 (which was determined by the parties having regard to the Target Group's historical level of working capital in the preceding three financial years).

At Completion, the Purchaser shall pay to the Seller an estimate of this amount (being US$3,877,456,000) which was determined with reference to the Target Group's net debt and working capital as set out in the Target Group's management accounts as at 26th May 2023, the accounting month-end date of May for the Target Group. As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position of the Target Group since 26th May 2023.

After Completion, the amount of the Adjustments will be determined and the Seller or the Purchaser, as the case may be, will pay an amount to the other party, no later than the date falling 10 business days after the finalisation of the Completion Statement in accordance with the terms of the Share Purchase Agreement, in order to true up the net amount received by the Seller at Completion to reflect the actual Consideration. The Completion Statement is expected to be finalised within 60 business days after the date of Completion.

The Consideration was determined after arm's length negotiations between the parties having regard to, among other things, (i) the historical financial performance of the Target Group; (ii) the future prospects of the Target Group, including its revenue and profit growth potentials, referencing other comparable listed Coca-Cola bottling companies, other developed markets and the US economy in general; (iii) the net asset value of the Target Group and the gain on disposal that is expected to be realised from the Transaction; and (iv) the transaction multiples for the Transaction as compared to: (a) the trading multiples of listed comparable companies; and (b) the transaction multiples of precedent transactions.

The enterprise value to Adjusted EBITDA ratio represented by the Consideration is 12.4, which is generally within the range or on balance higher than the enterprise value to EBITDA ratios of: (i) not fewer than 9 listed comparable companies ranging from 4 to 14 as at the date prior to the date of the Share Purchase Agreement; and (ii) not fewer than 13 precedent transactions ranging from 9 to 15. The equity value to Adjusted Net Profit ratio represented by the Consideration is 22.8, which is higher than the price-to-earnings ratios of the aforementioned listed comparable companies ranging from 11 to 22 (excluding companies which incurred net losses) as at the date prior to the date of the Share Purchase Agreement.

The comparable companies referred to in the preceding paragraph comprise all companies identified by the Company as being: (i) publicly traded; and (ii) principally engaged in the bottling and manufacturing of Coca-Cola products. The precedent transactions referred to in the preceding paragraph comprise all precedent transactions identified by the Company as: (i) having been completed in the past 10 years; (ii) having a transaction size of US$500 million or above; and (iii) relating to a target company that is principally engaged in the bottling and manufacturing of Coca-Cola products. The Company considers the Target Group to be comparable to such comparable companies, and the Transaction comparable to such precedent transactions, having regard to the primary business activities and scale of operations of the Target Group.

Having considered the factors set out above, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Condition precedent

Completion is conditional upon the Independent Shareholders approving the ordinary resolution(s) to be considered at the EGM. This condition may not be waived by any party.

If the condition precedent is not satisfied by 30th November 2023 (or such later date as the parties may agree), each of the Purchaser and the Seller will be entitled to terminate the Share Purchase Agreement by notice to the other party.

Completion

Completion will take place on the 5th business day following the satisfaction of the condition precedent (or, if that 5th business day does not fall within 15 days after the preceding accounting month-end date, the first business day after the next accounting month-end date), or such other date as the Seller and the Purchaser may agree. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

Guarantees

The Purchaser's Guarantor has agreed to guarantee to the Seller and the Company the due and punctual performance of the Purchaser's obligations under the Share Purchase Agreement.

The Company (in its capacity as the Seller's Guarantor) has agreed to guarantee to the Purchaser and the Purchaser's Guarantor the due and punctual performance of the Seller's obligations under the Share Purchase Agreement.

3. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company believes that the Transaction would be beneficial for the Company and its Shareholders for the following reasons:

(i) Crystalises value at an attractive valuation whilst preserving franchise strength

The Transaction enables the Company to crystalise the value of the Target Group at an attractive valuation significantly above its book value. The Consideration represents a multiple of 12.4 times the Target Group's 2022 Adjusted EBITDA of approximately HK$2,462 million. The Company is expected to record a gain on disposal of approximately HK$22,615 million from its sale of the Sale Shares by reference to the carrying value HK$7,805 million of the Sale Shares as at 30th June 2023. The Company's franchise strength is expected to be preserved notwithstanding the Transaction, as the Management Services Agreement will enable the beverages division of the Company to continue to strengthen its global franchise relationship with The Coca-Cola Company, while providing an additional fee income stream to the Company.

(ii) Returns substantial and immediate cash to the Shareholders

The Company proposes, conditional upon Completion of the Transaction and compliance with applicable statutory requirements, to distribute to its Shareholders a substantial portion of the net proceeds from the Transaction by way of the Special Dividend and intends to apply the remainder of the net proceeds towards potential investment opportunities in its core regions and general working capital requirements. The proposed Special Dividend, representing approximately 50% of the expected gain on disposal from the Transaction, is in line with the Company's dividend policy and will return substantial and immediate cash to the Shareholders.

(iii) Strengthens the Company's balance sheet

The Transaction provides the Company with significant net proceeds, which will materially reduce the Company's net debt, further strengthen its balance sheet, and enhance its financial flexibility. Adjusted for the Transaction and proposed Special Dividend, the Company's pro forma gearing ratio (excluding lease liabilities) as at 30th June 2023 reduces from 21.4% to 14.9%.

(iv) Consistent with the Company's strategic focus on Greater China and South East Asia

The Transaction is consistent with the Company's stated geographical focus and provides the Company with capital to fund long-term investments with strong growth potential in its core divisions as well as new growth areas.

4. PROPOSED SPECIAL DIVIDEND

The Company proposes, conditional upon Completion of the Transaction (which is in turn subject to approval of the Independent Shareholders at the EGM) and compliance with applicable statutory requirements, to declare and pay the Special Dividend in the aggregate amount of approximately HK$11.7 billion (equivalent to HK$8.120 per 'A' share and HK$1.624 per 'B' share based on the number of shares in issue as at the Latest Practicable Date and representing, in aggregate, approximately 50% of the expected gain on disposal) to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. The Special Dividend, if declared, will be paid out of the net proceeds from the Transaction.

As disclosed in the announcement of the Company dated 10th August 2023, the declaration of the Special Dividend is expected to be decided by the Board on 22nd August 2023.

5. USE OF PROCEEDS

After deducting the professional fees and other expenses relating to the Transaction and before taking into account the Adjustments, it is expected that the Group will receive net proceeds of approximately HK$30.3 billion, of which (i) approximately HK$11.7 billion is intended to be applied towards the payment of the Special Dividend; (ii) approximately HK$14.0 billion is intended to be applied towards repayment of the Group's loans under revolving facilities for general working capital purposes; and (iii) approximately HK$4.6 billion is intended to be applied towards potential investment opportunities in core regions, including those in the beverages, real estate and healthcare business sectors in Greater China and South East Asia. The Company continues to explore investment opportunities in its core markets. As at the Latest Practicable Date, the Company had not entered into any legally binding agreements with regard to any specific investment target, the acquisition of which is intended to be funded by the net proceeds of the Transaction. The Company will comply with the disclosure and other requirements, if applicable, under the Listing Rules if and when legally binding agreements are entered into.

6. INFORMATION RELATING TO THE SALE SHARES AND FINANCIAL EFFECTS OF THE TRANSACTION

Based on the audited financial information of the Company prepared in accordance with the Hong Kong Financial Reporting Standards (after certain Group adjustments and adjustments to disregard the results of companies which had, after 31st December 2022, ceased to be members of the Target Group), the net profits before and after taxation of the Target Group were, respectively, approximately HK$1,163 million and HK$989 million for the year ended 31st December 2021, and approximately HK$1,757 million and HK$1,392 million for the year ended 31st December 2022. Based on the financial information of the Company reviewed by auditors and prepared in accordance with the Hong Kong Financial Reporting Standards (after certain Group adjustments and adjustments to disregard the results of companies which had, after 31st December 2022, ceased to be members of the Target Group), the net profits before and after taxation of the Target Group were approximately HK$1,203 million and HK$913 million for the six months ended 30th June 2023 respectively. As at 30th June 2023, the net asset value and intra-group loan of the Target Group reported in the Company's unaudited consolidated accounts, assuming such intra-group loans are capitalised to shareholders equity, was approximately HK$7,805 million.

The Company is expected to record a consolidated gain on disposal (disregarding the Adjustments and transaction expenses) of approximately HK$22,615 million from its sale of the Sale Shares, being the difference between the Consideration of approximately HK$30,420 million and the carrying value of the Sale Shares as at 30th June 2023 of approximately HK$7,805 million.

Upon Completion of the Transaction, the Company will no longer hold any equity interests in the Target Company. The Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will cease to be consolidated to the financial statements of the Company with effect from the date of Completion.

7. INFORMATION ON THE PARTIES

The Company is an investment holding company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange, the subsidiaries, associates and joint ventures of which are engaged principally in the property, beverages and aviation businesses, as well as new areas of growth in healthcare and sustainable foods.

The Seller is a wholly-owned subsidiary of the Company incorporated in Hungary, the principal activity of which is management activities of holding companies.

The Purchaser's Guarantor is a private investment holding company incorporated in England and is a controlling shareholder of the Company. It owns a highly diversified global portfolio of investments and has a business presence in over 30 countries, spanning over 13 sectors.

The Purchaser is a wholly-owned subsidiary of the Purchaser's Guarantor incorporated in the State of Delaware, the US, the principal activity of which is investment holding.

8. COMPLIANCE WITH LISTING RULES

(i) Connection between the parties

The Swire Group owns approximately 60.31% of the equity of the Company and controls 68.13% of the voting rights attached to shares in the Company. The Purchaser, a member of the Swire Group, and the Purchaser's Guarantor are therefore connected persons of the Company under the Listing Rules.

(ii) Listing Rules implications of the Transaction

As the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules for the Transaction is 25% or more but less than 75%, the Transaction constitutes a major transaction of the Company under the Listing Rules. Accordingly, the Transaction is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) for the Transaction is 5% or more, the Transaction also constitutes a non-exempt connected transaction of the Company under the Listing Rules. Accordingly, the Transaction is subject to the announcement, annual reporting, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. EXTRAORDINARY GENERAL MEETING

The EGM will be held on Wednesday, 30th August 2023 at 4:00 p.m. at the Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, approving the Transaction.

Any shareholder with a material interest in the Transaction may attend the EGM in person or by proxy but is required to abstain from voting on the ordinary resolution approving the Transaction at the EGM. Members of the Swire Group (being associates of the Purchaser and JS&SL), and the directors of JS&SL (including the non-executive Directors of the Company) and their associates, have a material interest in the Transaction and will abstain from voting on the resolution at the EGM. As at the Latest Practicable Date: (i) members of the Swire Group were in aggregate interested in 442,879,720 'A' shares and 2,131,969,282 'B' shares (representing approximately 60.31% of the equity and approximately 68.13% of the voting rights in the Company); and (ii) the directors of JS&SL and their associates were in aggregate interested in 1,155,540 'A' shares and 9,718,303 'B' shares (representing approximately 0.22% of the equity and approximately 0.29% of the voting rights in the Company). To the best knowledge of the Directors, as at the Latest Practicable Date, save as disclosed above, no other Shareholders are required to abstain from voting on the resolution proposed at the EGM.

A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to be present at the EGM, you are requested to complete the accompanying proxy form and return it in accordance with the instructions printed thereon and deposit the same with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event so as to be received not less than 48 hours before the time appointed for the meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending in person and voting at the EGM should you so wish and, in such event, the proxy form appointing the proxy shall be deemed to be revoked.

The register of members will be closed from 28th August 2023 to 30th August 2023, both days inclusive. In order to be entitled to attend and vote at the EGM, all transfers should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25th August 2023.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in the notice of the EGM will be voted on by poll. The results of the poll voting will be announced by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

10. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 39 of this circular, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice and recommendation.

The Board (including all independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) is of the opinion that the Transaction is on normal commercial terms, which are fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transaction.

The non-executive Directors of the Company are considered to have a material interest in the Transaction by virtue of being shareholders and directors of JS&SL, and have abstained from voting on the Board resolutions approving the Transaction.

11. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in Appendix I and Appendix II to this circular.

Yours faithfully,
By Order of the Board
SWIRE PACIFIC LIMITED
太古股份有限公司
Guy Bradley
Chairman

SWIRE PACIFIC LIMITED
太古股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

14th August 2023

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION REGARDING THE SALE OF 100% EQUITY INTEREST IN SWIRE PACIFIC HOLDINGS INC.

We refer to the circular issued by the Company to the Shareholders dated 14th August 2023 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider the Share Purchase Agreement and the Transaction contemplated thereunder and to advise the Independent Shareholders as to whether the Transaction is on normal commercial terms, which are fair and reasonable to the Independent Shareholders, and whether the Transaction is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Somerley Capital Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing their advice and recommendation and the principal factors and reasons they have taken into account in arriving at their recommendation is set out on pages 15 to 39 of the Circular.

Having considered the terms of the Transaction and the advice of the Independent Financial Adviser, we are of the opinion that although the Transaction is not conducted in the ordinary and usual course of business of the Group, it is on normal commercial terms, which are fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,
For and on behalf of the Independent Board Committee

ETCHELLS, Paul Kenneth	**LEE, Wai Mun Rose**	**NGAN, Edith Manling**	**ORR, Gordon Robert Halyburton**	**XU, Ying**	**ZHANG, Yi Bonnie**

Independent non-executive Directors

The following is the full text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

14th August 2023

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION REGARDING THE SALE OF 100% EQUITY INTEREST IN SWIRE PACIFIC HOLDINGS INC.

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Transaction, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 14th August 2023 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 28th June 2023, the Seller, the Purchaser, the Company and the Purchaser's Guarantor entered into the Share Purchase Agreement for the sale and purchase of the Sale Shares, representing the entire issued share capital of Swire Pacific Holdings Inc. (being the Target Company), for the cash consideration of US$3.9 billion (equivalent to approximately HK$30.4 billion), subject to the Adjustments. In connection with the Transaction, the Purchaser's Guarantor, the Target Company and SCCL entered into the Management Services Agreement on 18th July 2023 for the provision of management and administrative support services by SCCL to the Target Group, which constitutes a continuing connected transaction of the Company subject to the announcement, annual review and annual reporting requirements (but exempt from the circular and shareholders' approval requirements) under Chapter 14A of the Listing Rules.

The Swire Group owns approximately 60.31% of the equity of the Company and controls approximately 68.13% of the voting rights attached to shares in the Company. The Purchaser, a member of the Swire Group, and the Purchaser's Guarantor are therefore connected persons of the Company under the Listing Rules.

As the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules for the Transaction is 25% or more but less than 75%, the Transaction constitutes a major transaction and a non-exempt connected transaction of the Company under the Listing Rules. Accordingly, the Transaction is subject to the announcement, annual reporting, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Paul Kenneth Etchells, Ms. Rose Wai Mun Lee, Ms. Edith Manling Ngan, Mr. Gordon Robert Halyburton Orr, Ms. Ying Xu and Ms. Bonnie Yi Zhang, has been formed to advise the Independent Shareholders as to whether the Transaction is on normal commercial terms, which are fair and reasonable to the Independent Shareholders and whether the Transaction is conducted in the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We have also been appointed by the Company to explain the reasons for the term of the Management Services Agreement being longer than three years and confirm that it is normal business practice for agreements of such type to be of such duration in accordance with Rule 14A.52 of the Listing Rules. Our view in this regard was set out in the announcement of the Company published on 18th July 2023 (the "**MSA Announcement**").

As at the Latest Practicable Date, there were no relationships or interests between (i) Somerley Capital Limited and (ii) the Group, the Purchaser, and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Purchaser or their respective substantial shareholders or associates.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, "**Management**"), which we have assumed are true, accurate and complete in all material aspects as at the date of the Circular or the Latest Practicable Date (as the case may be) and will remain so up to the time of the EGM. We have reviewed the Share Purchase Agreement, the Management Services Agreement, the annual reports of the Company for the two years ended 31st December 2021 and 2022, the financial information of the Target Company for the three years ended 31st December 2020, 2021 and 2022, and the interim results of the Company and the Target Company for the six months ended 30th June 2023. We have also reviewed the information contained in the Circular including the indebtedness statement, working capital statement and no material adverse change statement. We have sought and received confirmation from the Directors that, for the purpose of this letter, all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth, accuracy or completeness of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information which we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Purchaser, the Target Company, and their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Transaction, we have taken into account the following principal factors and reasons:

1. Background information on the Group

The Company is a limited liability company incorporated in Hong Kong, with two classes of shares listed on the Stock Exchange as 'A' shares (stock code: 00019) and 'B' shares (stock code: 00087). Each 'A' share and each 'B' share carries one vote at general meetings of Shareholders. The entitlements of each 'A' share (including dividend) are five times the entitlements of each 'B' share. The 'A' shares and 'B' shares of the Company had an aggregate market capitalisation of approximately HK$85.2 billion as at the Latest Practicable Date, and an aggregate market capitalisation of approximately HK$74.2 billion based on the closing prices on 27th June 2023, the day before the announcement of the Transaction by the Company.

The Group is a Hong Kong-based, diversified conglomerate with commercial activities across three core divisions, property, beverages and aviation, with additional business interests in healthcare and other trading and industrial businesses.

Set out below are the revenue and underlying profit/(loss) attributable to the Shareholders of each division for the two years ended 31st December 2021 and 2022, and for the six months ended 30th June 2022 and 2023, as extracted from the Company's 2022 annual report and 2023 interim results:

	For the six months ended 30th June		For the year ended 31st December	
	2023	**2022**	**2022**	**2021**
	(unaudited)	*(unaudited and restated)*	*(audited)*	*(audited and restated)*
	HK$ million (Note 1)	*HK$ million (Note 1)*	*HK$ million (Note 1)*	*HK$ million (Note 1)*
Revenue	**51,544**	**44,808**	**91,693**	**92,830**
Property	*7,297*	*6,910*	*13,826*	*16,318*
Beverages	*30,446*	*26,331*	*54,225*	*53,927*
Aviation	*8,464*	*6,557*	*13,828*	*11,464*
Trading and industrial	*5,393*	*4,534*	*9,389*	*9,616*
Marine services	*–*	*524*	*524*	*1,606*
Head office, healthcare and others	*(56)*	*(48)*	*(99)*	*(101)*
Underlying profit/(loss) attributable to the Shareholders	**5,594**	**1,752**	**4,748**	**5,293**
Property	*3,195*	*3,401*	*7,099*	*7,776*
Beverages	*1,423*	*1,152*	*2,392*	*2,549*
Aviation	*1,796*	*(2,236)*	*(3,072)*	*(2,380)*
Trading and industrial	*185*	*(311)*	*(307)*	*94*
Marine services (Note 2)	*–*	*442*	*359*	*(1,599)*
Head office, healthcare and others	*(1,005)*	*(696)*	*(1,723)*	*(1,147)*

Notes:

(1) The above figures included continuing operations and discontinued operations

(2) The 2022 figure included a remeasurement gain of HK$556 million in respect of the Swire Pacific Offshore group, which was disposed of by the Group in April 2022. The 2021 figure included a remeasurement loss of HK$1,611 million in respect of the Swire Pacific Offshore group

The Group's property businesses are principally grouped under Swire Properties Limited ("**Swire Properties**"), a developer, owner and operator of commercial properties principally in Hong Kong and the Chinese Mainland. Swire Properties is listed on the Stock Exchange (stock code: 1972) with a market capitalisation of approximately HK$107.3 billion as at the Latest Practicable Date, in which the Company holds an approximately 82.0% equity interest. In 2022 and the first half of 2023, the Group's property division recorded revenue of approximately HK$13.8 billion and HK$7.3 billion, respectively, and underlying profit attributable to the Shareholders of approximately HK$7.1 billion and HK$3.2 billion, respectively. The property division has been the largest profit contributor to the Group during the periods under review.

The beverages division of the Group holds franchise businesses that have the exclusive right to manufacture, market and distribute products of The Coca-Cola Company. The Group has been a strategic partner of The Coca-Cola Company since the 1960s. The franchise businesses of the beverages division are located in 11 provinces and Shanghai Municipality in the Chinese Mainland, Hong Kong, Taiwan region, Vietnam, Cambodia, and an extensive area of the western US. As at 31st December 2022, the beverages product portfolio comprised 21 carbonated and 37 non-carbonated brands. As at 31st December 2022, the beverages division's franchise population (including the franchise business in Vietnam, the acquisition of which was completed on 1st January 2023) comprised 882 million people, of which approximately 30 million were located in the US. In 2022 and the first half of 2023, the Group's beverages division recorded revenue of approximately HK$54.2 billion and HK$30.4 billion, respectively, which accounted for over 50% of the Group's overall revenue during the corresponding periods, and underlying profit attributable to the Shareholders of approximately HK$2.4 billion and HK$1.4 billion, which accounted for approximately 50% and 25% of the Group's underlying profit during the corresponding periods, respectively.

The Group's aviation division comprises (i) an approximately 45.0% interest in Cathay Pacific Airways Limited ("**Cathay Pacific**"), which is accounted for as an associated company of the Group, and (ii) the wholly-owned Hong Kong Aircraft Engineering Company Limited ("**HAECO**"). Cathay Pacific provides international passenger and cargo air transportation services and is listed on the Stock Exchange (stock code: 293) with a market capitalisation of approximately HK$55.8 billion as at the Latest Practicable Date. HAECO is a provider of international aircraft maintenance and repair services and operates from bases in Hong Kong, the Chinese Mainland, the US and Europe. The aviation division contributed revenue of approximately HK$13.8 billion in 2022, all of which was recorded by HAECO. Due to the adverse impact of COVID-19 restrictions, an underlying loss attributable to the Shareholders of approximately HK$3.1 billion was recorded by the aviation division in 2022, mainly reflecting the underlying loss of Cathay Pacific. The aviation division of the Group contributed revenue of approximately HK$8.5 billion in the first half of 2023, with an underlying profit attributable to the Shareholders of approximately HK$1.8 billion, which accounted for over 30% of the Group's underlying profit attributable to the Shareholders during the period.

The Group maintains a healthy financial position. As at 31st December 2022, the Group had total assets and total equity of approximately HK$434.8 billion and HK$315.9 billion respectively. Net debt of the Group (i.e. total borrowings less short-term deposits and bank balances) as at 31st December 2022 was approximately HK$56.8 billion, with a gearing ratio ("**Gearing**", calculated by dividing the net debt of the Group by total equity) of approximately 18.0%. As at 30th June 2023, the Group had total assets and total equity of approximately HK$451.8 billion and HK$312.9 billion respectively. The net debt of the Group as at 30th June 2023 was approximately HK$66.9 billion, with a Gearing of approximately 21.4%.

As stated in the Group's 2022 annual report and 2023 interim results, the Group's strategy is focused on Greater China and South East Asia where it seeks to grow its core property, beverages and aviation divisions and target new areas of growth such as healthcare, reflecting the region's strong growth potential. Asia is where the Group has extensive experience, deep knowledge and strong relationships. This strategic focus has been demonstrated by the fact that a majority of the Group's revenue, and over 80% of the Group's recurring underlying profit, were contributed by the Greater China region in 2021 and 2022.

2. Information on the Target Group

The Target Company is incorporated in the State of Delaware, the US, and is an indirect wholly-owned subsidiary of the Company. The Target Group, carrying on business as Swire Coca-Cola, USA, principally produces, sells and distributes non-alcoholic beverages of The Coca-Cola Company in certain western areas of the US.

According to the website of the Target Group (www.swirecc.com), the Group purchased the franchise rights for the Coca-Cola bottler in Salt Lake City, Utah, in 1978. Since then, the Group has continued to purchase surrounding franchise bottlers and distributors. The Target Group's franchise territories include parts of Arizona, California, Colorado, Idaho, Kansas, Nebraska, Nevada, New Mexico, Oregon, South Dakota, Utah, Washington, and Wyoming, with a franchise population of approximately 30 million as at 31st December 2022. The Target Group offers a wide range of beverages including sparkling drinks, juices, energy drinks, water, tea and other still beverages, of well-known brands including Coca-Cola, Sprite, Fanta, Minute Maid and Monster Energy.

The Target Group has six bottling plants located in Arizona, Colorado, Idaho, Oregon, Utah and Washington. Apart from beverages manufacturing operations, the Target Group also cooperates with other bottling plants in the US to serve its franchise population, based on our understanding from Management.

The Target Group recorded sales volume of approximately 317 million, 338 million and 338 million unit cases[1] for the years 2020, 2021 and 2022 respectively. In terms of sales volume, the US is the second largest contributor to the Group's beverages division after the Chinese Mainland. The US has the highest per capita consumption of Coca-Cola beverages among all franchise territories in which the Group operates. The per capita rate, at approximately 260 units of 8oz servings in 2022, is significantly higher than for example the approximately 50 units of 8oz servings in the Chinese Mainland during the same year. This may indicate that the US, as a developed market, has a relatively lower volume growth potential than the Chinese Mainland and the South East Asian countries where the Group's other bottling franchises operate. The Coca-Cola Company has authorised the Target Group to retain all of its rights under its existing bottling agreements after the change in ownership upon Completion.

Management of the Target Group's business

Based on our discussion with Management, the Target Group has its own management team in the US overseeing the business, with discretion on the day-to-day operations and management of the Target Group, including product pricing, procurement of supplies, production, distribution and relationship management with key customers. The Company's management team, being responsible for the management of the Group's beverages division as a whole (including the business of the Target Group), is tasked with setting the overall strategic direction for the Target Group, approving business plans and budgets and providing support on areas such as financial reporting and human resources, among others. While the Target Group's management team deals directly with operating units of The Coca-Cola Company in the US, the Company's management team maintains the relationship with the global executives of The Coca-Cola Company on behalf of the whole beverages division, including the Target Group.

Following Completion, the Company's management team is expected to continue its current management function in respect of the Target Group, and will continue to manage the relationship with The Coca-Cola Company on behalf of the Target Group, as further discussed in the section below headed "8. The Management Services Agreement".

1 A unit case comprises 24 8-ounce servings.

Financial information of the Target Group

Set out below is the consolidated financial information of the Target Group (after certain Group adjustments and adjustments to disregard the results of companies which had, after 31st December 2022, ceased to be members of the Target Group) for the three years ended 31st December 2020, 2021 and 2022, and for the six months ended 30th June 2022 and 2023, as extracted from the Company's annual reports and interim results together with certain information provided by Management:

	For the six months ended 30th June		For the year ended 31st December		
	2023	**2022**	**2022**	**2021**	**2020**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Revenue	**12,686**	**11,263**	**23,553**	**20,685**	**18,008**
Earnings before interest, tax, depreciation and amortisation ("**EBITDA**")	1,612	1,114	2,585	1,990	1,692
EBITDA margin	*13.9%*	*10.8%*	*11.9%*	*10.2%*	*10.0%*
Depreciation and amortisation	(407)	(383)	(782)	(752)	(696)
Finance charges	(29)	(33)	(69)	(83)	(113)
Finance income	27	4	23	8	14
Tax charge	(290)	(148)	(365)	(174)	(100)
Profit for the period/year attributable to the Target Company's shareholders	**913**	**554**	**1,392**	**989**	**797**

Note: The EBITDA margin presented above cannot be directly computed from the revenue and EBITDA, as the above margins are expressed as percentages of revenue after excluding Group adjustments and sales to other bottlers

Driven principally by increases in product unit prices, in particular for sparkling drinks, the Target Group recorded revenue growth in the past three years, from approximately HK$18,008 million in 2020 to approximately HK$20,685 million in 2021 (a growth of approximately 14.9%), and to approximately HK$23,553 million in 2022 (a growth of approximately 13.9%). In terms of product mix, sparkling drinks remain the largest contributor to the Target Group's revenue during the periods under review, followed by energy drinks and other still beverages (excluding water). On the other hand, year-on-year growth in sales volume was relatively low during the periods under review, with approximately 6.6% growth in 2021 and no growth in 2022.

Revenue rose to approximately HK$12,686 million in the first half of 2023, representing an approximately 12.6% increase year-on-year. This was principally due to overall product price increases and an improved product mix, partly offset by a drop in sales volume of approximately 2% year-on-year.

Based on our discussion with Management, the cost of sales of the Target Group mainly includes (i) raw material costs, including aluminium cans, plastic bottles and sweeteners; (ii) concentrate costs charged by The Coca-Cola Company; (iii) manufacturing costs, including labour costs and depreciation charges of bottling plants; and (iv) costs of finished goods.

Improvements in EBITDA and EBITDA margin were recorded in the past three years, mainly due to product price increases and improvements in operational efficiencies. EBITDA of the Target Group increased by approximately 17.6% from approximately HK$1,692 million in 2020 to approximately HK$1,990 million in 2021, and increased further by approximately 29.9% to approximately HK$2,585 million in 2022. EBITDA margin of the Target Group increased to approximately 13.9% in the first half of 2023, representing an improvement over the range of approximately 10.0% to 11.9% recorded during the periods under review. This increase was principally driven by the higher revenue growth as explained above, partly offset by the higher cost of goods sold and operating expenses. EBITDA of the Target Group in the first half of 2023 was approximately HK$1,612 million, representing an increase of approximately 44.7% year-on-year.

Profit attributable to the Target Company's shareholders during the period under review increased by approximately 24.1% from approximately HK$797 million in 2020 to approximately HK$989 million in 2021, and increased further by approximately 40.7% to approximately HK$1,392 million in 2022. The higher growth rate compared to that of the Target Group's EBITDA was principally due to slower growth in depreciation and amortisation during the periods under review. Profit attributable to the Target Company's shareholders increased by approximately 64.8% to approximately HK$913 million in the first half of 2023 as compared to the same period last year mainly due to a higher EBITDA and steady depreciation and amortisation.

Based on our discussion with Management, as at 30th June 2023, the major assets of the Target Group were (i) property, plant and equipment, mainly representing the bottling plants and logistics facilities; (ii) intangible assets primarily relating to franchise rights and goodwill; and (iii) working capital items including stock and trade and other receivables, while the major liabilities of the Target Group were trade and other payables, intra-group loans from the Group and other deferred liabilities. As set out in the letter from the Board, based on the Company's unaudited consolidated accounts, the Target Group had an aggregate net asset value and intra-group loans of approximately HK$7,805 million as at 30th June 2023.

As set out in the section headed "6. Evaluation of the Consideration", we are of the opinion that the Consideration should be evaluated chiefly based on the EBITDA and earnings of the Target Group, rather than its assets and liabilities, as the business of the Target Group is not principally driven by its asset backing. Consequently, the financial analysis in this letter focuses mainly on the Target Group's operating results, as described earlier in this section.

Prospects

The Group's beverages business in the US has seen highly satisfactory performance in recent years as analysed above. It was disclosed in the Company's 2023 interim results that revenue of the Group's beverages business in the US is expected to grow moderately in the second half of 2023, mainly due to the previous product price increases. Nevertheless, the potential economic slowdown and the continuing relatively high level of cost inflation increase uncertainty of the Target Group's business outlook. We note that the reported inflation rate in the US (based on the consumer price index) has gradually declined from a high of approximately 9.1% in June 2022 to approximately 3.0% in June 2023.

On the other hand, following a period of rising product prices, sales volume growth of the Target Group slowed in 2021, stagnated in 2022 and turned negative in the first half of 2023, as discussed above. Based on our discussion with Management, further price increases may lead to a drop in sales volume and/or revenue. Rising product prices in recent years may not continue given that a negative impact on sales volume is becoming apparent.

In terms of market saturation, the US has the highest per capita consumption of Coca-Cola beverages among all franchise territories that the Group operates in, indicating a relatively lower volume growth potential. This is reflected in The Coca-Cola Company's disclosure that year-on-year growth in beverages volume in the first half of 2023, full year 2022 and 2021 (in terms of unit cases) were 0%, 2% and 5% respectively in North America, and 6%, 6% and 10% respectively in Asia Pacific.

Generally speaking, Management considers the US to be a mature market, with a relatively lower growth potential, as compared to the Group's other franchise regions in the Greater China and the Asia Pacific markets, and we concur with this view.

3. Principal terms of the Share Purchase Agreement

Set out below is a summary of the principal terms of the Share Purchase Agreement. Shareholders are advised to refer to further details of the Share Purchase Agreement set out in the letter from the Board, which is also available for display on the websites of both the Stock Exchange and the Company.

Parties

On 28th June 2023, the Seller, the Purchaser, the Purchaser's Guarantor and the Company (as the Seller's Guarantor) entered into a Share Purchase Agreement for the sale and purchase of the Sale Sales, representing the entire issued share capital of the Target Company.

The Purchaser's Guarantor is John Swire & Sons Limited, a private limited company incorporated in England and a controlling shareholder of the Company. It owns a highly diversified global portfolio of investments and has a business presence in over 30 countries, spanning over 13 sectors.

Consideration and payment

The consideration for the Sale Shares shall be equal to:

A – B + C

where

A: is US$3.9 billion (equivalent to approximately HK$30.4 billion);

B: is the amount of the Target Group's net debt as set out in the Completion Statement; and

C: is the amount of the Target Group's working capital as set out in the Completion Statement less a reference amount of US$175,000,000 (which was determined by the parties having regard to the Target Group's historical level of working capital in the preceding three financial years).

A positive net debt amount would reduce the Consideration by the same amount, while any net working capital exceeding the reference amount as set out above would increase the Consideration by the same amount.

At Completion, the Purchaser shall pay to the Seller an estimate of this amount, being US$3,877,456,000, which was determined with reference to the Target Group's net debt and working capital as set out in the Target Group's management accounts as at 26th May 2023, the accounting month-end date of May for the Target Group. As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position of the Target Group since 26th May 2023.

After Completion, the amount of the Adjustments will be determined and the Seller or the Purchaser, as the case may be, will pay an amount to the other party, no later than the date falling 10 business days after the finalisation of the Completion Statement in accordance with the terms of the Share Purchase Agreement, in order to true up the net amount received by the Seller at Completion to reflect the actual Consideration. The Completion Statement is expected to be finalised within 60 business days after the date of Completion.

The Consideration was determined after arm's length negotiations between the parties having regard to, among other things, (i) the historical financial performance of the Target Group; (ii) the future prospects of the Target Group, including its revenue and profit growth potentials, referencing other comparable listed Coca-Cola bottling companies, other developed markets and the US economy in general; (iii) the net asset value of the Target Group and the gain on disposal that is expected to be realised from the Transaction; and (iv) the transaction multiples for the Transaction as compared to: (a) the trading multiples of listed comparable companies; and (b) the trading multiples of precedent transactions. Please refer to our analysis on the financial information and prospects of the Target Group in the section above headed "2. Information on the Target Group", and our analysis on the comparable companies and transaction precedents in the section below headed "6. Evaluation of the Consideration".

Condition precedent

Completion is conditional only upon the Independent Shareholders approving the ordinary resolution to be considered at the EGM. The notice of the EGM is attached to the Circular.

The condition precedent may not be waived by any party. If it is not satisfied by 30th November 2023 (or such later date as the parties may agree), each of the Purchaser and the Seller will be entitled to terminate the Share Purchase Agreement by notice to the other party.

Other terms

The Purchaser's Guarantor has agreed to guarantee to the Seller and the Company the due and punctual performance of the Purchaser's obligations under the Share Purchase Agreement. The Company (in its capacity as the Seller's Guarantor) has agreed to guarantee to the Purchaser and the Purchaser's Guarantor the due and punctual performance of the Seller's obligations under the Share Purchase Agreement. We understand from Management and from our review of the Share Purchase Agreement that the warranties given by the Seller are customary, including those in relation to the Sale Shares and the Target Group, and contain no onerous or unusual provisions.

Completion

Completion will take place on the 5th business day following the satisfaction of the condition precedent or, if such date does not fall within 15 days after the preceding accounting month-end date, the first business day after the next accounting month-end date, or such other date as the Seller and the Purchaser may agree. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

As the only condition precedent to Completion is the Independent Shareholders' approval of the ordinary resolution relating to the Transaction at the EGM, which is expected to take place on 30th August 2023, we understand from Management that Completion may take place as soon as in September 2023.

4. Reasons for and benefits of the Transaction

As disclosed in the letter from the Board, the Company believes that the Transaction would be beneficial for the Company and its Shareholders. The reasons are as follows:

Crystalises value at an attractive valuation whilst preserving franchise strength

The Transaction enables the Company to crystalise the value of the Target Group at an attractive valuation significantly above its book value, with an expected gain on disposal of approximately HK$22,615 million. For our further analysis, please refer to sections below headed "6. Evaluation of the Consideration" and "7. Financial effects of the Transaction on the Group".

The Company's franchise strength is expected to be preserved notwithstanding the Transaction, as the Management Services Agreement will enable the beverages division of the Company to continue its global franchise relationship with The Coca-Cola Company, while providing an additional fee income stream to the Company.

Returns substantial and immediate cash to the Shareholders

The Company proposes, conditional upon Completion, and compliance with applicable statutory requirements, to distribute to its Shareholders the Special Dividend of approximately HK$11.7 billion, or approximately HK$8.120 per 'A' share and HK$1.624 per 'B' share. In this way, Shareholders will enjoy a direct and substantial capital return from the Transaction. The proposed Special Dividend is roughly half the expected gain on disposal from the Transaction, which is in line with the Company's dividend policy.

Strengthens the Company's balance sheet

The Transaction provides the Company with significant net proceeds, after allowing for the Special Dividend, which will materially reduce the Company's net debt, strengthen its balance sheet and enhance its financial flexibility. We comment on the effect on the Group's net assets, net debt and Gearing in section below headed "7. Financial effects of the Transaction on the Group".

Consistent with the Company's strategic focus on Greater China and South East Asia

The Transaction is consistent with the Company's stated geographical focus and provides the Company with capital to fund long-term investments with strong growth potential in its core divisions as well as new growth areas.

5. Use of proceeds

After deducting the professional fees and other expenses relating to the Transaction and before taking into account the Adjustments, it is expected that the Group will receive net proceeds of approximately HK$30.3 billion, of which (i) approximately HK$11.7 billion is intended to be applied towards the payment of the Special Dividend; (ii) approximately HK$14.0 billion is intended to be applied towards repayment of the Group's loans under revolving facilities for general working capital purposes; and (iii) approximately HK$4.6 billion is intended to be applied towards potential investment opportunities in core regions, including those in the beverages, real estate and healthcare business sectors in Greater China and South East Asia. The Company continues to explore investment opportunities in its core markets. As at the Latest Practicable Date, the Company had not entered into any legally binding agreements with regard to any specific investment target, the acquisition of which is intended to be funded by the net proceeds of the Transaction. The Company will comply with the disclosure and other requirements, if applicable, under the Listing Rules if and when legally binding agreements are entered into.

Our comments on the Company's reasons

We note in the Company's 2022 annual report that the Group's business operations are principally conducted in the Greater China and the Asia Pacific markets, a region mainly with developing countries which often present higher growth opportunities than developed markets. The above geographical focus is further evidenced by its recent acquisition of the Coca-Cola franchise businesses in Cambodia and Vietnam for an aggregate consideration of approximately US$1.0 billion. The only significant exception to such geographical focus is the Target Group, which operates in the US, a developed market. As analysed in the section above headed "2. Information on the Target Group", while the Target Group achieved good growth in terms of net profits in recent years, growth in sales volume has been relatively weak in 2021, and there was no growth in sales volume in 2022. The Transaction can assist the Group to focus its resources on businesses in its core markets in the Greater China and the Asia Pacific regions.

The Special Dividend totaling approximately HK$11.7 billion will provide a direct benefit to the Shareholders upon Completion. The Special Dividend proposed, at HK$8.120 per 'A' share and HK$1.624 per 'B' share, compares to the aggregate dividends paid by the Company in respect of the year 2022 of HK$3.00 per 'A' share and HK$0.60 per 'B' share.

After payment of the Special Dividend of approximately HK$11.7 billion, approximately HK$14.0 billion is intended to be applied towards repayment of the Group's loans under revolving facilities for general working capital purposes, and the remaining proceeds from the Transaction of approximately HK$4.6 billion will be available for investment opportunities in Greater China and South East Asia including beverages, real estate and healthcare business. The Group's increased cash position arising from the Transaction would also lower its Gearing, thus strengthening the Group's financial position against an economic backdrop of interest rates at substantially elevated levels.

Following Completion, the Group will continue to focus its beverages business in the Greater China and South East Asian markets. The Transaction is not therefore expected to give rise to any potential competition issue between the Group and the Target Group in future. On the other hand, the Company's management team is expected to continue its current central management function in respect of the Target Group following Completion, and will continue to manage the relationship with the global executives of The Coca-Cola Company on behalf of the Target Group. As such, the Group's strategic relationship with The Coca-Cola Company, supported by the combined scale of operation of the Target Group and the remaining beverages business of the Group, is not expected to be negatively affected and hence the Company's franchise strength will be preserved.

Based on the above, and noting that the Transaction is in line with the Group's stated investment principle to divest businesses in developed markets which have reached their full potential under its ownership and recycle the capital released into existing or new businesses, we consider that the entering into of the Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

6. Evaluation of the Consideration

Pursuant to the Share Purchase Agreement, the consideration for the entire issued share capital of the Target Company is US$3.9 billion, subject to the Adjustments which are not expected to be material. Based on our discussion with Management, we understand that the Consideration was assessed chiefly based on the enterprise value ("**EV**") to EBITDA ("**EV/EBITDA**") ratio as represented by the Consideration. In the analysis below, we have also included the price-to-earnings ("**P/E**") ratio, another common valuation metric. Having regard to the financial performance and business model of the Target Group, we consider it suitable to evaluate the Consideration based on EV/EBITDA ratio and P/E ratio. These metrices make reference to a company's income and cash flow generating ability (which is relevant to the Target Group as it recorded strong positive earnings and EBITDA in recent years). We consider the price-to-book ratio, for example, less relevant to the Target Group given the value of its business is not, in our opinion, principally driven by its asset backing.

As set out in the sections above headed "4. Reasons for and benefits of the Transaction" and "5. Use of proceeds", a number of central management functions of the Target Group rest with the Company's management team, including maintaining the relationship with the global executives of The Coca-Cola Company on behalf of the Target Group. Based on our understanding from Management, costs relating to the above-mentioned Company-level central management were not historically charged to the Target Group. For the purpose of our evaluation based on EV/EBITDA ratio, the Adjusted EBITDA is used, which takes into account the annual management fee that the Target Group would have borne under the Management Services Agreement had it been in place in prior periods.

We further understand from Management that the intra-group loans due by the Target Group to the Group (representing all the borrowings of the Target Group as at 30th June 2023) will be capitalised into shareholders equity before Completion. Accordingly, for the purpose of our evaluation based on P/E ratio, (i) the equity value of the Target Group as represented by the Consideration is US$3.9 billion, i.e. equal to the EV of the Target Group and (ii) certain Group adjustments relating to net finance cost on certain intra-group balances are eliminated to arrive at the Adjusted Net Profit of the Target Group.

Set out below are our calculations of the 2022 Adjusted EBITDA and the Adjusted Net Profit of the Target Group:

For comparison purposes

	2022	
	Adjusted EBITDA *(audited)* *(million)*	**Adjusted Net Profit** *(audited)* *(million)*
2022 audited EBITDA or net profit figures (as set out in the table in section 2 above)	HK$2,585.0	HK$1,392.0
Adjustments:		
(1) Minimum annual management fee under the Management Services Agreement *(Note 1)*	HK$(122.9)	HK$(122.9)
(2) Net finance cost arising from certain intra-group balances *(Note 2)*	N/A	HK$34.0
(3) Tax impact arising from the adjustment items (1) and (2) above *(Note 3)*	N/A	HK$34.2
	HK$2,462.1 (or US$315.7)	HK$1,337.3 (or US$171.4)

Notes:

1. *Assuming the minimum annual management fee of approximately HK$122.9 million (being HK$117.0 million plus a mark-up of 5%) that would have been charged to the Target Group for the year 2022, had the Management Services Agreement become effective on 1st January 2022*

2. *Being elimination of Group adjustments relating to net finance cost on certain intra-group balances incurred by the Target Group of approximately HK$34.0 million as provided by Management*

3. *Assuming applicable US corporate effective tax rate of 25% applicable for the annual management fee under the Management Services Agreement and certain net finance cost on intra-group balances, as provided by Management*

The above 2022 Adjusted EBITDA and Adjusted Net Profit of the Target Group form the basis of our evaluation of the Consideration below.

Comparable companies

As set out in the section above headed "2. Information on the Target Group", the Target Group is authorised to produce, sell and distribute non-alcoholic beverages of The Coca-Cola Company in the western US. For the purpose of evaluating the Consideration, we have identified listed bottling companies authorised by The Coca-Cola Company (the "**Comparable Companies**") that we consider to have a business and characteristics similar to that of the Target Group, i.e. (i) having generated a majority of their 2022 revenue in developed markets and (ii) having an EV of at least US$1.0 billion as at the Latest Practicable Date. Based on the above criteria, three Comparable Companies were identified on Bloomberg. In our view, the Comparable Companies which are set out below (i) represent an exhaustive list based on the criteria above according to our research on a best effort basis and (ii) are fair and representative samples for the purpose of evaluating the Consideration. The table below illustrates EV/EBITDA ratios and P/E ratios of each of the Comparable Companies:

Name of company (stock code)	**Principal activities**	**Market capitalisation as at the Latest Practicable Date**	**EV**	**Net Profit/ (Loss)**	**EBITDA**	**P/E ratio**	**EV/ EBITDA ratio**
		(US$ million)	*(US$ million) (Note 1)*	*(US$ million) (Note 2)*	*(US$ million) (Note 3)*	*(times)*	*(times)*
		(A)	*(B)*	*(C)*	*(D)*	*(A/C)*	*(B/D)*
Coca-Cola Europacific Partners PLC (US.CCEP)	Making, selling and distributing primarily non-alcoholic beverages in Western Europe and Asia Pacific; Shares are listed on the New York Stock Exchange	29,366	42,248	1,663	3,184	17.7	13.3
Coca-Cola Consolidated Inc. (US.COKE)	Distributing, marketing and manufacturing non-alcoholic beverages in the US; Shares are listed on the New York Stock Exchange	6,595	7,152	430	771	15.3	9.3

Name of company (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date	EV	Net Profit/ (Loss)	EBITDA	P/E ratio	EV/ EBITDA ratio
		(US$ million)	*(US$ million)*	*(US$ million)*	*(US$ million)*	*(times)*	*(times)*
			(Note 1)	*(Note 2)*	*(Note 3)*		
		(A)	*(B)*	*(C)*	*(D)*	*(A/C)*	*(B/D)*
Coca-Cola Bottlers Japan Holdings Inc. (JP.2579)	Manufacturing non-alcoholic beverages (mainly carbonated drinks) in Japan; Shares are listed on the Tokyo Stock Exchange	2,124	2,801	(57)	240	N/A *(Note 4)*	11.7
					Mean	16.5	11.4
					Median	16.5	11.7
Target Group, as represented by the Consideration and the 2022 Adjusted EBITDA and Adjusted Net Profit as set out above		**3,900** *(Note 5)*	**3,900** *(Note 5)*	**171**	**316**	**22.8**	**12.4**

Source: Comparable Companies' filings, Bloomberg

Notes:

(1) EV for each of the Comparable Companies represents the sum of the respective (i) market capitalisation as at the Latest Practicable Date, (ii) non-controlling interests and (iii) interest-bearing borrowings, minus cash and cash equivalents, based on the respective most recently published full year financial statements

(2) Net profit/(loss) for each of the Comparable Companies represents the respective 2022 consolidated net/(loss) profit attributable to the ordinary shareholders, based on the respective most recently published full year financial statements

(3) EBITDA for each of the Comparable Companies represents the respective 2022 consolidated profits/(loss) before tax, net interest expenses, depreciation and amortisation, based on the respective most recently published full year financial statements

(4) We note that Coca-Cola Bottlers Japan Holdings Inc. recorded a 2022 consolidated net loss, based on its most recently published full year financial statements. As such, there is no P/E ratio for Coca-Cola Bottlers Japan Holdings Inc.

(5) Being the Consideration of US$3,900 million, without taking into account the Adjustments

The P/E ratios of the Comparable Companies range from approximately 15.3 times to 17.7 times, with both mean and median equal to approximately 16.5 times. The P/E ratio of the Target Group as represented by the Consideration of approximately 22.8 times is higher than the highest P/E ratio among the Comparable Companies.

The EV/EBITDA ratios of the Comparable Companies range from approximately 9.3 times to 13.3 times, with a mean and median of approximately 11.4 times and 11.7 times respectively. The EV/EBITDA ratio of the Target Group as represented by the Consideration of approximately 12.4 times is also higher than the mean and median of the Comparable Companies.

Transaction precedents

We have identified publicly disclosed acquisitions of controlling interests in the Coca-Cola bottlers that (i) generated a majority of their revenue at the time of the transactions in developed markets; (ii) had an EV of at least US$1.0 billion; (iii) were announced and completed in the past 10 years (up to the Latest Practicable Date); and (iv) were settled by way of cash or loans (the "**Transaction Precedent(s)**"). Based on the above selection criteria, one Transaction Precedent could be identified, being the acquisition (the "**CCA Deal**") by Coca-Cola European Partners PLC (subsequently renamed as Coca-Cola Europacific Partners PLC) of all issued shares of Coca-Cola Amatil Limited ("**Coca-Cola Amatil**"). In order to identify a sufficient number of Transaction Precedents for a meaningful analysis, we have expanded the search to include acquisitions of controlling interests in all non-alcoholic beverages bottlers. On this basis, two additional Transaction Precedents were identified, being the acquisition (the "**Cott Deal**") by Refresco Group N.V. ("**Refresco Group**") of the bottling activities of Cott Corporation ("**Cott TB**") and the acquisition (the "**Refresco Deal**") by Sunshine Investments B.V. of all issued shares of Refresco Group. We consider the list of Transaction Precedents set out below to be an exhaustive list according to our research based on the above criteria, on a best effort basis. The result of our research is as follows:

Date of initial announcement	**Name of target company/business**	**Consideration**	**EV**	**Net Profit**	**EBITDA**	**P/E ratio**	**EV/ EBITDA ratio**
		(million) *(percentage of interest acquired)*	*(million)*	*(million)*	*(times)*	*(times)*	*(times)*
		(A)	*(B)*	*(C)*	*(D)*	*(A/C)*	*(B/D)*
4th November 2020	Coca-Cola Amatil	AU$9,115 (100%) *(Note 2)*	AU$10,896 *(Note 3)*	AU$340 *(Note 4)*	AU$899 *(Note 4)*	26.8	12.1
25th October 2017	Refresco Group	EUR1,623 (100%)	EUR3,300	N/A	N/A	N/A	9.6 *(Note 5)*
25th July 2017	Cott TB	US$1,250 (100%)	US$1,175 *(Note 6)*	N/A	US$137	N/A	8.6 *(Note 7)*
28th June 2023	**Target Group**	**US$3,900**	**US$3,900**	**US$171**	**US$316**	**22.8**	**12.4**

Notes:

(1) Transaction figures are sourced from the relevant press releases, public announcements, offer memorandum, scheme document or other regulatory filings. The above ratios are calculated based on the information available from public sources, on a best effort basis

(2) Representing the aggregate consideration offered to shareholders of Coca-Cola Amatil of approximately AU$9.1 billion, comprising (a) approximately AU$2.3 billion to The Coca-Cola Company (which held approximately 30.8% equity interest in Coca-Cola Amatil) and (b) approximately AU$6.8 billion to other independent shareholders

(3) Representing the sum of (i) the aggregate consideration offered to shareholders of Coca-Cola Amatil of approximately AU$9.1 billion, as explained in note (2) above, (ii) the reported net debt of approximately AU$1.5 billion as at 31st December 2020 and (iii) the reported non-controlling interests of AU$0.3 billion as at 31st December 2020, as extracted from the 2020 annual report of Coca-Cola Amatil

(4) Representing the reported EBITDA of approximately AU$898.9 million and the reported profit attributable to shareholders of Coca-Cola Amatil of approximately AU$340.3 million for the year ended 31st December 2020, as extracted from the 2020 annual report of Coca-Cola Amatil

(5) According to the offer memorandum jointly issued by Sunshine Investments B.V. and Refresco Group dated 22nd January 2018, the offer price under the Refresco Deal represented an EV/EBITDA ratio of approximately 9.6 times (without taking into account synergies) and 8.5 times (taking into account the full run-rate synergies of approximately EUR47 million from the acquisition of Cott TB, which are expected to be realised over a three-year period after the transaction), for the twelve months ended 30th June 2017. For the purpose of the above table and our analysis below, we have adopted the EV/EBITDA ratio of approximately 9.6 times, without taking into account the synergies

(6) Representing the all-cash offer of US$1,250 million on a cash-free and debt-free basis, minus the estimated tax assets resulting from the transaction of US$75 million, as extracted from the investor presentation of Refresco Group dated 25th July 2017

(7) According to the offer memorandum jointly issued by Sunshine Investments B.V. and Refresco Group dated 22nd January 2018, the all-cash offer of US$1,250 million on a cash-free and debt-free basis under the Cott Deal represented an EV/EBITDA ratio of approximately 8.6 times (without taking into account synergies) and 6.0 times (taking into account synergies). For the purpose of the above table and our analysis below, we have adopted the EV/EBITDA ratio of approximately 8.6 times, without taking into account the synergies

The P/E ratio of the Target Group as represented by the Consideration of approximately 22.8 times is lower than that of the CCA Deal, while the P/E ratio is not available for both the Refresco Deal and the Cott Deal.

The EV/EBITDA ratios of the Transaction Precedents range from approximately 8.6 times to 12.1 times. The EV/EBITDA ratio of the Target Group as represented by the Consideration of approximately 12.4 times is the highest among the Transaction Precedents.

Our conclusion based on Comparable Companies and Transaction Precedents analyses

The above analyses shows that the EV/EBITDA ratio and P/E ratio as represented by the Consideration are generally within the range or on balance higher than those of the Comparable Companies and Transaction Precedents. Based on this analysis and also bearing in mind the benefits of the Transaction to the Company as set out above, we consider the Consideration to be fair and reasonable.

7. Financial effects of the Transaction on the Group

Upon Completion, the Company will no longer hold any equity interest in the Target Company. The Target Company will cease to be a subsidiary of the Company and financial results of the Target Group will cease to be consolidated into the financial statements of the Company with effect from the date of the Completion.

Earnings

Upon Completion, the Company is expected to record a consolidated gain on disposal from the Transaction (disregarding the Adjustments and transaction expenses) of approximately HK$22,615 million, being the difference between the Consideration and the carrying value of the Sale Shares, assuming that the intra-group loans of the Target Group are capitalised into shareholders equity, of HK$7,805 million as at 30th June 2023. The final amount of the gain from the Transaction is subject to the review by the auditor of the Company. We understand from Management that no material tax liabilities are expected to arise from the Transaction.

The profit from Target Group, which was approximately HK$1.4 billion in 2022, will no longer contribute to the Group's results upon Completion. As a partial offset, an annual management fee is expected to be received by the Group in future, at a minimum of HK$117 million (plus a mark-up of 5%) per annum, as further described in the section below headed "8. The Management Services Agreement".

Net assets

Upon Completion, the net assets of the Group as at 30th June 2023 would be increased by approximately HK$10.9 billion, due to the recognition of the gain on disposal of approximately HK$22.6 billion, offset by the declaration of the Special Dividend of approximately HK$11.7 billion. Based on the equity attributable to the Shareholders of approximately HK$256.4 billion as at 30th June 2023, net asset value per share of the Company is expected to increase by approximately 4.3%.

Net debt and Gearing

As set out in the section above headed "1. Background information on the Group", the net debt and Gearing of the Group as at 30th June 2023 were approximately HK$66.9 billion and 21.4% respectively. Upon Completion and payment of the Special Dividend, the net debt of the Group is expected to decrease and the pro forma Gearing of the Group as at 30th June 2023 would be approximately 14.9%, strengthening the financial position of the Group.

8. The Management Services Agreement

As set out in the section above headed "2. Information on the Target Group", the Company's management team is currently responsible for the central management of the Group's beverages business (including the business of the Target Group), and is tasked with setting the strategic direction for the Target Group, approving business plans and budgets, and providing support on areas such as financial reporting and human resources, among others. Following Completion, the Company's management team is expected to continue such management function in respect of the Target Group, and will also continue to manage the relationship with the global executives of The Coca-Cola Company on behalf of the Target Group.

To facilitate the continuation of the Group's management arrangement with the Target Group, the Purchaser's Guarantor, the Target Company and SCCL entered into the Management Services Agreement on 18th July 2023, pursuant to which SCCL will provide management and administrative support services to the Target Group from the date of Completion. For details of the Management Services Agreement, please refer to the MSA Announcement.

The annual management fee in consideration of the services to be payable by the Target Company to SCCL will be the greater of: (a) HK$117 million (plus a mark-up of 5%), which shall be increased for each subsequent financial year after 31st December 2023 in line with the Hong Kong Composite Consumer Price Index for that financial year and (b) 6% of the recurring earnings before interest and tax of the Target Group for that financial year. The above fee was determined after arm's length negotiations between the parties having regard to the costs associated with the services to be provided plus a markup comparable to market terms.

The initial term of the Management Services Agreement will be from the date of Completion until 27th April 2037 (both days inclusive) and thereafter, subject to mutual agreement, will be renewed on the same terms for successive terms of 10 years, unless terminated earlier pursuant to its terms. In the MSA Announcement, we have set out our view that we consider it normal business practice for agreements of such type to be of such duration, in accordance with Rule 14A.52 of the Listing Rules.

Generally speaking, we consider that the Management Services Agreement will provide the Group with an opportunity to continue to guide the business of the Target Group, enabling the beverages division of the Group to continue its global franchise relationship with The Coca-Cola Company, which we consider to be important to the business operation and future development of the Group's beverages business.

DISCUSSION

Of the various points raised in our letter, we would like to draw the Independent Shareholders' attention in particular to the following:

Disposal in line with the Group's strategy

The Group's principal focus is on Asian operations and the Target Company is by far the Group's largest business in the US. The US is a mature market for Coca-Cola bottlers. The Target Company has done well recently in growing earnings and EBITDA. These improvements have been achieved mainly by price increases and operational efficiencies rather than growth in sales volumes. This therefore seems an opportune time for a sale to capitalise on the achieved growth.

The Target Company contributed more than 40% of the beverages division's sales in both 2022 and first half of 2023 and about 60% of its profits for both periods, so the Transaction will decrease the beverages division's size in the near term. However, including through the Management Services Agreement, the Group will still control the relationship with the global executives of The Coca-Cola Company, so its standing with The Coca-Cola Company should not be diminished and the franchise strength will be preserved. Some of the net proceeds could be made available to expand the beverages division's operations in Asia. We note that last year the Group committed approximately US$1 billion to the purchase of The Coca-Cola Company's bottling operations in Vietnam and Cambodia, considered higher growth areas.

The Consideration is substantial

The Consideration of US$3.9 billion (approximately HK$30.4 billion) is all in cash, payable at Completion, with certain subsequent adjustments, which are not expected to be material. There is no contingent or 'earn-out' element and there are no material conditions except Independent Shareholders' approval. In our opinion, there are no unusual warranties in the Share Purchase Agreement. In other words, this is a very 'clean' exit for the Group.

The Transaction only covers one part of one division of the Company's operations yet the Consideration represents roughly 35% of the Company's market capitalisation of approximately HK$85.2 billion as at the Latest Practicable Date, and roughly 40% of the Company's market capitalisation of approximately HK$74.2 billion prior to the Transaction.

The Consideration is fair and reasonable viewed against Comparable Companies and Transaction Precedents

Based on the Consideration of US$3.9 billion and the 2022 Adjusted EBITDA, the EV/EBITDA ratio is 12.4 times. Based on 2022 Adjusted Net Profit, the P/E ratio is 22.8 times. We have identified three Comparable Companies authorised as bottlers by The Coca-Cola Company. The mean and median EV/EBITDA and P/E ratios of the Comparable Companies are below those of the Target Group.

We have also identified three Transaction Precedents relating to non-alcoholic beverages bottlers completed in the last ten years. In one case, the CCA Deal, the P/E ratio at the transaction price is somewhat higher than for the Target Group while the EV/EBITDA ratio is slightly lower. For the other two transactions, the data required to calculate a P/E ratio is not available while the EV/EBITDA ratios are lower than those of the Target Group.

The circumstances of the Comparable Companies and the Transaction Precedents vary from those applying to the Target Group and the terms of the Transaction we are reviewing. Nevertheless, we consider that these comparisons are of assistance to the Independent Shareholders and support the view that the Consideration is fair and reasonable on a comparative basis.

Financial effects on the Group are beneficial

Based on a book value for the Target Group of approximately HK$7.8 billion and the Consideration equivalent to HK$30.4 billion, the Group is expected to record a gain to be finalised in due course with the Completion Statement of approximately HK$22.6 billion. This compares with the Group's 2022 underlying profit attributable to the Shareholders of approximately HK$4.7 billion.

After allowing for the Special Dividend mentioned below, all the remaining net proceeds of the Transaction will be available to the Group in cash. The consolidated net asset value of the Company would increase by approximately 4.3%. Assuming no net proceeds are immediately deployed in new investments, the Group's Gearing would be reduced from approximately 21% to approximately 15%.

In future, the Target Group will no longer contribute to the Group results. In 2022, the Target Group's underlying profit accounted for approximately 29% of the Group underlying profit. On the other hand, the Group will earn income through the Management Services Agreement, and profitable reinvestments may in due course be made.

Special Dividend

In line with the Company's dividend policy, the Directors propose to declare and pay a Special Dividend of approximately HK$11.7 billion, roughly half the expected gain on disposal from the Transaction and equivalent to approximately HK$8.120 per 'A' share and HK$1.624 per 'B' share. In our view, this is a significant return to the Shareholders and significantly higher than dividends paid by the Company in respect of the year 2022. Provided the Transaction is approved, the record date for the Special Dividend is expected to be in September 2023.

Management Services Agreement

As announced on 18th July 2023, the Management Services Agreement will allow the Group to maintain its relationship with The Coca-Cola Company in respect of the Target Group while recouping the Group's estimated costs with a margin. This in our view is a continuing strategic benefit for the Group. In the MSA Announcement, we expressed a view that it is normal business practice for such an agreement to continue long-term and it is expected to have an initial duration of about 13.5 years.

We consider the above points the most salient features of the Transaction for the Independent Shareholders to bear in mind.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons set out in our letter, we consider that the Share Purchase Agreement and the Transaction contemplated thereunder is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. Although the Transaction is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction. Please note the arrangements for holding and voting at the EGM set out in section 9 of the letter from the Board.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over forty years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Company for each of the years ended 31st December 2022, 2021 and 2020 and the six months ended 30th June 2023 is disclosed in the below documents which have been published on the websites of both the Stock Exchange (www.hkexnews.hk) and the Company (www.swirepacific.com):

(a) The unaudited condensed interim financial statements of the Group for the six months ended 30th June 2023 have been set out in the Company's 2023 interim results announcement published on 10th August 2023 from page 42 to page 77 (www1.hkexnews.hk/listedco/listconews/sehk/2023/0810/2023081000161.pdf);

(b) The audited consolidated financial statements of the Group for the year ended 31st December 2022 have been set out in the Company's 2022 annual report published on 6th April 2023 from page 125 to page 219 (www1.hkexnews.hk/listedco/listconews/sehk/2023/0406/2023040600527.pdf);

(c) The audited consolidated financial statements of the Group for the year ended 31st December 2021 have been set out in the Company's 2021 annual report published on 6th April 2022 from page 123 to page 211 (www1.hkexnews.hk/listedco/listconews/sehk/2022/0406/2022040600694.pdf); and

(d) The audited consolidated financial statements of the Group for the year ended 31st December 2020 have been set out in the Company's 2020 annual report published on 7th April 2021 from page 131 to page 219 (www1.hkexnews.hk/listedco/listconews/sehk/2021/0407/2021040701089.pdf).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30th June 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of the circular, the Group had the following outstanding indebtedness:

Borrowings

As at the close of business on 30th June 2023, the Group had the following outstanding borrowings:

	HK$ million
Bonds	45,346
Bank and other borrowings	35,009
Total borrowings	80,355

	HK$ million
Secured borrowings	2,666
Unsecured borrowings	77,689
Total borrowings	80,355
Guaranteed borrowings	77,467
Unguaranteed borrowings	2,888
Total borrowings	80,355

The Group's secured borrowings were secured by its assets, including investment properties. The Group's guaranteed borrowings were guaranteed by the Company and/or its subsidiaries.

Lease liabilities

As at the close of business on 30th June 2023, the Group had lease liabilities of approximately HK$4,957 million.

Contingent liabilities

As at the close of business on 30th June 2023, the Group had contingent liabilities in relation to guarantees provided in respect of (i) bank loans and other liabilities of joint venture companies in the amount of HK$3,848 million; and (ii) bank guarantees given in lieu of utility deposits and others in the amount of HK$135 million.

Save as disclosed above and apart from intra-group liabilities, intra-group guarantees and normal trade and other payables in the ordinary course of business of the Group, as at the close of business on 30th June 2023, the Group did not have any material outstanding: (i) debt securities issued and outstanding or authorised or otherwise created but unissued, or term loans; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (iii) mortgages or charges; or (iv) guarantees or other contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the Group's business prospects and financial resources (including internal resources and available banking facilities) and the financial effect of the Transaction and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this circular.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Group's operations consist of three core divisions: Property, Beverages and Aviation. We anticipate that the rebound seen in the first six months of the year will continue into the second half, driven mostly by the recovery of the Cathay group.

Swire Properties' flagship brands in the Chinese Mainland and Hong Kong continue to be highly sought-after, and developments are ongoing. We expect to see continued recovery across our core markets.

Swire Coca-Cola is expected to continue performing steadily in the Chinese Mainland despite the potential economic slowdown in the second half of 2023. We anticipate the newly acquired franchise bottling business in Vietnam will be stable and make meaningful full-year contributions, while the business in Cambodia is expected to improve in the second half of 2023.

Cathay Pacific continues to recover. The airline will provide seamless access to the Greater Bay Area, which is its extended home market, and play a crucial role in connecting the region to the rest of the world. We are confident of achieving the target of 70% of its pre-pandemic passenger flight capacity levels covering 80 destinations by the end of the year, and 100% by the end of 2024. For HAECO, demand for base maintenance work in the second half of 2023 is expected to be stable, while line maintenance work – as well as engine overhaul services – will go up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
ETCHELLS, Paul Kenneth	–	12,000	–	12,000	0.0014	
ORR, Gordon Robert Halyburton	9,000	–	–	9,000	0.0011	
SWIRE, Merlin Bingham	180,000	–	301,000	481,000	0.0561	2
'B' shares						
MCCALLUM, Gordon Douglas	77,500	–	–	77,500	0.0027	
SWIRE, Merlin Bingham	390,000	–	3,024,617	3,414,617	0.1168	3

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
MCCALLUM, Gordon Douglas	46,177	–	–	46,177	0.05	
SWIRE, Merlin Bingham	2,193,550	630,000	14,569,960	17,393,510	17.39	1
8% Cum. Preference Shares of £1						
MCCALLUM, Gordon Douglas	64,247	–	–	64,247	0.07	
SWIRE, Merlin Bingham	3,966,125	–	11,904,363	15,870,488	17.63	1

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Swire Properties Limited						
Ordinary Shares						
ETCHELLS, Paul Kenneth	–	8,400	–	8,400	0.00014	
SWIRE, Merlin Bingham	–	–	1,148,812	1,148,812	0.01964	2

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

Notes:

1. M B Swire was a trustee and/or potential beneficiary of trusts which held 3,246,624 ordinary shares and 1,691,961 preference shares in John Swire & Sons Limited included under Trust interest and did not have any beneficial interest in those shares.

2. All ‘A’ shares of Swire Pacific Limited and ordinary shares of Swire Properties Limited held by M B Swire under Trust interest were held by him as one of the executors of a will and he did not have any beneficial interest in those shares.

3. Of 3,024,617 ‘B’ shares of Swire Pacific Limited held by M B Swire under Trust interest, 1,225,395 shares were held by him as a trustee and/or potential beneficiary of a trust and 1,799,222 shares were held by him as one of the executors of a will. He did not have any beneficial interest in those shares.

As at the Latest Practicable Date, save as disclosed below, none of the Directors is a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of relevant company and position
BRADLEY, Guy Martin Coutts	Director of JS&SHK
COGMAN, David Peter	Director and employee of JS&SHK
HEALY, Patrick	Director of JS&SHK
MCCALLUM, Gordon Douglas	Director of JS&SL
MURRAY, Martin James	Director of Elham Limited, JS&SHK and Shrewsbury Holdings Limited
SWIRE, Merlin Bingham	Director of JS&SL
ZHANG, Zhuo Ping	Director and employee of JS&SHK

(b) Substantial Shareholders' and Other Interests

As at the Latest Practicable Date, so far as is known to the Directors of the Company, the interests and short positions of persons (other than the Directors of the Company) in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position	'A' shares	Percentage of voting shares (comprised in the class) *(%)*	'B' shares	Percentage of voting shares (comprised in the class) *(%)*	Note
Substantial Shareholder					
John Swire & Sons Limited	442,879,720	51.69	2,131,969,282	72.95	1

Note:

1. John Swire & Sons Limited was deemed to be interested in a total of 442,879,720 'A' shares and 2,131,969,282 'B' shares of the Company at the Latest Practicable Date, comprising:

    (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;

    (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;

    (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and

    (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 2,055,000 'B' shares held by Canterbury Holdings Limited, 322,603,700 'A' shares and 123,945,000 'B' shares held by Elham Limited, 39,461,000 'A' shares and 373,003,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 27,716,500 'A' shares held by Waltham Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors of the Company, no person (other than a Director of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

4. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the Directors were not aware that any of them or their respective close associates was interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group, which would be required to be disclosed under Rule 8.10 of the Listing Rules.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and are, or may be, material:

(a) the Share Purchase Agreement;

(b) the master agreement between Swire Properties (Chengdu) Limited (as purchaser), 天津麟松城市建設開發有限公司 (Tianjin Linsong City Facilities Development Company Limited*) (as purchaser), 北京浩倡諮詢有限公司 (Beijing Great Well Consultancy Company Limited*) (as purchaser), Neo Origin Limited (as seller), 北京銀港房地產開發有限公司 (Beijing Yingang Real Estate Development Company Limited*) (as seller), 北京億馳物業服務有限公司 (Beijing Yichi Property Services Company Limited*) (as seller), Sino-Ocean Group Holding Limited (as seller guarantor) and Sino-Ocean Service Holding Limited (as seller guarantor) dated 15th December 2022 for the sales and purchases of, among others, 15% of the issued share capital of Great City China Holdings Limited, 15% equity interest in 成都銀港置業有限公司 (Chengdu Yingang Real Estate Company Limited*) and 15% equity interest in 成都乾豪物業服務有限公司 (Chengdu Qianhao Property Services Company Limited*) for a total cash consideration of RMB1,000,000,000, details of which were set out in the Company's announcement dated 15th December 2022;

(c) the master agreement between 北京浩倡諮詢有限公司 (Beijing Great Well Consultancy Company Limited*) (as purchaser), 北京億馳物業服務有限公司 (Beijing Yichi Property Services Company Limited*) (as seller), Sino-Ocean Group Holding Limited (as seller guarantor) and Sino-Ocean Service Holding Limited (as seller guarantor) dated 15th December 2022 for the sales and purchases of a 35% equity interest in 成都乾豪物業服務有限公司 (Chengdu Qianhao Property Services Company Limited*) for a total cash consideration of RMB59,000,000, details of which were set out in the Company's announcement dated 15th December 2022;

(d) the master agreement between Swire Properties (Chengdu) Limited (as purchaser), 天津麟松城市建設開發有限公司 (Tianjin Linsong City Facilities Development Company Limited*) (as purchaser), Neo Origin Limited (as seller), 北京銀港房地產開發有限公司 (Beijing Yingang Real Estate Development Company Limited*) (as seller) and Sino-Ocean Group Holding Limited (as seller guarantor) dated 15th December 2022 for the sales and purchases of, among others, 35% of the issued share capital of Great City China Holdings Limited and a 35% equity interest in 成都銀港置業有限公司 (Chengdu Yingang Real Estate Company Limited*) for a total cash consideration of RMB4,491,000,000, details of which were set out in the Company's announcement dated 15th December 2022;

(e) two share purchase agreements between Coca-Cola (Japan) Co., Ltd. (as seller), SCCL (as purchaser) and Swire Beverages Holdings Limited (as guarantor of the purchaser's obligations) both dated 18th July 2022 for the sale and purchase of (i) all the shares in Coca-Cola Indochina Pte. Ltd.; and (ii) all the shares in CC Cambodia Holdings Pte. Ltd., for an aggregate consideration of US$1,015 million, details of which were set out in the Company's announcement dated 18th July 2022;

(f) the State-owned Land Use Rights Grant Contract (國有建設用地使用權出讓合同) between Chance Ascent Limited, 西安城桓文化投資發展有限公司 (Xi'an Cheng Huan Cultural Investment and Development Co., Ltd.*) and Xi'an Natural Resources and Planning Bureau (西安市自然資源和規劃局) dated 18th March 2022 in relation to the land use rights of the land located in Beilin District of Xi'an for a consideration of RMB2,575 million, details of which were set out in the Company's announcement dated 4th March 2022;

(g) the offer letter dated 2nd September 2021 from the Hong Kong Government to Joyful Sincere Limited pursuant to which Joyful Sincere Limited will surrender Chai Wan Inland Lot No.88 to the Hong Kong Government and the Hong Kong Government shall grant Chai Wan Inland Lot No. 178 to Joyful Sincere Limited for a premium of HK$4,540,210,000, details of which were set out in the Company's announcement dated 29th September 2021; and

(h) the memorandum of agreement dated 28th December 2021 for the particulars and conditions of exchange of Chai Wan Inland Lot No. 178 setting out the general and special conditions on which such lot will be granted between Joyful Sincere Limited and the Hong Kong Government, details of which were set out in the Company's announcement dated 29th September 2021.

* *For identification purpose only*

7. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, save for the non-executive Directors' interests in the Share Purchase Agreement by virtue of being shareholders and directors of JS&SL, none of the Directors was materially interested in any contract or arrangement subsisting on that date and which is significant in relation to the Group's business.

8. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, save for the non-executive Directors' interests in the Sale Shares under the Share Purchase Agreement by virtue of being shareholders and directors of JS&SL, none of the Directors had any direct or indirect interest in any asset which had, since 31st December 2022, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

9. EXPERT AND CONSENT

The qualifications of the expert who has given an opinion or advice which is contained or referred to in this circular are as follows:

Name	Qualification
Somerley Capital Limited	A corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley Capital Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Somerley Capital Limited did not have any direct or indirect interest in any asset which had, since 31st December 2022, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Somerley Capital Limited had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of their letter of advice to the Independent Board Committee and the Independent Shareholders, and/or references to their name, logo or opinion in the form and context in which they appear.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of both the Stock Exchange (www.hkexnews.hk) and the Company (www.swirepacific.com) for a period of 14 days from the date of this circular:

(a) the Share Purchase Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(c) the letter from the Independent Financial Adviser in respect of their letter of advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular; and

(d) the written consent from the Independent Financial Adviser as referred to in the above paragraph 9 headed "Expert and Consent" in this Appendix.

11. MISCELLANEOUS

(a) The Company Secretary of the Company is Ms. Bernadette Mak Lomas. She is qualified to practise law in Hong Kong and in the State of New York of the US.

(b) The registered office of the Company is located at 33rd Floor, One Pacific Place, 88 Queensway, Hong Kong.

(c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

SWIRE PACIFIC LIMITED
太古股份有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Codes: 00019 and 00087)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Swire Pacific Limited (the "**Company**") will be held on Wednesday, 30th August 2023 at 4:00 p.m. at the Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated Monday, 14th August 2023.

ORDINARY RESOLUTION

"**THAT:**

(a) the entering into of the Share Purchase Agreement and the transactions contemplated thereunder, be and is hereby approved; and

(b) any Director of the Company be and is hereby authorised to do all such further acts, matters and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Share Purchase Agreement and the transactions contemplated thereunder."

By Order of the Board
SWIRE PACIFIC LIMITED
太古股份有限公司
Bernadette M. Lomas
Company Secretary

Hong Kong, 14th August 2023

Notes:

(i) Any member entitled to attend and/or vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and/or vote instead of him/her. A proxy need not be a member of the Company.

(ii) All forms of proxy must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for the meeting or any adjourned meeting thereof. In calculating the period mentioned for depositing the form of proxy, no account is to be taken of any part of a day that is a public holiday.

(iii) The register of members will be closed from 28th August 2023 to 30th August 2023, both days inclusive. In order to be entitled to attend and vote at the EGM, all transfers should be lodged with the Company's share registrar, 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, 25th August 2023.

(iv) The resolution set out in this notice will be voted on by poll.

(v) Where there are joint registered holders of any share, any one of such persons may vote at the EGM (or at any adjournment thereof), either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders shall be present at the EGM personally or by proxy, that one of the holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(vi) If a Tropical Cyclone Warning Signal No. 8 (or above) is hoisted or a Black Rainstorm Warning Signal or "extreme conditions" caused by a super typhoon announced by the Hong Kong Government is/are in force at or at any time after 12:00 noon on the date of the EGM, the EGM will be adjourned to a later date and/or time as determined by the Company.

The Company will announce on the websites of both the Stock Exchange (www.hkexnews.hk) and the Company (www.swirepacific.com) the adjournment of the EGM (however, a failure to so announce shall not affect the adjournment of such meeting) and the date, time and location of the adjourned EGM. Shareholders may also contact Computershare Hong Kong Investor Services Limited (telephone: (852) 2862 8555) for enquiries.

Shareholders should in any event exercise due care and caution when deciding to attend the EGM in adverse weather conditions.

(vii) Shareholders with disabilities are requested to indicate in advance whether, because of their disabilities, they need special arrangements to assist them in participating at the meeting.