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SWIRE PACIFIC LIMITED

太古股份有限公司

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

Announcement Update as to Prospects Profit Warning

Interim Report 2017

This is what was said about prospects in the Interim Report 2017 of Swire Pacific Limited (“**Swire Pacific**” or the “**Company**”) dated 17th August 2017:

“In the Property Division, rental income from office properties in Hong Kong is expected to remain resilient despite increased supply in Kowloon East and other districts. Near full occupancy and positive rental reversions should underpin rents. Investment property results in Mainland China are expected to improve as retail sales grow satisfactorily in the cities where the Division has malls. Property trading profits are expected to be recognised in the second half of 2017 on sales of residential units in Hong Kong and Miami.

Cathay Pacific does not expect the operating environment in the second half of 2017 to improve materially. In particular, the passenger business will continue to be affected by strong competition from other airlines and the group’s results are expected to be adversely affected by higher fuel prices and Cathay Pacific’s fuel hedging positions. However, the outlook for the cargo business is good and robust demand and growth in cargo capacity, yield and load factor are expected in the second half of the year. The benefits of the transformation are expected to start to be seen in the second half of 2017 and the effects will accelerate in 2018.

Demand for HAECO’s line services in Hong Kong is expected to be stable in the second half of 2017, but that for airframe services is expected to fall for normal seasonal reasons and because of deferral of work by some customers. Demand for airframe services at HAECO Americas and HAECO Xiamen is expected to decrease. TEXL’s engine overhaul businesses is expected to be stable. HAESL’s results are expected to be weaker.

In the Beverages Division, sales volume in Mainland China is expected to grow modestly in the second half of 2017. Cost increases will put pressure on profits. In the USA, the beverages market is expected to grow moderately. Sales are expected to grow modestly in Hong Kong. The retail market in Taiwan is expected to be weak.

In the Marine Services Division, the oversupply of offshore vessels will take time to correct. The market is not expected to recover in the short term. This will continue to affect SPO's results adversely. However, there are signs that the market is bottoming out.

The overall profits of the Trading & Industrial Division are expected to increase in the second half of 2017.”

Update as to Prospects

We have reviewed the prospects for the Company's businesses since the Interim Report 2017 was published.

The prospects for the property, beverages and trading & industrial divisions and for Cathay Pacific remain broadly the same.

In an announcement made on 7th November 2017, Hong Kong Aircraft Engineering Company Limited (“**HAECO**”) indicated that the 2017 trading outlook for most of its individual businesses remained broadly the same. However, somewhat worse results were expected at HAECO Americas in the second half of 2017 than were expected when the Interim Report 2017 of HAECO was published. In addition, as required by applicable accounting standards, a review of the carrying value of the business of HAECO Americas has been undertaken. As a result of this review (which took into account the prospects for the airframe maintenance business of HAECO Americas), impairment charges currently estimated at approximately HK\$625 million are expected to be made in 2017. Swire Pacific's share of these estimated impairment charges amounts to HK\$469 million.

The offshore market in which Swire Pacific Offshore (“**SPO**”) operates has not picked up or rebounded. As required by applicable accounting standards, a review has been undertaken of the carrying value of SPO's fleet. A significant influence on the value of the fleet is the outlook for the offshore industry in which it operates. The review of the fleet's carrying value reflects that outlook. As a result of the review, impairment charges currently estimated at approximately HK\$936 million are expected to be made against the consolidated profits of the Company for 2017.

The foregoing matters are expected to have a material adverse effect on the consolidated underlying profit attributable to the shareholders of the Company for 2017.

General

It is considered that the information in this announcement may constitute inside information. This announcement is accordingly being made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Shareholders and potential investors are advised to exercise caution in dealing in shares of Swire Pacific.

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

Executive Directors: J.R. Slosar (Chairman), I.K.L. Chu, D.P. Cogman, M.M.S. Low;
Non-Executive Directors: M.B. Swire, S.C. Swire; and
Independent Non-Executive Directors: P.K. Etchells, T.G. Freshwater, C. Lee, R.W.M. Lee and G.R.H. Orr.

By Order of the Board
SWIRE PACIFIC LIMITED
太古股份有限公司
David Fu
Company Secretary

Hong Kong, 9th November 2017