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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 Profit Warning

Swire Pacific Offshore group (“SPO”)

SPO (which is the principal component of the marine services division of Swire Pacific Limited (“**Swire Pacific**”)) operates offshore support vessels servicing the energy industry. The offshore market has been very difficult for some time. SPO made attributable losses of HK\$3,033 million in 2016 and HK\$2,255 million in 2017. These losses included impairment charges of HK\$2,313 million in 2016 and HK\$1,015 million in 2017. These impairment charges reflected reviews of the carrying value of SPO’s fleet, as required by applicable accounting standards. A significant influence on the value of the fleet is the outlook for the offshore industry in which SPO operates. The reviews of the fleet’s carrying value reflected that outlook at the times when they were made.

A further review of the carrying value of SPO’s fleet has been undertaken. The previous reviews took into account an expectation that a recovery in the oil price would result in increased offshore exploration and therefore increased utilisation of SPO’s fleet and an increase in the charter hire rates which SPO could secure. The oil price has recovered, from a price of US\$50 per barrel 12 months ago (and a low in 2016 of US\$28 per barrel) to its current US\$73 per barrel. This has not resulted in a significant increase in offshore exploration. There has been a small increase in utilisation of SPO’s fleet but charter hire rates have not increased. Too many vessels, including some being brought out of lay up, are competing for the available work. As a result, the latest review of the carrying value of SPO’s fleet takes into account significantly less optimistic assumptions about future charter hire rates than the previous reviews. The expected useful life of the relevant SPO vessels has also been reduced.

Reflecting the latest review, impairment charges in respect of SPO’s fleet currently estimated (together with certain associated write offs of goodwill and deferred tax assets) at approximately HK\$3,900 million are expected to be made against the



consolidated profits of Swire Pacific for the first half of 2018. SPO's attributable loss for the first half of 2018 (before the impairment charge) is expected to be about HK\$663 million, compared with HK\$692 million in the first half of 2017. The impairment charge will have a material adverse effect on the consolidated underlying profit attributable to the shareholders of Swire Pacific for that period. The performance of the other divisions of Swire Pacific is broadly in line with or better than that indicated under Outlook in the chairman's statement in the 2017 Swire Pacific annual report.

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: M.B. Swire (Chairman), I.K.L. Chu, D.P. Cogman, M.M.S. Low;
Non-Executive Director: 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, 20th July 2018