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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)

Inside Information Update as to Prospects Profit Warning

Interim Report 2019

This is what was said about prospects in the Interim Report 2019 of Swire Pacific Limited (“**Swire Pacific**” or the “**Company**”) dated 8th August 2019:

“In the Property Division, more vacancies are expected in the Central district of Hong Kong. This will put downward pressure on office rents in Central. Strong demand and high occupancy are expected to result in office rents at our Taikoo Place developments being resilient despite increased supply in other districts. Global trade uncertainties and the adverse effect of Renminbi weakness on spending by tourists from Mainland China have affected retail spending in Hong Kong. The protests in Hong Kong have had some effect on retail sales at our malls, particularly at Pacific Place. If the protests continue, sales are likely to continue to be affected. In Mainland China, retail sales in the second half of 2019 are expected to grow steadily in Beijing and Guangzhou, moderately in Shanghai and satisfactorily in Chengdu. Increased vacancy rates are expected to put downward pressure on office rents in Guangzhou and Beijing. In Shanghai, vacancy rates are expected to increase. But rents will remain resilient at HKRI Taikoo Hui due to high occupancy. In Miami, retail sales are growing and the supply of new Grade-A office space is limited. Trading conditions for our hotels are expected to be stable in the second half of 2019, except that occupancy in Hong Kong has been affected somewhat by the protests and this is likely to continue if the situation persists. Trading profits are expected to be recognised in 2019 from sales at Pinnacle One in Sino-Ocean Taikoo Li Chengdu, Mainland China and of residential units at the Reach and Rise developments in Miami.

Cathay Pacific normally achieves better results in the second half of the year than in the first half and, despite headwinds and other uncertainties, this is expected to be the case in 2019. Geopolitical and trade tensions are expected to

continue to affect the global economy and, in turn, demand for air travel and air freight. The protests in Hong Kong reduced inbound passenger traffic in July and are adversely impacting forward bookings. The US dollar is expected to remain strong. Fuel costs have recently weakened but we continue to expect fuel price volatility. The transformation programme continues and Cathay Pacific believes that it is on track to achieve its objective of sustainable long-term performance. The prospects for the HAECO group's different businesses in the second half of 2019 are mixed. The airframe services workload in the second half of 2019 is expected to grow in HAECO Americas and be stable in HAECO Xiamen, but to be slightly lower than in the first half of 2019 in Hong Kong. Line services work is expected to be stable. The increased demand for HAESL's engine services is expected to continue. The demand for TEXL's engine services in the second half of 2019 is expected to be lower than in the first half.

At Swire Coca-Cola, revenue in Mainland China is expected to continue to grow in the second half of 2019 and to grow faster than volume. Increased operating costs, particularly staff costs, will put pressure on profits. Revenue is expected to improve in Hong Kong in the second half of 2019. Operating costs are expected to increase. Increased depreciation on recent capital expenditure will put pressure on profits. Revenue is expected to continue to grow in Taiwan in the second half of 2019. In the USA, the beverages market is expected to grow moderately in the second half of 2019. Increased costs will put pressure on profits.

There are some signs of recovery in the offshore industry. Exploration and production spending is expected to increase in 2019 and 2020. The number of working rigs is slowly increasing, which has resulted in higher vessel utilisation rates, but day rates remain depressed due to oversupply of vessels. Increased rig activity has resulted in more vessels being brought back into the market from cold stack to compete for the extra work. Nevertheless, a third of the laid up fleet has been in cold stack for more than three years, with many unlikely to return to service.

The overall results of the Trading & Industrial Division are expected to be better in the second than in the first half of 2019. At Swire Resources, the protests in Hong Kong have adversely affected sales at its retail outlets. This is likely to continue if the situation persists.”

Update as to Prospects

We have reviewed the prospects for the Company's businesses since the Interim Report 2019 was published.

In the Property Division, the protests in Hong Kong referred to in the Interim Report 2019 have continued. Retail sales at its malls in Hong Kong have continued to be affected. Rental concessions have been offered to some of its retail tenants.

The protests in Hong Kong have continued to reduce Cathay Pacific's passenger traffic and to affect forward bookings adversely. It is no longer expected that Cathay Pacific will achieve better results in the second half of 2019 than in the first half.

In the Trading & Industrial Division, retail sales at the retail outlets of Swire Resources have continued to be adversely affected by the protests in Hong Kong and higher losses are expected at Qinyuan Bakery.

The trading prospects of the other businesses of Swire Pacific remain broadly the same as indicated in the Interim Report 2019.

Taking into account all of this, the Company's consolidated recurring underlying profit for 2019 is expected to be below that of 2018. The expected results of Cathay Pacific are the principal reason for this. However, after taking into account the disposal of investment properties and other non-recurring factors referred to in the following paragraph, the Company's consolidated underlying profit for 2019 is still expected to be substantially above that of 2018.

Although there are, as indicated above, some signs of recovery in the offshore industry, the industry is not recovering to the extent previously expected, and a less optimistic view of the outlook for the industry is now being taken. As the outlook for the industry has a significant influence on the value of Swire Pacific Offshore's fleet, a review has been undertaken of the carrying value of Swire Pacific Offshore's fleet. As a result of the review, impairment charges currently estimated at approximately HK\$2,120 million are expected to be made against the consolidated profits of the Company for 2019. Impairment charges, substantially in respect of goodwill recorded in the consolidated statement of financial position of Swire Pacific and currently estimated to aggregate approximately HK\$440 million, are also expected in respect of HAECO Americas' cabin solutions business and the Qinyuan bakery business. These charges will affect the Company's consolidated underlying profit for 2019. However, shareholders and potential investors are reminded that the Company's consolidated underlying profit for 2019 will benefit from gains from the disposal of investment properties aggregating HK\$11,937 million recorded in the first half of 2019 and (in the second half) from a profit of approximately HK\$1,442 million on the sale of an interest in a further investment property the completion of which was announced on 19th July 2019.

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 Directors: M. Cubbon, 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, 7th November 2019