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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

Continuing Connected Transactions with JSSHK

Reference is made to the Company's announcements dated 1st December 2004, 1st October 2007, 1st October 2010, 14th November 2013 and 19th August 2016 in connection with the Services Agreements dated 1st December 2004 entered into by the Company and certain members of the Group with JSSHK. The Services Agreements will be renewed on 1st October 2019 for a term of three years from 1st January 2020 to 31st December 2022. As JSSHK is a connected person of the Company, the Transactions contemplated under the Services Agreements constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Services Agreements dated on or after 1st December 2004, as amended and restated on 18th September 2008 and as further amended and restated on 9th August 2019, and to be renewed on 1st October 2019

Parties: (1) The Company or a subsidiary of the Company (each a "Recipient" and collectively "Recipients")
(2) JSSHK

Particulars

Pursuant to the Services Agreements, JSSHK provides the Services to members of the Group. The Services comprise advice and expertise of the directors and senior officers of the Swire Group including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, full or part time services of members of the staff of the Swire Group, certain staff and central services and such other services as may be agreed from time to time. The Services Agreement between the Company and JSSHK also provides for procuration by JSSHK for the Group of

the use of relevant trademarks owned by JSS. In return for the Services, JSSHK receives annual service fees. The Recipients also reimburse the Swire Group at cost for most of the expenses incurred in the provision of the Services. The amendments which were made to the Services Agreements on 9th August 2019 (and which will take effect on 1st January 2020) updated the description of the Services, principally so as to include specific references to services the performance of which has been (in accordance with the terms of the Services Agreements) agreed from time to time. There were minor consequential amendments. The amendments were cost neutral to the Recipients.

Upon renewal of the Services Agreements, the basis for calculation of the annual service fees will remain unchanged. Annual service fees are calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associates and joint ventures of the Company and (B) in the case of other Recipients, as 2.5% of the relevant Recipient's consolidated profit before taxation and non-controlling interests, adjusted by (a) adding back the annual service fee, (b) excluding any gain or loss on the realisation, change in fair value or other revaluation of fixed assets, (c)(i) disregarding any impairment provision in respect of goodwill and (ii) calculating the overall gain or loss on the subsequent realisation of any related investment by reference to its cost and (d) subtracting any profits and losses from associates and joint ventures, but adding back the dividends receivable from these companies.

In all cases, any dividend or profit in respect of which service fee is payable under any other profit related services agreement with the Swire Group are excluded, to avoid duplication of payment.

Service fees for each year are payable in cash from the Recipients' internal resources in arrears in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment.

The Services Agreements will be renewed automatically on 1st October 2019 for the three years from 1st January 2020 to 31st December 2022. Each of the Services Agreements will be renewed automatically under its terms for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

A party to a Services Agreement may terminate it with immediate effect by notice to the other party in the event of default by that other party. In the event of termination of a Services Agreement, all the rights and obligations of the parties shall forthwith cease, but any rights, liabilities or remedies arising prior to such termination shall not be affected.

The annual caps

The annual caps for the Transactions have been determined by reference to the actual amounts of service fees (excluding reimbursement of costs in respect of seconded staff and shared administrative services) in the four years ended 31st December 2018 set out below. In addition, a cushion has been added to provide flexibility for

possible changes in the level of profit by reference to which service fees are charged.

Reimbursement of costs by the Recipients to JSSHK mainly covers the employment costs of the directors and senior officers of the Swire Group who are seconded to the Group under the Services Agreements and the sharing of administrative services, including company secretarial services, which constitutes exempt continuing connected transactions under Listing Rule 14A.98 and the reimbursement of such costs accordingly does not form part of the Transactions or the annual caps under the Services Agreements.

The annual caps represent the maximum aggregate annual amounts of the service fees except for the costs reimbursed to the Swire Group in respect of seconded staff and shared administrative services.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
(HK\$ million)	Actual	Actual	Actual	Actual
Service fees	288	293	302	397
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
(HK\$ million)	Cap	Cap	Cap	Cap
Service fees	520	520	520	520

Reasons for, and benefits of, the Transactions

There have since 1949 been agreements between members of the Group and members of the Swire Group for the provision of management support services. For almost 70 years, the Group has considerably benefited from the management expertise and other services provided by the Swire Group.

Connection between the parties

The Swire Group owns approximately 55.12% of the equity of the Company and controlled 64.12% of the voting rights attached to shares in the Company. JSSHK, a member of the Swire Group, is therefore a connected person of the Company under the Listing Rules.

Compliance with 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) in respect of the annual caps of the Transactions will, on an annual basis, be more than 0.1% but less than 5%, the Transactions constitute continuing connected transactions for the Company and are subject to the announcement, annual review and annual reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the continuing obligations under Rules 14A.55-59 of the Listing Rules and will re-comply with the relevant Listing Rules if the annual caps are exceeded, when the Services Agreements are renewed or when there is a material change to their terms.

Opinion of the Directors

In view of the benefits of the Services to the Group, the Directors (including the independent non-executive Directors) consider that the terms of the Services Agreements are fair and reasonable and that the Services Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

M.B. Swire, I.K.L. Chu, D.P. Cogman, M. Cubbon, M.M.S. Low and S.C. Swire, being directors and/or employees (and also shareholders in the case of M.B. Swire and S.C. Swire) of the Swire Group, which is a substantial shareholder of the Company, have declared their interests in the Transactions and have abstained from voting on the relevant board resolutions of the Company in respect of the Transactions.

Directors

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, M.X.Z. Ma and G.R.H. Orr.

Definitions

“Company”	Swire Pacific Limited 太古股份有限公司, an investment holding company incorporated in Hong Kong with limited liability and listed on the Stock Exchange, the subsidiaries, associates and joint ventures of which are engaged in property, aviation, beverages, marine services and trading and industrial businesses.
“Directors”	The directors of the Company.
“Group”	The Company and its subsidiaries.
“JSS”	John Swire & Sons Limited, a private investment holding company incorporated in England.

- “JSSHK”** 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 JSS.
- “Listing Rules”** The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- “Services”** The services provided by JSSHK to the Group under the Services Agreements.
- “Services Agreements”** The services agreements entered into by the Company and several members of the Group with JSSHK on or after 1st December 2004, as amended and restated on 18th September 2008 and as further amended and restated on 9th August 2019.
- “Stock Exchange”** The Stock Exchange of Hong Kong Limited.
- “Swire Group”** JSS and its subsidiaries.
- “Transactions”** The continuing connected transactions contemplated under the Services Agreements.

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

Hong Kong, 9th August 2019