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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

Discloseable and Connected Transactions

Realignment of the Coca-Cola Bottling System in Mainland China Acquisition of Swire Beverages Minority Interest

Financial Adviser to the Company Moelis & Company Asia Limited

On 10th February 2016, Swire Pacific announced the entry by SBHL (a wholly owned subsidiary of Swire Pacific) into a letter of intent with Coca-Cola and China Foods about the realignment of the Coca-Cola bottling system in Mainland China.

On 17th November 2016, the Master Agreement was entered into. SBHL will submit an application to bid in the Auction. If SBHL's bid in the Auction is successful and the transactions to which the Auction and the Master Agreement relate become unconditional, the Realignment will take place. The Realignment consists of (i) the acquisition by SBHL (by itself and through a subsidiary) from subsidiaries of Coca-Cola, China Foods Coca-Cola JVCo and China Foods of equity interests in companies engaged in the NARTD Business in a number of territories in Mainland China, (ii) the acquisition by a subsidiary of China Foods Coca-Cola JVCo from subsidiaries of Coca-Cola of equity interests in companies so engaged in a number of territories in Mainland China and (iii) the acquisition by a subsidiary of China Foods Coca-Cola JVCo from a subsidiary of SBHL of an equity interest in a company so engaged in one territory in Mainland China. If the Realignment proceeds, it will result in Swire Pacific having controlling interests in companies so engaged in territories in which it is estimated that 49% of the population of Mainland China live and in which 51% of Coca-Cola beverages were consumed in Mainland China in 2015. The corresponding estimated percentages before the Realignment are 31% and 34% respectively.

The net amount of the consideration payable by SBHL in respect of the Realignment

is RMB4,649 million (on the basis of the reserved consideration for the China Foods Sale Equity Interests under the terms of the Auction), subject to completion adjustments by reference to the net cash and the working capital of the target companies as at completion (in respect of the transactions under the Master Agreement).

On 17th November 2016, SBHL entered into the Swire Beverages Agreement, being a conditional agreement with a subsidiary of Coca-Cola for the sale by that subsidiary and the purchase by SBHL of the Swire Beverages Minority Interest. Swire Beverages is the holding company for the majority of Swire Pacific's interests in companies engaged in the NARTD Business in Mainland China and Hong Kong. The consideration payable under the Swire Beverages Agreement is RMB1,220 million.

The transactions described in this announcement to which subsidiaries of Swire Pacific are or will be parties together constitute a discloseable transaction for Swire Pacific under the Listing Rules. As such, they are subject to the announcement requirement but are exempt from the circular (including accountants' report) and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The transactions described in this announcement to which subsidiaries of Swire Pacific and subsidiaries of China Foods are or will be parties together constitute a connected transaction for Swire Pacific at the subsidiary level. As such, they are subject to the announcement and reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Auction

As the China Foods Sale Equity Interests are state-owned assets in the PRC, their sale is required to be achieved by way of the Auction. SBHL will submit an application to make a bid under the Auction for the China Foods Sale Equity Interests. The reserved consideration for the China Foods Sale Equity Interests under the Auction is RMB2,122 million. The consideration will be payable in cash. If the bid by SBHL is successful, SBHL will pay the consideration due under the Equity Transfer Master Agreement which will accomplish the sale of the China Foods Sale Equity Interests. The completion of the Equity Transfer Master Agreement is subject to conditions similar to those to which completion of the Master Agreement is subject (except for SBHL being the successful bidder in the Auction). Completion of the Equity Transfer Master Agreement is conditional upon, among other things, (i) the obtaining of antitrust approval for the sale of the China Foods Sale Equity Interests under the Anti-Monopoly Law of China, (ii) the completion of the filing and registration required in the PRC for such sale and (iii) the approval of the sale of the China Foods Sale Equity Interests under the Auction by the shareholders of China Foods in accordance with the Listing Rules. China Foods (Holdings) Limited, which holds a majority of the shares in China Foods, has given the approval referred to in (iii).

The Master Agreement

On 17th November 2016, the Master Agreement was entered into. The parties to it are Coca-Cola, SBHL and China Foods Coca-Cola JVCo. Under the Master Agreement, (i) the Coca-Cola SBHL Equity Interests are to be sold by subsidiaries of Coca-Cola to SBHL (itself or through a subsidiary) for an aggregate consideration of RMB3,014 million (payable in cash), (ii) the Coca-Cola China Foods Equity Interests are to be sold by subsidiaries of Coca-Cola to a subsidiary of China Foods Coca-Cola JVCo for an aggregate consideration of RMB2,900 million (payable in cash) and (iii) the SBHL China Foods Equity Interest is to be sold by a subsidiary of SBHL to a subsidiary of China Foods Coca-Cola JVCo for a consideration of RMB487 million (payable in cash), in each case subject to completion adjustments by reference to the net cash and the working capital of the target companies as at completion. The aggregate net amount of the consideration payable by SBHL under the Master Agreement is RMB2,527 million, subject to completion adjustments.

Completion of the Master Agreement is conditional upon, among other things, (i) SBHL being the successful bidder in the Auction, (ii) the obtaining of antitrust approval for the Realignment under the Anti-Monopoly Law of China, (iii) the completion of the filing and registration required in the PRC for the Realignment and (iv) the approval of the sale of the China Foods Sale Equity Interests under the Auction and the acquisition of the Coca-Cola China Foods Equity Interests and the Swire China Foods Equity Interest under the Master Agreement by the shareholders of China Foods in accordance with the Listing Rules. China Foods (Holdings) Limited, which holds a majority of the shares in China Foods, has given the approval referred to in (iv).

If completion of the Master Agreement happens, it is expected to be at the same time as completion of the Equity Transfer Master Agreement.

The Swire Beverages Agreement

Under the Swire Beverages Agreement, a subsidiary of Coca-Cola has agreed to sell and SBHL has agreed to purchase the Swire Beverages Minority Interest. Swire Beverages is the holding company for the majority of Swire Pacific's interests in companies engaged in the NARTD Business in Mainland China and Hong Kong. The consideration under the Swire Beverages Agreement is RMB1,220 million and is payable in cash. Completion of the Swire Beverages Agreement is conditional upon completion of the transactions under the Master Agreement.

The effect of the Realignment and the Swire Beverages Agreement

The table below shows the effective percentage interests of Swire Pacific in the equity of companies carrying on the NARTD Business in Mainland China and Hong Kong before and after completion of the Realignment and the Swire Beverages Agreement.

Territories	Effective Shareholdings	
	Before	After
Guangxi	Nil	100.00%
Yunnan	Nil	95.10%
Hubei	Nil	79.00%
Shanghai	Nil	54.00%
Hainan	Nil	100.00%
Jiangxi	Nil	100.00%
Zhanjiang/Maoming	Nil	100.00%
Guangdong	44.63%	70.00%
Zhejiang	53.63%	80.00%
Anhui	91.50%	100.00%
Jiangsu	53.63%	80.00%
Fujian	93.63%	100.00%
Shaanxi	89.38%	Nil
Henan	85.78%	94.44%
Hong Kong	87.50%	100.00%

If the Realignment proceeds, it will result in subsidiaries of Swire Pacific having controlling interests in companies engaged in the NARTD Business in territories in which it is estimated that 49% of the population of Mainland China live and in which 51% of Coca-Cola beverages were consumed in Mainland China in 2015. The corresponding estimated percentage before the Realignment are 31% and 34% respectively.

Financial Matters

China Foods' original acquisition cost of the China Foods Sale Equity Interests was approximately RMB376 million (based on paid-in capital).

As at 31st December 2015, the net asset value attributable to the assets to be acquired by SBHL under the Realignment (being the China Foods Sale Equity Interests and the Coca Cola SBHL Equity Interests) was approximately RMB1,884 million.

For the year ended 31st December 2015, the net profits before and after taxation attributable to the assets to be acquired by SBHL under the Realignment (being the China Foods Sale Equity Interests and the Coca Cola SBHL Equity Interests) were approximately RMB378 million and RMB275 million respectively.

As at 31st December 2014, the net asset value attributable to the assets to be acquired by SBHL under the Realignment (being the China Foods Sale Equity Interests and the Coca Cola SBHL Equity Interests) was approximately RMB1,910 million.

For the year ended 31st December 2014, the net profits before and after taxation attributable to the assets to be acquired by SBHL under the Realignment (being the China Foods Sale Equity Interests and the Coca Cola SBHL Equity Interests) were approximately RMB264 million and RMB203 million respectively.

As at 31st December 2015, the net asset value attributable to the assets to be acquired by SBHL under the Swire Beverages Agreement (being the Swire Beverages Minority Interest) was approximately HK\$756 million.

For the year ended 31st December 2015, the net profits before and after taxation attributable to the assets to be acquired by SBHL under the Swire Beverages Agreement (being the Swire Beverages Minority Interest) were approximately HK\$97 million and HK\$86 million respectively.

As at 31st December 2014, the net asset value attributable to the assets to be acquired by SBHL under the Swire Beverages Agreement (being the Swire Beverages Minority Interest) was approximately HK\$692 million.

For the year ended 31st December 2014, the net profits before and after taxation attributable to the assets to be acquired by SBHL under the Swire Beverages Agreement (being the Swire Beverages Minority Interest) were approximately HK\$109 million and HK\$90 million respectively.

As at 31st December 2015, the net asset value attributable to the assets to be sold by a subsidiary of SBHL under the Realignment (being the SBHL China Foods Equity Interest) was approximately RMB198 million.

For the year ended 31st December 2015, the net profits before and after taxation attributable to the assets to be sold by a subsidiary of SBHL under the Realignment (being the SBHL China Foods Equity Interest) were approximately RMB20 million and RMB15 million respectively.

As at 31st December 2014, the net asset value attributable to the assets to be sold by a subsidiary of SBHL under the Realignment (being the SBHL China Foods Equity Interest) was approximately RMB183 million.

For the year ended 31st December 2014, the net profits before and after taxation attributable to the assets to be sold by a subsidiary of SBHL under the Realignment (being the SBHL China Foods Equity Interest) were approximately RMB29 million and RMB22 million respectively.

Swire Pacific expects to realise a gain on the disposal of the SBHL China Foods Equity Interest of approximately RMB270 million, being the difference between consideration receivable for the SBHL China Foods Equity Interest and its carrying value in the books of the selling company, which is subject to capital gains tax and completion adjustments. The proceeds of the disposal will be applied to fund part of the overall amount payable by SBHL under the Realignment and the Swire Beverages Agreement. The disposal of the SBHL China Foods Equity Interest is the disposal of a subsidiary of Swire Pacific. That subsidiary will not continue to be a subsidiary of Swire Pacific following completion of the Realignment.

The consideration for the sales and purchases by SBHL and its subsidiaries under the Realignment and the Swire Beverages Agreement was determined after arm's length negotiation between the parties and having regard to the matters referred to under "Financial Matters" above.

Reasons for, and benefits of, the Realignment and the Swire Beverages Agreement

Under the Realignment and the Swire Beverages Agreement, Swire Pacific will have the opportunity to enhance the scale of its successful beverages business in Mainland China. The non-alcoholic ready-to-drink beverages market in Mainland China is sizeable. The Company believes that it will continue to present attractive growth opportunities in the long term due to population growth, urbanization and low consumption per capita in Mainland China compared with developed markets. The Company is committed to the beverages bottling business in Mainland China and it is expected that the Realignment and Swire Beverages Agreement will further solidify its important strategic partnership with Coca-Cola by offering more opportunities for cooperation between the Company and Coca-Cola.

The Realignment and the Swire Beverages Agreement will result in Swire Pacific holding controlling interests in bottling operations in contiguous territories, which is expected to improve efficiency and result in savings in distribution, general and administrative costs. Swire Pacific will also benefit from a simplified shareholding structure (through the acquisition of minority interests in its bottling territories), thereby permitting faster and better aligned decision making.

The Directors consider that the terms of the Realignment (insofar as they relate to the Group) and the Swire Beverages Agreement are fair and reasonable and in the interests of the shareholders as a whole.

Compliance with the Listing Rules

Swire Pacific confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Coca-Cola and its wholly owned subsidiaries (and their ultimate beneficial owners) are third parties independent of and not connected with Swire Pacific or any of its connected persons.

The highest of the relevant percentage ratios (other than the revenue ratio) under Rule 14.07 of the Listing Rules applicable to the transactions described in this announcement to which subsidiaries of Swire Pacific are parties is above 5% but less than 25%. The revenue ratio is above 25%, but the Stock Exchange, having agreed that the revenue ratio produces an anomalous result, has exercised its discretion to disregard the revenue ratio. Accordingly, such transactions together constitute a discloseable transaction for Swire Pacific under the Listing Rules. As such, they are subject to the announcement requirement but are exempt from the circular (including accountants' report) and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As China Foods is a substantial shareholder of Swire Coca-Cola Beverages Zhejiang Limited, Swire Coca-Cola Beverages Jiangsu Limited, and Swire Guangdong Coca-Cola Limited and such companies are subsidiaries of Swire Pacific, China Foods is a connected person of Swire Pacific at the subsidiary level under the Listing Rules. As the highest of the relevant percentage ratios (other than the profits ratio) as defined

under Rule 14.07 of the Listing Rules in respect of the transactions described in this announcement to which subsidiaries of Swire Pacific and subsidiaries of China Foods are parties is more than 1% and such transactions are between Swire Pacific and connected persons at the subsidiary level on normal commercial terms or better, such transactions are subject to the announcement and reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors (including the independent non-executive Directors) consider that such transactions are in the ordinary and usual course of business of Swire Pacific, on normal commercial terms or better and are fair and reasonable and in the interests of Swire Pacific and its shareholders as a whole. None of the Directors has an interest in such transactions and none of them has abstained from voting on board resolutions of Swire Pacific in respect of such transactions.

Other

A further announcement will be made if SBHL is the successful bidder in the Auction.

Arrangements are contemplated with certain holders of minority interests in companies equity interests in which are to be transferred under the Realignment. If they are implemented, these arrangements will take place after completion of the Realignment and will result in certain further transfers of such equity interests and certain payments to certain of such holders. If and when such arrangements are implemented, Swire Pacific will comply with any announcement and other obligations which arise in respect of them under the Listing Rules.

Directors

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

Executive Directors: J.R. Slosar (Chairman), G.M.C. Bradley, I.K.L. Chu, M. Cubbon, I.S.C. Shiu, A.K.W. Tang;

Non-Executive Directors: M.B. Swire, S.C. Swire; and

Independent Non-Executive Directors: T.G. Freshwater, C. Lee, R.W.M. Lee, G.R.H. Orr, M.C.C. Sze and M.M.T. Yang.

Definitions

“Auction” The public listing for sale through CBEX of the China Foods Sale Equity Interests (as a package) in accordance with the relevant laws and regulations of the PRC in respect of disposals of stated-owned assets.

“CBEX” China Beijing Equity Exchange 北京產權交易所有限公司.

- “China Foods”** China Foods Limited 中國食品有限公司, an investment holding company incorporated in Bermuda and listed on the Stock Exchange, whose principal activity is investment holding and the subsidiaries of which are engaged in wine, beverage, consumer-pack edible oil and other consumer food product businesses. China Foods is a subsidiary of COFCO Corporation 中糧集團有限公司, which is a state-owned enterprise established in the PRC.
- “China Foods Coca-Cola JVCo”** COFCO Coca-Cola Beverages Limited 中糧可口可樂飲料有限公司, a company incorporated in Hong Kong, which is owned as to 65% by a subsidiary of China Foods and as to 35% by a subsidiary of Coca-Cola, whose principal activity is investment holding (and including, as the context requires, its wholly owned subsidiaries).
- “China Foods Sale Equity Interests”** The equity interests proposed to be sold by subsidiaries of China Foods under the Auction being equity interests of those subsidiaries of China Foods in companies (or a unit of a company) engaged in the NARTD Business in Hainan, Jiangxi, Zhanjiang/Maoming, Jiangsu, Zhejiang, Guangdong and Shanghai, the names of the companies (or unit) in which such equity interests are held being Hainan COFCO Coca-Cola Beverages Limited 海南中糧可口可樂飲料有限公司, COFCO Coca-Cola Beverages (Jiangxi) Limited 中糧可口可樂飲料(江西)有限公司, Zhanjiang COFCO Coca-Cola Beverages Limited 湛江中糧可口可樂飲料有限公司, Swire Coca-Cola Beverages Jiangsu Limited 江蘇太古可口可樂飲料有限公司, Swire Coca-Cola Beverages Zhejiang Limited 浙江太古可口可樂飲料有限公司, Swire Coca-Cola Beverages Wenzhou Limited 溫州太古可口可樂飲料有限公司, Swire Guangdong Coca-Cola Limited 廣東太古可口可樂有限公司, Swire Guangdong Coca-Cola (Huizhou) Limited 廣東太古可口可樂惠州有限公司, and the Coca-Cola Bottling Unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. 上海申美飲料食品有限公司可口可樂裝瓶部.
- “Coca-Cola”** The Coca-Cola Company, a corporation incorporated in the State of Delaware, U.S.A. and headquartered in Atlanta, Georgia, U.S.A., whose shares are listed on the New York Stock Exchange and which is an American multinational beverage corporation and manufacturer, retailer and marketer of non-alcoholic beverage concentrates and syrups.
- “Coca-Cola China Foods Equity Interests”** The equity interests proposed to be sold by subsidiaries of Coca-Cola under the Realignment to a subsidiary of China Foods Coca-Cola JVCo and being equity interests of those subsidiaries of Coca-Cola in companies engaged in the NARTD

Business in Chongqing, Heilongjiang, Jilin, Liaoning, Sichuan and Shanxi, the names of the companies in which such equity interests are held being Coca-Cola (Chongqing) Beverages Ltd. 可口可樂(重慶)飲料有限公司, Coca-Cola (Heilongjiang) Beverages Ltd. 可口可樂(黑龍江)飲料有限公司, Coca-Cola (Jilin) Beverages Ltd. 可口可樂(吉林)飲料有限公司, Coca-Cola Liaoning (Central) Beverages Ltd. 可口可樂遼寧(中)飲料有限公司, Coca-Cola Liaoning (North) Beverages Ltd. 可口可樂遼寧(北)飲料有限公司, Coca-Cola Liaoning (South) Beverages Ltd. 可口可樂遼寧(南)飲料有限公司, Coca-Cola (Sichuan) Beverages Ltd. 可口可樂(四川)飲料有限公司, and Coca-Cola (Shanxi) Beverages Ltd. 可口可樂(山西)飲料有限公司.

“Coca-Cola SBHL Equity Interests”

The equity interests proposed to be sold by subsidiaries of Coca-Cola to SBHL (itself or through a subsidiary) under the Realignment and being equity interests of those subsidiaries of Coca-Cola in companies (or a unit of a company) engaged in the NARTD Business in Guangxi, Yunnan, Hubei and Shanghai, the names of the companies (or unit) in which such equity interests are held being Coca-Cola (Guangxi) Beverages Limited 可口可樂(廣西)飲料有限公司, Coca-Cola (Yunnan) Beverages Limited 可口可樂(雲南)飲料有限公司, Coca-Cola (Hubei) Beverages Co., Ltd. 可口可樂(湖北)飲料有限公司, and the Coca-Cola Bottling Unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. 上海申美飲料食品有限公司可口可樂裝瓶部.

“Company” or “Swire Pacific”

Swire Pacific Limited 太古股份有限公司, an investment holding company incorporated in Hong Kong 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.

“Equity Transfer Master Agreement”

The equity transfer master agreement to be entered into between China Foods, China Foods Coca-Cola JVCo and the successful bidder under the terms of the Auction.

“Group”

The Company and its subsidiaries.

“Listing Rules”

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“Master Agreement”

The master agreement entered into on 17th November 2016 between Coca-Cola, SBHL and China Foods Coca-Cola JVCo.

“NARTD Business”	The business of manufacturing, distributing, marketing and selling non-alcoholic ready-to-drink beverages bearing trade marks owned by Coca-Cola and its subsidiaries and affiliated companies.
“PRC”	The People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan.
“Realignment”	The realignment of the Coca-Cola bottling system in Mainland China described in this announcement, including, for the avoidance of doubt, SBHL’s acquisition of the China Foods Sale Equity Interests if SBHL is the successful bidder in the Auction.
“SBHL”	Swire Beverages Holdings Limited 太古飲料控股有限公司, a company incorporated in Hong Kong and wholly owned by Swire Pacific, whose principal activity is investment holding (and including, as the context requires, its wholly owned subsidiaries).
“SBHL China Foods Equity Interest”	The equity interest proposed to be sold by a subsidiary of SBHL to a subsidiary of China Foods Coca-Cola JVCo under the Realignment and being an equity interest of that subsidiary of SBHL in a company engaged in the NARTD Business in Shaanxi, the name of such company being Swire Coca-Cola Beverages Shaanxi Limited 陝西太古可口可樂飲料有限公司.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司.
“Swire Beverages”	Swire Beverages Limited 太古飲料有限公司, a company incorporated in Hong Kong, whose principal activities are investment holding and sale of non-alcoholic ready-to-drink beverages. The share capital of Swire Beverages is divided into 14,194 class A ordinary shares and 406 class B ordinary shares, with SBHL holding 12,775 class A ordinary shares and Coca-Cola South Asia Holdings, Inc. holding 1,419 class A ordinary shares and 406 class B ordinary shares. The class A ordinary shares and class B ordinary shares of Swire Beverages rank <i>pari passu</i> and have the same rights in all respects, except that only class A ordinary shares entitle the holders to vote at a general meeting.
“Swire Beverages Agreement”	The agreement entered into on 17th November 2016 between SBHL and Coca-Cola South Asia Holdings, Inc. (a subsidiary of Coca-Cola) for the sale by Coca-Cola South Asia Holdings, Inc. and the purchase by SBHL of the Swire Beverages Minority Interest.



**“Swire Beverages
Minority
Interest”** The 1,419 class A ordinary shares and 406 class B ordinary shares in Swire Beverages held by Coca-Cola South Asia Holdings, Inc., representing 12.5% of the equity of Swire Beverages and controlling 9.997% of the voting rights attached to shares in Swire Beverages.

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

Hong Kong, 18th November 2016