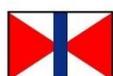


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SWIRE PACIFIC



SWIRE PACIFIC LIMITED
太古股份有限公司

(Incorporated in Hong Kong
with limited liability)

(Stock Codes: 19 and 87)

**HONG KONG AIRCRAFT ENGINEERING
COMPANY LIMITED**

香港飛機工程有限公司

(Incorporated in Hong Kong with limited
liability)

(Stock Code: 44)

JOINT ANNOUNCEMENT

(1) PROPOSAL FOR THE PRIVATISATION OF
HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED
BY SWIRE PACIFIC LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE

(2) PROPOSED WITHDRAWAL OF LISTING OF
HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

(3) ESTABLISHMENT OF THE HAECO INDEPENDENT BOARD COMMITTEE

AND

(4) IRREVOCABLE UNDERTAKINGS BY THE IU SHAREHOLDERS
TO APPROVE THE PROPOSAL

Financial Adviser to Swire Pacific Limited

MOELIS & COMPANY

INTRODUCTION

The respective directors of Swire Pacific and HAECO jointly announce that on 8 June 2018, Swire Pacific requested the board of directors of HAECO to put forward the Proposal to the Scheme Shareholders for the privatisation of HAECO by way of a scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share.

TERMS OF THE PROPOSAL

Under the Scheme, the Scheme Shares will be cancelled and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$72 (less the Dividend Adjustment (if any)) in cash for each Scheme Share.

The Proposal is, and the Scheme will become effective and binding on HAECO and all HAECO Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions as described in the section headed "Conditions of the Proposal". All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as Swire Pacific and HAECO may agree or, to the extent applicable, as the Executive may consent and the High Court may direct), failing which the Proposal will lapse.

IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, other than the Irrevocable Undertakings given by the IU Shareholders as further described in the section headed "Irrevocable Undertakings", neither Swire Pacific nor any of the Swire Pacific Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

SHAREHOLDING STRUCTURE OF HAECO

As at the date of this announcement, (i) the issued share capital of HAECO comprises 166,324,850 HAECO Shares; (ii) Swire Pacific owns, controls or has direction over 124,723,637 HAECO Shares, representing approximately 74.99% of the issued share capital of HAECO; and (iii) the Scheme Shares, comprising 41,601,213 HAECO Shares, represent approximately 25.01% of the issued HAECO Shares.

As at the date of this announcement, HAECO has no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital of 166,324,850 HAECO Shares.

Upon the Scheme becoming effective, Swire Pacific will hold 100% of the issued share capital of HAECO.

WITHDRAWAL OF LISTING OF HAECO SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new HAECO Shares being issued as fully paid to Swire Pacific) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or

evidence of title. HAECO will make an application for the listing of the HAECO Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the Effective Date.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as Swire Pacific and HAECO may agree or, to the extent applicable, as the Executive may consent and/or the High Court may direct). If the Scheme is not approved or the Proposal otherwise lapses, the listing of the HAECO Shares on the Stock Exchange will not be withdrawn.

DESPATCH OF THE SCHEME DOCUMENT

A Scheme Document including, among other things, further details of the Proposal, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the HAECO Independent Board Committee, the letter of advice from the HAECO Independent Financial Adviser and notices of the Court Meeting and the EGM will be despatched to the HAECO Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code and applicable laws and regulations.

WARNINGS

Swire Pacific Shareholders, HAECO Shareholders and potential investors should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Swire Pacific Shareholders, HAECO Shareholders and potential investors should therefore exercise caution when dealing in the securities of Swire Pacific or HAECO. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of HAECO in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any approval or other response to the Proposal should be made only on the basis of information in the Scheme Document.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not so resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to overseas shareholders will be contained in the Scheme Document.

Notice to US investors

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement provided for under the Companies Ordinance and is subject to Hong Kong disclosure requirements which are different from those of the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities and Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Hong Kong to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of his Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since Swire Pacific and HAECO are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

INTRODUCTION

On 8 June 2018, Swire Pacific requested the board of directors of HAECO to put forward the Proposal to the Scheme Shareholders for the privatisation of HAECO by way of a scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share by Swire Pacific;
- (b) the issued share capital of HAECO will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of HAECO will be increased to its former amount by the issue to Swire Pacific, credited as fully paid, of the same number of HAECO Shares as the number of Scheme Shares cancelled. The credit arising in HAECO's books of account as a result of the capital reduction will be applied in paying up the new HAECO Shares so allotted and issued to Swire Pacific; and
- (c) the withdrawal of the listing of the HAECO Shares on the Stock Exchange is expected to take place with effect from the Effective Date.

TERMS OF THE PROPOSAL

Cancellation Price

Under the Scheme, the Scheme Shares will be cancelled and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$72 (less the Dividend Adjustment (if any)) in cash for each Scheme Share. If (1) the directors of HAECO declare any dividend (for example, the first interim dividend (if any) for the financial year ending 31 December 2018) after the date of this announcement, (2) such dividend is payable to HAECO Shareholders registered on a record date which is before the Effective Date (that is, before Swire Pacific becomes the sole HAECO Shareholder) and (3) the aggregate amount of all of such dividends per HAECO Share exceeds HK\$0.53 (being the first interim dividend per HAECO Share paid for the financial year ended 31 December 2017), then such excess is the “**Dividend Adjustment**”. HAECO Shareholders registered on such record date (comprising the holders of the Scheme Shares on such record date and Swire Pacific) will be entitled to such dividend and the amount of the consideration for the cancellation of each Scheme Share will be reduced by the amount of the Dividend Adjustment.

The Cancellation Price will not be increased and Swire Pacific does not reserve the right to do so.

Comparison of value

The Cancellation Price of HK\$72 per Scheme Share (assuming that there will be no Dividend Adjustment) represents:

- (a) a premium of approximately 63.6% over the closing price of HK\$44.00 per HAECO Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 63.7% over the average closing price of approximately HK\$43.99 per HAECO Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 62.9% over the average closing price of approximately HK\$44.21 per HAECO Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 60.7% over the average closing price of approximately HK\$44.81 per HAECO Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 57.4% over the average closing price of approximately HK\$45.75 per HAECO Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 50.4% over the average closing price of approximately HK\$47.88 per HAECO Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date; and

- (g) a premium of approximately 115.1% over the audited consolidated net asset value (after deducting minority interests) attributable to HAECO Shareholders per HAECO Share of approximately HK\$33.48 as at 31 December 2017.

The Cancellation Price has been determined after taking into account recently traded prices of the HAECO Shares and publicly available financial information of HAECO and with reference to privatisation transactions in Hong Kong in recent years.

Highest and lowest prices

During the six-month period ended on and including the Last Trading Date, the highest closing price of the HAECO Shares as quoted on the Stock Exchange was HK\$50.05 on 29 December 2017 and the lowest closing price of the HAECO Shares as quoted on the Stock Exchange was HK\$42.30 on 30 and 31 May 2018.

Total consideration and financial resources

On the basis of the Cancellation Price of HK\$72 per Scheme Share (assuming that there will be no Dividend Adjustment) and 41,601,213 Scheme Shares in issue as at the date of this announcement, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$2,995,287,336.

Swire Pacific intends to finance the cash required for the Proposal through its existing cash resources (or, if and to the extent that debt financing is obtained on terms acceptable to Swire Pacific, by such debt financing). Moelis is satisfied that sufficient financial resources are available to Swire Pacific for satisfying its obligations in respect of the full implementation of the Proposal.

Conditions of the Proposal

The Proposal is, and the Scheme will become effective and binding on HAECO and all HAECO Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme at the Court Meeting (by way of a poll) by holders of the Scheme Shares representing at least 75% of the voting rights of such holders present and voting, in person or by proxy, at the Court Meeting, and the votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all Disinterested Shares, provided that:
- (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent HAECO Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by Independent HAECO Shareholders;
- (b) the passing of a special resolution(s) by a majority of at least 75% of the votes cast by the HAECO Shareholders present and voting in person or by proxy at the EGM (and otherwise in accordance with the procedural requirements of section 564 of the

Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of HAECO by cancelling and extinguishing the Scheme Shares and the issue to Swire Pacific of such number of new HAECO Shares as is equal to the number of the Scheme Shares cancelled;

- (c) the sanction of the Scheme (with or without modification) and the confirmation of the reduction of the issued share capital of HAECO involved in the Scheme by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of HAECO and the Scheme, respectively;
- (e) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of HAECO) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (f) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms);
- (g) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms;
- (h) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (i) any indebtedness (actual or contingent) of any member of the HAECO Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (ii) any agreement, arrangement, licence, permit or instrument to which any member of the HAECO Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the HAECO Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the HAECO Group arising in relation thereto); or

- (iii) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the HAECO Group or any such security (whenever arising) becoming enforceable,

in each case, which is material in the context of the HAECO Group as a whole or in the context of the Proposal or its implementation in accordance with its terms; and

- (i) since the date of this announcement:
 - (i) there having been no adverse change in the business, assets, financial or trading, positions, profits or prospects of any member of the HAECO Group which is material in the context of the HAECO Group taken as a whole or in the context of the Proposal; and
 - (ii) there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any such member is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the HAECO Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

Swire Pacific reserves the right to waive all or any of the Conditions (except for the Conditions in paragraphs (a) to (d) above) in whole or in part. HAECO does not have the right to waive any of the Conditions. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as Swire Pacific and HAECO may agree or, to the extent applicable, as the Executive may consent and the High Court may direct), failing which the Proposal will lapse. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, Swire Pacific may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke such Condition are of material significance to Swire Pacific in the context of the Proposal. With reference to the Condition in paragraph (e), as at the date of this announcement, Swire Pacific is not aware of any requirement for such authorisations, approvals, permissions, waivers, consents, registrations or filings other than those set out in the Conditions in paragraphs (a) to (d). With reference to the Condition in paragraph (f), as at the date of this announcement, Swire Pacific is not aware of any such action, proceeding, suit, investigation, statute, regulation, demand or order. With reference to the Condition in paragraph (g), as at the date of this announcement, Swire Pacific is not aware of any such non-compliance or regulatory requirement other than those set out in the Conditions in paragraphs (a) to (d). With reference to the Condition in paragraph (h), as at the date of this announcement, Swire Pacific is not aware of any such event or circumstance.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Warning: Swire Pacific Shareholders, HAECO Shareholders and potential investors should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Swire Pacific

Shareholders, HAECO Shareholders and potential investors should therefore exercise caution when dealing in the securities of Swire Pacific or HAECO. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

ARRANGEMENTS MATERIAL TO THE PROPOSAL

Irrevocable Undertakings

Pursuant to the Irrevocable Undertakings, each IU Shareholder has irrevocably undertaken to Swire Pacific to exercise or procure the exercise of all voting rights attached to the IU Shares held by it at the Court Meeting and the EGM in favour of all the resolutions which is necessary to implement or otherwise relate to the Proposal. Each IU Shareholder has also undertaken in the Irrevocable Undertaking that it will not sell, transfer or encumber in any way any of the IU Shares held by it.

Each Irrevocable Undertaking is unconditional.

The IU Shares comprise 5,223,811 HAECO Shares in total, representing 3.14% of the issued share capital of HAECO, 12.56% of the Scheme Shares and 12.56% of the Independent HAECO Shares as at the date of this announcement.

Each Irrevocable Undertaking shall terminate upon the Proposal becoming effective or lapsing in accordance with its terms.

Other arrangements

As at the date of this announcement:

- (a) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to Swire Pacific Shares or HAECO Shares which might be material to the Proposal;
- (b) there is no agreement or arrangement to which Swire Pacific is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal; and
- (c) other than the Irrevocable Undertakings, neither Swire Pacific nor any of the Swire Pacific Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

SHAREHOLDING STRUCTURE OF HAECO

As at the date of this announcement:

- (a) the issued share capital of HAECO comprises 166,324,850 HAECO Shares;
- (b) Swire Pacific owns, controls or has direction over 124,723,637 HAECO Shares, representing approximately 74.99% of the issued share capital of HAECO;

- (c) there are no Swire Pacific Concert Parties that own, control or have direction over HAECO Shares;
- (d) there are no convertible securities, warrants or options in respect of the HAECO Shares held, controlled or directed by Swire Pacific or Swire Pacific Concert Parties;
- (e) neither Swire Pacific nor the Swire Pacific Concert Parties has entered into any outstanding derivative in respect of the securities in HAECO; and
- (f) neither Swire Pacific nor the Swire Pacific Concert Parties have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in HAECO.

As at the date of this announcement, the Scheme Shares, comprising 41,601,213 HAECO Shares, represent approximately 25.01% of the issued HAECO Shares.

The table below sets out the shareholding structure of HAECO as at the date of this announcement and immediately upon the Scheme becoming effective (assuming no new HAECO Shares will be issued prior thereto).

Shareholder	As at the date of this announcement		Immediately upon the Scheme becoming effective	
	Number of HAECO Shares	Approximate % of the issued share capital of HAECO	Number of HAECO Shares	Approximate % of the issued share capital of HAECO
Swire Pacific	124,723,637	74.99	166,324,850	100
Swire Pacific Concert Parties	-	-	-	-
Independent HAECO Shareholders	41,601,213	25.01	-	-
Total	166,324,850	100	166,324,850	100

As at the date of this announcement, HAECO has no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital of 166,324,850 HAECO Shares.

As at the date of this announcement, Swire Pacific beneficially owns or controls 124,723,637 HAECO Shares, representing approximately 74.99% of the issued share capital of HAECO. Such HAECO Shares will not form part of the Scheme Shares and will not be voted at the Court Meeting and will not be cancelled upon the Scheme becoming effective. All HAECO Shareholders will be entitled to vote on the special resolutions to be proposed at the EGM to

approve and give effect to the reduction of capital and the implementation of the Scheme. Swire Pacific has indicated that, if the Scheme is approved at the Court Meeting, Swire Pacific will vote in favour of the special resolution(s) to be proposed at the EGM. Upon the Scheme becoming effective, Swire Pacific will hold 100% of the issued share capital of HAECO.

FINANCIAL ADVISER TO SWIRE PACIFIC, HAECO INDEPENDENT BOARD COMMITTEE AND HAECO INDEPENDENT FINANCIAL ADVISER

Swire Pacific has appointed Moelis as its financial adviser in connection with the Proposal.

The HAECO Independent Board Committee has been constituted to advise the Independent HAECO Shareholders on the Proposal and will appoint the HAECO Independent Financial Adviser to advise the HAECO Independent Board Committee and the Independent HAECO Shareholders on the Proposal. A further announcement will be made after the appointment of the HAECO Independent Financial Adviser.

M.B. Swire, who is a non-executive director of HAECO and will become chairman of HAECO with effect from 1 July 2018, is not a member of the HAECO Independent Board Committee as he is also a director of Swire Pacific and will become chairman of Swire Pacific with effect from 1 July 2018. G.T.F. Hughes, who is a non-executive director of HAECO, is not a member of the HAECO Independent Board Committee as he is an employee of a wholly owned subsidiary of JSS. J.L. Lewis, who is an independent non-executive director of HAECO, is not a member of the HAECO Independent Board Committee as he is a director of companies affiliated to the IU Shareholders.

REASONS FOR AND BENEFITS OF THE PROPOSAL FROM SWIRE PACIFIC'S PERSPECTIVE

For Scheme Shareholders: an opportunity to realise their investment at a significant premium

The Proposal is intended to provide Scheme Shareholders with an opportunity to realise their investment in HAECO for cash at a significant premium over the prevailing share price. The Cancellation Price of HK\$72 per Scheme Share represents a premium of approximately 62.9% and 50.4% over the average closing prices of HK\$44.21 and HK\$47.88 per HAECO Share for 30 and 180 consecutive trading days up to and including the Last Trading Date, respectively.

Additionally, the trading liquidity of HAECO Shares has been at a low level over a long period of time. The average daily trading volume of HAECO Shares for the 6 months up to and including the Last Trading Date was approximately 0.033 million shares per day, representing only approximately 0.020% of the issued shares as at the date of this announcement. The low trading liquidity of HAECO Shares could make it difficult for Scheme Shareholders to execute on-market disposals without adversely affecting the share price.

For Swire Pacific: to save costs and facilitate the creation of long term strategic value

HAECO is a core long term strategic business for Swire Pacific. The Proposal will enable Swire Pacific to consolidate its control over HAECO fully and is expected to allow an overall more efficient and cost-effective structure for Swire Pacific, with greater flexibility to manage the HAECO business.

Due to the low liquidity and the relative underperformance in the trading of HAECO Shares, Swire Pacific views the listing of HAECO Shares as no longer offering a viable source of funding for HAECO's business. In fact, HAECO has not raised any equity funds from the public equity markets for over 30 years and Swire Pacific sees no practicable opportunity for this to happen in the foreseeable future.

Additionally, the listing of HAECO results in administrative, compliance and other listing-related costs and expenses. If the Proposal is successful, these costs and expenses may be eliminated, and the funds saved could be used for business operations.

INFORMATION ON SWIRE PACIFIC

Swire Pacific is an investment holding company incorporated in Hong Kong with limited liability and is listed on the Stock Exchange. Its subsidiaries, associates and joint ventures are engaged in property, aviation, beverages, marine services and trading and industrial businesses.

Controlling shareholder of Swire Pacific

JSS is a controlling shareholder of Swire Pacific, being interested (directly and indirectly through its subsidiaries) in approximately 55.10% of the equity of Swire Pacific and controlling (directly and indirectly through its subsidiaries) approximately 63.97% of the voting rights attached to shares in Swire Pacific. JSS is a private investment holding company incorporated in England.

Compliance with the Listing Rules

J.R. Slosar, who is a director and the current chairman of HAECO, is materially interested in the Scheme and has therefore abstained from voting on the board resolution of Swire Pacific approving the Proposal.

M.B. Swire, who is a director of HAECO and will become chairman of HAECO with effect from 1 July 2018, is materially interested in the Scheme and has therefore abstained from voting on the board resolution of Swire Pacific approving the Proposal.

INFORMATION ON HAECO

HAECO is a company incorporated in Hong Kong with limited liability and is listed on the Stock Exchange. Its principal activity is the provision of overhaul and maintenance services for commercial aircraft.

WITHDRAWAL OF LISTING OF HAECO SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new HAECO Shares being issued as fully paid to Swire Pacific) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. HAECO will make an application for the listing of the HAECO Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the HAECO Shares and the day on which the Scheme and the withdrawal

of the listing of the HAECO Shares on the Stock Exchange will become effective. A detailed timetable of the implementation of the Proposal will be included in the Scheme Document.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as Swire Pacific and HAECO may agree or, to the extent applicable, as the Executive may consent and/or the High Court may direct). If the Scheme is not approved or the Proposal otherwise lapses, the listing of the HAECO Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither Swire Pacific nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for HAECO, except with the consent of the Executive. Swire Pacific has no intention to seek such consent.

OVERSEAS SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Scheme Shareholders who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to Swire Pacific and HAECO and their respective advisers, including Moelis, the financial adviser to Swire Pacific, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the receipt of the Scheme Document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of Swire Pacific or HAECO regard as unduly onerous or burdensome (or otherwise not in the best interests of Swire Pacific or HAECO or their respective shareholders), the Scheme Document will not be despatched to such overseas Scheme Shareholders. For that purpose, HAECO will apply for a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders. If any such waiver is granted by the Executive, Swire Pacific and HAECO reserve

the right to make arrangements in respect of HAECO Shareholders not resident in Hong Kong in relation to the Proposal. Such arrangements may include notifying any matter in connection with the Scheme or Proposal to the HAECO Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such HAECO Shareholders are resident. The notice will be deemed to have been sufficiently given despite any failure by such HAECO Shareholders to receive or see that notice.

TAXATION ADVICE

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal. It is emphasised that none of Swire Pacific, HAECO, Moelis or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

DESPATCH OF THE SCHEME DOCUMENT

A Scheme Document including, among other things, further details of the Proposal, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the HAECO Independent Board Committee, the letter of advice from the HAECO Independent Financial Adviser and notices of the Court Meeting and the EGM will be despatched to the HAECO Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code and applicable laws and regulations.

The Scheme Document will contain important information and the Scheme Shareholders are urged to read the Scheme Document carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting or the EGM.

DISCLOSURE OF DEALINGS

Associates (as defined in the Takeovers Code) of Swire Pacific and HAECO are reminded to disclose their dealings in HAECO Shares. In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other

intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

DEFINITIONS

In this announcement, the following terms have the meanings set out below, unless the context requires otherwise:

acting in concert	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
Cancellation Price	the cancellation price of HK\$72 (less the Dividend Adjustment (if any)) per Scheme Share payable in cash by Swire Pacific to the Scheme Shareholders pursuant to the Scheme
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Conditions	the conditions to the Proposal as set out in the section headed “Conditions of the Proposal” of this announcement
Court Meeting	a meeting of the Scheme Shareholders to be convened at the direction of the High Court at which the Scheme will be voted upon
Disinterested Shares	has the meaning ascribed to it in section 674(3) of the Companies Ordinance
Dividend Adjustment	has the meaning given to it in the paragraph headed “Cancellation Price” in the section headed “Terms of the Proposal” above
Effective Date	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
EGM	a general meeting of HAECO to be held after the Court Meeting for the purpose of approving the reduction of the share capital of HAECO and implementing the Scheme
Executive	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
HAECO	Hong Kong Aircraft Engineering Company Limited, a company incorporated in Hong Kong and listed on the Stock Exchange
HAECO Group	HAECO and its subsidiaries

HAECO Independent Board Committee	an independent board committee of the directors of HAECO comprising B.Y.C. Cha, Y.K. Leung and P.P.W. Tse
HAECO Independent Financial Adviser	the independent financial adviser to HAECO, which will be appointed
HAECO Shareholders	holders of HAECO Shares
HAECO Shares	shares in the capital of HAECO
High Court	the High Court of Hong Kong
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Independent HAECO Shareholders	HAECO Shareholders other than Swire Pacific and Swire Pacific Concert Parties
Independent HAECO Shares	HAECO Shares held by Independent HAECO Shareholders
Irrevocable Undertakings	the three deeds of irrevocable undertaking, each given by an IU Shareholder in favour of Swire Pacific and dated 8 June 2018
IU Shareholders	Roms Nominees Limited, Wavoff Nominees Limited and The Mikado Private Trust Company Limited as trustee of The Mikado Unit Trust
IU Shares	the HAECO Shares held by the IU Shareholders
JSS	John Swire & Sons Limited, a company incorporated in England
Last Trading Date	8 June 2018, being the last day on which HAECO Shares were traded on the Stock Exchange prior to the publication of this announcement
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Long Stop Date	means 28 February 2019 or such other date as may be agreed between Swire Pacific and HAECO or, to the extent applicable, as the Executive may consent and the High Court may direct

Moelis	Moelis & Company Asia Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Proposal	the proposal for the privatisation of HAECO by Swire Pacific by way of a scheme of arrangement
Registrar of Companies	the Registrar of Companies appointed under the Companies Ordinance
Scheme	the scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal
Scheme Document	the composite scheme document of Swire Pacific and HAECO containing, among other things, further details of the Proposal together with the additional information specified in the section of this announcement headed “Despatch of the Scheme Document” above
Scheme Shareholders	registered holders of the Scheme Shares as at the Effective Date
Scheme Shares	HAECO Shares other than those held by Swire Pacific and its subsidiaries
SFC	Securities and Futures Commission of Hong Kong
Stock Exchange	The Stock Exchange of Hong Kong Limited
Swire Pacific	Swire Pacific Limited, a company incorporated in Hong Kong and listed on the Stock Exchange
Swire Pacific ‘A’ Shares	‘A’ shares in the share capital of Swire Pacific
Swire Pacific ‘B’ Shares	‘B’ shares in the share capital of Swire Pacific
Swire Pacific Concert Parties	persons acting in concert with Swire Pacific
Swire Pacific Shareholders	holders of Swire Pacific Shares
Swire Pacific Shares	Swire Pacific ‘A’ Shares and Swire Pacific ‘B’ Shares
Takeovers Code	the Hong Kong Code on Takeovers and Mergers
US	United States of America

Directors

As at the date of this announcement, the directors of Swire Pacific 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.

The directors of Swire Pacific jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than any information relating to HAECO) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by HAECO) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the directors of HAECO are:

Executive Directors: J.R. Slosar (Chairman), W.E.J. Barrington, C.P. Gibbs, R.J. Sharpe, A.K.W. Tang;
Non-Executive Directors: G.T.F. Hughes, M.B. Swire; and
Independent Non-Executive Directors: B.Y.C. Cha, Y.K. Leung, J.L. Lewis and P.P.W. Tse.

The directors of HAECO jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than any information relating to Swire Pacific) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by Swire Pacific) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

By Order of the Board
Swire Pacific Limited

太古股份有限公司

David Fu
Company Secretary

By Order of the Board
Hong Kong Aircraft Engineering Company Limited

香港飛機工程有限公司

David Fu
Company Secretary

Hong Kong, 10 June 2018

Hong Kong, 10 June 2018