



# **Capital Markets Day & Pre-close Briefing**

**13th January 2017**

Hong Kong

# Agenda



Welcome by Swire Pacific Chairman	John Slosar
An overview of Swire Beverages	Pat Healy
Financial highlights	Keith Fung
USA Expansion	Jack Pelo
Mainland China Expansion	Karen So
Supply chain management and sustainability	Peter Mills
Closing remarks on Swire Beverages	Pat Healy
Q&A – Beverages	
Swire Pacific group update	Martin Cubbon
Q&A – Group	



## Opening Remarks

**John Slosar**

Chairman, Swire Pacific



## Beverages Overview

**Pat Healy**

Managing Director, Swire Beverages



TASTE THE FEELING™

# Swire and Coca-Cola: A 50 Year Partnership



# The First Step: Acquiring The Coca-Cola Hong Kong Franchise



# Hong Kong's Shatin Facility is the World's Tallest Bottler



1991  
Shatin plant



Entry into USA

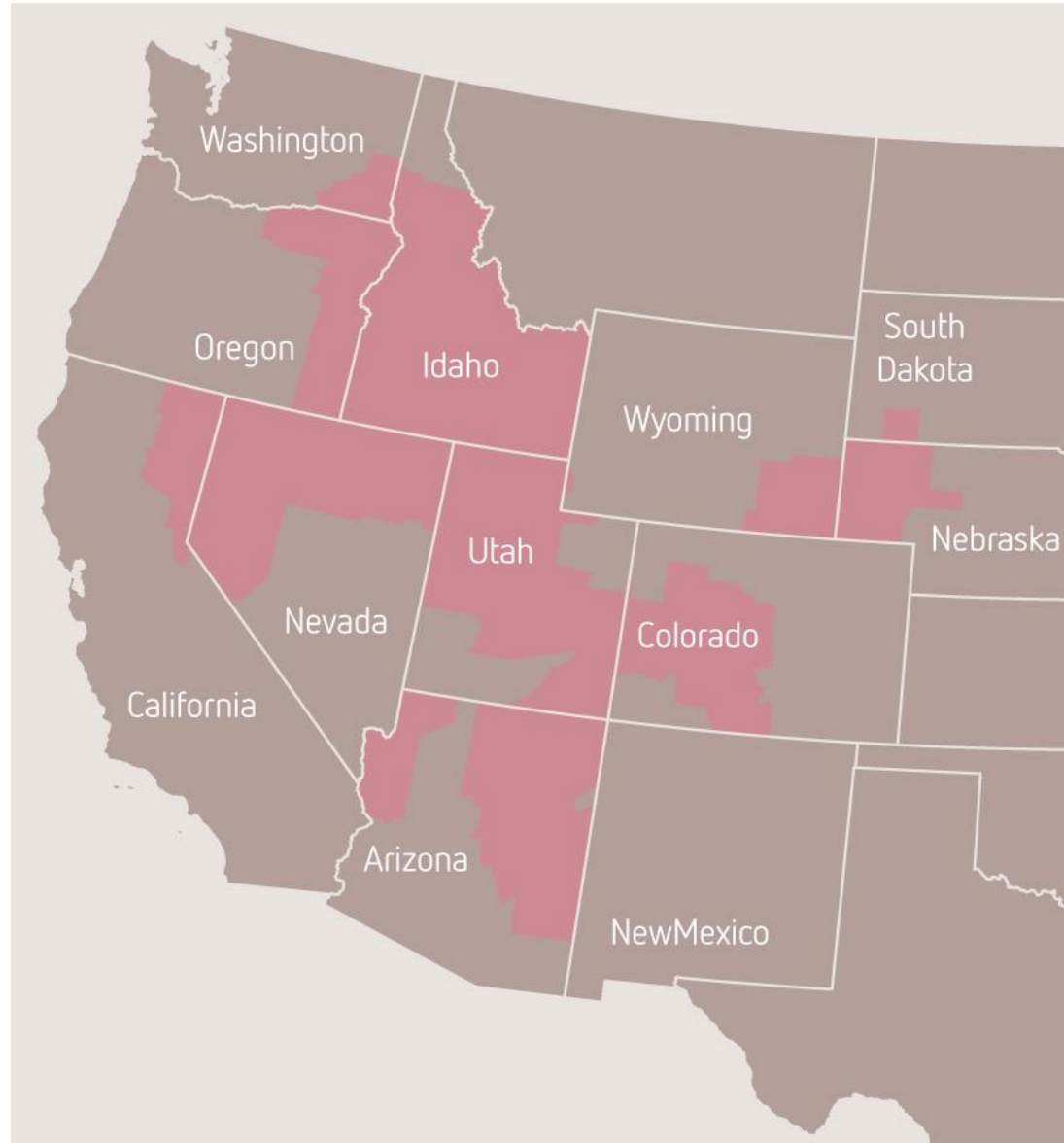


1978

Salt Lake City, US.



# By 2013, Serving 6.2m Consumers Across 11 US States



# Entered Mainland China in the Early 1990s



1990s



# Seven Mainland Provinces Plus Hong Kong and Taiwan



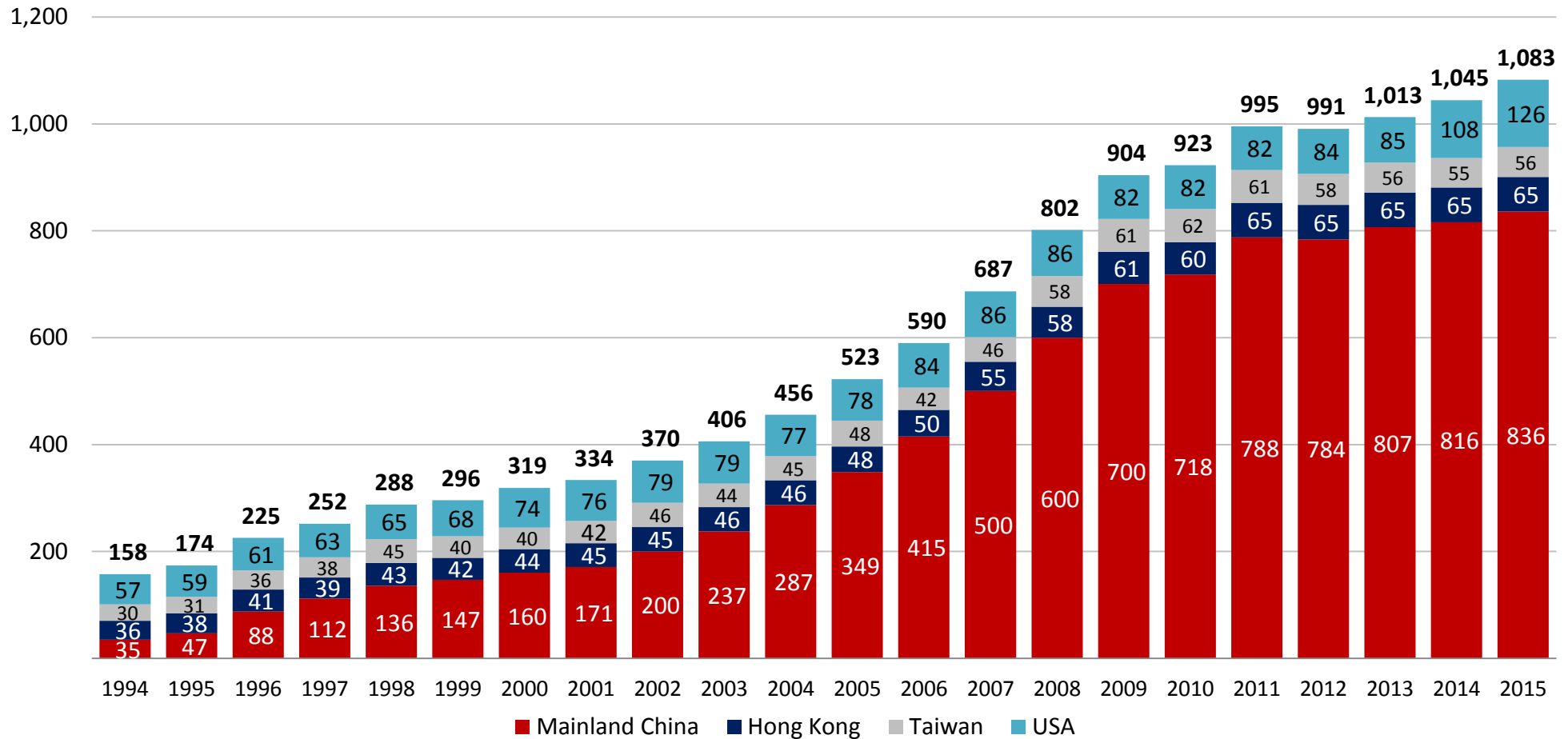


# Rapid Growth Throughout 1990s and 2000s



## 1995 – 2015 Sales Volume

(Million Unit Cases)



## 1. Operational Excellence

- Investing over the long term
- Execution capability across a global footprint
- Recognised by Coca-Cola as a key strategic partner

# Focused on Developing Local Talent and Leaders



## 2. Team

- Long term people development
- Skilled and stable management team
- Strong leadership pipeline in China and U.S.







## 3. Partnership

- Coca-Cola committed to working with strong regional strategic partners
- Swire contributing local knowledge and connected to local communities
- Sophisticated global system, diverse product portfolio



## 4. Opportunity for Growth

- China shift to consumer economy spells growing per capita consumption
- U.S. revenue growth driven by package innovation and stills expansion



# 2013: Aligned and Ready for Strategic Investment



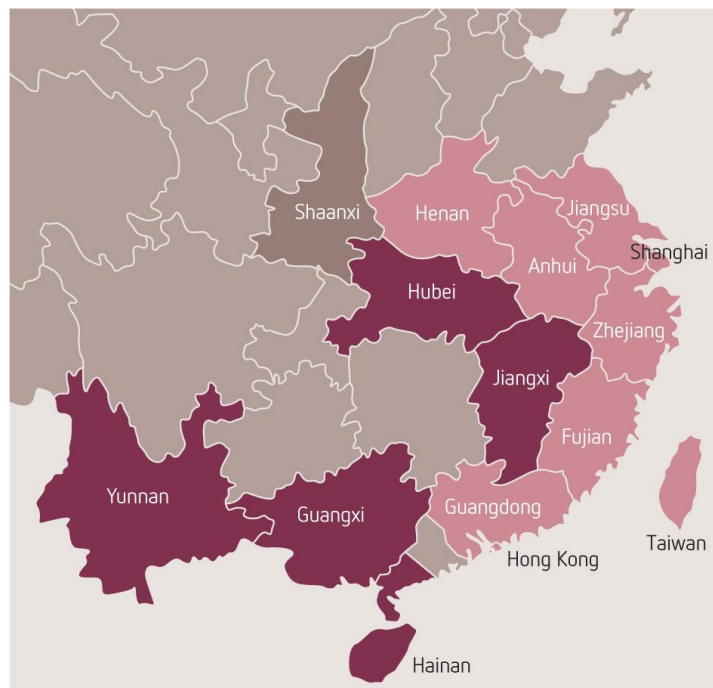
- Swire Pacific appetite to deploy additional capital into a core business, matching:
  - The Coca-Cola Company's intention to reduce ownership of global bottling franchises
  - Strong alignment of strategic intention between Swire Beverages and The Coca-Cola Company



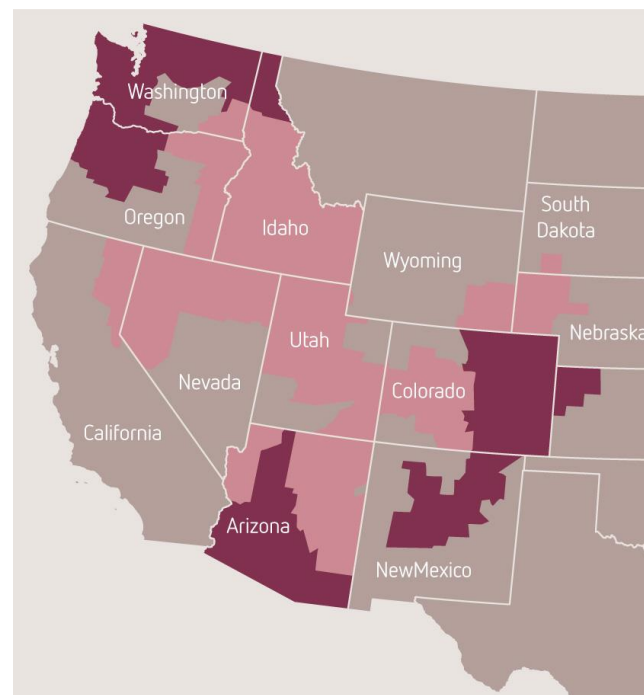
# Expansion in China and USA



## Greater China



## USA



	Pre	Post	Increase in Scale
<b>Consumers served</b>	449m	708m	+58%
<b>Unit cases</b>	1B	1.6B	+60%
<b>Employees</b>	20,000	31,000	+55%
<b>Revenues</b>	HKD24Bn	HKD40Bn	+67%

*Note: all figures are with reference to 2015 actuals*



**Bigger  
+  
Better  
within an  
Optimised Franchise  
System**



## Financial Highlights

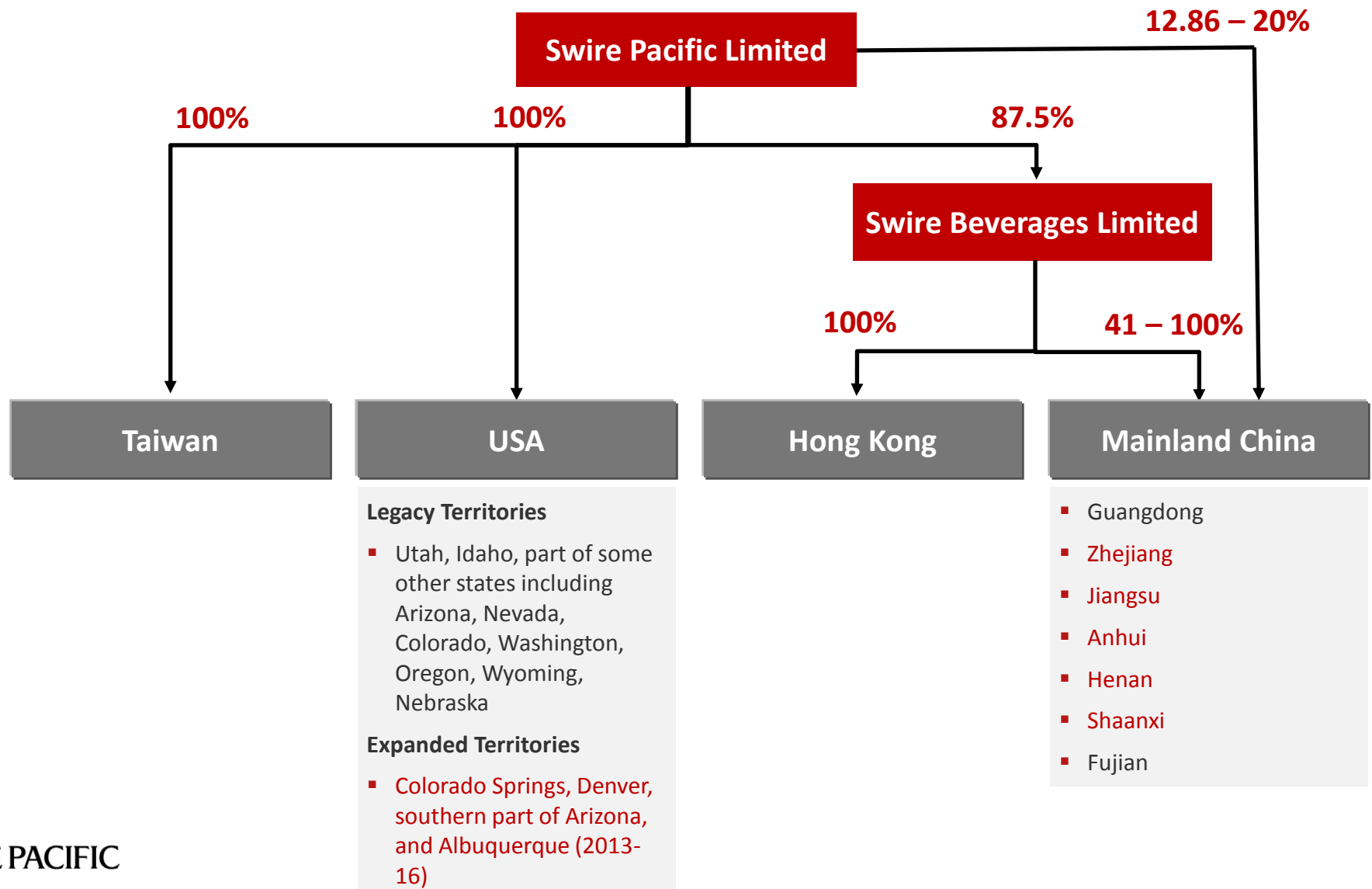
**Keith Fung**

Finance Director, Swire Beverages





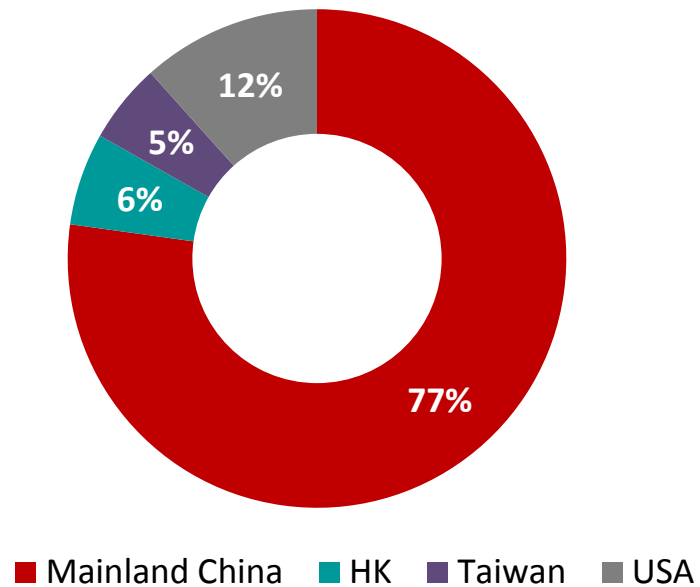
## Swire's Current Franchise Territories



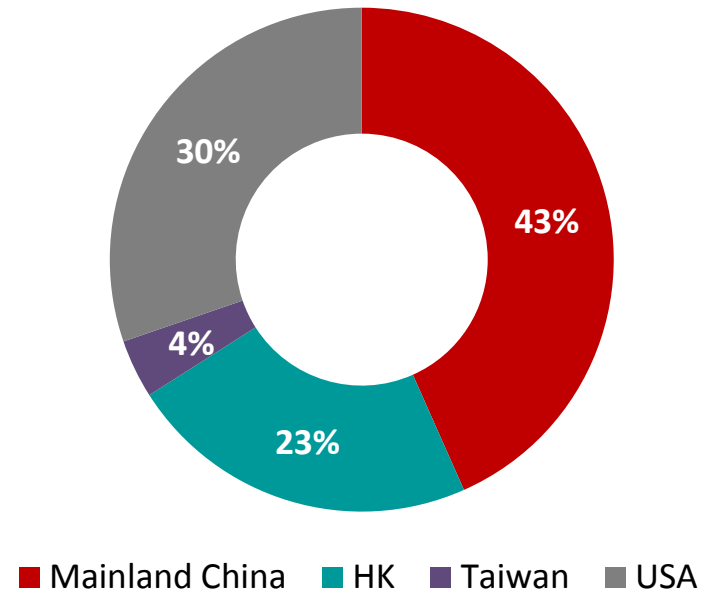
# 2015 Financial Performance



## Sales Volume



## Attributable Profit



Note: Total excluding Central Costs

Source: Swire Pacific Annual Report 2015

# US Expansion Timeline



Acquisition	Distribution Assets	Production Assets
Mile High (Colorado)	May 2014	
Arizona & New Mexico	July 2016	
Pacific Northwest - Washington	February 2017	February 2017
Pacific Northwest - Oregon	April 2017	April 2017
Arizona & New Mexico		August 2017
Mile High (Colorado)		October 2017





## ■ Consideration Payable for US Expansion

- Upfront USD462m
- Sub-bottler fees USD123m
- Other assets acquired USD39m
- Total USD624m

## ■ Funding

- External debt USD300m
- Balance be funded by internal funding from Swire Pacific

## ■ Expected Rate of Return

- Exceed the internal WACC
- Potential upside from synergies

# USA Expansion

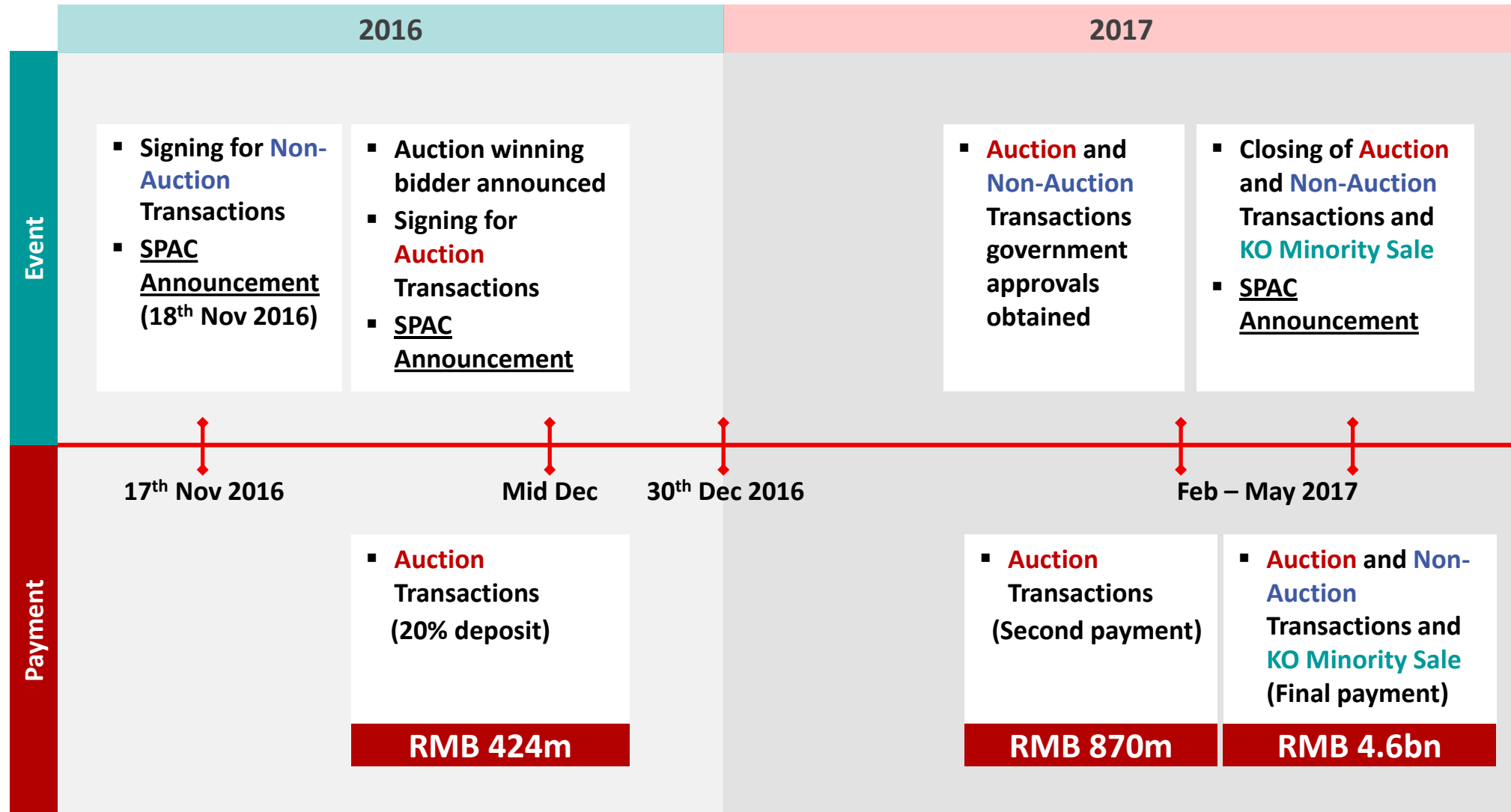


## Pre and post based on 31 Dec 2015

	Pre	Post
Franchise population (million)	6.4	+331%
Net assets (HK\$m)	2,209	+141%
Revenue (HK\$m)	5,965	+114%

Source: internal company data

# China Expansion Timeline







- Consideration Payable for PRC Expansion

- Total RMB5.8 billion approximately. Final consideration is subject to closing adjustments.
- The valuation of the China Expansion is comparable to the acquisition of Citic's equity interests in Swire's bottling plants in 2015.

- Funding

- Funded by internal funding from Swire Pacific

- Expected Rate of Return

- Exceed the internal WACC
- Potential upside from synergies



## Swire's effective shareholdings in the bottling plants in PRC after realignment

Territories	Effective Shareholdings		
	Legacy	After CITIC	After Realignment
Guangxi	Nil	Nil	100.00%
Yunnan	Nil	Nil	95.10%
Hubei	Nil	Nil	79.00%
Shanghai	Nil	Nil	54.00%
Hainan	Nil	Nil	100.00%
Jiangxi	Nil	Nil	100.00%
Zhanjiang/Maoming	Nil	Nil	100.00%
Guangdong	44.63%	44.63%	70.00%
Zhejiang	44.63%	53.63%	80.00%
Anhui	59.50%	91.50%	100.00%
Jiangsu	44.63%	53.63%	80.00%
Fujian	93.63%	93.63%	100.00%
Shaanxi	74.38%	89.38%	Nil
Henan	60.68%	85.78%	94.44%

# China Expansion



## Pre and post based on 31 Dec 2015

	Pre	Post
Franchise population (million)	418	+55%
Net assets (HK\$m)	2,650	+76%
Revenue (HK\$m)	16,547	+46%





## USA Expansion

**Jack Pelo**

President / CEO, Swire Coca-Cola, USA

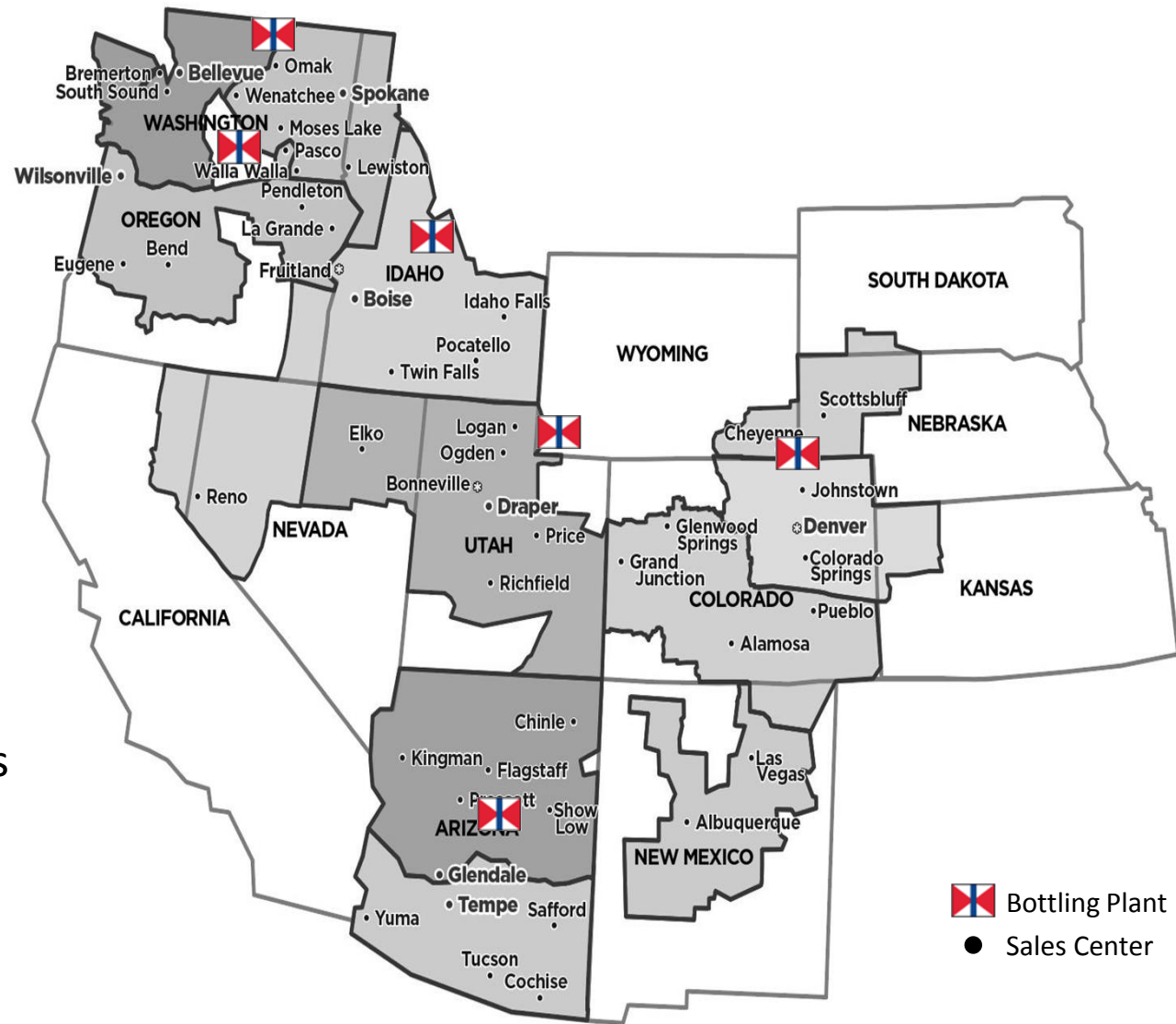


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# Swire Coca-Cola, USA in 2017



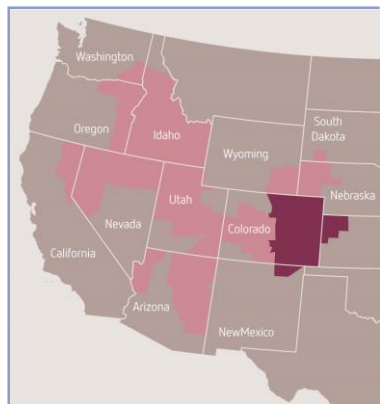
- **3rd** largest independent bottler in the United States
- **13** states across the Western U.S.
- **7** divisions
- **47** sales centers
- **6** production facilities
- **6,000** employees
- Produces, distributes and sells Coca-Cola, Dr Pepper, and Monster products



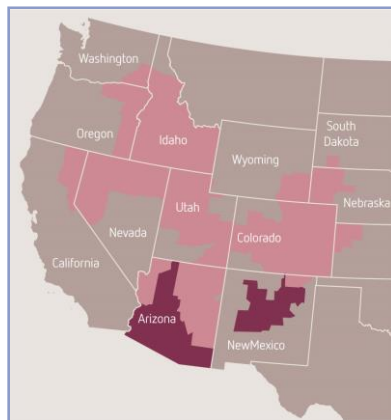
# Swire Coca-Cola USA, Growing Through Acquisition



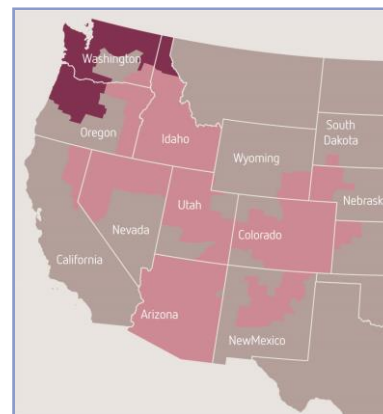
**Mile High  
(Q2 2014)**



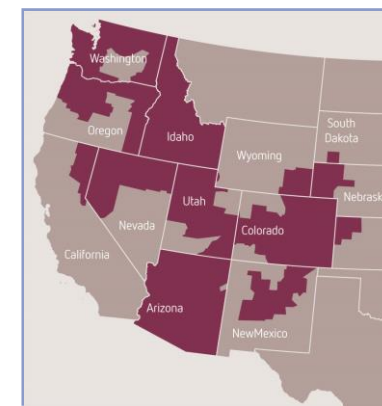
**Arizona /  
New Mexico  
(Q3 2016)**



**Pacific  
Northwest  
(Q1/Q2 2017)**



**Total**



*\*Territory boundaries are approximate*

	Legacy	MH	AZ & NM	PNW	Total	Increase in Scale
<b>Population</b>	6.4	4.4	7.3	9.5	27.6	331%
<b>Sales Volume (million unit cases)</b>	87	39	87	72	285	228%
<b>Sales Centers</b>	28	4	8	7	47	68%
<b>Production Centers</b>	2	1	1	2	6	200%
<b>Employees</b>	1,951	871	1,422	1,758	6,002	208%

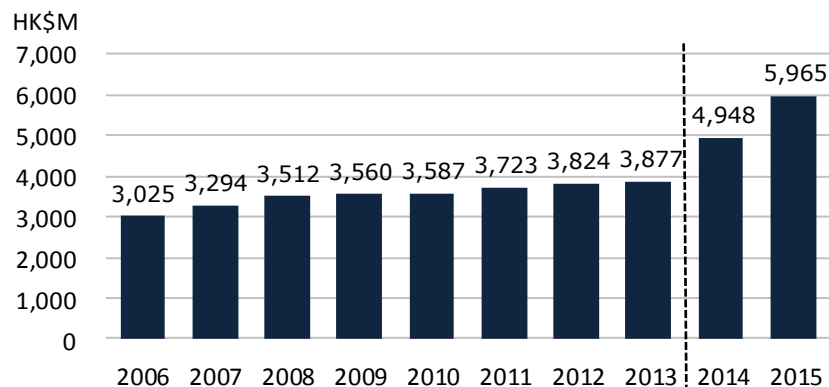
*Note: all figures are with reference to 2015 actuals*

# Financial Highlights

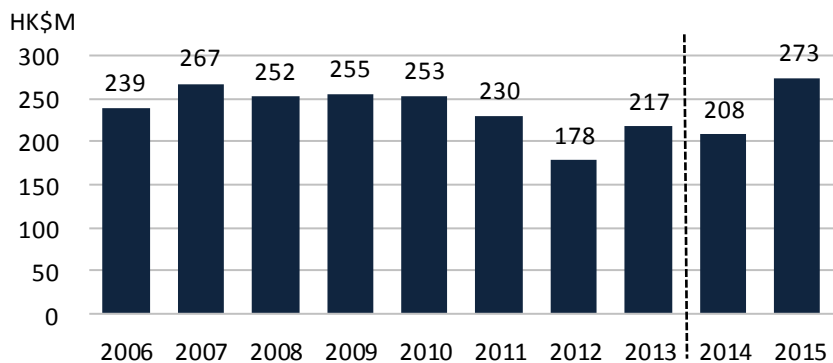


## USA

### Turnover (HK\$M)

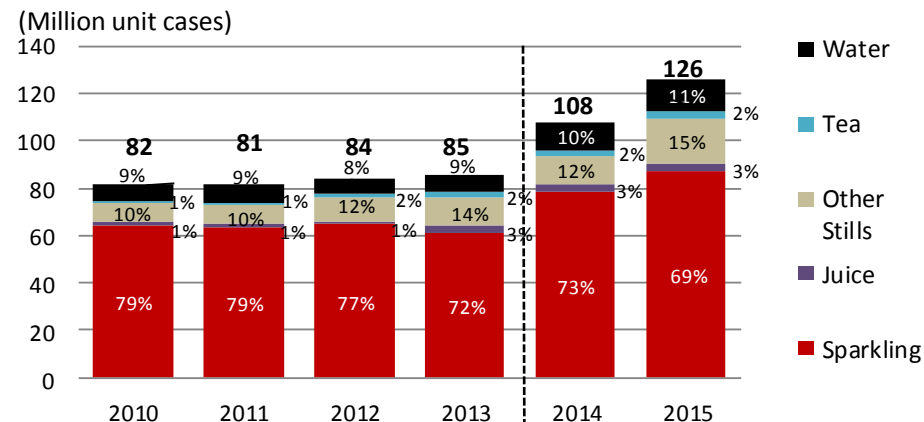


### Attributable Profits <sup>(1)</sup> (HK\$M)

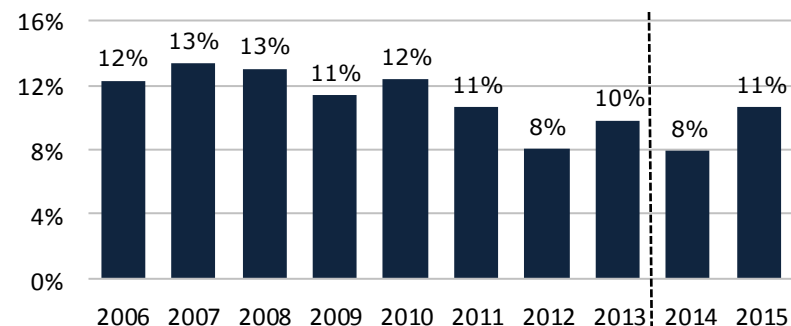


Source: Internal Company Data

### Volume by Category (Million unit cases)



### Return on Capital Employed <sup>(2)</sup> (%)

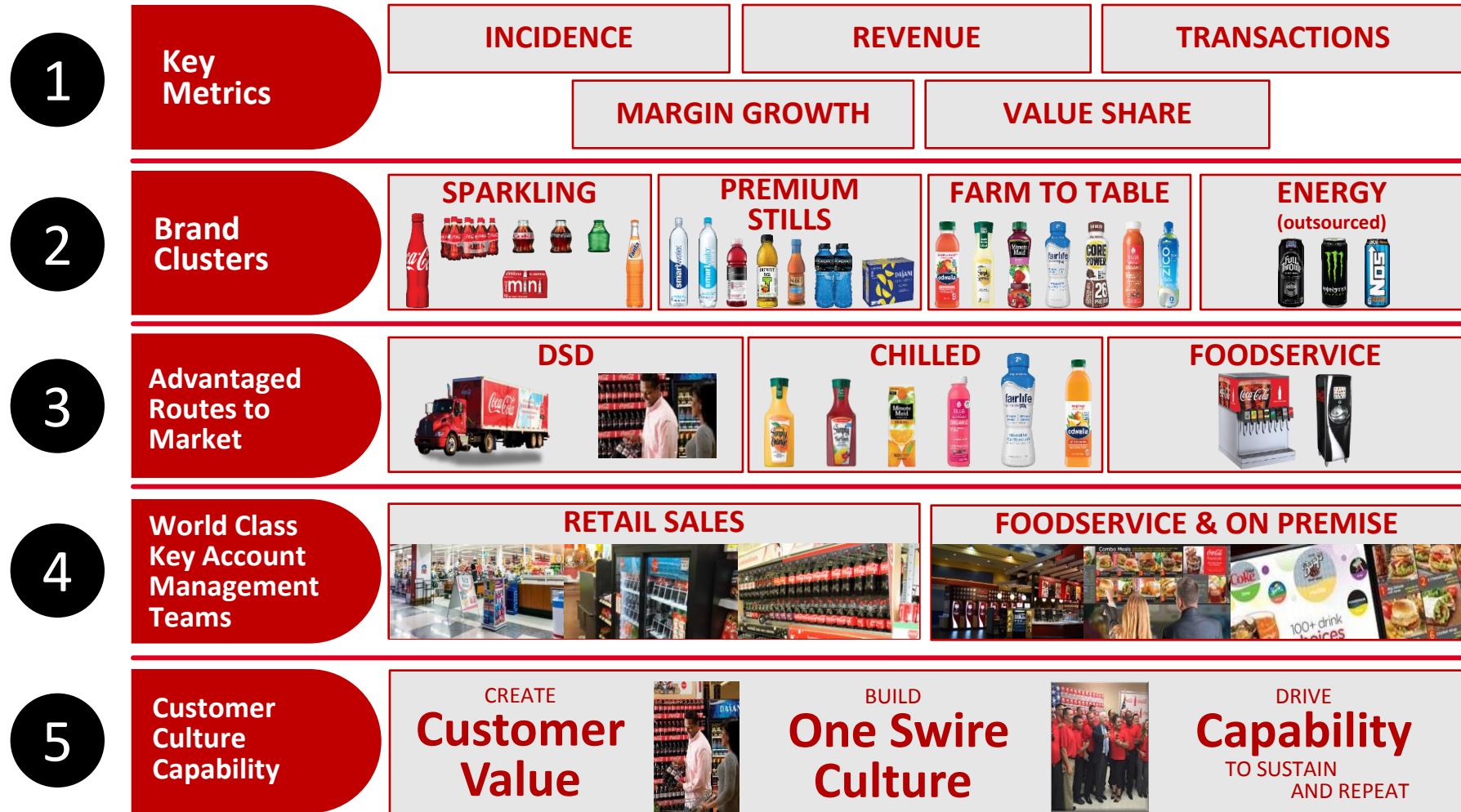


#### Notes

1. Restated due to HKAS19 (revised).
2. Profit before interest after tax divided by capital employed.



# US Strategy Evolving to Meet Consumer Preferences



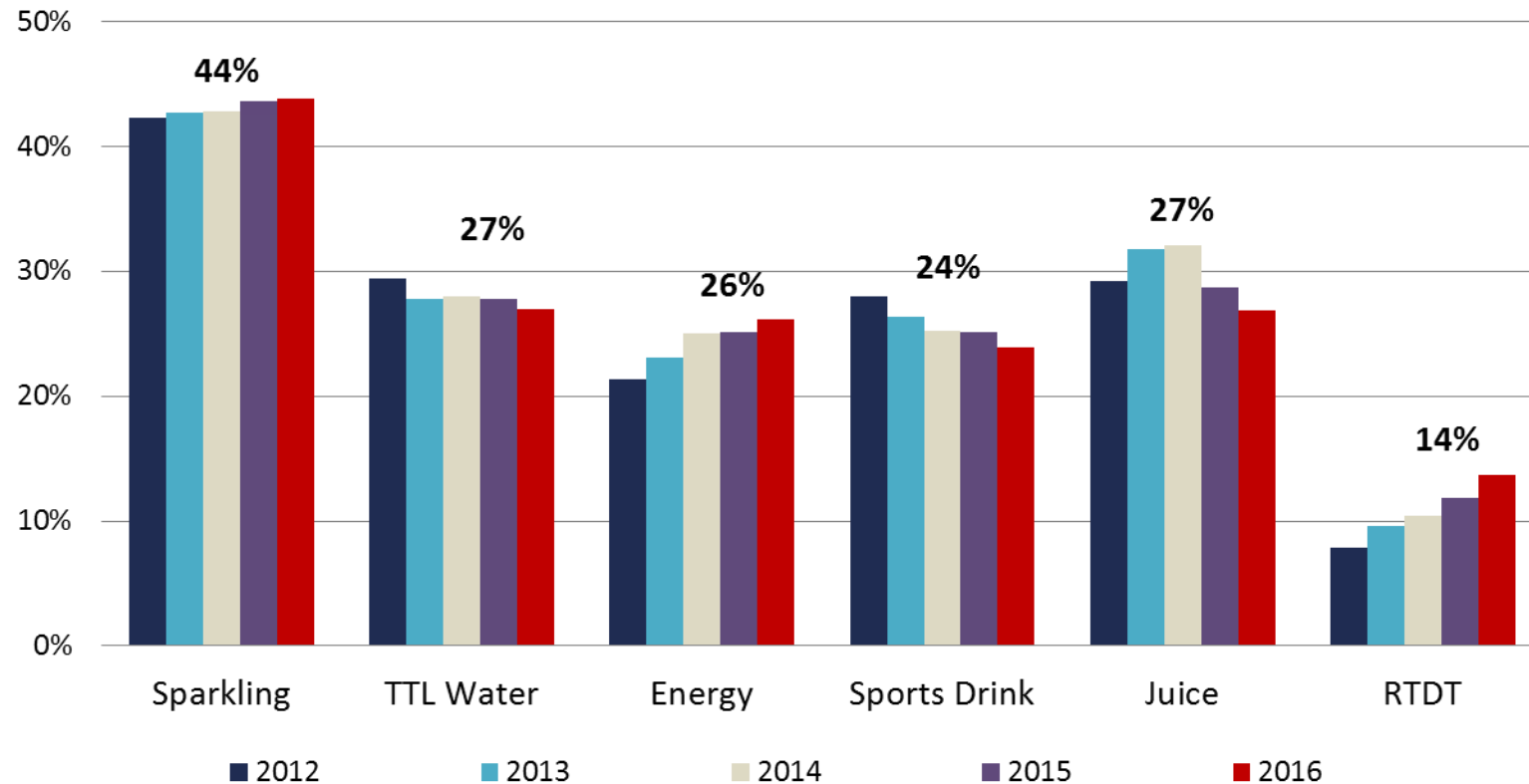
# Growth in Sparkling Continues – Improving Trends in Energy and Ready to Drink Tea



1

Key  
Metrics

## Market Share (2011-2016)



Source: Nielsen

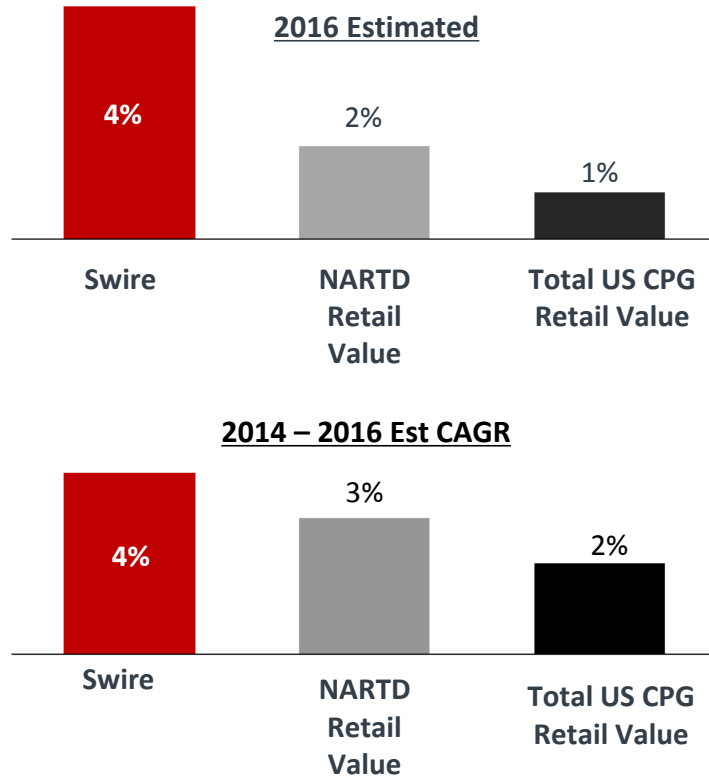
# Revenue Growing Faster Than Industry Average



1

## Key Metrics

### Revenue vs. U.S. Retail Value Growth



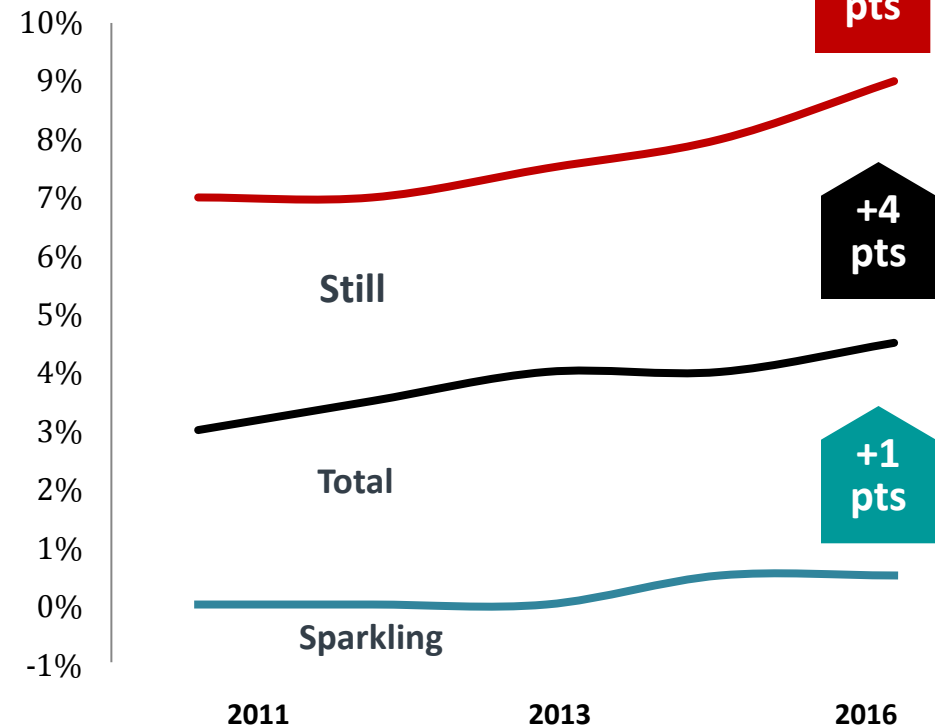
Sources:

KO reported data

Nielsen; total US CPG Retail Value includes all beverage and non-beverage categories

Nielsen Supers/Drug/CR/Kmart/Target; note: not structurally adjusted (includes Monster)

### Consistent Market Share Gains<sup>3</sup>



### Share Growth Over the Last 5 Years

Sources:

<sup>1</sup>Nielsen reported data, Swire Legacy

<sup>2</sup>Nielsen; total US CPG Retail Value includes all beverage and non-beverage categories

<sup>3</sup>Nielsen Supers/Drug/CR/Kmart/Target; note: not structurally adjusted (includes Monster)

# Our Still Brands Represent a Growing Share of Our Portfolio

2

## Brand Clusters

### Coca-Cola US Retail Value Creation 2013 – 2016 YTD

**\$1B**  
Retail Value Growth

Sparkling

30%

Stills

70%

### Stills Portfolio

- Contributed >2/3 of our Retail Value creation<sup>1</sup>
- Accounts for >40% of our Retail Value<sup>2</sup>
- Shift of 3% of portfolio Retail Value since 2013



Sources: Nielsen AMC Retail Value; 2013 - 2016 YTD through Q3-16 (excludes Monster)  
Nielsen AMC Retail Value; 2016 YTD through Q3-16 (excludes Monster)



# Innovation in Sparkling Packaging to Meet Changing Consumer Demand

2

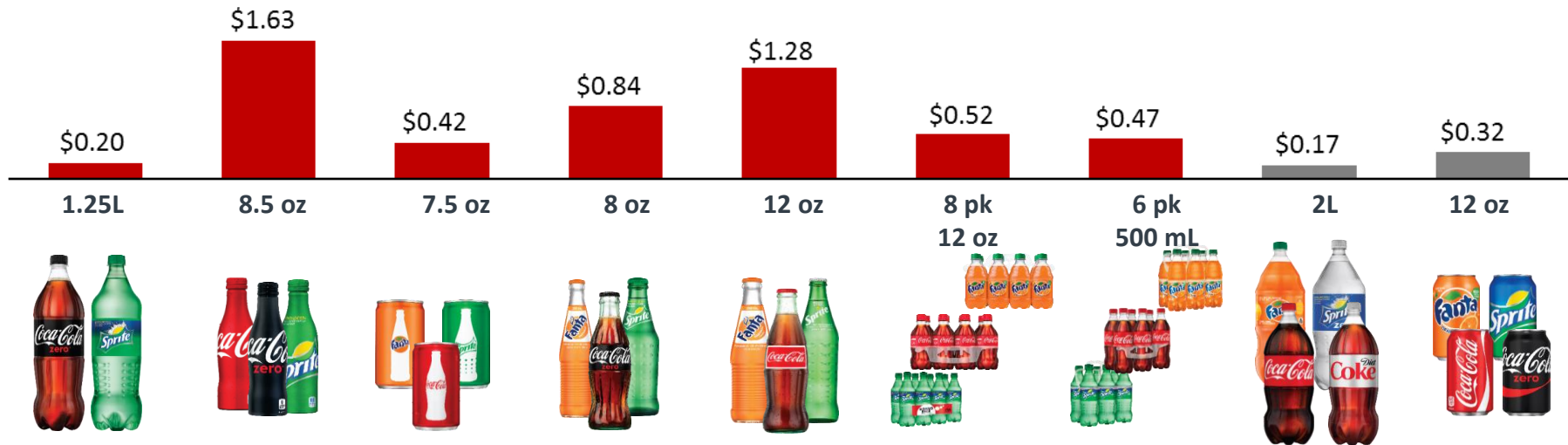
Brand  
Clusters

## Nielsen All Measured Channels - Total Sparkling YTD 2016

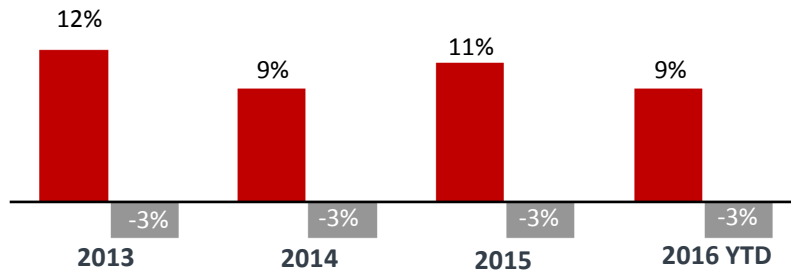
Transaction

Core

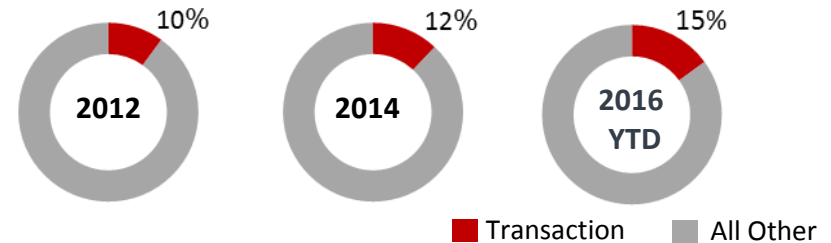
\$ / Occasion (serving)



### Value Growth



### % of Value



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Transaction Core

Source: Nielsen Swire AMC, Dollar Volume, YTD through 12/03/16

# Venturing and Emerging Brands Driving Stills Portfolio Expansion

2

## Brand Clusters

### Transparency/Claims



### Sustainability/Social Purpose



### Premium Ingredients



### Improved Experience/Convenience



# A Great Time to Invest in the USA



- Attractive investment case
  - Expertise
  - Scale
- Management capability
- Opportunity for growth
  - Transition track record



## Mainland China Expansion

**Karen So**

Executive Director, China Operations  
Swire Beverages



# Swire Beverages Biggest Bottler in China by Revenue



▪ <b>Revenue</b>	RMB 16,547m
▪ <b>Volume</b>	836m unit cases
▪ <b>Customers</b>	1,114,000
▪ <b>Provinces</b>	7
▪ <b>Bottling plants</b>	11
▪ <b>No. of Brands</b>	18
▪ <b>Employees</b>	15,800
▪ <b>Population</b>	418m

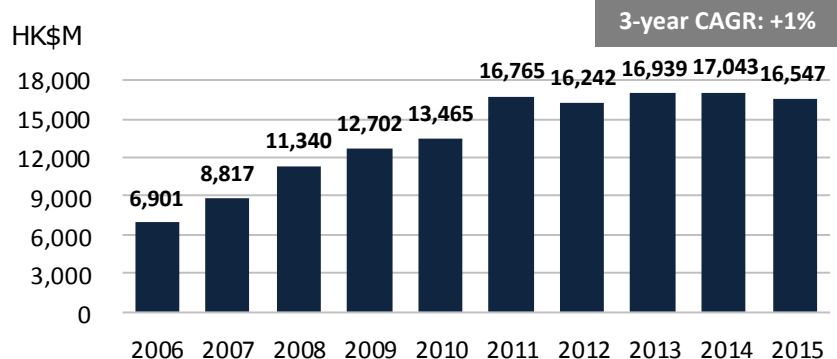
Source: Company Internal Information as at 2015

# Financial Highlights

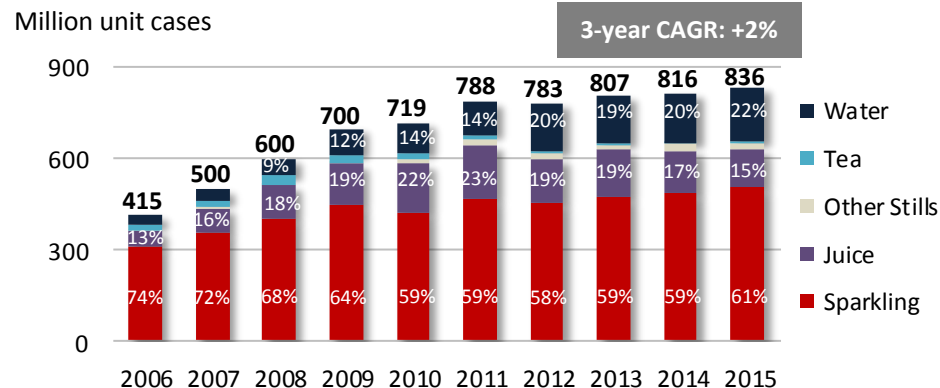


## Mainland China

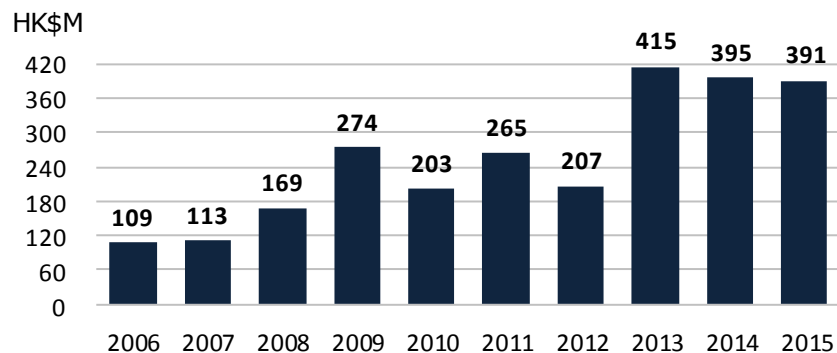
**Turnover <sup>(1)</sup>**  
(HK\$M)



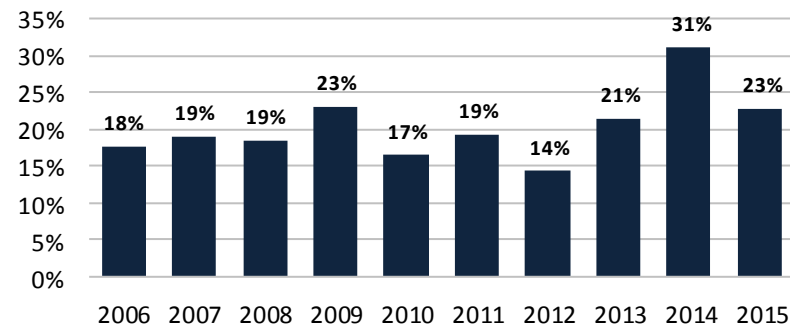
**Volume by Category**  
(Million unit cases)



**Attributable Profits <sup>(3)</sup>**  
(HK\$M)



**Return on Capital Employed <sup>(2)</sup>**  
(%)



**Notes:**

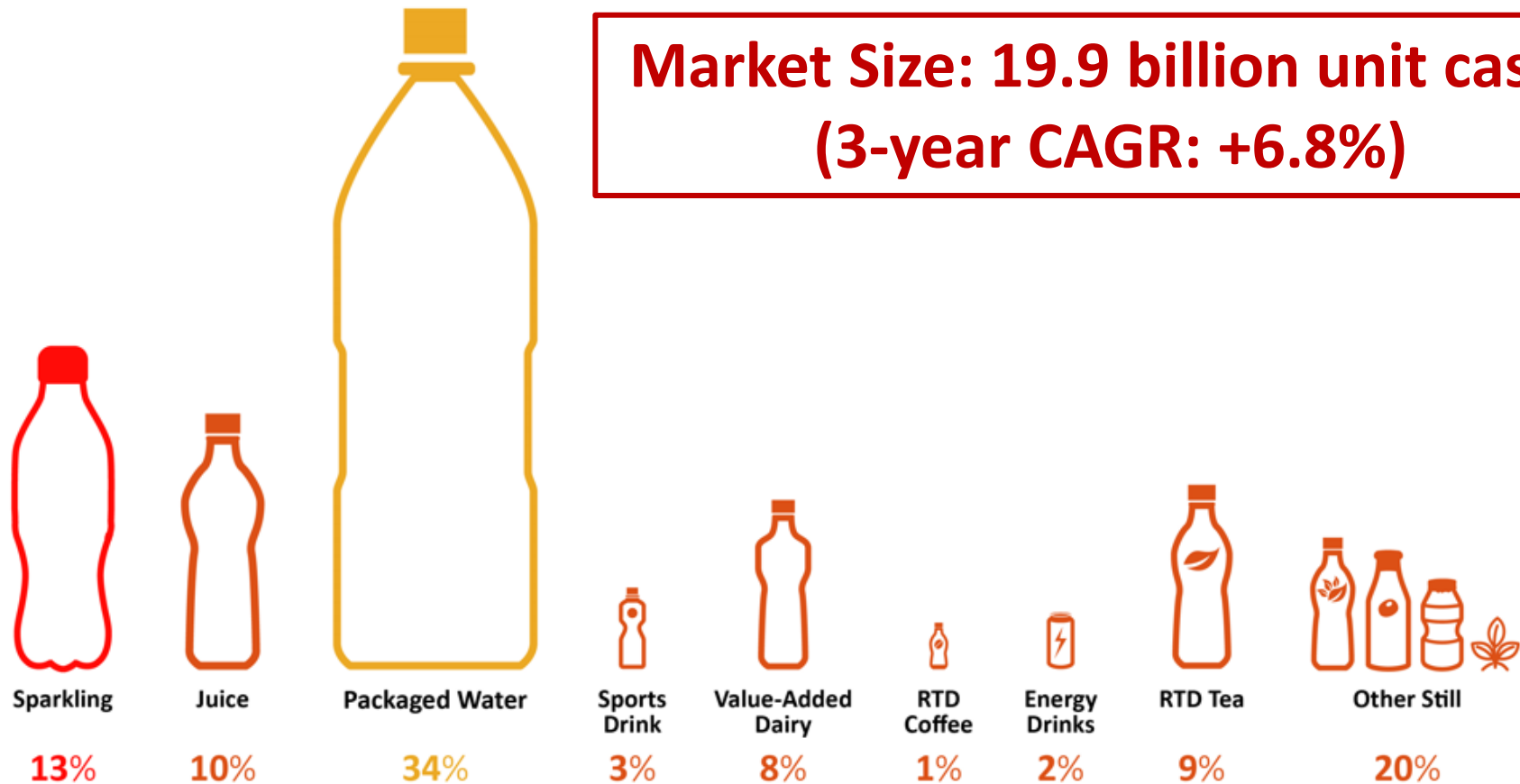
1. Including revenues from jointly-controlled companies but excluding revenues from Coca-Cola Bottlers Manufacturing Holdings Ltd. (CCBMH), an associate of the company.
2. Profit before interest after tax divided by capital employed. Capital employed equals net assets employed less investment costs in Mainland China jointly controlled entities. Goodwill is included in net assets based on the original value at the time of the investment.
3. Excluding a non-recurring profit on remeasurement of an associate, attributable profit for 2013 was HK\$346 million.

# Exciting Industry With Huge Untapped Potential



## 2015 Non-Alcoholic Ready to Drink Landscape

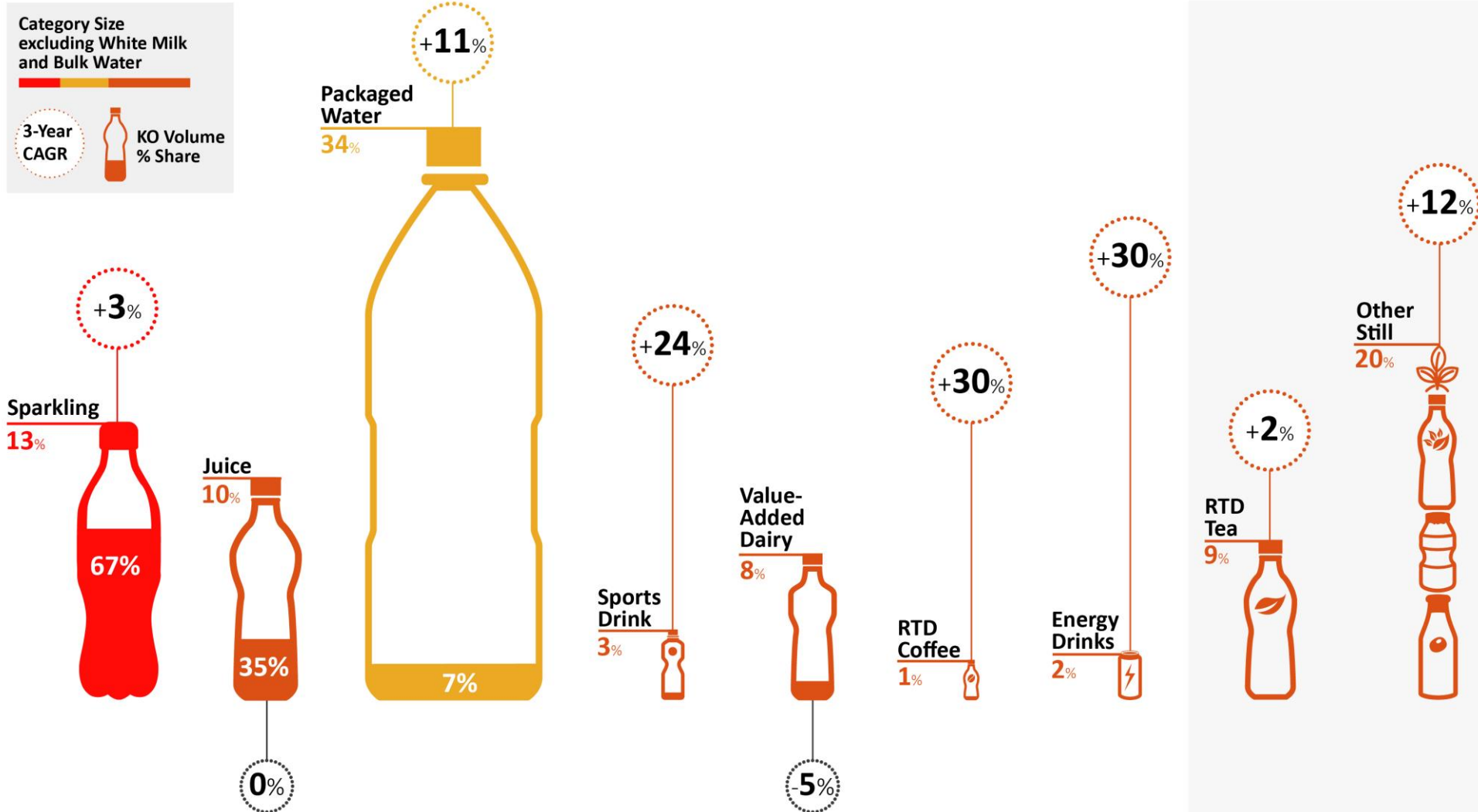
**Market Size: 19.9 billion unit cases  
(3-year CAGR: +6.8%)**



# Exciting Industry With Huge Untapped Potential



## 2015 Non-Alcoholic Ready to Drink Landscape

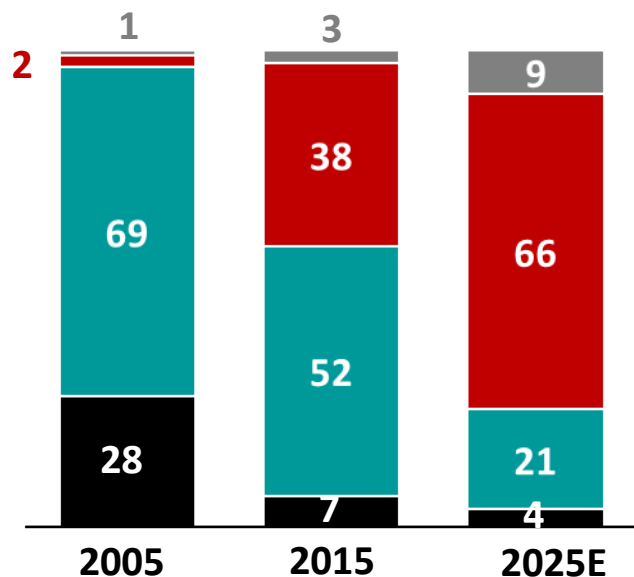




# New Mainstream Consumers Driving Revenue Growth



- A growing middle-class sector with high disposable income
  - Open to change and experimentation
  - Willing to trade up for quality
  - Higher tendency to shop on-line



	Annual disposable income per household (RMB)	CAGR 2015-2025
Affluent	> 222,000	15.7
<b>New Mainstream</b>	<b>103,000 – 222,000</b>	<b>8.5</b>
Mass	37,000 – 103,000	-6.2
Poor	< 37,000	-3.2

Source: McKinsey China Macroeconomic model (update)

# Expanding Product Profile in China



## Leadership

### Sparkling



### Juice



## Accelerating Presence in Stills

### Water



### Dairy



## Expanding into fast growing high value products

### Hydration



### Coffee



### Energy Drinks





We will achieve **Sustainable Profit Growth** by creating the World's best **Route-To-Market** and **In-Store Execution** Capabilities



**Key Metrics: Revenue, Profit, Market Share, In-Outlet Execution, Outlet Coverage**

1

**Commercial  
Strategies**

2

**Route-to-  
Market**

3

**In-Store  
Execution**

4

**Tools &  
Technology**

5

**Capabilities**

# China Strategies

## Key Metrics: Revenue, Profit, Market Share, In-Outlet Execution, Outlet Coverage

1

### Commercial Strategies

#### Expand Product Portfolio



#### Expand Package Portfolio



#### Executing Channel Picture of Success



2

### Route-to-Market

#### Expand Outlet Coverage



#### Suite of Route-to-Market Solution

##### Direct-Serve Distribution



##### Delivery Partners



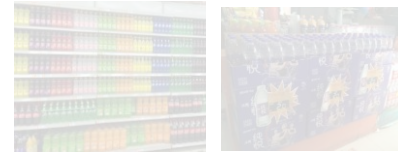
##### 2nd Platform



3

### In-Store Execution

#### Continuous Improvement in Execution



4

### Tools & Technology

#### Technology



#### eCommerce



5

### Capabilities

#### Training



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# Expanding into Still Categories and High Value Products



1

## Commercial Strategies



2013



2014



2015



2016



2017

### Schweppes +C

- Sparkling Drinks fortified with Vitamin C

### Shui Dong Le

- Enhanced Hydration

### Chun Yue

- Mainstream Water with 2x Retail Price

### Georgia

- Coffee entrances with World No. 1 Ready-to-Drink Coffee brand

### Minute Maid Essential Delight

- Minute Maid expand into High Content Juice

### Zico

- First ever e-commerce only brand

### Monster

- Enter into Energy Drinks (No. 1 Energy Drinks Brand in US)

### Premium Juice

### Sparkling Extension



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# Package Portfolio Capturing All Consumption Occasions



1













## Commercial Strategies

### General Trade

								
300ml	500/ 600ml	Sleek CAN	One-Way Glass	680ml	1L	1.25L	1.5L	2L
2.0	3.0	3.0	4.0	4.0	5.0	5.0	6.0	7.0

Retail Price  
(RMB/bottle)

### Modern Trade

											
300ml	500/ 600ml	Sleek CAN	680ml	1.25L	2L	2L +	1L+ 1.25M M	2L*2	Multi-Pack Normal CAN 4/6/8	Multi-Pack Mini-Can 8/10/12	SPK 300ml Full case
1.7	2.7	2.8	3.8	5.0	6.0	6.5	9.9	11.5	9.9/13.8/18	15.2/18/21	19.9

Retail Price  
(RMB/bottle)

### HORECA



Aluminum  
Bottle

8.0



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# China Strategies



1

## Commercial Strategies

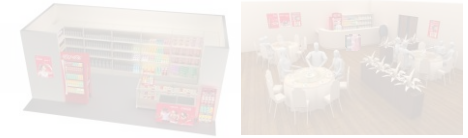
### Expand Product Portfolio



### Expand Package Portfolio



### Executing Channel Picture of Success



2

## Route-to-Market

### Expand Outlet Coverage



### Suite of Route-to-Market Solution

#### Direct-Serve Distribution



#### Delivery Partners



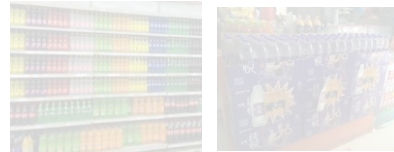
#### 2<sup>nd</sup> Platform



3

## In-Store Execution

### Continuous Improvement in Execution



4

## Tools & Technology

### Technology



### eCommerce



5

## Capabilities

### Training



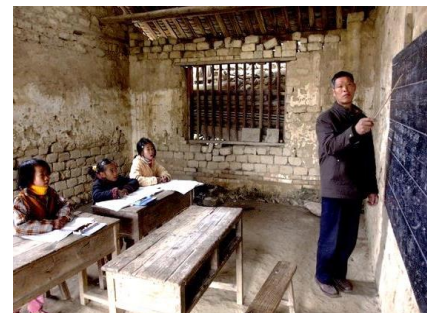
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# Expanding Outlet Coverage via Segmented Route-to-Market Strategy

2

## Route-to-Market

- This will be supported by robust customer data, new technology for frontline sales and commitment to invest number of people serving our customers



Target to service **90%**  
of outlets in urban cities

Target to service **60%**  
of outlets in rural markets



# Suite of Route-to-Market Solutions

2

## Route-to-Market

### Urban



### Direct Distribution



### Rural



### Distribution Partners



### Channel Specific



### Specialised Partners



### Consumer/ Portfolio Specific



### Specialised Sales Team





# China Strategies



1

## Commercial Strategies

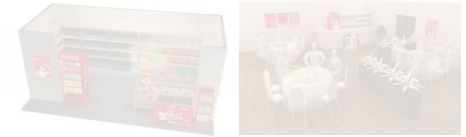
### Expand Product Portfolio



### Expand Package Portfolio



### Executing Channel Picture of Success



2

## Route-to-Market

### Expand Outlet Coverage



### Suite of Route-to-Market Solution

#### Direct-Serve Distribution



#### Delivery Partners



#### 2<sup>nd</sup> Platform



3

## In-Store Execution

### Continuous Improvement in Execution



4

## Tools & Technology

### Technology



### eCommerce



5

## Capabilities

### Training



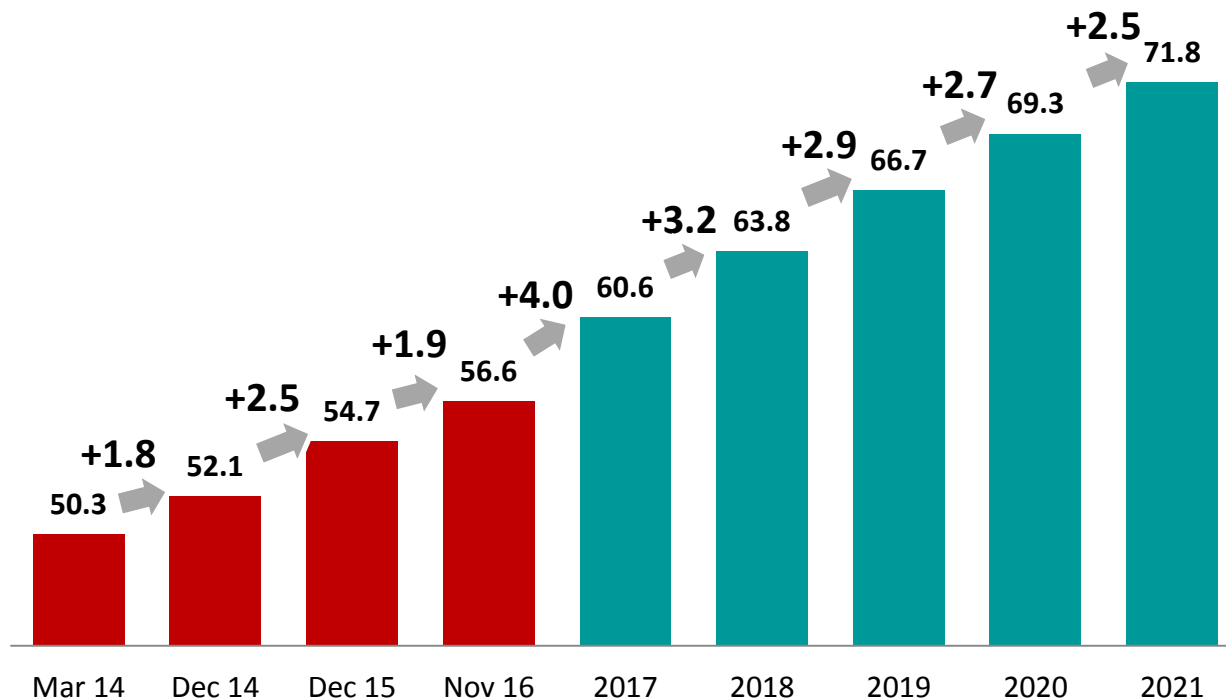
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# Continuous Improvement in In-Store Execution Capability

3

In-Store  
Execution

Index of National Execution (INE) score



# China Strategies



1

## Commercial Strategies

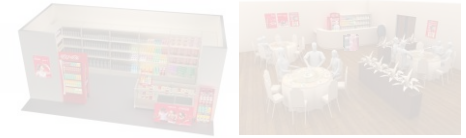
### Expand Product Portfolio



### Expand Package Portfolio



### Executing Channel Picture of Success



2

## Route-to-Market

### Expand Outlet Coverage



### Suite of Route-to-Market Solution

#### Direct-Serve Distribution



#### Delivery Partners



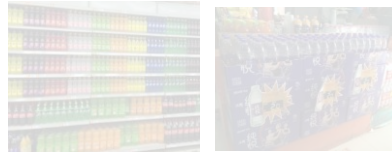
#### 2<sup>nd</sup> Platform



3

## In-Store Execution

### Continuous Improvement in Execution



4

## Tools & Technology

### Technology



### eCommerce



5

## Capabilities

### Training



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# Leveraging Technology as Competitive Advantage



4

Tools



Features	2006 -2010	2008 – 2016	2017 and beyond
Create/ Modify/ Cancel Order		✓	✓
KPI Achievement		✓	✓
Pitch Book (new products/ activities)		✓	✓
Route Book/ Create/ Modify Cust Info/ eApproval/ eContract (TOP)		✓	✓
Place/ Withdraw Asset/ Asset Tracking			✓
In-Store Execution			✓
Photo Recognition			✓
Business Intelligence / Survey/ Instant Messaging			✓

# Leveraging Technology as Competitive Advantage

4

Tools

## Cashless and Online Vending Machine



### Benefits

- Easy to shop via Cashless payment
- Consumer Interactive programs via QR code
- Remote management for operation and delivery efficiency
- Asset tracking



# Capture E-Commerce Trend with a Holistic Approach

4

e-Commerce

Vision

Recruit **100 MILLION** e-shoppers  
by 2020



Play  
Space

Coke e-Store



Platforms



天猫超市  
CHAOSHI.TMALL.COM



O2O



美团  
meituan.com



8天在线  
DOL.COM

Play  
Strategy

Pilot,  
Experience  
Data Analysis

Recruit  
Online Shoppers  
@Scale

Recruit  
Online Consumers  
@Scale

# China Strategies



1

## Commercial Strategies

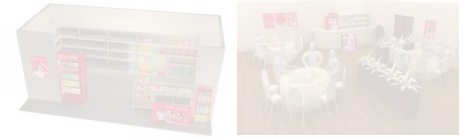
### Expand Product Portfolio



### Expand Package Portfolio



### Executing Channel Picture of Success



2

## Route-to-Market

### Expand Outlet Coverage



### Suite of Route-to-Market Solution

#### Direct-Serve Distribution



#### Delivery Partners



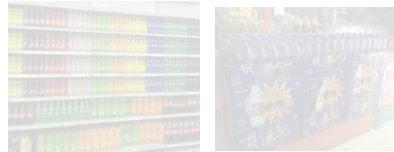
#### 2<sup>nd</sup> Platform



3

## In-Store Execution

### Continuous Improvement in Execution



4

## Tools & Technology

### Technology



### eCommerce



5

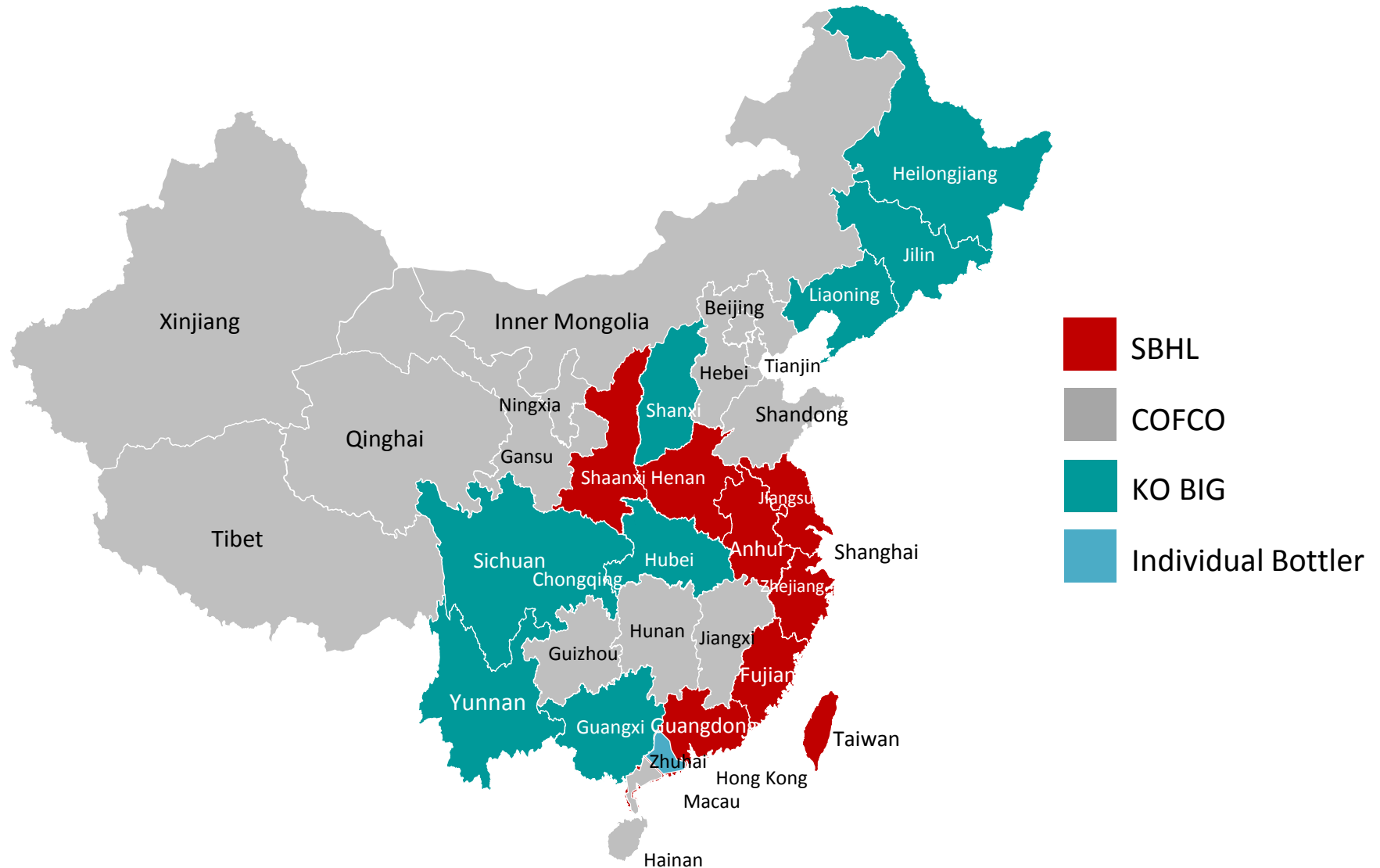
## Capabilities

### Training

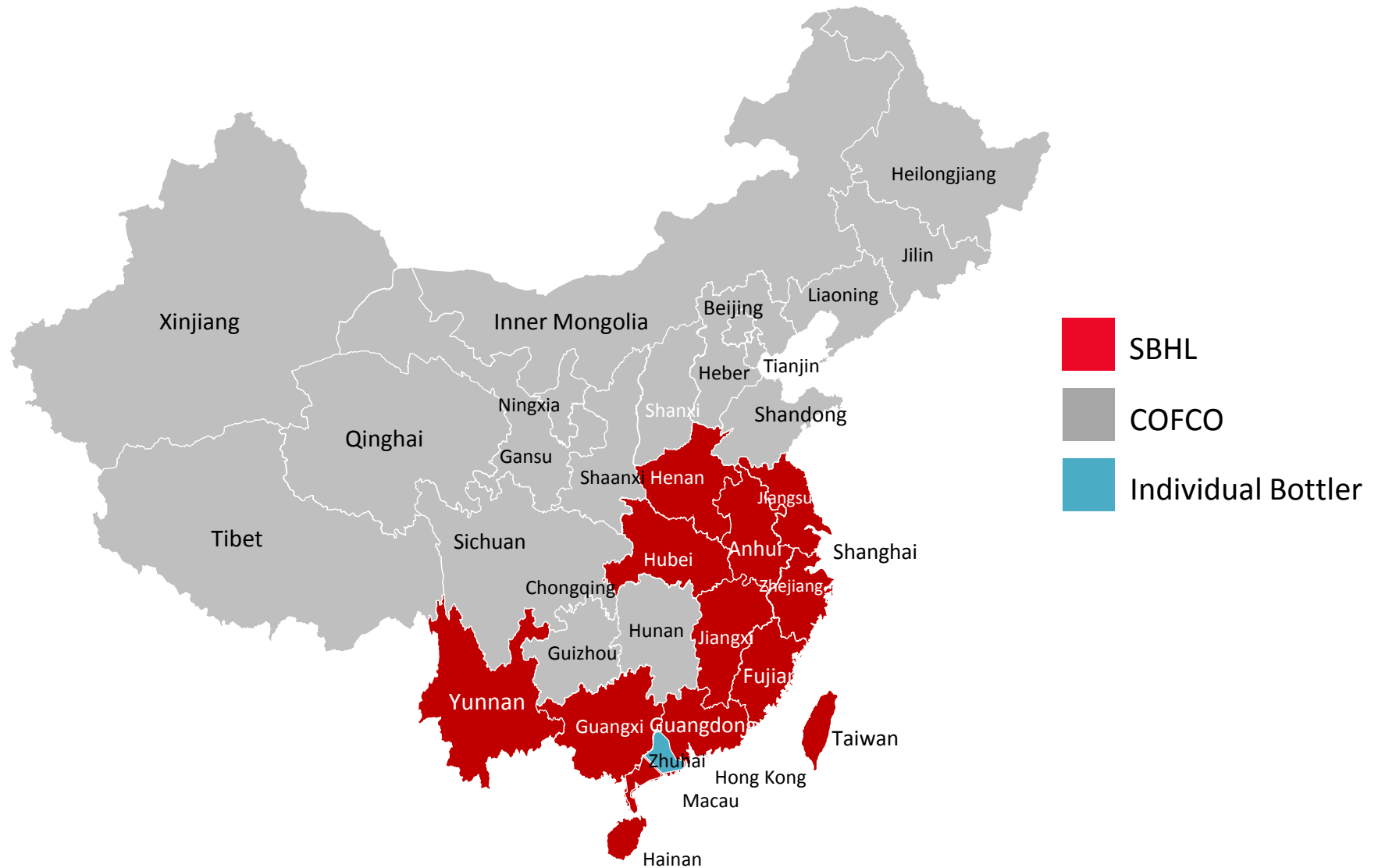


SWIRE PACIFIC

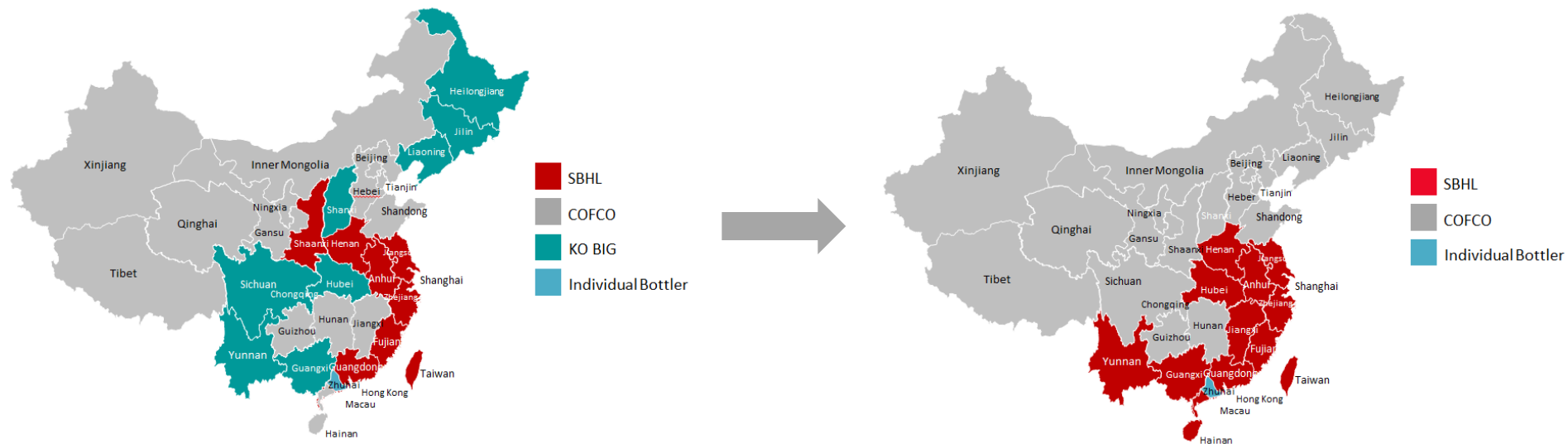
# Current China System



# Realigned China System



# A Unique Opportunity to Transform Our Bottling Business in China



	Pre	Post	Increase in Scale
<b>Population (million)</b>	418	649	55%
<b>Sales Volume (million unit cases)</b>	836	1,277	53%
<b>Sales Centers</b>	536	691	29%
<b>Production Lines</b>	51	84	65%
<b>Employees</b>	13,900	20,900	50%

*Note: all figures are with reference to 2015 actuals*

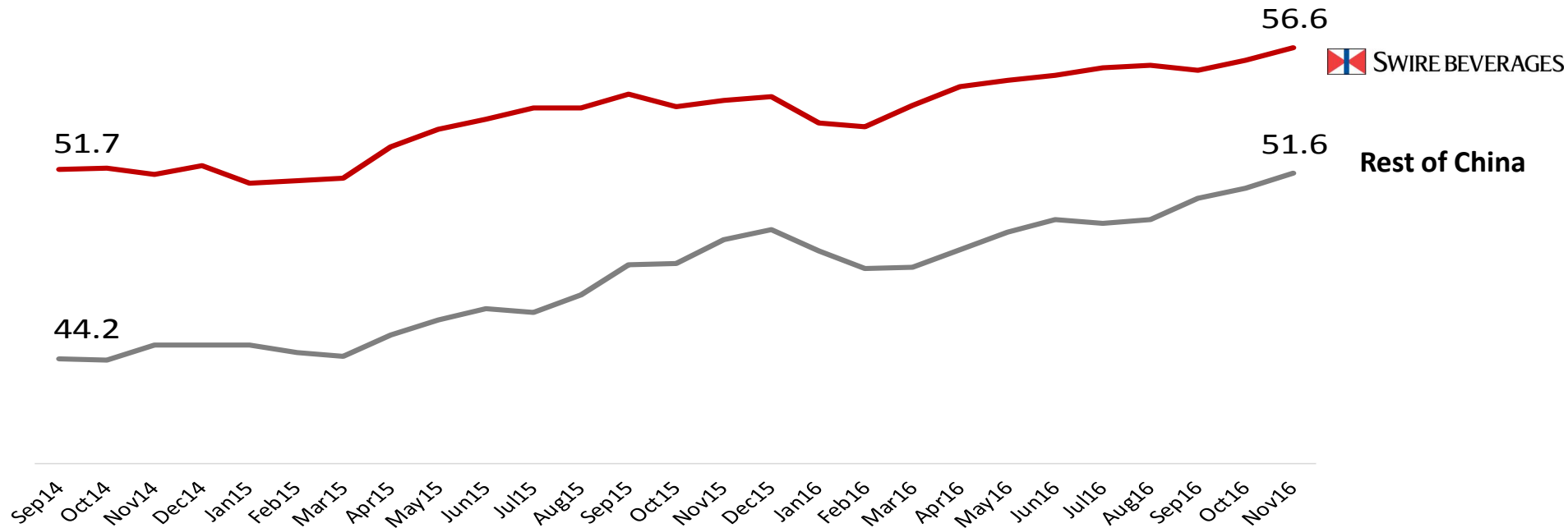


# Replicate Best-in-Class Practices Across Acquired Territories

- Supported by State-of-the-Art Front Line Technology across all territories



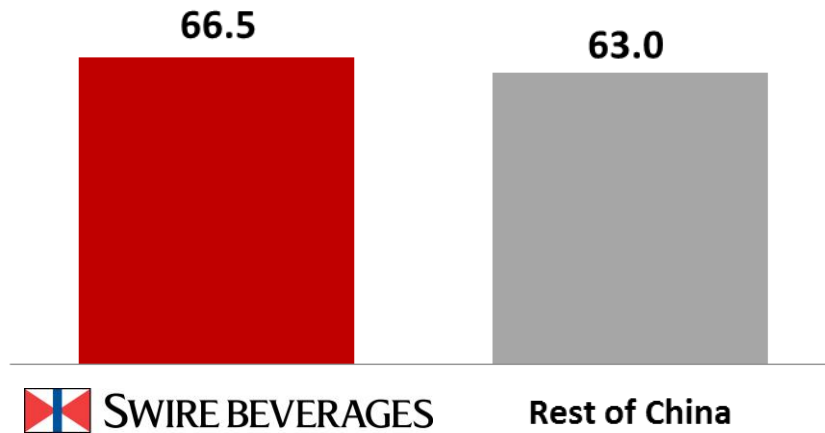
Index of National Execution (INE) score



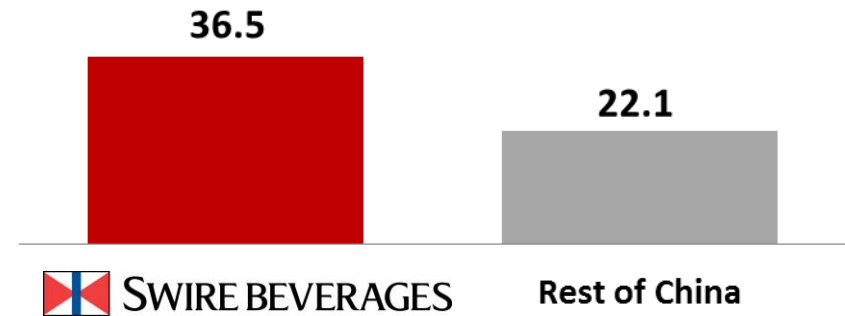
# Replicate Best-in-Class Practices across Acquired Territories



**Coca-Cola Sparkling Brands  
Volume % Share**



**Coca-Cola Juice Brands  
Volume % Share**



Source

1. Volume Share: Nielsen Retail Audit, YTD Nov-16

# Replicate Best-in-Class Practices across Acquired Territories



- Drive Per Capita Consumption and Per Case Revenue via Portfolio Leadership across categories

Ex-factory Price Index

109

95



SWIRE BEVERAGES

Rest of China

Coca-Cola Per Capita Consumption  
(8oz)

48.1

41.9



SWIRE BEVERAGES

Rest of China

Data Source:

- KO Per Cap Sales: Company Internal Information, FY 2015
- Ex-factory Price Index: Company Internal Information, YTD Sep-15



SWIRE PACIFIC

# Unique Acquisition Creating Synergies and Long Term Growth



- **Revenue Growth:** fast track revenue growth via enhancement of execution, market share and pricing
- **Speed to Market:** becoming more competitive and nimble with higher level of control
- **Innovation:** accelerated decision making process for new category and innovation
- **Customer Service:** empowered customer management group
- **Talent:** recruit best talent for Swire and opportunity for our talent to develop in an expanded scope of operation
- **Supply Chain:** opportunities from contiguous territories



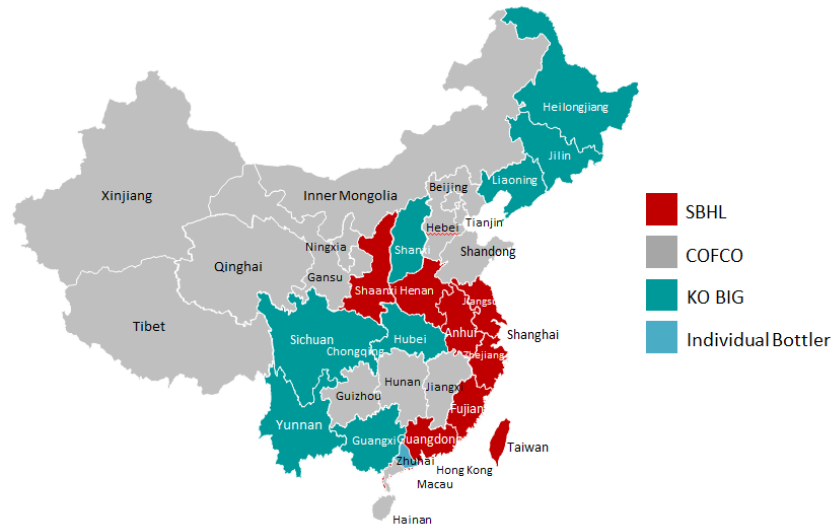
# Supply Chain Management and Sustainability

**Peter Mills**

Executive Director, Supply Chain  
Swire Beverages

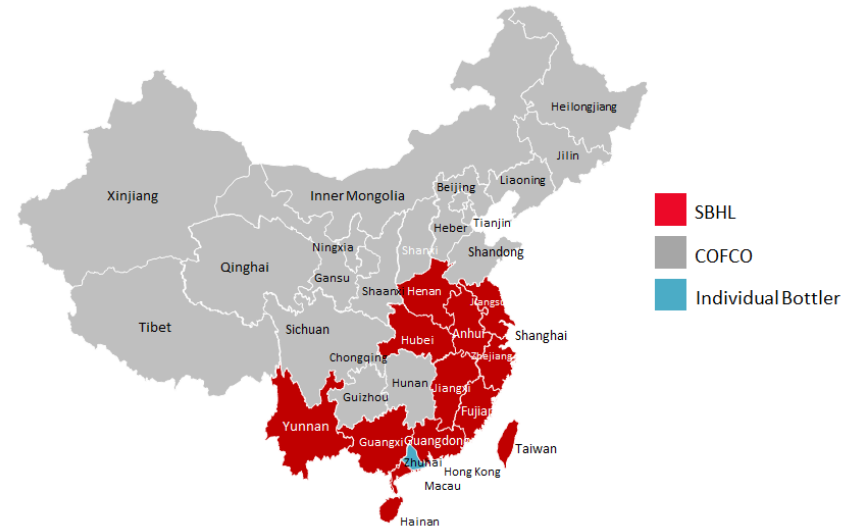


# Mainland China – Supply Chain Before and After Realignment



## Pre

- **12** manufacturing plants
- **51** production lines
- **141** distribution centres
- **4,390** supply chain employees
- **1.14 million** customers



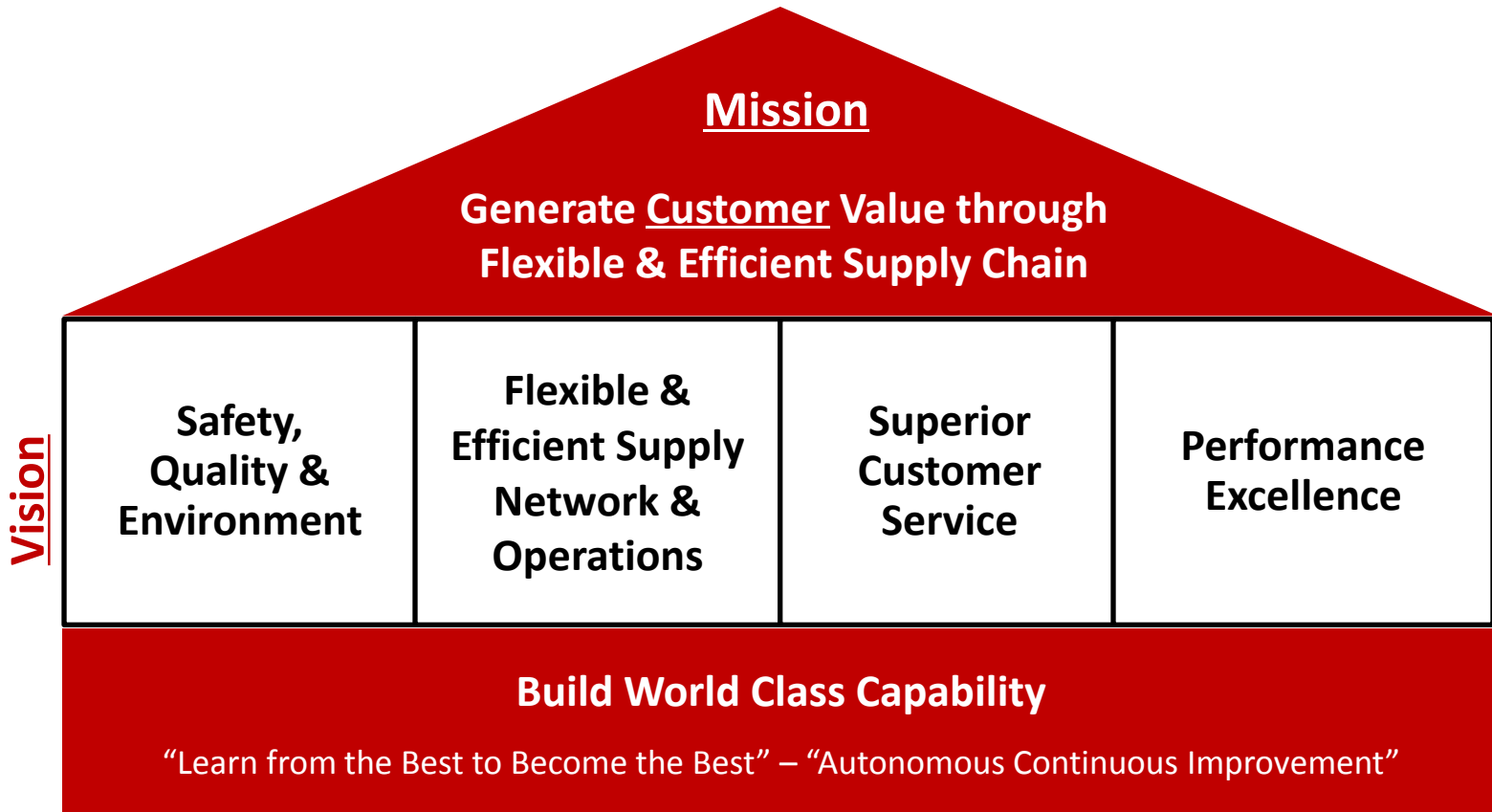
## Post

- **19** manufacturing plants
- **84** production lines
- **190** distribution centres
- **6,820** supply chain employees
- **1.62 million** customers

# Supply Chain Mission and Vision



SWIRE BEVERAGES

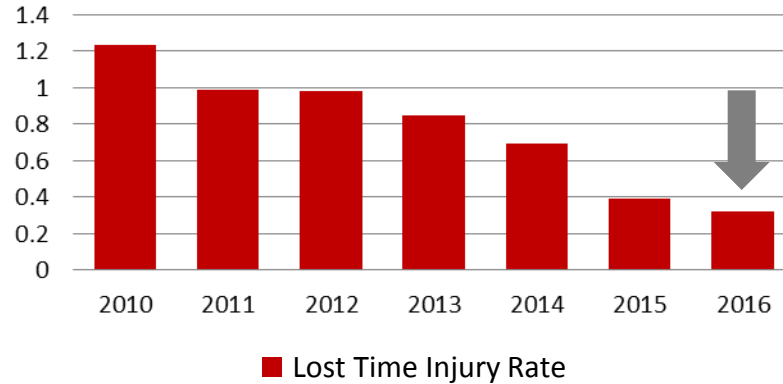


SWIRE PACIFIC

# Safety – Our First Priority



Swire Beverages Safety Performance



- **74%** drop in Lost Time Injury (LTI) vs 2010
- There were **0.32** injuries per 100 full time employee (FTE) in 2016
- Ongoing and future – leading indicators

## Our Safety Culture Journey

2011

### Vehicle and Road Safety

- Defensive Driving Programme
- Helmets Distribution

2012

### Management Philosophy: Safety First

- LTIR Reporting
- Safety Sharing

2013

### Leadership Commitment

- Caring Walk
- Incident Reporting & Investigation

2015

### Safety Culture

- Safety Maturity Assessment
- Employee Engagement

2016

### Safety Culture

- Safety Maturity Assessment
- QSE Red Lines
- Vehicle and Road Safety





Our **water conservation goal** is to return to communities and nature an amount of water equivalent to what we use in all of our beverages and their production.

## REDUCE

We are committed to achieving World Class water use performance in each of our Manufacturing locations

## RECYCLE

We are committed to wastewater treatment standards which require returning all water that is used in our manufacturing processes to the environment at a level that supports healthy aquatic life

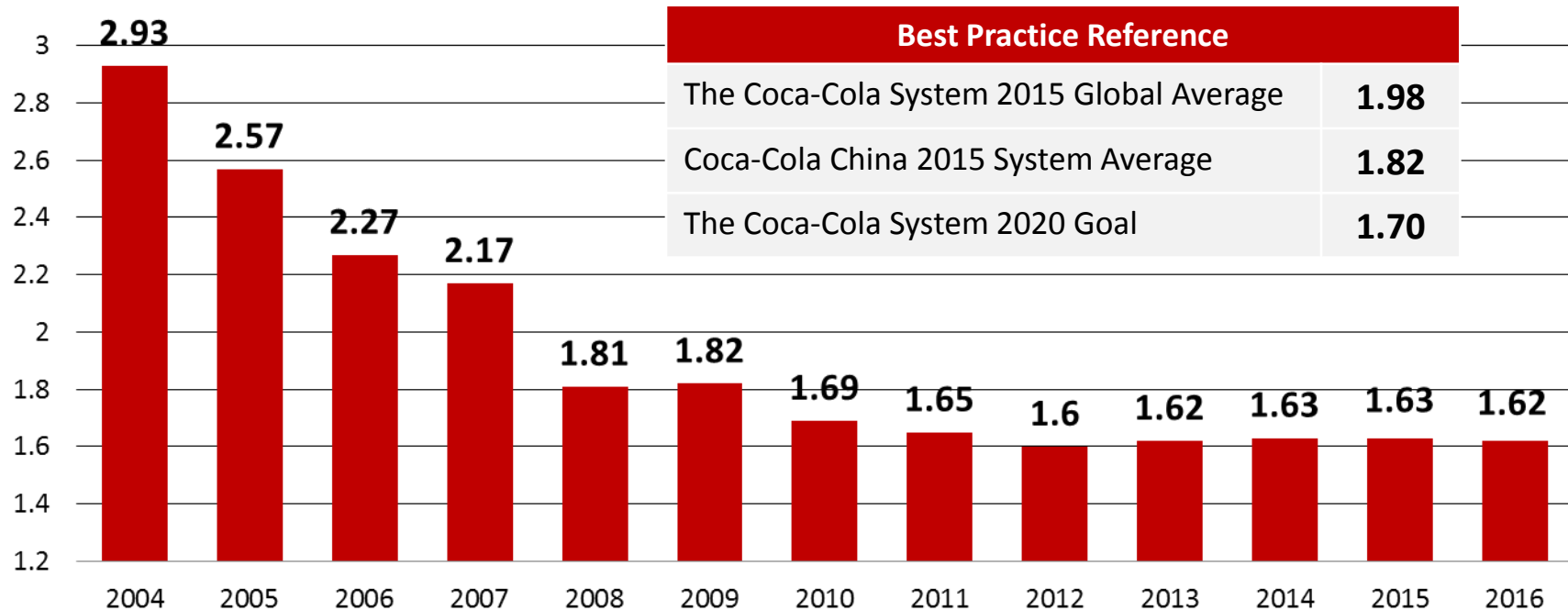
## REPLENISH

Working with external partners, we are committed to support programs to ensure healthy watersheds and sustainable community water with a goal to balance the water used in our finished beverages



## Swire Beverages Mainland China Water Use Ratio

Water Use Ratio (L/L)



- Manufacturing water use ratio reduced by 45%



# Water Stewardship – Recycle and Replenish



## RECYCLE



- 100% Compliance with the PRC Wastewater Discharge National Standard
- 100% facility alignment with The Coca-Cola Company wastewater treatment standards
- In 2015, 385 million liters wastewater treated and replenished to environment (100% of discharge)

### Programme Examples

#### **Reclaimed Water Use**

Reclaimed water from Swire Coca-Cola Beverages Zhengzhou is transferred to the Lianhu Park for sustaining the wetland ecosystem

#### **Mini-Wetland Project**

To control source water pollution in rural areas generated by agriculture through the construction of mini-wetlands

#### **Sustainable Agriculture**

To improve water efficiency by optimizing irrigation facilities and methods in sugarcane growing in Guangxi Province.

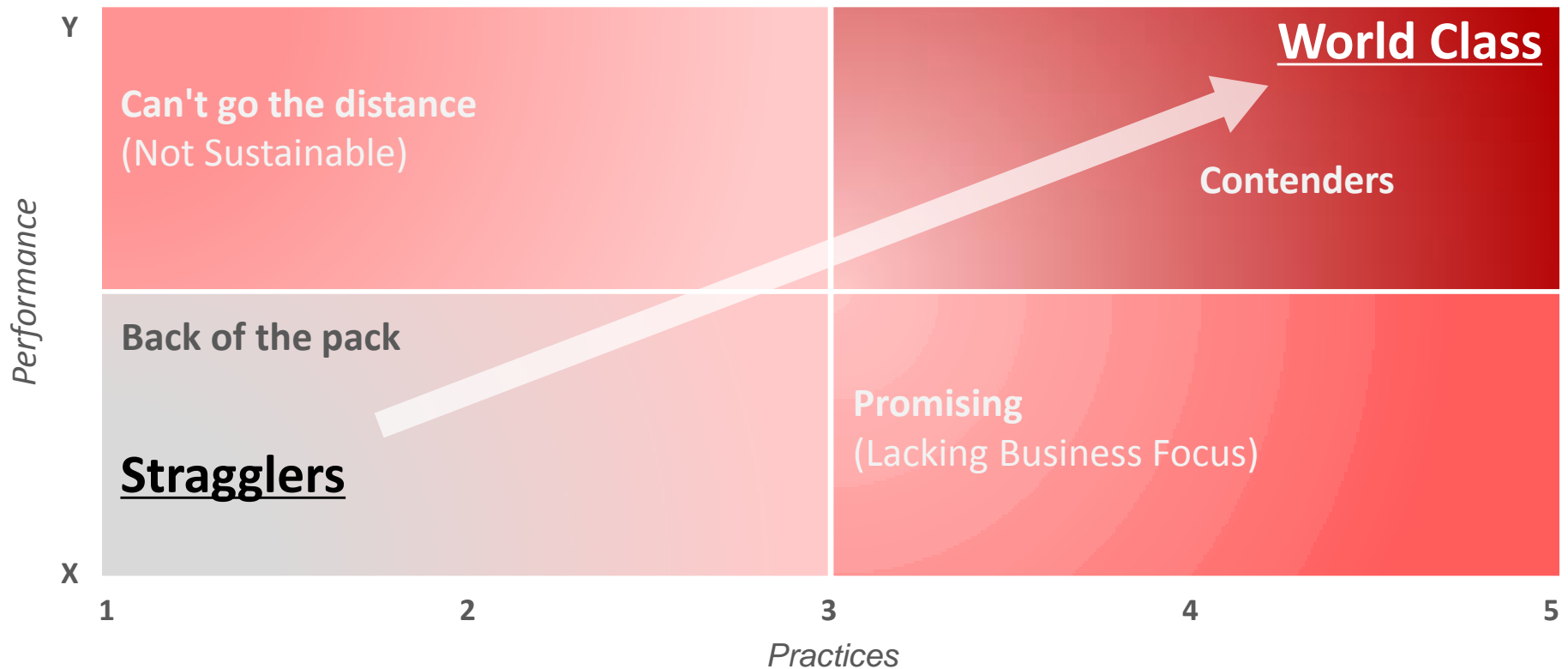
## REPLENISH



# World Class Operations



- Practices drive sustainable performance
- World Class Operations journey in Supply Chain since 2009



# Mainland China World Class Operations – 2009 to 2016



- World Class Operations Programme delivering sustainable improvements

Bottlers	Cost Productivity	Service Productivity	Growth Productivity
<ul style="list-style-type: none"> <li>Zhejiang</li> <li>Anhui</li> <li>Henan</li> <li>Guangdong</li> <li>Fujian</li> <li>Jiangsu</li> <li>Shaanxi</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing Conversion Cost <b>RMB / case 30% reduction</b></li> <li>Logistics Cost – Warehouse and Delivery <b>RMB / case 3% reduction</b></li> </ul>	<ul style="list-style-type: none"> <li>DIFOT * <b>84 % to 92%</b></li> <li>Case Fill Rate <b>72 % to 93%</b></li> <li>Quality <b>96 % to 97%</b></li> <li>Inventory Days <b>15 to 12 days</b></li> </ul>	<ul style="list-style-type: none"> <li>Capacity investment avoidance</li> <li>Line Utilisation <b>68% to 80%</b></li> <li>People Turnover <b>14% to less than 10%</b></li> <li>Multi-Skilled Frontline <b>38% to 62%</b></li> </ul>
WCO Practice Implementation * <b>Progressed from 1.2 to 3.6 (scale 1 – 5)</b>			

# Best Practice – Voice Picking System

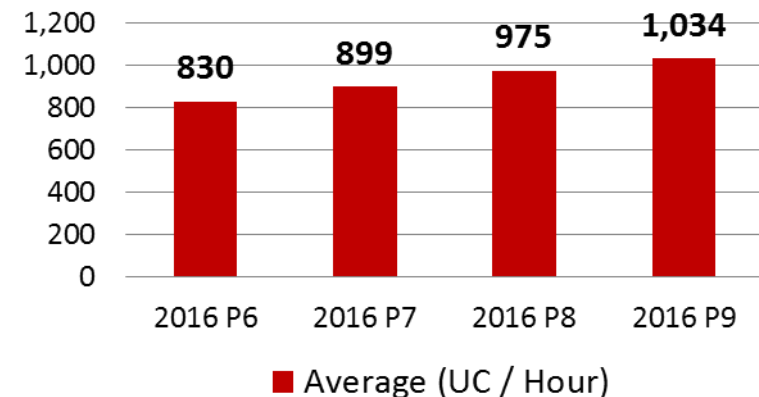


## Re-Application of Swire Coca-Cola, USA Best Practice

- **Project Goal**
  - Improve picking accuracy and efficiency
  - Prepare warehouse operations to handle increase complexity
- **Solution**
  - Re-design picking area with racking
  - Voice picking of pallets
- **Results**
  - Picking Efficiency: 900-1,000 cases/hr
- **Roll-out**
  - 2015-16: 11 DCs; 2017: 6 DCs



Swire Beverages Voice Picking Efficiency



# Best Practice – Line View Real Time Monitoring



## Re-Application of Coca-Cola European Partners Best Practice

### ■ Project Goal

- Pressure on line efficiency due to high customer and consumer demands

### ■ Solution

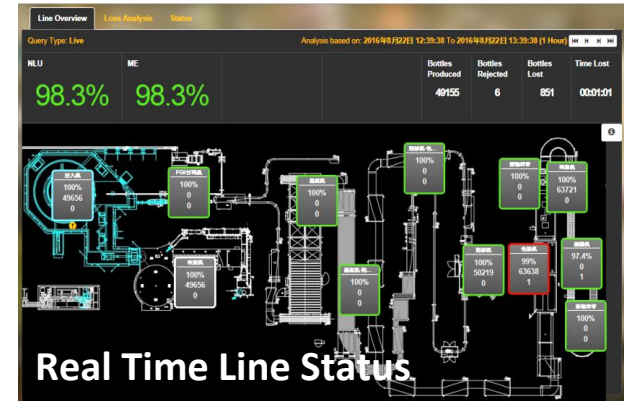
- Sustaining and improving Production Line Utilisation leveraging Big Data

### ■ Results

- Delivers 5% improvement in Line Utilisation

### ■ Roll-out

- 2016 to 2018 on 84 production lines



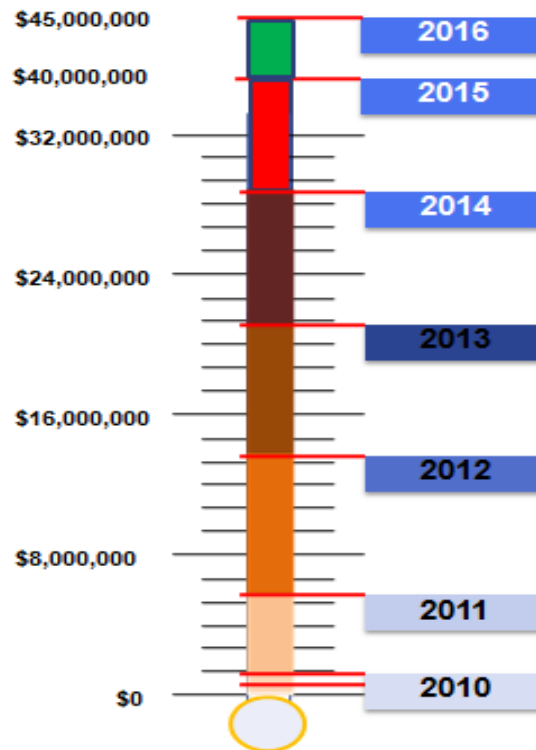


# Continuous Improvement – PIP Programme



## Productivity Improvement Projects (PIP)

649 Projects, Saving RMB 45m



## Golden Ideas Programme

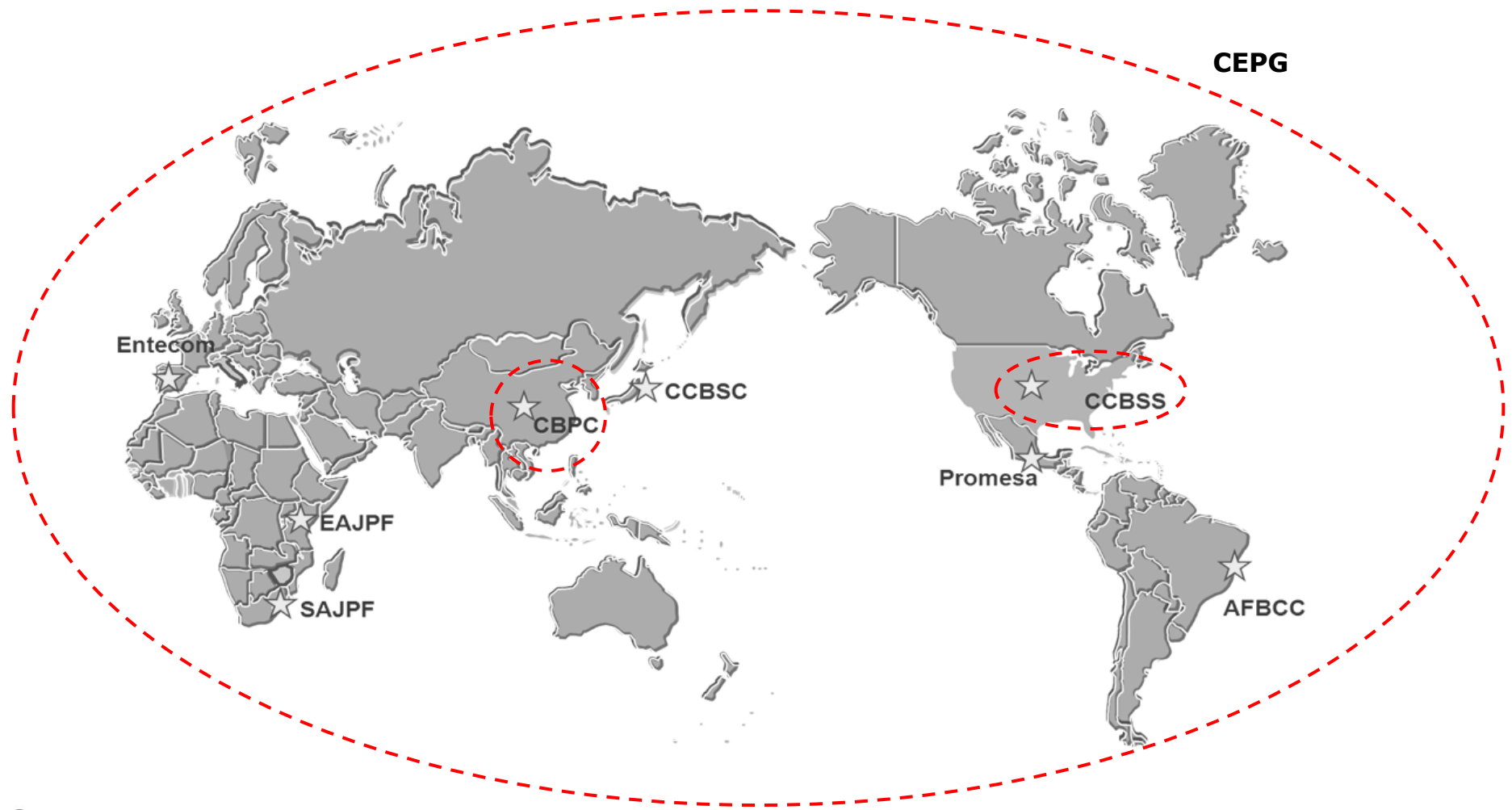
In 2016, frontline teams submitted **5,538** Golden Ideas – over 90% implemented



# Global Procurement Approach

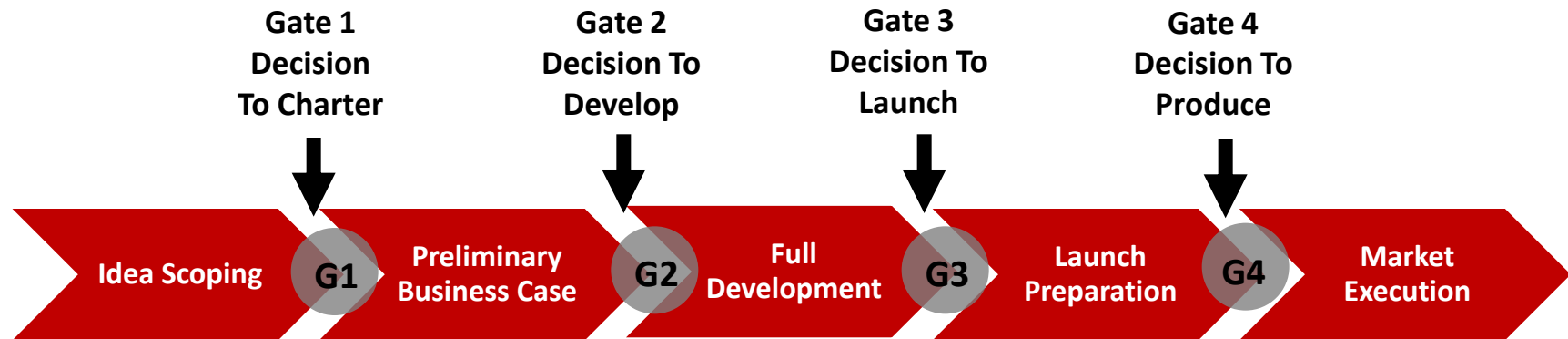


- Leveraging global scale, knowledge and capability through procurement consortiums





## The Coca-Cola Company Stage and Gate Process



- In each of our markets we partner with The Coca-Cola System to deliver a stage and gate innovation process and routine.
- For Mainland China we are applying best practice from Swire Coca-Cola, USA and global best practice – Japan – to deliver a process to capture the portfolio growth opportunities.

# Realignment Synergy Opportunities in Mainland China



- Sustainability
- World Class Operations (WCO)
- Infrastructure Planning
- Strategic Procurement
- Innovation Process





## Closing Remarks

**Pat Healy**

Managing Director, Swire Beverages





- A great time to be increasing our footprint
- Future opportunities are significant in China and USA
- We have a clear revenue growth strategy and are investing heavily in capability development



# Swire Pacific Group Update

**Martin Cubbon**

Corporate Development &  
Finance Director  
Swire Pacific

# Key Themes in 2016

## ▪ **Economic weakness**

- Real GDP growth falls to HK 1.5% (vs 2.4%), China 6.7% (vs 6.9%) and
- USA 1.6% (vs 2.6%)
- Impacts CX passenger yield and load factors, China Beverages and HK retail sales (T&I) & HK retail rentals (Properties)

## ▪ **Continued low oil prices**

- CX fuel surcharge suspensions / continuing hedge losses
- SPO weak utilisation/day rates, vessels in cold stack and need for significant impairments

## ▪ **Continued weakening of RMB / strong USD**

- Lower \$ yields in CX
- Air China debt
- Translation losses in Properties & Beverages

# Key Themes in 2016 (continued)

## ▪ **Exceptional items impacting 2016**

- SAESL gain on sale +HK\$604m
- HAECO Americas impairment –HK\$211m
- SPO impairment –HK\$2,310m
- Altus loss on sale –HK\$120m

## ▪ **Expansion in activities to drive future shareholder returns**

- Brickell City Centre Miami
- HKRI Taikoo Hui Shanghai (and full year operation of Taikoo Li Chengdu)
- Arizona & New Mexico addition to Beverages
- China Cold Storage
- Outstanding minorities in Qinyuan Bakery acquired

## ▪ **No sign of sentiment improving in early 2017**

- China real GDP growth forecast to decline further to 6.5% (6.7%) and RMB forecast to depreciate to 7.15-7.50 (6.95)
- \$ benchmark interest rates expected to rise c0.5%

# Key Themes in 2017

## ▪ **Growth opportunities**

- Positive office rental reversions, partially offset by weaker HK retail rentals
- BCC and HKRI Taikoo Hui revenue offset by Techno Centres demolition and Cityplaza governmentt exchange
- Property trading profits realised on ALASSIO
- CX ATK growth, lower hedge losses
- General increase in HAECO air frame man-hours demand
- Digesting Beverages expansion

## **But**

- Continued difficult market conditions for SPO
- Rising interest charges

## ▪ **No significant capital profits or losses are expected for 2017**

## ▪ **Continued Significant capital projects:**

- One Taikoo Place and Qiantan JV
- CX investment in A350's
- Beverages Pacific North West and China refranchising



# Uncertainties continue into 2017

- **Weak consumer confidence**

- China Beverages sales
- HK Retail sales
- CX Cargo & passenger demand

- **Competition**

- Continued CX passenger yield decline in face of overcapacity

- **SPO**

- Further activity decline (only 60% of budgeted revenue secured)

- HAECO Americas seats
- Assimilating new Beverage expansions
- Cold Storage
- Qinyuan New Bakery expansion