





BEVERAGES DIVISION

DELIVERING REFRESHING SOFT DRINKS



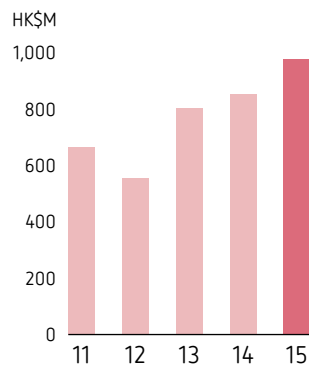
Swire Beverages manufactures,
markets and distributes refreshing soft drinks
to consumers in Hong Kong, Taiwan,
Mainland China and the USA.

OVERVIEW OF THE BUSINESS

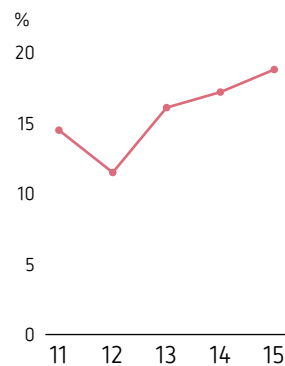
BEVERAGES DIVISION

Swire Beverages has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company ("TCCC") in Hong Kong, Taiwan, seven provinces in Mainland China and an extensive area of the mid-western USA.

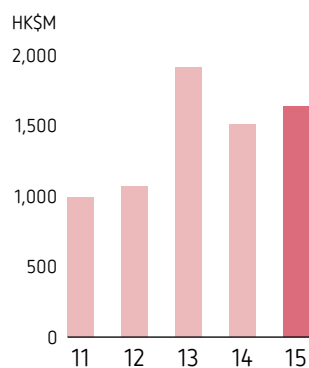
Profit Attributable to the Company's Shareholders



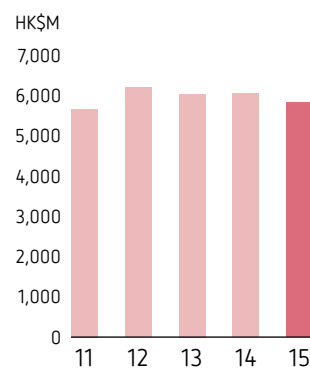
Return on Net Assets Employed



Net Cash Generated from Operating Activities



Net Assets Employed



Swire Beverages has two wholly-owned franchise businesses, in Taiwan and the USA, and five majority-owned franchise businesses, in Hong Kong and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China. It has joint venture interests in three other franchises in Mainland China and an associate interest in a manufacturing company, Coca-Cola

Bottlers Manufacturing Holdings Limited ("CCBMH"), which supplies still beverages to all Coca-Cola franchises in Mainland China.

Swire Beverages manufactures 58 beverage brands and distributes them to a franchise population of over 450 million people.

STRATEGY

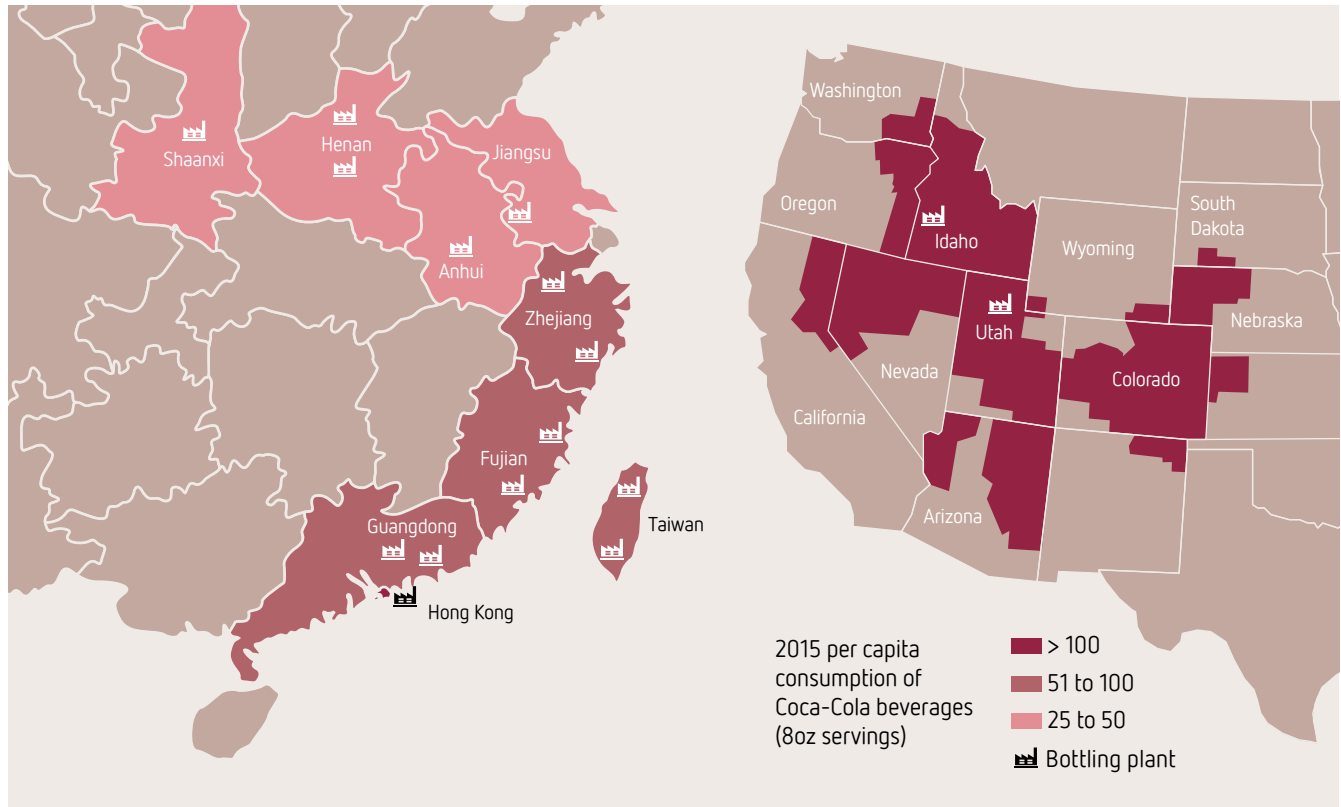
The strategic objective of Swire Beverages is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. The strategies employed in order to achieve this objective are:

- An uncompromising commitment to safety and quality.
- A commitment to work with TCCC to improve our understanding of our customers' businesses, and to use that understanding to create value for our customers and consumers.
- A focus on market execution in sales outlets, recognising that our business depends critically on selling to millions of consumers through such outlets in our franchise territories.
- Effective revenue management, through volume growth and optimisation of pricing and product mix, and product innovation.
- Effective management of costs, through improvements in productivity and efficiency in our supply chain and in sales and distribution.
- A commitment to sustainability, by seeking to reduce the environmental impact of our operations, with a particular focus on water conservation, and by engaging with the communities in which we operate.

Franchise Territories

GREATER CHINA

USA



Per Capita Consumption in Franchise Territories

	Franchise population (millions)	GDP per capita (US\$)	Sales volume (million unit cases)		Per capita consumption of Coca-Cola Beverages (8oz servings)
			2015	2005	
Mainland China					
Guangdong	78.8	12,750	208	105	
Zhejiang	50.6	12,215	150	88	
Henan	94.6	6,186	134	28	
Jiangsu	55.4	11,757	106	54	
Fujian	38.4	10,670	93	35	
Anhui	61.3	5,798	86	16	
Shaanxi	37.9	7,866	59	22	
Hong Kong	7.3	41,149	65	48	
Taiwan	23.5	21,688	56	44	
USA	11.2	46,959	126	79	

Note: A unit case comprises 24 8oz servings.

2015 PERFORMANCE

Financial Highlights

	2015 HK\$M	2014 HK\$M
Revenue	17,174	16,383
Operating profit	1,164	1,095
Share of post-tax profits from joint venture and associated companies	262	291
Attributable profit	976	854

Sustainable Development Highlights

	2015	2014
Water use ratio	1.74	1.77
LTIR	0.56	0.69

Segment Financial Highlights

	Revenue		Attributable Profit	
	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M
Mainland China	7,617	7,856	391	395
Hong Kong	2,200	2,164	204	185
Taiwan	1,392	1,415	34	23
USA	5,965	4,948	273	208
Central costs	–	–	74	43
	17,174	16,383	976	854

Accounting for the Beverages Division

The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China) are accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue and operating profit shown above, therefore, are attributable to these franchise businesses only. The division's joint venture interests in three other franchises in Mainland China and its associate interest in CCBMH are accounted for using the equity method of accounting. Swire Pacific recognises its share of net profit or loss from each of these interests as a single line-item in the consolidated statement of profit or loss.

For reference, the total revenue and operating profit from the joint venture interests in three franchises in Mainland China was HK\$8,930 million and HK\$469 million, respectively, in 2015 (2014: HK\$9,187 million and HK\$512 million, respectively). The revenue of CCBMH, excluding sales to the seven Mainland China franchises, was HK\$4,324 million in 2015 (2014: HK\$5,073 million).

The sales volume for Mainland China shown in the chart on page 50 represents sales in the seven franchises, including products supplied by CCBMH.

Central costs are arrived at after crediting gains on disposal of available-for-sale investments of HK\$103 million (2014: HK\$78 million).

Segment Performance

		Percentage Change				Swire Beverages
		Mainland China**	Hong Kong	Taiwan	USA	
Quality	Production Quality Index	-1.4%	2.2%	0.1%	-0.2%	N/A
Customers	Active Outlets	4.8%	-1.8%	-9.8%	-1.6%	3.5%
Revenue Management	Sales Volume	2.4%	0.1%	1.5%	17.3%	3.8%
	Revenue*	-4.4%	2.3%	2.5%	4.2%	-1.7%
Cost Management	Gross Margin*	0.6%	7.6%	8.2%	3.7%	2.6%
	Operating Profit	-10.2%	13.6%	44.6%	30.4%	0.7%
Sustainability	Water Use Ratio	-1.0%	1.0%	-10.0%	-5.0%	-2.0%
	Energy Use Ratio	0.0%	2.0%	-8.0%	-11.0%	-3.0%
Safety	LTIR	-14.0%	-44.0%	-61.0%	7.0%	-19.0%

* Per unit case.

** Segment Performance for Mainland China represents performance in the seven franchises.

2015 BEVERAGE INDUSTRY REVIEW

In Mainland China, the total volume of non-alcoholic ready-to-drink beverages sold grew by 4% in 2015. The volume of sparkling beverages sold grew by 2%, that of water by 8% and that of other still beverages by 1%. Within other still beverages, the sales volume of juice declined by 7%.

In Hong Kong, the total volume of non-alcoholic ready-to-drink beverages sold grew by 1% in 2015. Still beverages volume grew by 2%. Sparkling beverages volume declined (by 1%). Ready-to-drink coffee, tea and water were the strongest growing categories.

In Taiwan, the total volume of non-alcoholic ready-to-drink beverages sold grew by 2% in 2015. The volume of water and sparkling beverages sold grew by 13% and 2% respectively. The volume of tea and juice sold declined by 4% and 2% respectively.

In the USA, the total volume of sparkling beverages sold declined by 3% in 2015. The volume of energy drinks and water sold increased by 11% and 13% respectively.

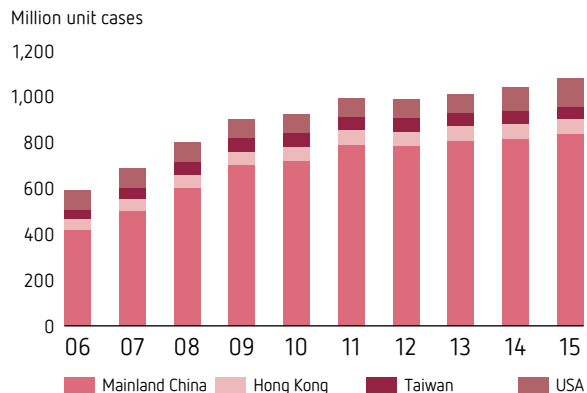
2015 RESULTS SUMMARY

Swire Beverages made an attributable profit of HK\$976 million in 2015, a 14% increase from 2014. Excluding non-recurring gains on disposal of available-for-sale investments in 2014 and 2015 (accounted for as a credit to central costs), attributable profit increased by 13% to HK\$873 million in 2015.

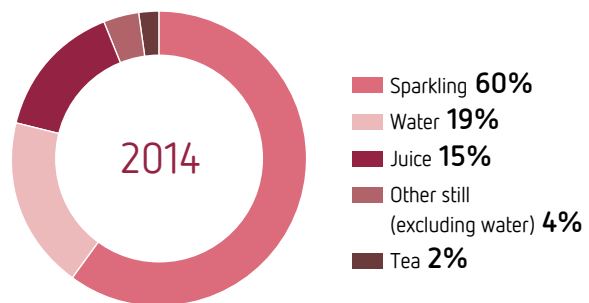
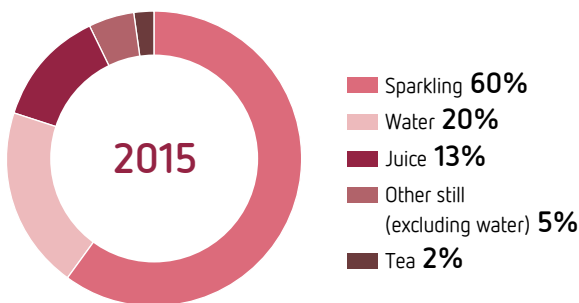
The increase in attributable profit principally reflected higher profits in Hong Kong, Taiwan and the USA.

Overall sales volume increased by 4% to 1,083 million unit cases, compared with an increase of 3% in 2014. Volume grew in Mainland China, Taiwan and the USA and was unchanged in Hong Kong. Growth was particularly strong in the USA, reflecting the inclusion of sales for a full year from territories assumed in 2014.

Sales Volume



Breakdown of Total Volume by Category





Swire Beverages Holdings Limited acquired additional interests in three of its subsidiaries in Mainland China in 2015.

Mainland China

Attributable profit from Mainland China was HK\$391 million, a 1% decrease from 2014.

Total sales volume increased modestly (by 2%) compared with 2014. Sparkling sales volume grew by 4%. Water sales volume grew by 12%. Juice sales volume declined by 12%. Changes in the sales mix and promotional pricing resulted in a 4% decline in revenue per unit case.

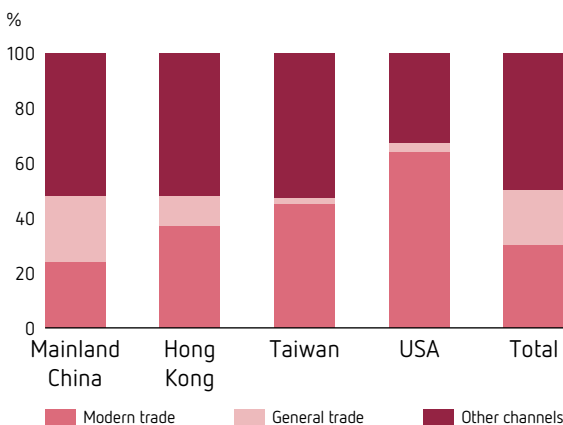
Gross margins per unit case improved by 1%. This was due to lower raw material costs (mainly resin and aluminium). The

increase in gross margins was more than offset by an increase in operating costs, in particular staff costs and depreciation.

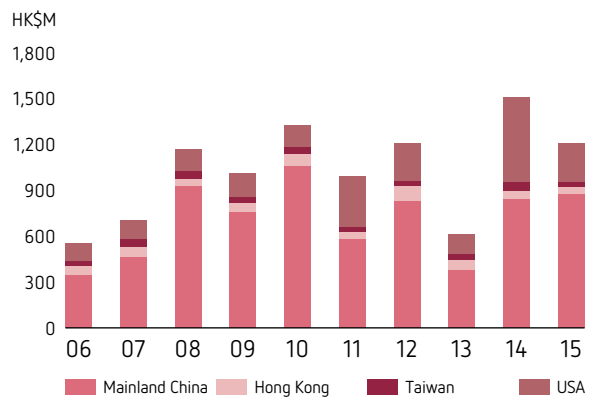
In September 2015, Swire Beverages Holdings Limited completed the acquisition of additional interests in three of its subsidiaries in Mainland China. The acquisition (which was accounted for from July 2015, when the agreement was signed) resulted in attributable profits being higher by HK\$21 million than they would otherwise have been.

A decline in the share of profit from an associated company, CCBMH, was recorded in 2015. This reflected weak juice sales.

Breakdown of Total Volume by Channel



Capital Expenditure



Hong Kong

Attributable profit from Hong Kong in 2015 was HK\$204 million, a 10% increase from 2014.

Total sales volume was unchanged in 2015. Sparkling sales volume decreased by 1%. Still sales volume increased by 1%. Tea and coffee sales volume increased by 7% and 6% respectively. These increases were offset in part by declines in juice sales volume.

Revenue per unit case increased by 2%, due to price increases. A 3% decrease in raw material costs contributed to an increase in gross margin of 8% per unit case.

Taiwan

Attributable profit from Taiwan was HK\$34 million, a 48% increase from 2014.

Sales volume in 2015 increased by 2%. Sparkling sales volume increased by 1%. Still sales volume increased by 2%. Tea sales increased by 4%. This principally reflected the introduction of new products. Existing tea products also did well. Juice sales were weak.

Revenue per unit case in local currency increased by 3%, due to a favourable sales mix. A 2% decrease in raw material costs per case (in particular of resin) contributed to an increase in gross margins. Higher selling and marketing costs partly offset the beneficial effect of the increase in gross margins.

USA

Attributable profit from the USA was HK\$273 million, a 31% increase from 2014.

Sales volume in the USA increased by 17% in 2015. This principally reflected a full year's contribution from the new franchise territories in Denver and Colorado Springs (these territories having been assumed in May 2014). Attributable profit from the new territories for 2015 was HK\$56 million.

Sparkling sales volume increased by 11%. Still sales volume increased by 33%, principally due to increases in sales of energy and water drinks of 59% and 20% respectively.

Revenue per unit case increased by 4%, due to price increases. Cost of goods per unit case increased by 5%. Gross margins benefited from higher selling prices and higher sales volume. These were partially offset by higher operating costs in the newly assumed territories.

In September 2015, Swire Beverages conditionally agreed to acquire certain distribution assets from TCCC in Arizona and the right to distribute the beverage products of TCCC in Arizona (including the Phoenix and Tucson markets). In December 2015, Swire Beverages conditionally agreed to acquire from TCCC certain production assets in Phoenix, Arizona and Denver, Colorado. Completion of the acquisitions is conditional upon, among other things, all necessary approvals being obtained. Completion of the acquisition of the distribution assets is expected to take place in 2016. Completion of the acquisition of the production assets is expected to take place no later than 2018.

In February 2016, a letter of intent was signed with TCCC in relation to the grant of additional territory rights to Swire Coca-Cola USA in the states of Washington, Oregon and Idaho and including the cities of Seattle and Spokane in Washington and the city of Portland in Oregon. The letter also contemplates the acquisition of production facilities near Seattle and Portland and distribution facilities.

Sustainable Development

The water use ratio (which measures the amount of water used to produce each unit of production) improved by 2% compared with 2014. The improvement is mainly due to replacing and repairing pipes, using water more efficiently in cleaning and reusing treated waste water.

OUTLOOK

Sales volume in the Swire Beverages franchise territories in Mainland China is expected to grow modestly in 2016. Revenue is expected to grow at a faster rate, reflecting a better sales mix, strong sales for immediate consumption, the introduction of new products and strong marketing support for existing products. Increases in costs, in particular staff and compliance costs, will put pressure on margins.

In Hong Kong, moderate growth in sales volume and revenue is expected, reflecting the introduction of new products and effective marketing. Raw material costs are expected to remain favourable. Lack of capacity and labour shortages are problems.

The retail background in Taiwan is expected to be difficult. However, sales of sparkling beverages and tea are expected to benefit from the introduction of new products.

In the USA, the beverages market is expected to grow moderately in 2016. Sales of energy drinks and water are expected to continue to grow, assisted by the introduction of additional flavours. The business is expected to benefit from additional profits derived from the bottling territories acquired in Colorado and Arizona.

Patrick Healy