



Coca-Cola beverages
bring a refreshing taste to
consumers.

BEVERAGES DIVISION

DELIVERING REFRESHING SOFT DRINKS



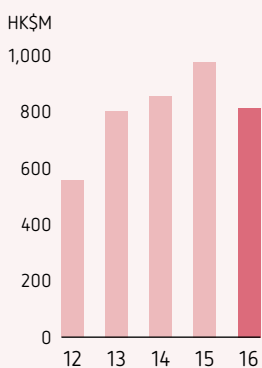
Swire Beverages manufactures,
markets and distributes refreshing soft drinks
to consumers in Hong Kong, Taiwan,
Mainland China and the USA.

OVERVIEW OF THE BUSINESS

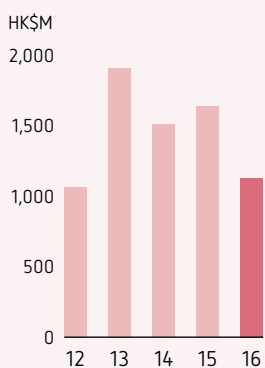
BEVERAGES DIVISION

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.

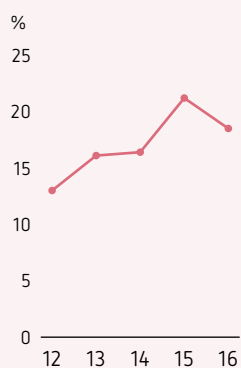
Profit Attributable
to the Company's
Shareholders



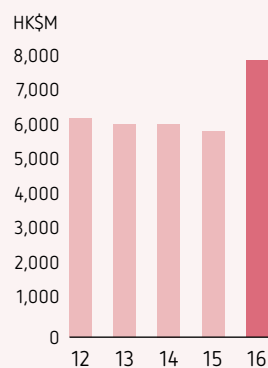
Net Cash Generated
from Operating Activities



Return on Equity



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.

At the end of 2016, Swire Beverages manufactured 59 beverage brands and distributed them to a franchise population of over 470 million people.

STRATEGY

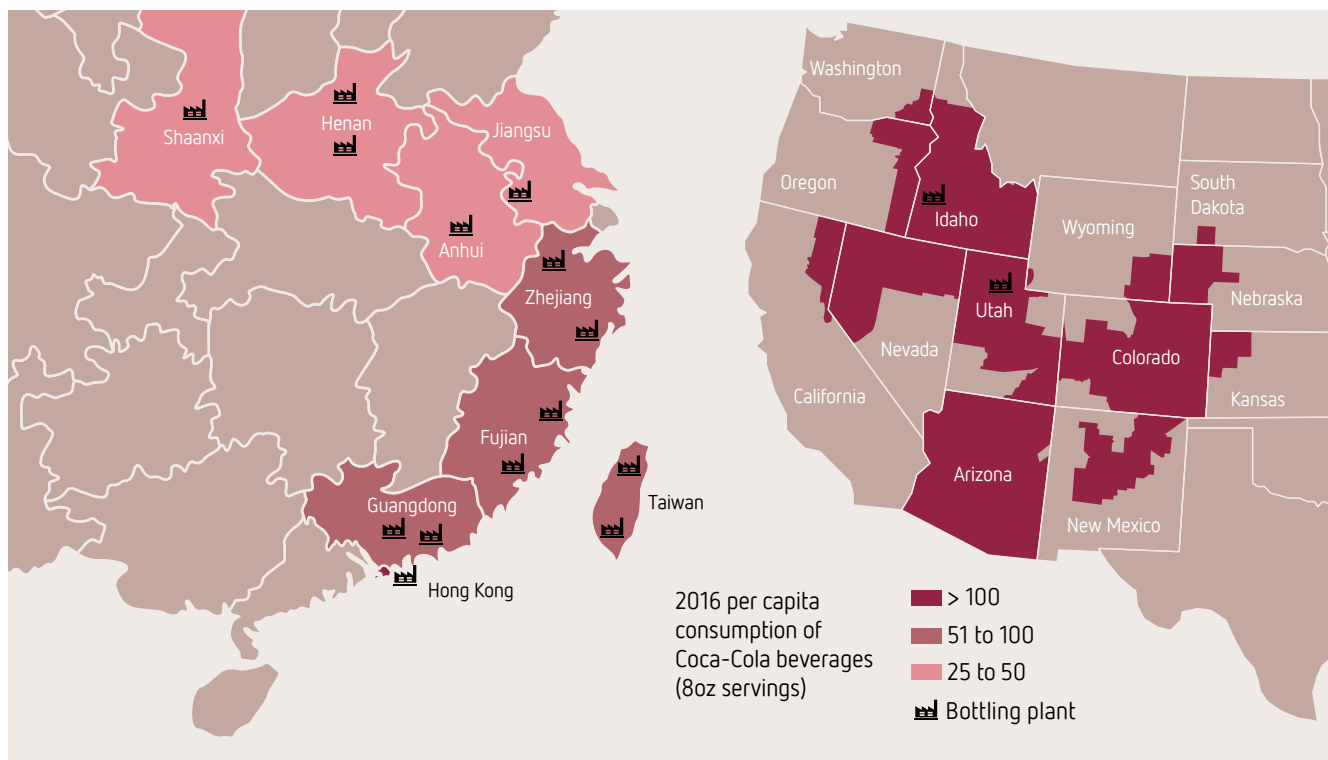
The strategic objective of Swire Beverages is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. The strategies employed in order to achieve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

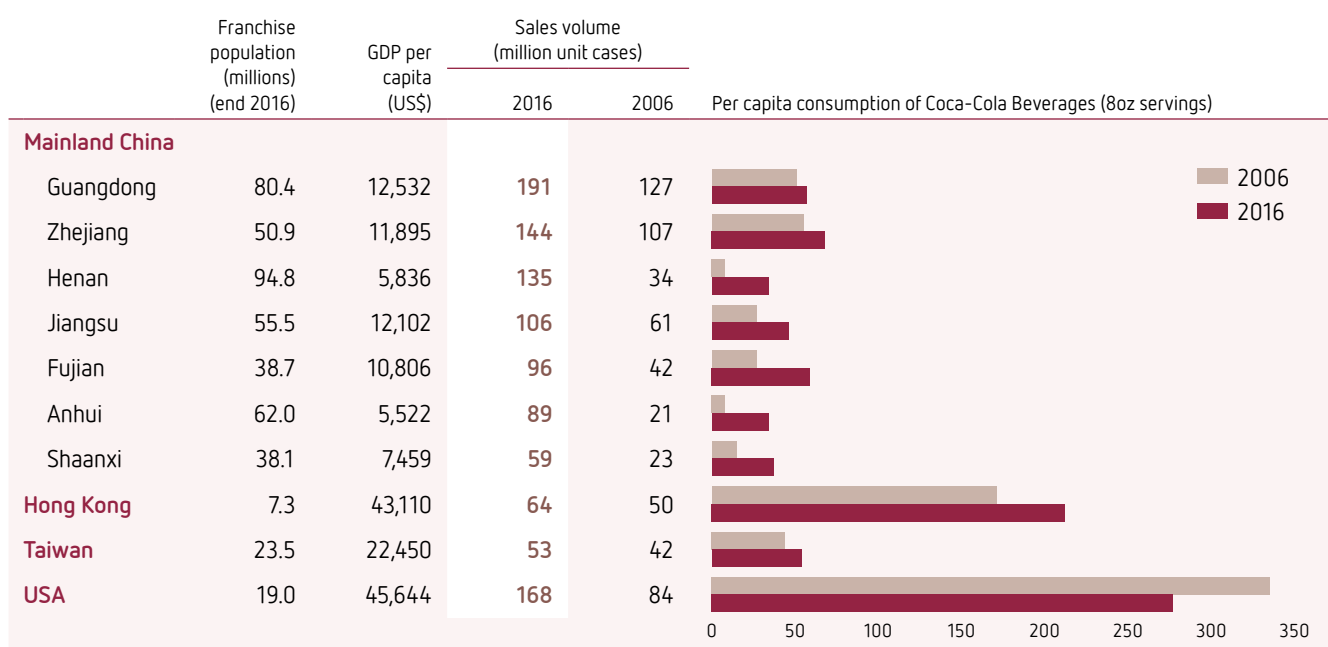
Franchise Territories

GREATER CHINA

USA



Per Capita Consumption in Franchise Territories



Note 1: A unit case comprises 24 8oz servings.

Note 2: USA per capita consumption in 2016 includes annualised consumption figures for the new territories assumed during the year.

2016 PERFORMANCE

Financial Highlights

	2016 HK\$M	2015 HK\$M
Revenue	18,421	17,174
Operating profit	1,003	1,164
Share of post-tax profits from joint venture and associated companies	218	262
Attributable profit	813	976

Segment Financial Highlights

	Revenue		Attributable Profit	
	2016 HK\$M	2015 HK\$M	2016 HK\$M	2015 HK\$M
Mainland China	6,873	7,617	288	391
Hong Kong	2,212	2,200	205	204
Taiwan	1,323	1,392	33	34
USA	8,013	5,965	306	273
Central costs	–	–	(19)	74
	18,421	17,174	813	976

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\$7,480 million and HK\$309 million, respectively, in 2016 (2015: HK\$8,930 million and HK\$469 million, respectively). The revenue of CCBMH, excluding sales to the seven Mainland China franchises, was HK\$3,792 million in 2016 (2015: HK\$4,324 million).

The sales volume for Mainland China 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\$11 million (2015: HK\$103 million).

Segment Performance

		Percentage Change				
		Mainland China**	Hong Kong	Taiwan	USA	Swire Beverages
Quality	Production Quality Index	-0.8%	0.1%	-1.3%	0.7%	N/A
Customers	Active Outlets	1.9%	-1.4%	-11.1%	63.2%	3.9%
Revenue Management	Sales Volume	-2.0%	-0.9%	-4.7%	33.4%	2.1%
	Revenue*	-6.3%	1.5%	0.6%	-0.3%	-3.6%
Cost Management	Gross Margin*	-1.4%	3.3%	0.1%	-4.1%	-1.3%
	Operating Profit	-16.5%	0.3%	-2.6%	5.9%	-11.2%
Sustainability	Water Use Ratio	6.0%	3.0%	2.0%	-1.0%	4.0%
	Energy Use Ratio	14.0%	2.0%	6.0%	-4.0%	13.0%
Safety	LTIR	-11.0%	-6.0%	45.0%	-31.0%	-10.0%

* Per unit case.

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

2016 BEVERAGE INDUSTRY REVIEW

In Mainland China, the total volume of non-alcoholic ready-to-drink beverages sold grew by 2% in 2016. The volume of water sold grew by 5%. The volume of sparkling beverages and juice sold declined by 1% and 5% respectively.

In Hong Kong, the total volume of non-alcoholic ready-to-drink beverages sold in the modern trade grew by 1% in 2016. Sparkling beverages volume grew by 2%. Still beverages volume grew by 1%. Tea grew by 2%. Water volume grew by 1%.

In Taiwan, the total volume of non-alcoholic ready-to-drink beverages sold grew by 2% in 2016. The volume of tea and juice sold grew by 2% and 1% respectively. Sparkling beverages volume declined by 2%.

In the USA, the total volume of sparkling beverages sold grew by 2% in 2016. Still beverages volume grew by 6%. The volume of energy drinks and water sold grew by 4% and 12% respectively.

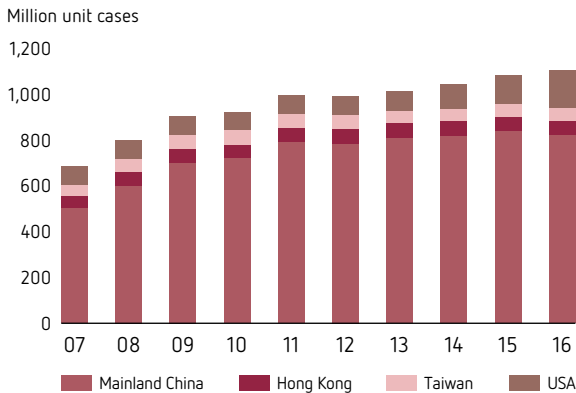
2016 RESULTS SUMMARY

Swire Beverages made an attributable profit of HK\$813 million in 2016, a 17% decrease from 2015. Excluding non-recurring gains on disposal of available-for-sale investments in 2015 and 2016 (accounted for as a credit to central costs), attributable profit decreased by 8% to HK\$802 million in 2016.

The decrease in attributable profit principally reflected lower profits in Mainland China.

Overall sales volume increased by 2% to 1,105 million unit cases, compared with an increase of 4% in 2015. Volume grew in the USA, reflecting the inclusion of sales in Arizona and New Mexico with effect from August 2016. Volume declined in Mainland China, Hong Kong and Taiwan.

Sales Volume

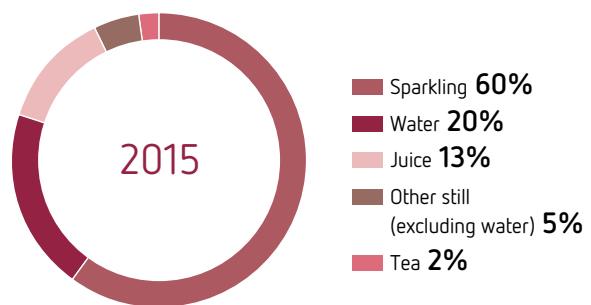
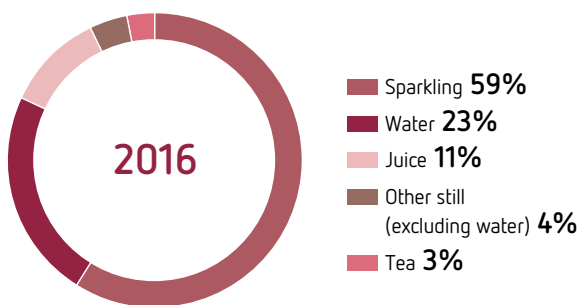


Mainland China

Attributable profit from Mainland China was HK\$288 million, a 26% decrease from 2015.

Total sales volume decreased by 2% in 2016. This reflected the slowdown in the growth of the Mainland China economy and stronger competition from new types of beverages. Sparkling sales volume declined by 6%. Juice sales volume declined by 15%. Water sales volume grew by 19%.

Breakdown of Total Volume by Category





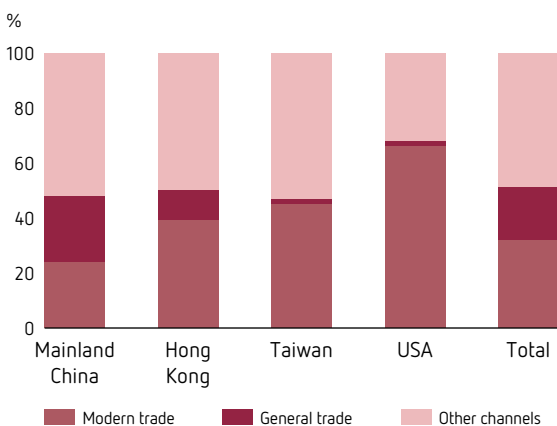
In November and December 2016, SBHL conditionally agreed with TCCC and a subsidiary of China Foods for the realignment of the Coca-Cola bottling system in Mainland China.

Adverse changes in the sales mix and promotional pricing resulted in a 6% decline in revenue per unit case.

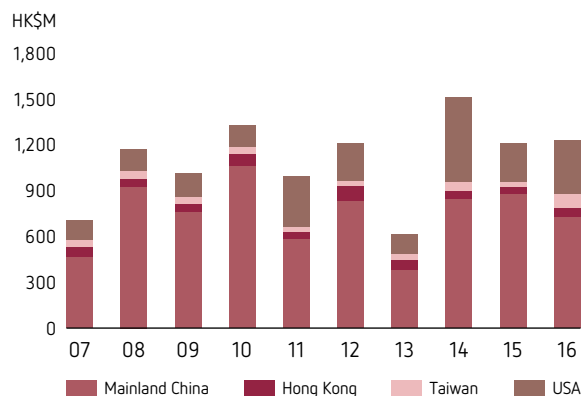
Gross margins per unit case decreased by 1%. Lower raw material costs (mainly sweetener, aluminium and resin) partly offset the decrease in revenue per unit case.

In November and December 2016, Swire Beverages Holdings Limited ("SBHL") entered into conditional agreements with TCCC and a subsidiary of China Foods Limited ("China Foods") for the realignment of the Coca-Cola bottling system in Mainland China. SBHL also agreed (conditionally on the realignment proceeding) to acquire from a subsidiary of TCCC the 12.5% interest in Swire Beverages Limited ("SBL") which is not already owned by SBHL. SBL is the holding company for the majority of Swire Pacific's interests in companies engaged in the non-alcoholic ready to drink business in Mainland China and Hong Kong. If the realignment proceeds, it will result in SBHL having controlling interests in companies operating in territories in which 49% of the Mainland China population live, and in which 51% of Coca-Cola beverages were consumed in Mainland China in 2015. The corresponding percentages before the realignment are 31% and 34% respectively. At present, SBHL has interests in franchise territories in Mainland China in Fujian, Anhui, Henan, Shaanxi, Guangdong, Zhejiang and Jiangsu. If the realignment proceeds, SBHL will take on franchise territories in Hubei, Guangxi, Yunnan, Jiangxi, Hainan and Shanghai and the cities of Zhanjiang and Maoming in Guangdong, and will increase its interests in franchise territories in Jiangsu, Zhejiang, Anhui, Fujian, Henan and Guangdong. The Shaanxi territory will be transferred to a subsidiary of China Foods. The net amount expected to be payable by SBHL in respect of the realignment and the acquisition of 12.5% of SBL is RMB5,869 million, subject to completion adjustments. They remain subject to satisfaction of regulatory and other conditions. Assuming satisfaction of these conditions, the completion of the transactions is expected to occur later in the first half of 2017.

Breakdown of Total Volume by Channel



Capital Expenditure





Swire Coca-Cola, USA is the third largest independent Coca-Cola bottler in the USA.

Hong Kong

Attributable profit from Hong Kong in 2016 was HK\$205 million, a 1% increase from 2015.

Total sales volume decreased by 1% in 2016 due to the decline in sales outside the modern trade channel. Sparkling sales volume declined by 4%. Still sales volume grew by 2%. Tea and water sales volume both increased by 2%.

Revenue per unit case increased by 2%. Raw material costs per unit case decreased by 1%. Together, these factors contributed to a 3% increase in gross margin per unit case. The increase in gross margins was offset by an increase in operating costs.

Taiwan

Attributable profit from Taiwan was HK\$33 million, a 3% decrease from 2015.

Sales volume in 2016 decreased by 5%. Sparkling sales volume decreased by 2%. Still sales volume decreased by 8%. Tea and juice sales volumes decreased by 8% and 9% respectively.

Revenue per unit case increased by 1%. Raw material costs per unit case increased by 1%. Gross margins per unit case were unchanged.

USA

Attributable profit from the USA was HK\$306 million, a 12% increase from 2015.

Sales volume in the USA increased by 33% in 2016, principally as a result of the acquisition of new franchise territories in Arizona and New Mexico from August 2016. Sales volume increased by 3% excluding these new franchise territories. Attributable profit from the new franchise territories for 2016 was HK\$21 million.

Sparkling sales volume increased by 33%. Still sales volume increased by 34%, principally due to increases in sales of energy and water drinks of 25% and 43% respectively.

Revenue per unit case decreased marginally, by 0.3%. Cost of goods per unit case increased by 3%. Gross margins increased as a result of higher sales volume, but the beneficial effect of this was partially offset by higher operating costs in the newly acquired territories.

In October 2016, Swire Beverages conditionally agreed to acquire from TCCC additional territory rights in the states of Washington, Oregon and Idaho in the Pacific Northwest and production facilities near Seattle and Portland. The acquisition of additional territory rights in Washington was completed in February 2017. The remainder of the acquisition is expected to be completed later in the first half of 2017.

OUTLOOK

Sales volume in the Swire Beverages franchise territories in Mainland China is expected to grow modestly in 2017. Revenue is also expected to grow modestly, reflecting a better sales mix, the introduction of new products and packaging, strong marketing support for products and improved market execution. Increases in costs, in particular raw materials, staff and compliance costs, will put pressure on margins.

In Hong Kong, the market will be difficult. Moderate growth in sales volume is expected, reflecting the introduction of new products and effective marketing. Raw material costs are expected to increase (especially sugar costs). Production capacity constraints will result in inefficiencies in production and logistics.

The retail market in Taiwan is expected to be weak. However, sales of sparkling beverages, tea and juice are expected to improve due to the launch of new products and improvements in the execution of sales and marketing plans.

In the USA, the beverages market is expected to grow moderately in 2017. Sales of energy drinks and water are expected to continue to grow, assisted by introduction of additional flavours. The business is expected to start to benefit from the acquisition of additional bottling territories and production facilities in the Pacific Northwest.

Patrick Healy