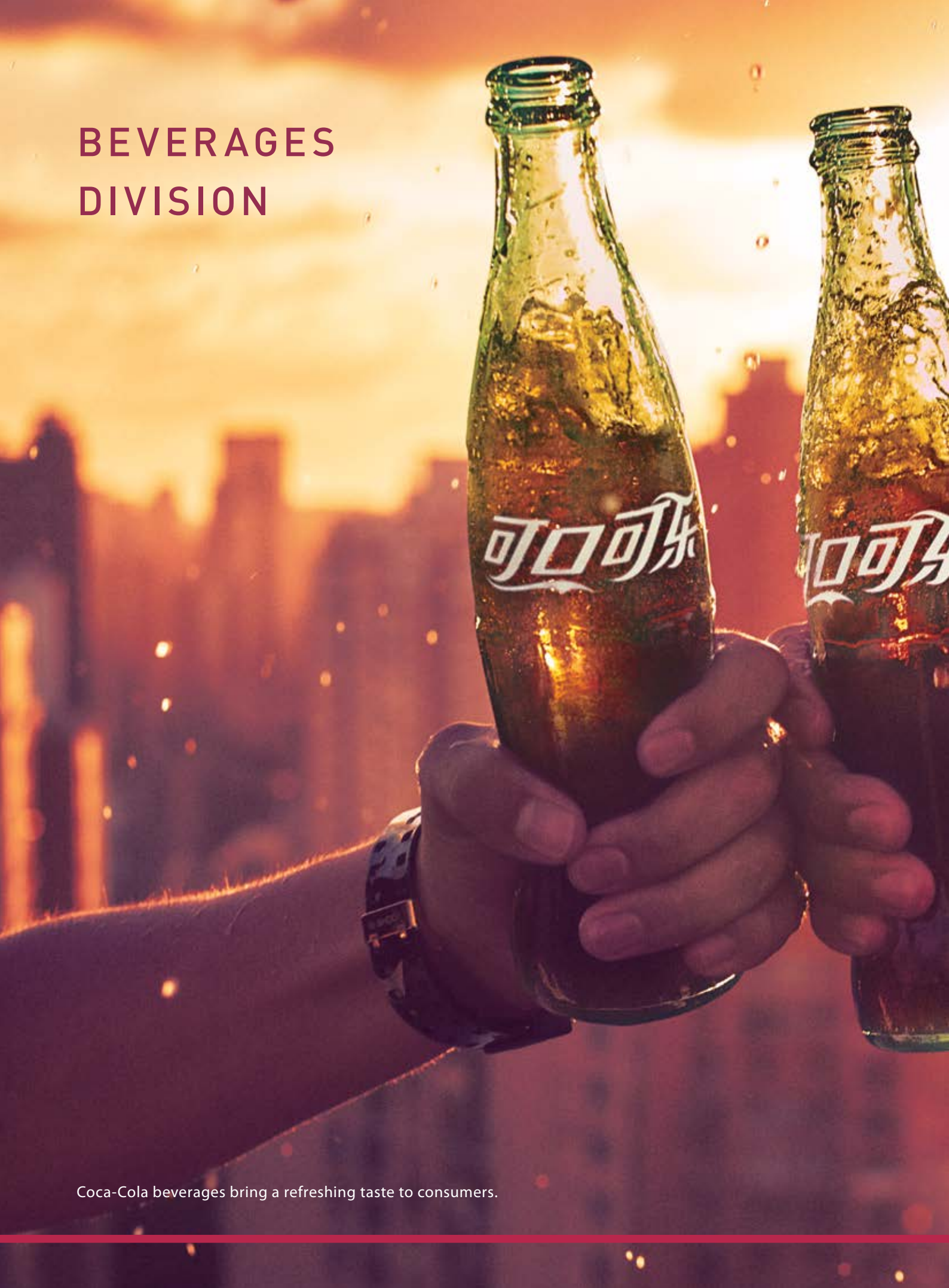


BEVERAGES  
DIVISION



Coca-Cola beverages bring a refreshing taste to consumers.

A hand holding a cold, condensation-covered Coca-Cola bottle against a sunset cityscape. The background is a warm, golden sunset over a city with tall buildings. The bottle is in the foreground, and the hand is visible. The overall mood is refreshing and vibrant.

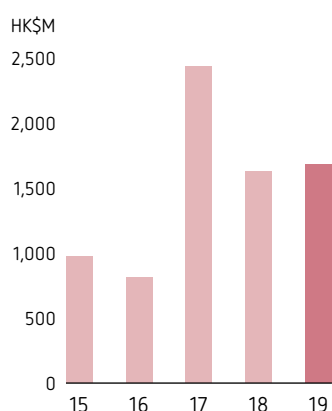
## DELIVERING REFRESHING SOFT DRINKS

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

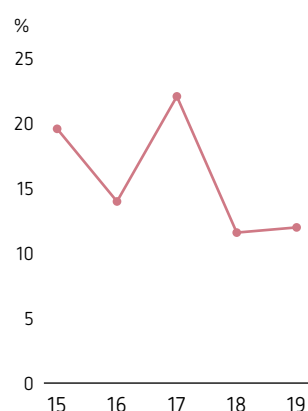
## BEVERAGES DIVISION

Swire Coca-Cola (formerly Swire Beverages) has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company (TCCC) in 11 provinces and the Shanghai Municipality in Mainland China and in Hong Kong, Taiwan and an extensive area of the western USA.

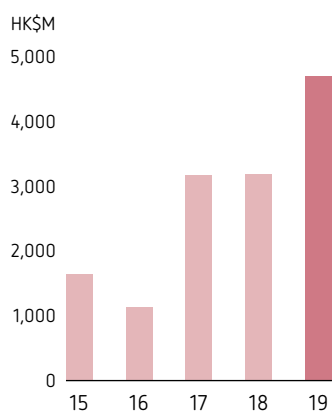
Profit Attributable to the Company's Shareholders



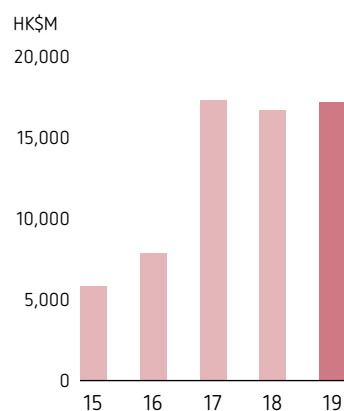
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



Swire Coca-Cola has ten wholly-owned franchise businesses (in Hong Kong, Taiwan and the USA, and in Fujian, Anhui, Guangxi, Jiangxi, Jiangsu and Hainan provinces and the cities of Zhanjiang and Maoming in Guangdong province in Mainland China) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in Mainland China). It has a joint venture interest in a franchise in

the Shanghai Municipality in Mainland China and an associate interest in Coca-Cola Bottlers Manufacturing Holdings Limited (CCBMH), which supplies still beverages to all Coca-Cola franchises in Mainland China.

At the end of 2019, Swire Coca-Cola manufactured 61 beverage brands and distributed them to a franchise population of 736 million people.

## STRATEGY

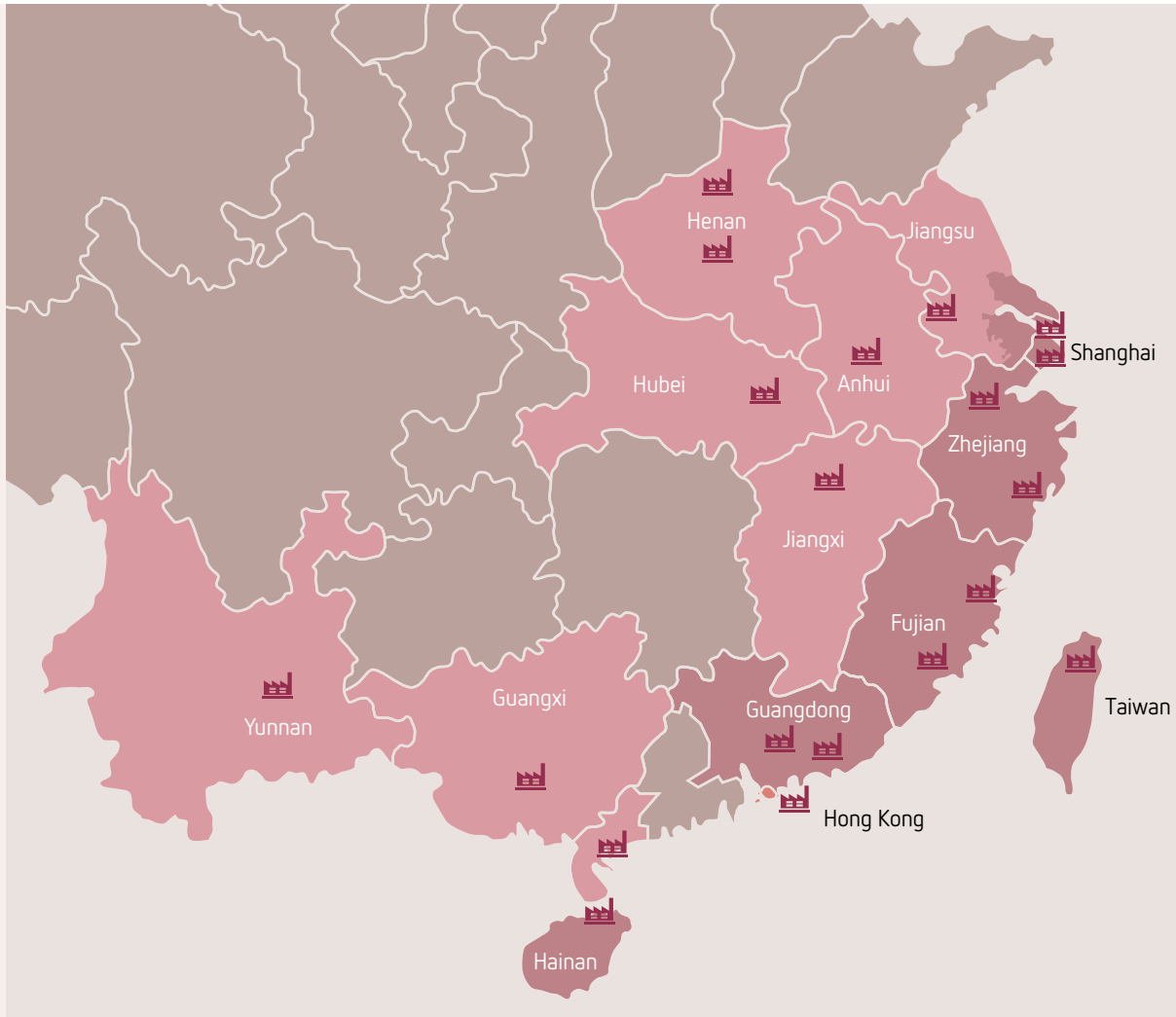
The strategic objective of Swire Coca-Cola is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. To achieve this objective, Swire Coca-Cola has five strategic priorities:

- **Portfolio Expansion**  
Alignment with The Coca-Cola Company's commitment to provide consumers everywhere with "Beverages for Life". This means increasing sales of sparkling beverages and developing sales of other beverage categories in order to increase our share of the non-alcoholic beverage market.
- **Commercial Leadership**  
Continuous improvements in execution, customer service, delivery and route-to-market metrics, with a view to being our customers' preferred supplier.
- **Digital Leadership**  
Becoming a digital leader, first in the beverage industry, then in the entire fast-moving consumer goods industry, in each of our markets.
- **Benchmarking**  
Benchmarking our operational and financial performance against peers in the Coca-Cola system and learning from such peers in order to adopt global best practices quickly.
- **Sustainability**  
Identifying and implementing sustainable practices throughout our business.

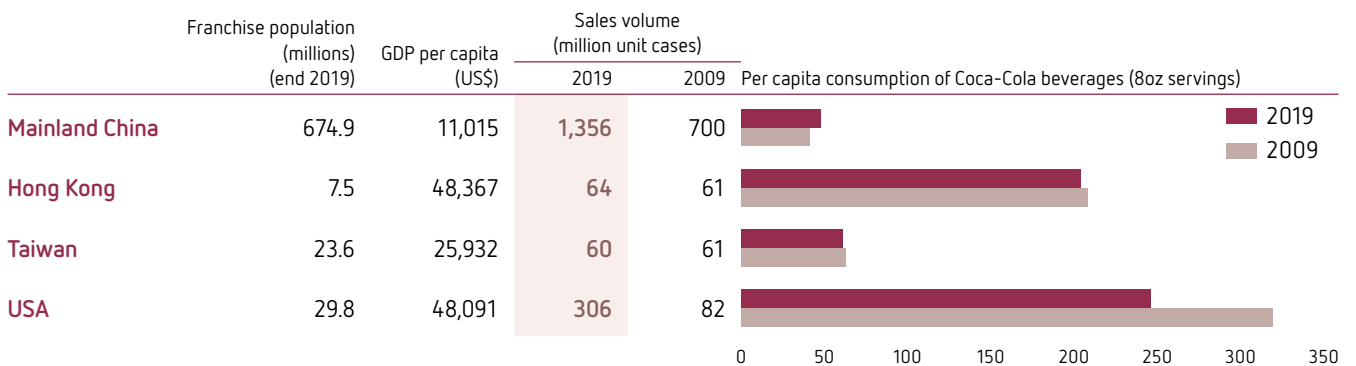


Franchise Territories

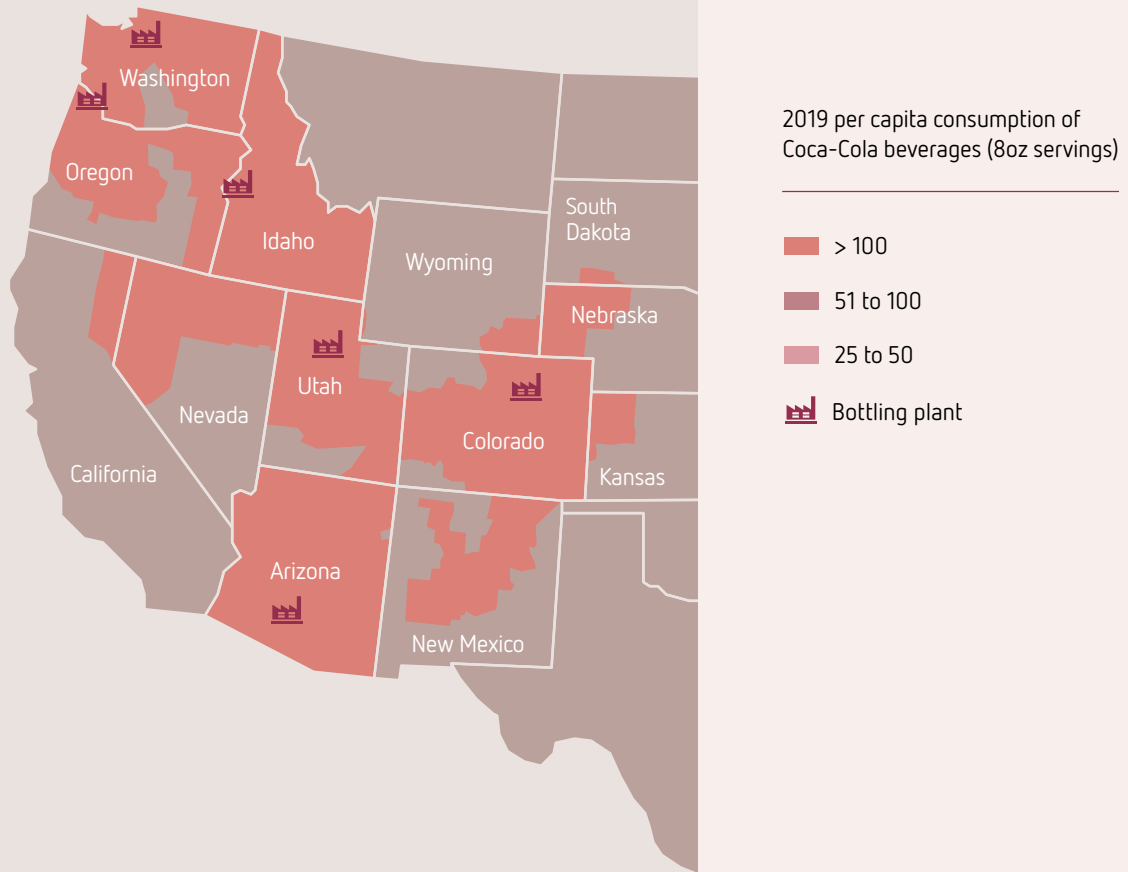
GREATER CHINA



Per Capita Consumption in Franchise Territories



USA



Established in  
**1965**



Annual Revenue  
**HK\$43.3** billion



Annual Sales Volume  
**1,786** million unit cases



Present in  
**4** markets



Bottling Plants  
**26**



Beverage Brands  
**61**



Consumers  
**736** million



Employees  
**38,779**

## 2019 PERFORMANCE

### Financial Highlights

	2019 HK\$M	2018 HK\$M
<b>Revenue</b>	43,317	41,190
<b>EBITDA</b>	4,344	3,915
<b>Operating profit derived from</b>		
Operating activities	2,346	2,034
Non-recurring items	141	255
Total operating profit	2,487	2,289
<b>Share of post-tax profits from joint venture and associated companies</b>	153	151
<b>Attributable profit (excluding non-recurring items)</b>	1,584	1,354
<b>Non-recurring items</b>		
Gain from the acquisition of production assets in the USA	–	132
Gain on disposal of a plant in Taiwan	–	144
Gain on disposal of a plant in Yunnan, Mainland China	85	–
Gain on disposal of a sales centre in the USA	17	–
<b>Attributable profit</b>	1,686	1,630

### Segment Financial Highlights

	Revenue		EBITDA		Attributable Profit	
	2019 HK\$M	2018 HK\$M	2019 HK\$M	2018 HK\$M	2019 HK\$M	2018 HK\$M
<b>Mainland China</b>						
Operating activities	22,087	21,358	2,362	1,974	856	634
Non-recurring items	–	–	118	–	85	–
	22,087	21,358	2,480	1,974	941	634
<b>Hong Kong</b>	2,340	2,343	327	323	207	230
<b>Taiwan</b>						
Operating activities	1,694	1,551	164	129	75	67
Non-recurring items	–	–	–	148	–	144
	1,694	1,551	164	277	75	211
<b>USA</b>						
Operating activities	17,196	15,938	1,453	1,300	550	491
Non-recurring items	–	–	23	107	17	132
	17,196	15,938	1,476	1,407	567	623
<b>Central costs</b>	–	–	(103)	(66)	(104)	(68)
<b>Beverages Division</b>	43,317	41,190	4,344	3,915	1,686	1,630

#### Accounting for the Beverages Division

The non-recurring gains included under attributable profit are after the deduction of tax and non-controlling interests.

The ten wholly-owned franchise businesses (in Hong Kong, Taiwan and the USA, and in Fujian, Anhui, Guangxi, Jiangxi, Jiangsu and Hainan provinces and the cities of Zhanjiang and Maoming in Guangdong province in Mainland China) and five majority-owned franchise businesses (in Zhejiang, Guangdong (excluding the cities of Zhanjiang, Maoming and Zhuhai), Henan, Yunnan and Hubei provinces in Mainland China) were accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue and operating profit from these franchise businesses are included in the revenue and operating profit shown above. The division's joint venture interest in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. and its associate interest in CCBMH were accounted for using the equity method of accounting. Swire Pacific recognised 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.

## Segment Performance

	Note	Percentage Change in 2019				Swire Coca-Cola
		Mainland China	Hong Kong	Taiwan	USA	
Active Outlets		14%	-2%	1%	0%	13%
Revenue	1	8%	-0.4%	11%	9%	5%
Sales Volume	2	2%	-3%	8%	2%	2%
Gross Profit per unit case		10%	4%	6%	4%	4%
Water Use Ratio ^		2%	3%	-1%	-2%	2%
Energy Use Ratio ^		-3%	-2%	-3%	4%	-
LTIR		-4%	-40%	65%	27%	9%

	Note	Mainland China	Hong Kong	Taiwan	USA	Swire Coca-Cola
EBITDA Margin	3					
2019		9.4%	14.5%	9.8%	9.3%	9.6%
2018		8.5%	14.0%	8.6%	9.1%	9.0%
EBIT Margin	3					
2019		5.9%	10.6%	5.9%	5.3%	5.9%
2018		5.0%	11.2%	5.2%	5.1%	5.4%

^ Refer to the Glossary on pages 234 and 235.

Note 1: Revenue for Swire Coca-Cola, including that of a joint venture company and excluding sales to other bottlers, was HK\$44,719 million (2018: HK\$42,659 million).

Note 2: The sales volume for Mainland China shown in the table above represents sales in 13 franchise territories, in each case including products supplied by CCBMH.

Note 3: (i) EBITDA and EBIT for Swire Coca-Cola (including that of a joint venture company and excluding non-recurring gains and central costs) were HK\$4,300 million (2018: HK\$3,840 million) and HK\$2,636 million (2018: HK\$2,299 million) respectively.

(ii) EBITDA margin and EBIT margin represent EBITDA and EBIT expressed as percentages of revenue (which includes that of a joint venture company and excludes sales to other bottlers).

## 2019 RESULTS SUMMARY

Swire Coca-Cola made an attributable profit of HK\$1,686 million in 2019. This included a non-recurring gain of HK\$85 million from the disposal of a plant in Yunnan, Mainland China and a non-recurring gain of HK\$17 million on the disposal of a sales centre in the USA. This compares with an attributable profit of HK\$1,630 million in 2018. The 2018 figure included a non-recurring gain of HK\$144 million from the disposal of a plant in Taiwan and a non-recurring gain in relation to the acquisition of production assets in the USA of HK\$132 million.

Disregarding the non-recurring gains in both years, Swire Coca-Cola made an attributable profit of HK\$1,584 million in 2019, a 17% increase from its attributable profit of HK\$1,354 million in 2018.

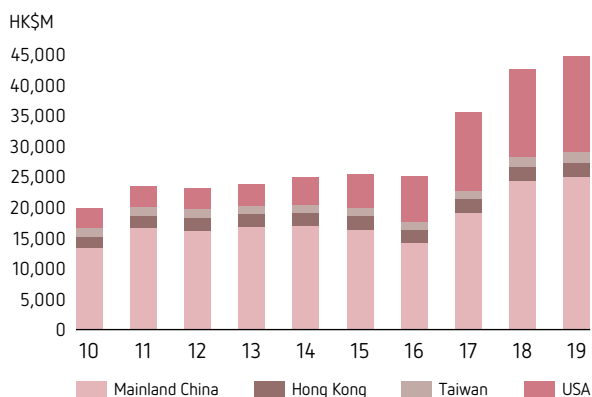
Total revenue (including that of a joint venture company and excluding sales to other bottlers) increased by 5% to HK\$44,719 million. Sales volume increased by 2% to 1,786 million unit cases. Revenue and volume grew in Mainland China, Taiwan and the USA. In Hong Kong, revenue and volume declined.

EBITDA (including that of a joint venture company and excluding non-recurring gains and central costs) increased by 12% to HK\$4,300 million. Revenue growth improved EBITDA margins.

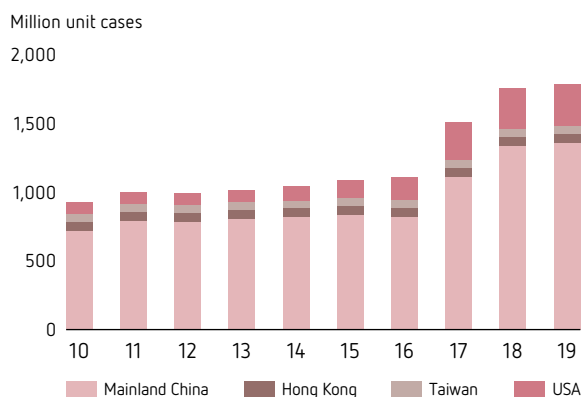
In 2019, Swire Coca-Cola continued to make significant investments in production assets, logistics infrastructure, merchandising equipment and digital capabilities. Capital commitments at 31st December 2019 were HK\$1,831 million.



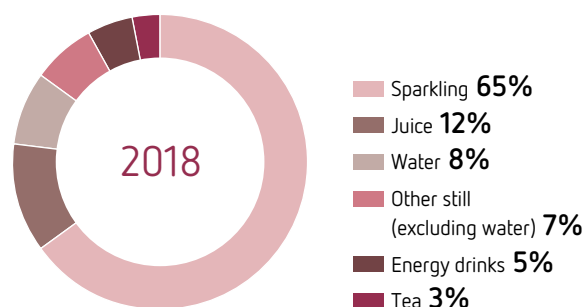
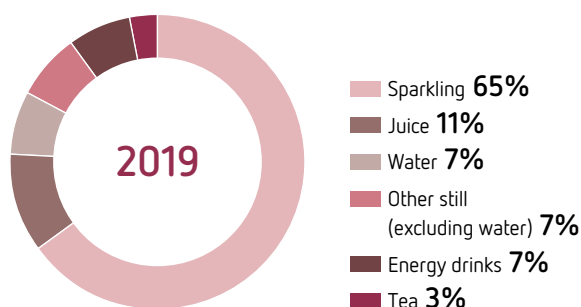
### Revenue#



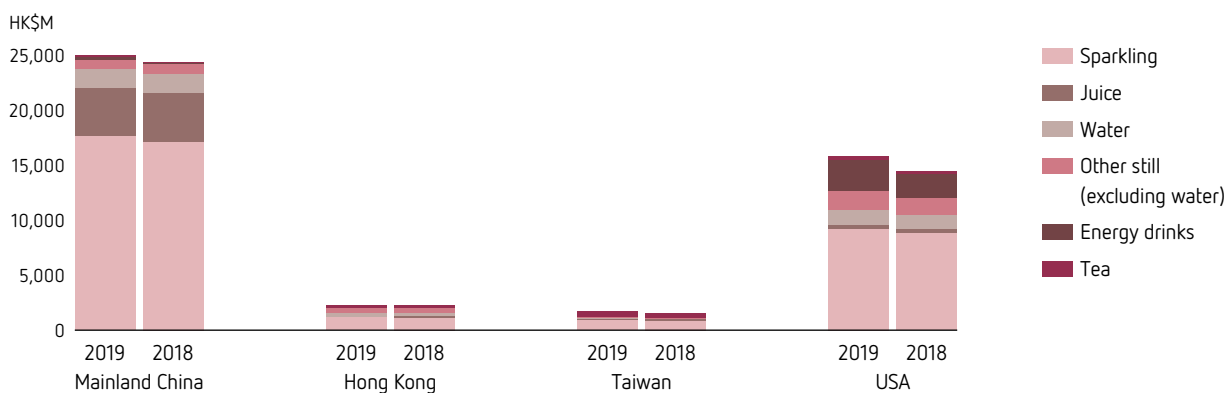
### Sales Volume#



### Breakdown of Total Revenue by Category#



### Breakdown of Revenue by Region and Category#



### Growth in Revenue and Volume in 2019 by Category##

	Mainland China		Hong Kong		Taiwan		USA	
	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume
Sparkling	9%	6%	3%	-0.1%	10%	8%	5%	3%
Juice	5%	3%	-4%	-8%	-1%	-2%	-9%	-3%
Water	-0.2%	-9%	-4%	-3%	-	1%	-1%	-7%
Other still (excluding water)	2%	-2%	-1%	-4%	-13%	-4%	18%	4%
Energy drinks	101%	99%	9%	11%	48%	49%	30%	18%
Tea	178%	33%	-7%	-10%	19%	11%	3%	-3%

# Revenue and volume include those of a joint venture company and exclude sales to other bottlers.

## Revenue (in local currency terms) and volume include those of a joint venture company and exclude sales to other bottlers.

Swire Coca-Cola introduces new beverage products and packaging in Mainland China.



### Mainland China

Attributable profit from Mainland China was HK\$941 million in 2019. Disregarding a non-recurring gain on disposal of a plant, the attributable profit was HK\$856 million, a 35% increase from 2018.

Revenue (including that of a joint venture company and excluding sales to other bottlers) grew by 8% in local currency terms. Revenue grew faster than volume due to the introduction of new products and packaging and price increases.

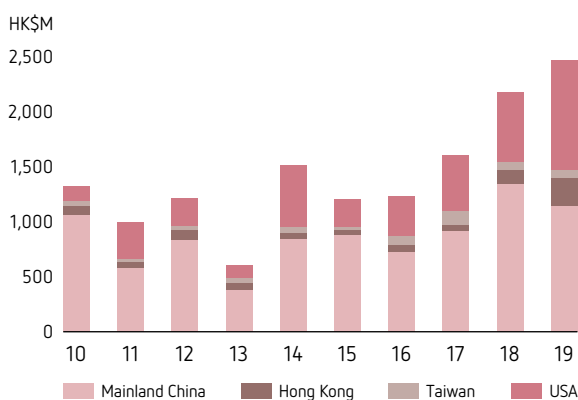
Sparkling and juice sales revenue grew by 9% and 5% respectively. Water sales revenue was similar to that in 2018. Revenue from premium categories of tea and energy drinks increased by 178% and 101% respectively. Powerade sports drinks were introduced in 2019 and sales have grown.

Total sales volume increased by 2%.

The increase in revenue was partly offset by higher operating costs and depreciation charges.

EBITDA and EBIT (including that of a joint venture company and excluding non-recurring gains and central costs) increased by 19% and 26% in local currency terms respectively. The EBITDA margin increased from 8.5% in 2018 to 9.4% in 2019. The EBIT margin increased from 5.0% to 5.9%.

### Capital Expenditure



### Hong Kong

Attributable profit from Hong Kong in 2019 was HK\$207 million, a 10% decrease from 2018. There were higher operating expenses, infrastructure improvement costs and increased depreciation charges.

Revenue (excluding sales to other bottlers) decreased slightly by 0.4%.

Sparkling revenue increased by 3%. Still revenue decreased by 3%. Tea, juice and water revenue decreased by 7%, 4% and 4% respectively.

Total sales volume decreased by 3%.

EBITDA increased by 3% and EBIT decreased by 6%. The EBITDA margin increased from 14.0% in 2018 to 14.5% in 2019. The EBIT margin decreased from 11.2% to 10.6%, due to increased depreciation charges.

### Taiwan

Attributable profit from Taiwan in 2019 was HK\$75 million. Disregarding a non-recurring gain on disposal of a plant in 2018, the attributable profit increased by 12% from 2018.

Revenue in local currency terms increased by 11%, a higher growth rate than that of volume. This reflected better management of sales promotions and an improved product mix.

Sparkling revenue increased by 10%. Still revenue increased by 12%. Tea and energy drinks revenue increased by 19% and 48% respectively.

Total sales volume increased by 8%.

The increase in revenue was partly offset by higher operating costs, particularly those due to the upgrading of digital infrastructure.

EBITDA and EBIT (excluding non-recurring gains and central costs) increased by 27% and 26% in local currency terms respectively. The EBITDA margin increased from 8.6% in 2018 to 9.8% in 2019. The EBIT margin increased from 5.2% to 5.9%.

### USA

Attributable profit from the USA was HK\$567 million in 2019. Disregarding non-recurring gains in 2018 and 2019, the attributable profit (of HK\$550 million in 2019) increased by 12% from 2018.



Swire Coca-Cola is installing Bonaqua water stations in Hong Kong.

Swire Coca-Cola uses image recognition technology to collect information about consumer preferences.



Revenue in local currency terms (excluding sales to other bottlers) grew by 9%. The revenue increase reflected price increases, a favourable product mix and the inclusion of sales of Monster products in the Arizona franchise territory from March 2019.

Sparkling revenue increased by 5%. Still revenue increased by 15%. The latter increase included increases in revenue from energy and sports drinks of 30% and 25% respectively.

Total sales volume increased by 2%.

The increase in revenue was partly offset by higher cost of goods sold and operating expenses.

EBITDA and EBIT (excluding non-recurring gains and central costs) increased by 12% and 13% in local currency terms respectively. The EBITDA margin increased from 9.1% in 2018 to 9.3% in 2019. The EBIT margin increased from 5.1% in 2018 to 5.3% in 2019.

## OUTLOOK

Under normal circumstances, revenue in Mainland China would be expected to continue to grow in 2020 and to grow faster than volume, reflecting better product and package mixes, and improved market execution. However, the results in Mainland

China are being adversely affected by COVID-19. Increased operating costs, particularly staff costs, will put pressure on profits.

In Hong Kong, the beverages market is expected to be difficult in 2020. Operating costs are expected to increase. Increased depreciation charges and operating costs due to the enhancement of distribution and production facilities will put pressure on profits. As in Mainland China, the results in Hong Kong are being adversely affected by COVID-19.

Revenue is expected to continue to grow faster than volume in Taiwan, reflecting improvements in product and package mixes and in the management of sales channels. Capacity constraints should be alleviated by a hybrid line being brought into full operation and by increased production by a contract packer.

In the USA, the beverages market is expected to grow moderately in 2020. Expansion of production and logistics facilities in Fruitland will improve operational efficiency but will add depreciation charges and operating costs.

**Patrick Healy**