



# 2015 Annual Results Analyst Briefing

Sustainable Growth Through Diversified Operations

10th March 2016 | Hong Kong

## Agenda

- Strategy and Performance Highlights

*John Slosar, Chairman*

- 2015 Financial Performance

- Property
- Aviation
- Beverages
- Marine Services
- Trading & Industrial

*Martin Cubbon, Corporate Development & Finance Director*

- Governance & Risk Management

*Martin Cubbon, Corporate Development & Finance Director*

- Outlook & Strategic Priorities

*John Slosar, Chairman*

- Q&A



## Strategy and Performance Highlights

John Slosar, Chairman

## Strategy for Delivering Sustainable Growth

### Strategy

- On-going management of existing businesses with the aim of maximising their value.
- Realisation of value where it has been maximised and redeployment of capital to new and existing businesses.
- Conservative financial management.
- Deployment of people across our businesses according to the needs of those businesses and capital deployed.
- Commitment to the highest standards of corporate governance.
- Preservation and development of the Swire brand.

# Strategy for Delivering Sustainable Growth

## Implementing our Capital Allocation Strategy

### **Property:**

- Capital commitments of HK\$19.8bn at 31<sup>st</sup> December 2015 to facilitate completion of retail-led mixed-use projects in Shanghai and Miami and over 2.6 million sq ft of grade A office property in Hong Kong.
- New Mainland China project announced in Jul 15.

### **Aviation (excl. CX):**

#### USA

- Purchase of TIMCO Aviation Services, Inc (now renamed HAECO Americas) in Feb 14 for HK\$2.9bn.
- Performance has been disappointing, principally on account of a decline in airframe maintenance activity.
- Management focus remains on integrating the business into the HAECO group.

#### Hong Kong / Singapore

- Conditional agreements entered into to restructure interests in Singapore and Hong Kong engine overhaul facilities.
- Will allow HAESL to better compete for Rolls Royce engine overhaul business in the Asia Pacific region.

## Strategy for Delivering Sustainable Growth

### **Beverages:**

#### USA

- Additional territories in Colorado assumed in May 14.
- New territories contributed 31% of sales volume and 21% of profits in USA in 2015.
- Agreements entered into in 2015 to further expand franchise territory in Arizona and to acquire production assets in Colorado and Arizona.
- Completion of Arizona transaction expected in 2016 and acquisition of production assets expected no later than 2018.
- Letter of intent entered into in relation to additional territory grants in the states of Washington, Oregon and Idaho.
- New territory subject to agreement and letter of intent will add approximately 120% to total USA volumes.

#### Mainland China

- Acquired additional interests in existing Mainland China business from CITIC for HK\$1.5bn in July 2015.
- Transaction increased attributable interest in the Mainland China bottling companies from 57% to 69% (based on 2015 profits).
- Letter of intent entered into in relation to restructuring of TCCC's Mainland China bottling operations.

## Strategy for Delivering Sustainable Growth

### Marine Services:

- Fleet renewal programme which began in 2011 coming to a close, outstanding capital commitments of HK\$2.7bn at 31st December 2015.
- SPO's fleet now consists of more diversified and modern, high specification vessels, better able to cope with market dynamics in the medium term.
- No significant capital committed to this business in 2015 in the light of current market conditions.

### Trading & Industrial:

#### Qinyuan Bakery

- Acquired 65% of Qinyuan Bakery in Dec 14 for a total consideration of HK\$849m.
- Purchase of remaining 35% interest agreed subject to conditions.

#### Taikoo Motors

- Continue to expand the Taiwan based motors franchise with new Mercedes and Audi dealerships opened in 2015.

#### Swire Pacific Cold Storage

- Five cold stores are now open, of which four are newly built (Shanghai, Hebei, Ningbo and Nanjing).
- Two facilities under construction in Chengdu and Xiamen.
- Capital committed to this business amounts to HK\$1.5bn.

## Strategy for Delivering Sustainable Growth

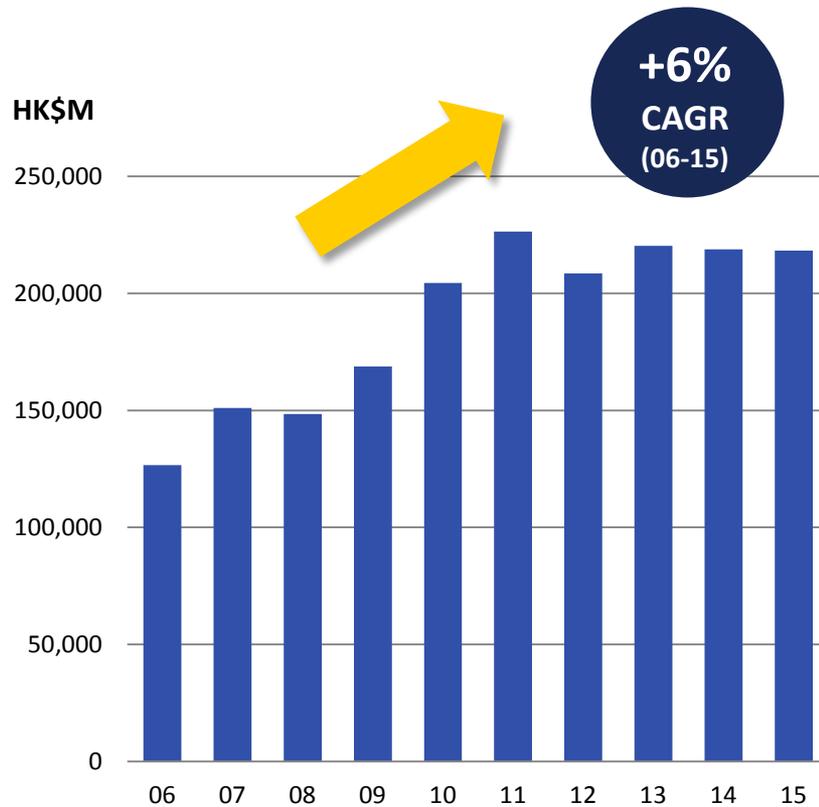
### Head Office:

- Sale of eight units at OPUS HONG KONG generating net sales proceeds of HK\$3.2bn.

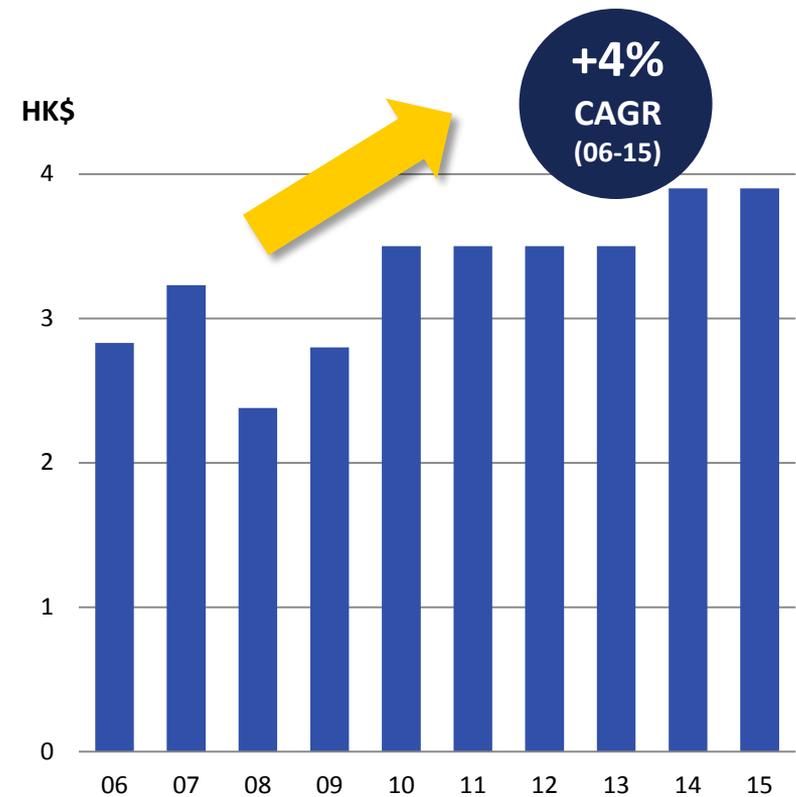
<b>Committed Capital</b>	Property HK\$M	Aviation HK\$M	Beverages HK\$M	Marine Services HK\$M	Trading & Industrial HK\$M	<b>Total HK\$M</b>
<b>At 1st January 2015</b>	24,140	1,575	420	5,209	1,553	<b>32,897</b>
New commitments	2,808	1,431	2,328	216	897	<b>7,680</b>
Expenditure (commitments utilised)	(6,937)	(772)	(417)	(1,273)	(582)	<b>(9,981)</b>
Cancelled commitments & other movements	(213)	(50)	(233)	(1,382)	(132)	<b>(2,010)</b>
<b>At 31st December 2015</b>	19,798	2,184	2,098	2,770	1,736	<b>28,586</b>

# Sustainable Long-term Growth in Shareholder Value

Equity attributable to the Company's shareholders



Dividend per "A" Share



Note: Excludes HK\$3 per A share special dividend in 2011



## 2015 Financial Performance

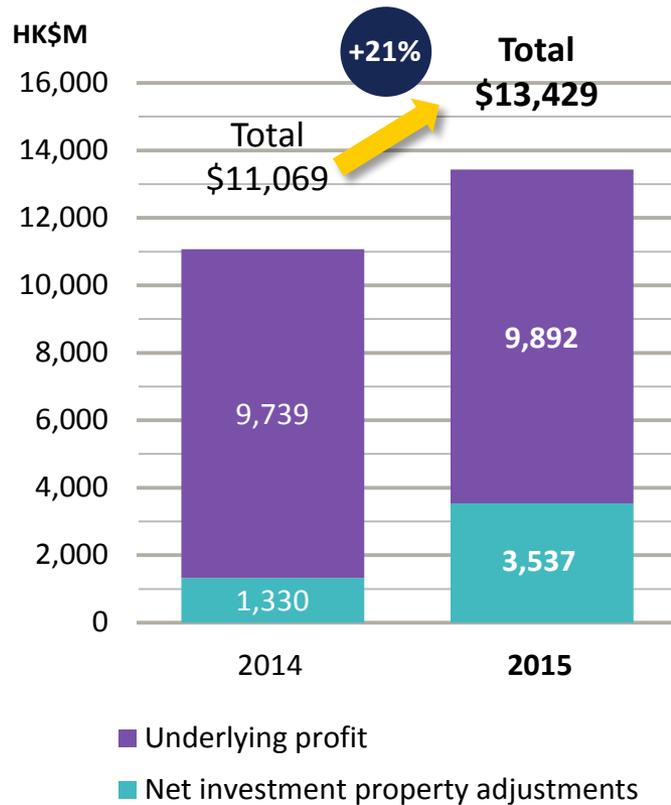
Martin Cubbon,  
Corporate Development & Finance Director

## 2015 Highlights

- 2% increase in attributable underlying profit to HK\$9,892m.
- Dividends unchanged at HK\$3.90 per “A” share.
- Modest increase in gearing of 0.2% pts to 22.6%.
- Significant improvement in group liquidity with committed funds and cash totalling HK\$31bn.
- Better results from Aviation and Beverages Divisions. Steady results from the Property Division.
- Weaker results from Marine Services and Trading & Industrial Divisions.
- Significant underlying profits realised on sale of eight units at OPUS HONG KONG.

# Financial Summary

## Attributable Profit



Note : Underlying profit principally adjusts for changes in the valuation of investment properties.

### Revenue -1%

2014: HK\$61,301m

**2015: HK\$60,885m**

### Underlying Profit +2%

2014: HK\$9,739m

**2015: HK\$9,892m**

### Dividends Per Share

2014:  
 HK\$3.90 per 'A' share  
 HK\$0.78 per 'B' share 0%

**2015:**  
**HK\$3.90 per 'A' share**  
**HK\$0.78 per 'B' share**

### Cash Generated from Operations -12%

2014: HK\$16,250m

**2015: HK\$14,362m**

### Cash and Committed Funds +30%

Dec 2014: HK\$23,876m

**Dec 2015: HK\$31,125m**

### Net Debt +2%

Dec 2014: HK\$58,624m

**Dec 2015: HK\$59,584m**

### Gearing Ratio +0.2% pts

Dec 2014: 22.4%

**Dec 2015: 22.6%**

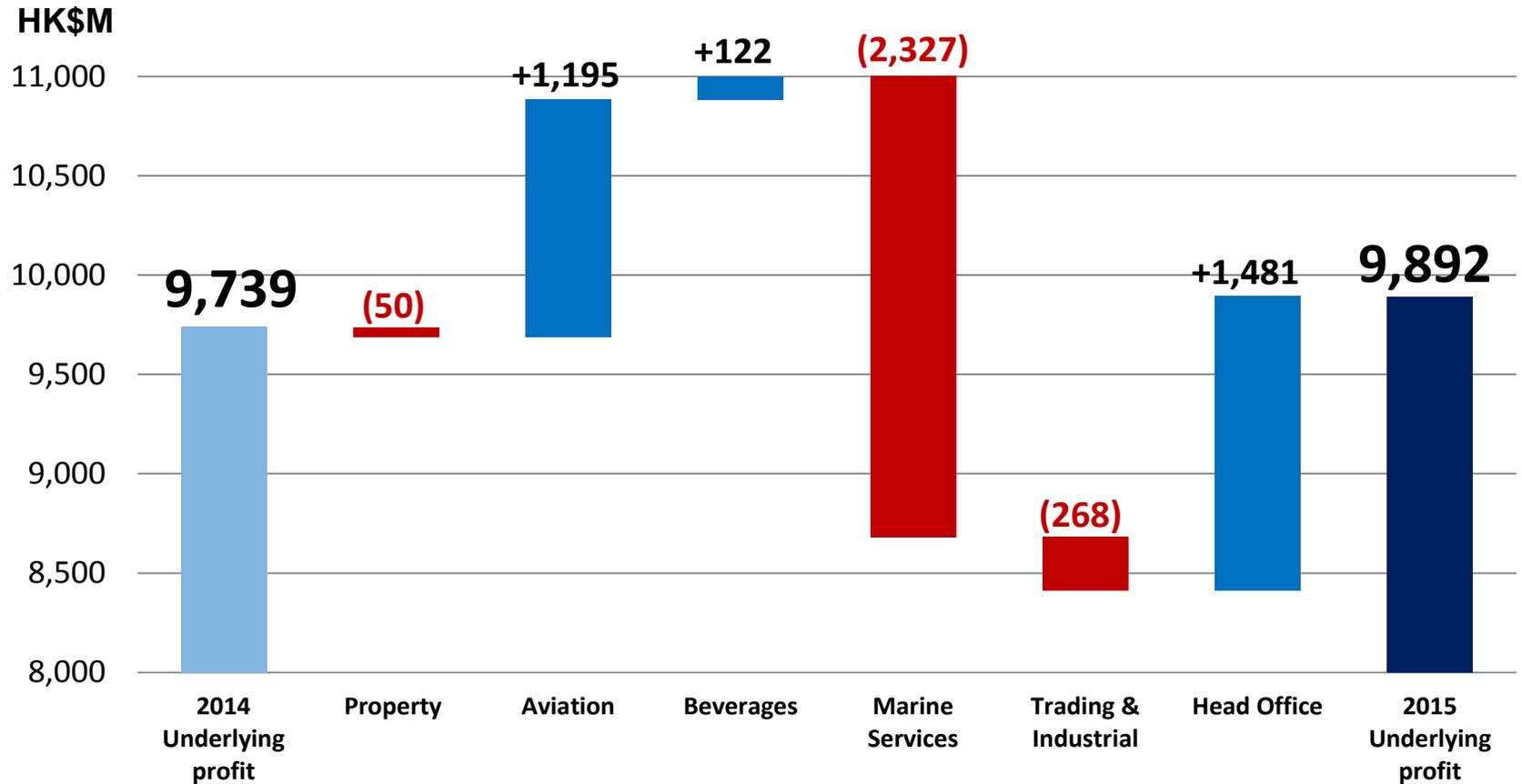
### Equity Attributable to the Company's Shareholders -0.1%

Dec 2014: HK\$218,775m

**Dec 2015: HK\$218,449m**

# Financial Summary

## Movement in Underlying Profit



# Financial Summary

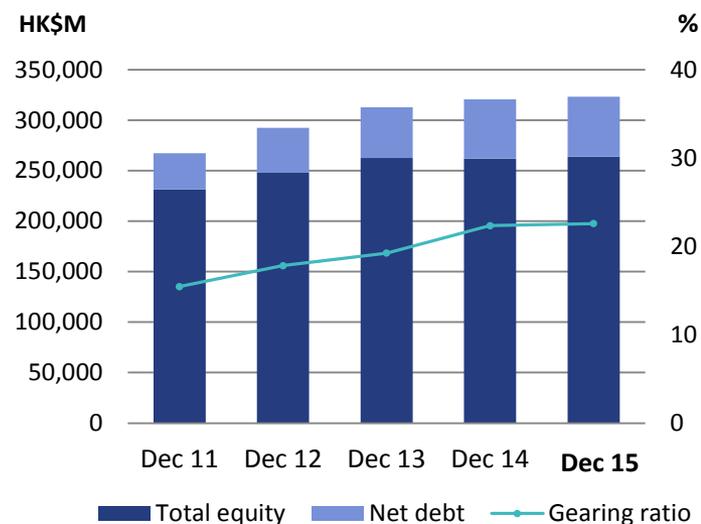
## Financing

	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15
Net debt (HK\$M)	35,768	44,254	50,505	58,624	<b>59,584</b>
Gearing (%)	15.4%	17.8%	19.2%	22.4%	<b>22.6%</b>
Interest cover (underlying) – times	10.4	6.7	5.5	6.1	<b>5.4</b>
Cash interest cover (underlying) – times	8.4	5.4	4.5	4.9	<b>4.6</b>

### Net Debt Reconciliation

	HK\$Bn
Net debt at 1st January 2015	58.6
Cash from operations	(14.4)
Net dividend paid	5.1
Capex and investments less proceeds	6.1
Net interest paid	2.3
Tax paid	1.9
<b>Net debt at 31st December 2015</b>	<b>59.6</b>

### Gearing Ratio

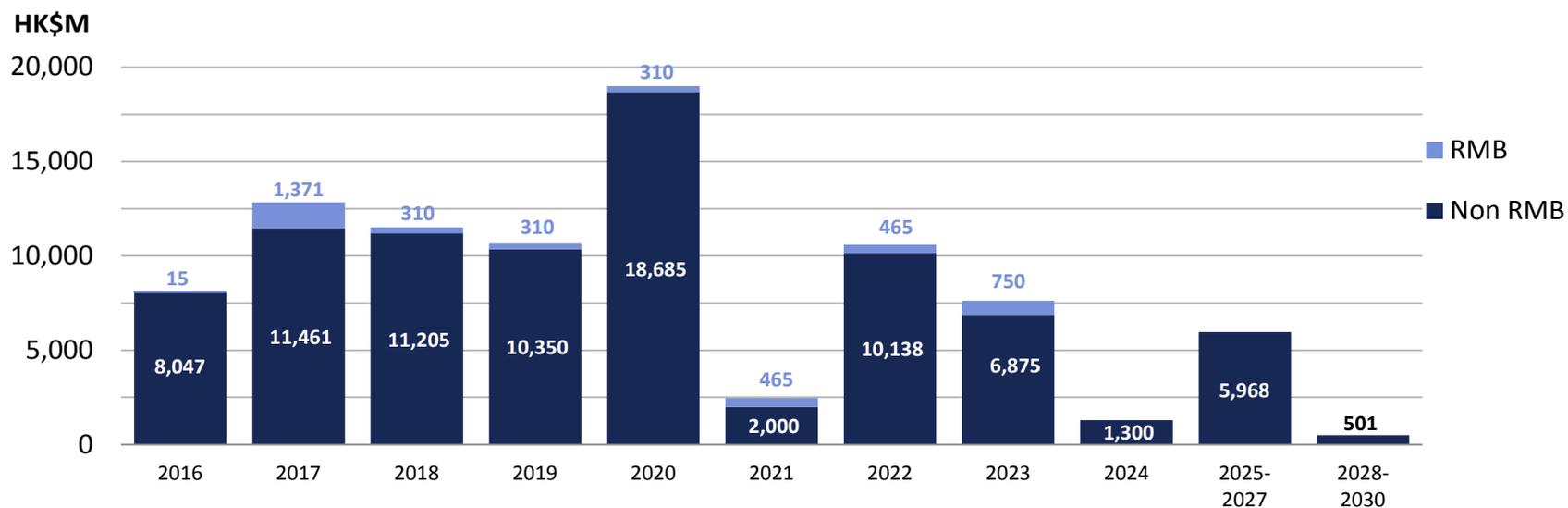


## Financial Summary

### Liquidity

	Dec 14 HK\$M	Dec 15 HK\$M	Change %
Bank balances and short-term deposits	10,115	8,985	-11%
Total undrawn facilities			
- Committed	13,761	22,140	+61%
<b>Group committed liquidity</b>	23,876	31,125	+30%
- Uncommitted	9,634	9,387	-3%
<b>Group total liquidity</b>	33,510	40,512	+21%

#### Refinancing Profile at 31st December 2015



# Property



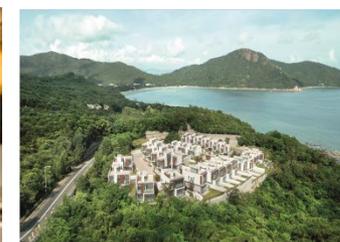
## Results Highlights

HK\$M (Swire Properties – 100% basis)	2014	2015	Change %
Attributable profit	9,516	<b>14,072</b>	+48%
Underlying profit	7,152	<b>7,078</b>	-1%
Valuation gains on investment properties	1,956	<b>7,116</b>	+264%

HK\$M (Swire Pacific's share)	2014	2015	Change %
Attributable profit	7,786	<b>11,494</b>	+48%
Underlying profit	5,841	<b>5,791</b>	-1%

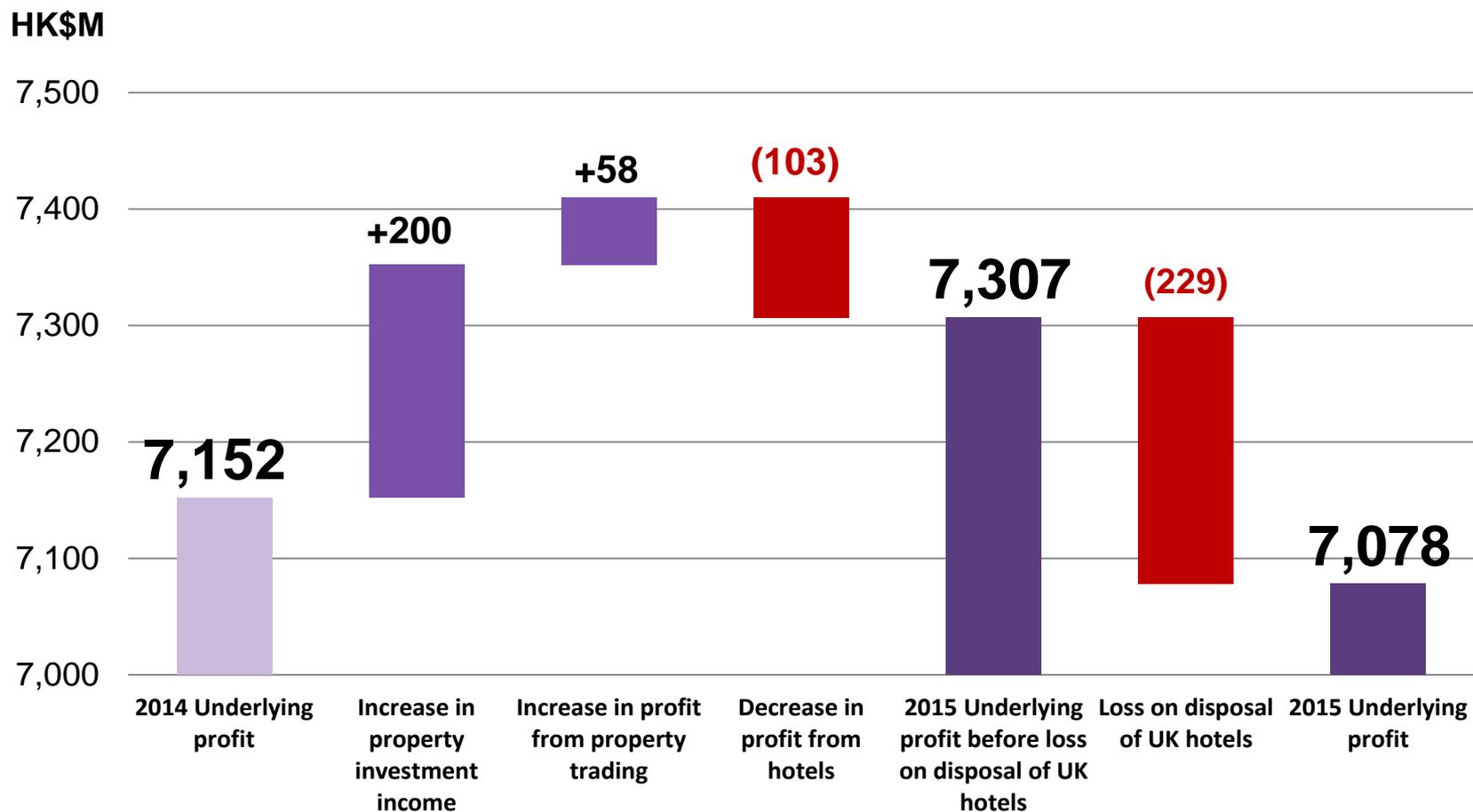
### Key Highlights

- Decrease in underlying profit principally due to loss on disposal of UK hotels. Excluding this loss, underlying profit rose by 2%.
- Rental income increased principally due to good performances at office properties in Hong Kong and at retail properties in Mainland China.
- There were positive reversions at Taikoo Place and Cityplaza offices. Pacific Place offices were 100% occupied.
- Lower retail sales at Pacific Place Mall but steady performance at Cityplaza, following an enhancement project and changes to the tenant mix.
- Higher profit from property trading, principally reflecting the sale of 112 units at the AREZZO development in Hong Kong.



## Movement in Underlying Profit (Swire Properties - 100% basis)

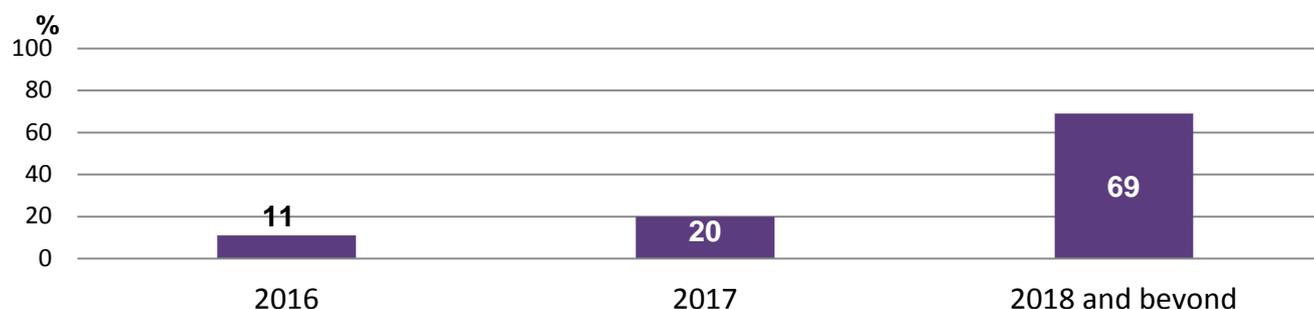
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## Operating Statistics - Office

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### Hong Kong Office Lease Expiry Profile\* - at 31st Dec 2015



\* Based on percentage of the total rental income attributable to the division for the month ended 31st December 2015.

	Latest Rentals		Occupancy	
	2015	2014	2015	2014
<b>Hong Kong</b>	HK\$ per sq. ft.	HK\$ per sq. ft.		
One & Two Pacific Place	<b>110 to 125</b>	95 to 110	<b>100%</b>	94%
Three Pacific Place	<b>90 to 100</b>	90 to 95		
Taikoo Place <sup>(1)</sup>	<b>Mid 40s to high 40s</b>	Low 40s to high 40s	<b>99%</b>	98%
Cityplaza	<b>Mid 40s to high 40s</b>	Mid 40s to high 40s	<b>100%</b>	100%
Techno-centres <sup>(2)</sup>	<b>Mid 20s</b>	Mid 20s	<b>100%</b>	100%
One Island East	<b>Mid 50s to high 60s</b>	Mid 50s to high 60s	<b>99%</b>	98%
<b>Mainland China</b>	RMB per sq. m.	RMB per sq. m.		
TaiKoo Hui Offices	<b>Mid 100s to high 100s</b>	Mid 100s to high 100s	<b>100%</b>	100% <sup>(3)</sup>
ONE INDIGO	<b>Mid 200s to high 200s</b>	Mid 200s to high 200s	<b>92%<sup>(3)</sup></b>	100% <sup>(3)</sup>

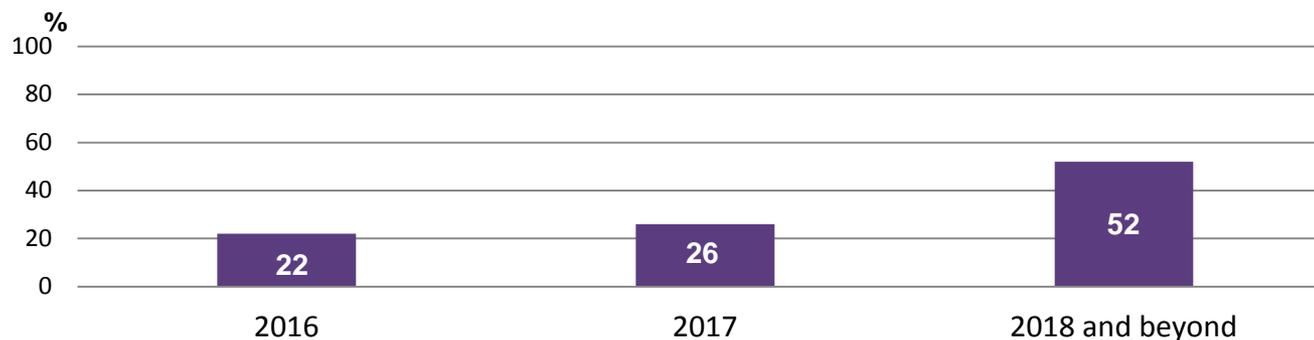
<sup>(1)</sup> Including PCCW Tower

<sup>(2)</sup> Excluding Somerset House

<sup>(3)</sup> Including space allocated to prospective tenants who have signed letters of intent

## Operating Statistics - Retail

### Hong Kong Retail Lease Expiry Profile\* - at 31st Dec 2015



\* Based on percentage of the total rental income attributable to the division for the month ended 31st December 2015.

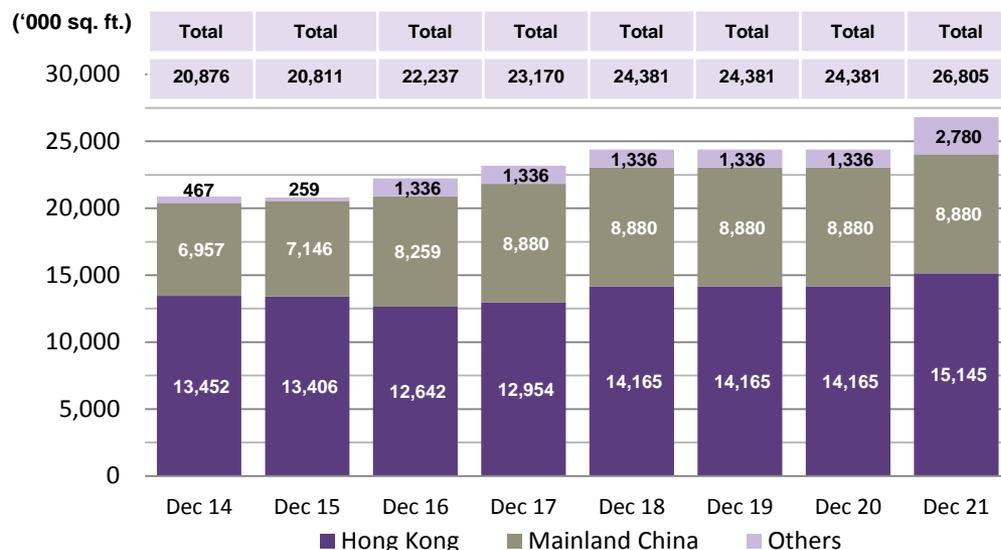
	Occupancy		Retail Sales Growth	
	2015	2014	2015	2014
<b>Hong Kong</b>				
The Mall, Pacific Place	100%	100%	-11.8%	-6.1%
Cityplaza	100%	100%	+0.7%	-0.4%
Citygate Outlets	100%	100%	-10.0%	+4.6%
<b>Mainland China</b>				
Taikoo Li Sanlitun	94% <sup>(1)</sup>	95% <sup>(1)</sup>	+3.3%	+18.8%
TaiKoo Hui Mall	99% <sup>(1)</sup>	99% <sup>(1)</sup>	+16.2%	+11.0%
INDIGO Mall	97% <sup>(1)</sup>	95% <sup>(1)</sup>	+30.3%	+66.1%
Sino-Ocean Taikoo Li Chengdu	88% <sup>(1)</sup>	N/A	N/A	N/A

<sup>(1)</sup>Including space allocated to prospective tenants who have signed letters of intent

## Future Developments

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### Completed Principal Property Investment Portfolio\*



\* Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space held by joint venture and associated companies.

Projects	Expected completion date
<b>Hong Kong</b>	
Kowloon Bay Commercial Site	2017
Tung Chung Town Lot No.11	2017
Taikoo Place Redevelopment (Phase I)	2018
8-10 Wong Chuk Hang Road	2018
Taikoo Place Redevelopment (Phase II)	2021
<b>Mainland China</b>	
HKRI Taikoo Hui, Shanghai	2016
<b>USA</b>	
Brickell City Centre	2016 / 2021

### Profile of Capital Commitments — for Investment Properties and Hotels at 31st December 2015

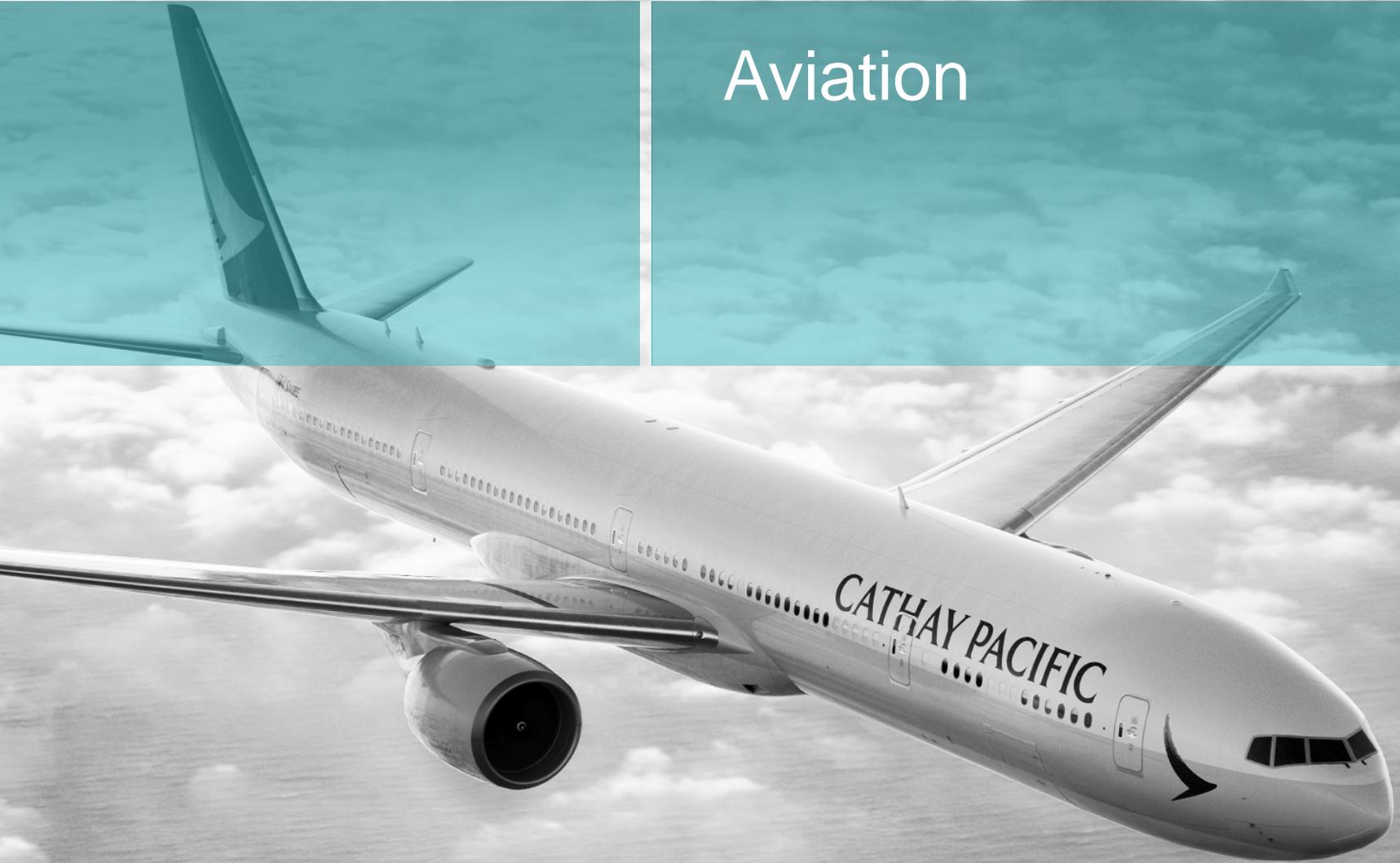
(HK\$M)	Expenditure	Forecast year of expenditure				Commitments
		2015	2016	2017	2018	
Hong Kong	2,731	4,436	3,477	2,530	5,586	16,029
Mainland China	1,497	1,416	633	461	10	2,520
USA and others	2,372	828	162	156	103	1,249
Total	6,600	6,680	4,272	3,147	5,699	19,798*

\*Including the division's share of the capex and capital commitments of its joint venture companies.

## Prospects

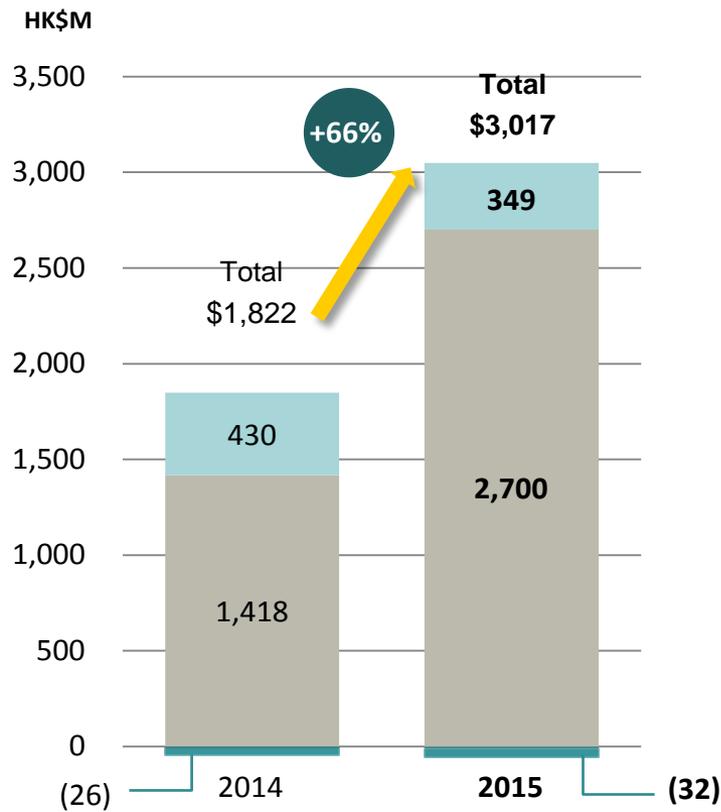
Property	<h3><u>Opportunities</u></h3> <ul style="list-style-type: none"> <li>High occupancy (and in the case of Central, limited supply) of office space in Hong Kong. This should result in rents being resilient or rising across the investment portfolio.</li> <li>Modest growth in retail sales in Guangzhou and Beijing but good growth in Chengdu. Our malls should benefit from this generally favourable environment despite weakness in demand for certain categories of goods.</li> </ul>	<h3><u>Challenges</u></h3> <ul style="list-style-type: none"> <li>Declining retail sales, in particular at Pacific Place Mall, are expected to result in rents being under pressure.</li> </ul>
Aviation		
Beverages		
Marine Services		
Trading & Industrial		

# Aviation



# Results Highlights

## Attributable Profit



■ Others ■ Cathay Pacific group ■ HAECO group

## Key Financial Data

	2015 HK\$M	Change %
<b>HAECO group</b>		
Revenue	12,095	+1% ↑
Operating profit	415	-18% ↓
Attributable profit	349	-19% ↓
<b>Share of post-tax profits from an associated company</b>		
Cathay Pacific group	2,700	+90% ↑



## Cathay Pacific Group Highlights

### Key Highlights

- Performance in 2015 improved reflecting both a higher airline profit and a higher contribution from subsidiaries and associates (principally Air China).
- Passenger demand was strong in economy class but weaker in premium cabins. Yield fell as a result of significantly lower fuel surcharges, adverse currency movements and more connecting traffic.
- Cargo demand was strong in the first quarter but weakened in the second half of the year. Yield was under pressure due to lower fuel surcharges, overcapacity in the industry and adverse currency movements.
- Fuel costs decreased by 38% but were offset by hedging losses of HK\$8,474m.
- Air China's results were significantly better due to lower fuel costs and strong passenger demand.
- Refund of EU fine of €57m in 2015.

### Key Financial Data

#### CX group (100% basis)

	2015 HK\$M	Change %
Revenue	102,342	-3%
Passenger services	73,047	-4%
Cargo services	23,122	-9%
Net fuel cost	32,968	-18%
Subs and assos	2,428	+86%
Attributable profit	6,000	+90%

### Key Operating Statistics

	2015	Change %
Available tonne kilometres (ATK) ('M)	30,048	+6%
Revenue passengers carried ('000)	34,065	+8%
Passenger yield (HK¢)	59.6	-11%
Cargo and mail carried (Tonnes '000)	1,798	+4%
Cargo and mail yield (HK\$)	1.90	-13%

# HAECO Group Highlights

## Key Highlights

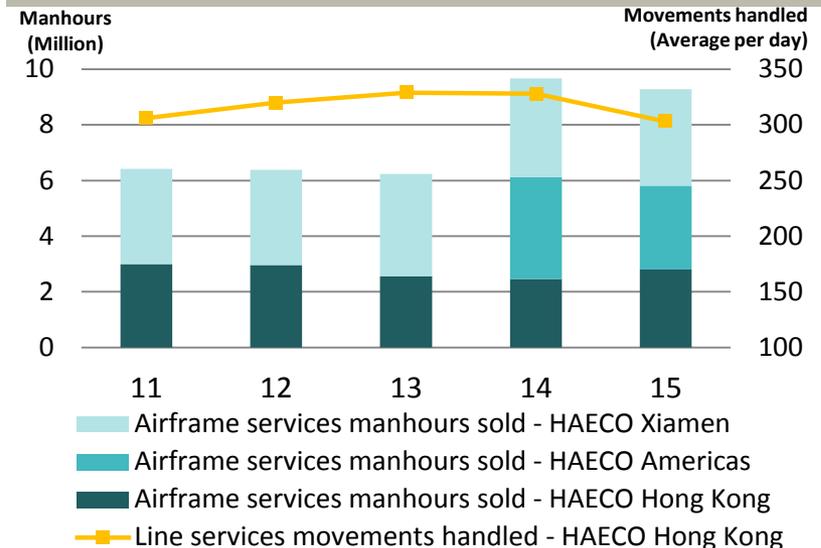
- Better results from HAECO Hong Kong mainly due to more airframe services manhours sold and more manhours sold per line services movement handled.
- HAECO Americas recorded a higher loss principally as a result of fewer airframe services manhours sold. Large contracts were completed in the prior year and replaced with smaller scope contracts.
- HAECO Xiamen's profit fell principally on account of less demand for airframe services and private jet work.
- TEXL produced better operating results but after-tax results fell on account of it no longer having tax losses to utilise. It overhauled more engines than in 2014.
- HAESL and SAESL produced weaker results as demand for overhaul of older Rolls Royce engines declined.

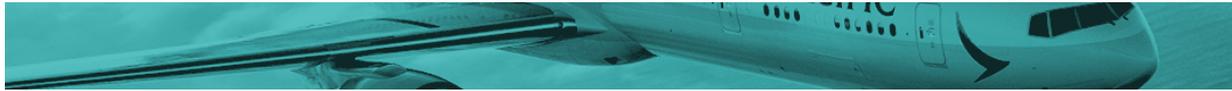
## Key Financial Data

### Attributable Profit/(Loss) (100% basis)

	2015 HK\$M	Change %
HAECO Hong Kong	167	+62%
HAECO Americas	(158)	-251%
HAECO Xiamen	69	-22%
TEXL	149	-10%
HAESL and SAESL	194	-27%
Others	43	N/A
Total	464	-19%

## Key Operating Statistics

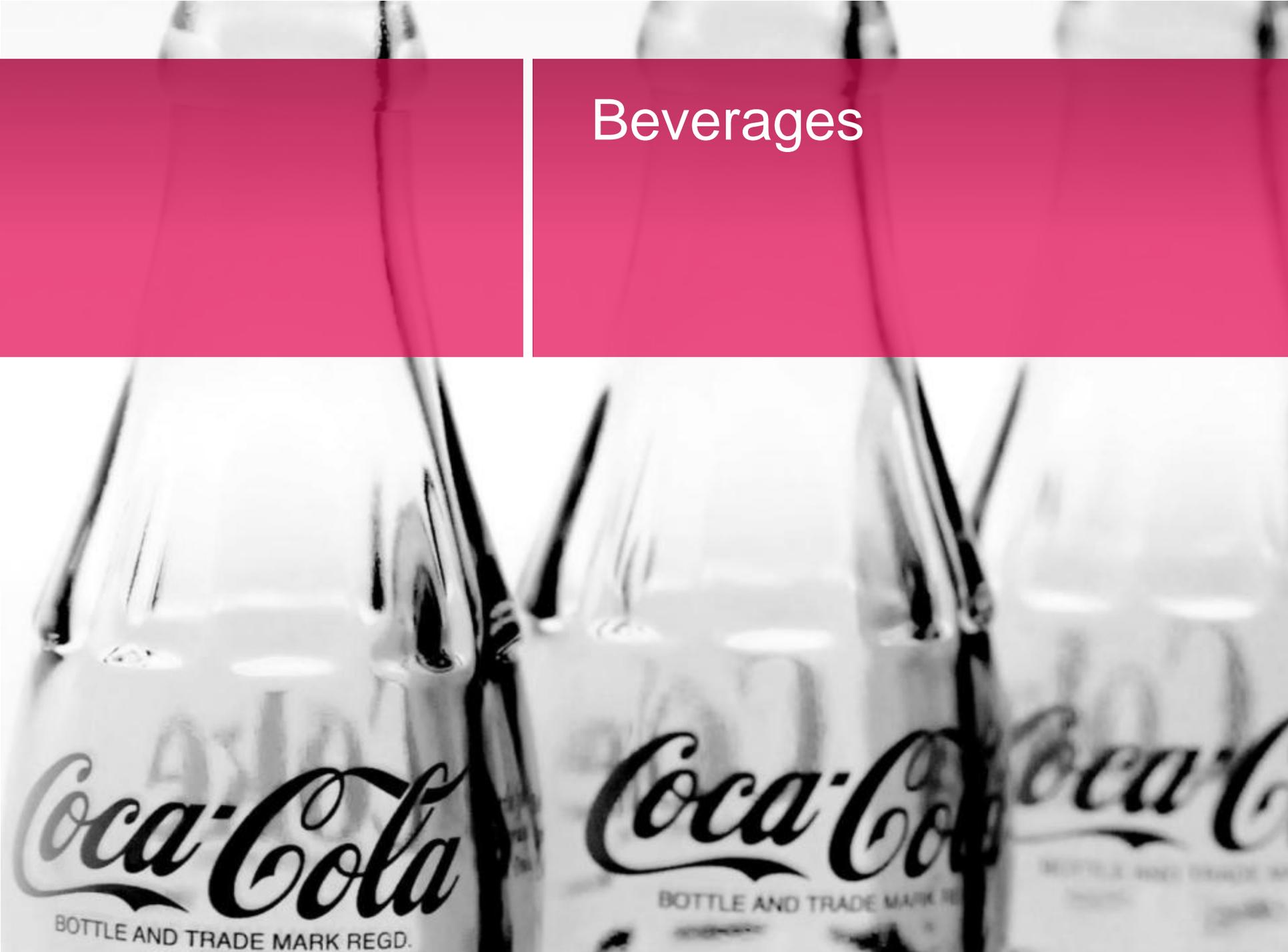




## Prospects

Property		
<b>Aviation</b>	<b><u>Opportunities</u></b>	<b><u>Challenges</u></b>
Beverages	<ul style="list-style-type: none"><li>• CX expects its business to continue do well. Favourable factors including strong passenger demand and low fuel prices are expected to continue to benefit the business.</li><li>• HAECO Hong Kong's airframe maintenance capacity is expected to increase, although there will be an associated cost of training additional staff. Demand for line services is expected to remain strong.</li></ul>	<ul style="list-style-type: none"><li>• Weak demand for HAECO Xiamen's airframe services.</li><li>• Improving the performance of HAECO Americas' airframe services business and securing orders for new cabin solutions products.</li><li>• HAESL is expected to continue to be faced with reduced demand for engine overhaul services until new generation engines require maintenance.</li></ul>
Marine Services		
Trading & Industrial		

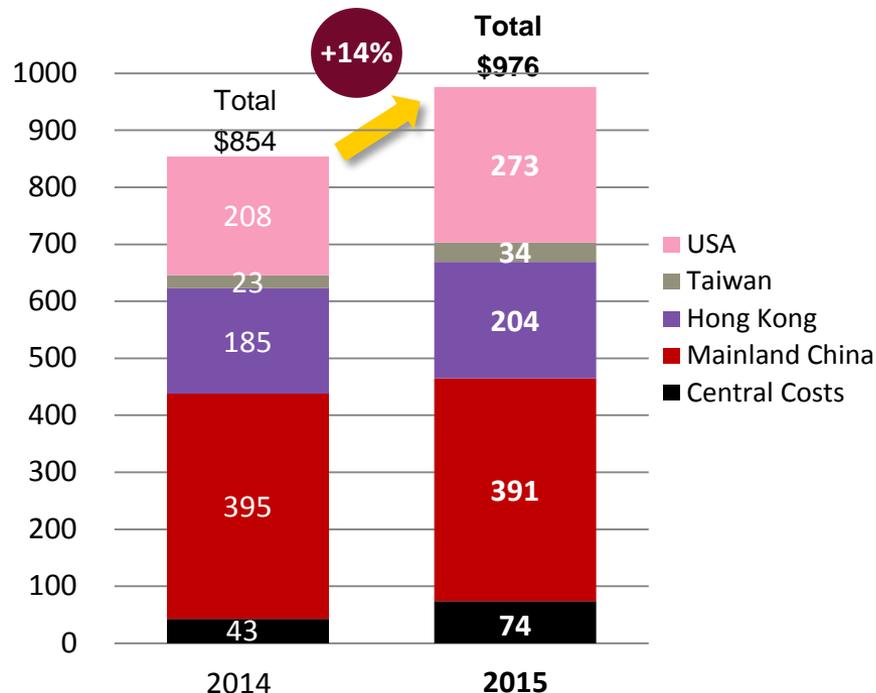
# Beverages



# Results Highlights

## Attributable Profit

HK\$M



Note : Central costs include gains on disposal of available-for-sale investments of HK\$103m (2014: HK\$78m).

## Key Financial Data

	2015 HK\$M	Change %
Operating profit	1,164	+6% ↑
Share of post-tax profits from joint venture and associated companies	262	-10% ↓
Attributable profit	976	+14% ↑

## Key Highlights

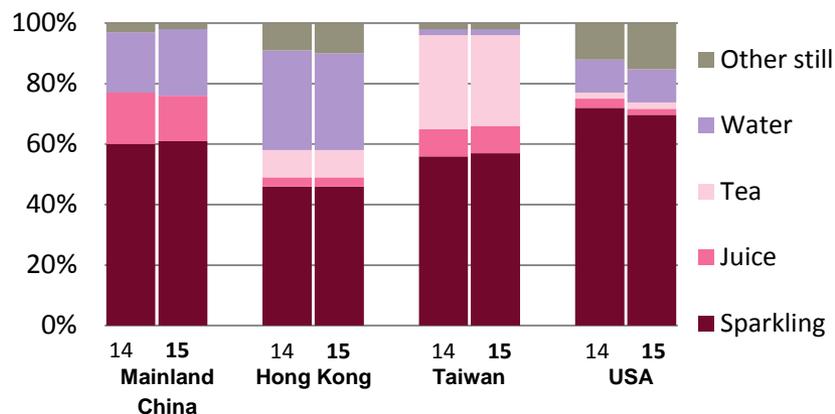
- Overall sales volume grew by 4% and raw material costs were generally lower.
- USA benefitted from the full-year effect of territories assumed in Colorado in 2014.
- In Mainland China revenue per unit case fell due to changes to the sales mix and promotional pricing. This reflected weak demand for beverage products.
- Hong Kong and Taiwan performed well. New products were launched and raw material costs were lower.



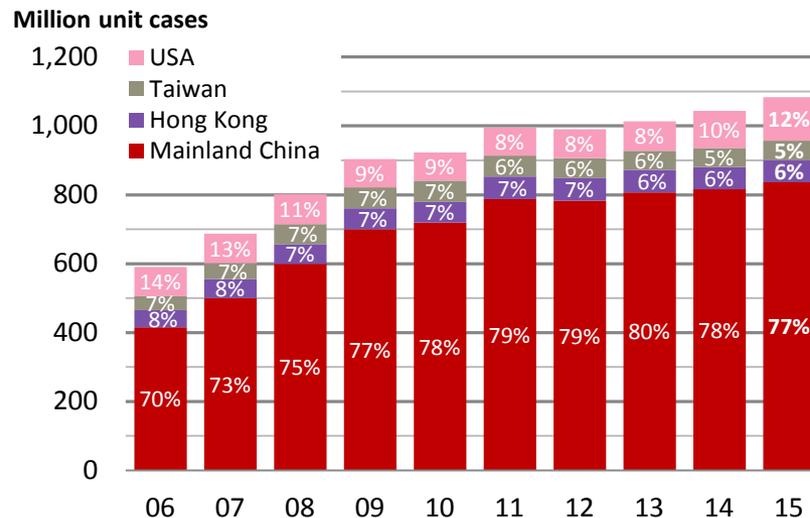
# Volume Analysis

- Overall sales volume increased by 4% to 1,083 million unit cases, compared with an increase of 3% in 2014.

## Volume Analysis by Franchise Territory



## Volume Progression



## Segment Information

### Mainland China

Revenue*	Attributable Profit	Sales Volume*
↓ HK\$16,547m	↓ HK\$391m	↑ 835.9m u/c (+2%)

### Taiwan

Revenue	Attributable Profit	Sales Volume
↓ HK\$1,392m	↑ HK\$34m	↑ 56.0m u/c (+1%)

### Hong Kong

Revenue	Attributable Profit	Sales Volume
↑ HK\$2,200m	↑ HK\$204m	— 64.9m u/c (0%)

### USA

Revenue	Attributable Profit	Sales Volume
↑ HK\$5,965m	↑ HK\$273m	↑ 126.0m u/c (+17%)

\*Reflects 100% of the Beverages Division's seven Coca-Cola franchises in Mainland China.

## Prospects

Property

Aviation

**Beverages**Marine  
ServicesTrading &  
Industrial

### Opportunities

- The introduction of new products and marketing campaigns offer the opportunity to increase sales volume and gain market share.
- Agreements entered into and a Letter of Intent signed with TCCC will significantly enlarge the franchise territory in the USA and further improve economies of scale and efficiency. The first of these agreements is expected to take effect in 2016 with the acquisition of territories in Arizona.

### Challenges

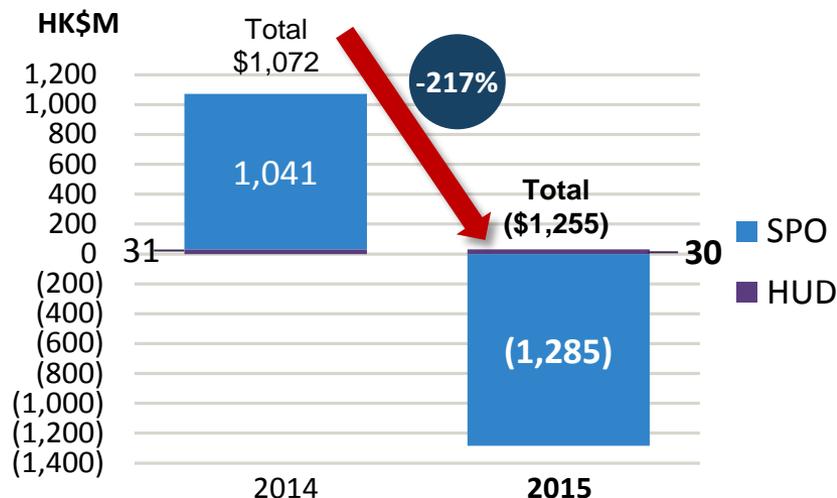
- The economy in Mainland China is expected to perform less well than in previous years which is likely to result in more modest growth in demand for beverage products.
- Rising costs, especially staff costs in Mainland China, remain an issue and are likely to put pressure on profit margins.

# Marine Services



# Results Highlights

## Attributable Profit



## Key Financial & Operating Data

### Swire Pacific Offshore group

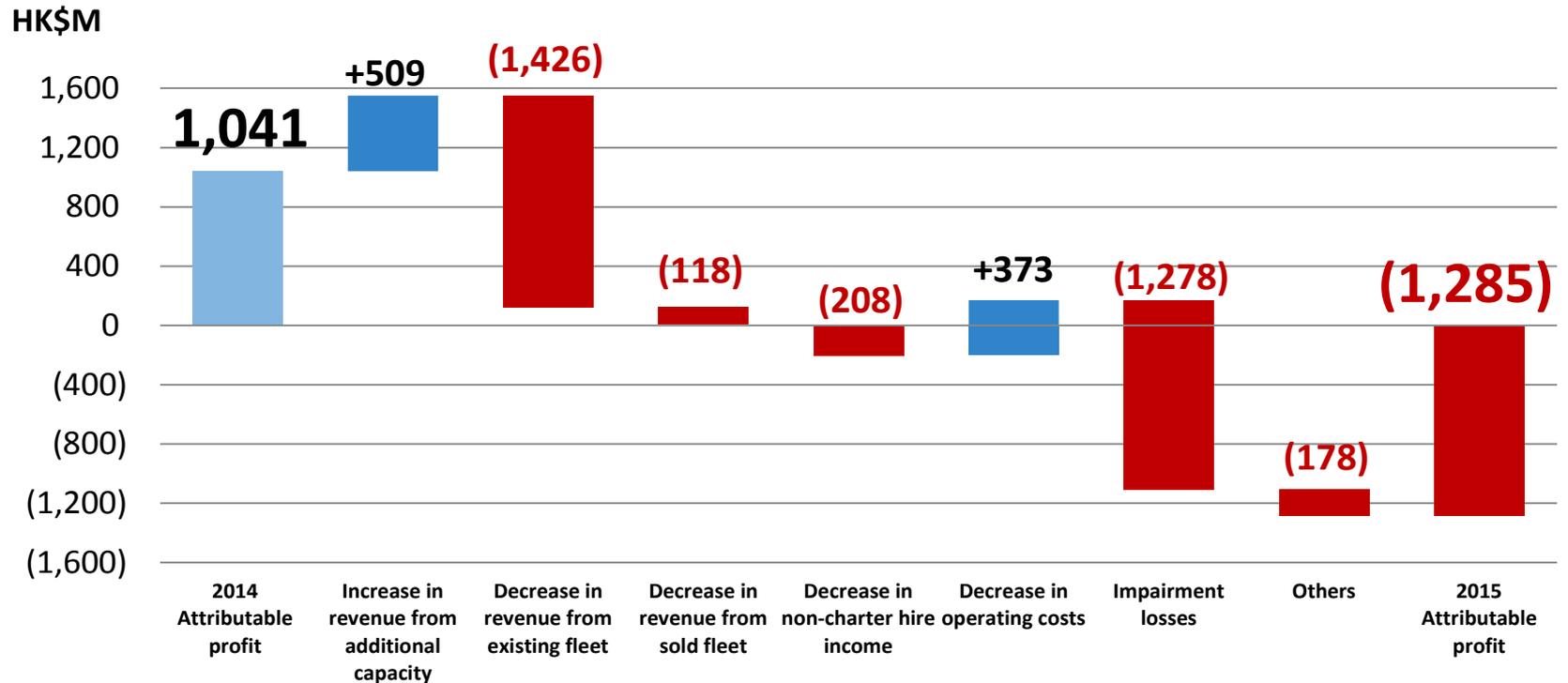
	2015 HK\$M	Change %
Revenue	5,990	-17% ↓
Operating profit	(846)	-164% ↓
Attributable profit	(1,285)	-223% ↓
Average daily charter hire rates	USD27,100	-10% ↓
Average fleet utilisation rate	74.9%	-11.7%pts ↓

## Key Highlights

- The low oil price has adversely affected the exploration and production industry - new projects have been deferred and existing contracts have been renegotiated to reduce costs.
- This has had a significant adverse impact on utilisation and day rates of SPO's vessels, in particular for the fleet of anchor-handling and platform supply vessels.
- SPO also recorded impairment charges of HK\$743m in respect of vessels and HK\$485m in relation to the cancellation of four shipbuilding contracts in Brazil.



# SPO – Movement in Attributable Profit



## SPO Capital Expenditure

### SPO Fleet Growth

Vessel class	2014	2015			Vessels expected to be received in	
		Additions	Disposals	Year-end	2016	2017
Anchor Handling Tug Supply Vessels	40	-	-	<b>40</b>	-	-
Large Anchor Handling Tug Supply Vessels	23	1	1	<b>23</b>	-	-
Platform Supply Vessels	9	3	-	<b>12</b>	3	3
Large Platform Supply Vessels	7	1	-	<b>8</b>	-	-
Construction and Specialist Vessels	9	-	-	<b>9</b>	1	-
<b>Total</b>	<b>88</b>	<b>5</b>	<b>1</b>	<b>92</b>	<b>4</b>	<b>3</b>

Note: SPO's fleet includes one PSV and one CSV chartered from external parties.

### Profile of Capital Commitments – at 31st December 2015

(HK\$M)	Expenditure	Forecast period of expenditure			Commitments
	2015	2016	2017	2018	at 31st Dec 2015
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	<b>1,273</b>	958	904	322	<b>2,184</b>
Construction and Specialist Vessels	<b>157</b>	145	81	25	<b>251</b>
Other fixed assets	<b>60</b>	154	65	16	<b>235</b>
<b>Total</b>	<b>1,490</b>	<b>1,257</b>	<b>1,050</b>	<b>363</b>	<b>2,670</b>



## Prospects

Property

Aviation

Beverages

**Marine  
Services**

Trading &  
Industrial

### Opportunities

- SPO's fleet replacement program has reduced the average age and increased the specification of its fleet. It has also increased the range of services SPO offers to customers. This is expected to continue to enable SPO to compete effectively for available offshore contracts.

### Challenges

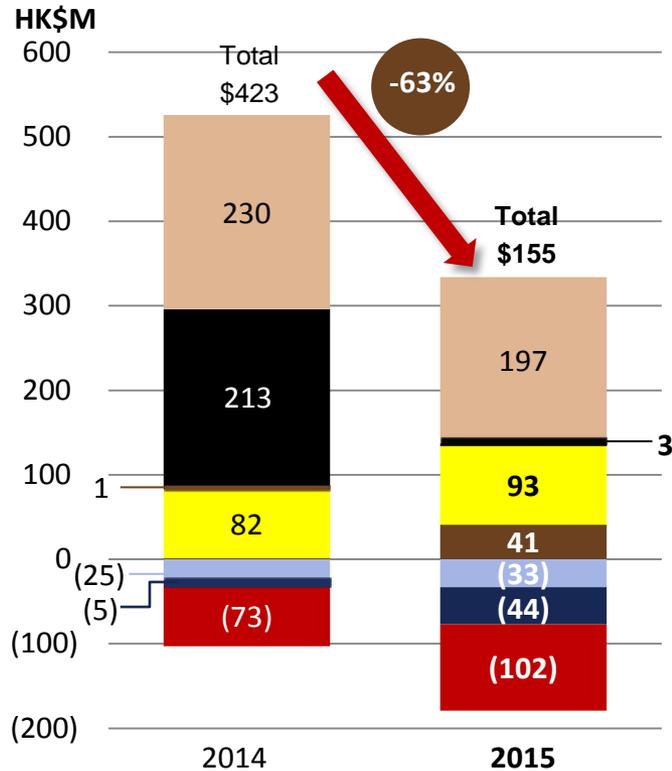
- The oil price is expected to remain low in the short term and this will continue to put pressure on oil and gas companies to defer projects and cut costs.
- The oversupply of offshore vessels in the market is a problem and puts further pressure on utilisation and day rates.

# Trading & Industrial



# Results Highlights

## Attributable Profit



- Akzo Nobel Swire Paints
- Taikoo Motors group
- Swire Retail group
- Swire Foods group
- Swire Pacific Cold Storage group
- Swire Environmental Services group
- Other activities

## Key Highlights

### Taikoo Motors group

Profits fell significantly at Taikoo Motors, following the termination of the VW importership business at the end of 2014.

### Akzo Nobel Swire Paints

An unfavourable sales mix resulted in lower attributable profits at Akzo Nobel Swire Paints.

### Swire Foods group

Swire Foods benefitted from the inclusion of the results of Qinyuan Bakery, which was acquired in December 2014.

### Swire Retail group

Results benefitted from the closure of loss-making businesses in Mainland China.

### Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded a higher loss, principally due to the operating costs of the newly opened cold stores and costs associated with opening new cold stores.



# Prospects

<p>Property</p> <p>Aviation</p> <p>Beverages</p> <p>Marine Services</p>	<table border="1"> <thead> <tr> <th data-bbox="508 372 1136 444"><u>Opportunities</u></th> <th data-bbox="1136 372 1769 444"><u>Challenges</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="508 444 1136 1350"> <ul style="list-style-type: none"> <li>Following the termination of its importership business, TMG continues to transform into a multi-brand dealership business, supported by new investments in Mercedes-Benz and Audi, and related ancillary businesses.</li> <li>Swire Foods is investing in new production facilities at Qinyuan Bakery and Taikoo Sugar to help reduce costs and provide new products.</li> <li>Akzo Nobel Swire Paints is investing in its distribution network and production facilities in Mainland China.</li> </ul> </td> <td data-bbox="1136 444 1769 1350"> <ul style="list-style-type: none"> <li>Occupancy and salary costs continue to rise in Hong Kong notwithstanding weak retail demand.</li> <li>VW emissions issue is likely to adversely affect demand for VW cars in Taiwan.</li> </ul> </td> </tr> </tbody> </table>	<u>Opportunities</u>	<u>Challenges</u>	<ul style="list-style-type: none"> <li>Following the termination of its importership business, TMG continues to transform into a multi-brand dealership business, supported by new investments in Mercedes-Benz and Audi, and related ancillary businesses.</li> <li>Swire Foods is investing in new production facilities at Qinyuan Bakery and Taikoo Sugar to help reduce costs and provide new products.</li> <li>Akzo Nobel Swire Paints is investing in its distribution network and production facilities in Mainland China.</li> </ul>	<ul style="list-style-type: none"> <li>Occupancy and salary costs continue to rise in Hong Kong notwithstanding weak retail demand.</li> <li>VW emissions issue is likely to adversely affect demand for VW cars in Taiwan.</li> </ul>
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<p><b>Trading &amp; Industrial</b></p>					



## **Governance & Risk Management**

Martin Cubbon,  
Corporate Development & Finance Director

## Governance

- The Annual Reports of Swire Pacific, Swire Properties, Cathay Pacific and HAECO will early-adopt new IAASB audit report.
- This significantly expands the audit opinion to include matters of significance to the audit.
- For Swire Pacific in 2015, these were:
  - Valuation and impairment of property, plant and equipment
  - Valuation of investment properties
  - Goodwill and other asset impairment assessment in respect of HAECO Americas
  - Key Audit Matters in relation to Cathay Pacific Airways Limited
- Unqualified audit opinion issued by PwC in respect of the Group's accounts.
- For all matters of significance, PwC found our conclusions to be reasonable and our disclosures appropriate.

## Risk Management

- Group Risk Management Committee (“GRMC”) of Swire Pacific provides oversight of all non-financial risks and reports via the Audit Committee to the Board.
- GRMC membership comprises executive management of each division and chaired by the Corporate Development & Finance Director.
- Primary tool for tracking risks is the maintenance of risk registers for each division which are reviewed three times a year.
- Risks are classified according to five point scales of severity and likelihood.
- Appropriate mitigation must be identified and can include transfer (eg insurance), reduction (eg contingency plans) or avoidance (eg ceasing certain practices or operations).



## Outlook & Strategic Priorities

John Slosar, Chairman

## Outlook

- Outlook for 2016 is mixed.
- Uncertainty remains on account of weak growth in developed economies and the slowdown of growth in the Mainland Chinese economy.
- Resilient results from Swire Properties and growth in the Beverages Division.
- Expectation of continued low oil price will benefit Cathay Pacific but continue to undermine performance in SPO.
- In the medium-term significant new investments in property projects and on additional franchise territory in the Beverages Division are expected to significantly alter the scale and mix of earnings.

## Strategic Priorities

- Allocation of capital to businesses where we believe we can earn returns in excess of our cost of capital continues to be principal strategic objective.
- New allocations of capital in favour of the Beverages Division will be a focus of management attention in 2016 and 2017.
- Dividend policy continues to be to pay out 50% of underlying earnings over the economic cycle.



 SWIRE PACIFIC

Q&A



Appendix

# Corporate Structure

At 31st December 2015

**Swire Pacific Limited**  
(‘A’ shares: 00019; ‘B’ shares: 00087)

*Sustainable growth in shareholder value over the long term*

Attributable Profit: <b>HK\$13,429m</b>  +21%	Underlying Profit: <b>HK\$9,892m</b>  +2%	Earnings per ‘A’ share : <b>HK\$8.93</b>  +21%	Equity attributable to the Company’s shareholders per ‘A’ share: <b>HK\$145.22</b>  -0.1%
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<b>Property</b>	<b>Aviation</b>	<b>Beverages</b>	<b>Marine Services</b>	<b>T&amp;I</b>
-----------------	-----------------	------------------	------------------------	----------------

<b>82%</b> <b>Swire Properties</b> (Stock code: 01972)	<b>45%</b> <b>Cathay Pacific Airways</b> (Stock code: 00293)	<b>75%</b> <b>HAECO</b> (Stock code: 00044)	<b>87.5% - 100%</b> <b>Swire Beverages</b>	<b>100%</b> <b>Swire Pacific Offshore</b>	<b>100%</b> <b>Swire Resources group</b>
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<i>To be a leading developer, owner and operator of mixed-use commercial properties in Hong Kong and Mainland China.</i>	<i>To develop and strengthen Hong Kong as a hub for aviation services, including passenger, cargo and aircraft engineering services.</i>		<i>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.</i>	<b>50%</b> <b>HUD</b>  <i>To maintain and strengthen SPO’s position as a leader in the offshore energy supply industry.</i>	<b>100%</b> <b>Swire Pacific Cold Storage group</b>
					<b>100%</b> <b>Taikoo Motors group</b>
					<b>100%</b> <b>Swire Foods group</b>
					<b>7.7%-50%</b> <b>Swire Environmental Services group</b>
					<b>40% (HKG) / 30%-36% (PRC)</b> <b>Akzo Nobel Swire Paints</b>

Publicly Quoted

*Strategic objective*

*To develop and strengthen the trading and industrial businesses which it operates.*

# Corporate Structure

## Swire Pacific Limited

Property	Aviation	Beverages	Marine Services	T&I
<p><b>Investment Properties</b>  <u>Hong Kong</u></p> <ul style="list-style-type: none"> <li>▪ Pacific Place</li> <li>▪ Taikoo Place</li> <li>▪ Cityplaza</li> </ul> <p><u>Mainland China</u></p> <ul style="list-style-type: none"> <li>▪ Taikoo Li Sanlitun</li> <li>▪ INDIGO</li> <li>▪ TaiKoo Hui</li> <li>▪ Sino-OceanTaikoo Li</li> </ul> <p><b>Future Developments</b>  <u>Hong Kong</u></p> <ul style="list-style-type: none"> <li>▪ Kowloon Bay Commercial Site</li> <li>▪ Tung Chung Town Lot No.11</li> </ul> <p><u>Mainland China</u></p> <ul style="list-style-type: none"> <li>▪ HKRI Taikoo Hui</li> </ul> <p><u>USA</u></p> <ul style="list-style-type: none"> <li>▪ Brickell City Centre</li> </ul> <p><b>Hotels</b>  <u>Hong Kong</u></p> <ul style="list-style-type: none"> <li>▪ The Upper House</li> <li>▪ EAST Hong Kong</li> </ul> <p><u>Mainland China</u></p> <ul style="list-style-type: none"> <li>▪ The Opposite House</li> <li>▪ EAST, Beijing</li> <li>▪ The Mandarin Oriental, Guangzhou</li> <li>▪ The Temple House</li> </ul> <p><u>USA</u></p> <ul style="list-style-type: none"> <li>▪ Mandarin Oriental, Miami</li> </ul> <p><b>Property Trading</b>  <u>Hong Kong</u></p> <ul style="list-style-type: none"> <li>▪ AZURA</li> <li>▪ ARGENTA</li> <li>▪ AREZZO</li> <li>▪ ALASSIO</li> <li>▪ WHITESANDS</li> <li>▪ MOUNT PARKER RESIDENCES</li> </ul> <p><u>USA - Miami</u></p> <ul style="list-style-type: none"> <li>▪ Reach &amp; Rise</li> </ul>	<p><b>Cathay Pacific group</b>  <u>Airlines</u></p> <ul style="list-style-type: none"> <li>▪ Cathay Pacific</li> <li>▪ Dragonair</li> <li>▪ Air Hong Kong (60%)</li> <li>▪ Air China (20%)</li> </ul> <p><u>Cargo Terminal</u></p> <ul style="list-style-type: none"> <li>▪ Cathay Pacific Services</li> </ul> <p><u>Other Operations</u></p> <ul style="list-style-type: none"> <li>▪ Cathay Pacific Catering Services</li> <li>▪ Hong Kong Airport Services</li> </ul> <p><b>No. of Aircraft: 201</b></p> <p><b>HAECO group</b></p>  <ul style="list-style-type: none"> <li>▪ HAECO Hong Kong</li> <li>▪ HAECO Americas</li> <li>▪ HAECO Xiamen (58.6%)</li> <li>▪ HAESL and SAESL (45% and 9%)</li> <li>▪ TEXL (67.6%)</li> </ul>	<p><b>Swire Beverages</b>            Has the right to manufacture, market and distribute products of The Coca-Cola Company</p>  <p><u>Hong Kong</u>  <b>No. of Bottling Plants: 1</b></p> <p><u>Mainland China</u>  <b>No. of Bottling Plants: 11</b></p> <p><u>Taiwan</u>  <b>No. of Bottling Plants: 2</b></p> <p><u>USA</u>  <b>No. of Bottling Plants: 2</b></p>	<p><b>Swire Pacific Offshore</b>            Operates a fleet of offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA</p> <p><b>No. of Vessels: 92</b></p> <p><b>No. of Vessels on Order: 7</b></p>  <p><b>HUD group</b>            Ship repair and harbour towage services in Hong Kong</p> <p><b>No. of Vessels: 19</b></p> 	<p><b>Trading</b></p> <p><b>Swire Retail group:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Swire Resources group</b>                Distribution and retailing of footwear, apparel and related accessories in Hong Kong, Macau and Mainland China</li> <li>▪ <b>Swire Brands group</b>                Investments in brand-owning companies</li> </ul> <p><b>Taikoo Motors group</b> Distribution and retailing of motor vehicles in Taiwan, Hong Kong, Mainland China and Malaysia</p> <p><b>Industrial</b></p> <p><b>Swire Foods group:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Taikoo Sugar</b>                Packaging and selling sugar and other products in Hong Kong and Mainland China</li> <li>▪ <b>Campbell Swire</b>                A joint venture with The Campbell Soup Company. Distributes soup and broth products in Mainland China</li> <li>▪ <b>Swire Foods</b>                A 65% interest in Qinyuan Bakery</li> </ul> <p><b>Swire Pacific Cold Storage group</b>            Provision of cold storage and warehousing services in Mainland China</p> <p><b>Akzo Nobel Swire Paints</b> Manufacture and distribution of paint in Hong Kong and Mainland China</p> <p><b>Swire Environmental Services group:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Swire Waste Management</b>                Provision of waste management services in Hong Kong</li> <li>▪ <b>Swire sustainability Fund</b>                Investment in early-stage companies developing technologies</li> </ul>

## Financial Summary

### Profit Bridge

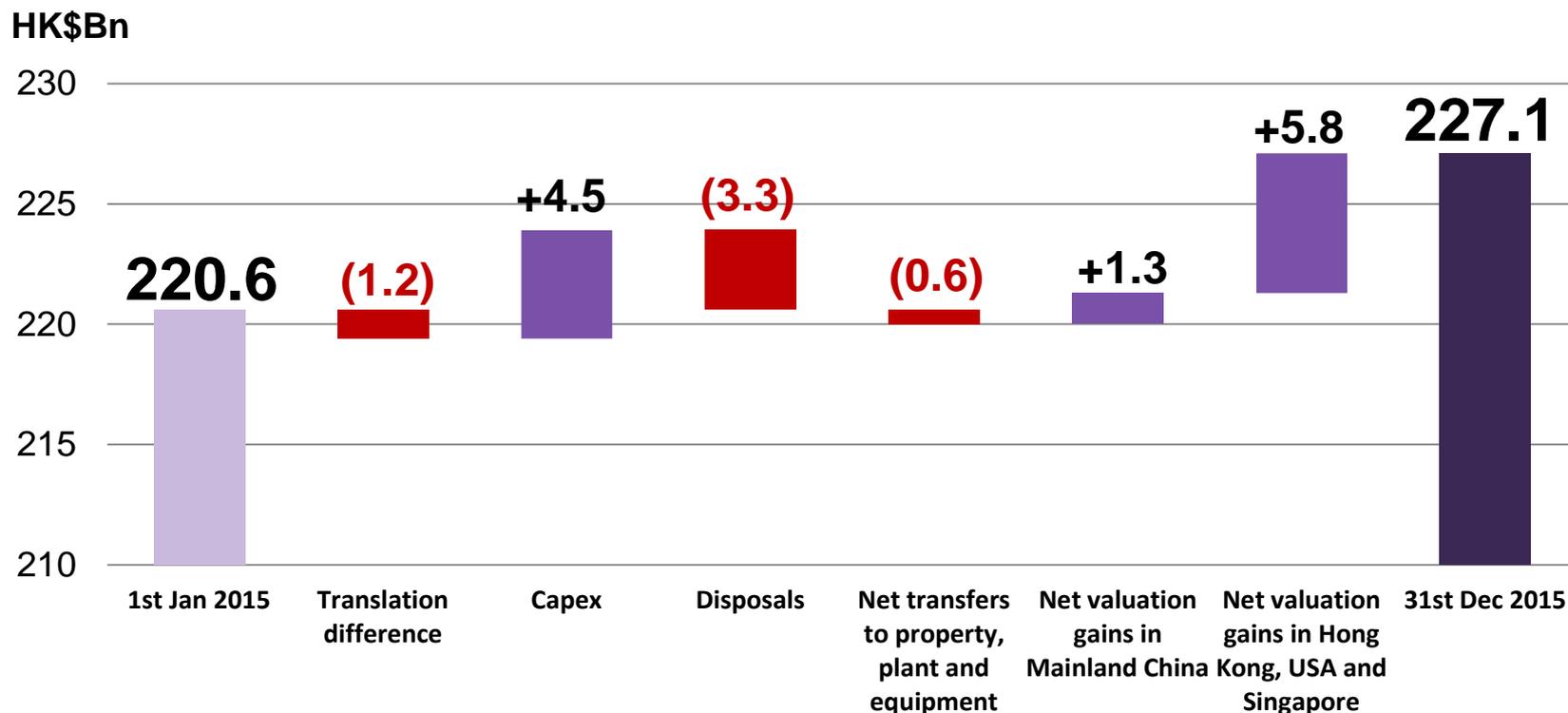
	2014 HK\$M	2015 HK\$M
<b>Attributable profit</b>	11,069	<b>13,429</b>
Less: adjustments in respect of investment properties	(1,330)	<b>(3,537)</b>
<b>Underlying profit attributable to the Company's shareholders</b>	9,739	<b>9,892</b>
Other significant items:		
Profit on sales of investment properties	(529)	<b>(2,023)</b>
Profit on sales of property, plant and equipment and other investments	(93)	<b>(74)</b>
Net impairment of property, plant and equipment, leasehold land and intangible assets	254	<b>1,348</b>
<b>Adjusted underlying profit</b>	9,371	<b>9,143</b>

Primarily on sale of eight units at OPUS HONG KONG.

SPO recorded impairment charges of HK\$1,278m in respect of vessels and cancelled vessel construction contracts.

## Movement in Investment Properties

51



- Revaluation gains of HK\$7.1Bn in 2015 (excluding the Group's share of revaluation movements of joint venture and associated companies).
- The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the offices in Hong Kong outside Central district.



# 2015 Annual Results Analyst Briefing

Sustainable Growth Through Diversified Operations

10th March 2016 | Hong Kong