



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

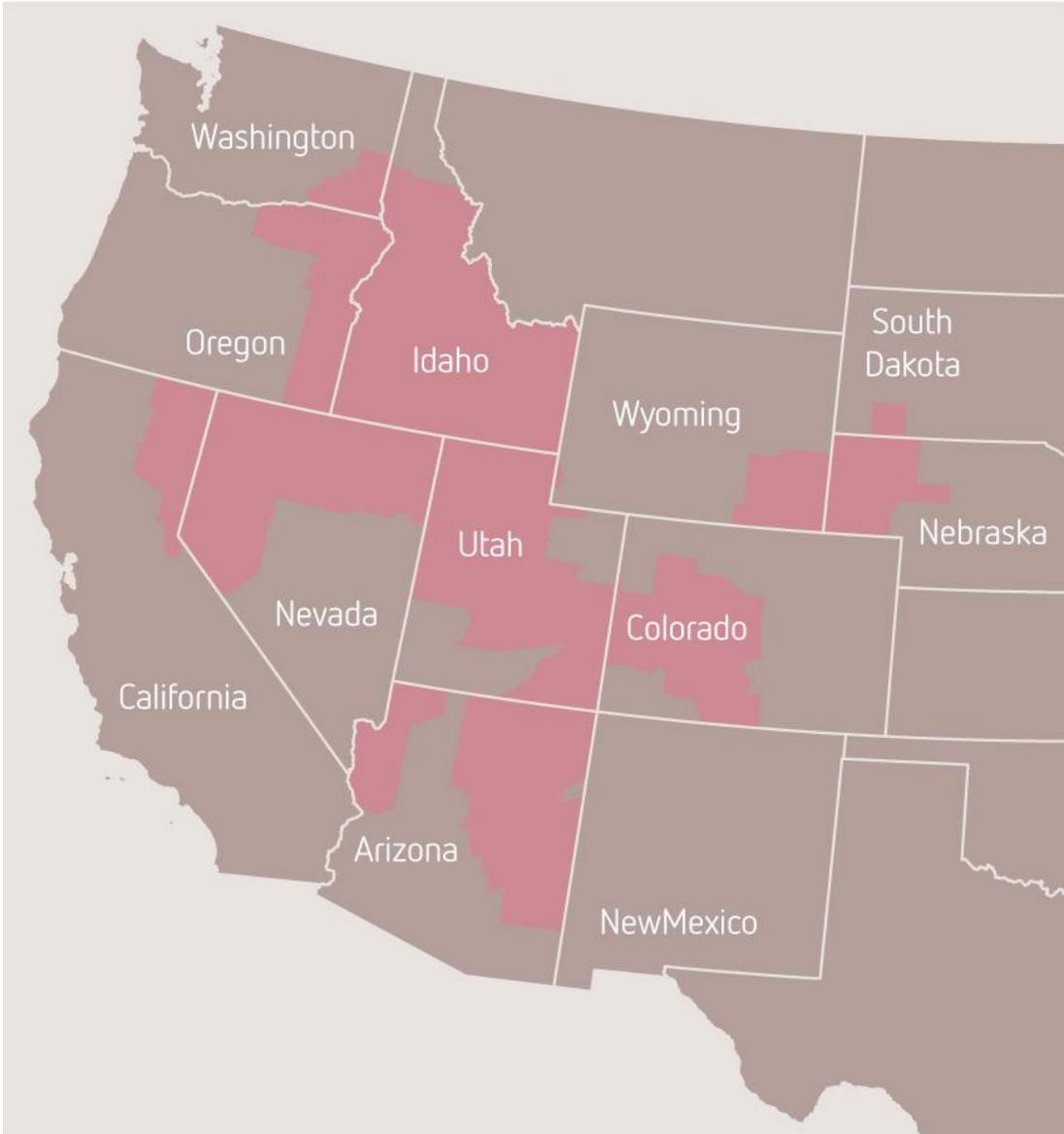
Entry into USA



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

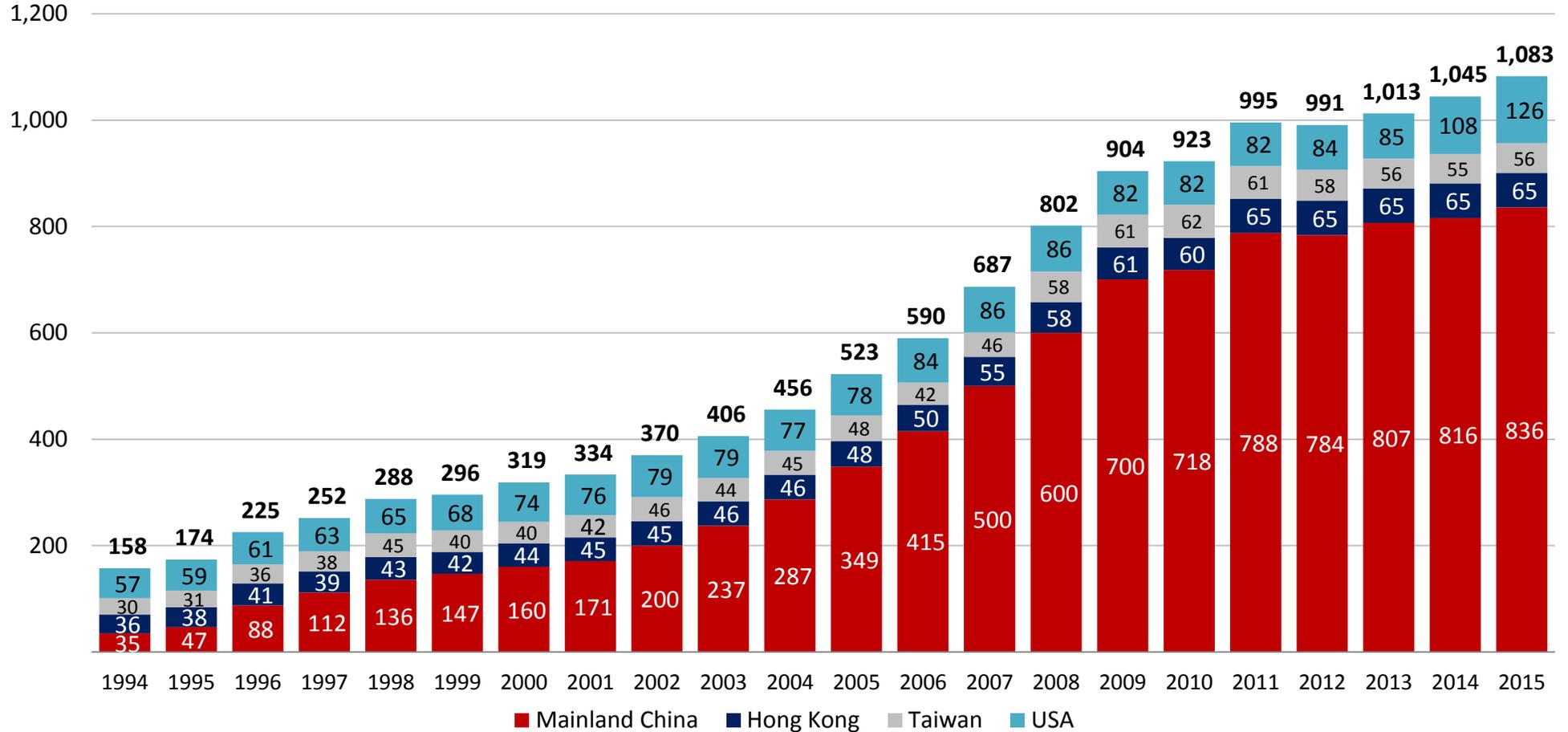


Rapid Growth Throughout 1990s and 2000s



1995 – 2015 Sales Volume

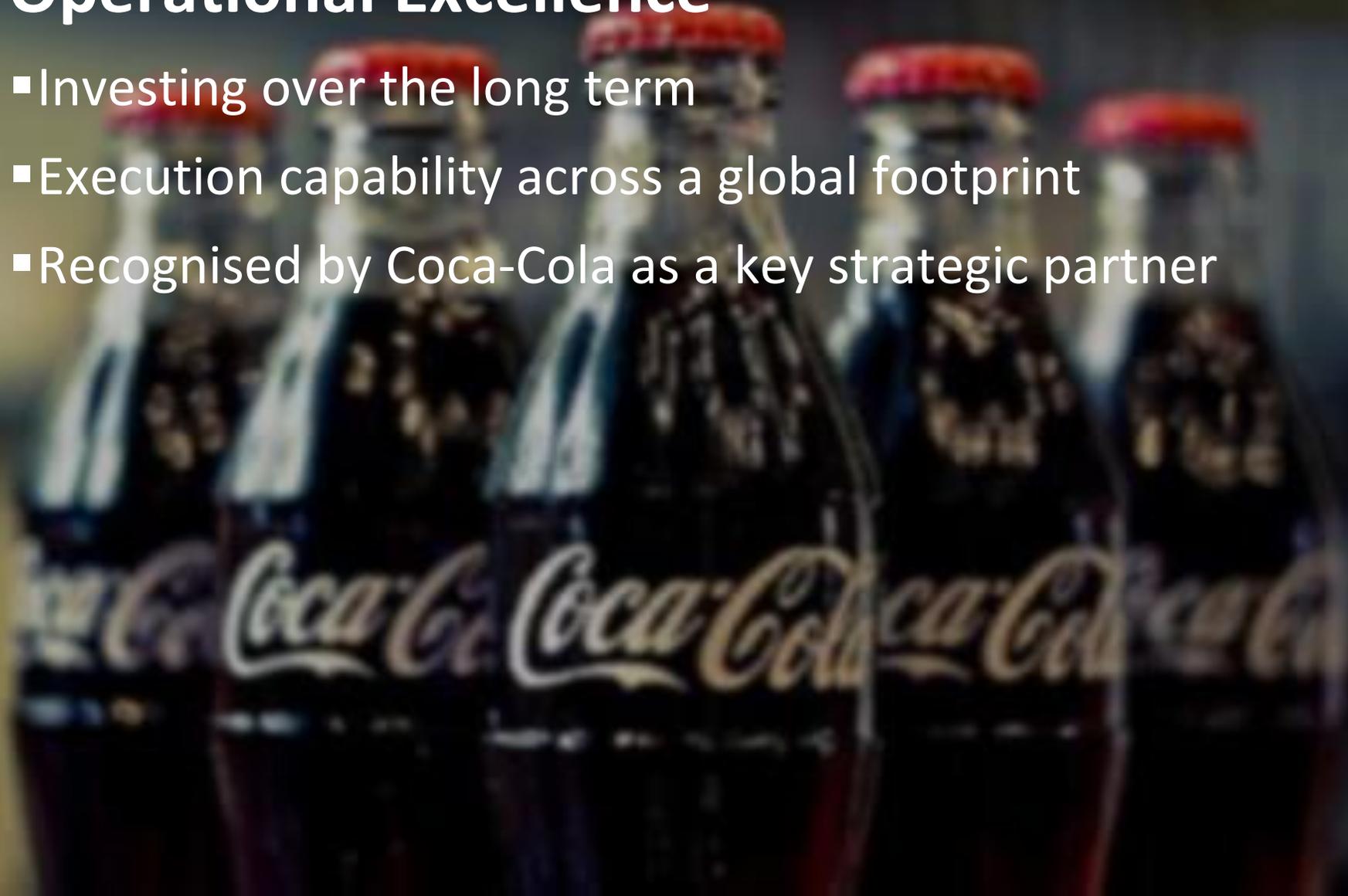
(Million Unit Cases)





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

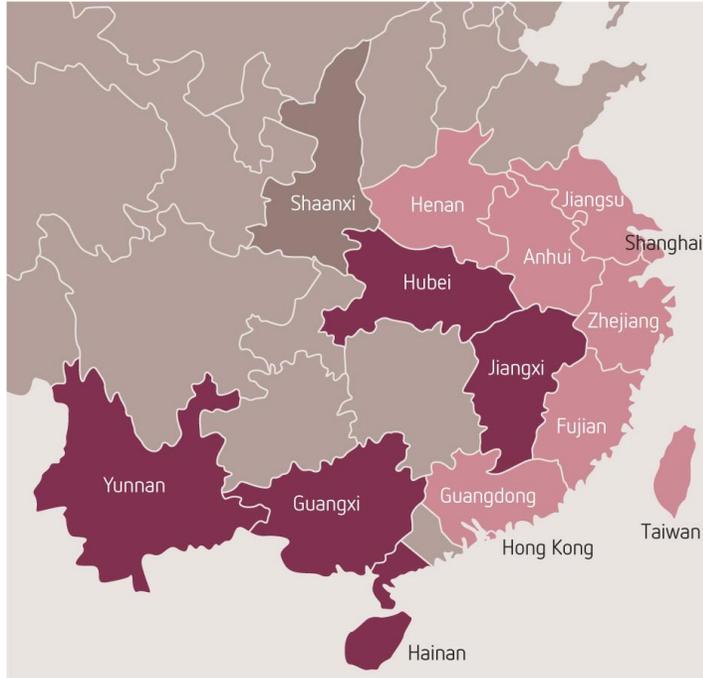


- Swire Pacific appetite to deploy additional capital into a core business, matching:
 - The Coca-Cola Company's intention to reduce ownership of global bottling franchises
 - Strong alignment of strategic intention between Swire Beverages and The Coca-Cola Company

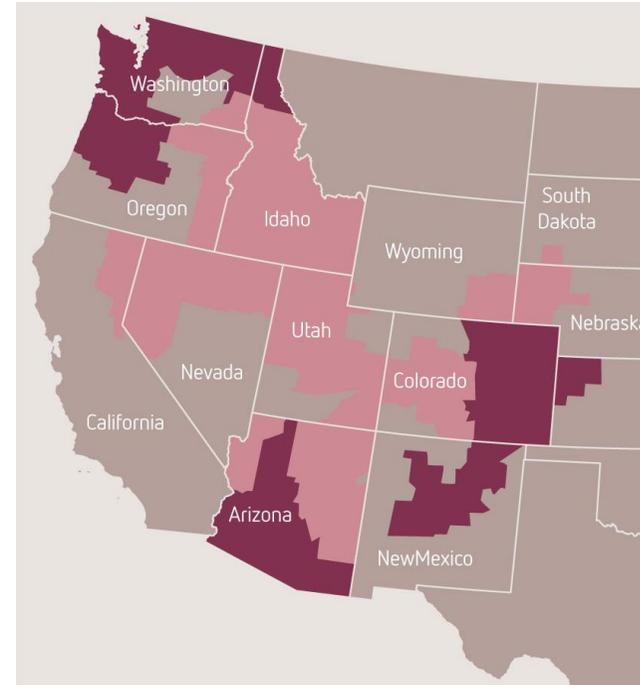
Expansion in China and USA



Greater China



USA



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

Note: all figures are with reference to 2015 actuals



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



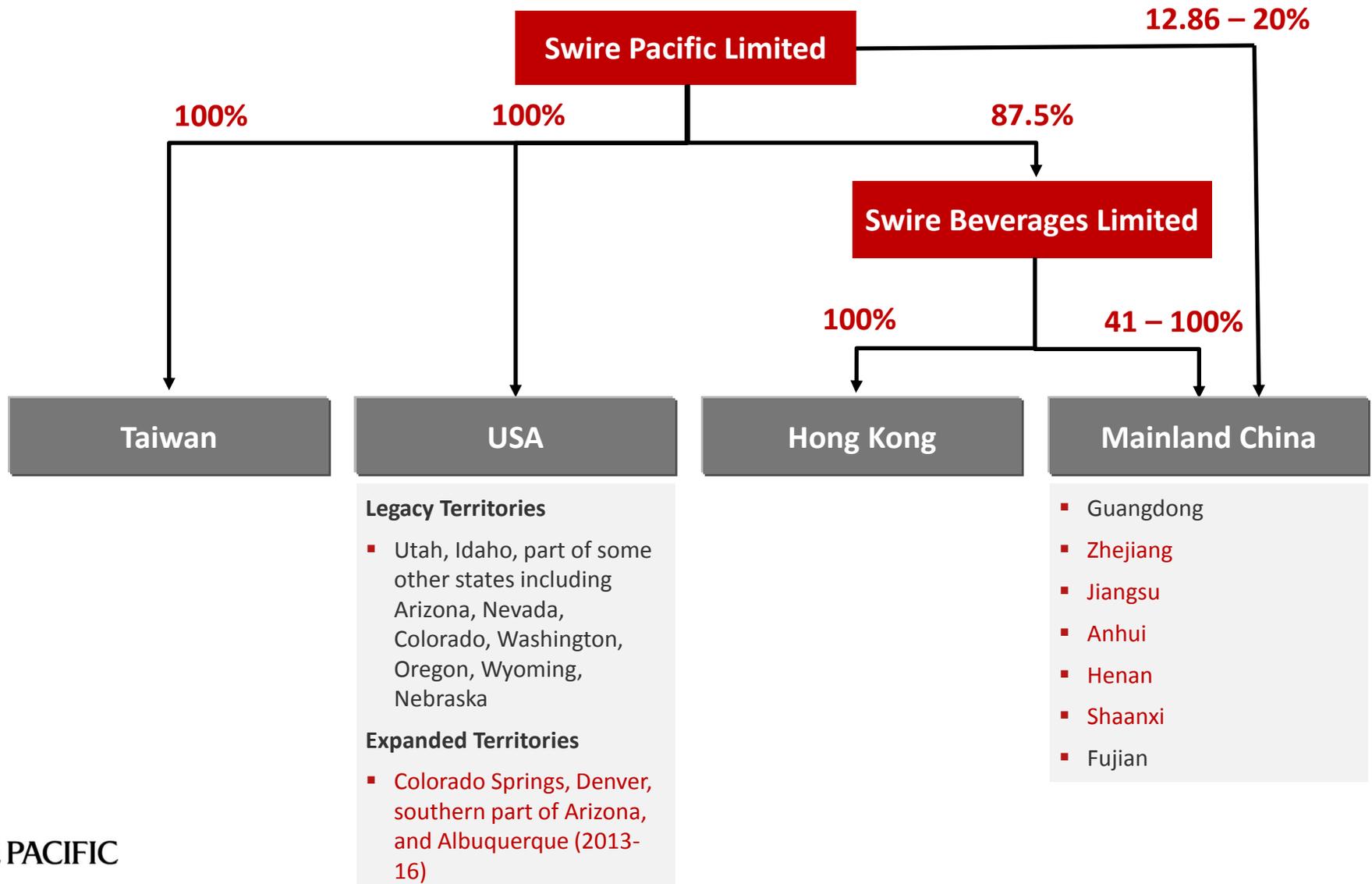
Financial Highlights

Keith Fung

Finance Director, Swire Beverages

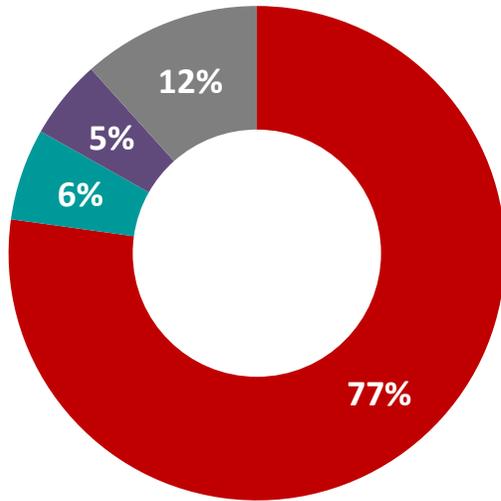


Swire's Current Franchise Territories



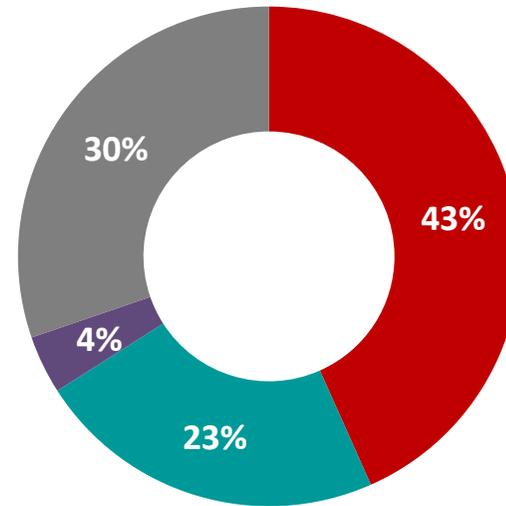


Sales Volume



■ Mainland China ■ HK ■ Taiwan ■ USA

Attributable Profit



■ Mainland China ■ HK ■ Taiwan ■ USA

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

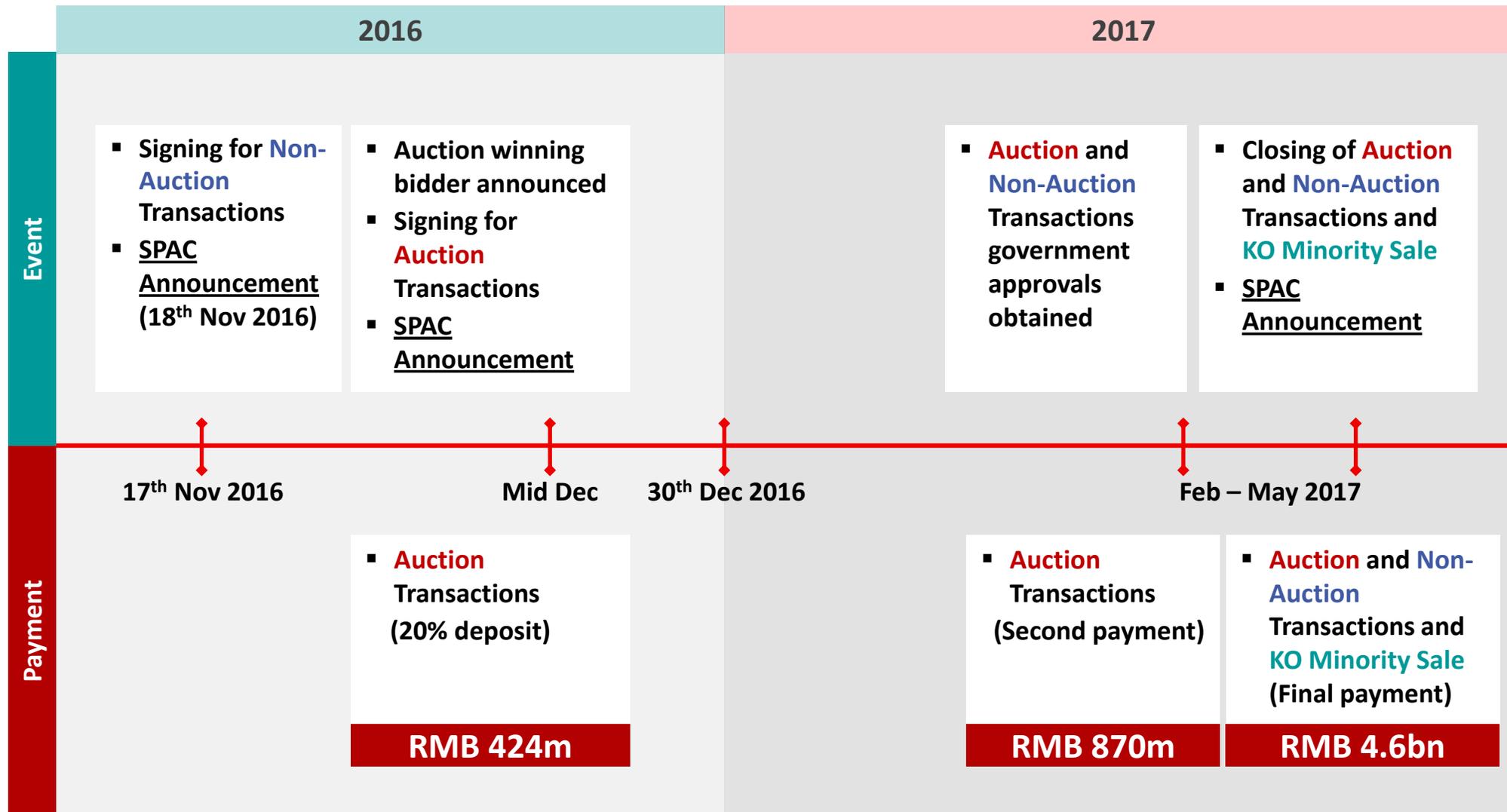


Pre and post based on 31 Dec 2015

	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

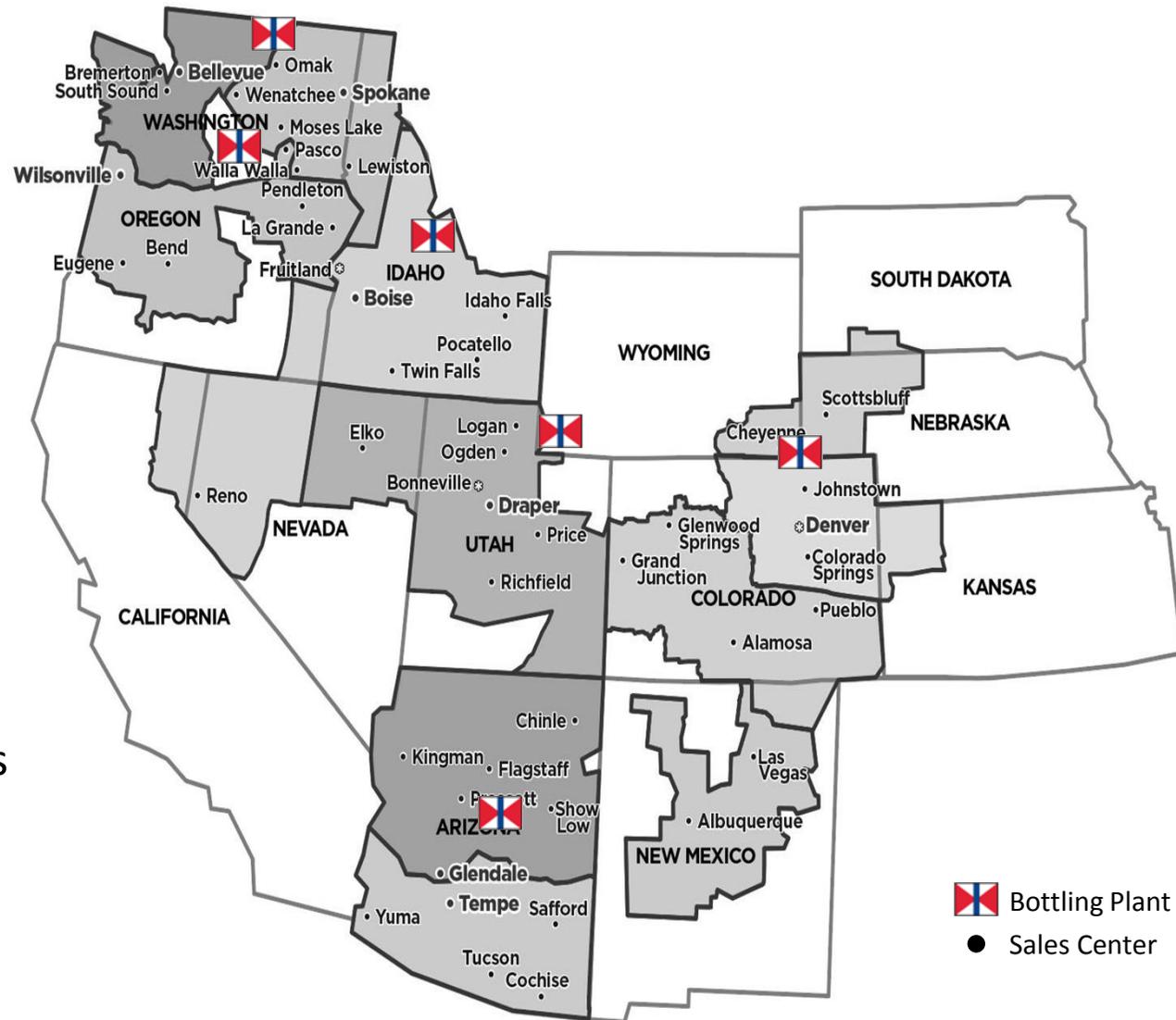
Jack Pelo

President / CEO, Swire Coca-Cola, USA

Swire Coca-Cola, USA in 2017



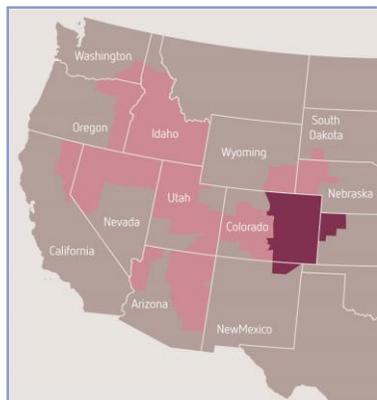
- **3rd** largest independent bottler in the United States
- **13** states across the Western U.S.
- **7** divisions
- **47** sales centers
- **6** production facilities
- **6,000** employees
- Produces, distributes and sells Coca-Cola, Dr Pepper, and Monster products



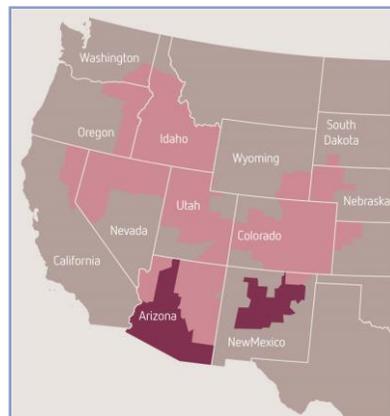
Swire Coca-Cola USA, Growing Through Acquisition



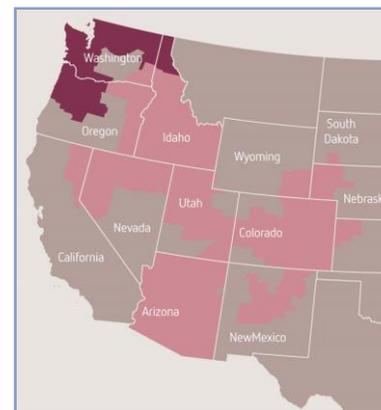
**Mile High
(Q2 2014)**



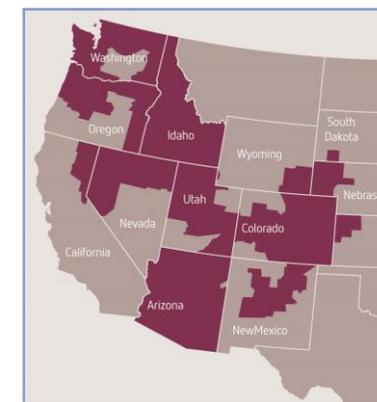
**Arizona /
New Mexico
(Q3 2016)**



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



Total



**Territory boundaries are approximate*

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

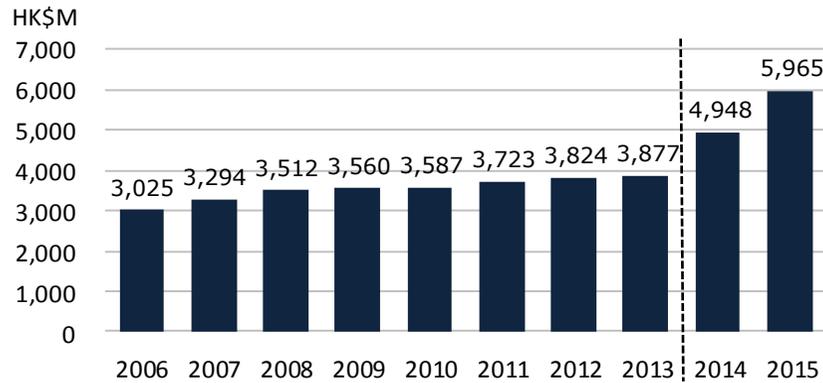
Note: all figures are with reference to 2015 actuals

Financial Highlights

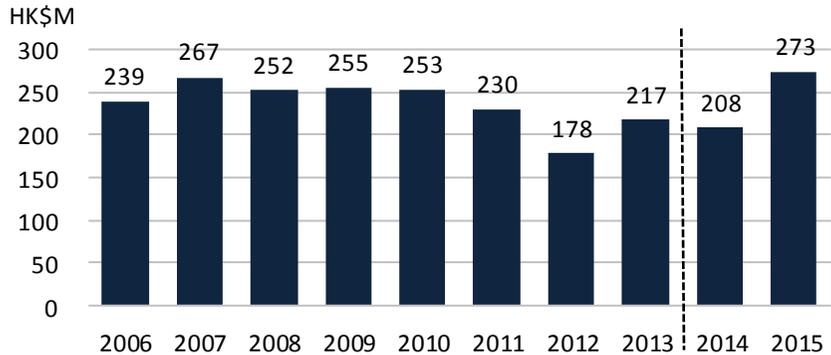


USA

Turnover (HK\$M)

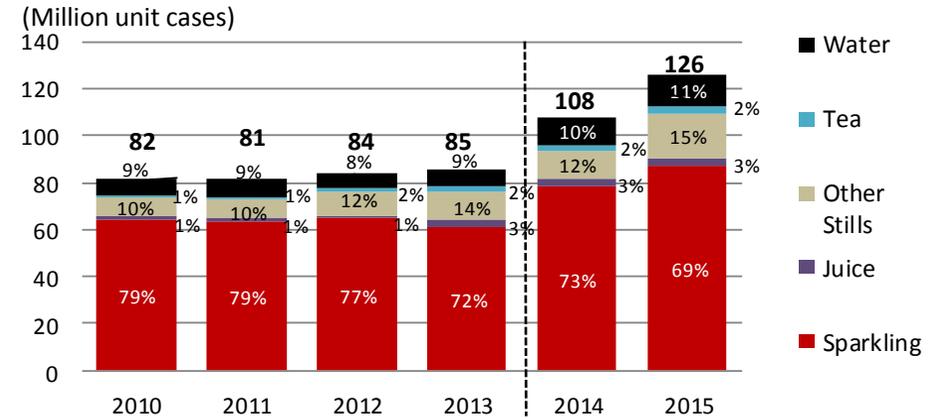


Attributable Profits ⁽¹⁾ (HK\$M)

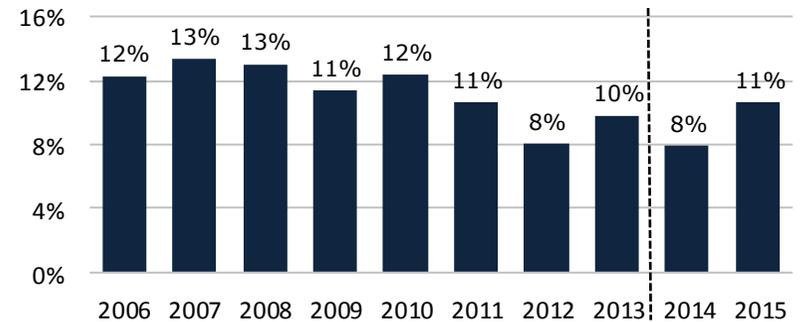


Source: Internal Company Data

Volume by Category (Million unit cases)



Return on Capital Employed ⁽²⁾ (%)



Notes

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

US Strategy Evolving to Meet Consumer Preferences



1

Key Metrics

INCIDENCE

REVENUE

TRANSACTIONS

MARGIN GROWTH

VALUE SHARE

2

Brand Clusters



3

Advantaged Routes to Market



4

World Class Key Account Management Teams



5

Customer Culture Capability

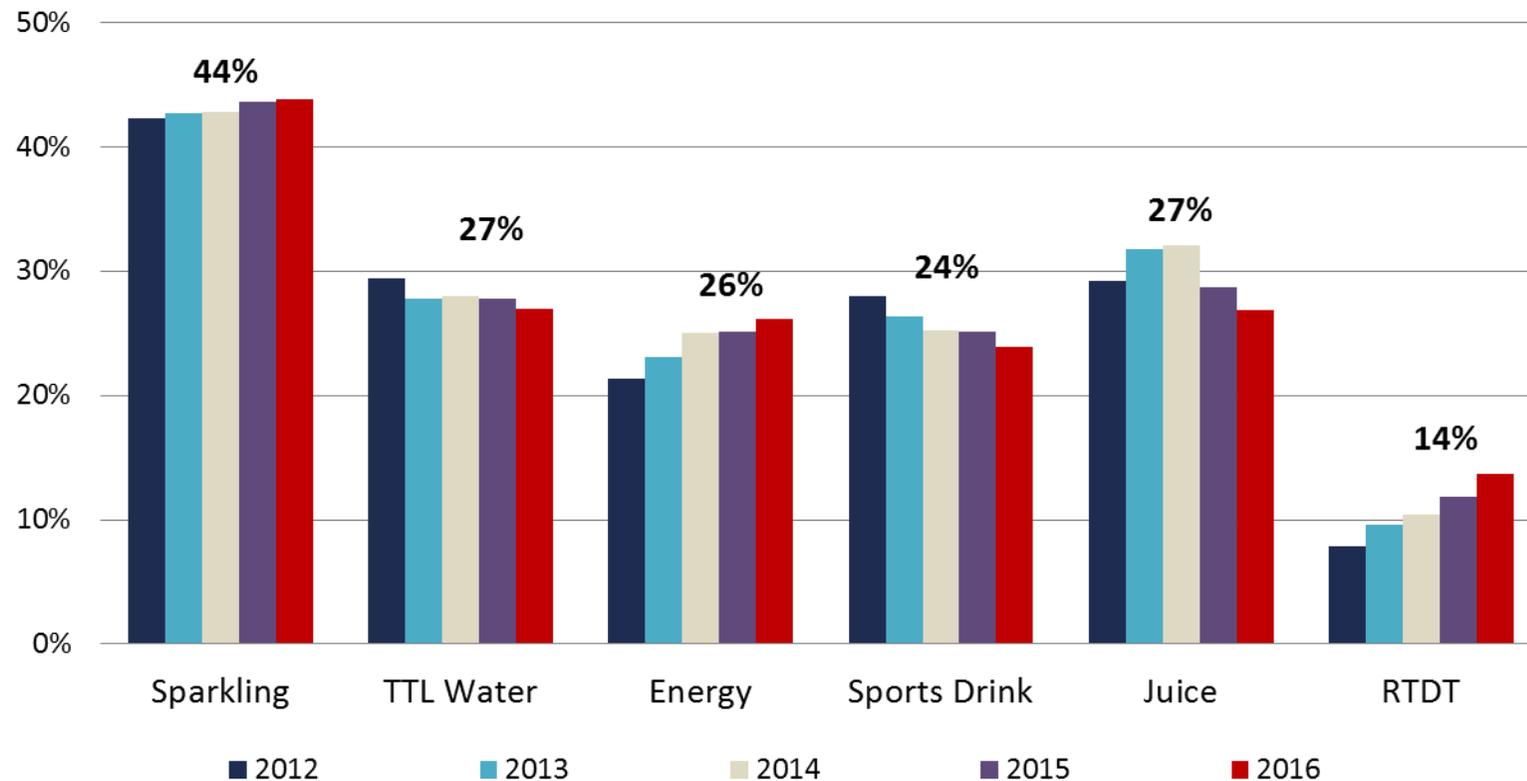


Growth in Sparkling Continues – Improving Trends in Energy and Ready to Drink Tea



1 Key Metrics

Market Share (2011-2016)



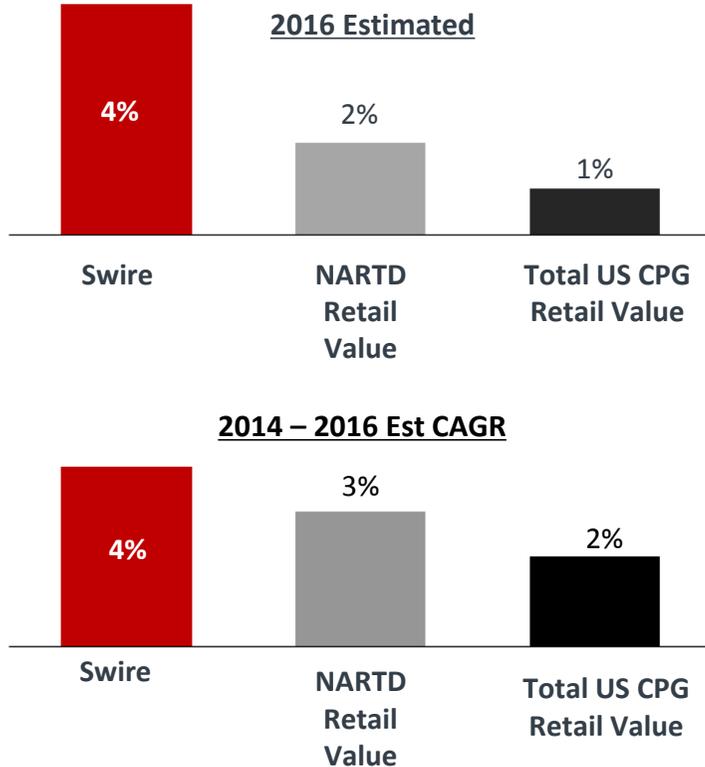
Source: Nielsen

Revenue Growing Faster Than Industry Average



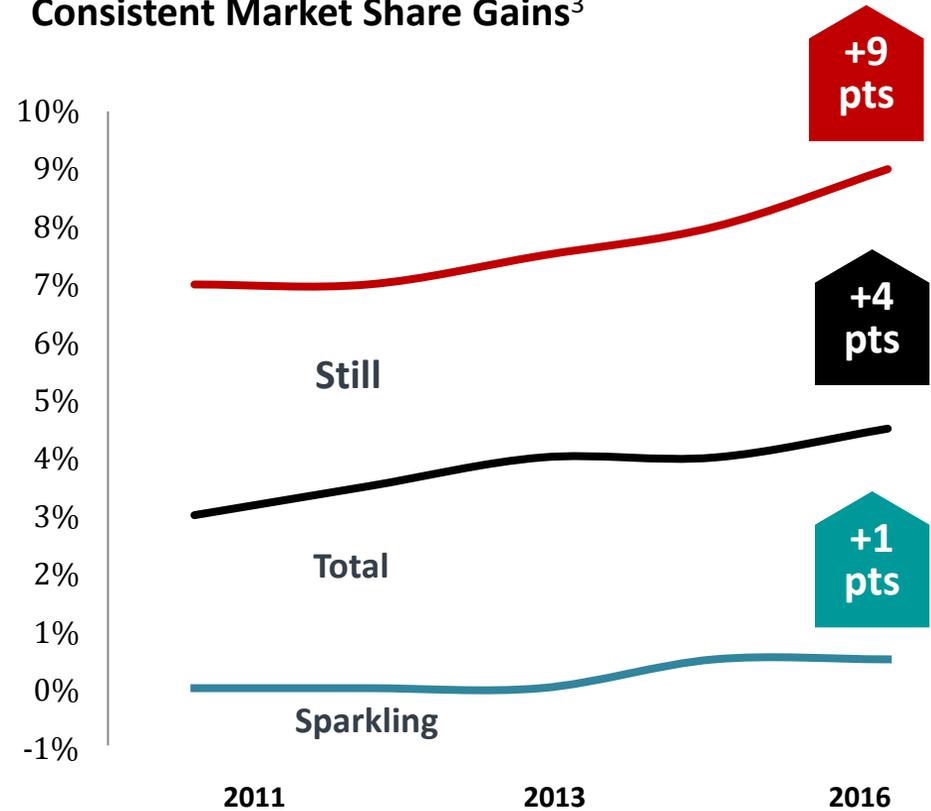
1 Key Metrics

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 Gains³



Share Growth Over the Last 5 Years

Sources:
¹Nielsen reported data, Swire Legacy
²Nielsen; total US CPG Retail Value includes all beverage and non-beverage categories
³Nielsen 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 creation¹
- Accounts for >40% of our Retail Value²
- 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



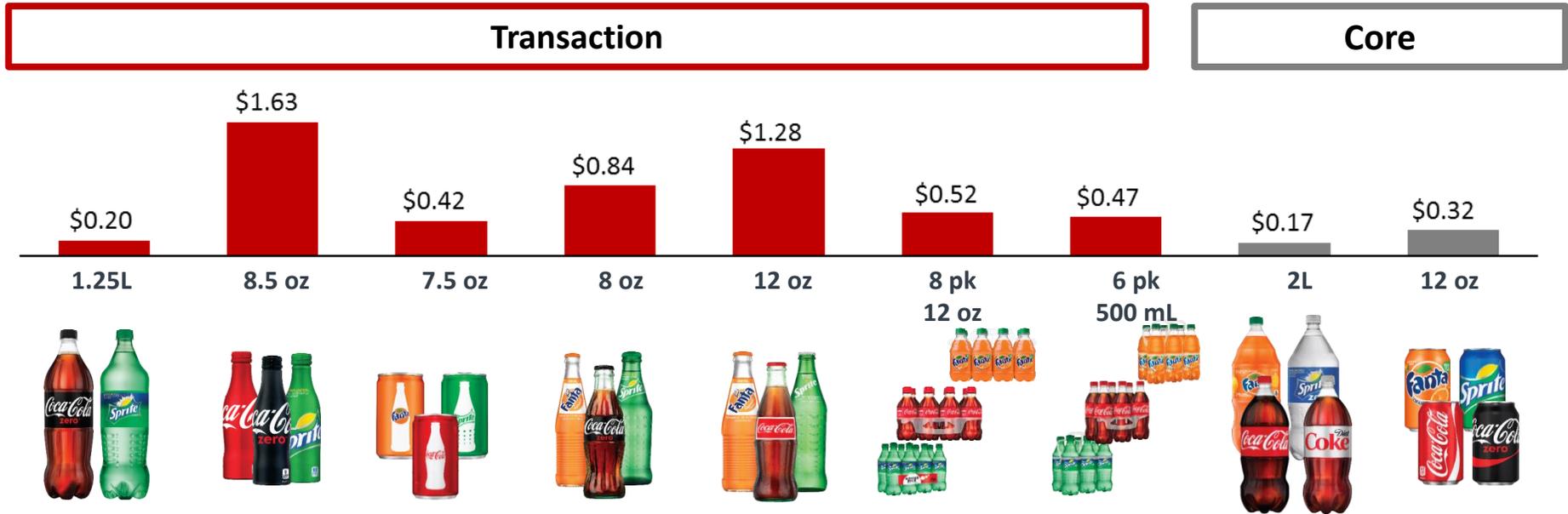
2 Brand Clusters

Nielsen All Measured Channels - Total Sparkling YTD 2016

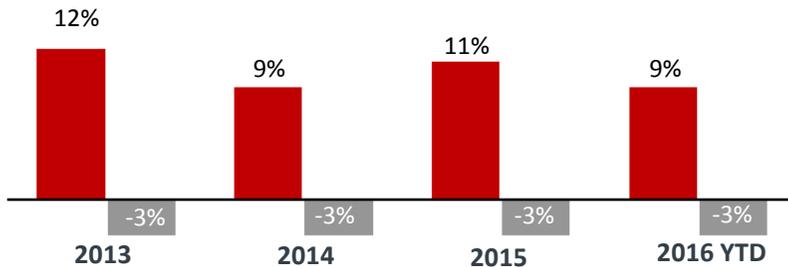
Transaction

Core

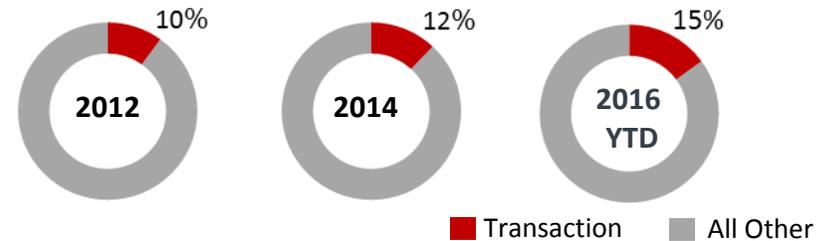
\$ / Occasion (serving)



Value Growth



% of Value



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



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

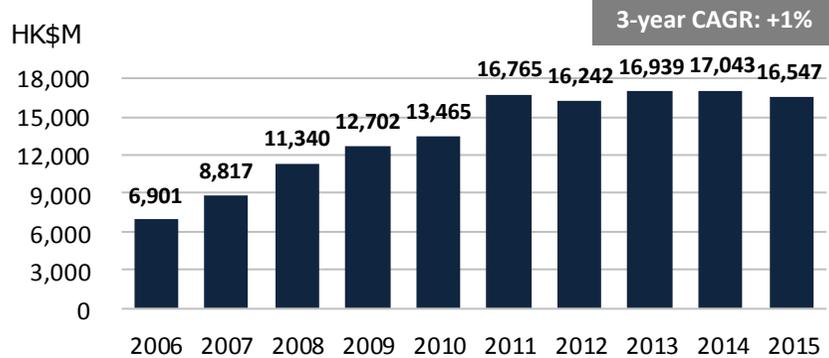
Source: Company Internal Information as at 2015

Financial Highlights

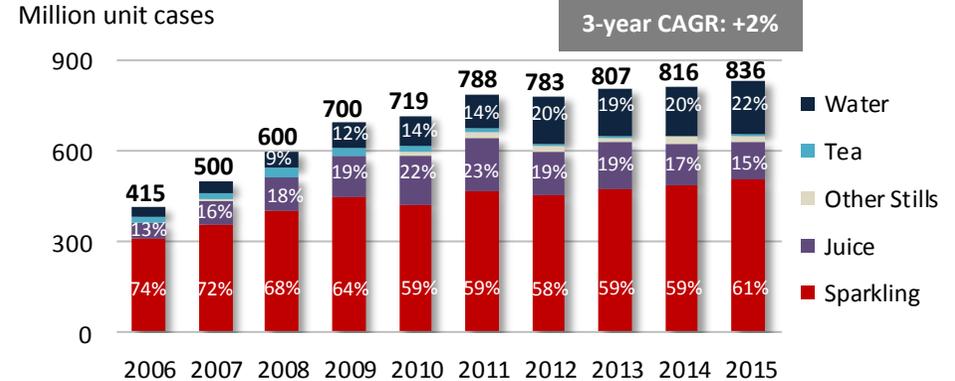


Mainland China

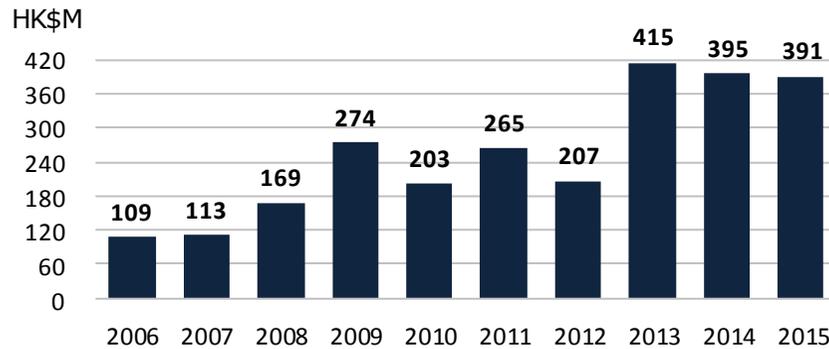
Turnover ⁽¹⁾ (HK\$M)



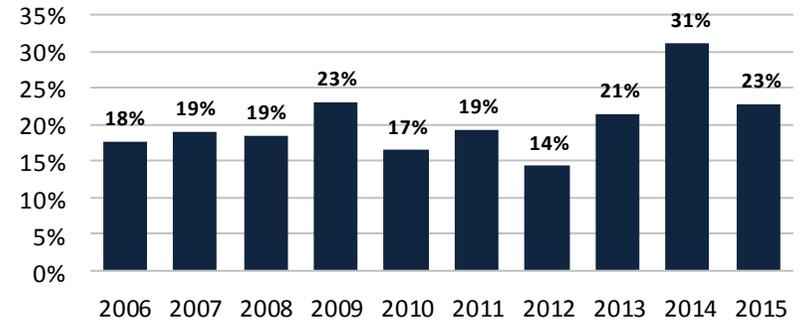
Volume by Category (Million unit cases)



Attributable Profits ⁽³⁾ (HK\$M)



Return on Capital Employed ⁽²⁾ (%)



Notes:

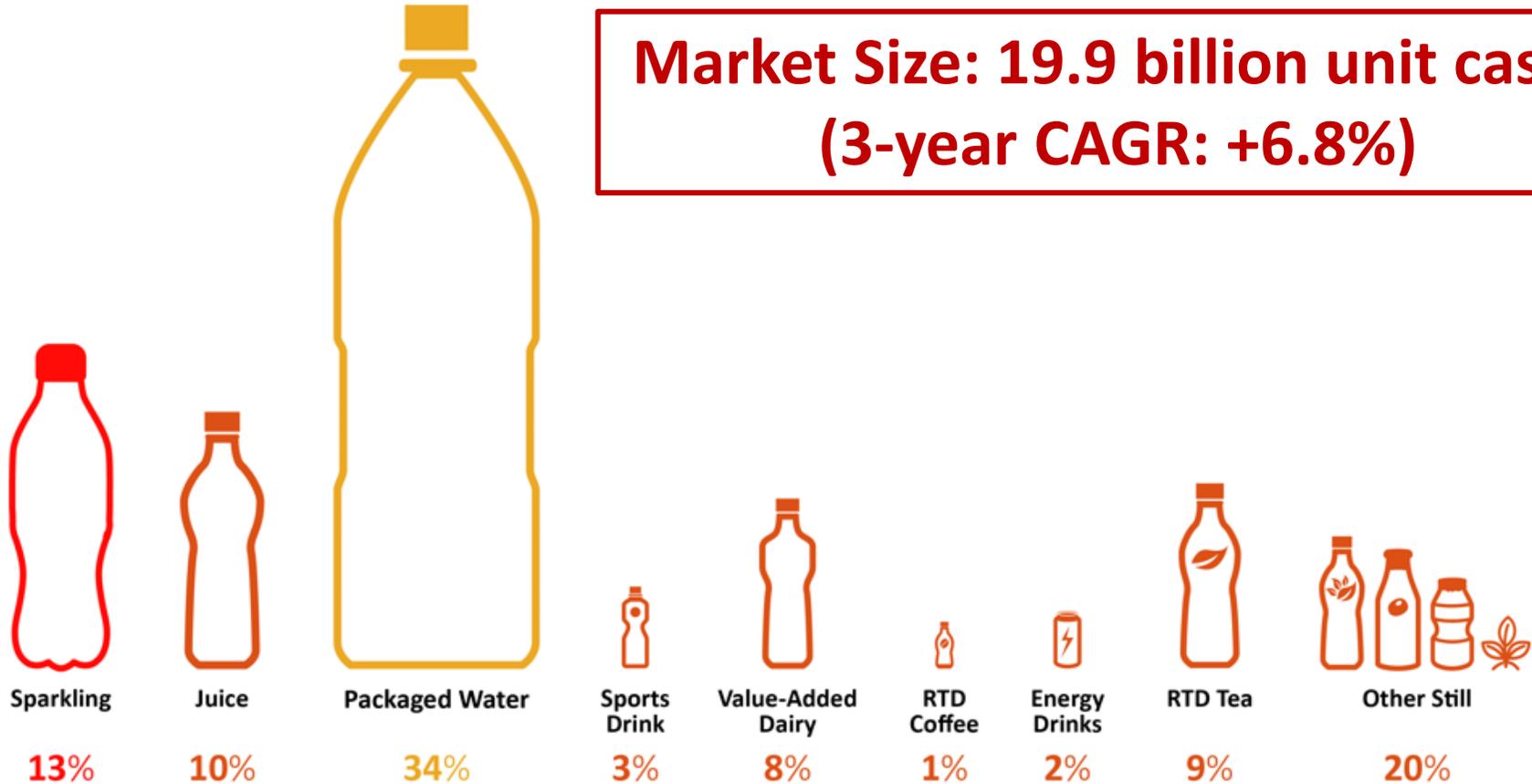
- Including revenues from jointly-controlled companies but excluding revenues from Coca-Cola Bottlers Manufacturing Holdings Ltd. (CCBMH), an associate of the company.
- Profit before interest after tax divided by capital employed. Capital employed equals net assets employed less investment costs in Mainland China jointly controlled entities. Goodwill is included in net assets based on the original value at the time of the investment.
- 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



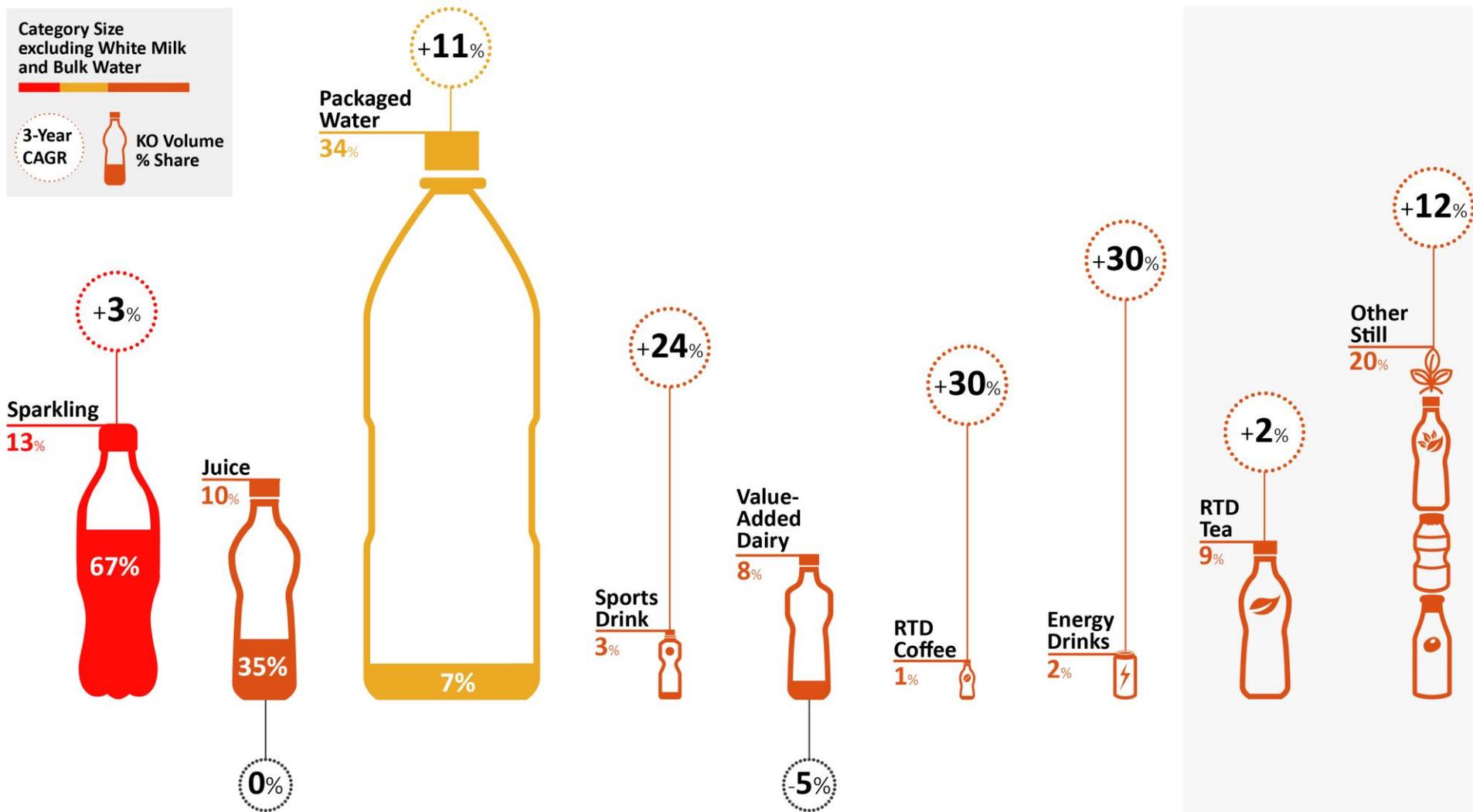
2015 Non-Alcoholic Ready to Drink Landscape

Category Size
excluding White Milk
and Bulk Water

3-Year
CAGR



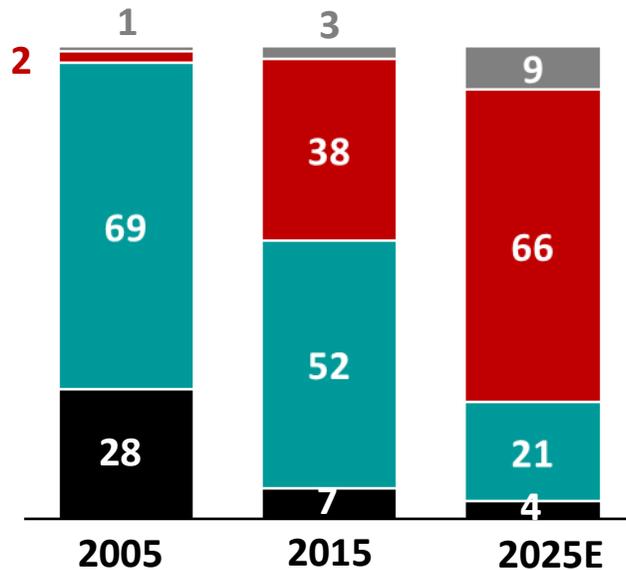
KO Volume
% Share



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
New Mainstream	103,000 – 222,000	8.5
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



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



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

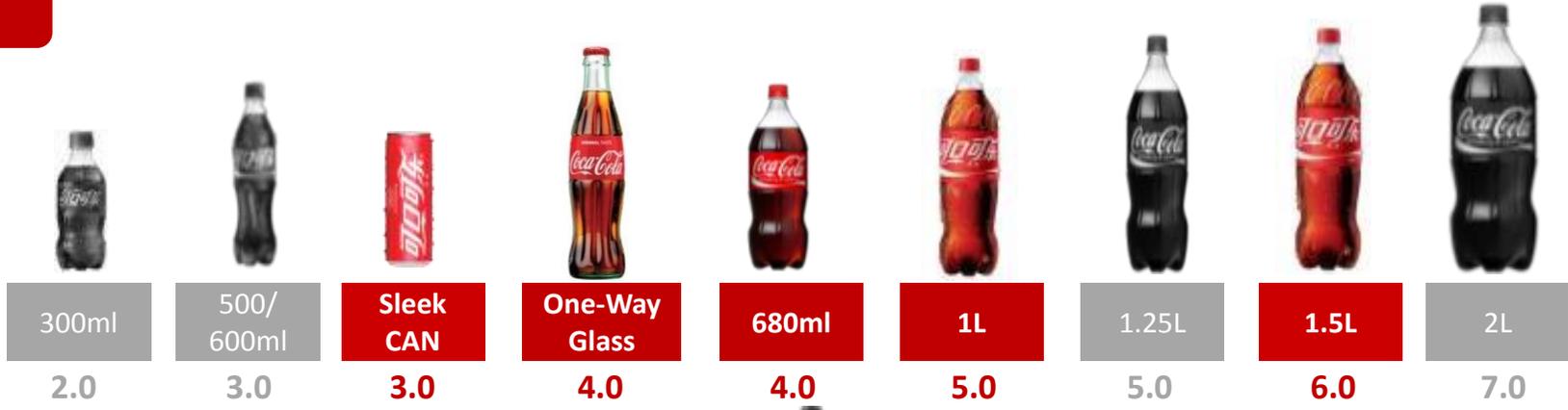
Package Portfolio Capturing All Consumption Occasions



1

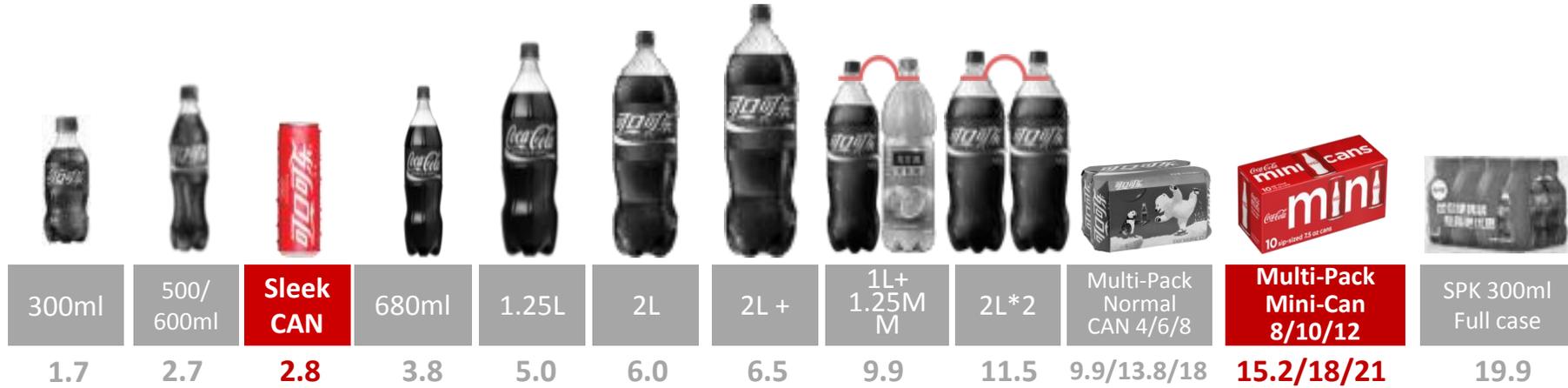
Commercial Strategies

General Trade



Retail Price (RMB/bottle)

Modern Trade



Retail Price (RMB/bottle)

HORECA



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

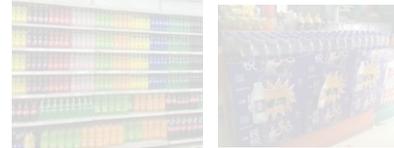


2nd Platform



3 In-Store Execution

Continuous Improvement in Execution



4 Tools & Technology

Technology



eCommerce



5 Capabilities

Training



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





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



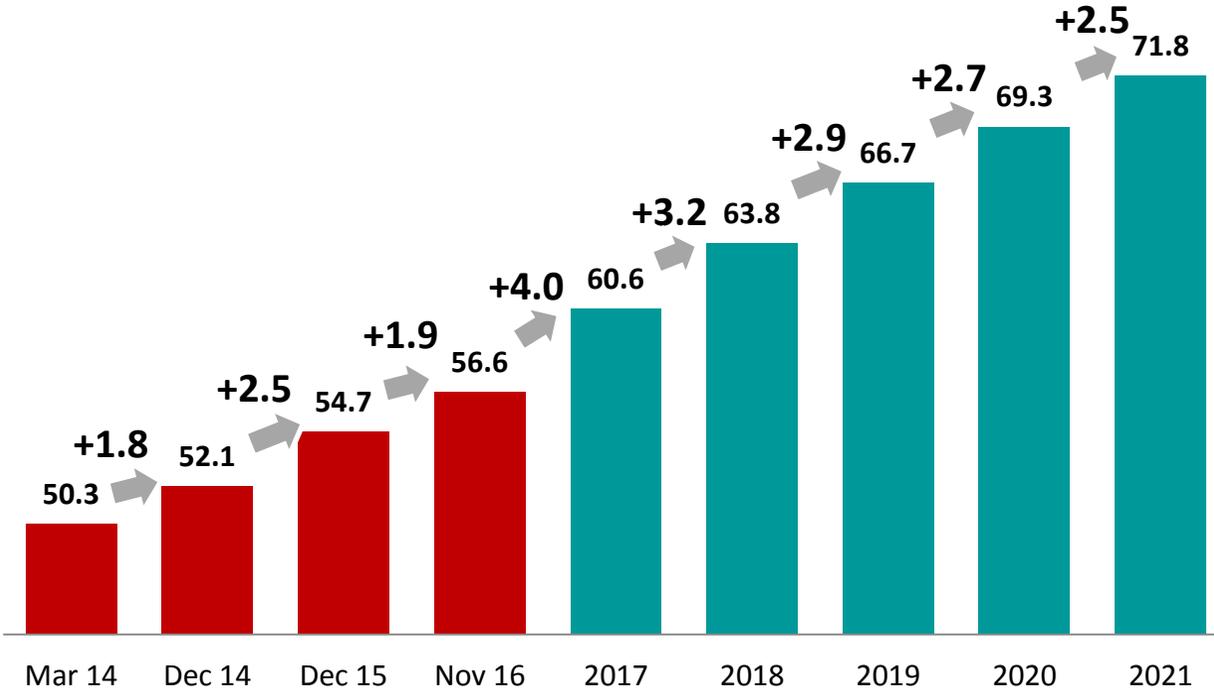
Continuous Improvement in In-Store Execution Capability



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



2nd Platform



3 In-Store Execution

Continuous Improvement in Execution



4 Tools & Technology

Technology



eCommerce



5 Capabilities

Training



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			✓



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



O2O



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



2nd Platform



3 In-Store Execution

Continuous Improvement in Execution



4 Tools & Technology

Technology



eCommerce

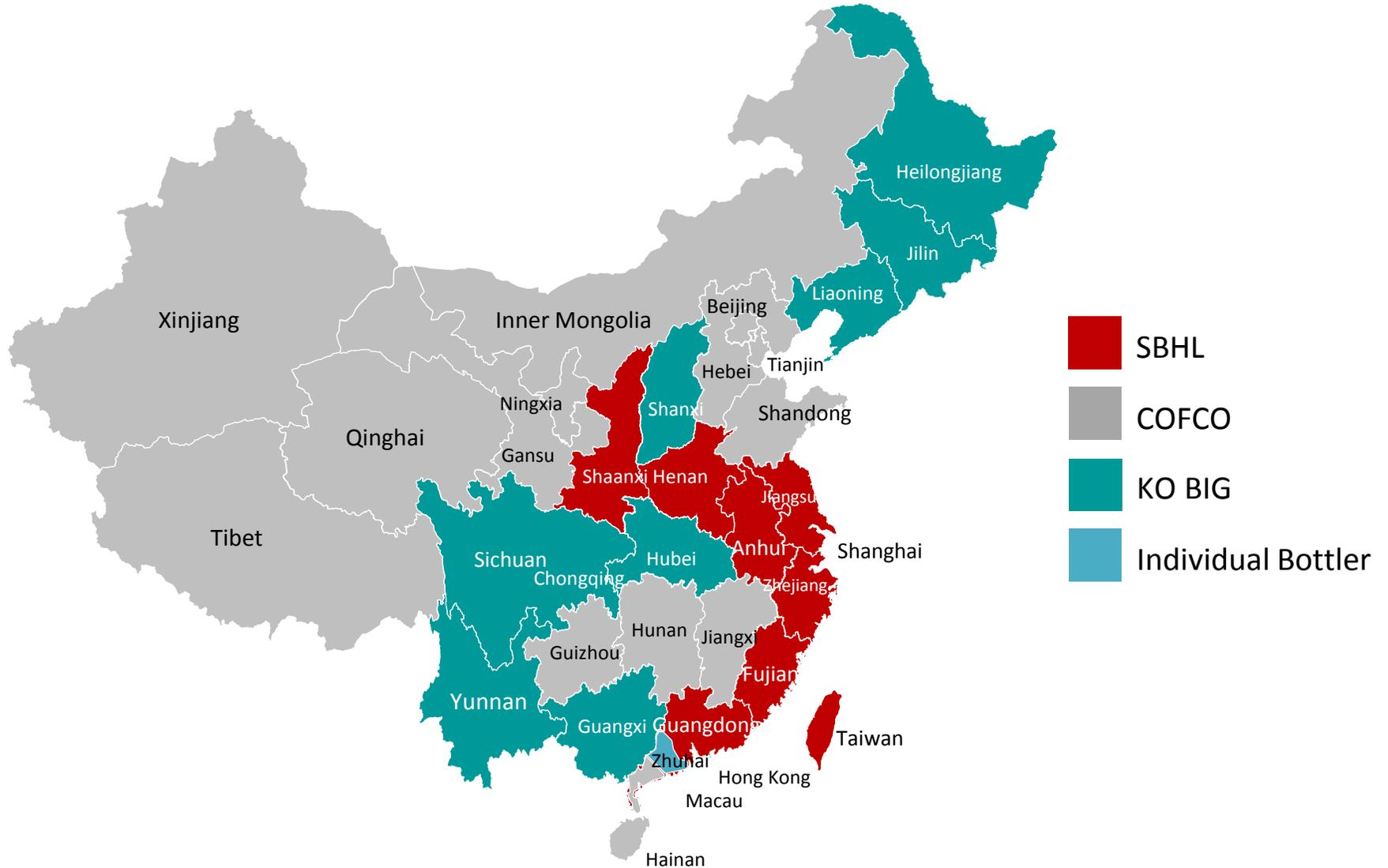


5 Capabilities

Training



Current China System



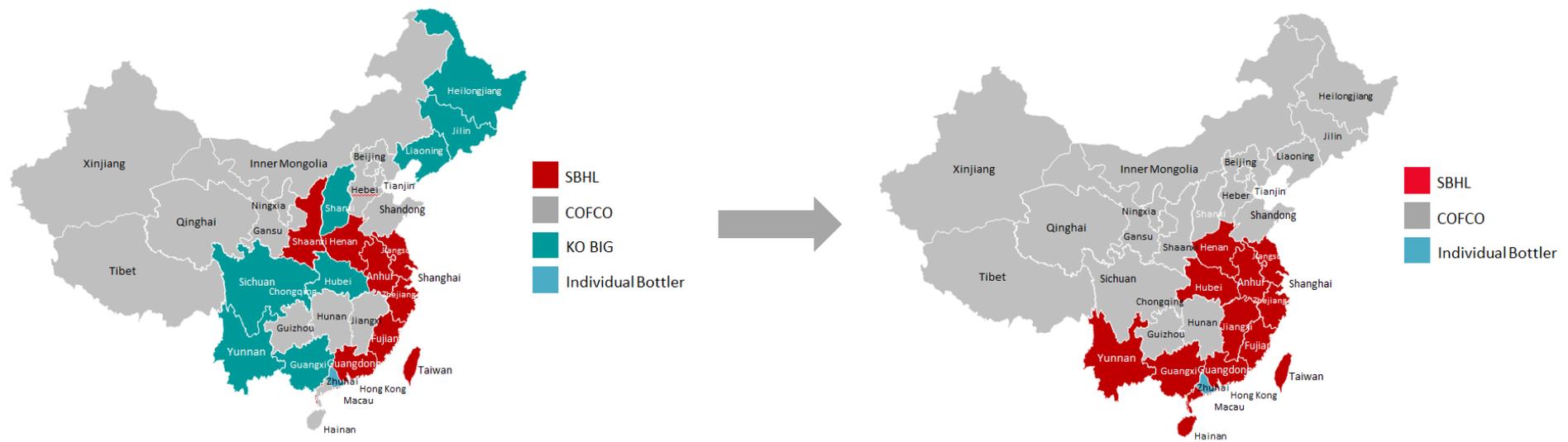
Realigned China System



-  SBHL
-  COFCO
-  Individual Bottler



A Unique Opportunity to Transform Our Bottling Business in China



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

Note: all figures are with reference to 2015 actuals

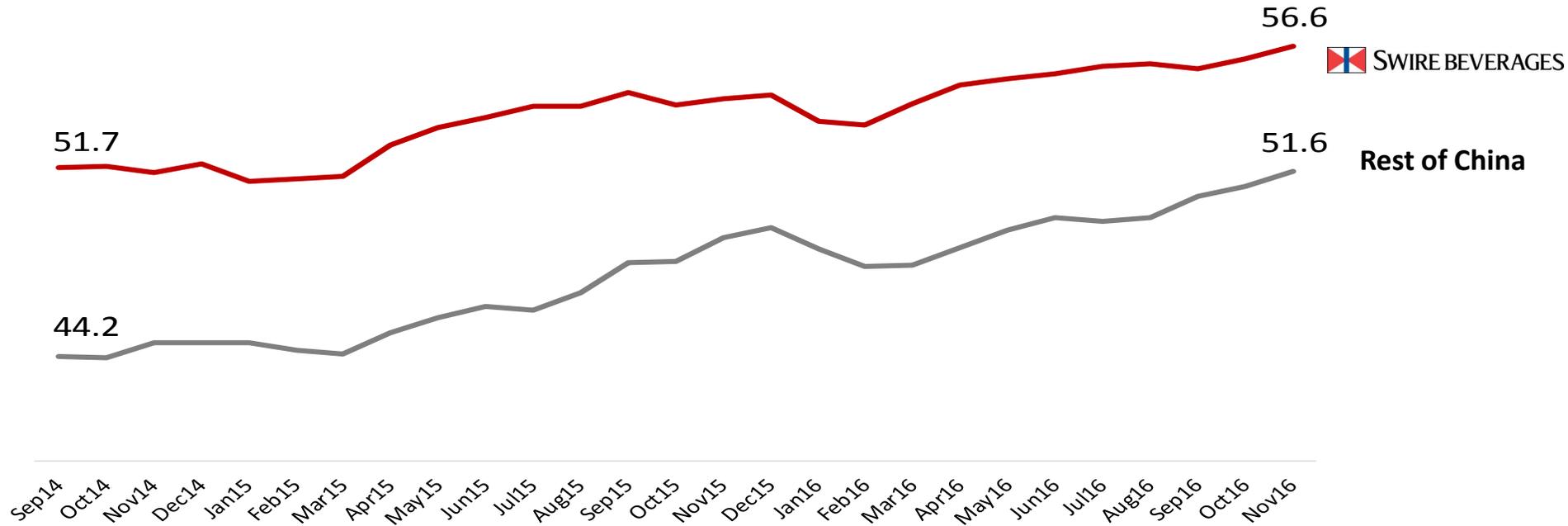
Replicate Best-in-Class Practices Across Acquired Territories



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



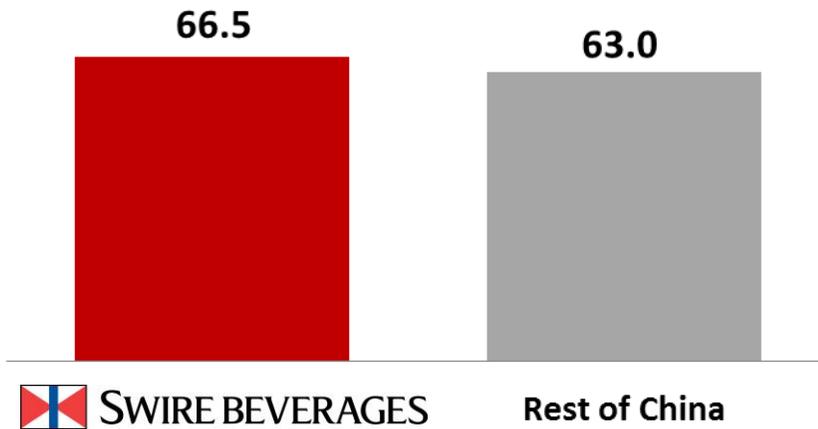
Index of National Execution (INE) score



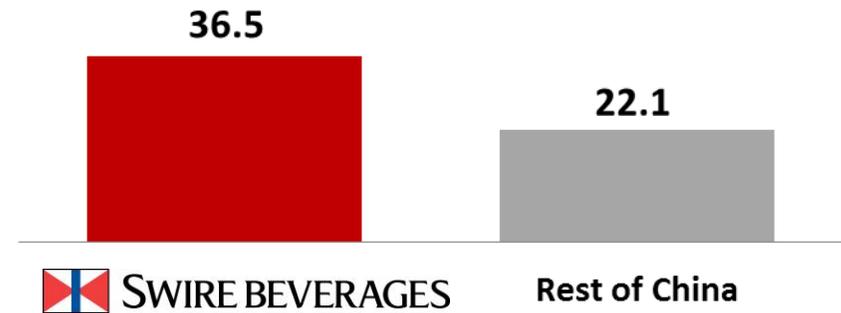
Replicate Best-in-Class Practices across Acquired Territories



Coca-Cola Sparkling Brands
Volume % Share



Coca-Cola Juice Brands
Volume % Share



Source

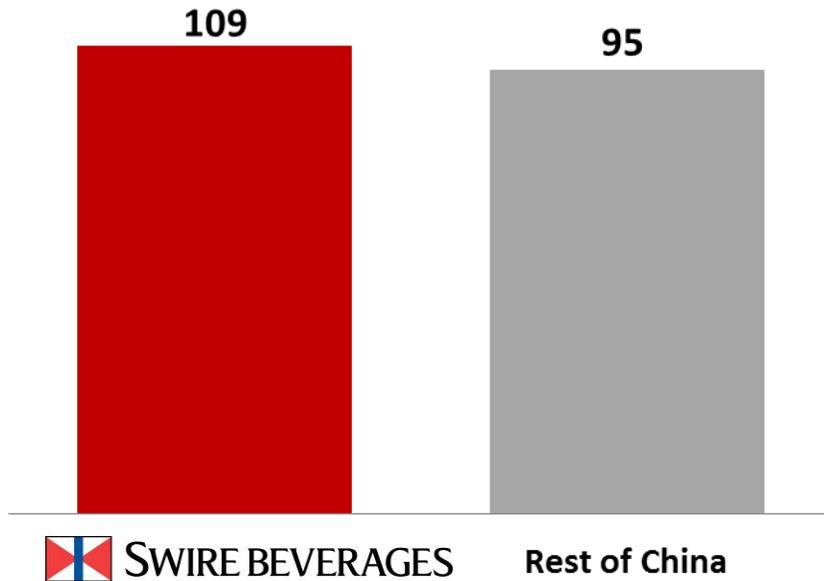
1. Volume Share: Nielsen Retail Audit, YTD Nov-16

Replicate Best-in-Class Practices across Acquired Territories

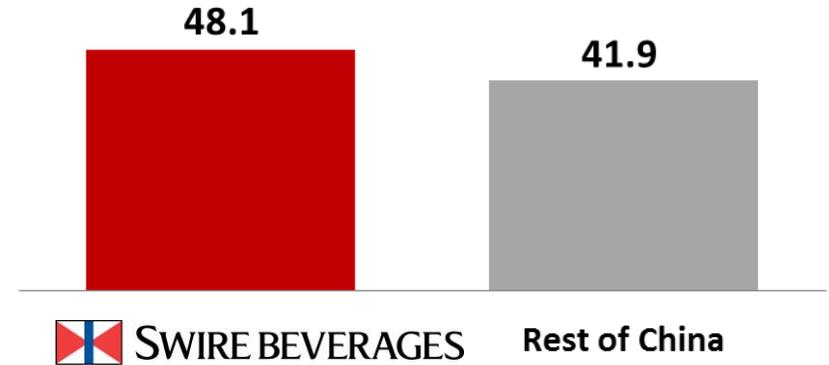


- Drive Per Capita Consumption and Per Case Revenue via Portfolio Leadership across categories

Ex-factory Price Index



Coca-Cola Per Capita Consumption (8oz)



Data Source:

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

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

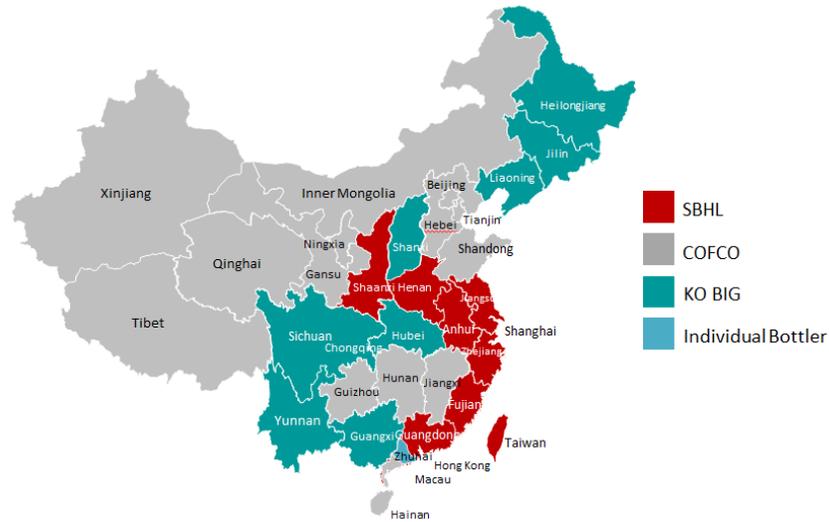


Supply Chain Management and Sustainability

Peter Mills

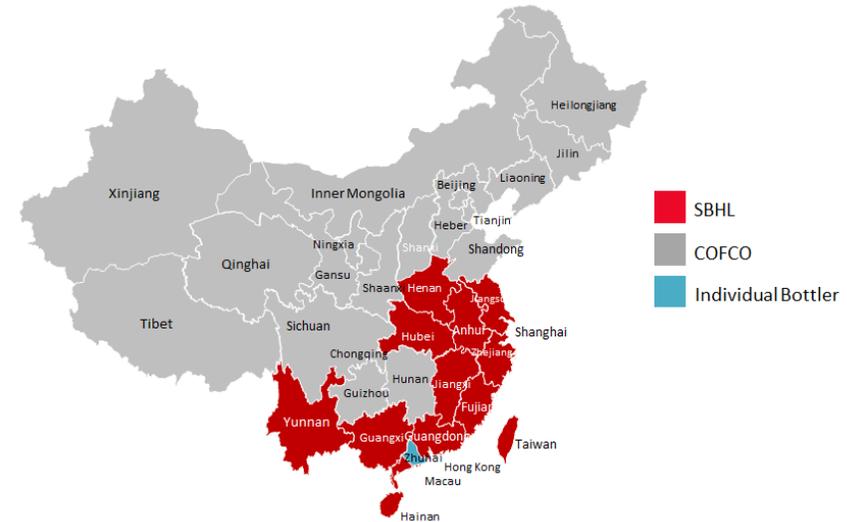
Executive Director, Supply Chain
Swire Beverages

Mainland China – Supply Chain Before and After Realignment



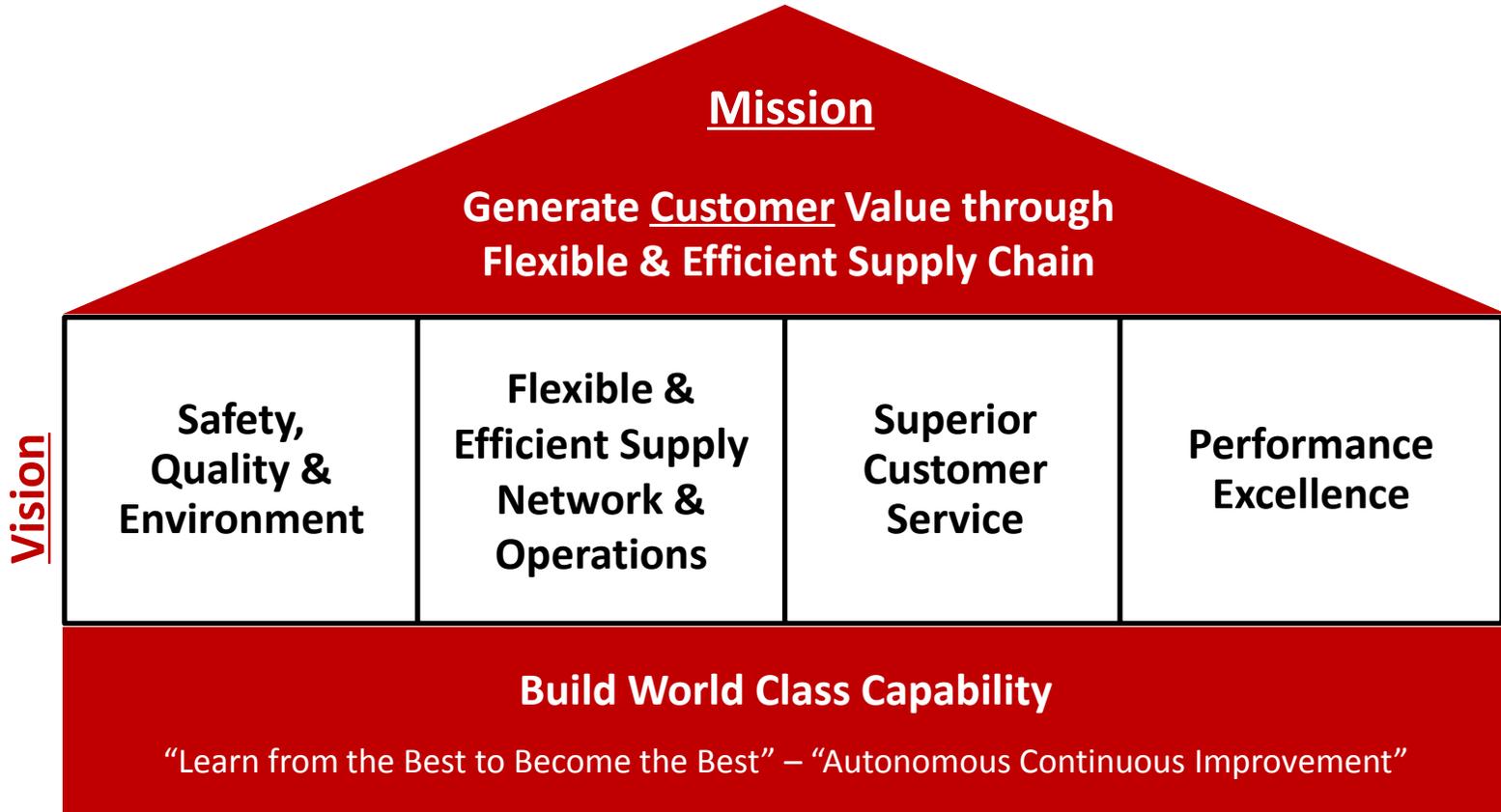
Pre

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



Post

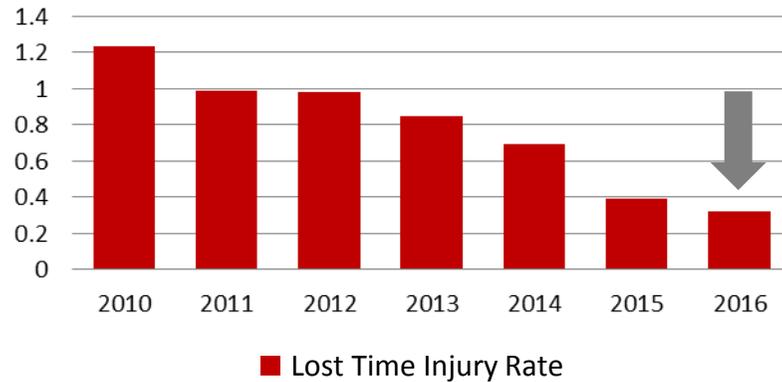
- **19** manufacturing plants
- **84** production lines
- **190** distribution centres
- **6,820** supply chain employees
- **1.62 million** customers



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

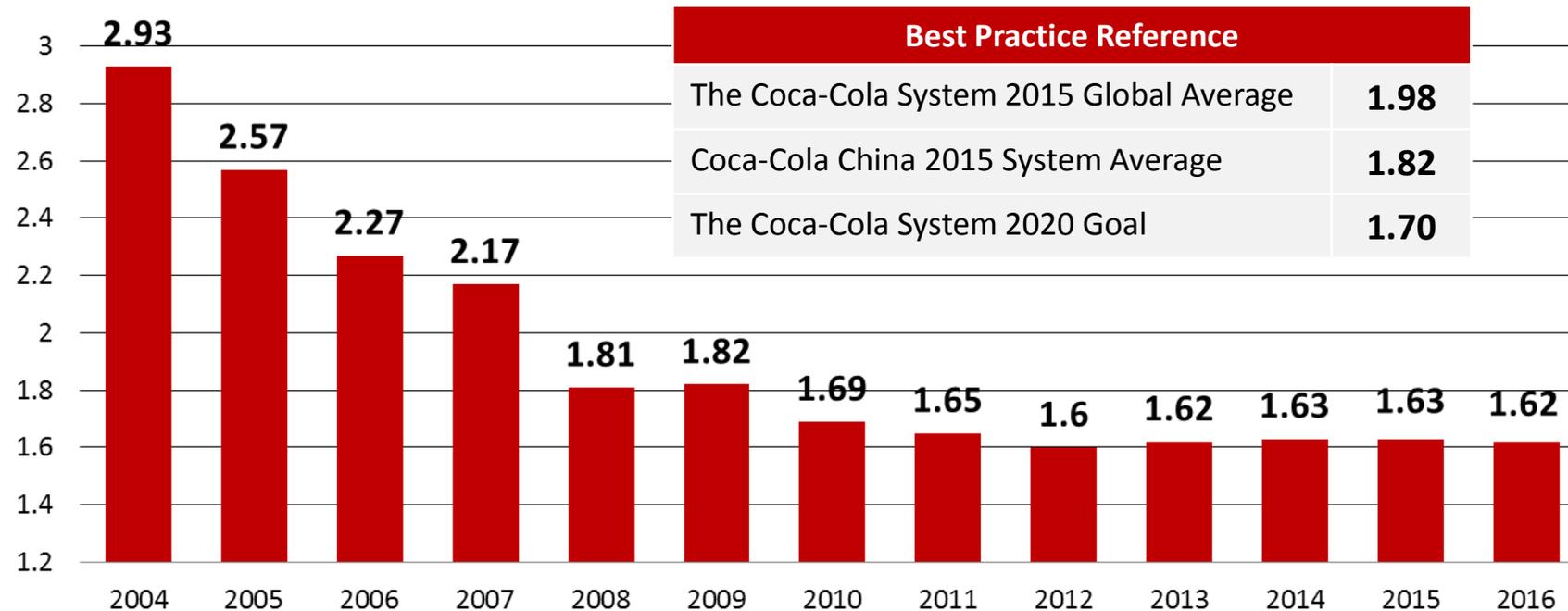
REPLENISH

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%



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)

REPLENISH



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.

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

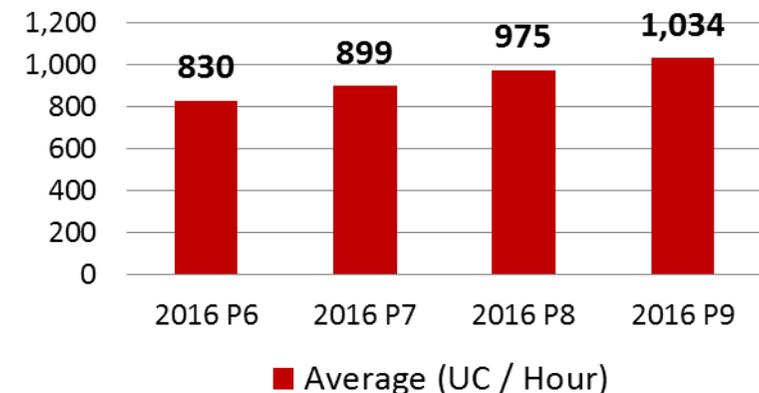


Re-Application of Swire Coca-Cola, USA Best Practice

- **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



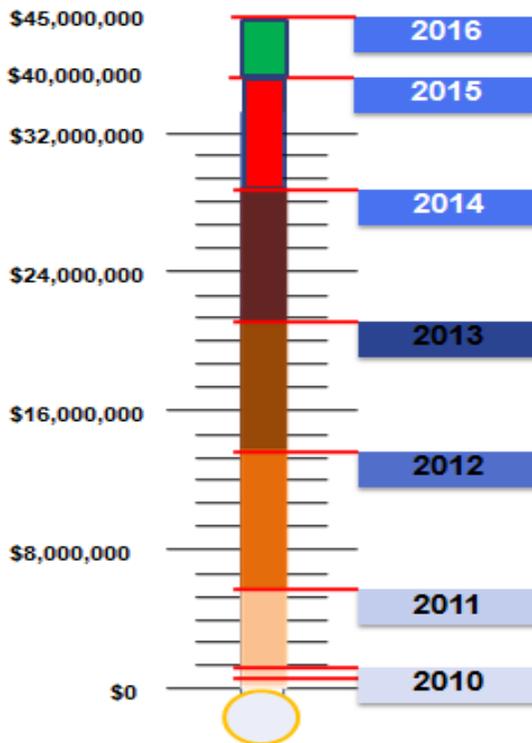
Swire Beverages Voice Picking Efficiency





Productivity Improvement Projects (PIP)

649 Projects, Saving RMB 45m



Golden Ideas Programme

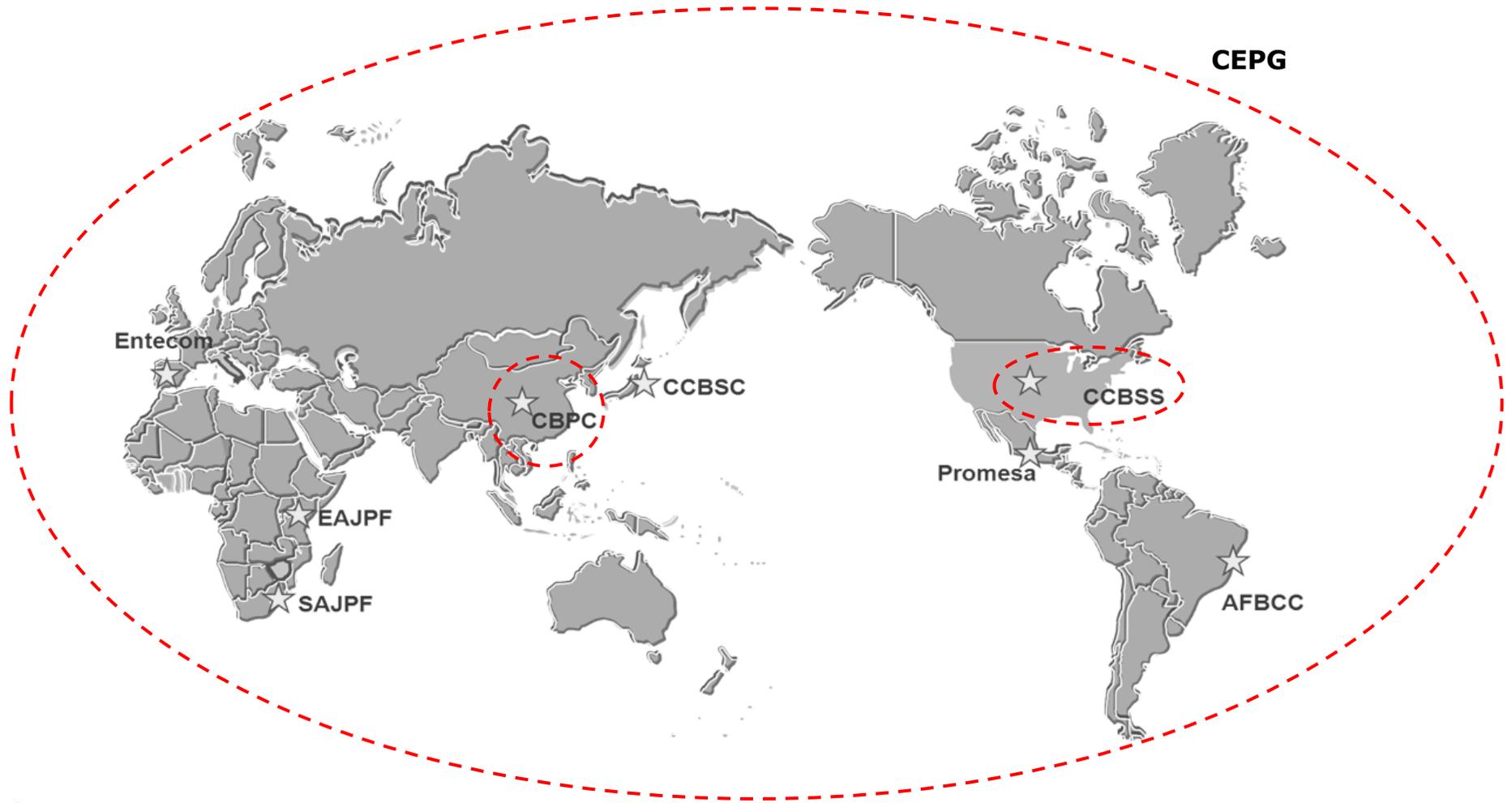
In 2016, frontline teams submitted **5,538** Golden Ideas – over 90% implemented



Global Procurement Approach

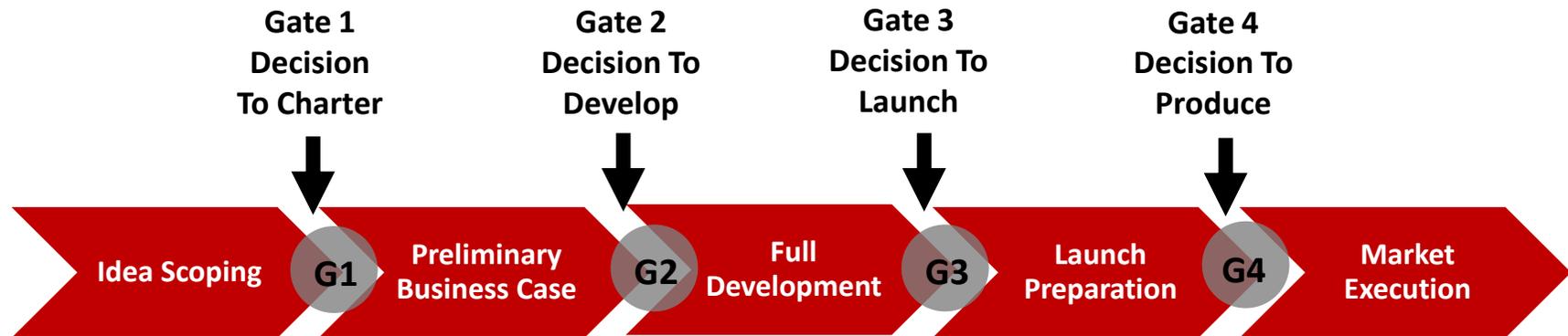


- Leveraging global scale, knowledge and capability through procurement consortiums





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