



## 2017 Pre-Close Analyst Briefing

5 January 2018 | Hong Kong

## Agenda

- **2017 Business & Performance - Pre-close**

*Michelle Low, Finance Director*

*Patrick Healy, Managing Director – Swire Beverages*

- **Q&A**

## 2017 Business Environment

Sound Beverages performance from expanded territories in Mainland China and USA

Demand for offshore oil supply services remains weak but signs of market bottoming out

Pressure on passenger yield continues; cargo remains bright spot

Office and Mainland China retail robust, HK retail recovering



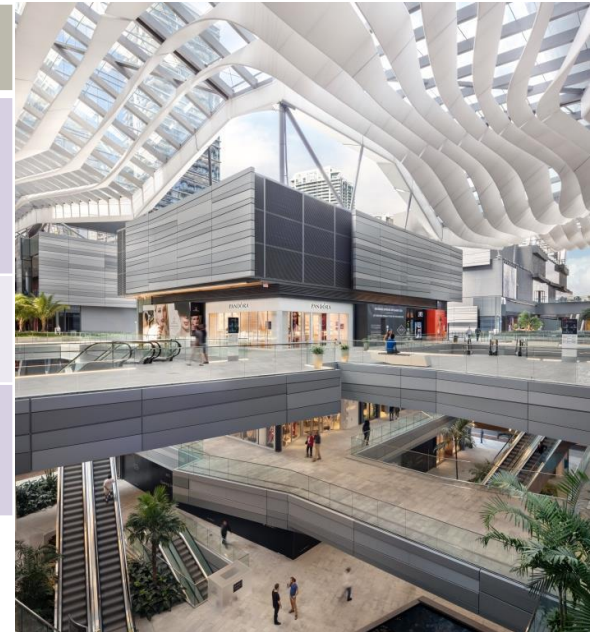


# Property



## 2017 Highlights

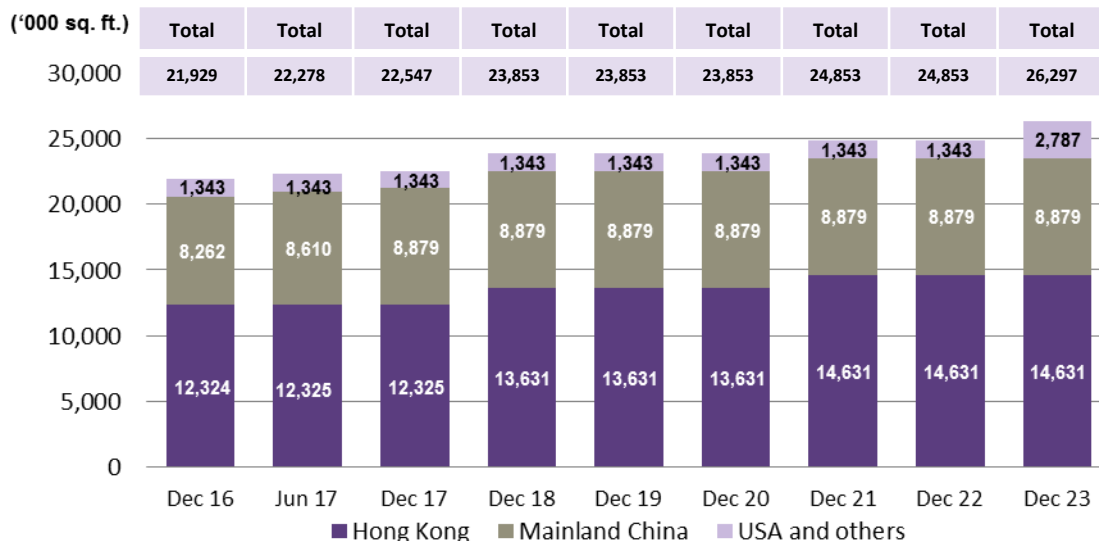
- Good performance from office in Hong Kong, Mainland China and the USA, all of which saw continued growth in rental income
- Retail sales recovery at Pacific Place in Hong Kong and a growing contribution from Mainland China and USA
- Lower second half contributions from trading properties after a strong first half



BCC Retail

## Future developments remain on track

### Completed Principal Property Investment Portfolio\*



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

Projects	Expected completion date
<b>Hong Kong</b>	
Tung Chung Town Lot No.11	2018
Taikoo Place Redevelopment (One Taikoo Place)	2018
8-10 Wong Chuk Hang Road	2018
Taikoo Place Redevelopment (Two Taikoo Place)	2021 / 2022
<b>Mainland China</b>	
HKRI Taikoo Hui, Shanghai	2017 (opened)
<b>USA</b>	
Brickell City Centre (Phase II)	TBD

### Profile of Capital Commitments – for Investment Properties and Hotels at 30th June 2017

(HK\$M)	Expenditure Six months ended 30th Jun 2017	Forecast period of expenditure				Commitments at 30th Jun 2017
		Six months ending 31st December 2017	2018	2019	2020 & beyond	
Hong Kong	2,060	2,978	3,558	1,700	5,889	14,125
Mainland China	331	658	960	36	-	1,654
USA and others	725	139	182	67	134	522
<b>Total</b>	<b>3,116</b>	<b>3,775</b>	<b>4,700</b>	<b>1,803</b>	<b>6,023</b>	<b>16,301*</b>

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



Aviation





## Cathay Pacific Group

### 2017 Highlights

- Overall business environment has been challenging, strong competition continues to put pressure on passenger yield
- Cargo market remains bright spot with continued growth
- Fuel costs rising steadily; hedging losses lower than in 2016
- Contribution from subsidiaries and associated companies satisfactory
- Transformation programme well underway

### Key Operating Statistics

	YTD November 2017	YoY Change %
Available tonne kilometres (ATK) ('M)	28,647	+3.0
Revenue passengers carried ('000)	31,768	+1.3
Passenger yield (HK¢)	1H 2017: HK¢51.5	-5.2
Cargo and mail carried (Tonnes '000)	1,864	+11.0
Cargo and mail yield (HK\$)	1H 2017: HK\$1.66	+4.4





## HAECO Group

### 2017 Highlights

- Performance affected by weakness in the USA and impairment charges, but improvement elsewhere
- HAECO Americas under pressure with airframe services affected by the loss of work from customers and weak demand for cabin integration work. Margins remained under pressure
- HAECO Hong Kong saw better second half performance in line services versus first half. Airframe services seasonally weaker in Hong Kong and Xiamen in the second half
- Performance of TEXL and HAESL stable

Beverages





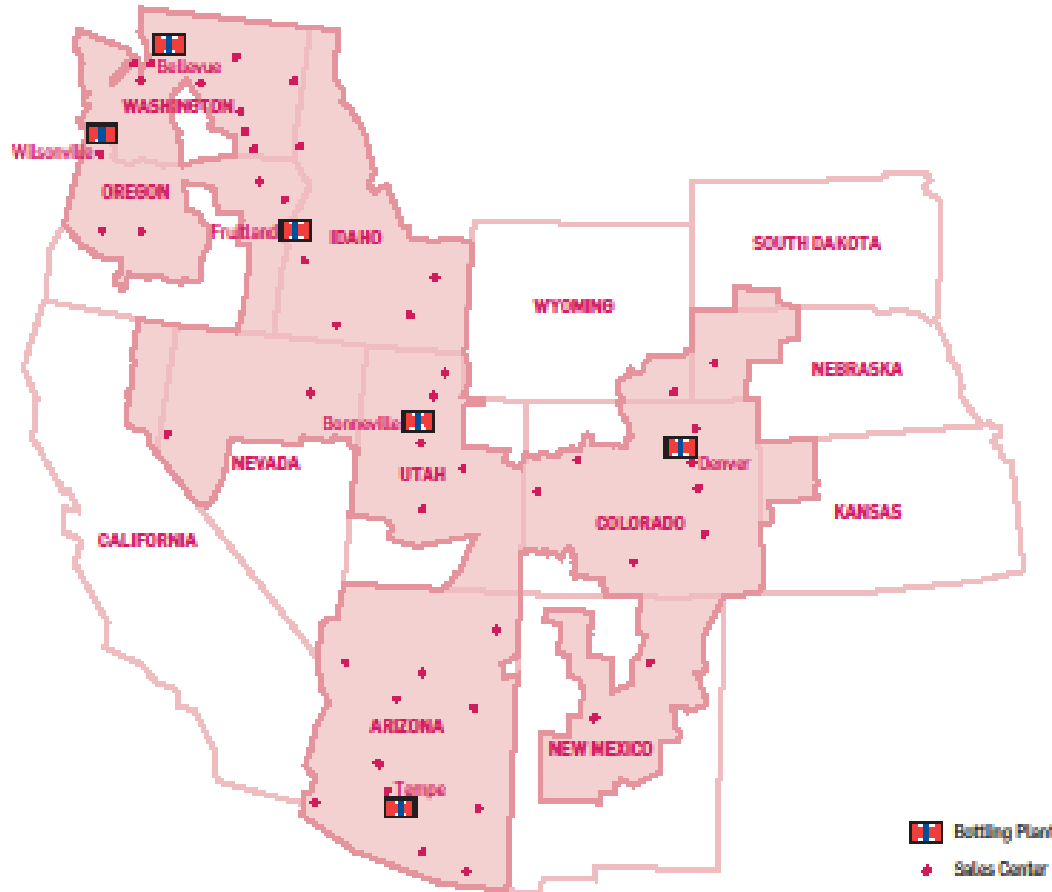
## 2017 Highlights

- All planned USA expansion completed 27<sup>th</sup> October 2017 with the acquisition of production facilities in Denver
- Integration of new USA Territories (Colorado, Arizona, New Mexico, Washington and Oregon) all progressing smoothly
- All major planned China expansion activities completed 1st July 2017 with the acquisition of Shanghai Shen-Mei's franchise territories in Shanghai and parts of Jiangsu and Zhejiang provinces
- Integration of new China territories (Shanghai and surrounding areas in Jiangsu and Zhejiang, Hubei, Guangxi, Yunnan, Jiangxi, Hainan and Zhanjiang) all progressing smoothly
- Revenue growth in both China and USA driven by new territory acquisitions, improving portfolio and stronger market execution





## Expanded USA territory now serves a population of 27.6 million

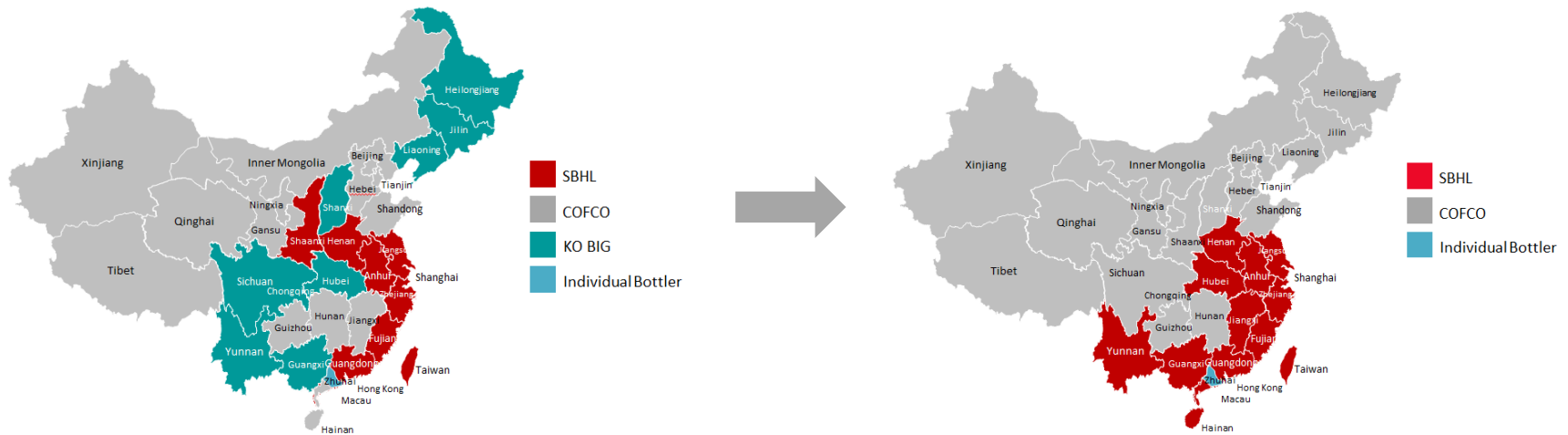


Revenue growth reflecting expanded territories, higher volume, improved pricing and better product mix

Applying Swire's core capabilities consistently over an expanded contiguous territory



## Integration of newly acquired territories in China on track



Refranchising in China has created:

- Two large, contiguous franchise territories, each serving c.50% China population
- A simpler, more agile, national system
- Some immediate synergies, including in revenue management
- Future supply chain synergies

Revenue growth:

- Improvements in package portfolio in core categories
- Innovation across multiple categories
- Advanced technologies to improve segmented execution

# Marine Services



## 2017 Highlights

- Despite steady increases in the oil price, exploration and production activity remains weak but with signs of bottoming out. The oversupply of vessels continues to put pressure on utilization and day rates.
- Cost control measures continue to be implemented; SPO continued to dispose of old vessels. Currently seven vessels are in cold stack.
- Operating cash flow remains positive despite the difficult operating environment.





# Trading & Industrial





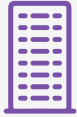
2017 Highlights

<p><b>Akzo Nobel Swire Paints</b></p>	<ul style="list-style-type: none"> <li>• Modest growth in results, higher sales volume offset by higher raw material costs and unfavorable product mix.</li> </ul>
<p><b>Taikoo Motors group</b></p>	<ul style="list-style-type: none"> <li>• Revenue and profit improvements from growth in vehicles sales and aftersales. New Mazda dealerships in Taiwan and new Mercedes dealerships in Malaysia.</li> </ul>
<p><b>Swire Retail group</b></p>	<ul style="list-style-type: none"> <li>• Decrease in profit due to intense competition.</li> <li>• Closure of loss making stores in Mainland China continues.</li> </ul>
<p><b>Swire Foods group</b></p>	<ul style="list-style-type: none"> <li>• Growth in the Qinyuan bakery business from store upgrading and network expansion, and wider product range</li> <li>• Sugar distribution continues to expand in China. A 34% owned sugar refinery in Guangdong started commercial production in August 2017.</li> </ul>
<p><b>Swire Pacific Cold Storage group</b></p>	<ul style="list-style-type: none"> <li>• Start-up losses continue to be incurred at the new facilities in China.</li> </ul>





**Outlook**



Mainland China and Hong Kong will contribute higher gross rental income

Confidence in occupancy rates and rental reversions.

Lower trading profits expected in the absence of new residential completions

Disposal of Kowloon Bay development in 2018 on schedule

One Taikoo Place to be completed in 2018



CX overall business environment remains challenging

Cargo to remain a bright spot

Transformation programme well underway to reposition CX for future success

HAECO Americas remain challenging, other regions expect stable performances



All new territories in both USA and China will be fully integrated in 2018

Revenue growth initiatives will continue

Advanced technologies to improve segmented execution capabilities



Market remains weak but signs of bottoming out

Oversupply of vessels will continue to put pressure on utilisation and day rates

Cost control measures continue to be implemented



Further improvements at Taikoo Motors

Continued investment in Swire Foods



Q&A





## **2017 Pre-Close Analyst Briefing - END**

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