



**321,700,000  
cases**

Swire Beverages  
sold over 321  
million unit cases of  
soft drinks  
in 2000.



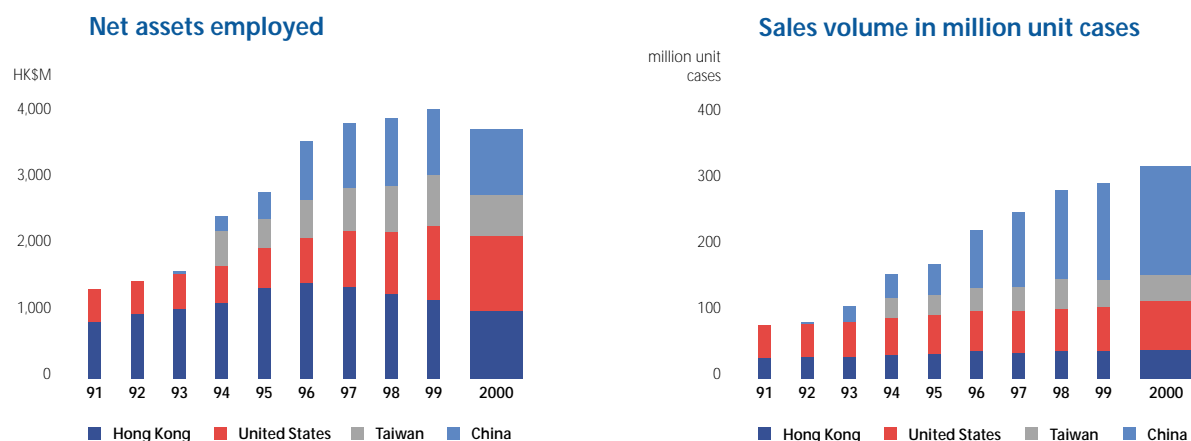
	<b>2000</b>	1999
	<b>HK\$M</b>	HK\$M
<b>Turnover*</b>	<b>4,584</b>	4,590
<b>Operating profit</b>	<b>256</b>	211
<b>Share of profits before taxation of jointly controlled companies</b>	<b>69</b>	81
<b>Attributable profit</b>	<b>185</b>	187

\* *Turnover does not include the Mainland China operations which are all jointly controlled companies. Total turnover from Mainland China operations was HK\$2,779 million in 2000(1999: HK\$2,617 million).*

### Segmental performance

	Turnover		Attributable Profit	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$M</b>	HK\$M	<b>HK\$M</b>	HK\$M
Hong Kong	<b>1,273</b>	1,390	<b>118</b>	125
USA	<b>2,426</b>	2,292	<b>126</b>	120
Mainland China	–	–	<b>(23)</b>	(16)
Taiwan	<b>885</b>	908	<b>(16)</b>	(5)
Head Office	–	–	<b>(20)</b>	(37)
	<b>4,584</b>	4,590	<b>185</b>	187

## SWIRE PACIFIC LIMITED ANNUAL REPORT 2000



	Total	Hong Kong	USA	Taiwan	Mainland China
Sales volume (million cases)	321.7	42.8	74.2	40.4	164.3
Franchise population (million)	401.6	6.9	5.4	22.0	367.3
Per capita consumption per annum (8oz serving)	–	148.9	329.8	44.1	10.7
Number of plants	15	1	2	2	10
Number of employees	11,651	1,105	1,709	1,065	7,772

### 2000 OVERVIEW

The Beverages Division has the right to manufacture, market and distribute the products of The Coca-Cola Company in seven provinces in Mainland China, Hong Kong, Taiwan and in an extensive area in the western USA. We work in close partnership with The Coca-Cola Company on brand development and marketing.

Although overall sales volume grew by 9% to 322 million unit cases during 2000, the contribution to Swire Pacific attributable profit, at HK\$185 million in 2000, was similar to the prior year. Mainland China again saw strong growth with volumes rising by 12% over 1999.

Swire Beverages will continue to leverage its asset base and its considerable distribution capability throughout its operations in order to improve returns. This has been reflected in an increase in turnover per net assets employed from HK\$1.13 in 1999 to HK\$1.22 in 2000.

Commodity price fluctuations continue to have a substantial direct impact on the cost of core material inputs to the production process.

#### Swire Coca-Cola Hong Kong

Swire Coca-Cola Hong Kong continues to maintain a leading position in the carbonated soft drink (CSD) category, holding over 80% market share. The company is looking to enhance its position in the faster growing non-carbonated beverage (NCB) sector.

Parallel imports and an increasing level of “house” brands have maintained pressure on margins and volumes. Effective cost-control measures and improved asset utilisation helped offset this.

The company will continue to focus on controlling package mix within the different channels to maximise available margin and to seek ways to enhance the efficiency of product distribution.

Volume grew 3% over last year driven by the bulk water and NCB sectors. Profit attributable to Swire Pacific was HK\$118 million.

#### **Swire Coca-Cola USA**

This division of Swire Pacific Holdings Inc. is based in Salt Lake City, Utah, and serves franchise territories in ten of the western states of the USA.

The results reflect the USA industry as a whole with good growth in NCBs and water. Sales volume in 2000 was 9.4% higher than 1999. Although interest charges increased significantly following the purchase of additional franchise territories in 1999 and 2000, managed price increases have improved margins which, together with good cost control, helped attributable profit to rise from HK\$120 million in 1999 to HK\$126 million in 2000.

Consumer preference continues to migrate towards non-carbonated drinks, especially water. CSD volumes have remained steady in spite of increased competition from “house” brands, which now represent 12% of total carbonated drinks.

Having successfully integrated recent franchise acquisitions, which have added 6.6% to annualised volume, the focus is now on organic growth, with emphasis on accelerating growth in NCB volumes. Enhanced profitability will be sought from cost containment and margin improvements through product and package innovation.

#### **Swire Coca-Cola Taiwan**

Swire Coca-Cola Taiwan holds the largest share of the CSD market. This category, however, has declined slightly in 2000. The Taiwan market, where consumer preferences are ever-changing and spread across many brands and packages, represents a considerable challenge.

We shall continue to work closely with The Coca-Cola Company to enhance brand presence in the NCB category as well as to revitalise the core CSD brands.

Total volume grew 2% in 2000. The 2000 results were also significantly affected by losses on a range of fruit juice products, amounting to HK\$11 million. We have recently restructured the business to reflect revised volume projections, and a one-off provision of HK\$20 million has been made at the company level.

#### **Mainland China**

Swire Beverages' jointly controlled operating companies hold franchises for Zhejiang, Jiangsu, Henan, Fujian, Guangdong, Anhui and Shaanxi provinces and the non-exclusive sales territories of Gansu, Ningxia and, until 15th December 2000, Jiangxi.

## SWIRE PACIFIC LIMITED ANNUAL REPORT 2000

The extensive range of our operations in Mainland China offers considerable opportunities for cost savings in all aspects of the supply chain. At the same time, we intend to expand existing distribution techniques to allow us greater control over in-store presence and pricing. This will be backed up by continued investment in marketing to increase awareness and market share.

Case volumes grew strongly with full-year sales up 12% over 1999. However, the benefits of volume growth continue to be offset by pressure on prices.

Results were held back by losses sustained in Guangmei Foods Company where increased competition between its Meijin brand and other soft drink brands has led to falling prices. As a result, the loss attributable to Swire Pacific from total Mainland China operations in 2000 was HK\$23 million compared to HK\$16 million in 1999.



**75 ships**

The Marine Services Division owns and operates 75 ships engaged in offshore oil support and harbour towage.



	<b>2000</b>	1999
	<b>HK\$M</b>	HK\$M
<b>Swire Pacific Offshore</b>		
Turnover	<b>843</b>	812
Operating profit	<b>227</b>	210
Attributable profit	<b>170</b>	175
<b>Ship Repair, Land Engineering and Harbour Towage</b>		
Attributable profit	<b>61</b>	50
<b>Container Terminal Operations</b>		
Attributable profit	<b>270</b>	247
<b>Attributable profit</b>	<b>501</b>	472

**2000 OVERVIEW**

The Marine Services Division, through Swire Pacific Offshore, operates a fleet of specialist vessels supporting the offshore oil industry. The division also has interests, through jointly controlled and associated companies, in ship repair and harbour towage services in Hong Kong and overseas, and in container terminal operations in Hong Kong and Mainland China.

The division's contribution to the group's attributable profit in 2000 amounted to HK\$501 million, compared with HK\$472 million in 1999: an increase of 6.1%. This result reflected the improvement seen in the offshore oil support market through both increased charter rates and better asset utilisation, and improved throughput at the container terminals.

**Offshore oil support**

Swire Pacific Offshore provides marine support to the offshore oil industry with a fleet of 44 vessels, with six additional boats in an Egyptian associate company, Ocean Marine Services Limited.

Demand for offshore oil services increased in 2000 as higher oil prices led to more offshore oil exploration. Swire Pacific Offshore reported an attributable profit of HK\$170 million, compared with HK\$175 million in 1999: a decrease of 2.9%. Projections of future rig numbers and utilisation indicate a substantial increase in demand for anchor handling tug supply (AHTS) vessels. In line with the expanding market, Swire Pacific Offshore has signed a contract with Brevik Construction of Norway for the building of four new UT-710 10,800 BHP AHTS vessels for delivery in 2002 and 2003. The group has also converted two options for UT-738 vessels to firm orders, with delivery in 2002.

Expro Swire Production Limited, a 50% owned jointly controlled company of the group, has been awarded a contract for the supply and operation of an early production facility by Shell Exploration BV, on behalf of the National Iranian Oil Company. This facility will be used to produce 100,000 barrels of crude oil per day commencing in August 2001.

### **Ship repair, land engineering and harbour towage**

In April 2000, Hongkong United Dockyards purchased the business of Hongkong Salvage & Towage, effectively merging the operations of the two companies and achieving cost savings.

Hongkong United Dockyards provides ship repair, land-based engineering and automotive services from its facility based on Tsing Yi island. Continuing pressure on rates and strong competition from Mainland China still have a significant impact on the earnings and margins of the dockyard. Some improvement in demand has led to an improvement in forward bookings and utilisation rates. Firm bookings with container owners have been augmented by the return of dredgers to Hong Kong harbour, and the continuing increase in outsourcing by the Government Dockyard.

Land engineering activities were quiet during 2000 but there has been a significant improvement in confirmed orders for 2001. Margins are also expected to improve as Hong Kong's infrastructure workload gathers pace.

New automotive services include bus painting, the Volvo authorised service workshop and an environmental department for the testing and control of exhaust emissions. Start-up and development costs are being incurred, but these new activities will soon show a measurable and growing benefit to the company.

Hongkong Salvage & Towage maintains its position as the largest operator of tugs in Hong Kong harbour, with a fleet of 12 deployed locally. Two newbuildings, the Peng Chau and Shek Chau, were delivered during the year, and the Tai O was sold in October. Eight other tugs are currently operating overseas. The company also operates six shallow draft container vessels in Hong Kong.

### **Container terminals**

Modern Terminals recorded a strong performance during 2000. The company achieved increased throughput of over 3 million TEU, mainly from Maersk Sealand and new South American services, and saw a small increase in market share.

Continuing competition from terminals in Mainland China may have an adverse impact on the current Hong Kong rates and, with limited opportunity to expand further in Hong Kong, further

improvements in operating performance must lie with productivity enhancements.

At Shekou Container Terminals throughput continued to increase in 2000 to over 700,000 TEU, which led to an increase in operating profits. The company is now approaching full capacity; the project to develop two more berths continues to be examined by the relevant government agencies in Beijing and formal approval is expected in 2001.



## 21 brands

The Trading & Industrial Division holds the distributorships of 21 global brands of consumer and industrial products in Hong Kong, Mainland China and Taiwan.



	2000 HK\$M	1999 HK\$M
<b><i>Subsidiaries</i></b>		
<b>Taikoo Motors group</b>		
Turnover	2,690	1,847
Operating profit	158	52
Attributable profit	38	28
<b>Swire Resources group</b>		
Turnover	496	428
Operating profit	28	11
Attributable profit	28	11
<b>Other subsidiaries and head office costs</b>		
Turnover	685	2,213
Operating (loss)/profit	(12)	9
Attributable (loss)/profit	(29)	90
<b><i>Jointly Controlled Companies</i></b>		
<b>Swire SITA group</b>		
Attributable profit	85	90
<b>Carlsberg Brewery Hong Kong group</b>		
Attributable loss before non-recurring items	(45)	(101)
Share of non-recurring items	(132)	89
Attributable loss	(177)	(12)
<b>Crown Can group</b>		
Attributable loss	(37)	(11)
<b>ICI Swire Paints</b>		
Attributable (loss)/profit	(9)	4
<b>Other jointly controlled companies</b>		
Attributable profit/(loss)	17	(5)
<b>Attributable (loss)/profit</b>	<b>(84)</b>	<b>195</b>



## 2000 OVERVIEW

The division's trading interests include the importing and retailing of motor vehicles and the wholesaling and retailing of sports and casual footwear in Hong Kong, Taiwan and Mainland China. The industrial interests principally comprise joint ventures with a variety of multinational partners in waste management and in the manufacturing and distribution of beer, paint, aluminium cans and busduct. The economies of the division's principal markets fared differently in 2000. While Mainland China and Hong Kong showed strong GDP growth, the Taiwanese economy weakened significantly in the second half of 2000, eroding consumer confidence.

The Taikoo Motors and Swire Resources groups recorded good profit growth for the year, whilst the industrial businesses had markedly varied fortunes.

As part of the refocusing of the businesses within the division, Swire Loxley was sold to Dah Chong Hong Holdings for HK\$87 million and Taikoo Motors sold its 60% share in Taikoo Truck to the Volvo Truck Corporation for HK\$5 million. Swire Engineering was sold for book value, Swire Engineering Services was closed shortly after the year end and further rationalisation was carried out in the Carlsberg Brewery group and Taikoo Sugar.

### Trading Companies

#### Taikoo Motors group

Taiwan: The Taikoo Motors Offshore group is the exclusive distributor and dealer for Volvo, Volkswagen and Kia cars, and is a distributor and wholesaler of Volvo trucks and buses. This business recorded strong profit growth with sales well ahead of budgeted levels. Taikoo Motors is now the largest importer of passenger vehicles into Taiwan with sales of 8,750 vehicles in 2000. Attributable profit was adversely affected by a non-recurring payment of withholding tax on prior years' profits and by flood damage as a result of Typhoon Xangsane.

Hong Kong: The Taikoo Motors group is the exclusive distributor and dealer in Hong Kong for Volvo and Hyundai cars. Pressure on prices continued to restrict profit growth.

Mainland China: Taikoo Enterprises is the exclusive distributor for Volvo passenger vehicles. Sales in 2000 were more than double the previous year as the market continues to liberalise and import licences become more readily available. The business traded profitably for the first time. Taikoo Motors has recently strengthened its brand portfolio with the addition of the Kia distributorship in South China.

#### Swire Resources

The company is the largest importer and retailer of sports and casual footwear in Hong Kong. It also distributes specialist lines of sports apparel. Its operations comprise 40 shops in Hong Kong and 12 in Mainland China.

The business returned to significant profit in 2000 due to an improved range of products and enhanced stock control. 1.7 million pairs of shoes were sold during the year.

## **Industrial Companies**

### *Subsidiaries*

#### **Swire Engineering**

The company continued to trade at a loss in 2000 and was sold to the Chinney Alliance Group for book value in October.

#### **Swire Engineering Services**

This company was closed shortly after the year end due to the expiry of the initial baggage handling contract at Hong Kong International Airport. The company was established to build and manage the initial operations of the baggage handling system, and had traded profitably since inception.

#### **Taikoo Sugar**

The company made a loss in 2000 due to increased costs and bad debts. The decision was taken at the year end to outsource the company's production and distribution activities. Taikoo Sugar will continue to be responsible for marketing and product development for its full range of products.

#### **Swire Duro**

Losses were incurred due to continued weakness in the Hong Kong construction market. Towards the year end, orders for marble installation contracts began to strengthen.

### *Jointly Controlled Companies*

#### **Carlsberg Brewery Hong Kong**

The premium beer market in Mainland China remains over-supplied due to a proliferation of foreign joint-venture breweries with attendant price erosion. During the year the company sold 75% of Carlsberg Brewery (Shanghai) to The Tsingtao Brewery Co for RMB 154 million. The company exceeded its sales and profit targets in Hong Kong, but Mainland China sales suffered a volume decline which resulted in the business making an overall loss.

#### **Crown Can Hong Kong**

Market conditions deteriorated significantly in 2000 with pressure on volume and price. There remains substantial canning overcapacity in Mainland China and prospects for the next 12 months are weak.

#### **Crown Vinalimex Packaging**

Demand for aluminium cans in northern Vietnam fell during the year and the company recorded a loss.

#### **ICI Swire Paints**

The company recorded 30% sales growth in Mainland China for the second consecutive year through the launch of several new paint products and increased market share. The company, which has manufacturing facilities in Guangzhou and Shanghai, is successfully building a significant market presence in Mainland China. Operating profit exceeded targets, though a non-recurring charge of HK\$10 million relating to the write-off of pre-operating expenses resulted in an overall loss.

**Swire SITA Waste Services**

Swire SITA recorded satisfactory results for the year. In July, the company purchased a 53% interest in Far East Landfill Technologies, which operates the North West New Territories landfill. It also tendered successfully for the management of a waste to energy incineration project in southern Taiwan which started in December. Its subsidiary, CSR Macau, also had a satisfactory year.

**Schneider Swire**

The company traded profitably in 2000 due to strong export demand for its busduct products. Margins improved as more raw materials were sourced within Mainland China.