



Catalog retail store
at Langham Place,
Hong Kong.



TRADING & INDUSTRIAL DIVISION

MAXIMISING BRAND POTENTIAL



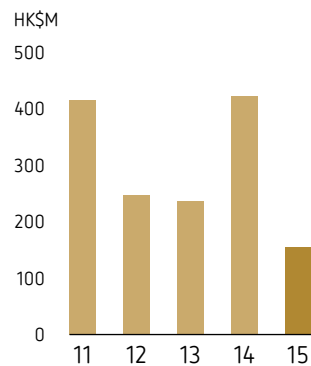
We market and sell
internationally branded
goods to today's
discerning consumers.

OVERVIEW OF THE BUSINESS

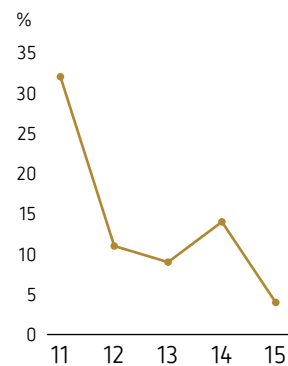
TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in the following companies: Swire Retail group, Taikoo Motors group, Swire Foods group, Swire Pacific Cold Storage group, Akzo Nobel Swire Paints and Swire Environmental Services group.

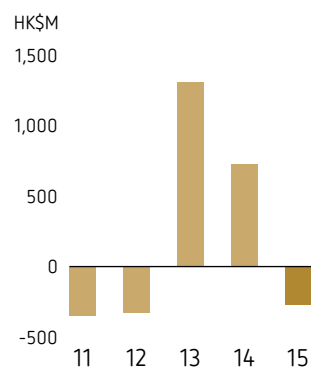
Profit Attributable to the Company's Shareholders



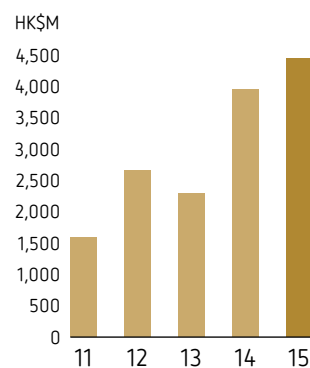
Return on Net Assets Employed



Net Cash Generated from/ (Used in) Operating Activities



Net Assets Employed



SWIRE RETAIL GROUP

Swire Resources group

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2015, it operated 188 retail outlets in Hong Kong and Macau and 25 retail outlets in Mainland China.

Swire Brands group

Swire Brands holds investments in brand-owning companies. It has an interest in an associated company with Columbia, which distributes and retails Columbia products in Mainland China, and a 9.4% minority interest in Rebecca Minkoff, which sells apparel, handbags and accessories.



TAIKOO MOTORS GROUP

Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Taikoo Motors' largest business is in Taiwan, where it sells Volkswagen, Škoda, Mercedes-Benz and Audi cars, Volkswagen light commercial vehicles, Volvo trucks and buses, Harley-Davidson motorcycles and Vespa scooters. Taikoo Motors also distributes cars, motorcycles and commercial vehicles in Hong Kong, Macau, Mainland China and Malaysia.



Mercedes-Benz 德冠賓士

SWIRE FOODS GROUP

Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery")

Swire Foods holds a 65% interest in Qinyuan Bakery, a leading bakery chain in southwest China, with over 500 stores in Chongqing, Guiyang and Chengdu.

Swire Foods (including Taikoo Sugar)

Swire Foods distributes food products in Mainland China. Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand.

Campbell Swire

Campbell Swire is a joint venture with The Campbell Soup Company which distributes soup and broth products in Mainland China under the Campbell's and Swanson brands. Swire Foods has a 40% interest in the venture.



SWIRE PACIFIC COLD STORAGE GROUP

Swire Pacific Cold Storage wholly owns cold storage facilities in Shanghai, Hebei, Nanjing and Ningbo and owns a 60% equity interest in a cold storage facility in Guangzhou. It owns land in Chengdu and (with a 35% joint venture partner) Xiamen, on which cold storage facilities are being built.

AKZO NOBEL SWIRE PAINTS

Akzo Nobel Swire Paints is a joint venture with Akzo Nobel which manufactures and distributes decorative paints, primarily under the Dulux brand, in Mainland China and Hong Kong. The joint venture has manufacturing plants in Guangzhou, Shanghai and Hebei. It has a plant under construction in Chengdu.



SWIRE ENVIRONMENTAL SERVICES GROUP

Swire Waste Management

Swire Waste Management is a 50:50 joint venture with a subsidiary of Waste Management Inc. The joint venture seeks waste management contracts in Hong Kong. It has a contract to provide waste management services to seven outlying islands.

Swire sustainability fund

The Swire sustainability fund has an associate interest in Green Biologics and minority equity interests in NanoSpun Technologies and Avantium. Green Biologics is a biotechnology company which is developing renewable chemical and biofuel technology. NanoSpun Technologies is a company which is developing a water treatment process using nanotechnology. Avantium is a biotechnology company that develops and commercialises bioplastics and chemicals.

STRATEGY

The strategic objective of the Trading & Industrial Division is to expand the trading and industrial businesses which it operates and to seek new business opportunities in related fields where advantage can be taken of existing skills, assets or relationships. The strategies employed in order to achieve this objective are these:

- Strengthening the capability of Swire Resources in branded footwear, apparel and related accessories by expanding the range and quality of those branded goods and by increasing the number of retail outlets and sales channels (including online channels) through which products are sold.
- Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to brands represented.
- Using Taikoo Motors' existing capability in order to expand into other motor-related businesses.
- Broadening the range of products sold by Swire Foods.
- Increasing the range of products sold by the Qinyuan Bakery.
- Expanding the network of the cold storage business in Mainland China in order to improve operating efficiency and customer service and thereby to acquire new customers.
- Expanding and strengthening the distribution network and sales channels of Akzo Nobel Swire Paints in Mainland China.
- Increasing the number of waste management contracts awarded to Swire Waste Management.

INDUSTRY BACKGROUND

Retailing in Hong Kong and Mainland China

Hong Kong retail sales declined in 2015. The growth in retail sales in Mainland China slowed in 2015.

Car sales in Taiwan

Car registrations in Taiwan decreased by 1% to 415,855 units in 2015.

Food sales in Mainland China

The packaged food market in Mainland China is estimated to have grown by 8% in 2015.

Cold storage demand in Mainland China

Demand for frozen food and concerns for food safety are increasing. These factors are increasing demand for high standard cold storage facilities.

Paint sales in Mainland China

Total sales of decorative paints in Mainland China increased by 4% to 2,906 million litres in 2015.

2015 PERFORMANCE

Financial Highlights

	2015 HK\$M	2014 HK\$M
Revenue		
Swire Retail group	3,208	3,020
Taikoo Motors group	4,498	6,706
Swire Foods group	1,589	795
Swire Pacific Cold Storage group	34	3
	9,329	10,524
Operating profits/(losses)		
Swire Retail group	53	58
Taikoo Motors group	38	270
Swire Foods group	105	24
Swire Pacific Cold Storage group	(94)	(79)
Swire Environmental Services group	(1)	1
Other subsidiary companies and central costs	(33)	(25)
	68	249
Attributable profits/(losses)		
Swire Retail group	93	82
Taikoo Motors group	3	213
Swire Foods group	41	1
Swire Pacific Cold Storage group	(102)	(73)
Swire Environmental Services group	(44)	(5)
Akzo Nobel Swire Paints	197	230
Other subsidiary companies and central costs	(33)	(25)
Attributable profit	155	423

Sustainable Development Highlights

	2015	2014
Staff turnover	45%	43%
LTIR	1.61	1.35

2015 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2015 decreased by 63% to HK\$155 million. The decrease principally reflects poor results from Taikoo Motors, weaker results from Akzo Nobel Swire Paints, costs associated with developing the businesses of Swire Pacific Cold Storage and losses from Swire Environmental Services. The profits of Swire Foods and Swire Retail increased.

Swire Retail group

Attributable profit increased by 13% in 2015 to HK\$93 million. The increase mainly reflected reduced losses from Mainland China following the closure of certain loss-making businesses.

Revenue in Hong Kong and Macau was 6% higher than in 2014. The gross margin rate declined due to more discounting. Operating costs, in particular occupancy and staff costs, rose. The group managed 188 retail outlets in Hong Kong and Macau at the end of 2015, four more than at the end of 2014.

Revenue in Mainland China was similar to that of 2014. The gross margin rate declined due to more discounting. Operating costs were lower (because 25 Rockport and 12 Chevignon stores were closed). The number of retail outlets operated in Mainland China decreased by 40 to 25 at the end of 2015.

The attributable profit of the Columbia China associated company in 2015 was HK\$42 million, 17% higher than in 2014.

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Taikoo Motors started selling Mercedes-Benz passenger cars in Kaohsiung, Taiwan in 2015.



Taikoo Motors group

Attributable profit in 2015 was HK\$3 million, compared with a profit of HK\$213 million in 2014. The decrease principally reflected the termination of the Volkswagen and Škoda importerships in Taiwan at the end of 2014.

Profits for the year included non-recurring income relating to the termination of the above importerships of HK\$80 million (compared with HK\$126 million in 2014) and were reduced by losses of HK\$61 million relating to the restructuring of certain loss-making businesses in Mainland China.

In total, 17,495 cars, commercial vehicles and motorcycles were sold in 2015, 32% less than in 2014. 89% of these units were sold by businesses in Taiwan. Sales of Volkswagen cars were adversely affected by the Volkswagen emissions issue.

The gross margin rate improved due to favourable foreign exchange rates for the commercial vehicle business in Hong Kong. Operating costs were lower. This mainly reflected the termination of the Volkswagen and Škoda importerships in Taiwan.

Swire Foods group

Swire Foods reported an attributable profit of HK\$41 million in 2015, compared with a profit of HK\$1 million in 2014. The increase principally reflected the inclusion of full year attributable results of Qinyuan Bakery in 2015.

A 65% equity interest in Qinyuan Bakery was acquired in December 2014. Qinyuan Bakery operated 501 stores in southwest China at the end of 2015, a net increase of 36 stores

since 31st December 2014. The performance of the business was satisfactory.

Swire Foods has agreed to acquire the remaining 35% interest in Qinyuan Bakery in 2016 if certain conditions are met.

Volumes of sugar sold in Hong Kong and Mainland China in 2015 rose by 22% and 35% respectively.

Campbell Swire's attributable loss in 2015 was HK\$3 million, compared with a loss of HK\$14 million in 2014. The volume of soup and broth products sold increased by 4% in the year.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss of HK\$102 million in 2015 compared with a loss of HK\$73 million in 2014. The loss principally reflected operating losses at the Shanghai, Hebei and Ningbo cold stores, and the cost of developing new cold stores in Nanjing and Chengdu. These costs were partly offset by an attributable profit of HK\$6 million from Guangdong Swire Cold Chain Logistics Co. Ltd.

The Ningbo facility started operating in July 2015. The businesses in Shanghai, Hebei and Ningbo are growing. Occupancy rates at these facilities at the end of 2015 were 40%, 36% and 31% respectively.

The Nanjing facility started operating in January 2016. A 65% equity interest in a joint venture building a cold storage facility in Xiamen was acquired in December 2015. The Xiamen and Chengdu facilities are expected to be completed in 2016.

The capital commitments of the Swire Pacific Cold Storage group at 31st December 2015 were HK\$1,508 million.



Swire Pacific Cold Storage's Ningbo facility commenced operations in 2015.

Swire Environmental Services group

Swire Environmental Services reported an attributable loss of HK\$44 million in 2015, compared with a loss of HK\$5 million in 2014.

Swire Waste Management recorded a breakeven result in 2015, compared with a profit of HK\$2 million in 2014. The operating profit from a waste management contract was offset by administrative costs and tender costs for new projects.

The Swire sustainability fund's attributable loss for 2015 was HK\$43 million. This reflected an attributable loss from Green Biologics, which became an associated company in 2014. The fund's other investments are accounted for at cost.

Akzo Nobel Swire Paints

The attributable profit for 2015 was HK\$197 million, compared with a profit of HK\$230 million in 2014.

Sales volume in Mainland China increased by 1% from 2014. Gross margins decreased as a result of an unfavourable sales mix. Akzo Nobel Swire Paints distributed paint in approximately 574 cities in Mainland China at the end of 2015.

Sustainable Development

Staff turnover rates in 2015 increased by 2 percentage points to 45% compared with 2014. This principally reflected higher staff turnover at Swire Pacific Cold Storage.

Lost time injury rates increased by 19% to 1.61 in 2015. This reflected an increase in the number of minor injuries, in particular at Swire Resources.

OUTLOOK

The retail market in Hong Kong is expected to remain relatively weak. Increased staff and occupancy costs are expected to put pressure on profit margins.

Taikoo Motors expects its business to be adversely affected by the Volkswagen emissions issue. However, it will continue to open new dealerships and workshops on a selective basis.

Swire Foods' business is expected to grow as a result of growth at the Qinyuan Bakery business. A new factory in Chongqing is expected to be operational in 2016.

Taikoo Sugar expects moderate sales growth in 2016. A 34% owned sugar refinery in Guangdong is expected to start operating in 2016.

Swire Pacific Cold Storage expects to acquire land for a new cold store facility in Wuhan in 2016.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network and sales channels in Mainland China. A fourth plant (in Chengdu) is expected to start operating in 2016.

The overall profits of the Trading & Industrial Division are expected to increase but to continue to be affected by the cost of new business development.

J B Rae-Smith