

TRADING &  
INDUSTRIAL  
DIVISION

## EXPANDING RANGE OF PRODUCTS AND SERVICES

We aim to broaden the range of  
our products and services.



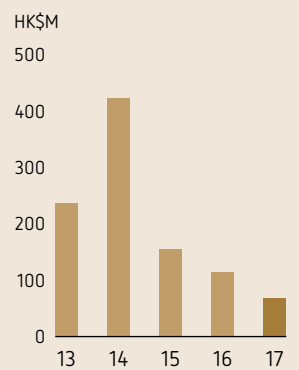




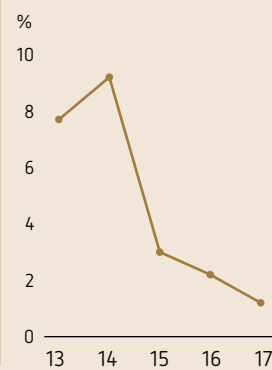
## TRADING & INDUSTRIAL DIVISION

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.

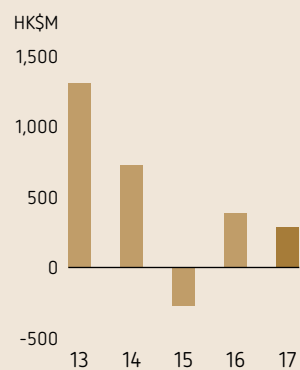
Profit Attributable to the Company's Shareholders



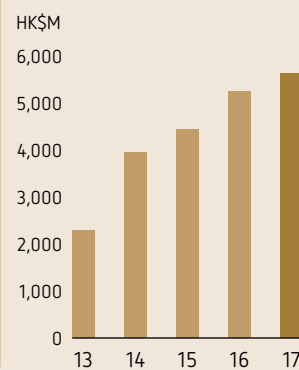
Return on Equity



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 2017, it operated 180 retail outlets in Hong Kong and Macau and seven 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.



## TAIKOO MOTORS GROUP

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



## SWIRE FOODS GROUP

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

Qinyuan Bakery is a leading bakery chain in southwest China, with over 650 stores in Chongqing, Guiyang and Chengdu.

### Swire Foods (including Taikoo Sugar)

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



## SWIRE PACIFIC COLD STORAGE GROUP

Swire Pacific Cold Storage wholly owns cold storage facilities in Shanghai, Hebei, Nanjing, Ningbo and Chengdu and owns 60% and 65% equity interests in cold storage facilities in Guangzhou and Xiamen respectively.

## 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, Hong Kong and Macau. The joint venture has manufacturing plants in Guangzhou, Shanghai, Hebei and 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 contracts to provide waste management services to seven outlying islands and to the north west New Territories.

### 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 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.
- 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.
- Expanding the distribution network of Taikoo Sugar in Mainland China.
- Strengthening Qinyuan Bakery by increasing the range of its products and the number of its stores.
- Improving the operating efficiency and customer service of the cold storage business in Mainland China and thereby acquiring 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.

## 2017 INDUSTRY REVIEW

### Retailing in Hong Kong and Mainland China

Retail sales of apparel and footwear in Hong Kong in 2017 were similar to those in 2016. Total retail sales in Mainland China increased by 10% in 2017.

### Car sales in Taiwan

Car registrations in Taiwan increased by 1% to 444,624 units in 2017.

### Sugar sales in Mainland China

The total amount of sugar sold in Mainland China increased by 2% to 33,730 million pounds in 2017.

### Cold storage demand in Mainland China

Demand for frozen food and food safety concerns are increasing in Mainland China. This is in turn increasing demand for high quality cold storage facilities.

### Paint sales in Mainland China

Total sales of decorative paints in Mainland China increased by 4% to 3,159 million litres in 2017.

## 2017 PERFORMANCE

### Financial Highlights

	2017 HK\$M	2016 HK\$M
<b>Revenue</b>		
Swire Retail group	3,074	3,216
Taikoo Motors group	5,306	4,514
Swire Foods group	1,761	1,540
Swire Pacific Cold Storage group	105	80
	10,246	9,350
<b>Operating profits/(losses)</b>		
Swire Retail group	(69)	27
Taikoo Motors group	91	18
Swire Foods group	65	61
Swire Pacific Cold Storage group	(136)	(102)
Swire Environmental Services group	(9)	(7)
Others, including central costs	(22)	(44)
	(80)	(47)
<b>Attributable profits/(losses)</b>		
Swire Retail group	(14)	83
Taikoo Motors group	77	15
Swire Foods group	42	59
Swire Pacific Cold Storage group	(171)	(126)
Swire Environmental Services group	(50)	(79)
Akzo Nobel Swire Paints	215	198
Others, including central costs	(30)	(36)
<b>Attributable profit</b>	69	114
<b>Attributable profit (disregarding the loss on disposal of the interest in Rebecca Minkoff)</b>	163	114

### 2017 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2017 was HK\$69 million. This included a loss of HK\$94 million on disposal of Swire Brands' interest in Rebecca Minkoff. Disregarding this loss, the Division's attributable profit in 2017 was HK\$163 million, an increase of 43% from 2016. The increase principally reflected better results from Taikoo Motors and Akzo Nobel Swire Paints. Losses from Swire Environmental Services decreased. The attributable profits of Swire Retail and Swire Foods decreased (the latter decrease reflecting the absence of a non-recurring release of provisions in 2016) and the attributable losses of the cold storage business increased.

#### Swire Retail group

Disregarding the loss on disposal of Rebecca Minkoff of HK\$94 million in 2017, the attributable profit of the Swire Retail group

decreased from HK\$83 million in 2016 to HK\$80 million in 2017. The decrease mainly reflected lower profits in Hong Kong. Losses in Mainland China reduced.

Revenue in Hong Kong and Macau was 3% lower than that in 2016. Gross margins declined due to discounting in response to competition. Operating costs, in particular advertising costs, decreased.

The retail group operated 180 retail outlets in Hong Kong and Macau at the end of 2017, seven less than at the end of 2016. It operated seven retail outlets in Mainland China at the end of 2017, 11 less than at the end of 2016. The decrease in Mainland China principally reflected the closure of loss-making outlets.

The attributable profit of the Columbia associated company was HK\$56 million in 2017, in line with 2016.



—  
Taikoo Motors opened a Mercedes-Benz dealership in Malaysia in 2017.

### Taikoo Motors group

The attributable profit of the Taikoo Motors group increased significantly (from HK\$15 million in 2016) to HK\$77 million in 2017. The 2017 results included HK\$14 million costs resulting from the closure of loss making businesses.

18,468 cars, commercial vehicles and motorcycles were sold in 2017, 9% more than in 2016. 96% of these units were sold in Taiwan. Gross profit improved and operating costs were lower, in particular occupancy costs and promotional expenditure.

### Swire Foods group

Swire Foods reported an attributable profit of HK\$42 million in 2017, compared with an attributable profit of HK\$59 million in 2016.

The attributable profit of Qinyuan Bakery in 2017 was HK\$33 million, compared with an attributable profit of HK\$55 million in 2016. The 2016 figure included a HK\$27 million release of provisions for tax and for incentive payments to the previous owners of the business. Disregarding the release of provisions in 2016, the attributable profit of Qinyuan Bakery in 2017 was 18% higher than in 2016.

Revenue and gross profit of Qinyuan Bakery increased by 17% and 20% respectively in 2017 compared with 2016. This reflected growth in the number of stores and in sales

per store, and the appreciation of the Renminbi against the Hong Kong dollar. Operating costs increased, reflecting higher compliance, staff and rental costs. Qinyuan Bakery operated 650 stores at the end of 2017, a net increase of 100 stores since 31st December 2016.

Volumes of sugar sold rose by 13% in Hong Kong and fell by 2% in Mainland China. A 34% owned sugar refinery in Guangdong started commercial production in August 2017.

### Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss of HK\$171 million in 2017 compared with a loss of HK\$126 million in 2016. The loss principally reflected operating losses, the cost of developing new cold stores and the appreciation of the Renminbi against the Hong Kong dollar. The Guangdong cold store recorded a small profit.

The capital commitments of the Swire Pacific Cold Storage group at 31st December 2017 were HK\$73 million.

### Swire Environmental Services group

Swire Environmental Services reported an attributable loss of HK\$50 million in 2017, compared with an attributable loss of HK\$79 million in 2016. The attributable loss of Green Biologics reduced.

---

Akzo Nobel Swire Paints manufactures and distributes decorative paints, primarily under the Dulux brand.



### Akzo Nobel Swire Paints

The attributable profit of Akzo Nobel Swire Paints for 2017 was HK\$215 million, an increase of 9% over 2016.

Sales volume in Mainland China increased by 34% from 2016. Gross margins decreased as a result of higher average material costs and an unfavourable product mix. Operating costs, in particular advertising costs, decreased. Akzo Nobel Swire Paints distributed paint in approximately 550 cities in Mainland China at the end of 2017.

### OUTLOOK

The retail market for apparel and footwear in Hong Kong is expected to remain highly competitive. Discounting and higher staff costs are expected to put pressure on profit margins at Swire Resources.

Taikoo Motors will open more showrooms in Taiwan.

Qinyuan Bakery will open more stores in Chongqing, Chengdu and Guiyang. The format of its small stores is being upgraded. Its products are improving. Its supply chain is becoming more agile and efficient.

Taikoo Sugar will expand its distribution network in Mainland China, in particular in Guangdong, and will increase capacity.

The business at Swire Pacific Cold Storage is expected to remain challenging. The market is highly competitive. Pricing is under pressure.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network in Mainland China.

The overall profits of the Trading & Industrial Division are expected to increase in 2018 but to continue to be affected by the cost of new business development.

---

**Derrick Chan / Ivan Chu / Richard Sell**