



Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters.



TRADING & INDUSTRIAL DIVISION

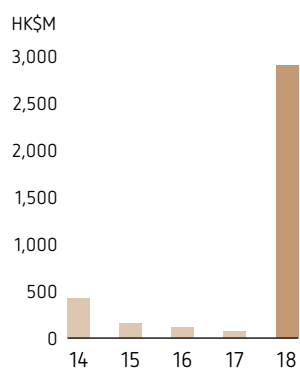
Developing Core Businesses

We aim to develop our core businesses.

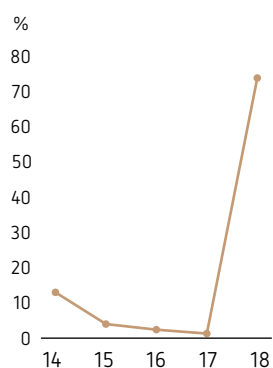
TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in the following companies: Swire Retail group, Taikoo Motors group, Swire Foods group and Swire Environmental Services group.

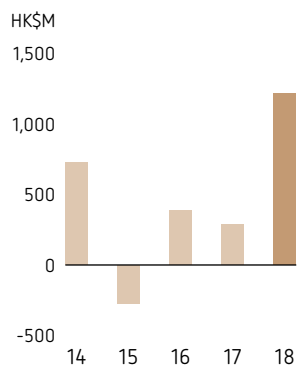
Profit Attributable to the Company's Shareholders



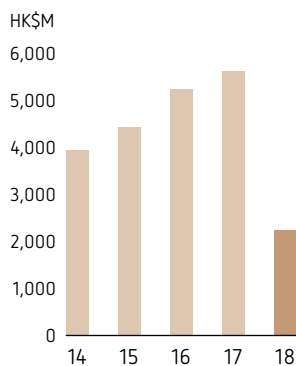
Return on Capital Employed



Net Cash Generated from/ (used in) Operating Activities



Capital Employed



SWIRE RETAIL GROUP

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2018, it operated 193 retail outlets in Hong Kong and Macau and eight retail outlets in Mainland China.



TAIKOO MOTORS GROUP

Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Almost all of Taikoo Motors' 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.



SWIRE FOODS GROUP

Chongqing New Qinyuan Bakery

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

Taikoo Sugar

Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand.



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 (after a period of divestment) to develop its core businesses. 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.
- Opening new stores for key brands sold by Swire Resources in Hong Kong and Macau.
- 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.
- Increasing the number of waste management contracts awarded to Swire Waste Management.

2018 PERFORMANCE

Financial Highlights

	2018 HK\$M	2017 HK\$M
Revenue		
Swire Retail group	3,338	3,074
Taikoo Motors group (TMG)	5,810	5,306
Swire Foods group (SFG)	1,748	1,761
Swire Pacific Cold Storage group	82	105
	10,978	10,246
Operating profits/(losses)		
Swire Retail group	69	(69)
Taikoo Motors group	155	91
Swire Foods group	(30)	65
Swire Pacific Cold Storage group	24	(136)
Swire Environmental Services group	(24)	(9)
Others, including central costs	3,061	(22)
	3,255	(80)
Attributable profits/(losses)		
Swire Retail group	102	(14)
Taikoo Motors group	123	77
Swire Foods group	(91)	42
Swire Pacific Cold Storage group	(45)	(171)
Swire Environmental Services group	(54)	(50)
Akzo Nobel Swire Paints	2,894	215
Others, including central costs	(25)	(30)
	2,904	69
Attributable profit	2,904	69
Non-recurring items		
Gain/(loss) on disposal of businesses	2,792	(94)
Termination cost of Malaysia business of TMG	(14)	–
Impairment provision in respect of sugar refinery business of SFG	(38)	–
	2,740	(94)
Recurring profit	164	163

2018 INDUSTRY REVIEW

Footwear and apparel business in Hong Kong and Mainland China

Footwear and apparel sales in Hong Kong and Mainland China grew by 10%.

Car sales in Taiwan

Car registrations in Taiwan decreased by 2% to 435,114 units in 2018.

Sugar sales in Mainland China

The volume of sugar sold in Mainland China was little changed at 33,590 million pounds in 2018.

Bakery sales in Mainland China

Retail sales of bakery products sold in Mainland China increased by 9% compared to 2017.

2018 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2018 was HK\$2,904 million compared to HK\$69 million in 2017. The 2018 results included non-recurring gains of HK\$2,792 million on the disposal of the Akzo Nobel paints business and the cold storage business. The 2017 results included a loss of HK\$94 million on the disposal of the interest in Rebecca Minkoff. Disregarding these items and other non-recurring items, the Division's attributable profit in 2018 was HK\$164 million, similar

to that in 2017. The result reflected a reduced contribution from Akzo Nobel Swire Paints and losses from Swire Foods, largely offset by better results from Swire Retail and Taikoo Motors and the absence of a loss from the cold storage business in the second half of 2018.

Swire Retail group

The attributable profit of the Swire Retail group in 2018 was HK\$102 million, compared to loss of HK\$14 million in 2017, an increase of HK\$116 million. Disregarding the loss on disposal of Rebecca Minkoff of HK\$94 million in 2017, profit increased by HK\$22 million. This principally reflected higher profits in Hong Kong and reduced losses in Mainland China. The share of profit of the Columbia associated company decreased.

The revenue of Swire Resources in Hong Kong and Macau was 10% higher than in 2017. Existing and new brands contributed to the increase. Gross margins improved. This reflected less discounting and higher margins on new footwear brands. Occupancy and staff costs increased.

193 retail outlets were operated in Hong Kong and Macau at the end of 2018, 13 more than at the end of 2017. Eight retail outlets were operated in Mainland China at the end of 2018, one more than at the end of 2017.

The 40% interest in the Columbia associated company was disposed of at the beginning of 2019.

Go Wild sells outdoor travel branded goods.



Taikoo Motors group

The attributable profit of the Taikoo Motors group increased to HK\$123 million in 2018 from HK\$77 million in 2017. The 2018 results included HK\$14 million termination costs from the closure of loss making businesses in Malaysia.

19,250 cars, commercial vehicles and motorcycles were sold in 2018, 4% more than in 2017. 96% of these units were sold in Taiwan. The gross profit margin was in line with that in 2017. Operating costs as a percentage of revenue were lower than in 2017.

Swire Foods group

Swire Foods reported an attributable loss of HK\$91 million in 2018, compared with an attributable profit of HK\$42 million in 2017.

Qinyuan Bakery recorded an attributable loss of HK\$66 million in 2018, compared with an attributable profit of HK\$33 million in 2017. The 2018 results included store and other business rationalisation costs of HK\$69 million.

The revenue and gross profit of Qinyuan Bakery increased by 8% and 9% respectively in 2018 compared with 2017. This reflected growth in sales per store. Operating costs increased, reflecting higher staff and rental costs. Qinyuan Bakery operated 651 stores at the end of 2018, similar to the number at the end of 2017.

Volumes of sugar sold rose by 4% and 13% in Hong Kong and Mainland China respectively. Margins improved because of more sales and lower sugar costs.

The share of the loss at the 34% owned sugar refinery business in Guangdong was HK\$52 million in 2018. This included an impairment provision of HK\$38 million arising from the suspension of refinery operations to prevent further operating losses.

Swire Environmental Services group

Swire Environmental Services reported an attributable loss of HK\$54 million in 2018, compared with an attributable loss of HK\$50 million in 2017.

OUTLOOK

The retail market for footwear and apparel in Hong Kong is expected to be highly competitive in 2019. Slower economic growth in Mainland China and global trade uncertainties make the 2019 outlook for Swire Resources uncertain. Higher staff and occupancy costs are expected to put pressure on profit margins.

Taikoo Motors will spend more on developing motor related businesses.

Qinyuan Bakery is opening new stores in Chongqing, Chengdu and Guiyang and is upgrading its existing stores. The range and quality of its products are improving. Its supply chain is becoming more agile and efficient.

Taikoo Sugar is expanding its distribution network in Mainland China and is improving its supply chain capability.

The overall recurring profits of the Trading & Industrial Division are expected to increase in 2019.

David Cogman / Ivan Chu