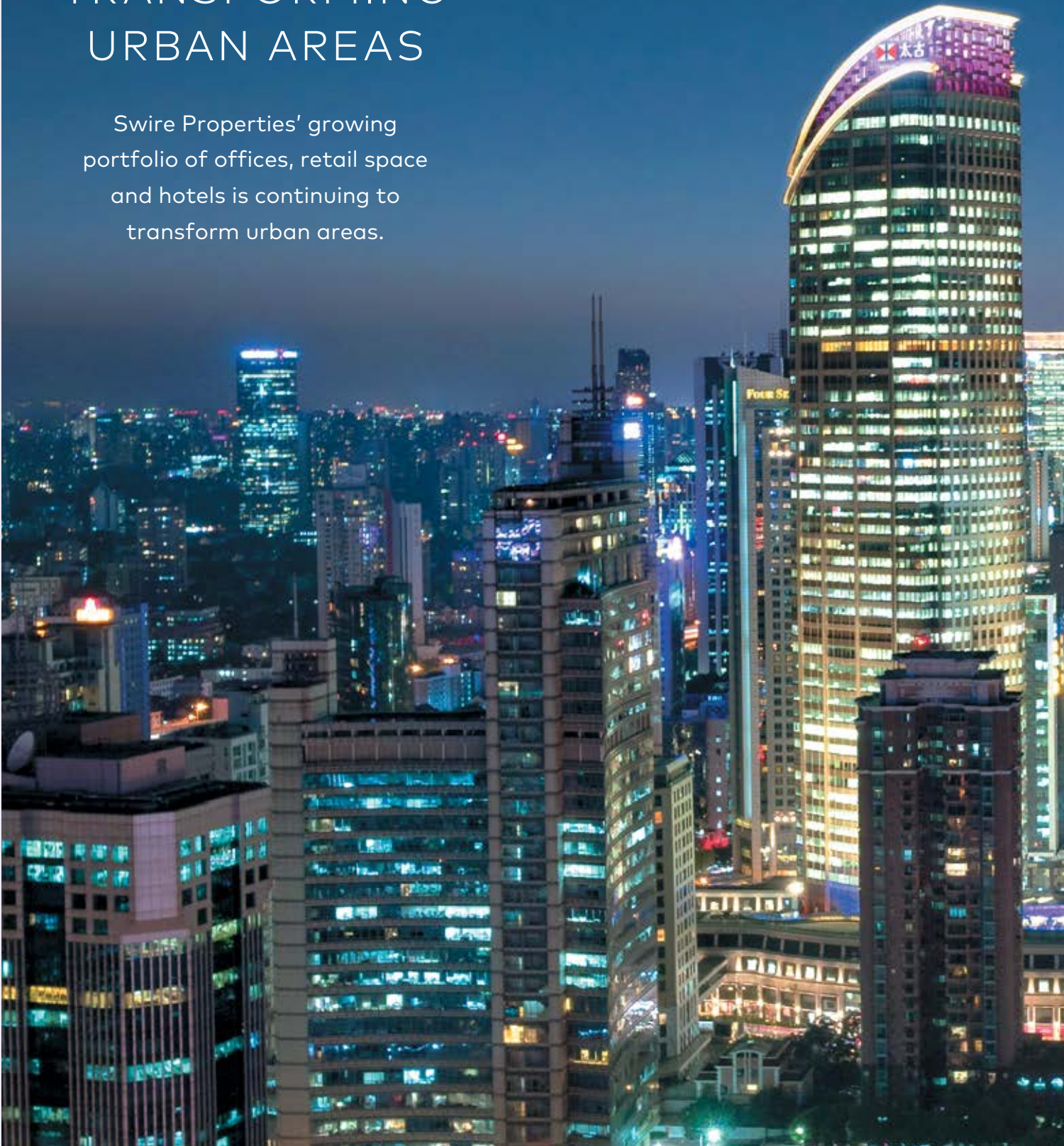


PROPERTY
DIVISION

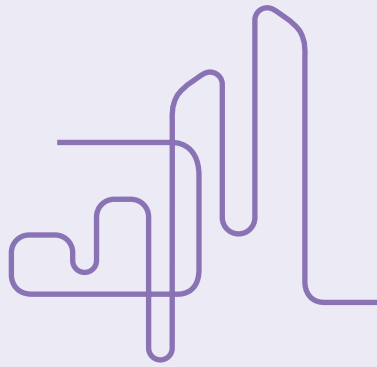
TRANSFORMING URBAN AREAS

Swire Properties' growing portfolio of offices, retail space and hotels is continuing to transform urban areas.



HKRI Taikoo Hui, Shanghai.

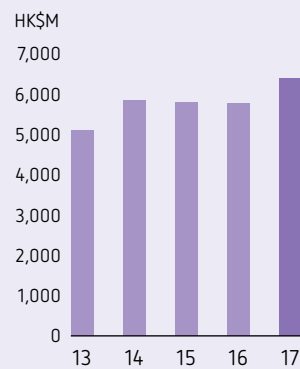




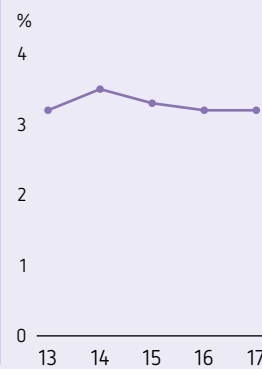
PROPERTY DIVISION

Swire Properties is a leading developer, owner and operator of mixed-use, principally commercial, properties in Hong Kong and Mainland China, with a record of creating long-term value by transforming urban areas.

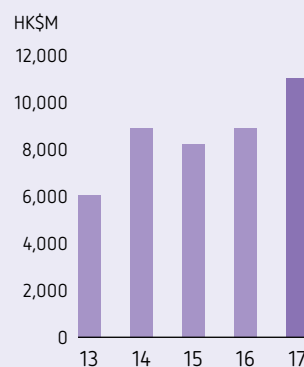
Underlying Profit Attributable to the Company's Shareholders



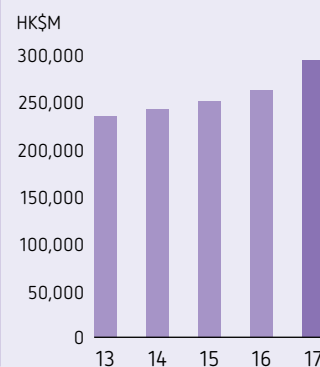
Underlying Return on Equity



Net Cash Generated from Operating Activities



Net Assets Employed



Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 12.3 million square feet of gross floor area, with an additional 2.3 million square feet under development. In Mainland China, Swire Properties owns and operates major commercial mixed-use developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in certain cases, which will total 8.9 million square feet on completion. Of this, 8.6 million square feet has already been completed. In the USA, Swire Properties is the primary developer of a 1.1 million square feet mixed-use commercial development at Brickell City Centre in Miami, with an adjoining 1.4 million square feet development under planning.

Hotel Investment

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST, Hong Kong at Taikoo Shing. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In Mainland China, Swire Hotels manages three hotels. The Opposite House at Taikoo Li Sanlitun in Beijing is wholly-owned by Swire Properties. 50% interests

are owned in EAST at INDIGO in Beijing and in The Temple House at Sino-Ocean Taikoo Li Chengdu. At Taikoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental. In the USA, Swire Properties wholly-owns and manages, through Swire Hotels, EAST, Miami and owns a 75% interest in the Mandarin Oriental in Miami. Interior decoration works are in progress at the two hotels at HKRI Taikoo Hui in Shanghai, one managed, the other non-managed. They are expected to open later in the first half of 2018. A non-managed hotel which is part of the 20% owned Tung Chung Town Lot No. 11 development is under development.

Property Trading

Swire Properties' trading portfolio comprises completed developments available for sale in Hong Kong, Mainland China and Miami, USA. The principal completed developments available for sale are the WHITESANDS development in Hong Kong, the remaining portion of the office property, Pinnacle One at Sino-Ocean Taikoo Li Chengdu in Mainland China and the Reach and Rise residential developments at Brickell City Centre in Miami, USA. There are also land banks in Miami and Fort Lauderdale in Florida in the USA.

Swire Properties is listed on The Stock Exchange of Hong Kong Limited.

Particulars of the Group's key properties are set out on pages 213 to 223.

STRATEGY

The strategic objective of Swire Properties (as a listed company in its own right) is sustainable growth in shareholder value over the long-term as a leading developer, owner and operator of principally mixed-use commercial properties in Hong Kong and Mainland China. The strategies employed in order to achieve this objective are these:

- The creation of long-term value through conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas.
- Maximisation of the earnings and value of its completed properties through active asset management, including reinforcing its assets through enhancement, redevelopment and new additions.
- Continuing its luxury residential property activities.
- Remaining focused principally on Hong Kong and Mainland China.
- Conservative management of its capital base.

Principal Property Investment Portfolio – Gross Floor Area
(’000 Square Feet)

Location	At 31st December 2017						At 31st
	Office	Retail	Hotels	Residential	Under Planning	Total	December 2016
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	4,558	12	–	63	–	4,633	4,632
Cityplaza	1,398	1,105	200	–	–	2,703	2,703
Others	409	596	47	88	–	1,140	1,153
– Hong Kong	8,551	2,424	743	594	–	12,312	12,324
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	298	470	179	–	–	947	947
Sino-Ocean Taikoo Li Chengdu	–	617	114	64	–	795	802
HKRI Taikoo Hui	914	551	–	–	–	1,465	1,116
Others	–	91	–	–	–	91	91
– Mainland China	2,944	4,498	1,046	116	–	8,604	8,262
– USA	263	497	477	109	–	1,346	1,343
Total completed	11,758	7,419	2,266	819	–	22,262	21,929
Under and pending development							
– Hong Kong*	2,211	73	26	–	–	2,310	2,306
– Mainland China	–	–	195	74	–	269	618
– USA	–	–	–	–	1,444	1,444	1,444
Total	13,969	7,492	2,487	893	1,444	26,285	26,297

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies.

* Excludes an office building under development in Kowloon Bay (the subsidiary owning which was conditionally agreed to be sold in 2016) and includes the new buildings which will comprise the Taikoo Place redevelopment (One Taikoo Place and Two Taikoo Place).

2017 PERFORMANCE

Financial Highlights

	2017 HK\$M	2016 HK\$M
Revenue		
Gross rental income derived from		
Office	6,124	6,053
Retail	4,616	4,304
Residential	512	416
Other revenue*	128	129
Property investment	11,380	10,902
Property trading	5,833	4,760
Hotels	1,345	1,130
Total revenue	18,558	16,792
Operating profit/(loss) derived from		
Property investment	8,163	7,743
Valuation gains on investment properties	25,331	8,445
Property trading	1,397	1,332
Hotels	(102)	(182)
Total operating profit	34,789	17,338
Share of post-tax profits from joint venture and associated companies	1,792	1,419
Attributable profit	33,818	15,069
Swire Pacific share of attributable profit	27,731	12,357

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2017 HK\$M	2016 HK\$M
Property Investment	6,698	5,960
Property Trading	1,154	1,200
Hotels	(43)	(117)
Total underlying attributable profit	7,809	7,043

2017 PERFORMANCE (continued)

Reconciliation of Attributable to Underlying Profit

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the USA, and for other deferred tax provisions in relation to investment properties.

	Note	2017 HK\$M	2016 HK\$M
Reported attributable profit		33,818	15,069
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(26,714)	(9,637)
Deferred tax on investment properties	(b)	573	1,459
Realised profit on sale of investment properties	(c)	50	3
Depreciation of investment properties occupied by the Group	(d)	28	28
Non-controlling interests' share of revaluation movements less deferred tax		54	121
Underlying attributable profit		7,809	7,043
Swire Pacific share of underlying attributable profit		6,403	5,776

Notes:

(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture companies.

(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and the USA, and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.

(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

2017 PROPERTY INDUSTRY REVIEW

Office and Retail

Hong Kong

OFFICE | Demand for office space was strong in 2017 and occupancy levels were high.

RETAIL | Retail sales in Hong Kong improved moderately in 2017.

Mainland China

RETAIL | Retail sales grew satisfactorily in Beijing, Chengdu and Guangzhou and steadily in Shanghai in 2017. Demand for retail space from retailers of luxury goods was robust in Guangzhou and Chengdu and moderate in Beijing. Demand for retail space from retailers of international and lifestyle brands and food and beverage operators was solid.

OFFICE | In Guangzhou and Beijing, office rents were stable in 2017. In Shanghai, domestic demand for office space was strong and foreign demand was stable.

USA

OFFICE | In Miami, there was limited new supply of Grade-A office space.

RETAIL | Retail sales in Miami continued to be weak.

Property Sales Markets

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and increased private housing supply, demand for residential property remained resilient.

In Miami, the strength of the US dollar against major South American currencies continued to affect demand for condominiums by non-US buyers adversely. Condominium development has slowed in Miami.

2017 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK\$27,731 million compared to HK\$12,357 million in 2016. These figures include net property valuation gains, before deferred

tax and non-controlling interests, of HK\$26,714 million and HK\$9,637 million in 2017 and 2016 respectively. Attributable underlying profit increased to HK\$6,403 million in 2017 from HK\$5,776 million in 2016, mainly because of a higher profit from property investment. The underlying profit from property investment increased by 12%. The underlying profit from property trading decreased slightly. Hotel losses decreased.

In Hong Kong, office rental income increased due to positive rental reversions and firm occupancy. This was despite the loss of rental income resulting from the Taikoo Place redevelopment. Retail rental income in Hong Kong was little changed in 2017. In Mainland China, gross rental income increased by 12%, mainly due to positive rental reversions and improved occupancy. In the USA, gross rental income increased following the opening of the first phase of the Brickell City Centre development in 2016.

Underlying profit from property trading in 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong. Property sales slowed in the USA.

Hotels reported reduced losses in 2017, reflecting improved results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.

KEY CHANGES TO THE PROPERTY PORTFOLIO

In April 2017, pre-sold units at ALASSIO, the Company’s fourth residential development in Mid-Levels West on Hong Kong Island, started to be handed over to the purchasers. All units in the development were handed over by the end of June.

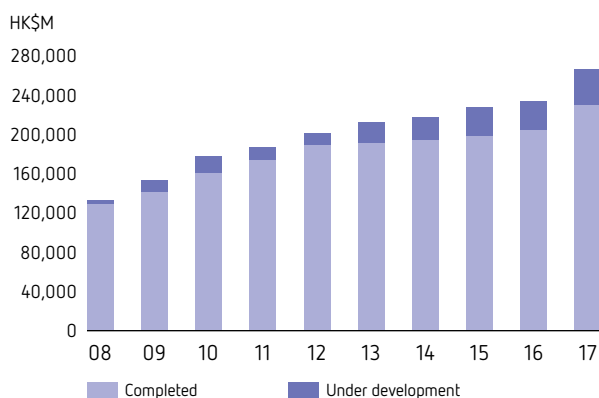
In November 2017, Swire Properties and HKR International celebrated the grand opening of their joint venture development in Shanghai, HKRI Taikoo Hui. With an aggregate gross floor area of approximately 3,469,000 square feet, the development comprises a shopping mall, two Grade-A office towers, two luxury hotels and one serviced apartment building. The two hotels and serviced apartment building are expected to open later in the first half of 2018.

In December 2017, Swire Properties entered into a long-term agreement for the lease of the Beijing Sanlitun Yashow Building. This retail building has an aggregate gross floor area of approximately 296,000 square feet and will be redeveloped as an extension to Taikoo Li Sanlitun.

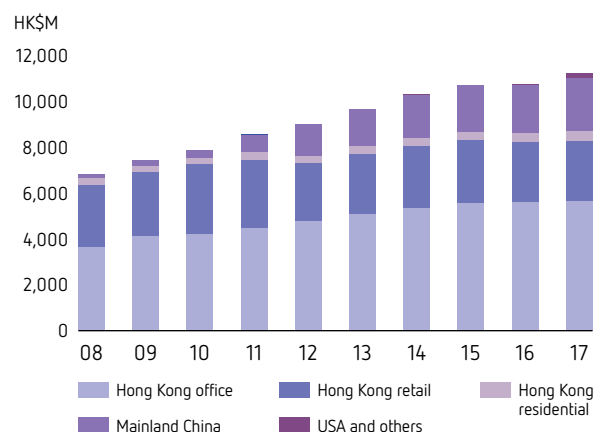
In January 2018, One Taikoo Place, the first of two premium Grade-A office buildings in the Taikoo Place redevelopment, was topped out. One Taikoo Place has an aggregate gross floor area of approximately 1,020,000 square feet, and is expected to be completed later in 2018.

In February 2018, Swire Properties entered into an equity transfer agreement for the acquisition of a 50% interest in Shanghai Qianxiu Company Limited (“Shanghai Qianxiu”) from a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (“LJZ”), subject to satisfaction of conditions precedent. If the acquisition is completed, Swire Properties and LJZ will each hold a 50% interest in Shanghai Qianxiu, and the joint venture will develop a retail project with an aggregate gross floor area of approximately 1,250,000 square feet in Qiantan, Pudong New District in Shanghai.

Valuation of Investment Properties



Gross Rental Income



INVESTMENT PROPERTIES

Hong Kong

OFFICE | Gross rental income from the Hong Kong office portfolio in 2017 was HK\$5,660 million, a slight increase from 2016 despite loss of gross rental income at Warwick House and Cornwall House as a result of the Taikoo Place redevelopment. There were positive rental reversions and occupancy was firm. At 31st December 2017, the office portfolio was 99% let. Demand for the Group's office space in Hong Kong was strong in all districts.

Pacific Place

The offices at One, Two and Three Pacific Place performed well in 2017. Occupancy and rental rates were robust, mainly because existing tenants wanted more space. Demand from Mainland China entities was strong. The occupancy rate was almost 100% at 31st December 2017.

Cityplaza

The occupancy rate at the three office towers (Cityplaza One, Three and Four) was 97% at 31st December 2017. The Hong Kong government occupied all of the 10 floors at Cityplaza Three which it owns.

Taikoo Place

The occupancy rate at Taikoo Place was 99% at 31st December 2017. Construction of One Taikoo Place is in progress, with completion expected later in 2018. Tenants have committed to lease 75% of the space in the building.



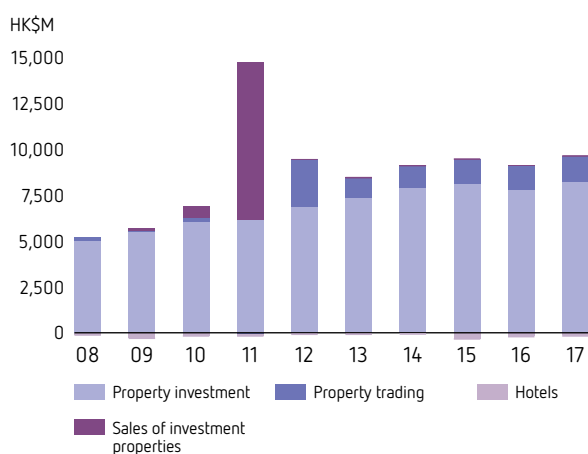
The Taikoo Place redevelopment will add two Grade-A office towers and landscaped gardens.

RETAIL | The Hong Kong retail portfolio's gross rental income was HK\$2,609 million, little changed from that in 2016. The Group's malls were almost fully let throughout the year.

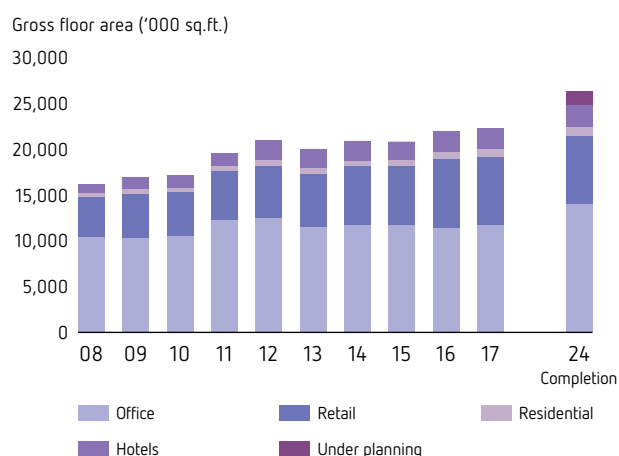
Retail sales increased by 7% at The Mall, Pacific Place and by 0.2% at Citygate, but decreased by 3% at Cityplaza. The decrease was largely due to temporary closure of shops and reconfiguration works.

RESIDENTIAL | The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments at Taikoo Place, STAR STUDIOS in Wanchai

Underlying Operating Profit



Completed Investment Property Portfolio by Type



and a small number of luxury houses and apartments on Hong Kong Island. Gross rental income increased compared with that of 2016, due to improved occupancy at the serviced apartments and rental income from STAR STUDIOS since its opening in 2016. Occupancy at the residential portfolio was approximately 85% at 31st December 2017.

INVESTMENT PROPERTIES UNDER DEVELOPMENT |

The commercial site (Tung Chung Town Lot No. 11) next to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel gross floor area of approximately 474,000 square feet. Superstructure works are in progress. The development is expected to be completed later this year. Swire Properties has a 20% interest in the development.

The first phase of the Taikoo Place redevelopment (the redevelopment of Somerset House) is the construction of a 48-storey (above 2-storey basement) Grade-A office building with an aggregate gross floor area of approximately 1,020,000 square feet, to be called One Taikoo Place. The building was topped out in January 2018. The facade and finishing works are in progress. The redevelopment is expected to be completed later in 2018.

The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House) is the construction of an office building with an aggregate gross floor area of approximately 1,000,000 square feet, to be called Two Taikoo Place. Demolition of Warwick House has been completed, and demolition of Cornwall House and foundation works for Two

Taikoo Place are in progress. Completion of the redevelopment is expected in 2021 or 2022.

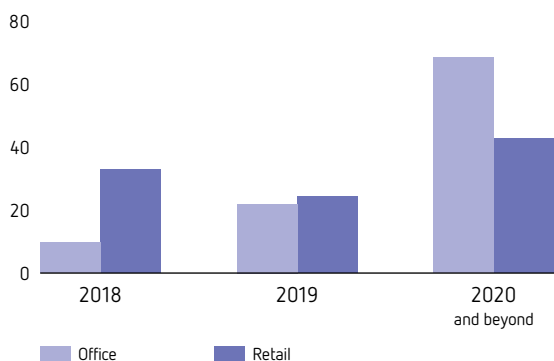
The commercial site (South Island Place) at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate gross floor area of approximately 382,500 square feet. Superstructure works are in progress. The development is expected to be completed later in 2018. Swire Properties has a 50% interest in the development.

In December 2017, Swire Properties successfully bid in the compulsory sale of a site (Po Wah Building, 1-11 Landale Street and 2-12 Anton Street) at the junction of Queen’s Road East, Landale Street and Anton Street in Hong Kong. Redevelopment of this site is being planned. The site area is approximately 14,400 square feet. There are six tenement blocks and a 13-storey composite building on the site.

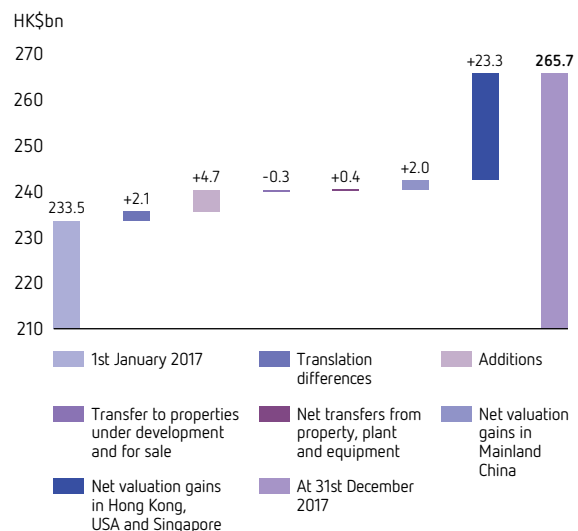
OTHERS | The development of an office building at the commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay with an aggregate gross floor area of approximately 555,000 square feet was completed and the occupation permit was issued in December 2017. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this investment property development. The property was transferred to other non-current assets at fair value in the financial statements at the same time and was reclassified to other current assets in the 2017 financial statements. Completion of the sale is conditional upon the relevant certificate of compliance being obtained on or before 31st December 2018.

Hong Kong Lease Expiry Profile – at 31st December 2017

% of the total rental income attributable to the Group for the month ended 31st December 2017



Movement in Investment Properties





Situated in the Jingan District of Shanghai, HKRI Taikoo Hui is Swire Properties' latest mixed-use development in Mainland China.

Mainland China

RETAIL | The Mainland China retail portfolio's gross rental income for 2017 increased by 14% compared with 2016, to HK\$1,922 million.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2017, reflecting positive growth in reversionary rents. Retail sales grew by 4% in 2017. The occupancy rate was 99% at 31st December 2017. Demand for retail space in Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination in Beijing. This is expected to have a positive impact on occupancy and rents.

Gross rental income at TaiKoo Hui in Guangzhou grew satisfactorily in 2017, reflecting in part improvements to the tenant mix and a customer loyalty programme. The occupancy rate at TaiKoo Hui was 99% at 31st December 2017. Retail sales at the mall increased by 27% in 2017.

Occupancy at the shopping mall at INDIGO, Beijing was 99% at 31st December 2017. 93% of the lettable retail space was open. Retail sales increased by 60% in 2017.

Retail sales at Sino-Ocean Taikoo Li Chengdu increased by 49% in 2017. The development is gaining popularity as a shopping destination. At 31st December 2017, occupancy at the mall was 95%. 92% of the lettable retail space was open.

The shopping mall at HKRI Taikoo Hui, Shanghai officially opened in November 2017. At 31st December 2017, tenants had committed (including by way of letters of intent) to take 96% of the retail space. 86% of the lettable retail space was open.

OFFICE | The Mainland China office portfolio's gross rental income for 2017 increased by 2% compared with 2016, to HK\$369 million.

At 31st December 2017, the occupancy rates at the office towers at TaiKoo Hui, Guangzhou and at ONE INDIGO, Beijing were 99% and 98% respectively.

The two office towers at HKRI Taikoo Hui in Shanghai have been completed and are now occupied. At 31st December 2017, tenants had committed (including by way of letters of intent) to take 82% of the office space.



—
Taikoo Li Sanlitun is reinforcing its position as a fashionable retail destination in Beijing.

OTHERS | In January 2014, Swire Properties China Holdings Limited (a wholly-owned subsidiary of Swire Properties) entered into a framework agreement with CITIC Real Estate Co., Ltd. (a subsidiary of CITIC Limited) and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian through a joint venture. The proposed joint venture and development were subject to certain conditions precedent, which were not satisfied. Accordingly, the proposed joint venture and development will not proceed.

USA

The first phase of the Brickell City Centre development consists of a shopping centre, two office buildings (Two Brickell City Centre and Three Brickell City Centre), a hotel and serviced apartments (EAST, Miami) managed by Swire Hotels and two residential towers (Reach and Rise). The residential towers have been developed for sale.

The first phase of the Brickell City Centre development was completed in 2016, and its components opened between March 2016 and February 2017. At 31st December 2017, Two and Three Brickell City Centre were fully leased and the shopping centre was 88% leased. 70% of the space at the shopping centre was open.

At 31st December 2017, Swire Properties owned 100% of the office, hotel and remaining unsold residential portions and 60.25% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre was held by Simon Property Group (25%) and Bal Harbour Shops (14.75%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the shopping centre, to sell its interest to Swire Properties.

One Brickell City Centre is planned to be a mixed-use development comprising retail, office, hotel and residential space in an 80-storey tower. It will incorporate the site at 700 Brickell Avenue acquired by Swire Properties in 2013. Development of this site will connect the first phase of the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of One Brickell City Centre.

VALUATION OF INVESTMENT PROPERTIES

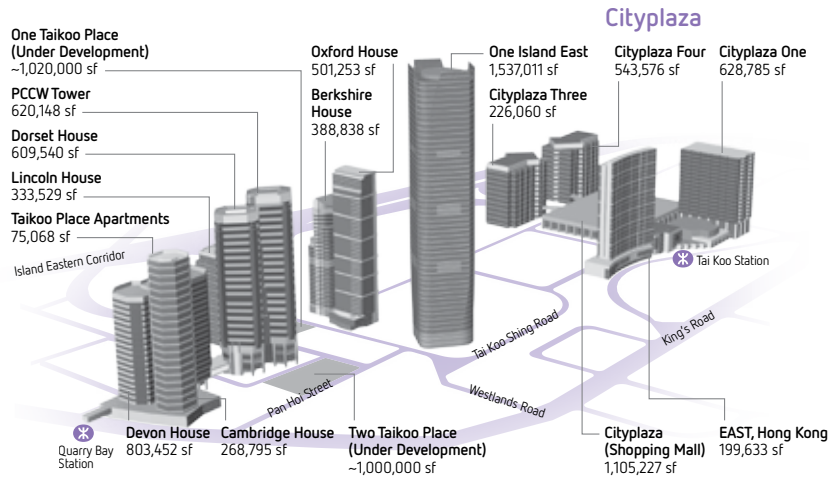
The portfolio of investment properties was valued at 31st December 2017 on the basis of market value (94% by value having been valued by Cushman & Wakefield Limited and 3% by value having been valued by another independent valuer). The amount of this valuation was HK\$265,705 million, compared to HK\$233,451 million at 31st December 2016 and HK\$246,832 million at 30th June 2017.

The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong following rental increases and a reduction of 25 basis points in the capitalisation rate applicable to office properties in Hong Kong.

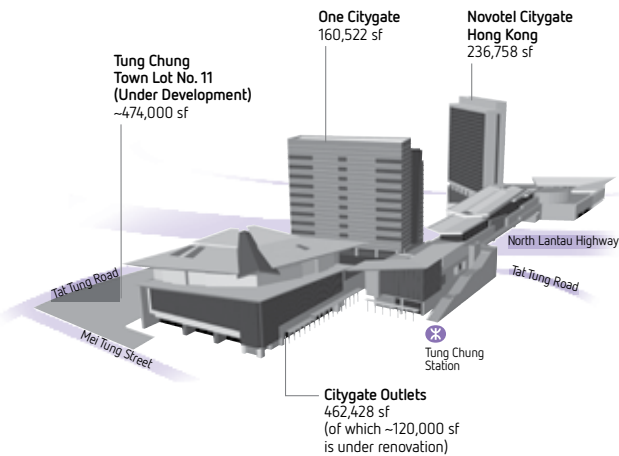
Under HKAS 40, hotel properties are not accounted for as investment properties but are included within property, plant and equipment at cost less accumulated depreciation and any provision for impairment.

Hong Kong

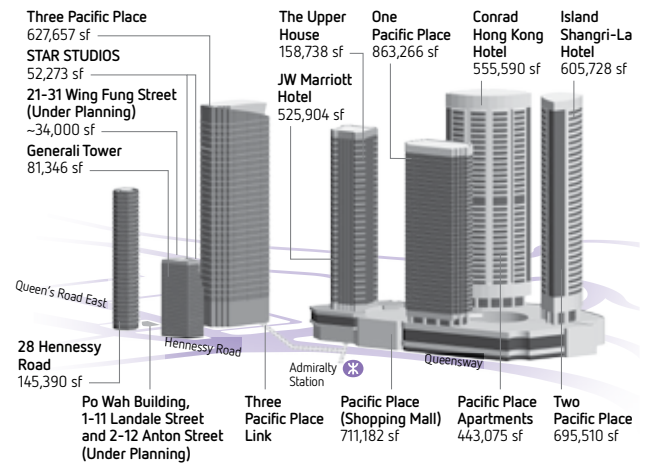
Taikoo Place



Citygate



Pacific Place



USA

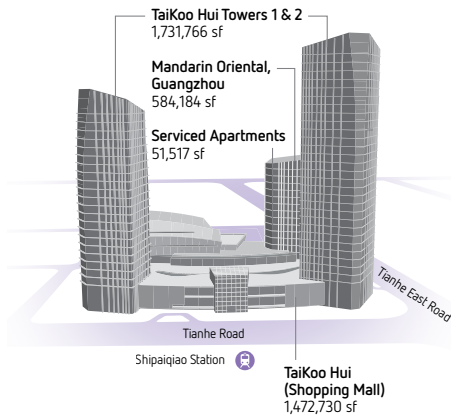
Brickell City Centre Miami, Florida



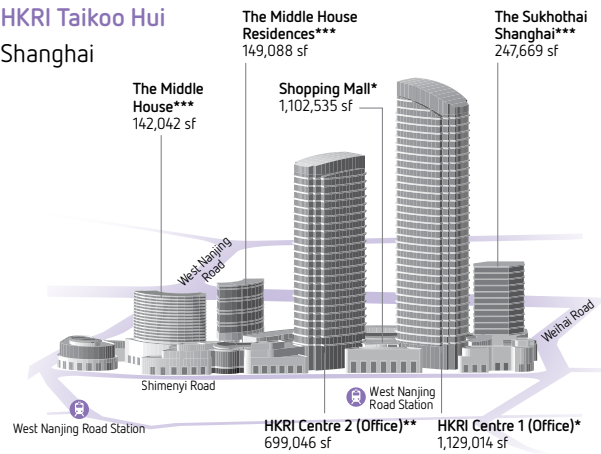
* Rise and Reach are developed for trading purpose. Floor area shown represents the unsold portion.

Mainland China

TaiKoo Hui
Guangzhou

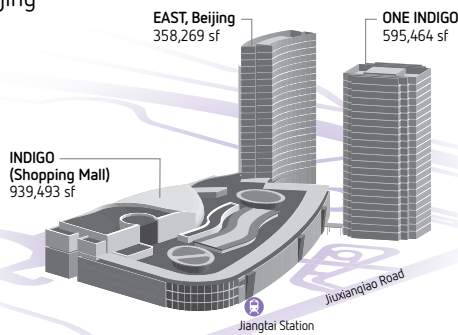


HKRI Taikoo Hui
Shanghai

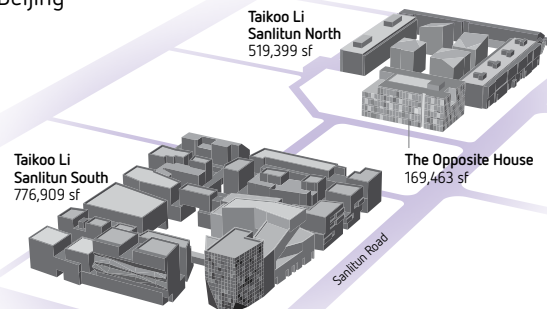


* Shopping mall and HKRI Centre 1 were completed in 2016.
** HKRI Centre 2 was completed in 2017.
*** Hotels & Serviced Apartments were completed in January 2018 and are expected to open later in the first half of 2018.

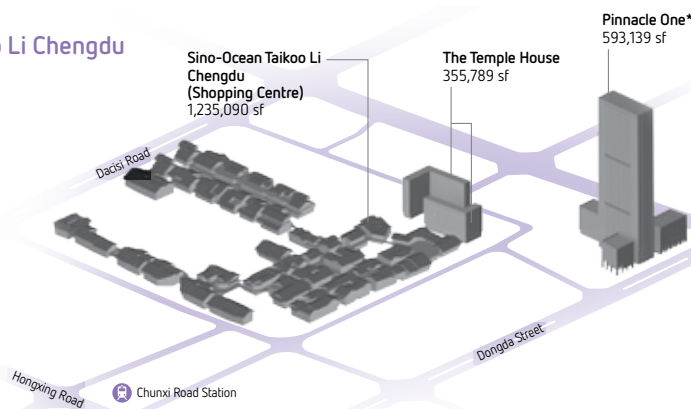
INDIGO
Beijing



Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



* Pinnacle One is developed for trading purpose. Floor area shown represents the unsold portion (including portion which is subject to the outcome of court proceedings).

Note:
These diagrams are not to scale and are for illustration purpose only.

These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 213 to 223.

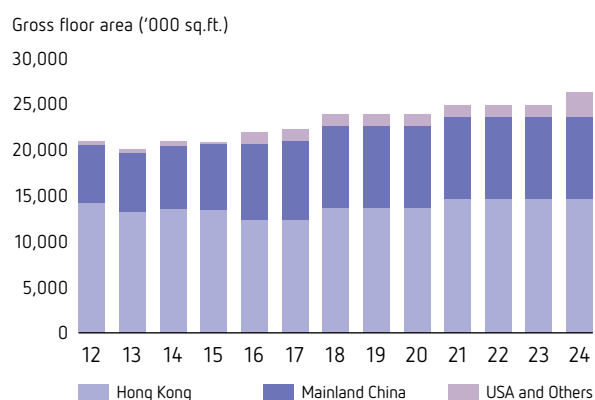
Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast year of expenditure				2021 and later HK\$M	Total Commitments At 31st December 2017 HK\$M	Commitments relating to joint venture companies* At 31st December 2017 HK\$M
		2017 HK\$M	2018 HK\$M	2019 HK\$M	2020 HK\$M			
Hong Kong	5,017	4,047	1,361	2,768	3,994	12,170	775	
Mainland China	917	789	646	118	–	1,553	652	
USA and others	926	151	281	26	19	477	–	
Total	6,860	4,987	2,288	2,912	4,013	14,200	1,427	

Note: The capital commitments represent 100% of the capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies.

* The Group is committed to funding HK\$305 million and HK\$36 million of the capital commitments of joint venture companies in Hong Kong and Mainland China, respectively.

Completed Property Investment Portfolio by Location



HOTELS

In 2017, trading conditions for the managed hotels in Hong Kong were stable. The performance of the managed hotels in Mainland China and in the USA improved. The performance of the non-managed hotels in Hong Kong was stable, as was that of the Mandarin Oriental, Miami in the USA. Occupancy at the Mandarin Oriental, Guangzhou improved in 2017 and its performance was good.

PROPERTY TRADING

Hong Kong

All 197 units at the ALASSIO development at 100 Caine Road had been sold at 31st December 2017, with profit from the sales of all the units recognised in the year.

The WHITESANDS development at 160 South Lantau Road consists of 28 detached houses with an aggregate gross floor area of 64,410 square feet. 21 houses had been sold at 13th March 2018. The profit from the sale of two houses was recognised before 2017 and the profit from the sale of 14 houses was recognised in 2017.

In August 2017, Swire Properties became the owner of a 100% interest in a property at 21-31 Wing Fung Street, Hong Kong. The property has the potential to be redeveloped into a 34,000 square feet residential block with a retail podium.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 carparking spaces were pre-sold in 2013. The profit from the sales of approximately 52% of the pre-sold gross floor area was recognised in 2015. Application was made to the court to cancel the sale of the remaining pre-sold gross floor area and 350 carparking spaces as part of the consideration was not received on time. The application succeeded. The buyer has appealed.

USA

The residential portion of the first phase of the Brickell City Centre development was developed for trading purposes. There are 780 units in two towers (Reach and Rise).

The Reach and Rise developments were completed, and handover to purchasers commenced, in 2016. 363 units (out of 390 units) at Reach and 214 units (out of 390 units) at Rise had been sold at 13th March 2018. The profits from the sales of 12 units at Reach and 28 units at Rise were recognised in 2017.

OUTLOOK

Office and Retail

Hong Kong

OFFICE | In the central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2018. High occupancy is expected to result in office rents in our Pacific Place and Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts.

RETAIL | Demand for retail space in Hong Kong is forecast to be stable in 2018.

Mainland China

OFFICE | In Guangzhou, with the absence of significant new supply together with strong demand from Mainland Chinese companies, office vacancy rates are expected to decrease and rents to increase in 2018. In Beijing, with increased supply, office rents are expected to come under pressure in 2018. In Shanghai, with limited new supply in the Jingan district and stable demand, office rents are expected to be stable in 2018.

RETAIL | In 2018, retail sales are expected to grow satisfactorily in Beijing and Guangzhou, and to be robust in Chengdu. In Shanghai, after the opening of HKRI Taikoo Hui, retail sales should continue to grow steadily. Retail rents in Chengdu and Shanghai are expected to grow moderately despite increased supply of space and competition.

USA

RETAIL | Weak retail sales in Miami have made some retailers cautious about expansion.

OFFICE | In Miami, new supply of Grade-A office space is limited and demand is stable. Office rents are expected to increase.

Hotels

Trading conditions for our existing hotels are expected to be stable in 2018. A managed hotel (The Middle House) and a non-managed hotel (The Sukhothai Shanghai) are expected to open in Shanghai later in the first half of 2018. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open early in 2019.

Property Trading

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and increased private housing supply, demand for residential property is expected to remain resilient. In Miami, the exchange rate of the US dollar against major South American currencies is strong compared with what it was earlier in the decade. The strength will continue to suppress demand for condominiums by non-US buyers. Trading profits are expected to be recognised in 2018 from sales of houses at the WHITESANDS development in Hong Kong and units at the Reach and Rise developments in Miami.

Residential Leasing

In Hong Kong, demand for furnished accommodation at Pacific Place Apartments and Taikoo Place Apartments is expected to be stable in 2018. A serviced apartment tower is expected to open in Shanghai later in the first half of 2018.

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Guy Bradley