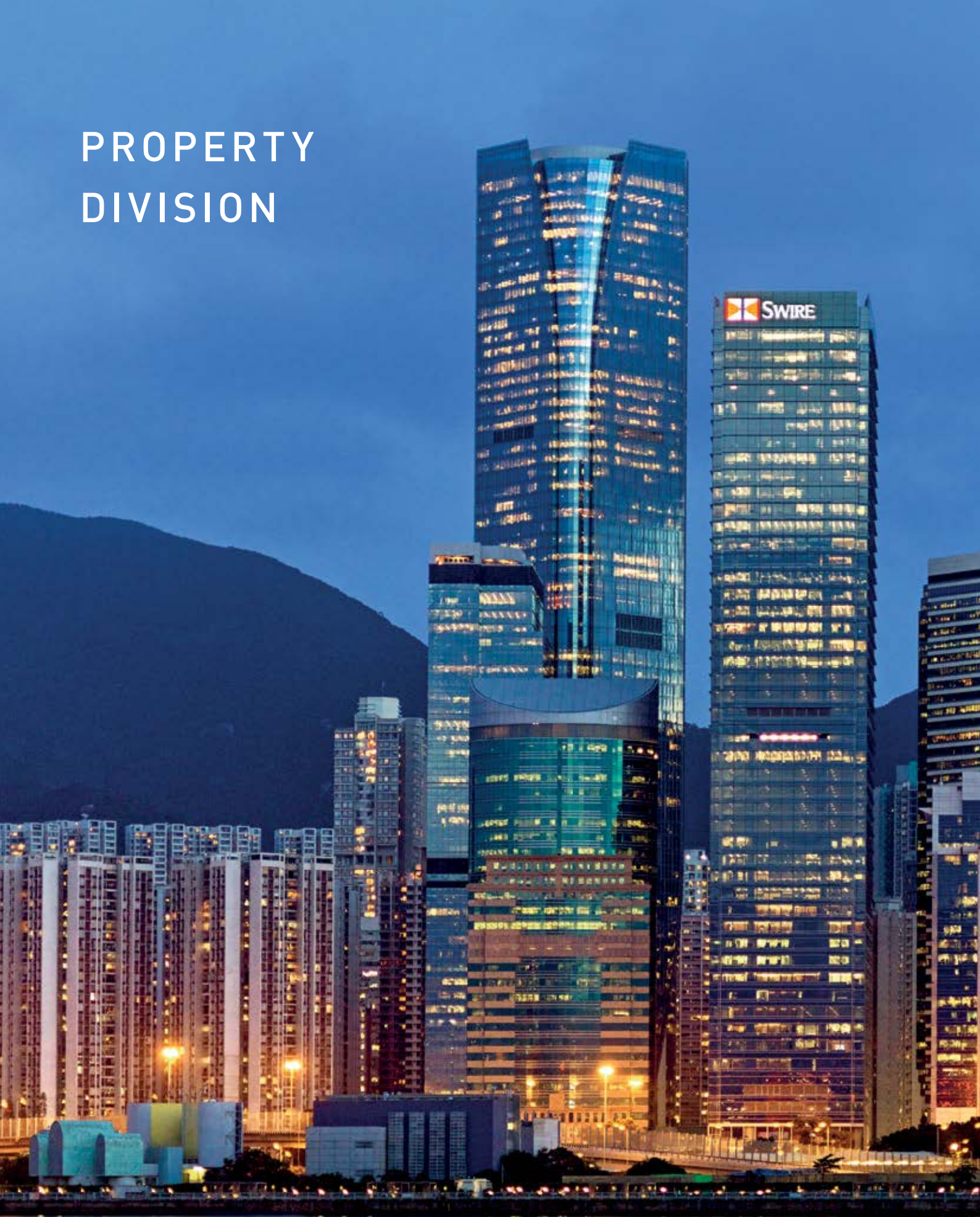


PROPERTY DIVISION



One Taikoo Place, Hong Kong

TRANSFORMING URBAN AREAS

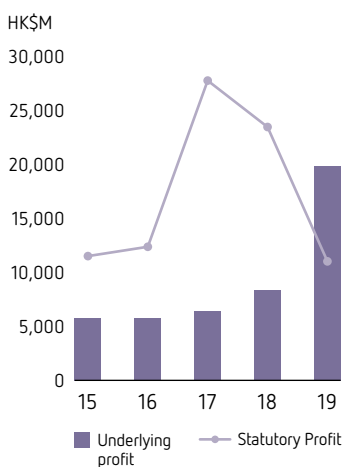
Swire Properties' growing portfolio of offices, retail space and hotels continues to transform urban areas.



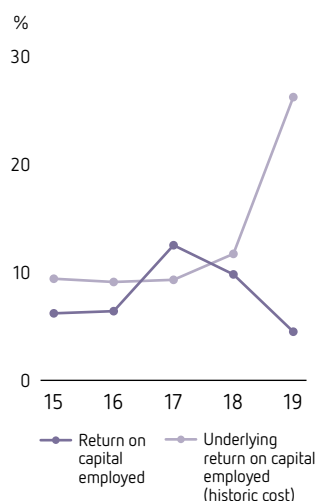
PROPERTY DIVISION

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.

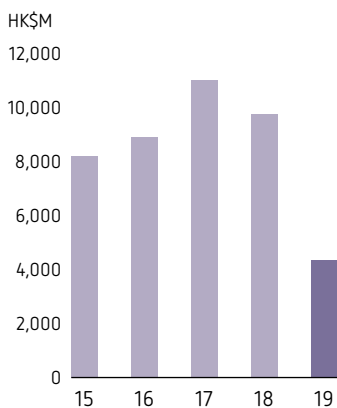
Statutory and Underlying Profit Attributable to the Company's Shareholders



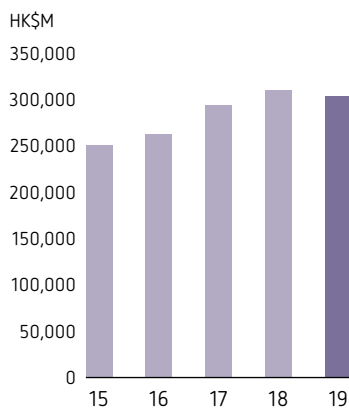
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital 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 and high quality residential accommodation in prime locations. Including hotels, the completed portfolio in Hong Kong totals 12.6 million square feet of gross floor area, with an additional 1.2 million square feet under development. In Mainland China, Swire Properties owns and operates major mixed-use commercial developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in most cases, which will total 9.8 million square feet on completion. Of this, 9.0 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 four 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, in The Temple House at Sino-Ocean Taikoo Li Chengdu, and in The Middle House at HKRI Taikoo Hui in Shanghai. Swire Properties owns 97% and 50% interests in the Mandarin Oriental at Taikoo Hui in Guangzhou and The Sukhothai Shanghai at HKRI Taikoo Hui respectively. 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. A non-managed hotel which is part of the 20% owned Tung Chung Town Lot No. 11 development is expected to open later in the first half of 2020.

Property Trading

Swire Properties' trading portfolio comprises completed developments available for sale at the Reach and Rise developments at Brickell City Centre in Miami, USA and EDEN in Singapore. There are four residential projects under development, three in Hong Kong and one in Indonesia. There are also land banks in Miami, USA.

Particulars of the Group's key properties are set out on pages 222 to 231.

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

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, and by reinforcing its assets through enhancement, redevelopment and new additions.
- Continuing its luxury and high quality 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 2019						At 31st
	Office	Retail	Hotels	Residential	Under Planning	Total	December 2018
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,571	12	–	63	–	5,646	5,646
Cityplaza	629	1,105	200	–	–	1,934	1,934
Others	450	664	47	68	–	1,229	1,322
– Hong Kong	8,836	2,492	743	574	–	12,645	12,738
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
Taikoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	294	470	179	–	–	943	943
Sino-Ocean Taikoo Li Chengdu	–	678	98	55	–	831	810
HKRI Taikoo Hui	914	587	194	73	–	1,768	1,734
Others	20	91	–	–	–	111	91
– Mainland China	2,960	4,595	1,224	180	–	8,959	8,884
– USA	263	497	477	109	–	1,346	1,346
Total completed	12,059	7,584	2,444	863	–	22,950	22,968
Under and pending development							
– Hong Kong ^	1,218	3	26	–	–	1,247	1,316
– Mainland China	–	879	–	–	–	879	623
– USA	–	–	–	–	1,444	1,444	1,444
Total	13,277	8,466	2,470	863	1,444	26,520	26,351

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.

^The office portfolio principally comprises Two Taikoo Place.

2019 PERFORMANCE

Financial Highlights

	2019 HK\$M	2018 HK\$M
Revenue		
Gross rental income derived from		
Office	6,598	6,375
Retail	5,107	5,205
Residential	566	537
Other revenue*	139	137
Property investment	12,410	12,254
Property trading	516	1,061
Hotels	1,296	1,404
Total revenue	14,222	14,719
Operating profit/(loss) derived from		
Property investment		
From operations	8,387	8,585
Sales of interests in investment properties	2,338	1,276
Valuation gains on investment properties	3,728	19,378
Property trading	4	65
Hotels	(62)	(25)
Total operating profit	14,395	29,279
Share of post-tax profits from joint venture and associated companies	1,430	1,978
Attributable profit	13,423	28,583
Swire Pacific share of attributable profit	11,007	23,437

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2019 HK\$M	2018 HK\$M
Property Investment	24,231	10,102
Property Trading	(18)	99
Hotels	(70)	(41)
Total underlying attributable profit	24,143	10,160

2019 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. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit.

	Note	2019 HK\$M	2018 HK\$M
Reported attributable profit		13,423	28,583
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(4,571)	(20,722)
Deferred tax on investment properties	(b)	1,138	935
Valuation gains realised on sales of interests in investment properties	(c)	14,159	1,351
Depreciation of investment properties occupied by the Group	(d)	32	28
Non-controlling interests' share of revaluation movements less deferred tax		(25)	(15)
Less: amortisation of right-of-use assets reported under investment properties	(e)	(13)	–
Underlying attributable profit		24,143	10,160
Profit on sales of interests in investment properties		(16,497)	(2,627)
Recurring underlying attributable profit		7,646	7,533
Swire Pacific share of underlying attributable profit		19,797	8,331
Swire Pacific share of recurring underlying attributable profit		6,269	6,177

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.
(e) HKFRS 16 amends the definition of investment property under HKAS 40 to include properties held by lessees as right-of-use assets to earn rentals or for capital appreciation or both, and requires the Group to account for such right-of-use assets at their fair value. The amortisation of such right-of-use assets is charged to underlying profit.

2019 PROPERTY INDUSTRY REVIEW

Office and Retail

Hong Kong

OFFICE | Demand for office space, particularly from Mainland Chinese companies, started to weaken significantly in the second half of 2019.

RETAIL | Social unrest in Hong Kong adversely affected the retail industry in the second half of 2019. There were fewer tourists and consumer spending was weak.

Mainland China

RETAIL | In 2019, retail sales grew satisfactorily in the four cities (Beijing, Chengdu, Guangzhou and Shanghai) where Swire Properties' retail centres are located. Demand for retail space from luxury retailers was solid in Beijing and robust in Guangzhou and Chengdu. There was strong demand for retail space from the owners of international and lifestyle brands and from food and beverage operators in all four cities.

OFFICE | In Guangzhou and Beijing, office rents were under pressure, with significant new supply and weak demand in 2019. In Shanghai, demand was subdued against a background of economic uncertainty. The main sources of demand in Shanghai were from financial and professional services providers (including domestic law firms) and retailers.

USA

OFFICE | The supply of Grade-A office space is limited in Miami and demand for office space is healthy. As a result, rental rates are rising.

RETAIL | Retailers in Miami are selling both in physical stores and on line and are considering expansion in new locations carefully. New supply in established shopping districts is affecting rental rates.

Property Sales Markets

In Miami, demand for condominiums was weak in 2019. There were not many new condominium developments in South Florida.

2019 RESULTS SUMMARY

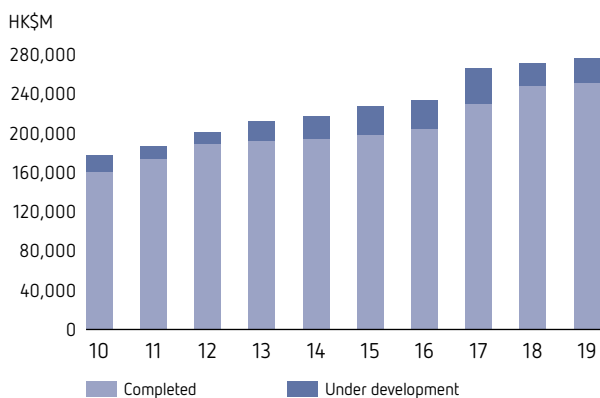
Attributable profit from the Property Division for the year was HK\$11,007 million compared to HK\$23,437 million in 2018. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK\$4,571 million and HK\$20,722 million in 2019 and 2018 respectively. Attributable underlying profit increased to HK\$19,797 million in 2019 from HK\$8,331 million in 2018. The increase principally reflected the profit arising from the sales of interests in two office buildings in Taikoo Shing and in other investment properties in Hong Kong. Recurring underlying profit (which excludes the profit on sales of interests in investment properties) was HK\$6,269 million in 2019, compared with HK\$6,177 million in 2018. The increase principally reflected higher underlying profit from property investment in Mainland China.

Recurring underlying profit from property investment increased by 3% in 2019. There was satisfactory growth from the Mainland China and USA portfolios, and from the Hong Kong office portfolio. In Hong Kong, office rental income increased due to positive rental reversions, firm occupancy and a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018. However, this was more than offset by a reduction in retail rental income in Hong Kong. This was due to rental subsidies and lower retail sales in the second half of 2019. Disregarding rental subsidies, gross retail rental income in Hong Kong decreased slightly. In Mainland China, gross rental income increased by 8%, mainly due to positive rental reversions, higher retail sales and firm occupancy. There was satisfactory growth in rental income in the USA, due to improved occupancy and higher retail sales.

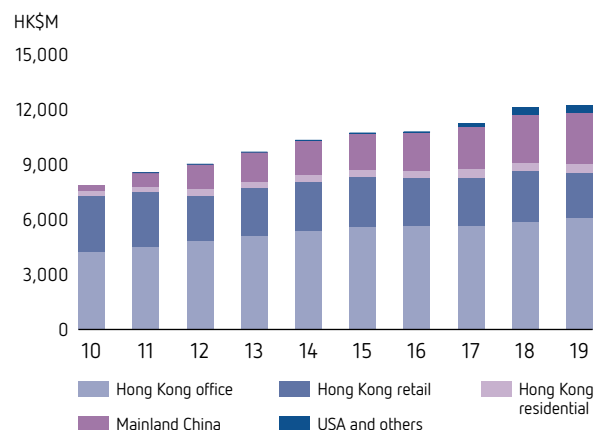
The underlying loss from property trading in 2019 related to the residential units in the USA, partly offset by profit from the sale of carparks at the ALASSIO development in Hong Kong and from the share of profit from the sale of offices and carparks at Sino-Ocean Taikoo Li Chengdu in Mainland China.

Hotels recorded a loss in 2019, mainly due to a deterioration in the results of the Hong Kong hotels (reflecting social unrest) in the second half of the year. The performance of the hotels in Mainland China and the USA improved.

Valuation of Investment Properties



Gross Rental Income



KEY DEVELOPMENTS

In April 2019, Swire Properties completed the sale of its 100% interest in a subsidiary which owned two office buildings at 14 Taikoo Wan Road and 12 Taikoo Wan Road (formerly known as Cityplaza Three and Cityplaza Four) in Taikoo Shing, Hong Kong.

In July 2019, Swire Properties completed the sale of its entire 50% interest in a company which owned an office building at 625 King's Road in Hong Kong.

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate gross floor area of approximately 1,140,000 square feet. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

In August 2019, an extension opened at Citygate Outlets in Hong Kong. The extension has an aggregate gross floor area of approximately 341,000 square feet. Swire Properties has a 20% interest in the development.

In September 2019, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company completed the acquisition of a plot of land in Chai Wan, Hong Kong. Subject to agreement with the Hong Kong government, the plot of land is expected to be redeveloped into a residential complex with an aggregate gross floor area of approximately 694,000 square feet.

In October 2019, a joint venture company formed by Swire Properties Limited, Kerry Properties Limited and Sino Land Company Limited tendered successfully for a residential property development at Wong Chuk Hang in Hong Kong. The development is expected to comprise two residential towers with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units. It is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

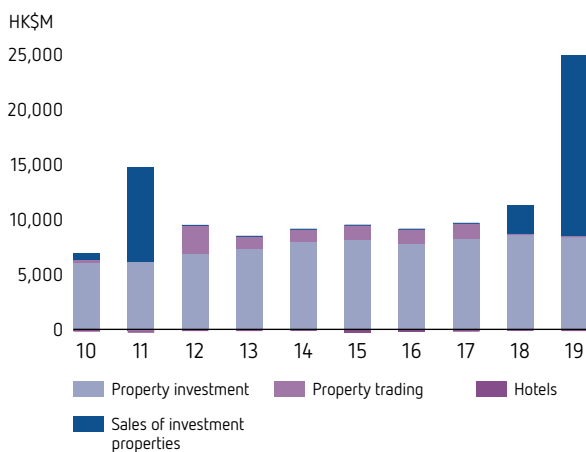
In November 2019, EDEN, Swire Properties' first residential project in Singapore, was completed and is available for sale. The development comprises 20 residential units with an aggregate gross floor area of approximately 77,000 square feet.

INVESTMENT PROPERTIES

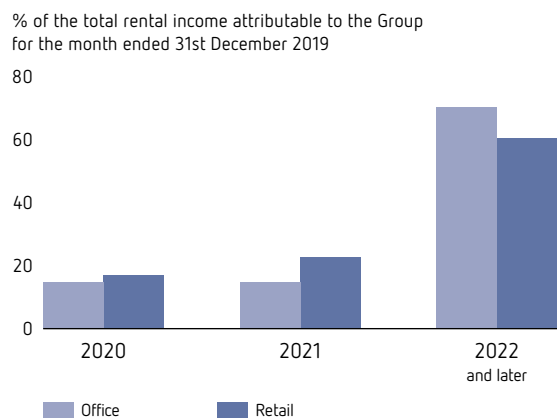
Hong Kong

OFFICE | Gross rental income from the Hong Kong office portfolio in 2019 was HK\$6,100 million, a 4% increase from 2018. There were positive rental reversions and occupancy was firm. The increase also reflected a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018. This was partly offset by the loss of rental income from the Cityplaza Three and Four office buildings, the sale of which was completed in April 2019. At 31st December 2019, the office portfolio was 99% let. Demand for office space (particularly from Mainland Chinese companies) started to weaken significantly in the second half of 2019. This reflected global trade tensions and a slowdown in the Hong Kong economy, with gross domestic product declining in 2019.

Underlying Operating Profit



Hong Kong Lease Expiry Profile – at 31st December 2019



The extension to Citygate Outlets in Hong Kong opened in August 2019.



Pacific Place

The offices at One, Two and Three Pacific Place performed well in 2019. Occupancy and rental rates were robust. The occupancy rate was 98% at 31st December 2019.

Cityplaza

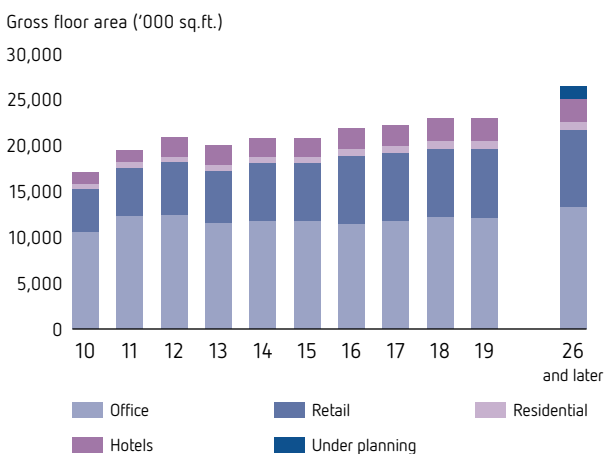
The occupancy rate at Cityplaza One was 100% at 31st December 2019.

Taikoo Place

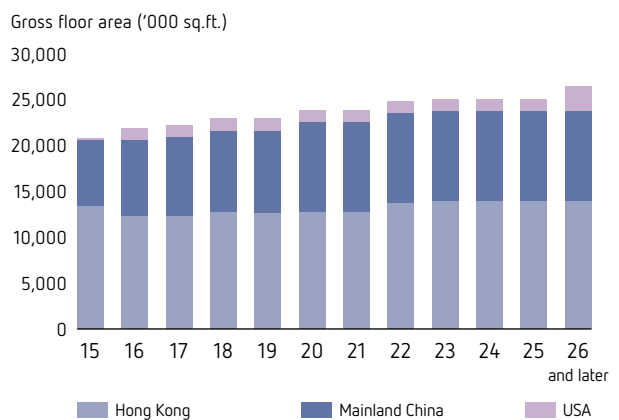
The occupancy rates at Taikoo Place and One Island East were 99% and 100% respectively at 31st December 2019. One Taikoo Place, which was completed in September 2018, was 100% leased.

Despite weaker general demand for office properties in Hong Kong, rents were resilient and occupancy was strong at Taikoo Place in 2019. Rental reversions were positive.

Completed Property Investment Portfolio by Type



Completed Property Investment Portfolio by Location



South Island Place

The occupancy rate at South Island Place was 75% at 31st December 2019. Swire Properties has a 50% interest in the development.

RETAIL | The Hong Kong retail portfolio's gross rental income was HK\$2,437 million in 2019, a 12% (or HK\$318 million) decrease from 2018. The decrease was mainly due to rental subsidies offered to tenants whose retail sales were adversely affected by social unrest in Hong Kong. Disregarding rental subsidies, gross rental income decreased slightly from 2018. Our malls were almost fully let during the year.

Retail sales in 2019 decreased by 17% at The Mall, Pacific Place, by 3% at Cityplaza and by 5% at Citygate Outlets. These decreases compare with an 11% decrease in retail sales in Hong Kong as a whole. The decreases reflected difficult market conditions. There were fewer tourists and spending by local consumers was weaker. Rental subsidies have been given for specific periods on a case by case basis.

RESIDENTIAL | The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wanchai and a number of luxury houses and apartments on Hong Kong Island. The occupancy rate at the residential portfolio was approximately 76% at 31st December 2019.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | 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. Superstructure works are in progress. Completion of the redevelopment is expected in early 2022.

Planning permission to develop the site at 46-56 Queen's Road East, 1A-11 Landale Street and 2A-12 Anton Street for office use was obtained in 2018. The site area is approximately 14,400 square feet. The proposed development has an aggregate gross floor area of approximately 218,000 square feet. Foundation works are in progress. Completion is expected in 2023.

OTHERS | In 2018, Swire Properties submitted compulsory sale applications in respect of two sites (Wah Ha Factory Building, No. 8 Shipyard Lane, and Zung Fu Industrial Building, No. 1067 King's Road) in Hong Kong. Subject to Swire Properties having successfully bid in the compulsory sale of the sites, the sites are intended to be redeveloped for office and other commercial uses with an aggregate gross floor area of approximately 779,000 square feet.

In 2018, a joint venture company in which Swire Properties holds a 50% interest submitted a compulsory sale application in respect of a site at 983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay, Hong Kong. Subject to the joint venture company having successfully bid in the compulsory sale and in accordance with applicable town planning controls, it is expected that the site can be redeveloped for residential and retail uses with a gross floor area of approximately 400,000 square feet.

Mainland China

RETAIL | The Mainland China retail portfolio's gross rental income for 2019 increased by 10% compared with 2018, to HK\$2,376 million (despite a 4% depreciation of the Renminbi against the Hong Kong dollar).

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2019, reflecting positive rental reversions. Retail sales grew by 11%. The occupancy rate was 100% at 31st December 2019. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination in Beijing.

The refurbishment of Taikoo Li Sanlitun West as an extension to Taikoo Li Sanlitun (with an aggregate gross floor area of approximately 256,000 square feet) is expected to be completed by the end of 2020.

Gross rental income at Taikoo Hui in Guangzhou grew satisfactorily in 2019. Retail sales increased by 20%, reflecting improvements to the tenant mix and stronger marketing and promotion. The occupancy rate at Taikoo Hui was 99% at 31st December 2019.

HKRI Taikoo Hui is a business, shopping and entertainment hub in the Jing'an District of Shanghai.



Occupancy at the shopping mall at INDIGO, Beijing was 100% at 31st December 2019. Retail sales increased by 26% in 2019.

Retail sales at Sino-Ocean Taikoo Li Chengdu increased by 23% in 2019, reflecting an improved mix of brands and growing sales to young shoppers. The development continues to gain popularity as a shopping destination in Chengdu. At 31st December 2019, the occupancy rate was 97%.

Retail sales at HKRI Taikoo Hui increased by 73% in 2019. Footfall has grown steadily since early 2019. At 31st December 2019, the occupancy rate was 98%.

OFFICE | The Mainland China office portfolio's gross rental income for 2019 decreased by 3% compared with 2018, to HK\$380 million (after taking into account a 4% depreciation of the Renminbi against the Hong Kong dollar). There were positive rental reversions in Renminbi terms. This was despite weak demand for office space because of economic uncertainty arising from trade tensions.

At 31st December 2019, the occupancy rates at the office towers at Taikoo Hui, Guangzhou and at ONE INDIGO, Beijing were 97% and 76% respectively.

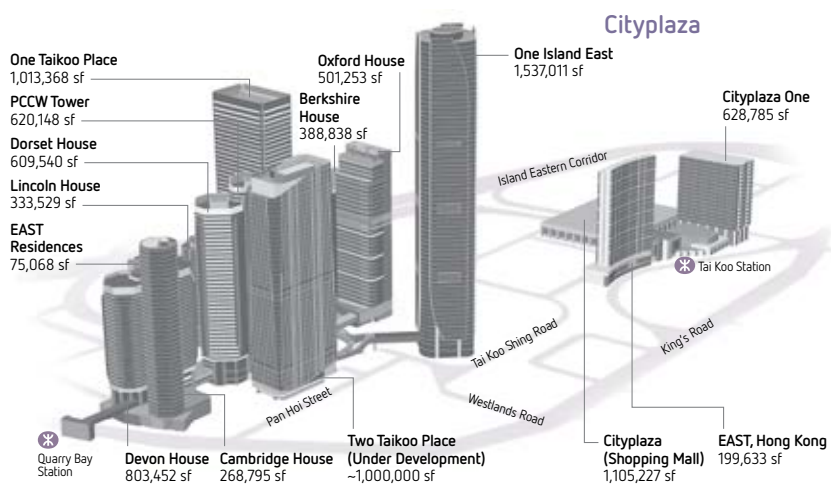
The occupancy rate at the two office towers at HKRI Taikoo Hui in Shanghai was 99% at 31st December 2019.

INVESTMENT PROPERTIES UNDER DEVELOPMENT |

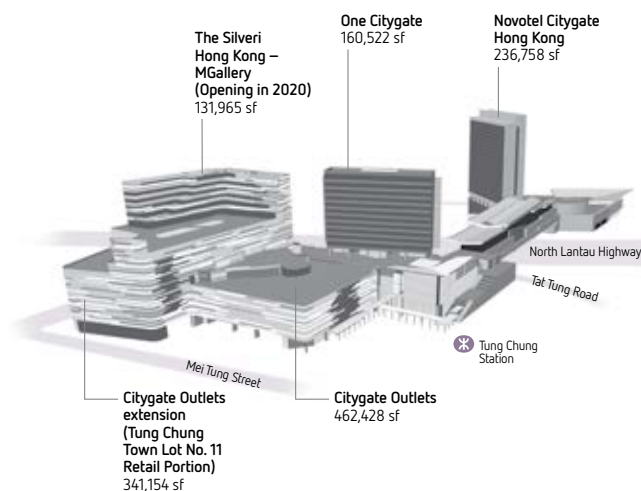
In 2018, Swire Properties and a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. formed a joint venture to develop a retail project with an aggregate gross floor area of 1,247,006 square feet in Qiantan, Pudong New District in Shanghai. The project was named Taikoo Li Qiantan in January 2019. Construction and pre-leasing are in progress. The development is expected to be completed by the end of 2020.

Hong Kong

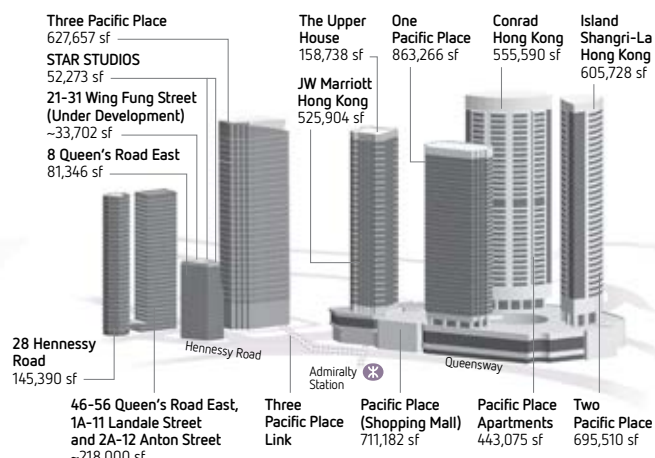
Taiko Place



Citygate



Pacific Place



USA

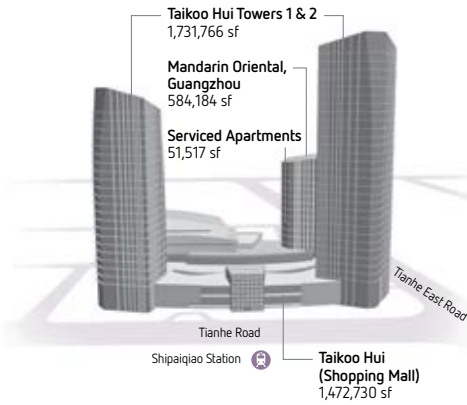
Brickell City Centre
Miami, Florida



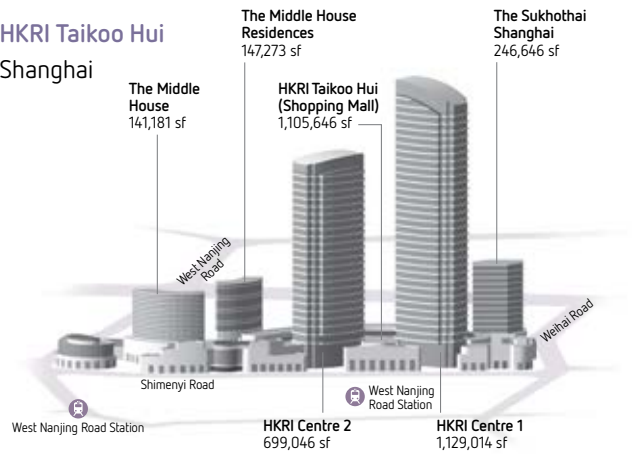
* Rise and Reach developed for trading purposes. Floor area shown represents the unclosed portion.

Mainland China

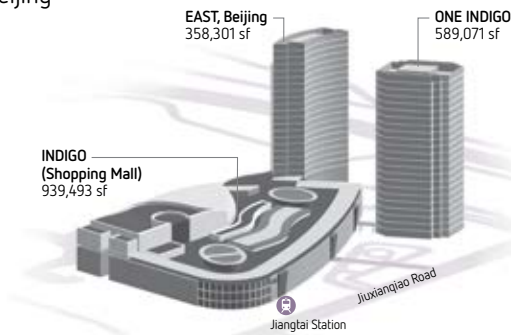
Taikoo Hui
Guangzhou



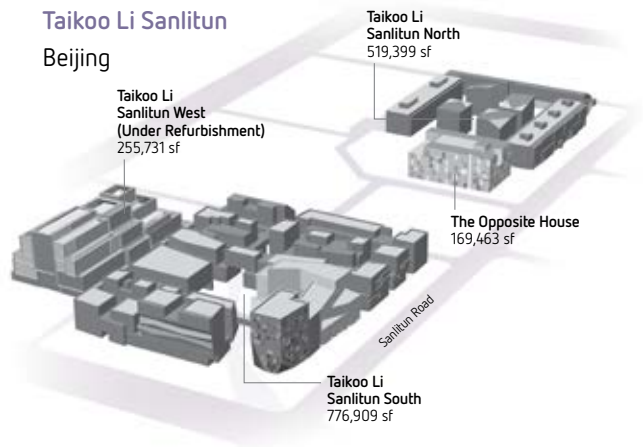
HKRI Taikoo Hui
Shanghai



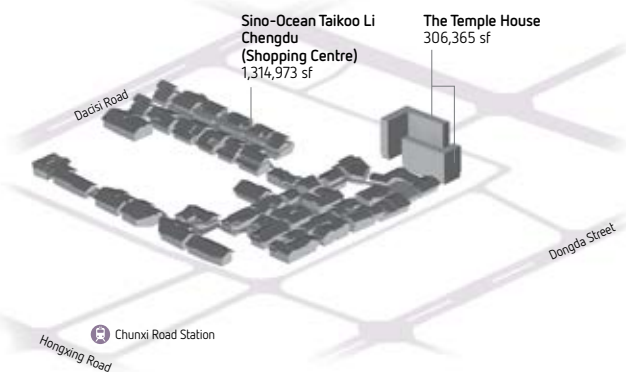
INDIGO
Beijing



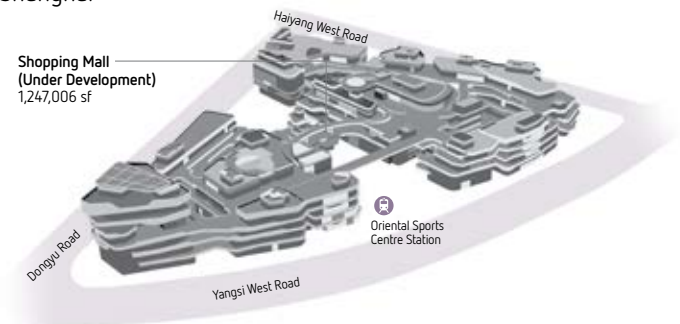
Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



Taikoo Li Qiantan
Shanghai



Note:

- These diagrams are not to scale and are for illustration purposes 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 222 to 231.

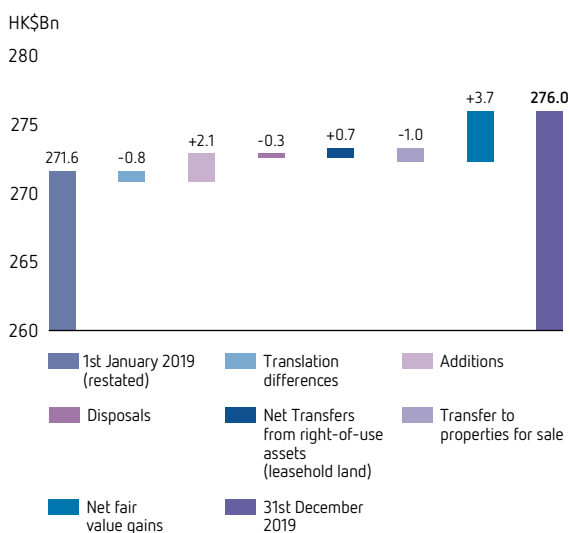
Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure		Forecast expenditure			Total Commitments	Commitments relating to joint venture companies*
	2019 HK\$M	2020 HK\$M	2021 HK\$M	2022 HK\$M	2023 and later HK\$M	At 31st December 2019 HK\$M	At 31st December 2019 HK\$M
Hong Kong	2,460	1,832	5,479	2,123	5,301	14,735	66
Mainland China	643	1,365	44	202	254	1,865	821
USA and elsewhere	168	3	–	–	–	3	–
Total	3,271	3,200	5,523	2,325	5,555	16,603	887

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\$18 million and HK\$465 million of the capital commitments of joint venture companies in Hong Kong and Mainland China respectively.

Movement in Investment Properties



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.

Two and Three Brickell City Centre were almost fully leased. The shopping centre was 90% let (including by way of letters of intent) at 31st December 2019. Retail sales in 2019 increased by 14%.

At 31st December 2019, Swire Properties owned 100% of the office, hotel and unsold residential portions and 62.93% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre was owned by Simon Property Group (25%) and Bal Harbour Shops (12.07%). Bal Harbour Shops has an option, exercisable from February 2020, 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 a site at 700 Brickell Avenue acquired by Swire Properties in 2013. Development of this site will connect 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 2019 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer).

The amount of this valuation was HK\$276,008 million, compared to HK\$271,256 million at 31st December 2018 and HK\$275,649 million at 30th June 2019.

The increase in the valuation of the investment property portfolio is mainly due to modest increases in the valuation of the office properties in Hong Kong and of the investment properties in Mainland China following rental increases, partly offset by a decrease in the valuation of the retail properties in Hong Kong.

Under HKAS 40, hotel properties are not accounted for as investment properties. The hotel buildings are included within property, plant and equipment. The leasehold land is included within right-of-use assets. Both are recorded at cost less accumulated depreciation or amortisation and any provision for impairment.

HOTELS

The performance of our managed hotels in Hong Kong deteriorated in 2019. They were adversely affected by a decrease in the number of tourists visiting Hong Kong due to social unrest. The number of overnight visitors to Hong Kong decreased by 19% for the full year and by 57% in December 2019.

The operating profit before depreciation of the managed hotels decreased by 16% to HK\$168 million in 2019. Results in Shanghai and the USA improved, but this was more than offset by a deterioration in results in Hong Kong. The performance of the non-managed hotels in Hong Kong was adversely affected by social unrest. The operating results of the non-managed hotels in Mainland China and Miami improved.

PROPERTY TRADING

Hong Kong

The site at 21-31 Wing Fung Street, Wanchai is to be redeveloped into a 34,000 square feet residential building with retail outlets on the two base levels. Superstructure works are in progress. The development is expected to be completed in 2022.

In September 2019, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company completed the acquisition of a plot of land in Chai Wan, Hong Kong. Subject to agreement with the Hong Kong government, the plot of land is expected to be redeveloped into a residential complex with an aggregate gross floor area of approximately 694,000 square feet.

In October 2019, a joint venture company formed by Swire Properties Limited, Kerry Properties Limited and Sino Land Company Limited tendered successfully for a residential property development at Wong Chuk Hang in Hong Kong. The development is expected to comprise two residential towers with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units. Schematic design is in progress. The development is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

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 at Pinnacle One were pre-sold in 2013 and 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 (after an unsuccessful appeal by the buyer). The profit on the sales of 122,136 square feet of the gross floor area and 44 carparking spaces was recognised in 2018. The profit on the sales of a further 436,988 square feet of the gross floor area and 163 carparking spaces was recognised in 2019. The remaining 34,015 square feet of the gross floor area will be retained for its own use by the joint venture company which owns the property.



Brickell City Centre is a Swire Properties mixed use development in Miami, Florida.

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. 364 units (out of 390 units) at Reach and 282 units (out of 390 units) at Rise had been sold at 10th March 2020. Sales of two units at Reach, 38 units at Rise and the last unit in the ASIA development were recognised in 2019.

Singapore

EDEN, at 2 Draycott Park in District 10, comprises 20 residential units with an aggregate gross floor area of approximately 77,000 square feet. The development was completed in November 2019 and is available for sale.

Indonesia

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate gross floor area of approximately 1,140,000 square feet. Demolition works have been completed and foundation works

are expected to commence soon. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

OUTLOOK

In the central district of Hong Kong, reduced demand (particularly from Mainland Chinese companies) and increased vacancy rates are expected to exert downward pressure on office rents. High occupancy is expected to result in office rents at the Taikoo Place developments being relatively resilient (by comparison with rents in other areas) despite reduced demand and increased supply in Kowloon East and other districts. However, given the uncertain outlook, office tenants are delaying making lease commitments. With new supply in the central business districts of Guangzhou and Beijing and weak demand, office vacancy rates are expected to increase and rents to be under pressure in 2020. Demand from domestic and international companies for office space in Shanghai is expected to be weak in 2020. But with high occupancy and limited new supply in the central business district of Jing'an, Shanghai office rents are expected to be relatively resilient. In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is low. Job growth in Miami-Dade County is expected to continue, resulting in sustainable demand for office space and stable rental rates.

COVID-19 is adversely affecting Swire Properties' retail investment properties and its hotel business in Hong Kong and Mainland China. Lower rental income is expected from the retail properties and serviced apartments in 2020. Temporary rental subsidies are being provided to retail tenants on a case by case basis. Occupancy and revenue are significantly down at Swire Properties' hotels. Costs will be saved where this can be done without damaging the long-term relationship with tenants and other customers.

As well as COVID-19, social unrest and economic uncertainty are adversely affecting retail sales in Hong Kong. In Mainland China, demand for retail space from international retailers and food and beverage operators is expected, despite the current effects of COVID-19, to be strong in the long term. In Miami, retail sales in Brickell City Centre are increasing steadily. However, established shopping districts in Miami are expanding. As a result, Brickell City Centre is expected to experience increased competition in the retail leasing market.

In Hong Kong, demand for residential accommodation has weakened due to social unrest, economic uncertainty and COVID-19. There is a shortage of land and a limited supply of housing in Hong Kong. This, together with low interest rates, is expected to result in demand for residential accommodation being resilient in the medium and long term. In Miami, demand for condominiums is weak due to weak South American economies, currency fluctuations and political uncertainty. In Singapore, growth in incomes and robust employment are expected to support a stable residential property market.

A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later in the first half of 2020. Steady growth in business is expected at our Miami hotels.

With its balanced portfolio and strong balance sheet, Swire Properties is well placed to withstand the effects of this difficult time and to benefit from improved conditions in the future.

Guy Bradley