

PROPERTY DIVISION



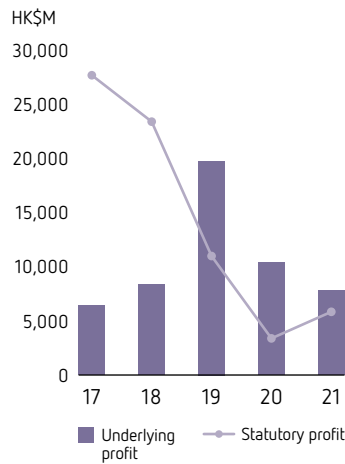
Swire Properties' sixth Chinese Mainland development, Taikoo Li Qiantan, Shanghai, opened in September 2021.



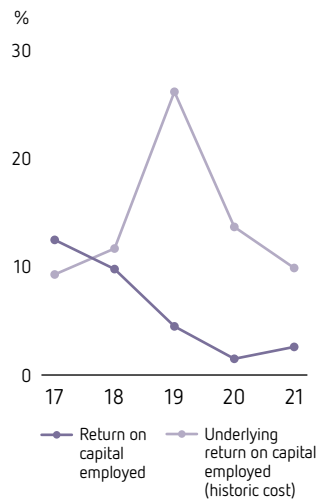
PROPERTY DIVISION

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

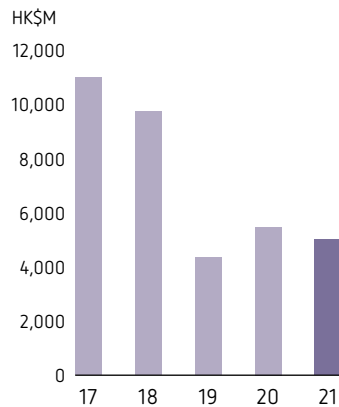
Statutory and Underlying Profit Attributable to the Company's Shareholders



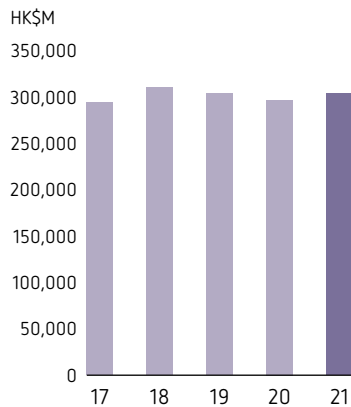
Return on Capital Employed



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 12.0 million square feet of gross floor area, with an additional 1.2 million square feet under development. In the Chinese Mainland, Swire Properties owns and operates major mixed-use commercial developments in Beijing, Guangzhou, Chengdu and Shanghai, in joint venture in most cases, which will total 11.3 million square feet on completion. Of this, 9.8 million square feet has already been completed. Swire Properties' property investment portfolio in Miami, USA totals 0.8 million square feet which comprises the Brickell City Centre development, 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 the Chinese Mainland, 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 Beijing at INDIGO, 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 manages, through Swire Hotels, EAST Miami and owns a 75% interest in the Mandarin Oriental in Miami. The Silveri Hong Kong – MGallery, a non-managed hotel, is part of the 20% owned Citygate development in Hong Kong and is expected to open in phases, subject to COVID-19 conditions, this year.

Property Trading

Swire Properties' trading portfolio comprises six residential projects under development, three in Hong Kong, one in Indonesia and two in Vietnam. There are also land banks in Miami, USA.

Particulars of the Group's key properties are set out on pages 214 to 223.

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 the Chinese Mainland. The strategies employed in order to achieve this objective are these:

- The continual 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 the Chinese Mainland.
- Conservative management of its capital base.

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

Location	At 31st December 2021						At 31st December 2020
	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,571	12	–	63	–	5,646	5,646
Cityplaza	–	1,097	200	–	–	1,297	1,297
Others	450	666	73	50	–	1,239	1,241
– Hong Kong	8,207	2,486	769	556	–	12,018	12,020
Taikoo Li Sanlitun	–	1,610	169	–	–	1,779	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	831
HKRI Taikoo Hui	914	587	194	73	–	1,768	1,768
Taikoo Li Qiantan	–	594	–	–	–	594	619
Others	–	91	–	–	–	91	111
– Chinese Mainland	2,940	5,503	1,224	180	–	9,847	9,578
– USA	–	497	259	–	–	756	1,083
Total completed	11,147	8,486	2,252	736	–	22,621	22,681
Under and pending development							
– Hong Kong [^]	1,218	3	–	15	–	1,236	1,236
– Chinese Mainland	–	–	–	–	1,416	1,416	1,685
– USA	–	–	–	–	1,444	1,444	1,444
Total	12,365	8,489	2,252	751	2,860	26,717	27,046

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.

2021 PERFORMANCE

Financial Highlights

	2021 HK\$M	2020 HK\$M
Revenue		
Gross rental income derived from		
Office	6,193	6,555
Retail	5,785	5,245
Residential	474	454
Other revenue*	102	101
Property investment	12,554	12,355
Property trading	2,443	312
Hotels	894	641
Total revenue	15,891	13,308
Operating profit/(loss) derived from		
Property investment		
From operations	8,276	8,495
Sale of interests in investment properties	1,185	1,826
Valuation losses on investment properties	(1,931)	(4,421)
Property trading	492	(49)
Hotels	(174)	(310)
Total operating profit	7,848	5,541
Share of post-tax profit from joint venture and associated companies	1,788	732
Attributable profit	7,131	4,132
Swire Pacific share of attributable profit	5,847	3,388

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2021 HK\$M	2020 HK\$M
Property Investment	9,822	13,316
Property Trading	(45)	(87)
Hotels	(285)	(524)
Total underlying attributable profit	9,492	12,705

2021 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 the net valuation movements on investment properties and the associated deferred tax in the Chinese Mainland 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	2021 HK\$M	2020 HK\$M
Attributable profit		7,131	4,132
Adjustments in respect of investment properties:			
Valuation losses in respect of investment properties	(a)	692	4,263
Deferred tax on investment properties	(b)	1,027	446
Valuation gains realised on sale of interests in investment properties	(c)	585	3,990
Depreciation of investment properties occupied by the Group	(d)	29	31
Impairment loss on a hotel held as part of a mixed-use development	(e)	22	–
Amortisation of right-of-use assets reported under investment properties	(f)	(53)	(49)
Non-controlling interests' share of valuation movements less deferred tax		59	(108)
Underlying attributable profit		9,492	12,705
Profit on sale of interests in investment properties and a hotel		(2,389)	(5,590)
Recurring underlying attributable profit		7,103	7,115
Swire Pacific share of underlying attributable profit		7,783	10,418
Swire Pacific share of recurring underlying attributable profit		5,824	5,834

Notes:

- (a) This represents the net valuation movements as shown in the Group's consolidated statement of profit or loss and the Group's share of net valuation movements of joint venture companies.
- (b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on valuation movements on investment properties in the Chinese Mainland 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. It also includes certain tax adjustments arising from transfers of investment properties within the Group.
- (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 consolidated statement of profit or loss. On sale, the valuation gains/(losses) were transferred from the revaluation reserve to the consolidated 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) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, wholly-owned and joint venture hotel properties held for the long term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or decrease in their values would be recorded in the revaluation reserve rather than in the consolidated statement of profit or loss.
- (f) 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.

2021 PROPERTY INDUSTRY REVIEW

Office and Retail

Hong Kong

OFFICE | The office market was weak, with consecutive quarters of negative net absorption, reflecting subdued demand and increasing supply. However, leasing activity started to pick up in the second half of 2021.

RETAIL | COVID-19 stopped most inbound tourism. Social distancing reduced local consumption. The retail market was severely disrupted, but has stabilised. Local demand started to recover in the second half of 2021.

Chinese Mainland

RETAIL | Despite COVID-19, retail sales in the Chinese Mainland grew strongly in 2021, particularly of jewellery, watches and other luxury items. Sales benefitted from restrictions on overseas travel and generally effective containment of COVID-19. There was strong demand for retail space from retailers of international luxury brands, and moderate demand for retail space from retailers of sports, fashion and cosmetic brands and from food and beverages outlets.

OFFICE | Demand for office space in Beijing and Shanghai improved in 2021. Take-up increased generally, but was weak in Guangzhou. New supply put pressure on office rents in Guangzhou. Office rents in Shanghai and Beijing recovered, reflecting lower vacancy rates.

USA

RETAIL | Retail sales recovered strongly from the adverse effects of COVID-19.

Property Sales Markets

Sentiment improved in the Hong Kong residential market. Values were stable.

2021 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK\$5,847 million, compared to HK\$3,388 million in 2020. These figures include net property valuation losses, before deferred tax and non-controlling interests, of HK\$692 million in 2021, compared to losses of HK\$4,263 million in 2020. Attributable underlying profit decreased to HK\$7,783 million in 2021 from HK\$10,418 million in 2020. This mainly reflected the reduction in profit from the sale of interests in investment properties in Hong Kong. Recurring underlying profit (which excludes the profit on the sale of interests in investment properties) was HK\$5,824 million in 2021, compared with HK\$5,834 million in 2020. This mainly reflected higher rental income from the Chinese Mainland and reduced losses in the hotel business, largely offset by lower rental income from Hong Kong.

Recurring underlying profit from property investment decreased in 2021. This mainly reflected lower retail rental income (the reduction reflecting in part the amortisation of rental concessions given in 2020) from Hong Kong and the loss of rental income from the Cityplaza One office tower (which was disposed of in the second half of 2020), partly offset by strong retail rental income from the Chinese Mainland.

In Hong Kong, the office portfolio was resilient and occupancy was high despite a weak market. The retail portfolio in Hong Kong was adversely affected by the effect of COVID-19 on inbound tourism. However, local consumption improved and COVID-19 was generally contained in the second half of 2021. The HKSAR Government introduced a consumption voucher scheme, which increased retail sales.

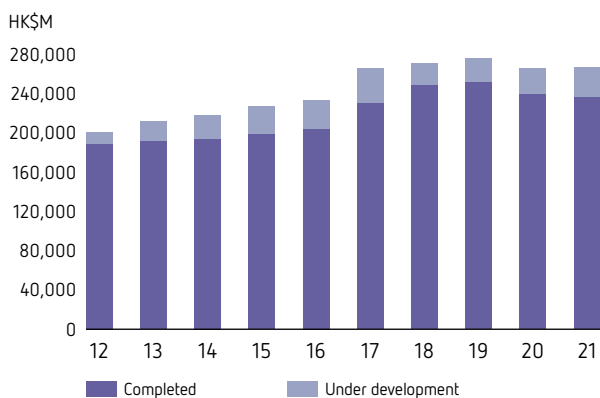
In the Chinese Mainland, our retail performance was strong. Retail sales and gross rental income increased significantly. Local demand was strong. COVID-19 was generally contained.

In the USA, retail sales and gross rental income increased strongly.

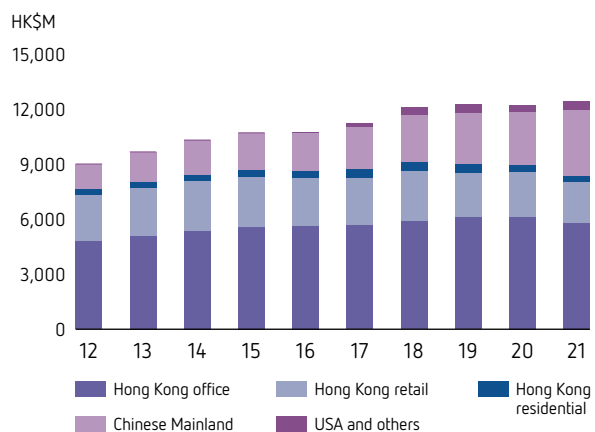
There was a small underlying loss from property trading in 2021. This reflected the sales of EDEN in Singapore and of the remaining units at Reach and Rise in the USA, and adjustments to provisions.

The hotel business in Hong Kong was adversely affected by travel restrictions. Hotels in the Chinese Mainland and the USA performed better. Losses were lower.

Valuation of Investment Properties



Gross Rental Income



KEY DEVELOPMENTS

In January 2021, Swire Properties started to sell units at EIGHT STAR STREET in the Starstreet Precinct in Hong Kong. 28 out of 37 units had been pre-sold at 8th March 2022.

In March 2021, Swire Properties made a minority investment in Empire City, a residential-led mixed-use development (with residential, retail, office, hotel, and serviced apartment components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases up to 2027.

In March 2021, Swire Properties sold all 20 apartments at EDEN in Singapore.

In May 2021, Swire Properties sold almost all remaining units at Reach and Rise, the residential portion of the first phase of the Brickell City Centre development in Miami, USA, to an institutional purchaser. All units available for sale were sold during the year.

In July 2021, Swire Properties formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd., for the purpose of revitalising the historic Zhangyuan shikumen compound in the Jing'an district of Shanghai.

In August 2021, Swire Properties entered into a cooperation agreement with the Chaoyang district government in Beijing and the Beijing Public Transport Corporation. The cooperation relates to the transformation (into a cultural and commercial destination) of a public transport maintenance facility in

Sanlitun owned by the Beijing Public Transport Corporation and adjacent to our Taikoo Li Sanlitun development.

In September 2021, Taikoo Li Qiantan, a retail development in Qiantan international business district jointly developed by Swire Properties and Shanghai Lujiazui Group, officially opened. This is our second development in Shanghai and the third Taikoo Li project in the Chinese Mainland.

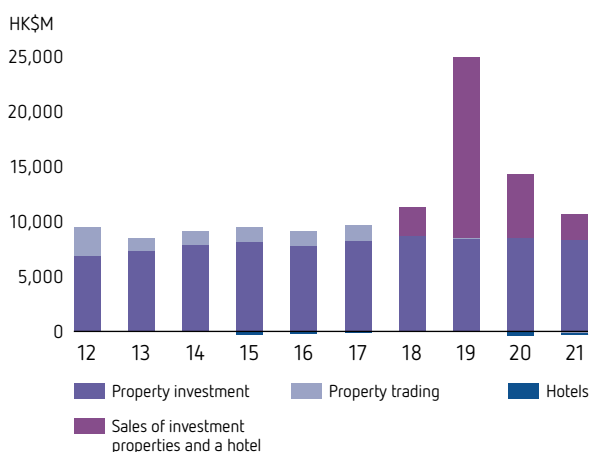
In September 2021, a project company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited accepted the HKSAR Government's land exchange offer in relation to a plot of land in Chai Wan, Hong Kong for a premium of approximately HK\$4,540 million. The land exchange was executed in December 2021. 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 2021, Swire Properties sold EAST Miami to an institutional investor. Swire Hotels remains the hotel operator.

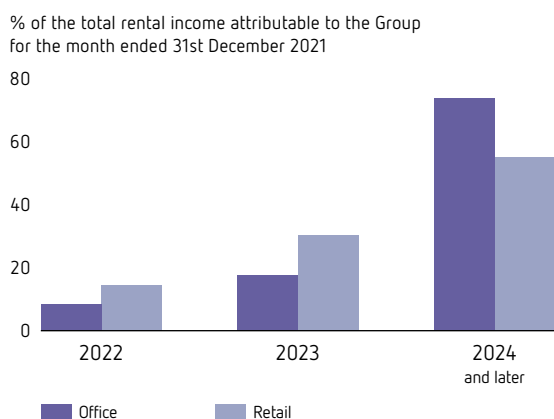
In December 2021, Taikoo Li Sanlitun West, an extension to Taikoo Li Sanlitun in Beijing, opened for business.

In March 2022, a consortium in which Swire Properties has a 70% interest successfully acquired (via a government land tender) the land use rights of a land located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an for a consideration of approximately RMB2,575 million. The land is expected to be developed into a retail-led mixed-use development comprising retail and cultural facilities in addition to a hotel, serviced residences and business apartments.

Underlying Operating Profit



Hong Kong Lease Expiry Profile – at 31st December 2021





The redevelopment of Taikoo Place is an example of placemaking at its very best.

INVESTMENT PROPERTIES

Hong Kong

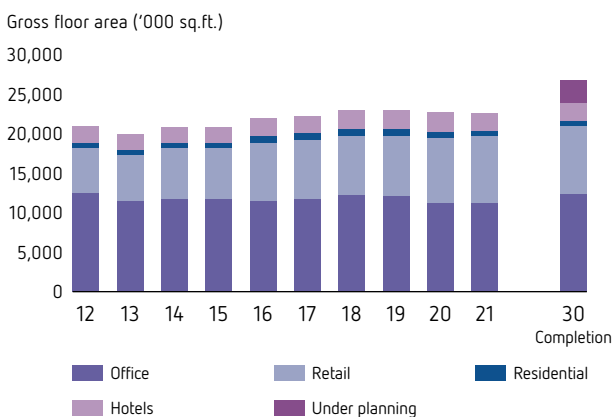
OFFICE | Gross rental income from the Hong Kong office portfolio in 2021 was HK\$5,794 million, 5% lower than 2020. The decrease was mainly due to the loss of rental income from the Cityplaza One office tower, which was disposed of in the second half of 2020. Our office portfolio was resilient. Occupancy was high. There were positive rental reversions at our Taikoo Place properties. Disregarding the effect of the disposal of Cityplaza One, gross rental income was approximately the same. At 31st December 2021, the office portfolio was 97% let.

The performance of the offices at One, Two, and Three Pacific Place was relatively solid in 2021. The occupancy rate improved to 98% at 31st December 2021.

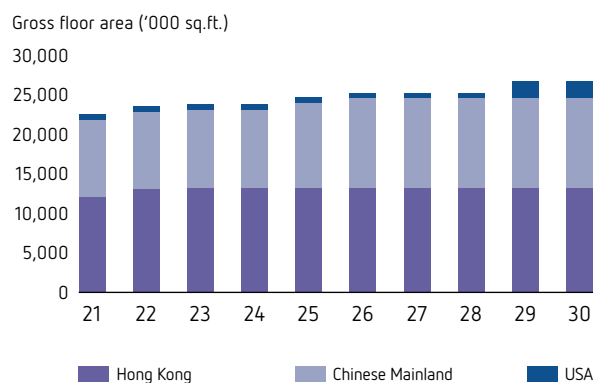
The performance of the offices at Taikoo Place was resilient. The occupancy rates at Taikoo Place, One Taikoo Place and One Island East were 96%, 100% and 99% respectively at 31st December 2021.

The occupancy rate at South Island Place was 88% at 31st December 2021. Swire Properties has a 50% interest in the development.

Completed Investment Property and Hotel Portfolio by Type



Completed Investment Property and Hotel Portfolio by Location



RETAIL | The Hong Kong retail portfolio's gross rental income was HK\$2,191 million in 2021, a 10% decrease from 2020. The decrease reflected in part the amortisation of rental concessions given in 2020.

Retail sales in 2021 increased by 27% at The Mall, Pacific Place, by 9% at Cityplaza and by 22% at Citygate Outlets. These increases compare with an 8% increase in retail sales in Hong Kong as a whole. COVID-19 was generally contained in Hong Kong in the second half of 2021. The HKSAR Government introduced a consumption voucher scheme, which increased retail sales. People ate out more. This helped food and beverages businesses. General fashion and accessories businesses struggled. The performance of luxury retail businesses varied.

Rental concessions were given for specific periods on a case by case basis to support tenants. Rental concessions granted in 2020 and 2021 were amortised over the remaining lease terms. Rental concessions (on a cash basis) reduced considerably in 2021. On a cash concession basis, gross rental income was 5% higher in 2021 than 2020.

The malls were almost fully let throughout the year.

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 on Hong Kong Island and Lantau Island. The occupancy rate at the residential portfolio was approximately 68% at 31st December 2021.

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 tower with an aggregate gross floor area of approximately one million square feet, to be named Two Taikoo Place. Curtain wall installation and interior fit out works are in progress. Completion of the redevelopment is expected later this year.

Planning permission to develop the site at 46-56 Queen's Road East 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. Superstructure 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. In February 2022, the Lands Tribunal granted the compulsory sale order for Zung Fu Industrial Building. 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.

Since November 2020, Swire Properties has offered 2,123 car parking spaces in the Taikoo Shing residential development in Hong Kong for sale. 1,235 of these car parking spaces had been sold at 8th March 2022. Sales of 1,202 car parking spaces were recognised in 2021.

Chinese Mainland

RETAIL | Retail sales in the Chinese Mainland increased strongly in 2021 despite sporadic COVID-19 resurgences in some cities. Local demand was strong, particularly for watches, jewellery and other luxury items. This reflected continued restrictions on travel outside the Chinese Mainland and generally effective COVID-19 controls by local authorities. Sellers of luxury and international brands did well and sought more space. Our retail sales on an attributable basis in the Chinese Mainland in 2021 increased by 30%. Retail sales in Taikoo Li Sanlitun and INDIGO in Beijing, Taikoo Hui in Guangzhou, Sino-Ocean Taikoo Li Chengdu and HKRI Taikoo Hui in Shanghai increased by 27%, 11%, 33%, 22% and 29% respectively in 2021. National retail sales increased by 13%. Taikoo Li Qiantan opened on 30th September 2021.

The Chinese Mainland retail portfolio's gross rental income for 2021 increased by 27% compared with 2020, to HK\$3,168



Taikoo Li Sanlitun West, an exciting retail addition to our existing Taikoo Li Sanlitun development, opened in December 2021.

million (after taking into account a 7% appreciation of the Renminbi against the Hong Kong dollar). Disregarding amortised rental concessions and Renminbi appreciation, gross rental income increased by 16%.

Gross rental income at Taikoo Li Sanlitun was satisfactory in 2021. The occupancy rate was 97% at 31st December 2021. Taikoo Li Sanlitun West officially opened in December 2021. The percentage stabilised yield on the cost of the project is expected to be in the high single digits. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination in Beijing.

Gross rental income at Taikoo Hui in Guangzhou grew strongly in 2021. The occupancy rate at Taikoo Hui was 99% at 31st December 2021.

Occupancy at the shopping mall at INDIGO, Beijing was 100% at 31st December 2021.

At 31st December 2021, the occupancy rate at Sino-Ocean Taikoo Li Chengdu was 96%. The development is reinforcing its position as a premium shopping and leisure destination in Chengdu and the western part of the Chinese Mainland.

At 31st December 2021, the occupancy rate at HKRI Taikoo Hui was 97%.

Taikoo Li Qiantan officially opened in September 2021 and started to contribute rental income. Retail sales and footfall have been strong since the opening. At 31st December 2021, tenants had committed (including by way of letter of intent) to take 90% of the retail space. 59% of the lettable retail space was open. The percentage stabilised yield on the cost of the development is expected to be in the high single digits.

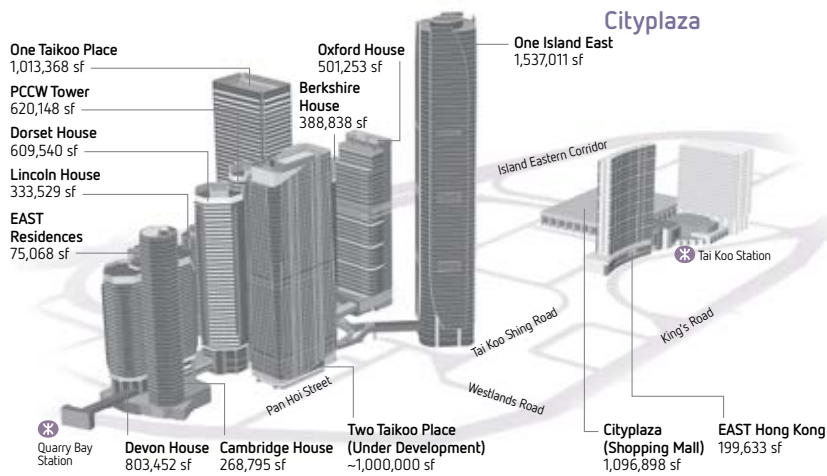
OFFICE | The Chinese Mainland office portfolio's gross rental income for 2021 increased by 6% compared with 2020, to HK\$380 million (after taking into account a 7% appreciation of the Renminbi against the Hong Kong dollar). In Renminbi terms, the gross rental income was approximately the same. This was despite weak demand for office space as well as new supply in Guangzhou.

At 31st December 2021, the occupancy rates at the office towers at Taikoo Hui, Guangzhou and at ONE INDIGO, Beijing were 95% and 93% respectively.

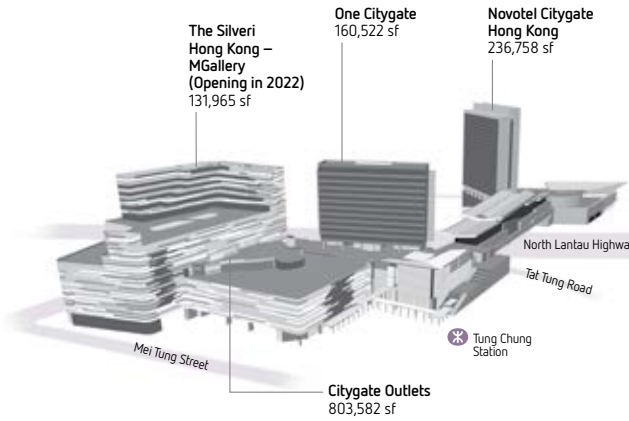
The occupancy rate at the two office towers at HKRI Taikoo Hui in Shanghai was 100% at 31st December 2021.

Hong Kong

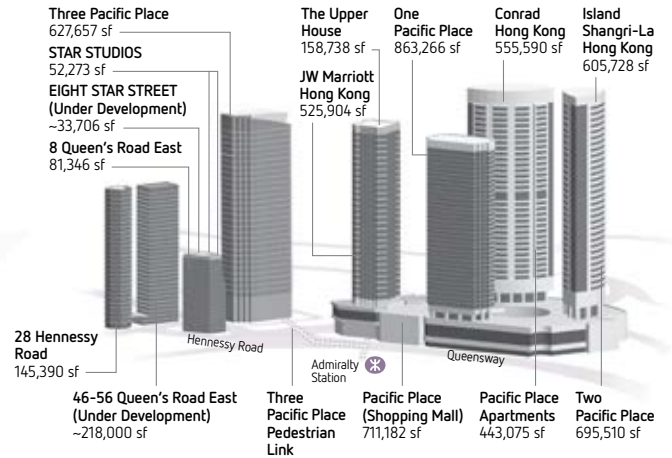
Taiko Place



Citygate

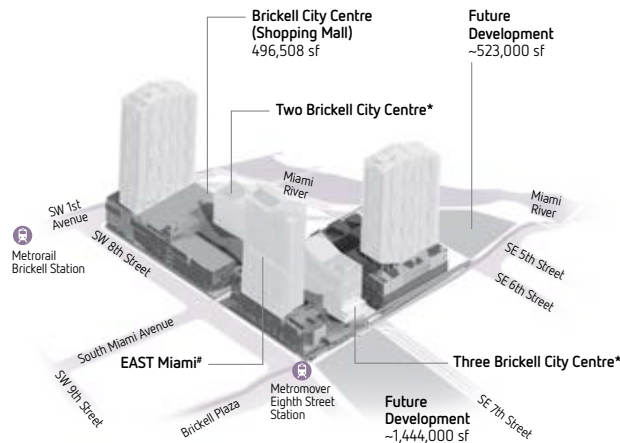


Pacific Place



USA

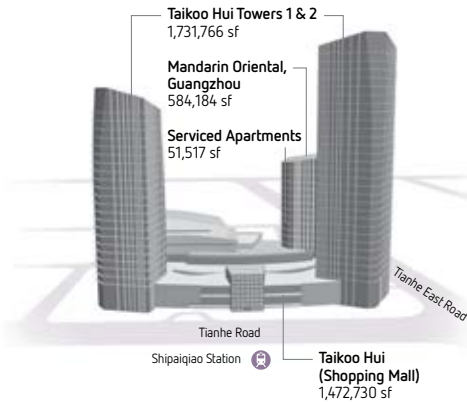
Brickell City Centre
Miami, Florida



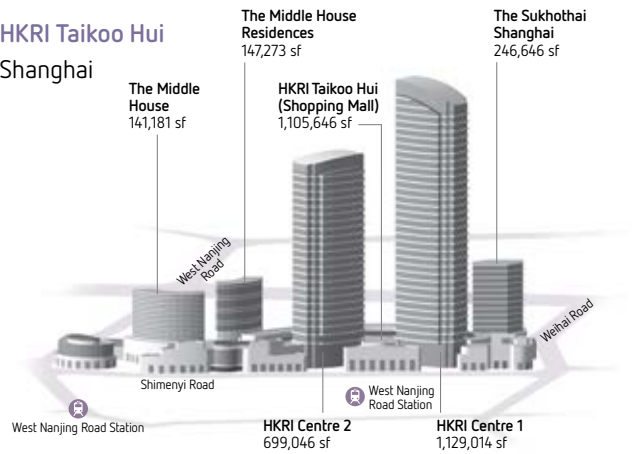
* Two Brickell City Centre and Three Brickell City Centre were sold in 2020. The office towers are now managed by Swire Properties.
 # EAST Miami was sold in 2021. The hotel and serviced apartments are now managed by Swire Hotels.

Chinese Mainland

Taikoo Hui
Guangzhou



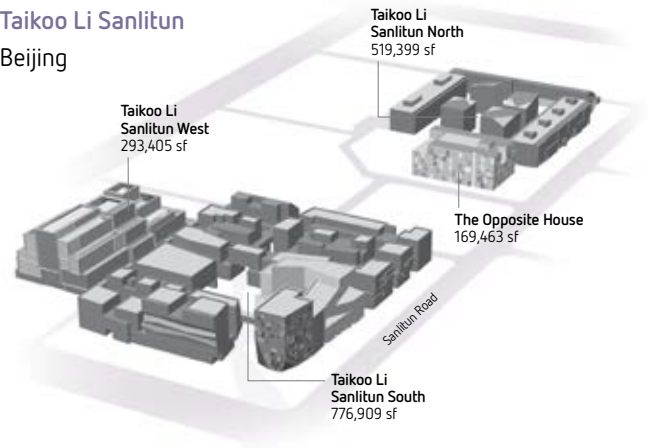
HKRI Taikoo Hui
Shanghai



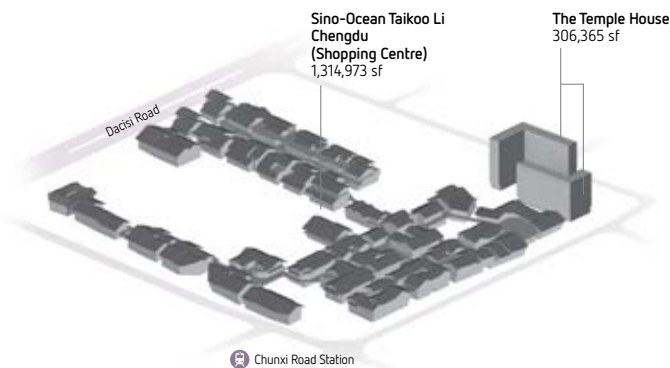
INDIGO
Beijing



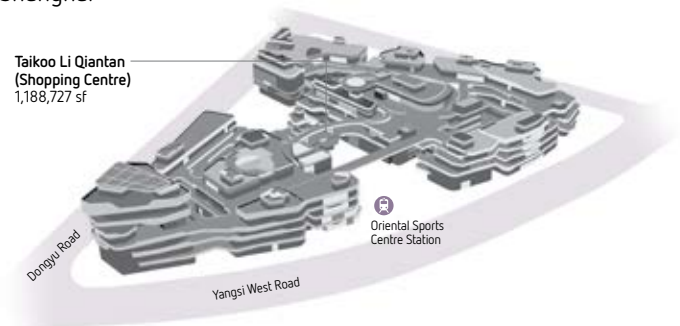
Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



Taikoo Li Qiantan
Shanghai



Notes:

- 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 214 to 223.

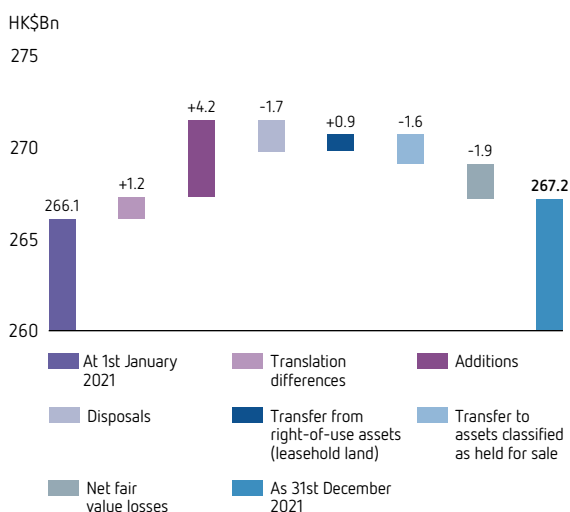
Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast expenditure				Total commitments [^]	Commitments relating to joint venture companies*
	2021 HK\$M	2022 HK\$M	2023 HK\$M	2024 HK\$M	2025 and later HK\$M	At 31st December 2021 HK\$M	At 31st December 2021 HK\$M
Hong Kong	3,281	5,783	1,448	872	6,397	14,500	73
Chinese Mainland	1,010	1,475	1,172	999	2,538	6,184	4,777
USA	49	—	—	—	—	—	—
Total	4,340	7,258	2,620	1,871	8,935	20,684	4,850

[^] The capital commitments represent the Group's capital commitments of HK\$15,834 million plus the Group's share of the capital commitments of joint venture companies of HK\$4,850 million.

* The Group was committed to funding HK\$1,146 million of the capital commitments of joint venture companies in the Chinese Mainland.

Movement in Investment Properties



INVESTMENT PROPERTIES UNDER DEVELOPMENT |

INDIGO Phase Two is an extension of the existing INDIGO development with a gross floor area of approximately four million square feet. Jointly developed with the Sino-Ocean group, INDIGO Phase Two will be an office-led mixed-use development and is planned to be completed in two phases, in mid-2025 and 2026. Excavation works were completed. Piling works are in progress. Swire Properties has a 35% interest in INDIGO Phase Two.

OTHERS | Swire Properties has formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd. This company, which Swire Properties has a 60% interest, will be engaged in the revitalisation and management of the Zhangyuan shikumen compound in the Jing'an district in Shanghai. Construction and renovation were in progress at 31st December 2021. The revitalisation is planned to be completed and opened in two phases, in 2022 and 2025. Swire Properties does not have an ownership interest in the compound.

In March 2022, a consortium in which Swire Properties has a 70% interest successfully acquired (via a government land tender) the land use rights of a land located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an. Spanning a site area of approximately 1.3 million square feet, the land is expected to be developed as Taikoo Li Xi'an, a retail-led mixed-use development comprising retail and cultural facilities in addition to a hotel, serviced residences and business apartments. The estimated gross floor area is approximately 2.9 million square feet (above ground and underground), subject to further planning. The consortium is in collaboration with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd.

USA

The first phase of the Brickell City Centre development consists of a shopping centre, two office towers (Two and Three Brickell City Centre, which were sold in 2020), a hotel and serviced apartments (EAST Miami) managed by Swire Hotels and two residential towers (Reach and Rise) developed for sale. All the remaining units at Reach and Rise have been sold.

In October 2021, Swire Properties completed the sale of EAST Miami hotel and serviced apartments at the development. Swire Hotels remains the hotel operator.

Swire Properties owns 62.93% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre is 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.

The shopping centre was 98% leased (including by way of letters of intent) at 31st December 2021. Retail sales in 2021 increased by 112%.

The second phase of the Brickell City Centre development, to be known as One Brickell City Centre, is being planned. It will be a mixed-use development.

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2021 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\$267,210 million, compared to HK\$266,133 million at 31st December 2020. There was a decrease in the valuation of the retail and office investment properties in Hong Kong and an increase in the valuation of the investment properties in the Chinese Mainland.

Under HKAS 40, hotel properties are not accounted for as investment properties. The hotel buildings are included within property, plant and equipment. 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 managed hotels in Hong Kong were adversely affected by ongoing travel restrictions associated with COVID-19. The managed hotels in the Chinese Mainland and in the USA performed better. The operating profit before depreciation of the managed hotels (including restaurants and taking account of central costs) in 2021 was HK\$22 million.

The non-managed hotels in Hong Kong were adversely affected by COVID-19. The non-managed hotels in the Chinese Mainland and in the USA performed better. Average room rates and occupancy were higher.

PROPERTY TRADING

Hong Kong

A site at 8 Star Street, Wanchai is being redeveloped into an approximately 34,000 square feet residential building with retail outlets on the lowest two levels. Interior fitting out works are in progress. The development is expected to be completed later this year. 28 out of 37 units had been pre-sold at 8th March 2022.

A joint venture formed by Swire Properties, Kerry Properties Limited and Sino Land Company Limited is undertaking a residential development in Wong Chuk Hang in Hong Kong. The development will comprise two residential towers with an aggregate gross floor area of approximately 638,000 square feet and about 800 residential units. Superstructure works are in progress. The development is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

In September 2021, a project company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited accepted the HKSAR Government's land exchange offer in relation to a plot of land in Chai Wan, Hong Kong (Inland Lot No. 178) for a premium of approximately HK\$4,540 million. The land exchange was executed in December 2021. 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. Site formation works are in progress. The development is expected to be completed in 2025.

USA

The residential portion of the first phase of the Brickell City Centre development (comprising 390 units at Reach and 390 units at Rise) was developed for trading purposes. In May 2021, almost all remaining units at Reach and Rise were sold to an institutional purchaser. All the units available for sale were sold during the year. Sales of 25 units at Reach and 89 units at Rise were recognised in 2021.

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. In March 2021, all the units were sold. These sales were recognised in 2021.

Indonesia

In 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 is being developed into a residential development with an aggregate gross floor area of approximately 1,123,000 square feet. Superstructure works are scheduled to start in the first half of this year. The development is expected to comprise over 400 residential units and to be completed in 2024. Swire Properties has a 50% interest in the joint venture.

Vietnam

In 2020, Swire Properties agreed with City Garden Joint Stock Company to develop The River, a luxury residential property in Ho Chi Minh City, Vietnam. The development comprises 525 luxury apartments in three towers. Swire Properties has an effective 20% interest in the development. Approximately 90% of the units had been pre-sold at 8th March 2022.

In March 2021, Swire Properties made a minority investment in Empire City, a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment

components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases until 2027. Swire Properties invested in the development through an agreement with Gaw Capital Partners, an existing participant in the development. Over 45% of the residential units had been pre-sold at 8th March 2022.

OUTLOOK

Office demand in Hong Kong will be adversely affected by increased vacancy rates and excess supply. Increasing competition from Central and Kowloon East is exerting downward pressure on rents. However, the prospect of gradual reopening of the border with the Chinese Mainland and strength in the financial markets should increase the take-up of Grade-A office space, particularly by banks and financial services companies. Julius Baer, a Swiss private bank, will be moving from Central to Two Taikoo Place, where it will take 92,000 square feet of office space. With high occupancy, and stable demand from a range of tenants, our office portfolio is well-placed. In Guangzhou, continued new supply is expected to put downward pressure on rents. In Beijing, improved office take-up is expected to continue with rentals recovering due to limited new supply in core areas. In Shanghai, demand is expected to be robust. Despite new supply in decentralised locations, office rents in core central business districts, where supply is limited, are expected to be stable.

There was a rebound in Hong Kong's retail market in 2021, but the pace of recovery has been impacted by the fifth wave of the pandemic which began in January 2022. The market is also vulnerable to restrictions imposed in response to COVID-19. Despite these challenges, we continue to invest in our malls (including in innovative technology), to enhance the mix of tenants and to hold customer-centric marketing events to support the market's eventual recovery upon the reopening of the border with the Chinese Mainland. In the Chinese Mainland, general retail sentiment is expected to remain

positive. Notwithstanding the prospect of the reopening of the border with Hong Kong, demand for retail space in the cities in which we operate is expected to be generally strong in 2022. International brand owners are looking for space in which they can showcase their brands in the Chinese Mainland. In Guangzhou, Chengdu and Shanghai, demand for retail space from the owners of luxury international brands is expected to be strong. In Shanghai, demand for retail space from the owners of fashion, cosmetics and lifestyle brands and from food and beverages outlets is expected to be steady. In Beijing, demand for retail space from the owners of fashion, lifestyle and apparel brands is expected to be solid. In Miami, retail sales continue to recover strongly from the adverse effects of COVID-19.

In Hong Kong, demand for residential accommodation is expected to be resilient in the medium and long term. In Jakarta, Indonesia and Ho Chi Minh City, Vietnam, urbanisation, a growing middle class and limited supply of luxury residential properties are expected to support stable residential property markets.

The outlook for our hotels in Hong Kong is difficult because of COVID-19 and associated travel restrictions. The Silveri Hong Kong – MGallery in Hong Kong is expected to open in phases, subject to COVID-19 conditions, this year. Our Chinese Mainland hotels are expected to continue to recover, with strong domestic travel demand. The hotel business in Miami is recovering. Swire Properties is committed to developing the “House” and “EAST” brands as they are integral to our mixed-use developments; and also expanding our reach through third-party management contracts.

Tim Blackburn