

For Immediate Release

Swire Properties Announces 2020 Interim Results

	Six months ended 30th June		
	2020	2019	Change
	HK\$M	HK\$M	
Results			
Revenue	6,551	7,510	-13%
Profit attributable to the Company's shareholders			
Underlying	3,753	18,606	-80%
Recurring underlying	3,702	4,049	-9%
	HK\$	HK\$	
Earnings per share			
Underlying	0.64	3.18	-80%
Recurring underlying	0.63	0.69	-9%
Dividend per share			
First interim	0.30	0.29	+3%

13 August 2020, Hong Kong - Swire Properties Limited today announced its interim results for 2020. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK\$14,853 million from HK\$18,606 million in the first half of 2019 to HK\$3,753 million in the first half of 2020. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK\$3,702 million in the first half of 2020, compared with HK\$4,049 million in the first half of 2019. The Directors have declared a first interim dividend of HK\$0.30 (2019: HK\$0.29) per share for the year ending 31st December 2020.

The decrease in underlying profit (from HK\$18,606 million in the first half of 2019 to HK\$3,753 million in the first half of 2020) principally reflects the absence in the first half of 2020 of the significant profits on the sale of investment properties in Hong Kong which were made in the first half of 2019.

Recurring underlying profit from property investment increased slightly in the first half of 2020. This principally reflected lower operating costs and finance charges. Gross rental income decreased by 4% (to HK\$6,101 million in the first half of 2020, compared with HK\$6,346 million in the first half of 2019). This mainly reflected lower retail rental income from Hong Kong and the Chinese mainland. This in turn reflected lower retail sales and rental concessions as a result of COVID-19. The gross profit margin percentage improved slightly, reflecting a reduction in operating costs in the Chinese mainland.

The small underlying loss from property trading in the first half of 2020 resulted from sales and marketing expenses in Singapore and losses relating to residential units in the U.S.A.

Hotels recorded a loss in the first half of 2020 compared with a profit in the first half of 2019 due to the drastic effect on occupancy and revenue of COVID-19.

In his published statement about the interim results for 2020, Merlin Swire, Chairman of Swire Properties said this about prospects, "Demand for office space in Hong Kong is expected to be weak in the second half of 2020, reflecting the weakness of the economy. However, only a small proportion of our Hong Kong office leases expire in the second half. In the Chinese mainland, demand for office space in Beijing, Guangzhou and Shanghai is expected to be weak in the second half of 2020. This is expected to put pressure on office rents. Vacancies are expected to increase.

Social unrest and COVID-19 have severely affected retail businesses in Hong Kong, although we still expect relatively high occupancy in our malls. Retail sales (except those in supermarkets and of daily necessities) have fallen sharply. This has put significant pressure on retail rents. Rental concessions are expected to continue, in order to support our tenants.

Footfall and retail sales in the Chinese mainland have recovered strongly since March 2020. Retail sales are expected to continue to improve for the rest of the year, led by sales of watches, jewellery and other luxury brands. In Guangzhou, demand for luxury brands is expected to be robust. In Chengdu, demand for luxury goods and for retail space in prime locations is expected to be solid. In Shanghai, demand for retail space from the owners of fashion, cosmetic and lifestyle brands and of food and beverage outlets is expected to be stable. In Beijing, demand for retail space from the owners of lifestyle brands is expected to recover steadily. In Miami, retail sales continue to be affected by COVID-19.

In Hong Kong, demand for our residential investment properties is being affected by COVID-19."

Mr Swire added, "In Hong Kong, buyers of residential property have become more cautious in the light of COVID-19, social unrest and international trade tensions. Demand for residential accommodation is expected to be resilient in the medium and long term supported by low interest rates and a limited supply of housing due to a shortage of land. In Miami, sales of Reach and Rise units are expected to be slow. The market is weak and COVID-19 is restricting travel from South America. The markets for the sale of residential properties in Singapore and Jakarta, Indonesia have been adversely affected by COVID-19. However, in Singapore, low interest rates and the long-term prospects of the property market are expected to underpin demand for residential accommodation. In Jakarta, urbanisation and a growing middle class are expected to support a stable residential property market.

COVID-19 and associated travel restrictions are likely to continue to make trading conditions difficult for our hotels for the rest of 2020. Occupancy and revenue are expected to remain under pressure. Costs are being saved where possible without damaging the long-term relationship with our customers. A non-managed hotel (The Silveri Hong Kong – MGallery) which is part of the Citygate extension in Hong Kong is expected to open later this year or next year.

With our strong balance sheet, we are well placed to get through this difficult time and to take advantage of new opportunities that may arise."

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About Swire Properties

Swire Properties develops and manages commercial, retail, hotel and residential properties, with a particular focus on mixed-use developments in prime locations at major mass transportation intersections. Swire Properties is listed on the Main Board of the Stock Exchange of Hong Kong and its investment portfolio in Hong Kong comprises Taikoo Place, Cityplaza and Pacific Place as its core holdings. In addition to Hong Kong, the Company has investments in the Chinese mainland, the United States, Singapore and Jakarta.

Visit Swire Properties' website at <http://www.swireproperties.com>.

For media enquiries, please contact:

Swire Properties Limited

Public Affairs Manager

Diamond Cheng

Tel: (852) 2844 3948 / 9302 7867

Email: diamondcheng@swireproperties.com

Senior Public Affairs Officer

Marco Chan

Tel: (852) 2844 3921 / 9081 6140

Email: marcochan@swireproperties.com

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