

For Immediate Release

Swire Properties Announces 2020 Final Results

Strong fundamentals to drive future growth despite challenging conditions

Summary of 2020 Annual Results

- Strong fundamentals delivering dividend growth of 3% year-on-year despite a decrease in underlying profit.
- Resilient office performance in Hong Kong underpinned by Taikoo Place with positive rental reversions.
- High Hong Kong retail occupancy rate throughout difficult times reflecting the Company's strong relationships with tenants.
- Strong rebound of Chinese mainland portfolio with retail sales up 29% year-on-year in second half of 2020.
- Robust capital management to pursue further projects and continue scaling up the Company's investment in the region.

	Note	2020 HK\$M	2019 HK\$M	Change
Results				
For the year				
Revenue		13,308	14,222	-6%
Profit attributable to the Company's shareholders				
Underlying	(a),(b)	12,679	24,130	-47%
Recurring underlying	(b)	7,089	7,633	-7%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	2.17	4.12	-47%
Recurring underlying	(c)	1.21	1.30	-7%
Dividend per share				
First interim		0.30	0.29	+3%
Second interim		0.61	0.59	+3%
		HK\$	HK\$	
Financial Position				
At 31st December				
Equity attributable to the Company's shareholders per share	(a)	49.36	49.05	+1%
Gearing ratio	(a)	2.3%	5.3%	-3.0%pt.

Notes:

- (a) Refer to the glossary on page 57 of the announcement of 2020 Final Results of Swire Properties Limited (the "Results Announcement"), dated 11 March 2021, for definition.
- (b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 7 of the Results Announcement.
- (c) Refer to note 9 in the financial statements of the Results Announcement for the weighted average number of shares.

11 March 2021, Hong Kong – Swire Properties Limited announced today its final results for 2020. The effects of the COVID-19 pandemic were felt across the Company’s key markets, and overall, the Company recorded a decrease in underlying profit from HK\$24,130 million in 2019 to HK\$12,679 million in 2020, primarily due to a reduction in profit arising from the sale of interests in investment properties in Hong Kong. Recurring underlying profit was HK\$7,089 million in 2020, compared with HK\$7,633 million in 2019. This reflected higher losses from the Company’s hotels due to COVID-19, as well as lower rental income from its residential and retail businesses in Hong Kong.

Swire Properties’ office portfolio did however deliver solid returns, with a slight increase in rental income due to positive rental reversions and firm occupancy at Taikoo Place. Swire Properties also had a positive showing for its projects in the Chinese mainland, with a slight increase in gross rental income in its malls due to increased domestic spending.

In the U.S.A., the Company recorded a decrease in gross rental income, mainly due to the loss of office rental income following the disposal of Two and Three Brickell City Centre in July 2020.

Despite these setbacks, Swire Properties continues to maintain a strong balance sheet, anchored by its core investments in Hong Kong and the Chinese mainland, which the Company expects to contribute to its recovery and long-term growth efforts.

The Board declared a second interim dividend of HK\$0.61 per share which, together with the first interim dividend of HK\$0.30 per share paid in October 2020, amounts to full year dividends of HK\$0.91 per share, representing a 3% increase over dividends for 2019.

“2020 was a challenging year, with the impact of COVID-19 felt across multiple fronts of our business – retail, office, residential and hotels. However, our business remains on a sound financial footing, reinforced by a long-term outlook, a focus on quality and innovation, and a robust approach to capital management,” said Mr Merlin Swire, Chairman of Swire Properties.

“Placemaking is at the core of our business – our best-in-class developments have put us on the map, as we continue to bring long-term value to our local communities. Our commitment to our core markets in Hong Kong and the Chinese mainland remains as strong as ever and with our solid fundamentals, we remain confident in our future prospects,” Mr Swire added.

Capital Recycling Fueling Future Growth

Swire Properties continued to dispose of non-core assets in 2020. The Company sold its entire interest in the office tower Cityplaza One; two office towers in Miami, the U.S.A.; and launched car parking spaces at its residential development Taikoo Shing for sale to owners.

The cash generated will go towards reinforcing Swire Properties’ core investments. In Hong Kong, the ongoing redevelopment of Taikoo Place continues. The Company’s latest Grade A office tower, Two Taikoo Place, is scheduled to be completed by 2022. The Company is also continuing with the eastward expansion of its flagship Pacific Place portfolio.

In the Chinese mainland, Swire Properties has an exciting pipeline of investment opportunities, and is keen to pursue further projects and to continue scaling up its investment in the region. The Company recently announced an extension of the INDIGO development in Beijing with its long-term partner Sino-Ocean Group, which will allow the Company to build on INDIGO as a major lifestyle destination. Opening soon is Swire Properties’ third Taikoo Li project, Taikoo Li Qiantan in Shanghai, which will be the most digitally advanced mall the Company has ever designed, with a focus on wellness. Also in the pipeline is the launch of a new retail extension to Taikoo Li Sanlitun in Beijing, which will be named “Taikoo Li Sanlitun West”.

Swire Properties is also currently building a robust residential pipeline in Hong Kong with several new developments, including EIGHT STAR STREET, a project in Chai Wan, and a development in Wong Chuk Hang.

Elsewhere, the Company is exploring new opportunities in emerging markets in Southeast Asia, with luxury residential projects in Singapore, Jakarta and Ho Chi Minh City.

Business Prospects

In the office sector, demand for office space in Hong Kong remains weak, reflecting the state of the economy and rising unemployment rates. Increasing vacancies in Central and new supply in East Kowloon are also exerting downward pressure on rents. The Company anticipates that the ongoing transformation of Taikoo Place into a global business hub will continue to fortify its portfolio, with the upcoming launch of Two Taikoo Place in 2022 expected to attract more multinationals across different sectors to the district.

In Guangzhou, Shanghai and Beijing, the Company expects the office market to recover modestly in 2021. But, with continued new supply and weak demand, office rents will likely remain under pressure.

The retail industry as a whole in Hong Kong continues to be hit hard by the pandemic. Swire Properties made the decision to continue offering rental concessions as a necessary step in supporting its tenant partners and aiding in the sustainable recovery of the business as a whole, despite this likely having an adverse impact on its 2021 financial results.

Swire Properties' shopping malls in the Chinese mainland continue their strong rebound from the pandemic. The Company expects strong demand for retail space from luxury brands in 2021 in Guangzhou and Chengdu, and stable demand across fashion, lifestyle and F&B sectors in Shanghai. The recovery in Beijing is expected to be more gradual but still stable in 2021.

In the retail industry, there is also the need to evolve in the face of digital disruptors. Swire Properties will continue to explore new technologies and customer-centric engagement, including innovative CRM programmes, to remain ahead of the curve.

On the residential market outlook, buyers remain cautious due to COVID-19, but the Company anticipates that demand will remain resilient in the medium to long term, particularly due to low interest rates and the limited housing supply. Prospects of Swire Properties' newer residential markets in Southeast Asia remain very positive.

Recovery of Swire Properties' hotel businesses depends on the reopening of borders and the pace of COVID-19 vaccinations. However, domestic travel is strong in the Chinese mainland, and it is expected that the Company's hotels in the Chinese mainland will do well if the pandemic stabilises in major cities.

Looking to the Future

With a 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.

"These are uncertain times, but we have risen to the occasion and will continue to do so. Much of that has to do with our people – I would like to take this opportunity to thank our incredible team at Swire Properties. Our frontline and office colleagues across Hong Kong, the Chinese mainland, Miami and Southeast Asia have gone above and beyond to keep our places safe, and to support our tenants and local communities. I salute our staff's resilience and dedication amidst a difficult year. It has been truly inspiring to witness," said Mr Swire.

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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. In addition to Hong Kong, the Company has investments in the Chinese mainland, the United States, Singapore, Indonesia and Vietnam.

Visit Swire Properties' website at www.swireproperties.com.

For media enquiries, please contact:

Swire Properties Limited

Wayne Leung
Senior Public Affairs Manager
Tel: (852) 2844 3038 / (852) 9628 7993
Email: WayneLeung@swireproperties.com

Matthew Chick
Senior Public Affairs Officer
Tel: (852) 2844 3036 / (852) 9385 3814
Email: MatthewChick@swireproperties.com

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