

For Immediate Release

Swire Properties Business Performance Remains Resilient

Sound financial footing to fuel HK\$100 billion investment plan over the next decade

Summary of 2022 Interim Results

- Slight decrease in recurring underlying profit from property investment, reflecting lower retail rental income from Hong Kong and higher operating costs, partly offset by higher retail rental income from the Chinese Mainland.
- Retail sales and footfall in Hong Kong affected by COVID-19 related social distancing measures. Signs of recovery were seen following the gradual relaxation of restrictions starting from mid-April, and the introduction of the HKSAR Government's consumption voucher scheme.
- Office business operated in a soft market but achieved high occupancy and stable rental income. Pre-leasing of Two Taikoo Place is gaining momentum, with a pre-leasing commitment of close to 50%.
- Shopping malls in the Chinese Mainland were affected to varying degrees by the resurgence of COVID-19 cases. However, an increase in gross rental income was recorded, as a result of contributions from the newly opened Taikoo Li Sanlitun West and Taikoo Li Qiantan, as well as strong local demand and retail sales earlier in the year.
- Hotels are expanding their hotel management arm. Two new hotels in Shenzhen and Tokyo will be operated under the hotel management agreement model within third-party owned developments.
- Backed by a sound financial footing, the Company's HK\$100 billion investment plan is progressing well with new projects in Hong Kong and the Chinese Mainland.

	Note	Six months ended 30th June		Change
		2022 HK\$M	2021 HK\$M	
Results				
Revenue		6,698	9,068	-26%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	4,140	4,513	-8%
Recurring underlying	(b)	3,643	3,716	-2%
Reported		4,319	1,984	+118%
		HK\$	HK\$	
Earnings per share				
Underlying	(c), (d)	0.71	0.77	-8%
Recurring underlying	(c), (d)	0.62	0.64	-2%
Reported	(c), (d)	0.74	0.34	+118%
Dividend per share				
First interim		0.32	0.31	+3%
		30th June 2022 HK\$	31st December 2021 HK\$	Change
Financial Position				
Equity attributable to the Company's shareholders per share	(a)	49.61	49.94	-1%
Gearing ratio	(a)	5.3%	3.5%	+1.8%pt.

Notes:

- (a) Refer to the glossary on page 67 of the announcement of 2020 Final Results of Swire Properties Limited (the "Results Announcement"), dated 11 August 2022, for definition.
- (b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 10 of the Results Announcement.
- (c) Refer to note 11 in the financial statements of the Results Announcement for the weighted average number of shares.
- (d) The percentage change is the same as the corresponding percentage change in profit attributable to the Company's shareholders.

11 August 2022, Hong Kong – Swire Properties Limited today announced its interim results for 2022. Recurring underlying profit from property investment decreased slightly in the first half of 2022. This mainly reflected lower retail rental income from Hong Kong and higher operating costs, partly offset by higher retail rental income from the Chinese Mainland.

Underlying profit attributable to shareholders decreased by HK\$373 million from HK\$4,513 million in the first half of 2021 to HK\$4,140 million in the first half of 2022, primarily due to the reduction in profit from the sale of car parking spaces at the Taikoo Shing residential development in Hong Kong.

In Hong Kong, a weaker office market reflected subdued demand and a decline in business activity, particularly during the fifth COVID-19 wave in the first quarter of 2022. However, leasing activity has recovered with the gradual easing of COVID-19 restrictions. Positive reversions were achieved at some Taikoo Place properties, and the overall office portfolio remained resilient with high occupancy. There has been a trend for prospective tenants to upgrade their premises and prioritise sustainability and wellness. Taikoo Place, particularly with the two newest office towers, One Taikoo Place and Two Taikoo Place, is well-positioned to benefit from this flight-to-quality. The pre-leasing of Two Taikoo Place is making steady progress, with a commitment rate approaching 50%.

During the first quarter of 2022, Hong Kong’s retail market was severely disrupted by COVID-19 related social distancing measures, including dining restrictions and mandatory closures of certain outlets and premises. Tenants’ sales and footfall at the Company’s malls decreased significantly during this period. However, some recovery was seen starting from mid-April, following the gradual relaxation of restrictions and the introduction of the HKSAR Government’s consumption voucher scheme.

In the Chinese Mainland, retail sales began the year strongly. However, the Company’s malls were affected to varying degrees by the resurgence of COVID-19 cases and related preventive measures, particularly in Shanghai and Beijing, in the second quarter of 2022. Despite this, an increase in rental income for the first half of 2022 was recorded, reflecting contributions from the newly opened Taikoo Li Sanlitun West and Taikoo Li Qiantan, as well as strong local demand and retail sales earlier in the year.

A small recurring underlying loss from property trading activities was recorded in the first half of 2022, as a result of the sales and marketing expenses at the residential project, EIGHT STAR STREET, in Hong Kong. The hotel business in Hong Kong and the Chinese Mainland continued to suffer from COVID-19 and its associated travel restrictions.

The board declared a first interim dividend for 2022 of HK\$0.32 per share. This represents an increase of 3% from the first interim dividend paid in 2021.

“The first six months of 2022 were challenging, with the continuing impact of COVID-19 on our business. However, 2022 is also proving to be a year of exciting expansion for Swire Properties. We have focused on realising opportunities from the HK\$100 billion investment plan which we announced in March,” said Mr Guy Bradley, Chairman of Swire Properties.

Exciting Project Pipeline Under HK\$100 Billion Investment Plan

In March 2022, the Company announced that it would invest a total of HK\$100 billion in its core markets over a 10-year period. HK\$30 billion of the investment plan has been allocated to Hong Kong, specifically to continue to build out its investments in Taikoo Place and Pacific Place.

While the current phase of the HK\$15 billion Taikoo Place redevelopment is at its final stage, the acquisition of the Zung Fu Industrial Building and the submission of compulsory sale applications for a number of buildings in

Quarry Bay have put the Company in a favourable position to continue its placemaking strategy and to strengthen Taikoo Place's position as a global business district.

The Company also intends to expand the Pacific Place portfolio over the next few years, leveraging Admiralty's growing connectivity and importance as a major transportation hub. The new Grade A office tower opposite Three Pacific Place is progressing well, and will add approximately 218,000 square feet of additional office space to the Company's wider Pacific Place portfolio.

Swire Properties has also accelerated the pace of its growth in the Chinese Mainland. The Company secured its first major investment in Xi'an earlier this year, a Taikoo Li concept which will be retail-led and specially designed for the Small Wild Goose Pagoda historical and cultural zone.

A number of new residential projects are in the pipeline in Hong Kong, including developments in Wong Chuk Hang, Wan Chai and Chai Wan. The Company also won the tender for a residential site at 269 Queen's Road East in Wan Chai recently, one of the few residential sites on Hong Kong Island to be included in the HKSAR Government's land sale programme this year.

Swire Properties has also embarked on an active expansion strategy for its hotel management business, with a focus on extending its two distinctive hotel brands into other cities through hotel management agreements. It will be expanding in Shenzhen with a new House hotel in the Shenzhen Bay Area, which is targeted to open in 2025. The Company will also bring a new House hotel to Tokyo, marking the debut of the House Collective brand outside China. The hotel will be located within the iconic Shibuya district and will introduce the brand's distinctive design and exceptional service to a new market.

Business Prospects

In Hong Kong, demand for office space is expected to be weak in the second half of 2022, reflecting increased vacancy rates and new supply. However, the flight-to-quality is expected to continue. Assuming a gradual reopening of the international border and the border with the Chinese Mainland and improvements in the financial markets, the demand for Grade-A office space, particularly from financial institutions and professional services companies, should increase.

On the retail side, it is anticipated that overall traffic and retail sales will continue to improve in the Hong Kong malls, assuming the progressive relaxation of social distancing measures continues. The second phase of the HKSAR Government's consumption voucher scheme will also help to boost retail sales. The Company will continue to offer shopping incentives in its retail malls to maintain positive momentum. Nevertheless, a full recovery of the retail market depends on a full reopening of the border with the Chinese Mainland.

Despite the resurgence of COVID-19 in some of the cities in which it operates in the Chinese Mainland, the Company expects demand for retail space to be stable and to recover steadily over the second half of this year. Strong demand for space from retailers of luxury brands in Guangzhou and Chengdu, and stable demand for space in Shanghai from retailers of luxury fashion, cosmetics and lifestyle brands, and from operators of food and beverage outlets, is also expected. In Beijing, retail sales and demand for retail space are expected to recover steadily in the second half of 2022.

The outlook for the Company's hotels remains challenging, with recovery dependent on the full reopening of the border with the Chinese Mainland combined with the relaxation of travel restrictions.

"Despite the continued challenges posed by COVID-19, we are bullish about our outlook over the medium to long-term. Inevitably COVID-19 will continue to affect our business, but this is a short-term issue which we are well able to withstand, thanks to a healthy balance sheet and strong fundamentals," said Mr Bradley.

“2022 is a significant year, as we celebrate our 50th anniversary under the banner of “ORIGINAL. ALWAYS.” This year is a celebration of our people, our commitment to creativity, the communities which we serve and the places which we have helped to transform.”

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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, Pacific Place, Cityplaza and Citygate. The Company’s completed portfolio in Hong Kong comprises approximately 15.8 million sq ft (approximately 1.5 million sqm) of space.

In the Chinese Mainland, Swire Properties has six completed projects in operation in Beijing, Shanghai, Guangzhou and Chengdu – predominately retail-led mixed-use developments. They include Taikoo Li Sanlitun and INDIGO in Beijing, HKRI Taikoo Hui and Taikoo Li Qiantan in Shanghai, Taikoo Hui Guangzhou and Sino-Ocean Taikoo Li Chengdu. INDIGO Phase Two in Beijing and Taikoo Li Xi’an are currently under development. The Company’s completed portfolio in the Chinese Mainland comprises approximately 14 million sq ft (approximately 1.3 million sqm) of space.

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

2022 is Swire Properties’ 50th anniversary. Throughout the year, the Company will be celebrating its achievements and the core values that have underpinned its success, over the past five decades, under the theme of “ORIGINAL. ALWAYS”. “ORIGINAL” captures Swire Properties’ forward-looking and innovative spirit, and “ALWAYS” refers to the Company’s long-term commitment and trusted reputation. A range of special events and campaigns will be launched to celebrate this milestone.

Visit Swire Properties’ website at www.swireproperties.com

For media enquiries, please contact:

Swire Properties Limited

Janice Lam

Senior Manager, Public Affairs

Tel: (852) 2844 3036 / (852) 6389 1229

Email: JaniceLam@swireproperties.com

Matthew Chick

Assistant Public Affairs Manager

Tel: (852) 2844 3036 / (852) 9385 3814

Email: MatthewChick@swireproperties.com

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