SWIRE PROPERTIES

SWIRE PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1972)

2018 Final Results

CONTENTS

FINANCIAL HIGHLIGHTS

	Note	2018 HK$M	2017 HK$M	Change
Results				
For the year				
Revenue		**14,719**	18,558	-21%
Operating profit		**29,365**	34,930	-16%
Profit attributable to the Company's shareholders				
Underlying	(a),(b)	**10,148**	7,834	+30%
Recurring underlying	(b)	**7,521**	7,813	-4%
Reported		**28,666**	33,957	-16%
Cash generated from operations		**11,619**	13,680	-15%
Net cash inflow before financing		**10,144**	4,869	+108%
		HK$	HK$	
Earnings per share				
Underlying	(c)	**1.74**	1.34	+30%
Recurring underlying	(c)	**1.29**	1.34	-4%
Reported	(c)	**4.90**	5.80	-16%
Dividends per share				
First interim		**0.27**	0.25	+8%
Second interim		**0.57**	0.52	+10%
		HK$M	HK$M	
Financial Position				
At 31st December				
Total equity (including non-controlling interests)		**281,291**	259,378	+8%
Net debt		**29,905**	35,347	-15%
Gearing ratio	(a)	**10.6%**	13.6%	-3.0%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share	(a)	**47.74**	44.00	+9%

Notes:
(a) Refer to glossary on page 57 for definition.
(b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 6.
(c) Refer to note 9 in the financial statements for the weighted average number of shares.

Underlying profit/(loss) by segment	**2018 HK$M**	2017 HK$M
Property investment	**10,090**	6,723
Property trading	**99**	1,154
Hotels	**(41)**	(43)
	10,148	7,834

CHAIRMAN'S STATEMENT

Our consolidated profit attributable to shareholders for 2018 was HK$28,666 million, compared to HK$33,957 million in 2017. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$2,314 million from HK$7,834 million in 2017 to HK$10,148 million in 2018. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK$7,521 million in 2018, compared with HK$7,813 million in 2017.

Dividends

The Directors have declared a second interim dividend of HK$0.57 (2017: HK$0.52) per share which, together with the first interim dividend of HK$0.27 per share paid in October 2018, amounts to full year dividends of HK$0.84 (2017: HK$0.77) per share. The second interim dividend, which totals HK$3,334 million (2017: HK$3,042 million), will be paid on Thursday, 9th May 2019 to shareholders registered at the close of business on the record date, being Thursday, 4th April 2019. Shares of the Company will be traded ex-dividend from Tuesday, 2nd April 2019.

The full year dividends for 2018 represent a 9% increase over the dividends for 2017. The 2018 dividend payout ratio is 48% of underlying profits. The Company's dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profits in ordinary dividend over time.

Key Developments

In March 2018, Swire Properties completed the acquisition of a 50% interest in Shanghai Qianxiu Company Limited ("Shanghai Qianxiu") from a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. ("LJZ"). Swire Properties and LJZ each hold a 50% interest in Shanghai Qianxiu. Shanghai Qianxiu is developing a retail project with an aggregate gross floor area ("GFA") of approximately 1,250,000 square feet in Qiantan, Pudong New District in Shanghai. The development (now called Taikoo Li Qiantan) is expected to be completed in 2020.

In May 2018, The Middle House, Swire Hotels' fourth hotel in The House Collective (which is managed by Swire Properties), and a non-managed hotel, The Sukhothai Shanghai, officially opened in Shanghai.

In May 2018, the extension to Citygate Outlets, with an aggregate GFA of approximately 474,000 square feet, was topped out. The extension is expected to open in the summer of 2019. Swire Properties has a 20% interest in the development.

In June 2018, the agreement for the sale of the subsidiary of Swire Properties which developed an office building in Kowloon Bay, Hong Kong became unconditional and the sale was completed.

In June 2018, Swire Properties conditionally agreed to sell its 100% interest in a subsidiary which owns the Cityplaza Three and Cityplaza Four properties in Quarry Bay, Hong Kong. The consideration for the sale is HK$15,000 million, subject to adjustments. Completion of the sale is expected to take place in or before April 2019. Swire Properties intends to reinvest the proceeds of the sale in new developments and does not intend to pay a special dividend.

In August 2018, South Island Place, our first Grade-A office building in Wong Chuk Hang, Hong Kong, was completed. The 28-storey building, which was jointly developed with China Motor Bus Company, Limited, has a GFA of approximately 382,500 square feet.

In November 2018, One Taikoo Place, the first of two premium Grade-A office buildings in the Taikoo Place redevelopment, became fully let. One Taikoo Place has an aggregate GFA of around one million square feet. The building was topped out in January 2018 and received its occupation permit in September 2018.

Operating Performance

Underlying profit increased to HK$10,148 million in 2018 from HK$7,834 million in 2017. The increase principally reflected the profit arising from the sale of a subsidiary which owned an office building in Kowloon Bay and of our interests in other investment properties in Hong Kong. This was partly offset by a decrease in profit from property trading.

Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK$7,521 million in 2018, compared with HK$7,813 million in 2017. The decrease principally reflected a decrease in profit from property trading. Recurring underlying profit from property investment increased by 11%. Hotel losses decreased.

Gross rental income was HK$12,117 million in 2018, compared to HK$11,252 million in 2017. In Hong Kong, office rental income increased due to positive rental reversions, firm occupancy and the opening of One Taikoo Place in the last quarter of 2018. Retail rental income in Hong Kong improved in 2018. In Mainland China, gross rental income increased by 12%, mainly due to positive rental reversions and improved occupancy. In the U.S.A., gross rental income almost doubled, mainly because more shops were open at the shopping centre at Brickell City Centre.

Underlying profit from property trading in 2018 arose mainly from the sale of houses at the WHITESANDS development and carparks at the AZURA 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.

The performance of the hotels continued to improve in 2018, with those in Hong Kong and in the U.S.A. doing better. This was offset in part by pre-opening costs at hotels in Shanghai in Mainland China.

On an attributable basis, net investment property valuation gains in 2018, after deferred tax relating to investment properties in Mainland China and the U.S.A., were HK$19,876 million, compared to net gains of HK$26,218 million in 2017.

Finance

Net debt at 31st December 2018 was HK$29,905 million, compared with HK$35,347 million at 31st December 2017. Gearing decreased from 13.6% at 31st December 2017 to 10.6% at 31st December 2018. The reduction in net debt reflected receipt of the balance of the proceeds of sale of a subsidiary owning an office building in Kowloon Bay, Hong Kong, and of a deposit in respect of the sale of a subsidiary owning our interests in the Cityplaza Three and Cityplaza Four properties in Quarry Bay, Hong Kong. These receipts were partially offset by funding for Taikoo Li Qiantan in Shanghai, Mainland China and capital expenditure on investment properties in Hong Kong. Cash and undrawn committed facilities were HK$14,147 million at 31st December 2018, compared with HK$12,269 million at 31st December 2017.

Sustainable Development

Swire Properties is included in the Dow Jones Sustainability World Index ("DJSI World"), the Global Real Estate Sustainability Benchmark ("GRESB"), the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI World ESG Leaders Index.

In January 2018, Swire Properties issued its first green bond, raising US$500 million for 10 years at a coupon rate of 3.5%. Approximately 80% of the proceeds from the bond have been allocated, mainly to the development of green buildings and energy efficiency projects.

Prospects

In the central district of Hong Kong, reduced demand is expected to exert downward pressure on office rents. However, high occupancy and limited supply are expected to underpin office rents at Pacific Place. High occupancy and strong demand are expected to result in office rents at our Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts. With the absence of significant new supply in the central business district of Guangzhou and stable demand, office vacancy rates are expected to decrease (and rents to increase slightly) in 2019. Office rents in Beijing are expected to come under pressure in 2019, with increased supply in the central business district and higher vacancy rates. With limited new supply in the central business district of Jing'an and robust demand from domestic and international companies, office rentals are likely to be resilient in 2019 in Shanghai. In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is low and demand is firm.

In Hong Kong, we expect retail sales to remain stable in 2019. The opening of the Hong Kong-Zhuhai-Macao Bridge is increasing tourist arrivals. But both Mainland China tourists and Hong Kong residents are becoming cautious about spending, because of global trade uncertainties and the adverse effect of the weakening Renminbi (in the case of the former). Retail sales are expected to grow steadily in Beijing, Guangzhou and Shanghai and moderately in Chengdu in 2019. Retail rents are expected to grow moderately in Shanghai and Chengdu despite an increase in the availability of competing space. In Beijing, demand for luxury, fashion and lifestyle brands and for food and beverages is expected to be solid. Demand for retail space from international retailers and food and beverage operators is strong in Guangzhou. In Chengdu, demand for retail space in prime locations is expected to be strong in 2019. In Miami, retail sales are increasing steadily. Demand for retail space in the metropolitan area is correspondingly steady.

In Hong Kong, rental demand for our residential investment properties is expected to be stable in 2019.

In Hong Kong, demand for residential accommodation has weakened, but is likely to remain resilient in the long term. In Miami, the majority of the demand for condominiums is from South American buyers. The demand is expected to continue to be affected by weak South American economies and the relative strength of the US dollar. Trading profits are expected to be recognised in 2019 from sales of units at the Reach and Rise developments.

Trading conditions for our existing hotels are expected to be stable in 2019. Our new hotels in Shanghai are expected to continue to build up their occupancy. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later this year.

On behalf of the shareholders and my fellow Directors, I wish to express our appreciation to all our employees, whose commitment and hard work have been central to our continuing success.

Merlin Swire
Chairman
Hong Kong, 14th March 2019

REVIEW OF OPERATIONS

	2018 HK$M	2017 HK$M
Revenue		
Gross Rental Income derived from		
Offices	**6,375**	6,124
Retail	**5,205**	4,616
Residential	**537**	512
Other Revenue [1]	**137**	128
Property Investment	**12,254**	11,380
Property Trading	**1,061**	5,833
Hotels	**1,404**	1,345
Total Revenue	**14,719**	18,558
Operating Profit/(Loss) derived from		
Property investment		
From operations	**8,597**	8,163
Sale of interests in investment properties	**1,276**	9
Valuation gains on investment properties	**19,452**	25,463
Property trading	**65**	1,397
Hotels	**(25)**	(102)
Total Operating Profit	**29,365**	34,930
Share of Post-tax Profits from Joint Venture and Associated Companies	**1,978**	1,792
Profit Attributable to the Company's Shareholders	**28,666**	33,957

(1) Other revenue is mainly estate management fees.

Additional information is provided in the following section to reconcile reported and underlying profit attributable to the Company's shareholders. These reconciling items principally adjust for the net revaluation movements on investment properties and the associated deferred tax in Mainland China and the U.S.A., and for other deferred tax provisions in relation to investment properties. There is a further adjustment to remove the effect of the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest.

	Note	**2018** **HK$M**	2017 HK$M
Underlying Profit			
Profit attributable to the Company's shareholders per financial statements		**28,666**	33,957
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(20,796)**	(26,846)
Deferred tax on investment properties	(b)	**935**	574
Valuation gains realised on sale of interests in investment properties	(c)	**1,351**	50
Depreciation of investment properties occupied by the Group	(d)	**19**	20
Non-controlling interests' share of revaluation movements less deferred tax		**(15)**	54
Movements in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	(e)	**(12)**	25
Underlying Profit Attributable to the Company's Shareholders		**10,148**	7,834
Profit on sale of interests in investment properties		**(2,627)**	(21)
Recurring Underlying Profit Attributable to the Company's Shareholders		**7,521**	7,813

Notes:

(a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss 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, plus 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 U.S.A., 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 consolidated statement of profit or loss. On sale, the revaluation gains 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) The value of the put option in favour of the owner of a non-controlling interest is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the non-controlling interest is interested.

Underlying Profit

Movement in Underlying Profit

	HK$M
Underlying profit in 2017	7,834
Increase in profit from the sale of interests in investment properties	2,606
Increase in profit from property investment	761
Decrease in profit from property trading	(1,055)
Decrease in losses from hotels	2
Underlying profit in 2018	**10,148**

Underlying profit increased to HK$10,148 million in 2018 from HK$7,834 million in 2017. The increase principally reflected the profit arising from the sale of a subsidiary which owned an office building in Kowloon Bay and of our interests in other investment properties in Hong Kong. This was partly offset by a decrease in profit from property trading. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK$7,521 million in 2018, compared with HK$7,813 million in 2017. The decrease principally reflected a decrease in profit from property trading. Recurring underlying profit from property investment increased by 11%. Hotel losses decreased.

Gross rental income was HK$12,117 million in 2018, compared to HK$11,252 million in 2017. In Hong Kong, office rental income increased due to positive rental reversions, firm occupancy and the opening of One Taikoo Place in the last quarter of 2018. Retail rental income in Hong Kong improved in 2018. In Mainland China, gross rental income increased by 12%, mainly due to positive rental reversions and improved occupancy. In the U.S.A., gross rental income almost doubled, mainly because more shops were open at the shopping centre at Brickell City Centre. Underlying profit from property trading in 2018 arose mainly from the sale of houses at the WHITESANDS development and carparks at the AZURA 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. The performance of the hotels continued to improve in 2018, with those in Hong Kong and in the U.S.A. doing better. This was offset in part by pre-opening costs at hotels in Shanghai in Mainland China.

Portfolio Overview

The aggregate GFA attributable to the Group at 31st December 2018 was approximately 29.1 million square feet.

Of the aggregate GFA attributable to the Group, approximately 26.7 million square feet are investment properties, comprising completed investment properties of approximately 23.2 million square feet and investment properties under development or held for future development of approximately 3.5 million square feet. In Hong Kong, the investment property portfolio comprises approximately 14.5 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In Mainland China, Swire Properties has interests in six major commercial developments in prime locations in Beijing, Guangzhou, Chengdu and Shanghai. These developments are expected to comprise approximately 9.4 million square feet of attributable GFA when they are all completed. Outside Hong Kong and Mainland China, the investment property portfolio principally comprises the Brickell City Centre development in Miami, U.S.A.

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property portfolio at 31st December 2018.

Completed Investment Properties
(GFA attributable to the Group in million square feet)

	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	9.4 [2]	2.5	0.7	0.6	-	**13.2**
Mainland China	2.9	4.5	1.2	0.2	-	**8.8**
U.S.A.	0.3	0.3	0.5	0.1	-	**1.2**
Total	**12.6**	**7.3**	**2.4**	**0.9**	**-**	**23.2**

Investment Properties Under Development or Held for Future Development
(expected GFA attributable to the Group in million square feet)

	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	1.2	0.1	-	-	-	**1.3**
Mainland China	-	0.6	-	-	-	**0.6**
U.S.A. and elsewhere	-	-	-	0.1	1.5 [3]	**1.6**
Total	**1.2**	**0.7**	**-**	**0.1**	**1.5**	**3.5**

Total Investment Properties
(GFA (or expected GFA) attributable to the Group in million square feet)

	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	Under Planning	**Total**
Total	**13.8**	**8.0**	**2.4**	**1.0**	**1.5**	**26.7**

(1) Hotels are accounted for under property, plant and equipment in the financial statements.
(2) The remainder of Cityplaza Three and the whole of Cityplaza Four (the immediate holding company of a wholly-owned property holding subsidiary owning such remainder and such whole having been conditionally agreed to be sold in June 2018) are excluded.
(3) This property is accounted for under properties held for development in the financial statements.

The trading portfolio comprises completed developments available for sale in Mainland China and Miami, U.S.A. The principal completed developments available for sale are the remaining portion of the Pinnacle One office property at Sino-Ocean Taikoo Li Chengdu in Mainland China and the Reach and Rise developments at Brickell City Centre in Miami. A residential development is being planned in Hong Kong. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 31st December 2018.

Trading Properties
(GFA (or expected GFA) attributable to the Group in million square feet)

	Completed	Under Development or Held for Development	**Total**
Hong Kong [1]	-	-	**-**
Mainland China	0.2	-	**0.2**
U.S.A.	0.3	1.9	**2.2**
Total	**0.5**	**1.9**	**2.4**

(1) The aggregate GFA in Hong Kong is less than 0.1 million.

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.0 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$6,208 million in 2018. At 31st December 2018, our office properties in Hong Kong were valued at HK$179,378 million. Of this amount, Swire Properties' attributable interest was HK$169,097 million.

Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2018)	Attributable Interest
Pacific Place	2,186,433	100%	100%
Cityplaza One	628,785	99%	100%
Taikoo Place Office Towers [1]	3,136,717	99%	50%/100%
One Island East and One Taikoo Place	2,550,379	99%	100%
Others [2]	1,459,660	95%	20%/50%/100%
Total	**9,961,974**		

(1) Including PCCW Tower, of which Swire Properties owns 50%.
(2) Others comprise One Citygate (20% owned), 625 King's Road (50% owned), Berkshire House (50% owned), Generali Tower (wholly-owned), 28 Hennessy Road (wholly-owned) and South Island Place (50% owned).

Gross rental income from the Hong Kong office portfolio in 2018 was HK$5,876 million, a 4% increase from 2017. There were positive rental reversions and occupancy was firm. The increase also reflected in part rental income from One Taikoo Place as it opened in the last quarter of 2018. At 31st December 2018, the office portfolio was 99% let (including by way of letters of intent). Demand for the Group's office space in Hong Kong was strong in all districts.

The table below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 31st December 2018.

Office Area by Tenants' Businesses (At 31st December 2018)

Banking/Finance/Securities/Investment	25.2%
Trading	17.7%
Insurance	12.2%
Technology/Media/Telecoms	12.0%
Professional services (Accounting/Legal/Management consulting/Corporate secretarial)	11.3%
Real estate/Construction/Property development/Architecture	8.9%
Advertising and public relations	3.9%
Others	8.8%

At 31st December 2018, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2018) together occupied approximately 20% of the Group's total attributable office area in Hong Kong.

Pacific Place

The offices at One, Two and Three Pacific Place performed well in 2018. Occupancy and rental rates were robust, as vacant space was quickly relet. Demand from Mainland China entities was strong. The occupancy rate was almost 100% at 31st December 2018. British American Tobacco, Transpac Capital, Boyu Capital, Vision Credit, Tianfu Group and Top East Holding became tenants. CLSA, Sino-Ocean, FIL Asia, NH Investment and Securities, Interactive Brokers and Schroders leased more space. Daiwa, John Swire & Sons, Moody's, Northern Trust, Schroders, Carlyle Asia, Visa, Mirae Asset, Pinebridge Investment, Sino-Ocean, Bank of Japan, Sequoia Capital, China Minsheng Drawin, Bank of Jinzhou, HSBC and Take Good Investment renewed their leases.

Cityplaza

The occupancy rate at Cityplaza One was 99% at 31st December 2018. Hewlett Packard Inc., Enterprise Services, Tahoe Life Insurance and Toyo Securities became tenants. Hewlett-Packard HK SAR and Guardian Property renewed their leases. Savills Property Management and Well Link Insurance leased more space.

Taikoo Place

There are six office towers at Taikoo Place (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 99% at 31st December 2018. Bayer HealthCare, DDMC Fortis, FTI Consulting, Oreana Financial Services, Veritas, Speedcast, Joint Dynamics, H-Kore, RDM Asia, Standard Life (Asia) and The Body Shop became tenants. Aspen Pharmacare, LVMH, China CITIC Bank and Philip Morris International leased more space. ADMIS Hong Kong, Beiersdorf, BRAND'S Suntory, CTBAT, Margiela Asia, Total Lubricants, BMC Software, GODIVA, Baroque, CJ E&M, CITIC Telecom International, Nikoyo (HK), TIME Asia, Vodafone and Warner Bros. renewed their leases.

One Island East had an occupancy rate of 99% at 31st December 2018. Airwallex became a tenant. La Prairie leased more space. Amgen, Citrix and SWIFT renewed their leases.

One Taikoo Place is 100% leased. Over 60% of the office space has been leased by tenants providing professional and insurance services. Other tenants include communications, luxury retail and environmental services companies.

South Island Place

The development of an office building at 8-10 Wong Chuk Hang Road, Hong Kong with an aggregate GFA of approximately 382,500 square feet was completed in August 2018. Commitments (including by way of letters of intent) to lease more than 73% of the space in the building have been obtained. Tenants include media, insurance, financial services and logistics companies. Swire Properties has a 50% interest in the development.

Hong Kong Office Market Outlook

In the central district of Hong Kong, reduced demand is expected to exert downward pressure on office rents. However, high occupancy and limited supply are expected to underpin office rents at Pacific Place. High occupancy and strong demand are expected to result in office rents at our Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts.

The following table shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 31st December 2018, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 10.3% of the attributable gross rental income in the month of December 2018 are due to expire in 2019, with tenancies accounting for a further 18.6% of such rental income due to expire in 2020.

Office Lease Expiry Profile (At 31st December 2018)	
2019	10.3%
2020	18.6%
2021 and later	71.1%

Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis. The portfolio principally consists of The Mall at Pacific Place, Cityplaza at Taikoo Shing and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK$2,836 million in 2018. At 31st December 2018, our retail properties in Hong Kong were valued at HK$56,414 million. Of this amount, Swire Properties' attributable interest was HK$48,251 million.

Hong Kong Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2018)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others [1]	542,779	100%	20%/60%/100%
Total	**2,821,616**		

(1) Others largely comprise Taikoo Shing neighbourhood shops and StarCrest retail premises (which are wholly-owned), Island Place retail premises (60% owned) and Tung Chung Crescent neighbourhood shops (20% owned).

The Hong Kong retail portfolio's gross rental income was HK$2,755 million in 2018, a 6% increase from 2017. The Group's malls were almost fully let throughout the year.

Retail sales in 2018 increased by 12% at The Mall, Pacific Place, by 6% at Cityplaza and by 4% at Citygate.

The table below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 31st December 2018.

Retail Area by Tenants' Businesses (At 31st December 2018)	
Fashion and accessories	26.0%
Food and beverages	17.8%
Department stores	17.2%
Supermarkets	5.7%
Cinemas	3.8%
Jewellery and watches	1.4%
Ice rink	1.0%
Others	27.1%

At 31st December 2018, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2018) together occupied approximately 26% of our total attributable retail area in Hong Kong.

The Mall at Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The offices and the four hotels at Pacific Place provide a secure flow of shoppers for The Mall. There was a 12% increase in retail sales at The Mall in 2018. The growth reflected improved market conditions, previous changes to the trade mix and the introduction of a loyalty programme.

The Mall was fully let during the year, with the only void periods resulting from tenant changes and reconfiguration works. Ashworth, Ba&sh, Boucheron, Devialet, i.d., Isabel Marant, J. Lindeberg, Lumi, Muji, Mr & Mrs Italy, RIMOWA, Shake Shack, Sun's Bazaar and Sweet World became tenants. Cova, HSBC, Il Colpo, IWC and Sandro were relocated within the Mall. The premises occupied by Hogan, Le Sportsac, Lenscrafters, Montblanc and Shanghai Tang were refitted.

Cityplaza

Cityplaza is one of the most popular regional shopping centres in Hong Kong and is the largest shopping centre on Hong Kong Island, with a total floor area of approximately 1.1 million square feet. It is directly accessible from Tai Koo MTR station. There are more than 170 shopping and dining options, a cinema, an indoor ice rink and more than 800 indoor parking spaces. Cityplaza principally serves customers who live or work in the eastern part of Hong Kong Island. Patronage is also derived from business and leisure travellers who stay at the EAST, Hong Kong hotel.

Cityplaza was fully let in 2018, except for void periods during tenancy changes and reconfiguration works. Retail sales increased by 6%. Food and beverages, entertainment, sports, lifestyle, beauty, wellbeing and accessories tenants did well. MOViE MOViE Cityplaza was fully opened. LEGO ® Certified Store, Vans, As Know As Ponpoko, NorieM, Kipling, blackyard, Melissa, ORiental TRaffic, Melvita, On-Yasai, Glasshouse, initial GENTLEMAN and ASICS became tenants.

Citygate Outlets

Citygate Outlets was fully let in 2018, except for the area being reconstructed as part of the adjacent Tung Chung Town Lot No. 11 development. Citygate Outlets is in a good location near tourist attractions and transport links. It attracts tourists and local shoppers. Retail sales increased by 4%, despite the closure of the area which is being reconstructed. The adjacent development is expected to open in the summer of 2019.

Hong Kong Retail Market Outlook

In Hong Kong, we expect retail sales to remain stable in 2019. The opening of the Hong Kong-Zhuhai-Macao Bridge is increasing tourist arrivals. But both Mainland China tourists and Hong Kong residents are becoming cautious about spending, because of global trade uncertainties and the adverse effect of the weakening Renminbi (in the case of the former).

The following table shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 31st December 2018, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 17.5% of the attributable gross rental income in the month of December 2018 are due to expire in 2019, with tenancies accounting for a further 23.8% of such rental income due to expire in 2020.

Retail Lease Expiry Profile (At 31st December 2018)	
2019	17.5%
2020	23.8%
2021 and later	58.7%

Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments in Quarry Bay, STAR STUDIOS in Wanchai and a small number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of 583,590 square feet. The occupancy rate at the residential portfolio was approximately 85% at 31st December 2018. Rental demand for our residential investment properties is expected to be stable in 2019.

Investment Properties Under Development

Taikoo Place Redevelopment

The development of the first phase of the Taikoo Place redevelopment (One Taikoo Place) was completed in September 2018.

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 GFA of approximately 1,000,000 square feet, to be called Two Taikoo Place. Demolition of Warwick House and Cornwall House has been completed and foundation works are in progress. Completion of the redevelopment is expected in 2021 or 2022.

Tung Chung Town Lot No. 11

This commercial site next to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel GFA of approximately 474,000 square feet. Superstructure works have been completed and fitting out works are in progress. The development is expected to be completed in the summer of 2019. Swire Properties has a 20% interest in the development.

Po Wah Building, 1-11 Landale Street and 2-12 Anton Street

Planning permission to develop this site for office use was obtained in November 2018. The site area is approximately 14,400 square feet. The proposed development has an aggregate GFA of approximately 218,000 square feet. Completion is expected in 2023.

Others

Wah Ha Factory Building, No. 8 Shipyard Lane and Zung Fu Industrial Building, No. 1067 King's Road

In February 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 GFA of approximately 779,000 square feet.

983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay

In October 2018, a joint venture company in which Swire Properties holds a 50% interest submitted a compulsory sale application in respect of this site. 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 GFA of approximately 400,000 square feet.

Chai Wan Inland Lot No. 88

In August and October 2018, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited received general building plans approvals for a residential development in Chai Wan, Hong Kong. The joint venture company was formed in 2015 to acquire, subject to conditions (including the agreement of a land premium with the Hong Kong government), the relevant land. The joint venture company is negotiating land exchange terms with the Hong Kong government. Subject to agreement with the Hong Kong government, the proposed development is expected to have an aggregate GFA of approximately 694,000 square feet.

Investment Properties – Mainland China

The property portfolio in Mainland China comprised an aggregate of 14.1 million square feet of space at 31st December 2018, 9.6 million square feet of which is attributable to the Group. Completed properties amount to 12.9 million square feet, with 1.2 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China grew by 20% to HK$3,958 million in 2018. At 31st December 2018, our investment property portfolio in Mainland China was valued at HK$73,227 million. Of this amount, Swire Properties' attributable interest was HK$51,446 million.

Mainland China Property Portfolio (1)

	GFA (sq. ft.) (100% Basis)			
	Total	Investment Properties	Hotels, Trading Properties and Others	Attributable Interest
Completed				
Taikoo Li Sanlitun, Beijing	1,465,771	1,296,308	169,463	100%
Taikoo Hui, Guangzhou	3,840,197	3,256,013	584,184	97%
INDIGO, Beijing	1,886,865	1,528,564	358,301	50%
Sino-Ocean Taikoo Li Chengdu (2)	2,092,341	1,424,830	667,511	50%
HKRI Taikoo Hui, Shanghai	3,468,806	3,080,979	387,827	50%
Hui Fang, Guangzhou	90,847	90,847	-	100%
Others	2,917	1,458	1,459	100%
Sub-Total	**12,847,744**	**10,678,999**	**2,168,745**	
Under Development				
Taikoo Li Qiantan, Shanghai (3)	1,246,913	1,246,913	-	50%
Total	**14,094,657**	**11,925,912**	**2,168,745**	

(1) Including the hotel and property trading portions of these projects.
(2) The office portion of Sino-Ocean Taikoo Li Chengdu, Pinnacle One, was developed for trading purposes.
(3) Construction of the shopping mall at Taikoo Li Qiantan is in progress. The development is expected to be completed in 2020.

The Group's gross rental income from investment properties in Mainland China increased by 12% to HK$2,567 million in 2018. HK$2,163 million was from retail properties and HK$391 million was from office properties.

The table below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 31st December 2018.

Retail Area by Tenants' Businesses
(At 31st December 2018)

Fashion and accessories	40.8%
Food and beverages	26.7%
Supermarkets	5.4%
Cinemas	4.8%
Jewellery and watches	2.0%
Others	20.3%

The table below illustrates the expected attributable area of the completed property portfolio (excluding the property trading portion) in Mainland China.

Attributable Area of Completed Property Portfolio (excluding the property trading portion) in Mainland China

GFA (sq. ft.)	2018	2019	2020 and later
Taikoo Li Sanlitun, Beijing	1,465,771	1,721,502	1,721,502
Taikoo Hui, Guangzhou	3,724,990	3,724,990	3,724,990
INDIGO, Beijing	943,434	943,434	943,434
Sino-Ocean Taikoo Li Chengdu	810,670	810,670	810,670
HKRI Taikoo Hui, Shanghai	1,734,404	1,734,404	1,734,404
Taikoo Li Qiantan, Shanghai	-	-	623,457
Hui Fang, Guangzhou	90,847	90,847	90,847
Others	2,917	2,917	2,917
Total	**8,773,033**	**9,028,764**	**9,652,221**

Completed Investment Properties

Taikoo Li Sanlitun, Beijing

Taikoo Li Sanlitun, Beijing

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2018)	Attributable Interest
Retail	1,296,308	100%	100%

Situated in the Sanlitun area of the Chaoyang district of Beijing, Taikoo Li Sanlitun was our first retail development in Mainland China. It comprises two neighbouring retail sites, South and North. There are approximately 250 retail outlets.

Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands, with tenants including adidas's brand centre, the first Apple store in Mainland China, H&M, Starbucks, Uniqlo, and a 1,597-seat Megabox cinema. In 2018, ASH, Champion, Fresh, Furla, YSL Beauty, The Kooples, Aoyama Lab, Hulu Restaurant and Vintage Restaurant became tenants. Tenants in Taikoo Li Sanlitun North are principally retailers of luxury, designer fashion and lifestyle brands, including Alexander McQueen, Alexander Wang, Balenciaga, Christian Louboutin, Delvaux, Givenchy, OFF-WHITE, Moncler and Thom Browne. I.T Beijing Market became Dover Street Market in 2018. Acne Studios, AMI, Canada Goose, CK Calvin Klein and Isabel Marant became tenants in 2018.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2018, reflecting positive growth in reversionary rents. Retail sales grew by 11%. The occupancy rate was 100% at 31st December 2018.

Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination. Improvement works are being carried out and are expected to have a positive impact on occupancy and rents.

The refurbishment of Taikoo Li Sanlitun West (formerly known as the Beijing Sanlitun Yashow Building) as an extension to Taikoo Li Sanlitun (with an aggregate GFA of approximately 296,000 square feet) is expected to be completed later in 2019.

Beijing Retail Market Outlook

Retail sales are expected to grow steadily in Beijing in 2019. Demand for luxury, fashion and lifestyle brands and for food and beverages is expected to be solid.

Taikoo Hui, Guangzhou

Taikoo Hui, Guangzhou	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2018)	Attributable Interest
Retail	1,472,730	100%	97%
Office	1,731,766	99%	97%
Serviced apartments	51,517	92%	97%
Total	**3,256,013**		**97%**

Taikoo Hui is a large-scale retail-led mixed-use development in a prime location in the Tianhe district of Guangzhou. The development comprises a shopping mall, two Grade-A office towers, a cultural centre owned by a third party and a 287-room luxury hotel with serviced apartments (Mandarin Oriental).

Gross rental income grew satisfactorily in 2018. Retail sales increased by 11%, reflecting in part improvements to the tenant mix. Tenants include Bottega Veneta, Cartier, Chanel, DIOR, Gucci, Hermes, I.T, Louis Vuitton, Uniqlo, Fangsuo bookstore, Victoria's Secret and Ole Supermarket. Atelier Cologne, EMPHASIS, Fendi (menswear), Happy Socks, ICICLE, LA MER, NESPRESSO, RIMOWA, Tory Burch, Imperial Treasure Fine Teochew Restaurant, Pizza Marzano, TaoTaoJu (Gold Label) Restaurant, Ice Monster, Taoyuan Village and Greybox Cafe became tenants in 2018. At 31st December 2018, the occupancy rate at the shopping mall was 100%.

At 31st December 2018, the occupancy rate at the office towers at Taikoo Hui was 99%.

The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Occupancy improved in 2018 and its performance was good.

Swire Properties has a 97% interest in the Taikoo Hui development, which is a joint venture with Guangzhou Da Yang Properties Investment Limited.

Guangzhou Market Outlook

With the absence of significant new supply in the central business district of Guangzhou and stable demand, office vacancy rates are expected to decrease (and rents to increase slightly) in 2019.

Retail sales are expected to grow steadily in Guangzhou in 2019. Demand for retail space from international retailers and food and beverage operators is strong.

INDIGO, Beijing

INDIGO, Beijing	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2018)	Attributable Interest
Retail	939,493	99%	50%
Office	589,071	97%	50%
Total	**1,528,564**		**50%**

INDIGO is a retail-led mixed-use development in the Jiang Tai area in the Chaoyang district of Beijing. The development consists of a shopping mall, a Grade-A office tower (ONE INDIGO) and a 369-room business hotel (EAST, Beijing). The development is directly linked to the Beijing Metro Line 14 and is near the airport expressway.

Occupancy at the shopping mall was 99% at 31st December 2018. Retail sales increased by 0.3% in 2018. H&M, Massimo Dutti, Muji, Page One bookstore, BHG supermarket and a seven-house, 1,000-seat CGV cinema are tenants. apm Monaco, bebe, Denham, Descente, Fancy CD, NIKE Sports-M, Fissler, Onitsuka Tiger, LEGO, Pure Tea, Theory, LITTLE B, Coucou Hot Pot and Venchi became tenants in 2018. The mall is becoming a significant lifestyle shopping centre in north-east Beijing.

ONE INDIGO was 97% leased at 31st December 2018. Business at EAST, Beijing improved in 2018.

INDIGO is a 50:50 joint venture with Sino-Ocean Group Holding Limited.

Beijing Office Market Outlook

Office rents in Beijing are expected to come under pressure in 2019, with increased supply in the central business district and higher vacancy rates.

Sino-Ocean Taikoo Li Chengdu

Sino-Ocean Taikoo Li Chengdu	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2018)	Attributable Interest
Retail	1,314,973	99%	50%
Serviced apartments	109,857	69%	50%
Total	**1,424,830**		**50%**

Sino-Ocean Taikoo Li Chengdu is in the Jinjiang district of Chengdu and is part of the Chunxi Road/Daci Temple shopping district. It is a large-scale retail-led development consisting of a retail complex, a boutique hotel (The Temple House), which has 100 guest rooms and 42 serviced apartments, and a Grade-A office tower (Pinnacle One). It is directly connected to the Chunxi Road metro station.

Sino-Ocean Taikoo Li Chengdu is our second Taikoo Li project in Mainland China. adidas, Apple, Cartier, Gucci, Hermes, I.T/i.t, Muji, ZARA, Fangsuo bookstore, Ole Supermarket and a 1,720-seat Palace Cinema are tenants. Champion, Isabel Marant and Valextra opened their first stores in south-west Mainland China at the development in 2018. Retail sales increased by 22% in 2018. The development is gaining popularity as a shopping destination in Chengdu. At 31st December 2018, the occupancy rate at the retail complex was 99%.

Sino-Ocean Taikoo Li Chengdu is a 50:50 joint venture with Sino-Ocean Group Holding Limited.

Chengdu Retail Market Outlook

Retail sales in Chengdu are expected to grow moderately in 2019. Demand for retail space in prime locations is expected to be strong in 2019. Retail rents are expected to grow moderately despite an increase in the availability of competing space.

HKRI Taikoo Hui, Shanghai

HKRI Taikoo Hui, Shanghai

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2018)	Attributable Interest
Retail	1,105,646	97%	50%
Office	1,828,060	98%	50%
Serviced apartments	147,273	86%	50%
Total	**3,080,979**		**50%**

HKRI Taikoo Hui is a large-scale retail-led mixed-use development. It occupies a prime location on Nanjing West Road, one of Shanghai's major shopping and business thoroughfares, in the Jing'an district of Puxi, Shanghai. It has excellent transport connections, being adjacent to the existing Nanjing West Road metro station (which serves three metro lines) and near the Yan'an Expressway. The development comprises a retail mall, two office towers, two hotels and a serviced apartment tower and has become a landmark development in Shanghai.

HKRI Taikoo Hui is our second Taikoo Hui development in Mainland China. The world's largest Starbucks Reserve Roastery, Atelier Cologne, Cha Ling, Champion, COS, diptyque, The Disney Store, G Givenchy, Guerlain, i.t, Kenzo, Lululemon, McQ, Nike Kicks Lounge, Nio, Puma, SpaceCycle, Tesla, Zwilling Home, Shanghai Club, Ho Hung Kee and a city'super supermarket are tenants. At 31st December 2018, tenants had committed (including by way of letters of intent) to take 97% of the retail space. 92% of the retail space was open.

At 31st December 2018, the occupancy rate at the office towers at HKRI Taikoo Hui was 98%.

Two hotels (The Middle House and The Sukhothai Shanghai) and a serviced apartment tower (The Middle House Residences) opened in May 2018.

HKRI Taikoo Hui is a 50:50 joint venture with HKR International Limited.

Shanghai Market Outlook

Retail sales are expected to grow steadily in 2019. Retail rents are expected to grow moderately despite an increase in the availability of competing space.

With limited new supply in the central business district of Jing'an and robust demand from domestic and international companies, office rentals are likely to be resilient in 2019 in Shanghai.

Investment Property Under Development

Taikoo Li Qiantan, Shanghai

Taikoo Li Qiantan, Shanghai

	GFA (sq. ft.) (100% Basis)	Attributable Interest
Retail	1,246,913	50%

Taikoo Li Qiantan is a low-rise retail development in Qiantan, Pudong New District. It is our second development in Shanghai and the third Taikoo Li project in Mainland China. Qiantan International Business Zone is envisaged as a new international business district of Shanghai and as a commercial, residential and cultural centre. The development will be connected to a three-line metro interchange station. In March 2018, a 50:50 joint venture was formed with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. for the purpose of undertaking this development. Construction is in progress. The development is expected to be completed in 2020.

Investment Properties – U.S.A.

Brickell City Centre, Miami

Brickell City Centre, Miami

	GFA (sq. ft.) (1) (100% Basis)	Attributable Interest
Completed		
Shopping centre	496,508	62.9%
Two and Three Brickell City Centre	263,384	100%
EAST, Miami – hotel (2)	218,000	100%
EAST, Miami – serviced apartments	109,000	100%
Reach and Rise (3)	263,215	100%
Sub-Total	**1,350,107**	
Future Development		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
Total	**3,317,107**	

(1) Represents leasable/saleable area except for the carpark, roof top and circulation areas.
(2) The hotel is accounted for under property, plant and equipment in the financial statements.
(3) Remaining unsold units at 31st December 2018.

Brickell City Centre is an urban mixed-use development in the Brickell financial district of Miami, Florida. It has a site area of 504,017 square feet (approximately 11.6 acres).

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.

The first phase of the Brickell City Centre development was completed in 2016. Its components opened in 2016 and 2017. Gross rental income increased in 2018, mainly because more shops were open at the shopping centre. At 31st December 2018, Two and Three Brickell City Centre were fully leased and the shopping centre was 89% let (including by way of letters of intent).

The shopping centre was developed jointly with Bal Harbour Shops and Simon Property Group. Swire Properties is the primary developer of the Brickell City Centre project.

At 31st December 2018, 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 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 the 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.

Miami Market Outlook

In Miami, retail sales are increasing steadily. Demand for retail space in the metropolitan area is correspondingly steady.

In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is low and demand is firm.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2018 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$272,927 million, compared to HK$267,292 million at 31st December 2017.

The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong following rental increases and a reduction of 12.5 basis points in the capitalisation rate applicable to office properties in Hong Kong. This was partially offset by the removal from the valuation of our interests in the Cityplaza Three and Cityplaza Four properties as a result of their transfer to “assets classified as held for sale” in the financial statements at 31st December 2018.

Under HKAS 40, hotel properties are not accounted for as investment properties but are included within property, plant and equipment at cost less accumulated depreciation and any provision for impairment.

Property Trading

Overview

The trading portfolio comprises completed developments available for sale in Mainland China and Miami, U.S.A. The principal completed developments available for sale are the remaining portion of the Pinnacle One office property at Sino-Ocean Taikoo Li Chengdu in Mainland China, and the Reach and Rise developments at Brickell City Centre in Miami. A residential development is being planned in Wanchai, Hong Kong. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

Property Trading Portfolio (At 31st December 2018)

	GFA (sq. ft.) (100% Basis)		Actual/Expected Construction Completion Date	Attributable Interest
Completed (1)				
Mainland China				
- Pinnacle One, Chengdu	471,003	(1)	2014	50%
U.S.A.				
- ASIA, Miami	5,359	(2)	2008	100%
- Reach, Miami	51,053	(2)	2016	100%
- Rise, Miami	212,162	(2)	2016	100%
Held for Development				
Hong Kong				
- 21-31 Wing Fung Street, Wanchai	30,511		2022	100%
U.S.A.				
- Fort Lauderdale, Florida	825,000		N/A	75%
- South Brickell Key, Miami, Florida	550,000		N/A	100%
- Brickell City Centre, Miami, Florida – North Squared site	523,000		N/A	100%

(1) Remaining unsold portion.
(2) Remaining saleable area.

Hong Kong

WHITESANDS, 160 South Lantau Road, Lantau

All 28 houses at the WHITESANDS development had been sold at 31st December 2018. The profit from the sale of 12 houses was recognised in 2018. The property is managed by Swire Properties.

21-31 Wing Fung Street, Wanchai

In 2017, Swire Properties completed the acquisition of a 100% interest in a property at 21-31 Wing Fung Street, Wanchai, Hong Kong. The property has the potential to be redeveloped into a 34,000 square feet residential block with a retail podium. Vacant possession of the site was obtained in May 2018. The development is expected to be completed in 2022.

Hong Kong Residential Market Outlook

In Hong Kong, demand for residential accommodation has weakened, but is likely to remain resilient in the long term.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total GFA (approximately 1.15 million square feet) and 350 carparking spaces were pre-sold in 2013 and the profit from the sales of approximately 52% of the pre-sold GFA was recognised in 2015. Application was made to the court to cancel the sale of the remaining pre-sold GFA 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 from the sale of approximately 122,136 square feet of the GFA and 44 carparking spaces was recognised in 2018.

U.S.A.

The residential portion of the first phase of the Brickell City Centre development was developed for trading purposes. There are 780 units in Reach and Rise, with an aggregate GFA of 1,134,078 square feet.

The Reach and Rise developments were completed, and handover to purchasers commenced, in 2016. 363 units at Reach and 258 units at Rise had been sold at 12th March 2019. The profits from the sales of two units at Reach and 35 units at Rise were recognised in 2018.

Since the ASIA development was completed in 2008, all 123 units have been sold.

Miami Residential Market Outlook

In Miami, the majority of the demand for condominiums is from South American buyers. The demand is expected to continue to be affected by weak South American economies and the relative strength of the US dollar. Trading profits are expected to be recognised in 2019 from sales of units at the Reach and Rise developments.

Estate Management

Swire Properties manages 19 residential estates which it has developed. It also manages OPUS HONG KONG, a residential property in Hong Kong which Swire Properties redeveloped for Swire Pacific. The management services include day to day assistance for occupants, management, maintenance, cleaning, security and renovation of common areas and facilities. Swire Properties places great emphasis on maintaining good relationships with occupants.

Hotels

Managed Hotels and Restaurants

Overview

Swire Properties owns and manages (through Swire Hotels) hotels in Hong Kong, Mainland China and the U.S.A. The House Collective, comprising The Upper House in Hong Kong, The Opposite House in Beijing, The Temple House in Chengdu and The Middle House in Shanghai, is a group of small and distinctive luxury hotels. EAST hotels are business hotels in Hong Kong, Beijing and Miami.

The operating profit before depreciation for managed hotels increased by 15% to HK$200 million in 2018, mainly due to improved results in Hong Kong and in the U.S.A.

The Middle House (including serviced apartments known as The Middle House Residences) at HKRI Taikoo Hui in Shanghai opened in May 2018.

Hotel Portfolio (managed by Swire Hotels)

	No. of Rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
- The Upper House	117	100%
- EAST, Hong Kong	345	100%
- Headland Hotel [(1)]	501	0%
Mainland China		
- The Opposite House	99	100%
- EAST, Beijing	369	50%
- The Temple House [(2)]	142	50%
- The Middle House [(2)]	213	50%
U.S.A.		
- EAST, Miami [(3)]	352	100%
Total	**2,138**	

(1) Headland Hotel is owned by Airline Property Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.
(2) Comprising one hotel tower and one serviced apartment tower.
(3) Including serviced apartments in a hotel tower.

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room and occupancy improved in 2018. During the year, TripAdvisor named the hotel number 3 in its "Top 25 Luxury Hotels in the World" category and number 1 in its "Top 25 Hotels in China" category. The hotel also received awards from Condé Nast Traveler and TripSavvy. Café Gray Deluxe received an award from Hong Kong Tatler Dining.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel in Taikoo Shing, revenue per available room and occupancy improved in 2018. During the year, the hotel received awards from Expedia and was named the "Best Business Hotel, Hong Kong" in Global Brands Magazine.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Its occupancy and revenue per available room were stable in 2018. Its food and beverage business was affected by increased competition. During the year, the hotel received an award from Condé Nast Traveler and was named number 4 by TripAdvisor in its "Top 25 Hotels in China" category.

EAST, Beijing

EAST, Beijing is a 369-room business hotel at INDIGO in Beijing, in which Swire Properties holds a 50% interest. Revenue per available room and occupancy improved in 2018. During the year, the hotel received awards from The Bund and Airtime. The hotel's Feast (Food by EAST) restaurant received an award from Tatler.

The Temple House

The Temple House is a luxury property consisting of 100 hotel rooms and 42 serviced apartments at Sino-Ocean Taikoo Li Chengdu, in which Swire Properties holds a 50% interest. Revenue per available room and occupancy improved in 2018. During the year, the hotel received awards from Travel + Leisure and Condé Nast Traveler. TripAdvisor named the hotel number 6 in its "Top 25 Hotels in China" category. TIVANO restaurant and Jing bar received awards from China Wine List of the Year. The hotel's MI XUN Spa received awards from Condé Nast Traveler and SpaChina. It was also named "Asia's Best Wellness Retreat 2018" at the World Spa Awards 2018.

The Middle House

The Middle House is a luxury property consisting of 111 hotel rooms and 102 serviced apartments at HKRI Taikoo Hui, Shanghai, in which Swire Properties holds a 50% interest. It officially opened in May 2018 and is building up its occupancy.

EAST, Miami

EAST, Miami at the Brickell City Centre development in Miami consists of 263 hotel rooms and 89 serviced apartments. Its revenue per available room and operating margins improved in 2018 as the business stabilised. During the year, the hotel received awards from Condé Nast Traveler and HT-NEXT.

Swire Restaurants

Swire Hotels operates restaurants in Hong Kong. There are PUBLIC cafés at One Island East and North Point, and a REPUBLIC café at Devon House. The Continental is a European restaurant at Pacific Place. Mr & Mrs Fox is a restaurant with an international menu in Quarry Bay. The Plat du Jour restaurants are French bistros at Pacific Place and in Quarry Bay. During the year, Mr & Mrs Fox and The Continental received awards from the South China Morning Post and the Travel & Hospitality Awards.

Non-managed Hotels

Overview

Swire Properties has ownership interests in (but does not manage) hotels with 3,140 rooms in aggregate.

Hotel Portfolio (not managed by the Group)

	No. of Rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
- Island Shangri-La Hong Kong	565	20%
- JW Marriott Hotel Hong Kong	602	20%
- Conrad Hong Kong	513	20%
- Novotel Citygate Hong Kong	440	20%
Mainland China		
- Mandarin Oriental, Guangzhou (1)	287	97%
- The Sukhothai Shanghai	201	50%
U.S.A.		
- Mandarin Oriental, Miami	326	75%
Under Development		
Hong Kong		
- Hotel at Tung Chung Town Lot No. 11	206	20%
Total	**3,140**	

(1) Including serviced apartments in the hotel tower.

The performance of the non-managed hotels in Hong Kong was stable. The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Occupancy improved in 2018 and its performance was good. The operating results of the Mandarin Oriental, Miami in 2018 were better than last year.

The Sukhothai Shanghai opened in May 2018 and has established itself as one of the leading luxury boutique hotels in Shanghai. Occupancy started to be built up. Food and beverage performance was satisfactory.

Hotels Market Outlook

Trading conditions for our existing hotels are expected to be stable in 2019. Our new hotels in Shanghai are expected to continue to build up their occupancy. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later this year.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in 2018 on Hong Kong investment properties and hotels, including the Group’s share of the capital expenditure of joint venture companies, amounted to HK$5,479 million (2017: HK$5,017 million). Outstanding capital commitments at 31st December 2018 were HK$15,213 million (2017: HK$12,170 million), including the Group’s share of the capital commitments of joint venture companies of HK$251 million (2017: HK$775 million). The Group was committed to funding HK$64 million (2017: HK$305 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2018 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$2,463 million (2017: HK$917 million). Outstanding capital commitments at 31st December 2018 were HK$2,081 million (2017: HK$1,553 million), including the Group’s share of the capital commitments of joint venture companies of HK$1,500 million (2017: HK$652 million). The Group was committed to funding HK$400 million (2017: HK$36 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2018 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK$168 million (2017: HK$926 million). Outstanding capital commitments at 31st December 2018 were HK$328 million (2017: HK$477 million).

Profile of Capital Commitments at 31st December 2018 for Investment Properties and Hotels

	Expenditure	Forecast expenditure				Commitments [1]
	2018	2019	2020	2021	2022 and later	**At 31st December 2018**
	HK$M	HK$M	HK$M	HK$M	HK$M	**HK$M**
Hong Kong	**5,479**	1,734	3,924	2,908	6,647	**15,213**
Mainland China	**2,463**	1,440	406	90	145	**2,081**
U.S.A. and elsewhere	**168**	266	18	44	-	**328**
Total	**8,110**	3,440	4,348	3,042	6,792	**17,622**

(1) The capital commitments represent the Group’s capital commitments of HK$15,871 million plus the Group’s share of the capital commitments of joint venture companies of HK$1,751 million. The Group was committed to funding HK$464 million of the capital commitments of joint venture companies.

FINANCING

Sources of Finance

Audited Financial Information

At 31st December 2018, committed loan facilities and debt securities amounted to HK$43,990 million, of which HK$12,053 million (27%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$858 million. Sources of funds at 31st December 2018 comprised:

	Available HK$M	Drawn HK$M	Undrawn Expiring Within One Year HK$M	Undrawn Expiring After One Year HK$M
Facilities from third parties				
Term loans	**7,593**	**7,593**	**-**	**-**
Revolving loans	**14,800**	**2,747**	**2,178**	**9,875**
Bonds	**21,597**	**21,597**	**-**	**-**
Total committed facilities	**43,990**	**31,937**	**2,178**	**9,875**
Uncommitted facilities				
Bank loans and overdrafts	**1,092**	**234**	**858**	**-**
Total	**45,082**	**32,171**	**3,036**	**9,875**

Note: The figures above are stated before unamortised loan fees of HK$172 million.

At 31st December 2018, 75% of the Group's gross borrowings were on fixed rate basis and 25% were on floating rate basis (2017: 65% and 35% respectively).

The Group had bank balances and short-term deposits of HK$2,094 million at 31st December 2018, compared to HK$1,708 million at 31st December 2017.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2028 (2017: up to 2027). The weighted average term and cost of the Group's debt are:

	2018	2017
Weighted average term of debt	**3.9 years**	3.8 years
Weighted average cost of debt	**3.3%**	3.5%

Note: The weighted average cost of debt above is stated on gross debt basis. This was stated on net debt basis in prior years.

The maturity profile of the Group's available committed facilities is set out below:

(HK$M)	Total	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		Maturity Profile									
Facilities from third parties											
Term and revolving loans	22,393	2,876	3,850	7,250	7,917	500	-	-	-	-	-
Bonds	21,597	300	3,917	300	3,917	200	1,100	1,940	4,616	1,390	3,917
Total	**43,990**	**3,176**	**7,767**	**7,550**	**11,834**	**700**	**1,100**	**1,940**	**4,616**	**1,390**	**3,917**

Audited Financial Information

The table below sets forth the maturity profile of the Group's borrowings:

	2018		2017	
	HK$M		HK$M	
Bank borrowings and bonds from third parties due				
Within 1 year	**1,230**	**4%**	3,161	9%
1 - 2 years	**6,951**	**22%**	2,232	6%
2 - 5 years	**10,915**	**34%**	17,297	46%
After 5 years	**12,903**	**40%**	9,189	25%
Borrowings from Swire Finance Limited due				
Within 1 year	**-**	**-**	5,176	14%
Total	**31,999**	**100%**	37,055	100%
Less: Amount due within one year included under current liabilities	**1,230**		8,337	
Amount due after one year included under non-current liabilities	**30,769**		28,718	

Currency Profile

Audited Financial Information

An analysis of the carrying amounts of gross borrowings by currency (after cross-currency swaps) is shown below:

	2018		2017	
	HK$M		HK$M	
Currency				
Hong Kong dollars	**24,834**	**78%**	28,639	77%
United States dollars	**6,234**	**20%**	6,215	17%
Renminbi	**455**	**1%**	1,826	5%
Singapore dollars	**476**	**1%**	375	1%
Total	**31,999**	**100%**	37,055	100%

Gearing Ratio and Interest Cover

	2018	2017
Gearing ratio (1)	**10.6%**	13.6%
Interest cover – times (1)		
Per financial statements	**33.3**	38.8
Underlying	**12.6**	10.7
Cash interest cover – times (1)		
Per financial statements	**25.6**	27.5
Underlying	**9.7**	7.5

(1) Refer to Glossary on page 57 for definitions.

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at the end of 2018 and 2017:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	2018	2017	2018	2017	2018	2017
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Hong Kong Entities	**4,533**	4,189	**1,879**	1,903	**1,295**	1,005
Mainland China Entities	**12,033**	12,686	**6,017**	6,343	**-**	-
U.S.A. and other Entities	**458**	459	**354**	364	**476**	478
Total	**17,024**	17,334	**8,250**	8,610	**1,771**	1,483

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 13.6%.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss
For the year ended 31st December 2018

	Note	2018 HK$M	2017 HK$M
Revenue	2	**14,719**	18,558
Cost of sales	3	**(4,493)**	(7,569)
Gross profit		**10,226**	10,989
Administrative and selling expenses		**(1,576)**	(1,369)
Other operating expenses		**(206)**	(227)
Other net gains	4	**246**	72
Profit on sale of subsidiary companies		**1,223**	2
Change in fair value of investment properties		**19,452**	25,463
Operating profit		**29,365**	34,930
Finance charges		**(995)**	(983)
Finance income		**113**	83
Net finance charges	6	**(882)**	(900)
Share of profits less losses of joint venture companies		**1,825**	1,646
Share of profits less losses of associated companies		**153**	146
Profit before taxation		**30,461**	35,822
Taxation	7	**(1,740)**	(1,807)
Profit for the year		**28,721**	34,015
Profit for the year attributable to:			
The Company's shareholders		**28,666**	33,957
Non-controlling interests		**55**	58
		28,721	34,015
		HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	9	**4.90**	5.80

Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2018

	2018 HK$M	2017 HK$M
Profit for the year	**28,721**	34,015
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties previously occupied by the Group		
- gains recognised during the year	**11**	128
- deferred tax charge	**-**	(2)
Defined benefit plans		
- remeasurement losses recognised during the year	**(44)**	(6)
- deferred tax credit	**8**	1
	(25)	121
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
- losses recognised during the year	**(137)**	(294)
- reclassification to profit or loss	**(21)**	2
- deferred tax credit	**26**	48
Share of other comprehensive (losses)/income of joint venture and associated companies	**(632)**	645
Net translation differences on foreign operations	**(1,381)**	1,839
	(2,145)	2,240
Other comprehensive (losses)/income for the year, net of tax	**(2,170)**	2,361
Total comprehensive income for the year	**26,551**	36,376
Total comprehensive income attributable to:		
The Company's shareholders	**26,516**	36,283
Non-controlling interests	**35**	93
	26,551	36,376

Consolidated Statement of Financial Position
At 31st December 2018

	Note	2018 HK$M	2017 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**7,877**	8,371
Investment properties	10	**273,186**	267,531
Intangible assets		**212**	178
Properties held for development	11	**1,360**	1,342
Joint venture companies		**13,540**	8,651
Loans due from joint venture companies		**15,251**	14,375
Associated companies		**413**	374
Derivative financial instruments		**64**	51
Deferred tax assets		**123**	85
Other financial assets at amortised cost		**37**	-
		312,063	300,958
Current assets			
Properties under development and for sale	14	**1,469**	2,300
Stocks		**63**	66
Trade and other receivables	15	**2,401**	2,996
Contract assets	15	**16**	14
Other current assets	12	**-**	6,262
Amount due from immediate holding company - Swire Pacific Limited		**15**	5
Short-term deposits maturing after three months		**1**	-
Cash and cash equivalents		**2,093**	1,708
		6,058	13,351
Assets classified as held for sale	13	**15,526**	-
Total current assets		**21,584**	13,351
Current liabilities			
Trade and other payables	16	**10,154**	7,820
Contract liabilities	16	**7**	-
Tax payable		**392**	638
Bank overdrafts and short-term loans		**234**	499
Long-term loans and bonds due within one year		**996**	2,662
Loans due to a fellow subsidiary company - Swire Finance Limited		**-**	5,176
		11,783	16,795
Liabilities directly associated with assets classified as held for sale	13	**207**	-
Total current liabilities		**11,990**	16,795
Net current assets/(liabilities)		**9,594**	(3,444)
Total assets less current liabilities		**321,657**	297,514
Non-current liabilities			
Long-term loans and bonds		**30,769**	28,718
Other payables	16	**601**	716
Derivative financial instruments		**70**	34
Deferred tax liabilities		**8,716**	8,523
Retirement benefit liabilities		**210**	145
		40,366	38,136
NET ASSETS		**281,291**	259,378
EQUITY			
Share capital	17	**10,449**	10,449
Reserves	18	**268,826**	246,932
Equity attributable to the Company's shareholders		**279,275**	257,381
Non-controlling interests		**2,016**	1,997
TOTAL EQUITY		**281,291**	259,378

Consolidated Statement of Cash Flows
For the year ended 31st December 2018

	2018 HK$M	2017 HK$M
Operating activities		
Cash generated from operations	**11,619**	13,680
Interest paid	**(1,116)**	(1,213)
Interest received	**110**	84
Tax paid	**(1,443)**	(1,044)
	9,170	11,507
Dividends received from joint venture and associated companies and financial assets at fair value through other comprehensive income (2017: available-for-sale assets)	**221**	249
Net cash from operating activities	**9,391**	11,756
Investing activities		
Purchase of property, plant and equipment	**(121)**	(217)
Additions to investment properties	**(3,917)**	(5,179)
Additions to assets classified as held for sale/other current assets	**(452)**	(623)
Purchase of intangible assets	**(16)**	(21)
Proceeds from sale of investment properties	**350**	40
Proceeds from sale of subsidiary companies	**7,857**	2
Equity and loans to joint venture companies	**(3,225)**	(989)
Repayment of loans by joint venture companies	**338**	124
Increase in deposits maturing after three months	**(1)**	-
Initial leasing costs incurred	**(60)**	(24)
Net cash from/(used in) investing activities	**753**	(6,887)
Net cash inflow before financing	**10,144**	4,869
Financing activities		
Loans drawn and refinanced	**2,426**	6,475
Bonds issued	**3,917**	2,090
Repayment of loans and bonds	**(6,232)**	(6,676)
	111	1,889
Repayment of loans to a fellow subsidiary company	**(5,177)**	(2,329)
Dividends paid to the Company's shareholders	**(4,622)**	(4,271)
Dividends paid to non-controlling interests	**(24)**	(193)
Net cash used in financing activities	**(9,712)**	(4,904)
Increase/(Decrease) in cash and cash equivalents	**432**	(35)
Cash and cash equivalents at 1st January	**1,708**	1,681
Currency adjustment	**(47)**	62
Cash and cash equivalents at end of the year	**2,093**	1,708
Represented by:		
Bank balances and short-term deposits maturing within three months	**2,093**	1,708

1. Segment Information

The Group is organised on a divisional basis: Property investment, Property trading and Hotels. The reportable segments that make up each of the three divisions are classified according to the nature of business.

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) after depreciation and amortisation HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Profit/(Loss) before taxation HK$M	Taxation HK$M	Profit/(Loss) for the year HK$M	Profit/(Loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Year ended 31st December 2018												
Property investment	**12,254**	**40**	**9,873**	**(913)**	**112**	**772**	**-**	**9,844**	**(1,052)**	**8,792**	**8,732**	**(160)**
Property trading	**1,061**	**-**	**65**	**(40)**	**1**	**107**	**-**	**133**	**(24)**	**109**	**99**	**-**
Hotels	**1,404**	**5**	**(25)**	**(42)**	**-**	**(117)**	**153**	**(31)**	**(10)**	**(41)**	**(41)**	**(234)**
Change in fair value of investment properties	**-**	**-**	**19,452**	**-**	**-**	**1,063**	**-**	**20,515**	**(654)**	**19,861**	**19,876**	**-**
Inter-segment elimination	**-**	**(45)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	14,719	**-**	**29,365**	**(995)**	**113**	**1,825**	**153**	**30,461**	**(1,740)**	**28,721**	**28,666**	**(394)**
Year ended 31st December 2017												
Property investment	11,380	34	8,172	(908)	82	500	-	7,846	(1,170)	6,676	6,671	(167)
Property trading	5,833	-	1,397	(36)	1	(11)	-	1,351	(240)	1,111	1,111	-
Hotels	1,345	5	(102)	(39)	-	(44)	146	(39)	(5)	(44)	(43)	(259)
Change in fair value of investment properties	-	-	25,463	-	-	1,201	-	26,664	(392)	26,272	26,218	-
Inter-segment elimination	-	(39)	-	-	-	-	-	-	-	-	-	-
	18,558	-	34,930	(983)	83	1,646	146	35,822	(1,807)	34,015	33,957	(426)

Note: Sales between business segments are accounted for at competitive prices charged to unaffiliated customers for similar goods and services.

1. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of external revenue of the Group

	Timing of revenue recognition		
	At a point in time HK$M	Over time HK$M	Total HK$M
Year ended 31st December 2018			
Property investment	**1**	**12,253** (1)	**12,254**
Property trading	**1,061**	**-**	**1,061**
Hotels	**664**	**740**	**1,404**
	1,726	**12,993**	**14,719**

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss except for the additional disclosure for the timing of revenue recognition following the adoption of HKFRS 15 with effect from 1st January 2018.

(1) Includes rental income of HK$12,117 million.

Analysis of total assets of the Group

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and cash HK$M	Total assets HK$M	Additions to non-current assets HK$M
At 31st December 2018						
Property investment	**293,340**	**26,133**	**-**	**1,820**	**321,293**	**4,938**
Property trading	**3,034**	**1,411**	**-**	**118**	**4,563**	**52**
Hotels	**5,975**	**1,247**	**413**	**156**	**7,791**	**(19)**
	302,349	**28,791**	**413**	**2,094**	**333,647**	**4,971**
At 31st December 2017						
Property investment	278,862	21,119	-	1,440	301,421	4,946
Property trading	3,976	670	-	103	4,749	53
Hotels	6,363	1,237	374	165	8,139	86
	289,201	23,026	374	1,708	314,309	5,085

Note: Additions to non-current assets exclude joint venture and associated companies, financial assets at fair value through other comprehensive income (2017: available-for-sale assets), financial instruments, deferred tax assets, retirement benefit assets and other financial assets at amortised cost.

1. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total liabilities and non-controlling interests of the Group

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Gross borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
At 31st December 2018					
Property investment	**10,751**	**9,063**	**29,275**	**49,089**	**1,897**
Property trading	**257**	**45**	**1,558**	**1,860**	**92**
Hotels	**241**	**-**	**1,166**	**1,407**	**27**
	11,249	**9,108**	**31,999**	**52,356**	**2,016**
At 31st December 2017					
Property investment	8,101	8,835	33,812	50,748	1,890
Property trading	378	326	2,110	2,814	82
Hotels	236	-	1,133	1,369	25
	8,715	9,161	37,055	54,931	1,997

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong, Mainland China and the U.S.A.

An analysis of revenue and non-current assets of the Group by principal markets is outlined below:

	Revenue		Non-current assets	
	2018 HK$M	2017 HK$M	**2018 HK$M**	2017 HK$M
Hong Kong	**10,704**	14,947	**239,779**	235,350
Mainland China	**2,903**	2,627	**32,247**	31,323
U.S.A.	**1,112**	984	**9,460**	9,656
Others	**-**	-	**1,149**	1,093
	14,719	18,558	**282,635**	277,422

Note: The above non-current assets exclude joint venture and associated companies, financial assets at fair value through other comprehensive income (2017: available-for-sale assets), financial instruments, deferred tax assets, retirement benefit assets and other financial assets at amortised cost.

2. Revenue

Revenue represents sales by the Company and its subsidiary companies to external customers and comprises:

	2018 HK$M	2017 HK$M
Gross rental income from investment properties	**12,117**	11,252
Property trading	**1,061**	5,833
Hotels	**1,404**	1,345
Rendering of other services	**137**	128
	14,719	18,558

3. Cost of Sales

	2018 HK$M	2017 HK$M
Direct rental outgoings in respect of investment properties that		
- generated rental income	**2,237**	2,090
- did not generate rental income	**152**	177
	2,389	2,267
Property trading	**870**	4,080
Hotels	**1,193**	1,184
Rendering of other services	**41**	38
	4,493	7,569

4. Other Net Gains

	2018 HK$M	2017 HK$M
Profit on sale of investment properties	**53**	9
Loss on disposal of property, plant and equipment	**(9)**	(1)
Net foreign exchange (losses)/gains	**(3)**	32
Recognition of income on forfeited deposits in respect of trading properties	**5**	2
Others	**200**	30
	246	72

5. Expenses by Nature

Expenses included in cost of sales, administrative and selling expenses, and other operating expenses are analysed as follows:

	2018 **HK$M**	2017 HK$M
Depreciation of property, plant and equipment	**324**	348
Amortisation of		
- intangible assets	**31**	27
- initial leasing costs in respect of investment properties	**39**	51
Staff costs	**1,854**	1,795
Operating lease rentals		
- properties	**91**	52
- plant and equipment	**6**	7
Auditors' remuneration		
- audit services	**13**	12
- tax services	**6**	3
- other services	**2**	3

6. Net Finance Charges

	2018 **HK$M**	2017 HK$M
Interest charged on:		
Bank loans and overdrafts	**314**	291
Bonds	**722**	572
Loans from fellow subsidiary companies	**95**	328
Loans from joint venture and related companies	**6**	6
Net fair value (gains)/losses on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	**(21)**	2
Other financing costs	**162**	150
	1,278	1,349
(Gain)/Loss on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	**(16)**	6
Capitalised on:		
Investment properties	**(265)**	(212)
Properties under development and for sale	**(2)**	-
Other current assets	**-**	(160)
	995	983
Interest income on:		
Short-term deposits and bank balances	**(34)**	(14)
Loans to joint venture companies	**(78)**	(69)
Others	**(1)**	-
	(113)	(83)
Net finance charges	**882**	900

7. Taxation

	2018		2017	
	HK$M	**HK$M**	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	**960**		1,104	
Overseas tax	**356**		271	
(Over)/Under-provisions in prior years	**(2)**		25	
		1,314		1,400
Deferred taxation:				
Changes in fair value of investment properties	**501**		460	
Origination and reversal of temporary differences	**(75)**		215	
Effect of change in tax rate in the U.S.A.	**-**		(268)	
		426		407
		1,740		1,807

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

8. Dividends

	2018	2017
	HK$M	HK$M
First interim dividend paid on 4th October 2018 of HK$0.27 per share (2017: HK$0.25)	**1,580**	1,463
Second interim dividend declared on 14th March 2019 of HK$0.57 per share (2017: HK$0.52)	**3,334**	3,042
	4,914	4,505

The second interim dividend is not accounted for in 2018 because it had not been declared or approved at the year end date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2019.

The Directors have declared a second interim dividend of HK$0.57 (2017: HK$0.52) per share which, together with the first interim dividend of HK$0.27 per share paid in October 2018, amounts to full year dividends of HK$0.84 (2017: HK$0.77) per share. The second interim dividend, which totals HK$3,334 million (2017: HK$3,042 million), will be paid on Thursday, 9th May 2019 to shareholders registered at the close of business on the record date, being Thursday, 4th April 2019. Shares of the Company will be traded ex-dividend from Tuesday, 2nd April 2019.

The register of members will be closed on Thursday, 4th April 2019, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 3rd April 2019.

8. Dividends (continued)

To facilitate the processing of proxy voting for the annual general meeting to be held on 14th May 2019, the register of members will be closed from 9th May 2019 to 14th May 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8th May 2019.

9. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK$28,666 million (2017: HK$33,957 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2018 (2017: 5,850,000,000 ordinary shares).

10. Investment Properties

	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2018	**231,295**	**35,997**	**267,292**
Translation differences	**(1,440)**	**(19)**	**(1,459)**
Additions	**725**	**4,018**	**4,743**
Cost written back	**(15)**	**(1)**	**(16)**
Disposals	**(285)**	**-**	**(285)**
Transfer from properties under development and for sale	**142**	**-**	**142**
Net transfers (to)/from property, plant and equipment	**(32)**	**72**	**40**
Transfer between categories	**17,076**	**(17,076)**	**-**
Transfers to assets classified as held for sale	**(14,546)**	**(435)**	**(14,981)**
Disposal of subsidiary companies	**-**	**(2,001)**	**(2,001)**
Net fair value gains	**16,746**	**2,706**	**19,452**
	249,666	**23,261**	**272,927**
Add: Initial leasing costs	**259**	**-**	**259**
At 31st December 2018	**249,925**	**23,261**	**273,186**
At 1st January 2017	205,605	29,496	235,101
Translation differences	2,028	89	2,117
Additions	1,311	3,438	4,749
Cost written back	(2)	(1)	(3)
Disposals	(8)	(7)	(15)
Transfer to properties under development and for sale	-	(338)	(338)
Net transfers from property, plant and equipment	25	193	218
Net fair value gains	22,336	3,127	25,463
	231,295	35,997	267,292
Add: Initial leasing costs	239	-	239
At 31st December 2017	231,534	35,997	267,531

Geographical Analysis of Investment Properties

	2018 HK$M	2017 HK$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	**34,640**	33,224
On long-term leases (over 50 years)	**199,969**	196,740
	234,609	229,964
Held in Mainland China:		
On medium-term leases (10 to 50 years)	**30,575**	29,468
Held in U.S.A. and elsewhere:		
Freehold	**7,743**	7,860
	272,927	267,292

11. Properties Held for Development

	2018	2017
	HK$M	HK$M
Freehold land	**1,141**	1,126
Development cost	**219**	216
	1,360	1,342

12. Other Current Assets

For the year ended 31st December 2017, other current assets comprised an uncompleted property in Kowloon Bay, Hong Kong. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this property. The consideration for the sale was HK$6,528 million, subject to adjustment. The property was transferred to other non-current assets at fair value in the financial statements on signing the sale agreement in 2016 and was reclassified to other current assets in the 2017 financial statements. The carrying value of the property at 31st December 2017 represented its fair value at the date of transfer plus the development costs incurred subsequently. On 6th June 2018, the sale of the 100% interest in the company which owns the property was completed.

13. Assets Classified as Held for Sale

Assets classified as held for sale mainly relate to a sale and purchase agreement entered into by a wholly owned subsidiary of the Company with a third party on 15th June 2018 for the sale of a 100% interest in a subsidiary company which holds a subsidiary owning the Company's interests in the Cityplaza Three and Cityplaza Four office buildings. The consideration for the sale is HK$15,000 million, subject to adjustments. The relevant subsidiaries were classified as held for sale at 31st December 2018. The fair value of the investment properties held by the subsidiaries was determined by reference to the consideration payable under the sale and purchase agreement.

Assets held for sale also include several wholly owned subsidiaries holding investment properties in respect of which a sale and purchase agreement was entered into on 28th August 2018. The fair value of these investment properties is measured in accordance with the policies, processes and techniques described in note 16 in the financial statements. The total consideration on the sale of HK$2,037 million resulted in a profit on sale of subsidiaries being recorded on 18th January 2019 when the transaction was completed.

14. Properties under Development and for Sale

	2018	2017
	HK$M	HK$M
Properties for sale		
Properties under development		
- development costs	**30**	17
- leasehold land	**338**	338
Completed properties		
- development costs	**1,008**	1,658
- freehold land	**92**	120
- leasehold land	**1**	167
	1,469	2,300

15. Trade and Other Receivables and Contract Assets

	2018	2017
	HK$M	HK$M
Trade debtors	**216**	370
Prepayments and accrued income	**240**	254
Other receivables	**1,945**	2,372
	2,401	2,996
Contract assets (previously accounted as work in progress)	**16**	14

The analysis of the age of trade debtors at year-end (based on the invoice date) is as follows:

	2018	2017
	HK$M	HK$M
Under three months	**209**	368
Between three and six months	**6**	2
Over six months	**1**	-
	216	370

The Group does not grant any credit terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. The Group also holds non-interest bearing rental deposits as security against trade debtors.

16. Trade and Other Payables and Contract Liabilities

	2018 HK$M	2017 HK$M
Trade and other payables – current:		
Trade creditors	**419**	542
Rental deposits from tenants	**2,751**	2,616
Deposits received on the sale of subsidiary companies	**3,238**	1,306
Other current payables		
Accrued capital expenditure	**1,211**	539
Deposits received on the sale of properties	**-**	25
Amounts due to intermediate holding company	**109**	90
Amounts due to a fellow subsidiary company	**-**	51
Amounts due to an associated company	**15**	31
Interest-bearing advances from fellow subsidiary companies (2017: 3.3%)	**-**	72
Interest-bearing advances from joint venture and related companies (2017: 2.8%)	**-**	240
Advances from a non-controlling interest	**35**	34
Others	**2,376**	2,274
	3,746	3,356
	10,154	7,820
Contract Liabilities	**7**	-
Other payables – non-current:		
Put option in respect of a non-controlling interest	**601**	716

The analysis of the age of trade creditors at year-end is as follows:

	2018 HK$M	2017 HK$M
Under three months	**419**	542

17. Share Capital

	Ordinary shares	HK$M
Issued and fully paid:		
At 1st January 2018 and 31st December 2018	**5,850,000,000**	**10,449**
At 1st January 2017 and 31st December 2017	5,850,000,000	10,449

There was no purchase, sale or redemption by the Company of its shares during the years ended 31st December 2018 and 31st December 2017.

18. Reserves

	Revenue reserve HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2018	**245,002**	**(1,108)**	**1,812**	**(62)**	**1,288**	**246,932**
Profit for the year	**28,666**	**-**	**-**	**-**	**-**	**28,666**
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
- gains recognised during the year	**-**	**-**	**11**	**-**	**-**	**11**
Defined benefit plans						
- remeasurement losses recognised during the year	**(44)**	**-**	**-**	**-**	**-**	**(44)**
- deferred tax credit	**8**	**-**	**-**	**-**	**-**	**8**
Cash flow hedges						
- losses recognised during the year	**-**	**-**	**-**	**(137)**	**-**	**(137)**
- reclassification to profit or loss	**-**	**-**	**-**	**(21)**	**-**	**(21)**
- deferred tax credit	**-**	**-**	**-**	**26**	**-**	**26**
Share of other comprehensive income of joint venture and associated companies	**-**	**-**	**-**	**(1)**	**(631)**	**(632)**
Net translation differences on foreign operations	**-**	**-**	**-**	**-**	**(1,361)**	**(1,361)**
Total comprehensive income/(losses) for the year	**28,630**	**-**	**11**	**(133)**	**(1,992)**	**26,516**
2017 second interim dividend (note 8)	**(3,042)**	**-**	**-**	**-**	**-**	**(3,042)**
2018 first interim dividend (note 8)	**(1,580)**	**-**	**-**	**-**	**-**	**(1,580)**
At 31st December 2018	**269,010**	**(1,108)**	**1,823**	**(195)**	**(704)**	**268,826**

18. Reserves (continued)

	Revenue reserve HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2017	215,318	(1,108)	1,689	181	(1,160)	214,920
Profit for the year	33,957	-	-	-	-	33,957
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
- gains recognised during the year	-	-	128	-	-	128
- deferred tax charge	-	-	(2)	-	-	(2)
Defined benefit plans						
- remeasurement losses recognised during the year	(6)	-	-	-	-	(6)
- deferred tax credit	1	-	-	-	-	1
Cash flow hedges						
- losses recognised during the year	-	-	-	(294)	-	(294)
- reclassification to profit or loss	-	-	-	2	-	2
- deferred tax credit	-	-	-	48	-	48
Share of other comprehensive income of joint venture and associated companies	-	-	-	1	644	645
Net translation differences on foreign operations	-	-	-	-	1,804	1,804
Total comprehensive income/(losses) for the year	33,952	-	126	(243)	2,448	36,283
Transfer	3	-	(3)	-	-	-
2016 second interim dividend	(2,808)	-	-	-	-	(2,808)
2017 first interim dividend (note 8)	(1,463)	-	-	-	-	(1,463)
At 31st December 2017	245,002	(1,108)	1,812	(62)	1,288	246,932

19. Changes in Accounting Policies and Disclosures

The following new and revised standards and new interpretation were required to be adopted by the Group effective from 1st January 2018:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2014-2016 Cycle
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 15	Clarifications of HKFRS 15
HK(IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration

None of these new and revised standards and new interpretation had a significant effect on the Group's financial statements or accounting policies, except the following set out below:

HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Group has used the practical expedient for completed contracts under the modified retrospective approach by adjusting opening retained earnings when it adopted HKFRS 15 effective 1st January 2018 without restatement of prior periods.

The adoption does not have an impact on the recognition of the Group's main revenue streams. Rental income from lease agreements is specifically excluded from the scope of HKFRS 15. The nature of the Group's current trading property sales in its primary markets in Hong Kong and the U.S.A., the terms of the relevant contracts and the associated laws mean that revenue from these sales continues to be recognised at the point in time of transfer of effective ownership. As a result, adjustment of the Group's opening retained earnings to reflect the adoption of HKFRS 15 is not required.

The transfer of control in future property sales may occur over time or at a point in time, and this will be assessed on a case by case and territory by territory basis. No significant changes to the Group's accounting policies are required.

As a result, the effects of adopting HKFRS 15 on the financial statements for the year ended 31st December 2018 are as follows:

	Year ended 31st December 2018 HK$M
Effect on Consolidated Statement of Financial Position:	
Increase in contract assets	**2**
Increase in contract liabilities	**7**

19. Changes in Accounting Policies and Disclosures (continued)

HKFRS 9 Financial Instruments

The complete version of HKFRS 9 replaced HKAS 39.

(i) Classification and measurement

HKFRS 9 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

The Group elected to present in "Other Comprehensive Income" changes in the fair values of all its equity investments previously classified as "Available-for-sale assets", because these equity investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of less than HK$1 million were reclassified from available-for-sale assets to equity investments at fair value through other comprehensive income on 1st January 2018.

Once designation as equity investments at fair value through other comprehensive income has taken place, all fair value gains or losses previously recognised in other comprehensive income will not be recycled to profit and loss on disposal of the relevant investments.

Non-substantial modifications to (or exchange of) financial liabilities that do not result in derecognition are required to be recognised in profit or loss. No retrospective adjustments were required in relation to this change as none of the borrowings outstanding on 1st January 2018 had been refinanced in prior periods.

(ii) Impairment of financial assets

The incurred loss impairment model used in HKAS 39 has been replaced by an expected credit loss model, with the result that a loss event will no longer need to occur before an impairment allowance is recognised. For trade and other receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. This has no significant impact on the Group's financial statements as rental income is received in advance.

(iii) Derivatives and hedging activities

Hedge accounting under HKFRS 9 requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one used by an entity's management for risk management purposes. This replaces the hedge effectiveness test under HKAS 39. The Group adopted the hedge accounting aspects of HKFRS 9 prospectively from 1st January 2018 and adoption has not had a material impact on the financial position or the financial results of the Group.

HKAS 40 (Amendment) Transfers of Investment Property

The amendment to HKAS 40 clarifies that a property is transferred to, or from, investment property when the property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. The amendment does not have any impact on the Group's financial statements.

20. Requirement in Connection with Publication of "Non-statutory Accounts" under Section 436 of the Hong Kong Companies Ordinance Cap. 622

The financial information relating to the years ended 31st December 2017 and 2018 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2017 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2018 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2017 and 2018. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

ADDITIONAL INFORMATION

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance. The Company complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

- Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Board has considered the merits of establishing a nomination committee but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

Details of the Company's corporate governance principles and processes will be available in the 2018 annual report.

The annual results have been reviewed by the Audit Committee of the Company.

Annual Report

The 2018 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website www.swireproperties.com. Printed copies will be available to shareholders on 9th April 2019.

List of Directors

At the date of this announcement, the Directors of the Company are:

Executive Directors: M.B. Swire (Chairman), G.M.C. Bradley and F.N.Y. Lung;
Non-Executive Directors: N.A.H. Fenwick, P. Healy, R.S.K. Lim and M.M.S. Low; and
Independent Non-Executive Directors: L.K.L. Cheng, S.T. Fung, S.C. Liu and M.Y. Wu.

By Order of the Board
Swire Properties Limited
Merlin Swire
Chairman
Hong Kong, 14th March 2019

GLOSSARY

Terms

Attributable gross rental income Gross rental income less amount shared by non-controlling interests plus the Group's share of gross rental income of joint venture and associated companies.

Equity attributable to the Company's shareholders Equity before non-controlling interests.

Gross borrowings Total of loans, bonds and overdrafts.

Net debt Total borrowings less short-term deposits and bank balances.

Underlying profit Reported profit adjusted principally for the impact of changes in the fair value of investment properties and deferred tax on investment properties.

Recurring underlying profit Underlying profit adjusted for significant credits and charges of a non-recurring nature, including gains on the sale of interests in investment properties.

Ratios

$$\text{Earnings per share} = \frac{\text{Profit attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Interest cover} = \frac{\text{Operating profit}}{\text{Net finance charges}}$$

$$\text{Equity attributable to the Company's shareholders per share} = \frac{\text{Equity before non-controlling interest}}{\text{Number of shares in issue at the end of the year}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Dividend payout ratio} = \frac{\text{Dividends paid and proposed}}{\text{Profit attributable to the Company's shareholders}}$$

FINANCIAL CALENDAR AND INFORMATION FOR INVESTORS

Financial Calendar 2019

Shares trade ex-dividend	2nd April
Share register closed for 2018 second interim dividend entitlement	4th April
Annual Report available to shareholders	9th April
Payment of 2018 second interim dividend	9th May
Share register closed for attending and voting at Annual General Meeting	9th – 14th May
Annual General Meeting	14th May
Interim results announcement	August 2019
2019 first interim dividend payable	October 2019

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Registrars

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Hong Kong

Website: www.computershare.com

Depositary

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BNY Mellon Shareowner Services
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Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swireproperties.com.

Disclaimer

This document may contain certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including changes in the economies and industries in which the Group operates (in particular in Hong Kong and Mainland China), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.