

For Immediate Release
Swire Properties Announces 2018 Final Results

	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 of the announcement of 2018 Annual Results of Swire Properties Limited dated 14 March 2019 (the "Results Announcement") for definition.
- (b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 6 of the Results Announcement.
- (c) Refer to note 9 in the financial statements in the Results Announcement 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

14 March 2019, Hong Kong - Swire Properties Limited today announced its final results for 2018. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by 30% 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 for the full year increased by 9%.

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.

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.

In his published statement about the results for 2018, Merlin Swire, Chairman of Swire Properties said this about 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.”

Mr Swire added, “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.”

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About Swire Properties

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

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

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