# 2018 Final Results | Analyst Briefing

14th March 2019

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# Agenda

**Speakers : Guy Bradley, Chief Executive and Fanny Lung, Finance Director**

1. Results Highlights
2. Financial Highlights
3. Hong Kong Portfolio
4. Mainland China Portfolio
5. U.S.A. Portfolio
6. Hotel Portfolio
7. Financing
8. Prospects
9. Q&A

# 2018 Final Results Highlights

- Strong growth in underlying profit reflecting a double-digit growth in recurring profit from property investment and profits from sales of non-core properties.
- An expanding investment properties portfolio supporting growth in recurring profit and sustainable dividends.
- In a strong financial position to pursue growth opportunities.

^30% y-y

**Underlying Profit**

HK$ **10,148** M

^9% y-y

**Dividend per Share**
(2018 Full Year)

HK$ **0.84**

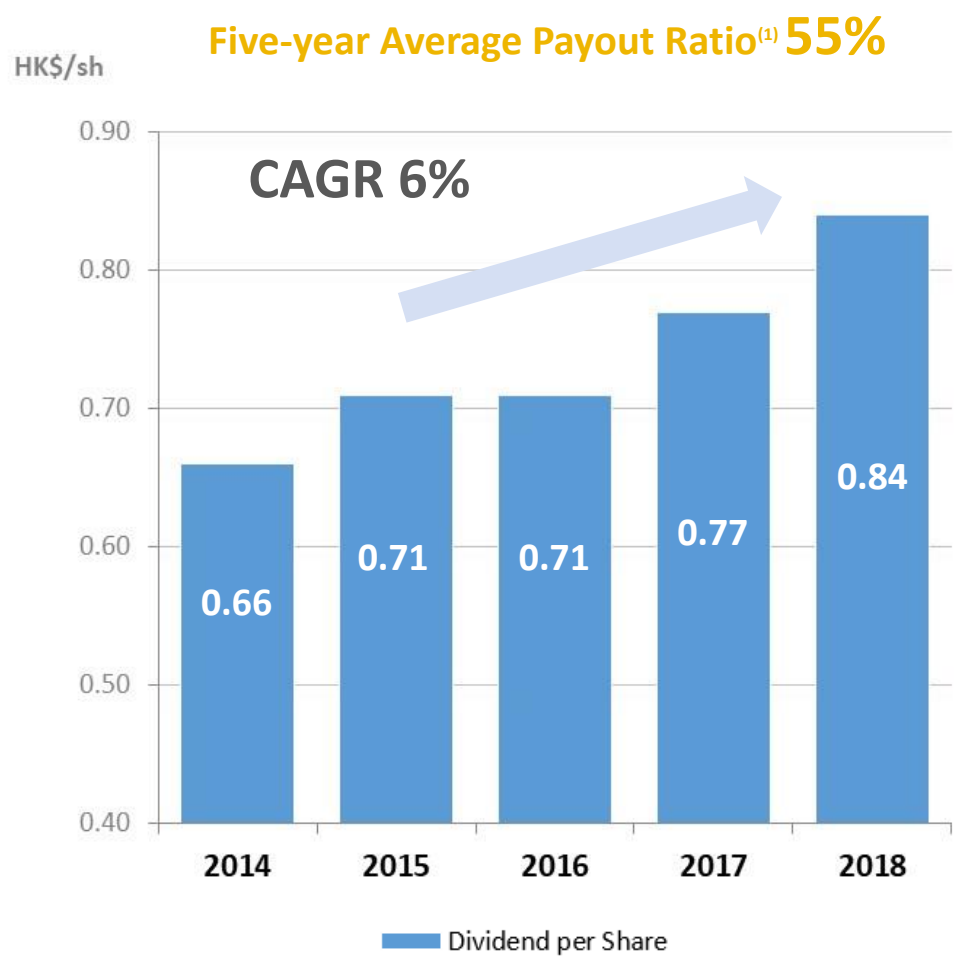
^9% y-y

**Equity Attributable to Shareholders**

HK$ **47.74** per share

# Sustainable Growth in Dividends

## Dividend per Share




### ❑ Dividend Policy

To deliver sustainable growth in dividends and to pay out approximately half of our underlying profits in ordinary dividend over time.



*(1) Dividend payout ratio is calculated based on underlying profit.*

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# Key Developments in 2018

## Major Asset Disposals

### Cityplaza Three and Cityplaza Four properties

- Conditionally agreed to sell for HK$15bn in June.

### Kowloon Bay Office Building

- Sale of project company completed in June.

## Project Completions

### One Taikoo Place

- Became fully let in November.

### South Island Place

- Completed in August.

### The Middle House

- Officially opened in May.

## New Project Updates

### Taikoo Li Qiantan

- Acquisition of 50% interest completed in March.

### Other projects progressing

- Po Wah Building, 1-11 Landale Street and 2-12 Anton Street.
- Wah Ha Factory Building and Zung Fu Industrial Building.
- 983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay.
- Chai Wan Inland Lot No.88.

### Sustainable Development

- Swire Properties was the only company from Hong Kong and Mainland China to be a constituent of the Dow Jones Sustainability World Index for the second consecutive year.



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# Project Pipeline Expanded

## ❑ Strong financial position to pursue synergistic investment opportunities.

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 & After [5] |
|---|---|---|---|---|---|
| ❑ One Taikoo Place<br>❑ South Island Place | ❑ Tung Chung Town Lot No. 11<br>❑ Taikoo Li Sanlitun West | ❑ Taikoo Li Qiantan | ❑ Two Taikoo Place [1] | ❑ 21-31 Wing Fung Street | ❑ Po Wah Building, 1-11 Landale Street and 2-12 Anton Street<br>❑ Wah Ha Factory Building and Zung Fu Industrial Building [2]<br>❑ 983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay [3]<br>❑ Chai Wan Inland Lot No.88 [4] |

One Taikoo Place

Two Taikoo Place
Artist Impression

Taikoo Li Qiantan
Artist Impression

One Taikoo Place

South Island Place

Taikoo Li Sanlitun West
Artist Impression

Citygate Outlets

**Key:** Hong Kong Investment Properties  PRC Investment Properties  Trading Properties

*(1) Two Taikoo Place is expected to be completed in 2021 or 2022.*

*(2) Two sites in Hong Kong are intended for redevelopment for office and other commercial uses, subject to Swire Properties having successfully bid in the compulsory sale of the sites.*

*(3) This site can be redeveloped for residential and retail uses, subject to a joint venture company in which Swire Properties holds a 50% interest having successfully bid in the compulsory sale and in accordance with applicable town planning controls.*

*(4) A joint venture company in which Swire Properties holds an 80% interest is negotiating land exchange terms with the Hong Kong government for this residential development.*

*(5) Excluding future development at Brickell City Centre in Miami.*



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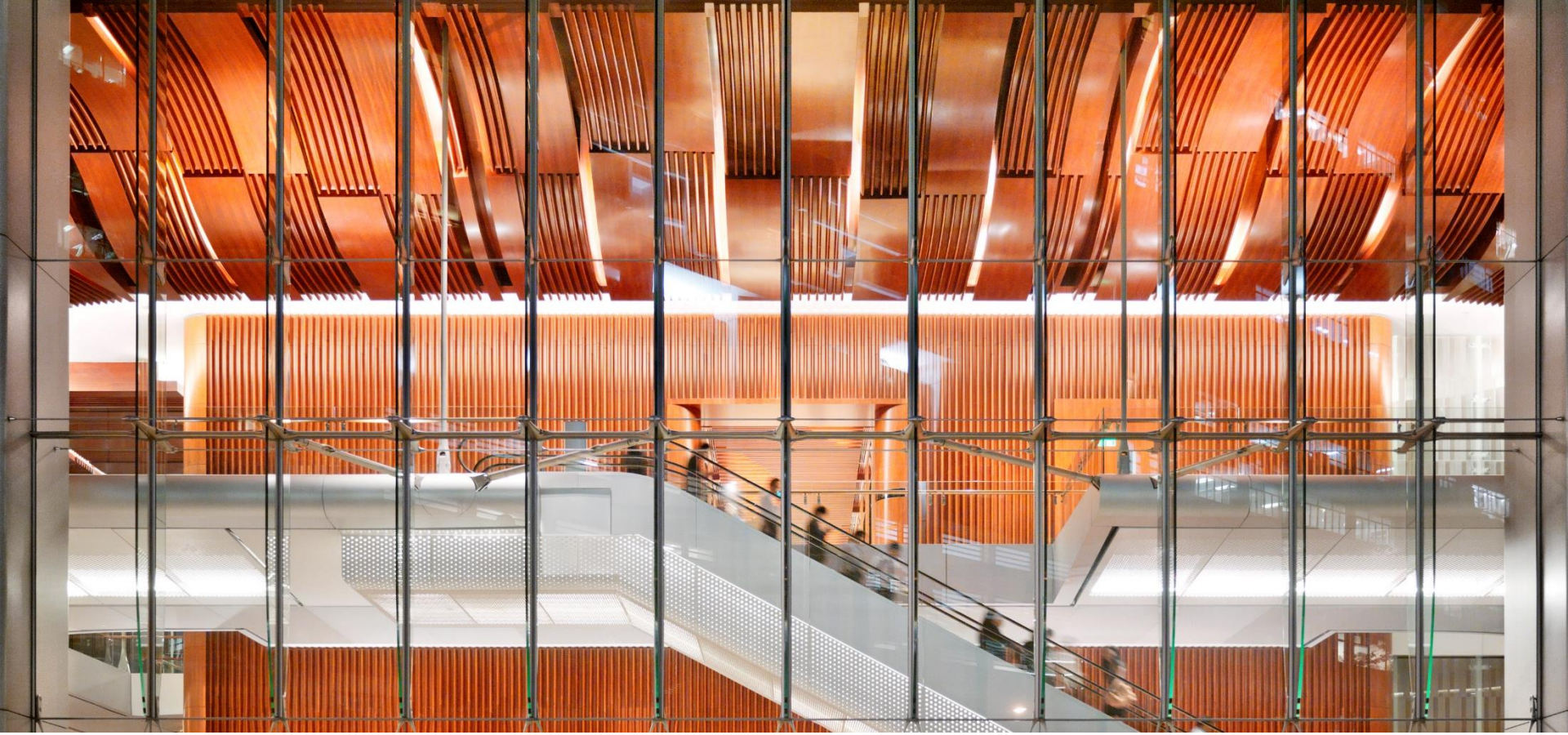

# Financial Highlights

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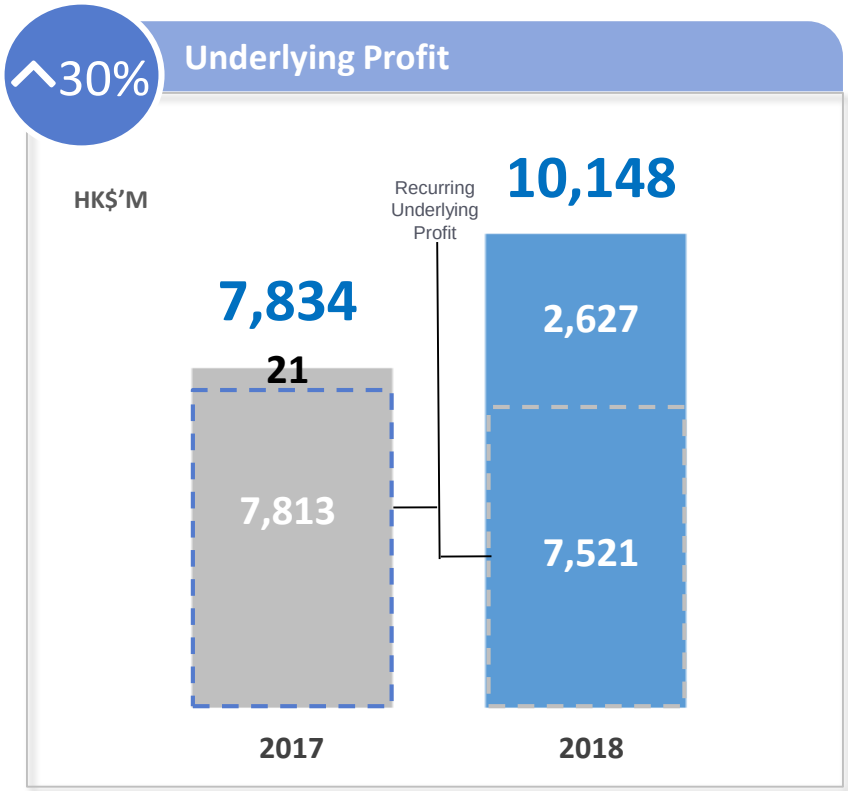
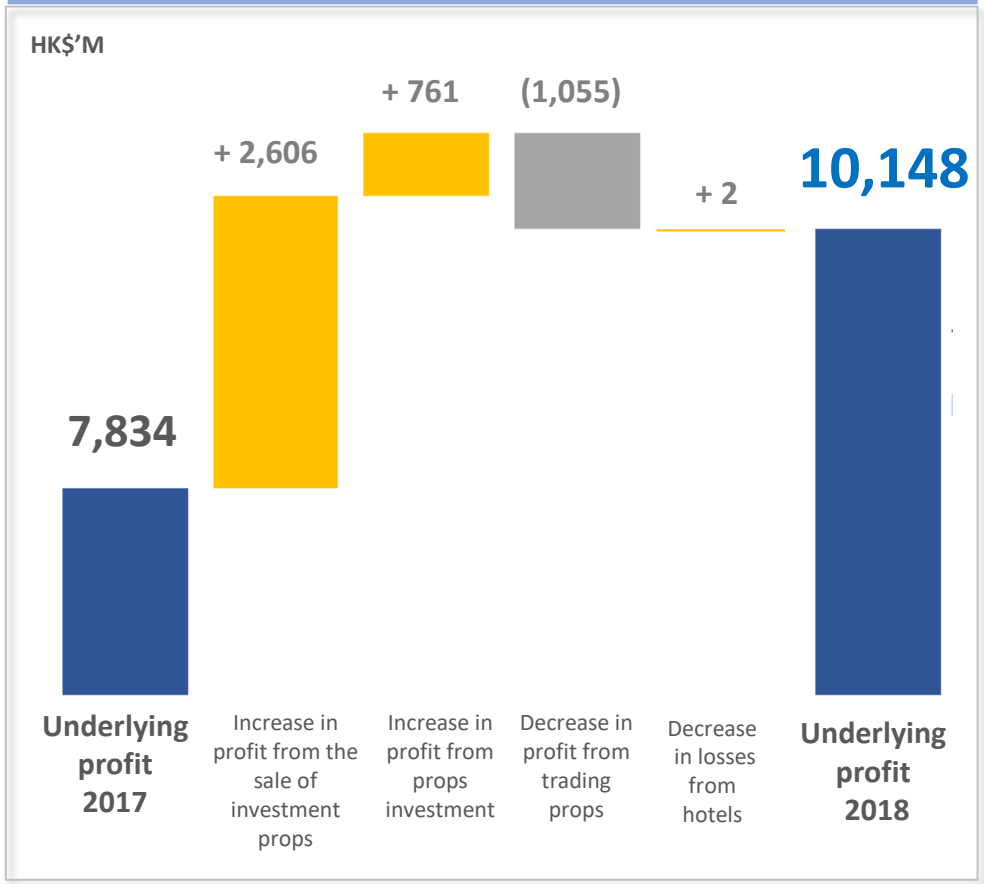
# Strong Growth in Underlying Profit

## Underlying Profit




## Movement in Underlying Profit




| Underlying Profit by Segment (HK$M) | FY 2017 | FY 2018 | Change |
|---|---|---|---|
| Property investment | 6,702 | **7,463** | ^ 11% |
| Property trading | 1,154 | **99** | v 91% |
| Hotels | (43) | **(41)** | n.m. |
| Sale of interests in investment properties | 21 | **2,627** | n.m. |
| **Total** | **7,834** | **10,148** | **^ 30%** |

- **Recurring underlying profit v 4%** to HK$ 7,521 M principally reflected a decrease in profit from property trading while profit from property investment increased by 11%.

*(1) 2018 Final Results Summary is included in the Appendix.*



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# Rental Income – Accelerated Growth

## HK Office ^ 4%

- Positive rental reversions and firm occupancy.
- One Taikoo Place opened in Q4 2018.

## HK Retail ^ 6%

- Almost fully let throughout 2018.
- Positive retail sales growth at all three malls.

## PRC Props ^ 20%

- Positive rental reversions and improved occupancy.
- In RMB terms, this represents a rental growth of 17%.

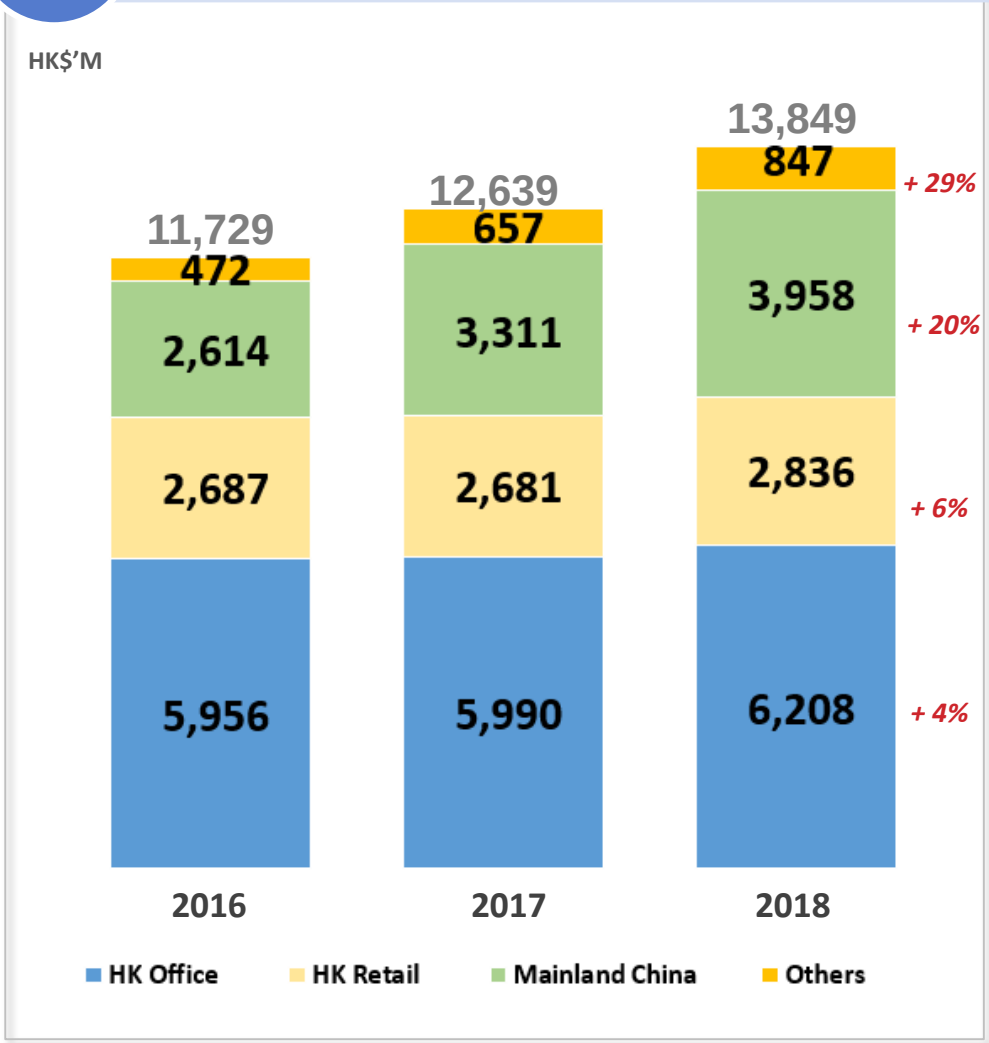
## Others ^ 29%

- Gross rental income in the U.S.A. almost doubled mainly because more shops were open at the shopping centre at Brickell City Centre.

^10%

**Attributable Gross Rental Income (1)**

HK$ 13,849 M

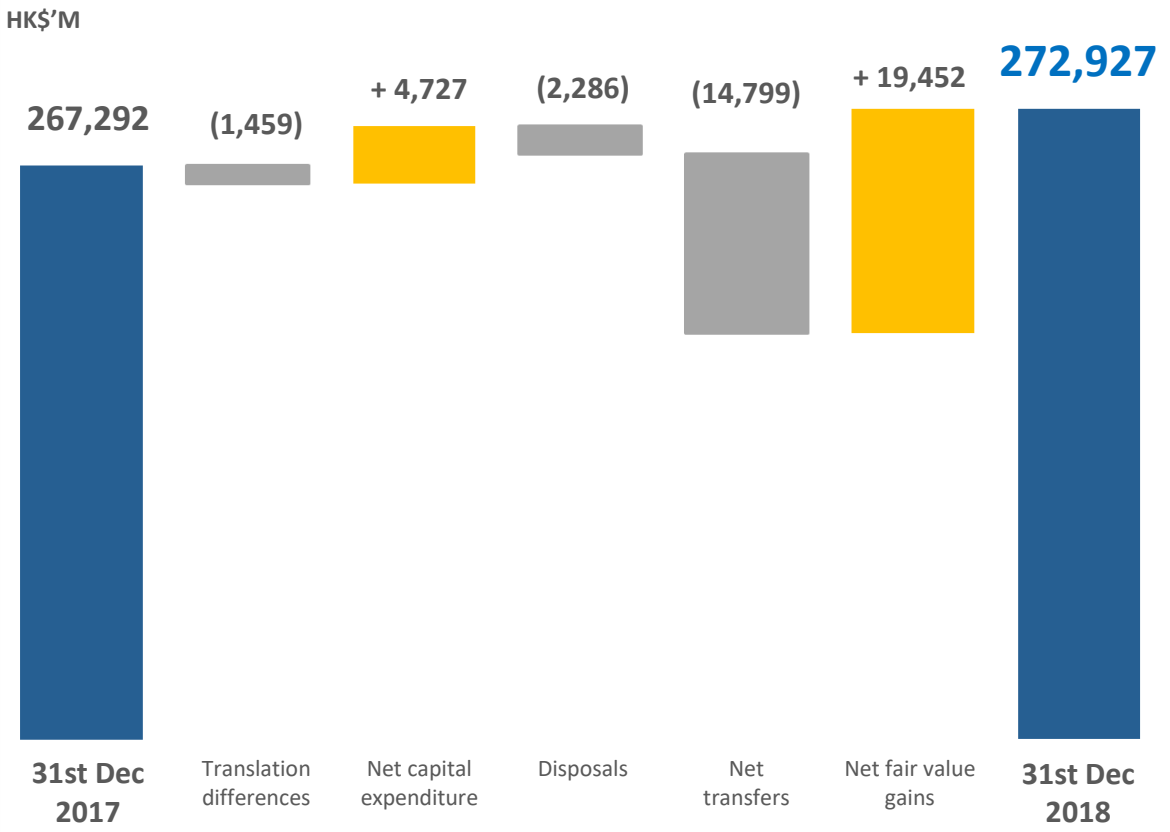



(1) *Reported gross rental income (excluding rental contributions from JVCs and associates) was HK$ 5,876 M for Hong Kong office portfolio, HK$ 2,755 M for Hong Kong retail portfolio and HK$ 2,567 M for investment properties in Mainland China.*

# Movement in Investment Properties

## Movement in Investment Properties[1]

*(excl. hotels & investment properties held under JVCs)*




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, partially offset by the transfer of Cityplaza Three and Cityplaza Four properties to assets held for sale.

^2%

**Investment Props. Valuation** (2018)

HK$ 272,927 M

*(1) Valuation before initial leasing costs is shown above.*



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# Hong Kong Portfolio

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# HK Office – Strong Performance Continued

## Pacific Place

2.2 M sq ft GFA

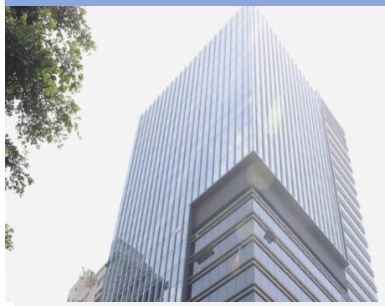
| | |
|---|---|
| Occupancy | 100% |
| Rental Reversion [1] | +26% |
| Latest Rentals (HK$psf) | One/Two PP: 130 – 165<br>Three PP: 115 – 125 |

## One Island East & One Taikoo Place — TKP office towers

5.7 M sq ft GFA

| | | |
|---|---|---|
| Occupancy | 99% | 99% |
| Rental Reversion [1] | +7% [3] | +6% |
| Latest Rentals (HK$psf) | mid 50s to low 70s | high 40s to mid 50s |

## South Island Place



| | |
|---|---|
| GFA (M sq ft) | 0.4 |

## Cityplaza [2]

| | |
|---|---|
| GFA (M sq ft) | 0.6 |
| Occupancy | 99% |
| Rental Reversion [1] | +6% |
| Latest Rentals (HK$psf) | mid 40s to high 40s |

**Attributable Valuation** (vs 2017) ^13%

HK$ 169.1 bn

*(1) Reversion is the percentage change in rent on lease renewals, entry into new leases and rent reviews.*
*(2) Excluding Cityplaza Three and Cityplaza Four. Swire Properties Limited entered into a conditional sale and purchase agreement on 15th June 2018 for the sale of Swire Properties Limited's 100% interest in a subsidiary which owns the Cityplaza Three and Cityplaza Four properties.*
*(3) Excluding One Taikoo Place, which was completed in September 2018.*
*(4) Occupancy at 31st December 2018. GFA based on 100% basis.*



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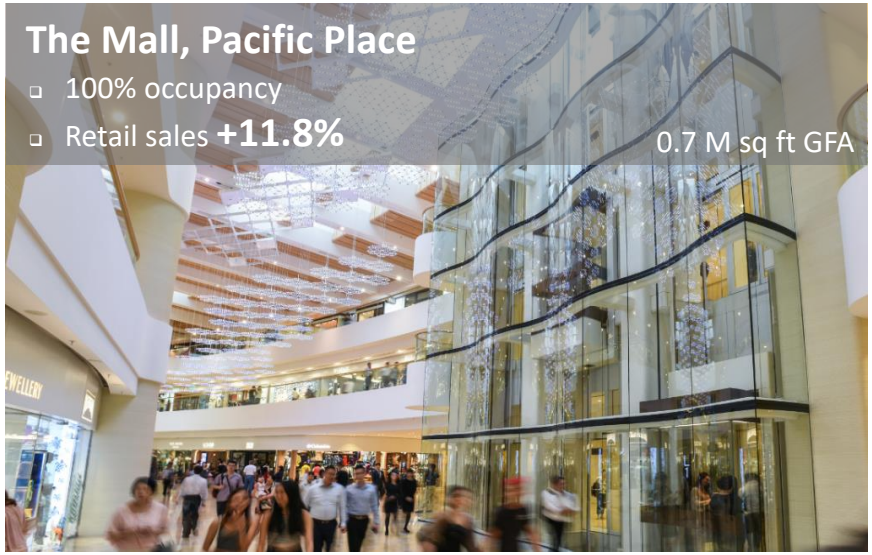
# HK Retail – Increased Retail Sales



## The Mall, Pacific Place

- 100% occupancy
- Retail sales **+11.8%**

0.7 M sq ft GFA

## Cityplaza

- 100% occupancy
- Retail sales **+5.6%**

1.1 M sq ft GFA

## Citygate Outlets

- 100% occupancy
- Retail sales **+4.3%** (1)

0.5 M sq ft GFA

- The extension to Citygate Outlets is expected to be completed in the summer of 2019.

**^ 3%** **Attributable Valuation** (vs 2017) HK$ **48.3** bn

*(1) Excluding area closed for renovation and upgrading works during the year.*
*(2) Occupancy at 31st December 2018.*



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# One Taikoo Place and South Island Place Opened

## One Taikoo Place

- 100% occupancy
- Completed in September 2018.

~ 1 M sq ft GFA

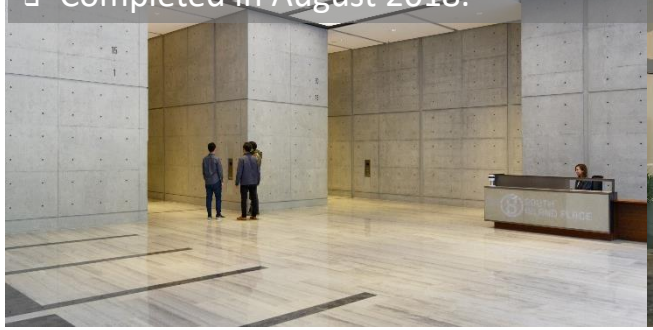
### Office Tenants

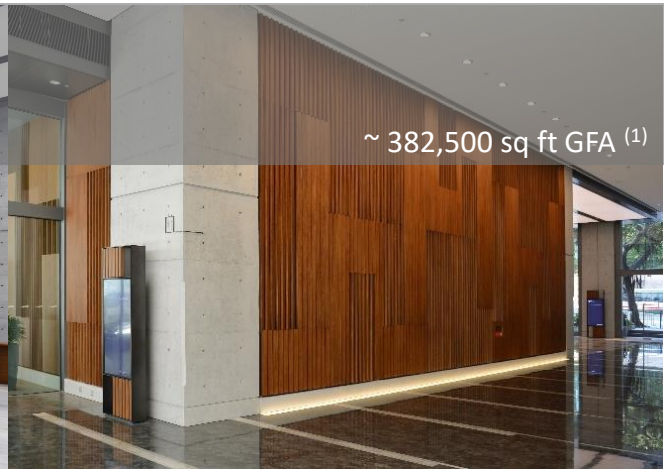
- AXA Investment Managers
- Baker McKenzie
- Boston Consulting Group
- EY
- Eversheds Sutherland
- Facebook
- Interpublic Group
- Kering
- Royal Bank of Canada
- The Great Room

## South Island Place (50% owned)

- 73% occupancy [2]
- Completed in August 2018.

~ 382,500 sq ft GFA [1]





### Office Tenants

- KPMG
- SCMP
- Fleet Management

(1) *GFA based on 100% basis.*
(2) *Taking into account letters of intent.*

# Continuing Transformation of Existing Projects

## 2019 Tung Chung Town Lot No.11

- 20% owned.
- Fitting out works are in progress.
- Retail portion expected to be completed in the summer of 2019.

**~ 474,000 sq ft GFA**

## 2021/2022 Two Taikoo Place

- 100% owned.
- Foundation works are in progress.

**~ 1M sq ft GFA**

## 2022 21-31 Wing Fung Street

- 100% owned.
- Redevelopment into a residential block with a retail podium.
- Foundation works are in progress.

**~ 34,000 sq ft GFA**

## 2023 Po Wah Building, 1-11 Landale Street and 2-12 Anton Street

- 100% owned.
- Office redevelopment.

**~ 218,000 sq ft GFA**

## TBD Wah Ha Factory Building and Zung Fu Industrial Building [1]

- Redevelopment for office and other commercial uses.
- Compulsory sale applications submitted in February 2018.

**~ 779,000 sq ft GFA**

## TBD 983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay [1]

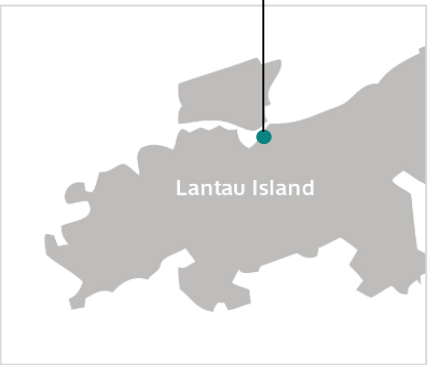
- 50% owned.
- Redevelopment for residential and retail uses.
- Compulsory sale application submitted in October 2018.

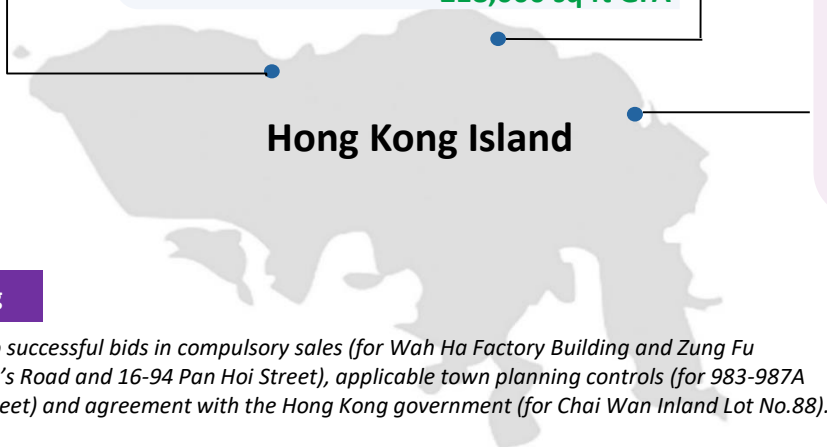
**~ 400,000 sq ft GFA**

## TBD Chai Wan Inland Lot No.88 [1]

- 80% owned.
- Residential development.
- General building approvals received in August and October 2018.
- Negotiation on land exchange terms with HK government in progress.

**~ 694,000 sq ft GFA**




Investment Properties

| Office | Retail-Led | Trading |
|---|---|---|

(1) *Proposed developments subject to successful bids in compulsory sales (for Wah Ha Factory Building and Zung Fu Industrial Building, 983-987A King's Road and 16-94 Pan Hoi Street), applicable town planning controls (for 983-987A King's Road and 16-94 Pan Hoi Street) and agreement with the Hong Kong government (for Chai Wan Inland Lot No.88).*



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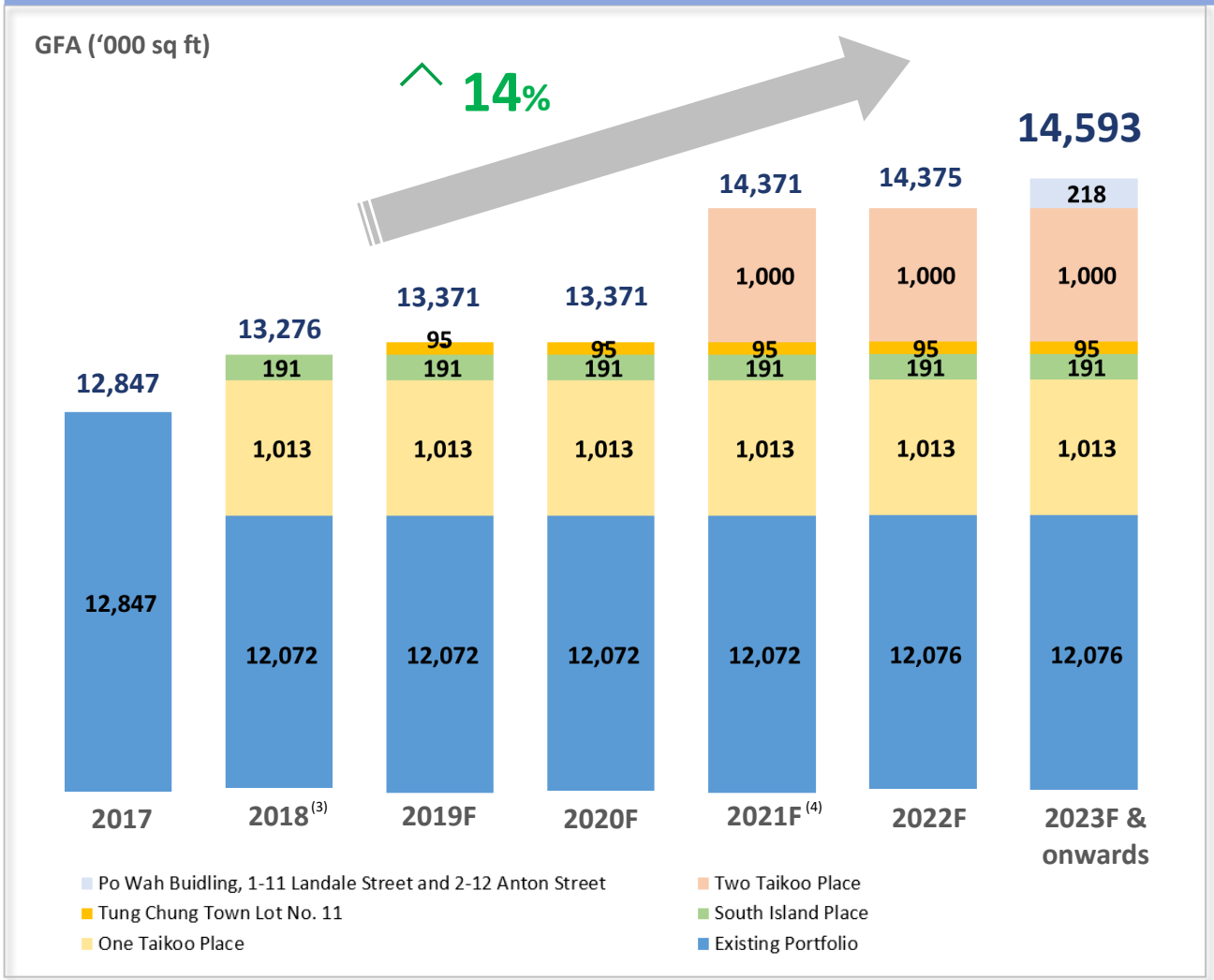
# Hong Kong Portfolio – Project Pipeline Extended

## Expected Attributable GFA of Completed Property Portfolio in Hong Kong [1][2]




### Other

**Wah Ha Factory Building and Zung Fu Industrial Building Building**

- Compulsory sale applications submitted in February 2018.

**~ 779,000 sq ft GFA**

**14.6 M sq ft** **Exp. Attributable Completed GFA[1]** (Investment Props)

*(1) Includes GFA of the hotels and excludes the two sites (Wah Ha Factory Building and Zung Fu Industrial Building) which are under compulsory sale applications.*

*(2) At 31st December 2018.*

*(3) The lower attributable GFA of the existing portfolio in 2018 primarily reflected the transfer of Cityplaza Three and Cityplaza Four properties to assets held for sale.*

*(4) Two Taikoo Place is expected to be completed in 2021 or 2022.*



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# Mainland China Portfolio

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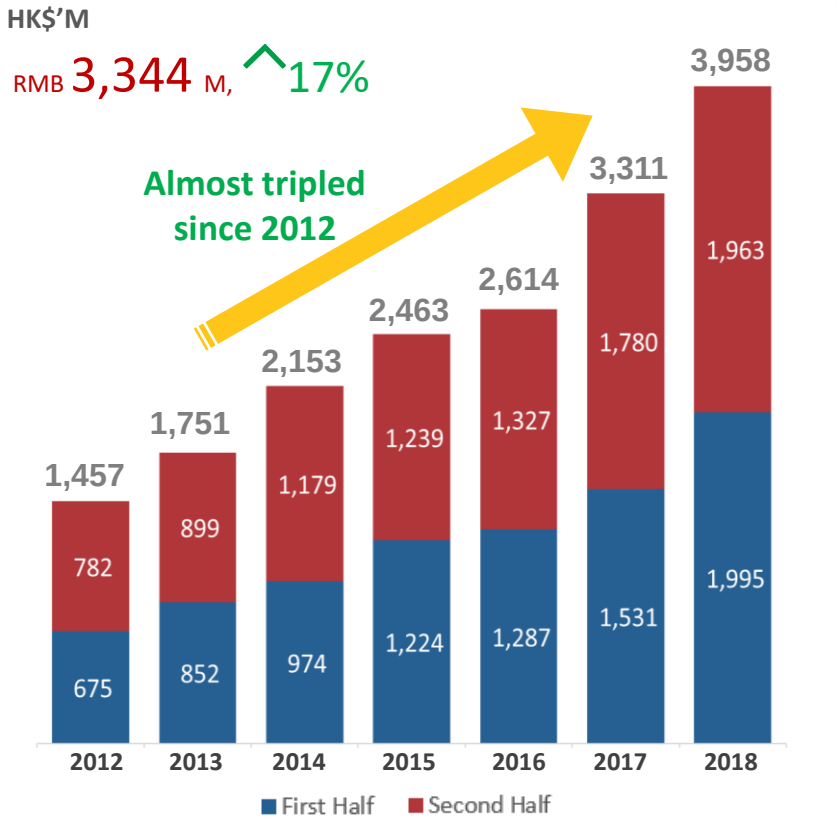
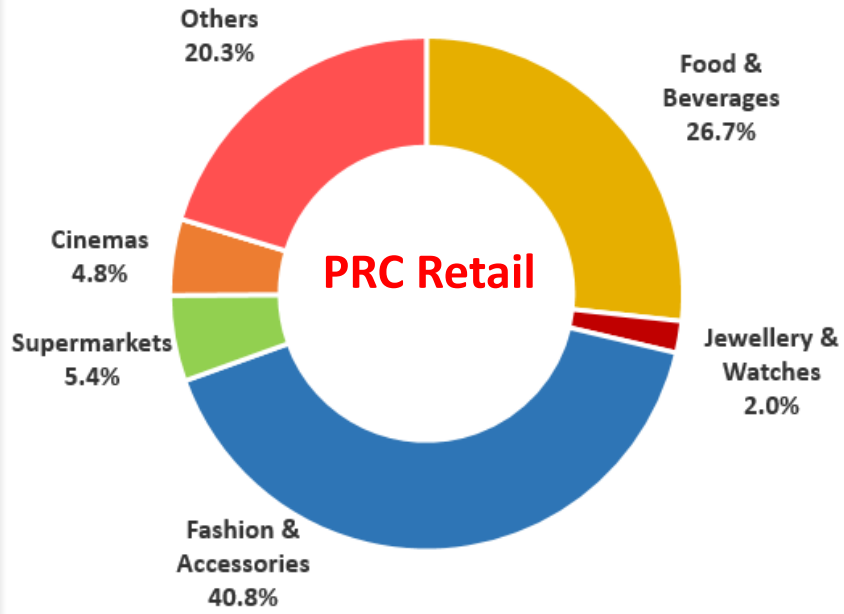
# Mainland China Portfolio – Robust Growth in Rental

## Attributable Gross Rental Income [1]




## Retail Tenant Mix [2]




- Attributable gross rental income from Mainland China contributed 29% of the Group's total in 2018.

^20% PRC Attributable Gross Rental Income (vs 2017)
HK$ 3,958 M

(1) *Reported gross rental income (excluding rental contributions from JVCs and associates) was HK$ 2,567 M.*
(2) *At 31st December 2018.*



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# Mainland China – Good Momentum from Both Retail and Office

## Mainland China Portfolio [1]

**5** Projects Completed

### Taikoo Li Sanlitun

| Retail Sales | Occupancy |
|---|---|
| +10.8% | 100% Retail |

Year of Opening : 2008/2010

### INDIGO

| Retail Sales | Occupancy | |
|---|---|---|
| +0.3% | 99% Retail | 97% Office |

Year of Opening : 2011/2012

### HKRI Taikoo Hui

| Retail Sales | Occupancy [4] | |
|---|---|---|
| N/A | 97% Retail | 98% Office |

Year of Opening : 2016/2017

### Sino-Ocean Taikoo Li

| Retail Sales | Occupancy |
|---|---|
| +21.5% | 99% Retail |

Year of Opening : 2014

### Taikoo Hui

| Retail Sales | Occupancy | |
|---|---|---|
| +11.4% | 100% Retail | 99% Office |

Year of Opening : 2011

(1) *Excluding Pinnacle One which was developed for trading purposes and Taikoo Li Qiantan.*
(2) *Retail sales growth quoted in RMB.*
(3) *Occupancy at 31st December 2018.*
(4) *Taking into account letters of intent.*



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# Mainland China Project Pipeline – Third Taikoo Li Announced

## Taikoo Li Sanlitun West, Beijing

- Refurbishment as an extension to Taikoo Li Sanlitun.
- Expected completion later in 2019.

**~ 296,000 sq ft GFA**

## Taikoo Li Qiantan, Shanghai

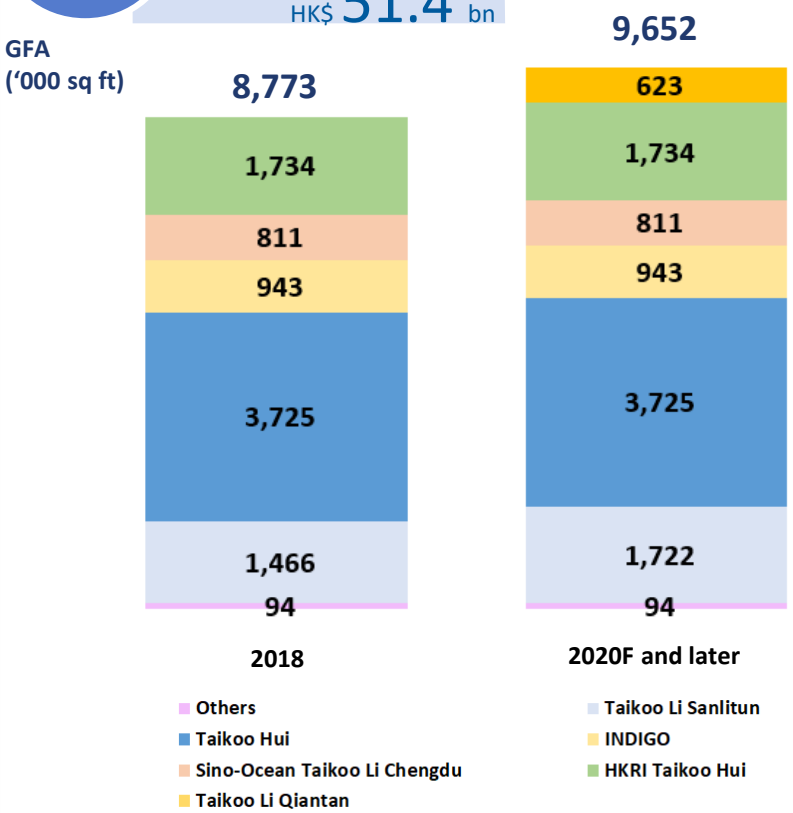
- 50%-owned; a low-rise retail development.
- Construction in progress.
- Expected completion in 2020.

**~ 1,250,000 sq ft GFA** (3)

## Attributable GFA of PRC Completed Property Portfolio (1)(2)

**9.7** M sq ft — **Expected Attri. Completed GFA** (1) (Investment Props)

**^ 5%** — **Attri. Valuation** (Investment Props, vs 2017) HK$ **51.4** bn




(1) *Includes GFA of the hotel but excludes GFA of car parks at these projects at 31st December 2018.*
(2) *Excludes Pinnacle One, which was developed for trading purposes.*
(3) *GFA on 100% basis.*



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# U.S.A. Portfolio

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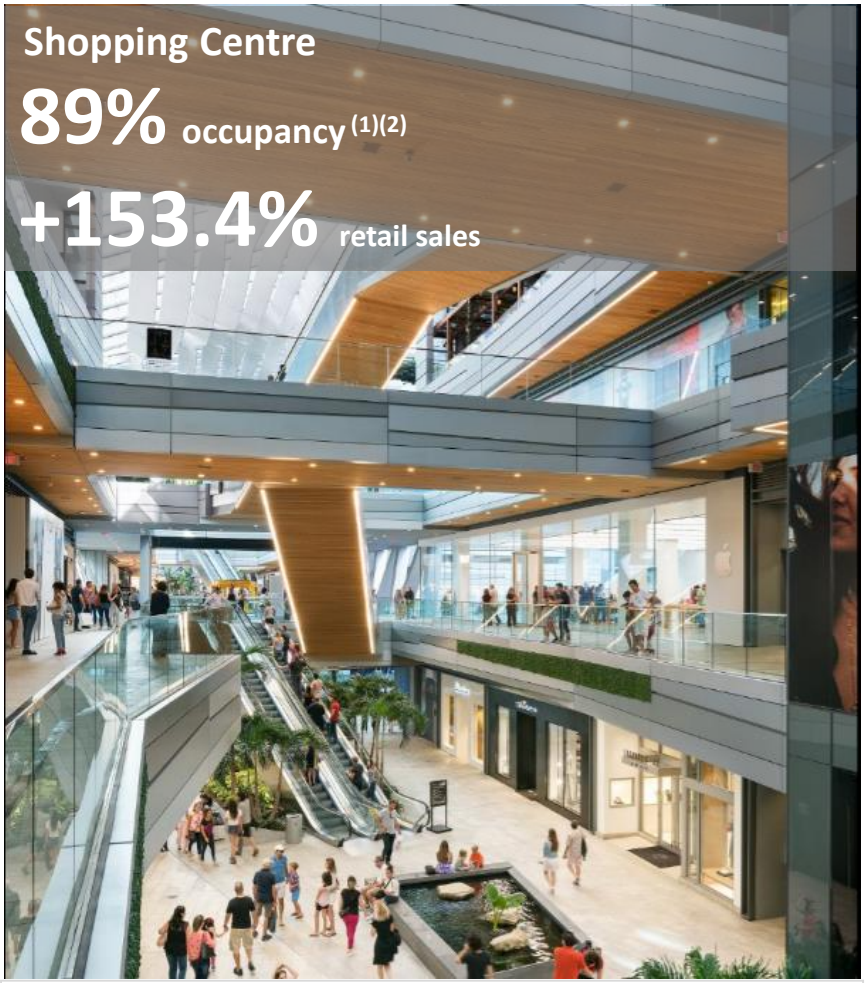
# Brickell City Centre, Miami – Rising Retail Sales and Rental Income



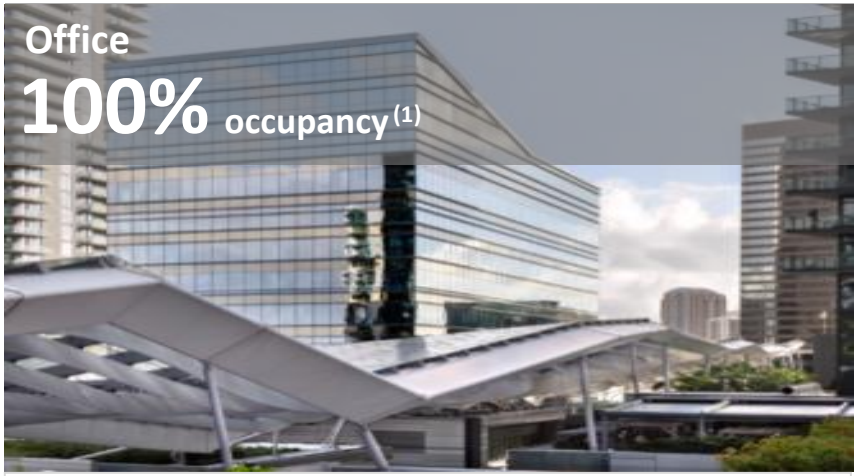
## Shopping Centre

**89%** occupancy [1][2]

**+153.4%** retail sales

## Retail Tenants

- Saks Fifth Avenue
- Apple
- Zara
- CMX The VIP Cinema
- La Centrale Italian Food Hall



## Office

**100%** occupancy [1]

## Office Tenants

- WeWork
- Akerman
- KPMG
- McKinsey&Company
- Bloomberg
- Interaudi Bank

**Reach** **93%** or **363** units sold [3]

Avg Price : mid US$600s psf [4]

**Rise** **66%** or **258** units sold [3]

Avg Price : high US$600s psf [4]

## Profit Recognition

Reach - 2 units (2018)

Rise - 35 units (2018)

*(1) At 31st December 2018.*

*(2) Taking into account letters of intent.*

*(3) At 12th March 2019. The profit from the sale of two of these units from Reach and 24 of these units from Rise is expected to be recognised in 2019.*

*(4) Average selling price is based on saleable area.*



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# Hotel Portfolio

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# Hotel Portfolio – Performance Continued to Improve

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# Financing

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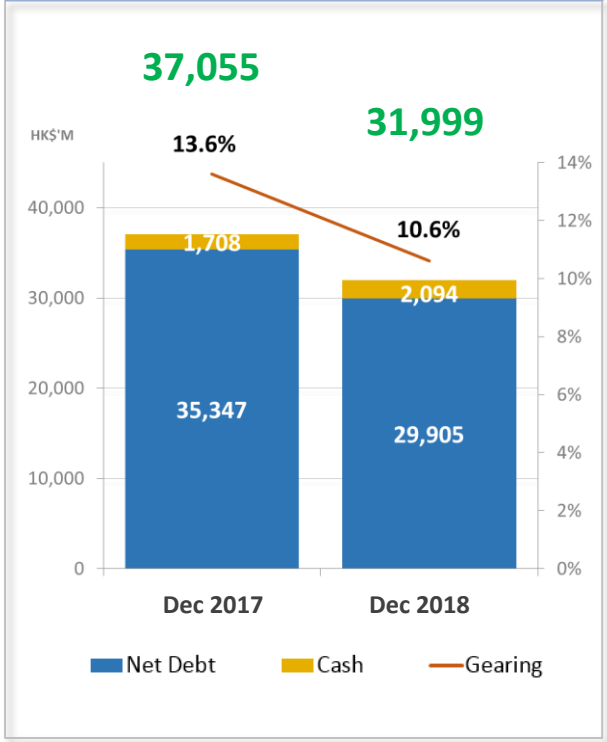
# Net Debt and Gearing

| Net Debt Reconciliation (HK$ M) | | | |
|---|---|---|---|
| **Net debt at 31st December 2017** | | | **(35,347)** |
| Net rental and fee receipts | **9,907** | | |
| Proceeds from property trading / development | **1,125** | | |
| Net proceeds after development cost for NKIL 6312 [(1)] and others | **9,682** | | |
| Capex – PP&E and property investment | | **(4,054)** | |
| Development costs – property trading | | **(227)** | |
| Net investments in JVCs and Associates | | **(2,882)** | |
| Dividends from JVCs and Associates | **153** | | |
| Net interest paid | | **(1,062)** | |
| Tax paid | | **(1,427)** | |
| Dividends paid to the Company's shareholders | | **(4,622)** | |
| Other operating items | | **(1,151)** | |
| **Sub-total** | **20,867** | **(15,425)** | **5,442** |
| **Net debt at 31st December 2018** | | | **(29,905)** |

| Financial Ratios | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Total equity (HK$ M) | 208,547 | 217,949 | 227,225 | 259,378 | **281,291** |
| Net debt (HK$ M) | 34,071 | 33,348 | 35,377 | 35,347 | **29,905** |
| Gearing | 16.3% | 15.3% | 15.6% | 13.6% | **10.6%** |
| Underlying interest cover (x) | 7.6 | 7.8 | 8.9 | 10.7 | **12.6** |
| Underlying cash interest cover (x) | 5.6 | 5.9 | 6.3 | 7.5 | **9.7** |
| Weighted average cost of debt (on gross debt basis) | 4.3% | 4.1% | 3.7% | 3.5% | **3.3%** |

## Gearing




Highlights

HK$ 29,905 M
Net Debt

10.6%
Gearing

(1) *NKIL 6312 refers to New Kowloon Inland Lot 6312.*



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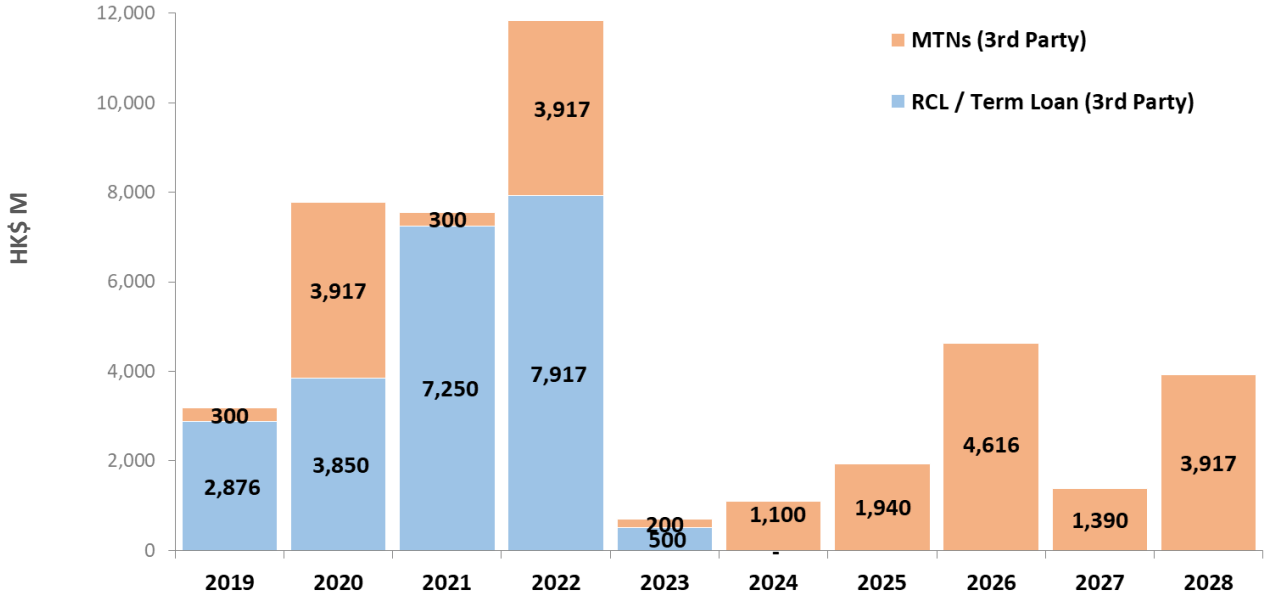
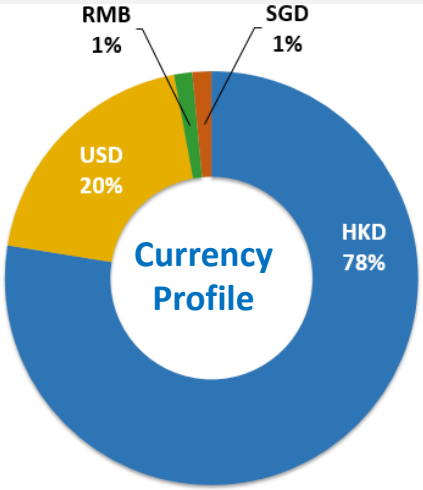
# Maturity Profile & Liquidity

## Maturity Profile of Available Committed Facilities (at 31st December 2018)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **43,990** | 3,176 | 7,767 | 7,550 | 11,834 | 700 | 1,100 | 1,940 | 4,616 | 1,390 | 3,917 |
| **Drawn** | **31,937** | 998 | 6,967 | 2,825 | 7,984 | 200 | 1,100 | 1,940 | 4,616 | 1,390 | 3,917 |




| HK$M | Dec 2017 | Dec 2018 |
|---|---|---|
| Cash | 1,708 | **2,094** |
| Undrawn - committed | 10,561 | **12,053** |
| | 12,269 | **14,147** |
| Undrawn - uncommitted | 804 | **858** |
| | 13,073 | **15,005** |




- Major financing activities in 2018:
  - Issued first green bond in January 2018, raising US$ 500 M for 10 years at a coupon rate of 3.5%.
  - Refinancing of a revolving loan facility of US$ 300 M.

**Fixed : Floating**
**75% : 25%**

**Available Committed Facilities**
**HK$ 43,990 M**

**Credit Rating**
**Fitch "A"**
**Moody's "A2"**

**Cash & Undrawn Committed Facilities**
**HK$ 14,147 M**



SWIRE PROPERTIES

# Capital Commitments

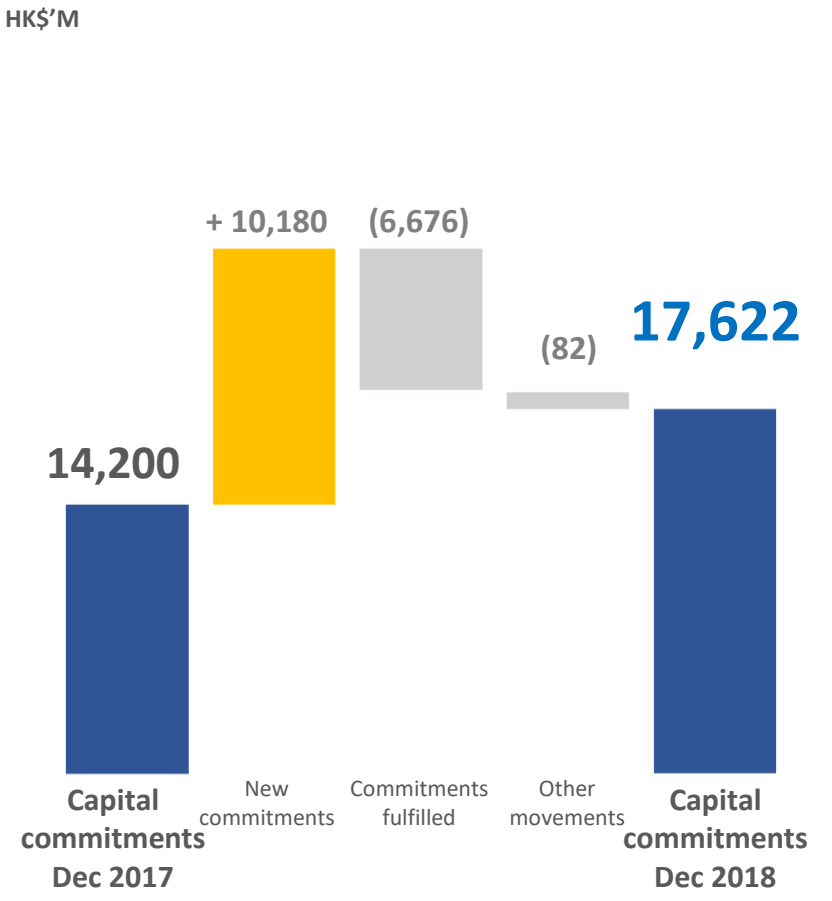
## Profile of Capital Commitments for Investment Properties and Hotels – at 31st December 2018

| HK$'M | Expenditure | Forecast Expenditure | | | | Commitments* |
|---|---|---|---|---|---|---|
| | **2018** | 2019 | 2020 | 2021 | 2022 & later | **At 31st Dec 2018** |
| 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** |

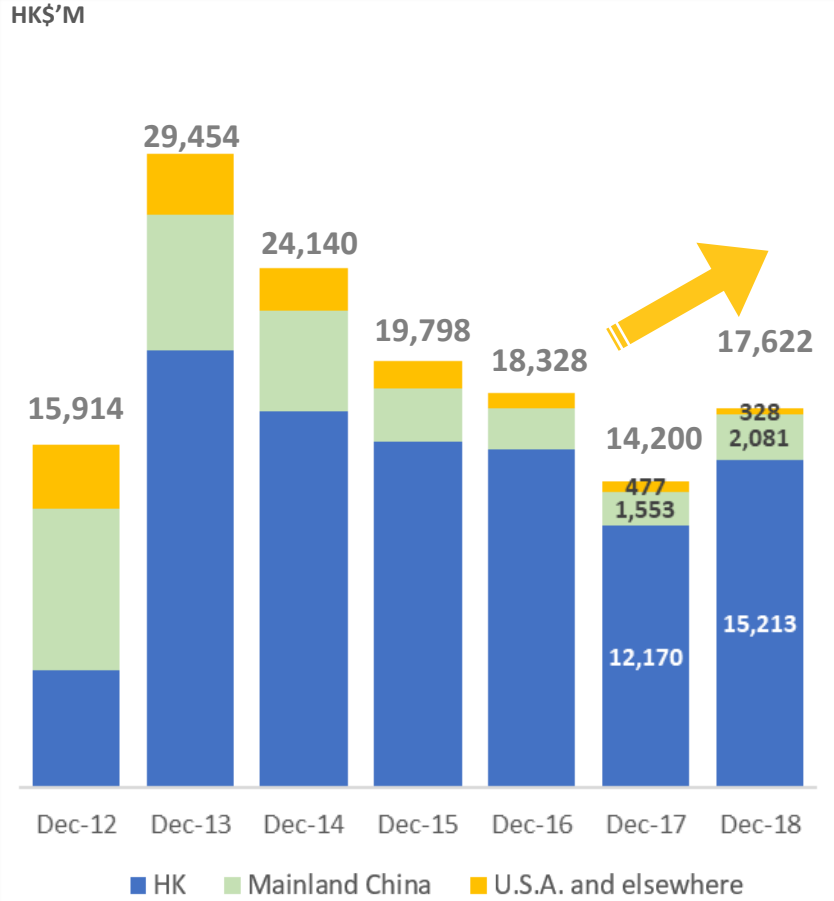
* *The capital commitments represent the Group's capital commitments of HK$ 15,871 M plus the Group's share of the capital commitments of joint venture companies of HK$ 1,751 M. The Group was committed to funding HK$ 464 M of the capital commitments of joint venture companies.*

# Increased Capital Commitments

## Movement in Capital Commitments




## Historical Profile of Capital Commitments [1]




- New commitments principally arise from the Taikoo Li Qiantan in Shanghai and the redevelopment of two sites [2] in Quarry Bay in Hong Kong.

(1) *For investment properties and hotels at year ends.*
(2) *Wah Ha Factory Building and Zung Fu Industrial Building which are under compulsory sale applications.*

# Strong Cash Flow from Capital Recycling

## Disposal Proceeds and Underlying Profit on Disposal (1)

| | Disposal Proceeds | | | |
|---|---|---|---|---|
| **Asset Disposals (HK$'bn)** | **Before 2018** | **2018** | **2019** | **Total** |
| Kowloon Bay Office Building | 1.3 | 5.2 | - | 6.5 |
| Cityplaza Three & Cityplaza Four | - | 3.0 | 12.0 | 15.0 |
| Other non-core properties in Hong Kong (2) | - | 2.0 | 1.7 | 3.7 |
| **Total** | **1.3** | **10.2** | **13.7** | **25.2** |



(1) *Underlying profit on sale of interests in investment properties of HK$ 2,627 M was recognised in 2018.*
(2) *Only includes asset disposals closed or committed in 2018.*

# Prospects

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# Prospects

## Hong Kong

- High occupancy and limited supply are expected to underpin office rents at Pacific Place while high occupancy and strong demand are expected to result in office rents at our Taikoo Place developments being resilient.
- Retail sales are expected to remain stable in 2019.
- Rental demand for our residential investment properties is expected to be stable in 2019.

## Mainland China

- Office rents in central business districts are expected to increase slightly in Guangzhou, to be resilient in Jing'an, Shanghai and to come under pressure in Beijing in 2019 reflecting the supply-demand dynamics in the respective markets.
- Retail sales are expected to grow steadily 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. Demand for luxury, fashion and lifestyle brands and for F&B is expected to be solid in Beijing. Demand for retail space from international retailers and F&B operators is strong in Guangzhou.

## Miami, U.S.A.

- Retail sales are increasing steadily. Demand for retail space in the metropolitan area is correspondingly steady.
- The supply of new Grade-A office space in the central business district and the Brickell area is low and demand is firm.
- Demand for condominiums is expected to continue to be affected by weak South American economies and the relative strength of the US dollar.

## Across Regions - Hotels

- Stable trading conditions are expected for our existing hotels in 2019.
- New hotels in Shanghai are expected to continue to build up occupancy.

# Sustainable Development (SD) 2030 Strategy: 2018 Highlights

## Performance (Economic)

### Green Financing

Issued first green bond US$500 million with **Approximately 80% of the proceeds from the bond have been allocated**, mainly to the development of green buildings and energy efficiency projects.

First Green Bond Report published

### Disclosure & Reporting

Excellent performance in SD benchmarks and indices

## People

### Talent Retention

**>128,000** training hours delivered
**22** training hours/employee/year

### Safety, Health and Wellbeing

Lost Time Injury Rate ("LTIR"): **1.47**

### Diversity & Inclusion ("D&I")

Adopted D&I Policy

Developing flexible working policy and guidelines, which are expected to be published in 2019

### Volunteering

**>8,400** volunteer service hours in our Community Ambassador Programme

## Places

**10 years** of creative transformation in Taikoo Li Sanlitun, Beijing

Completion of One Taikoo Place

Built to the highest sustainability standard: **LEED Platinum**, **BEAM Plus Platinum** and **WELL Platinum**

## Partners

### Suppliers

Full implementation of Supplier Code of Conduct in Hong Kong and Mainland China

**HK$ 217 million** of Green Procurement spending

### Tenants

Updated sustainability guidelines for office and retail tenants, which are expected to be implemented in 2019

Launched Green Kitchen Award programme

**8.6 million kWh** potential annual energy savings from free energy audits for Hong Kong & Mainland China tenants (since 2008)

## Performance (Environment)

### Climate Change

Adopted Climate Change Policy

**Carbon Intensity**

| HK Portfolio | Mainland Portfolio |
|---|---|
| ↓ 25% | ↓ 20% |

### Energy

**Energy reduction**

| HK Portfolio | Mainland Portfolio |
|---|---|
| ↓ 56.9M kWh/year | ↓ 17.5M kWh/year |
| ↓ 25% | ↓ 19.8% |

### Waste

**Commercial waste diversion rate**

| HK Portfolio | Mainland Portfolio |
|---|---|
| 21% | 23% |

### Building/Asset Investment

**100%** of projects under development achieved the highest green building certification ratings

**92%** of all existing buildings are certified green buildings, among which **75%** achieved the highest ratings

Find out more about SD2030 @ swireproperties.com

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# Q & A

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# Appendix

# Key Business Strategies

1. Continue to create long-term value by conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas.
2. Maximise the earnings and value of our completed properties through active asset management and by reinforcing our assets through enhancement, redevelopment and new additions.
3. Continue with our luxury residential property activities.
4. Remain focused principally on Hong Kong and Mainland China.
5. Manage our capital base conservatively.

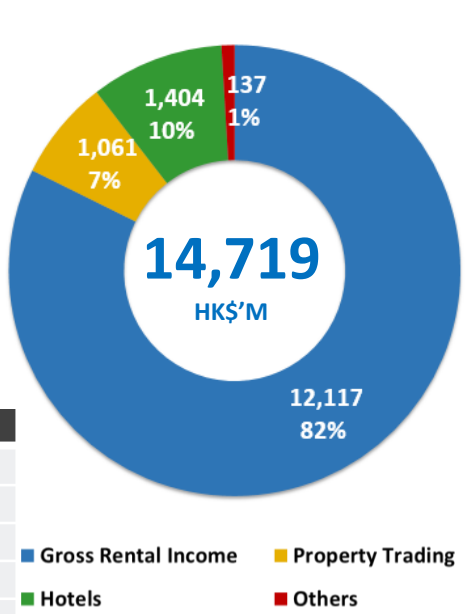
# 2018 Final Results Summary

| HK$M | FY 2017 | FY 2018 | Change |
|---|---|---|---|
| Revenue | 18,558 | **14,719** | ↓ **21%** |
| Valuation gains on investment properties | 25,463 | **19,452** | ↓ **24%** |
| Operating profit | 34,930 | **29,365** | ↓ **16%** |
| Underlying profit | 7,834 | **10,148** | ↑ **30%** |
| Recurring underlying profit | 7,813 | **7,521** | ↓ **4%** |
| Reported profit | 33,957 | **28,666** | ↓ **16%** |
| Underlying earnings per share *(HK$ per share)* | 1.34 | **1.74** | ↑ **30%** |
| Recurring underlying earnings per share *(HK$ per share)* | 1.34 | **1.29** | ↓ **4%** |
| Reported earnings per share *(HK$ per share)* | 5.80 | **4.90** | ↓ **16%** |
| First interim dividend per share *(HK$ per share)* | 0.25 | **0.27** | ↑ **8%** |
| Second interim dividend per share *(HK$ per share)* (1) | 0.52 | **0.57** | ↑ **10%** |
| **HK$M** | **Dec 2017** | **Dec 2018** | **Change** |
| NAV attributable to the Company's shareholders (2) | 257,381 | **279,275** | ↑ **9%** |
| Net debt | 35,347 | **29,905** | ↓ **15%** |
| Gearing ratio | 13.6% | **10.6%** | ↓ **3%pt.** |
| NAV per share *(HK$ per share)* | 44.00 | **47.74** | ↑ **9%** |

*(1) Second interim dividend for 2018 was declared on 14th March 2019 and will be paid on 9th May 2019.*
*(2) NAV refers to total equity attributable to the Company's shareholders.*

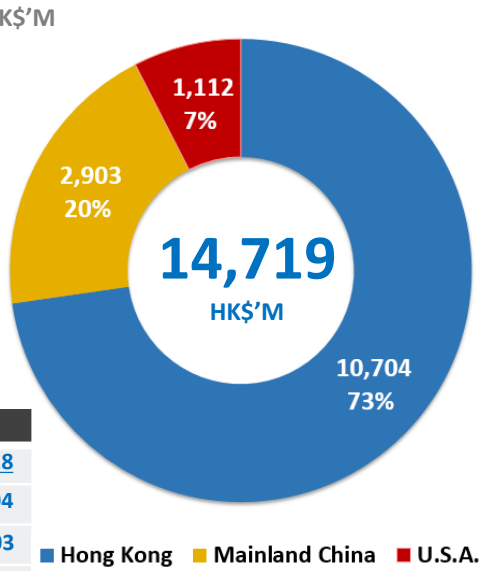
# Revenue Analysis

## 2018 Revenue Breakdown by Segment




| Comparison | 2017 | 2018 |
|---|---|---|
| Rental | 11,252 | **12,117** |
| Trading | 5,833 | **1,061** |
| Hotels | 1,345 | **1,404** |
| Others | 128 | **137** |
| **Total** | 18,558 | **14,719** |

## 2018 Revenue Breakdown by Region




| Comparison | 2017 | 2018 |
|---|---|---|
| Hong Kong | 14,947 | **10,704** |
| Mainland China | 2,627 | **2,903** |
| U.S.A. | 984 | **1,112** |
| **Total** | 18,558 | **14,719** |

The turnover decreased by 21% principally due to lower revenue from the sale of residential units in Hong Kong, partially offset by higher rental income from investment properties.

21%

**Revenue** (2018)

HK$ 14,719 M



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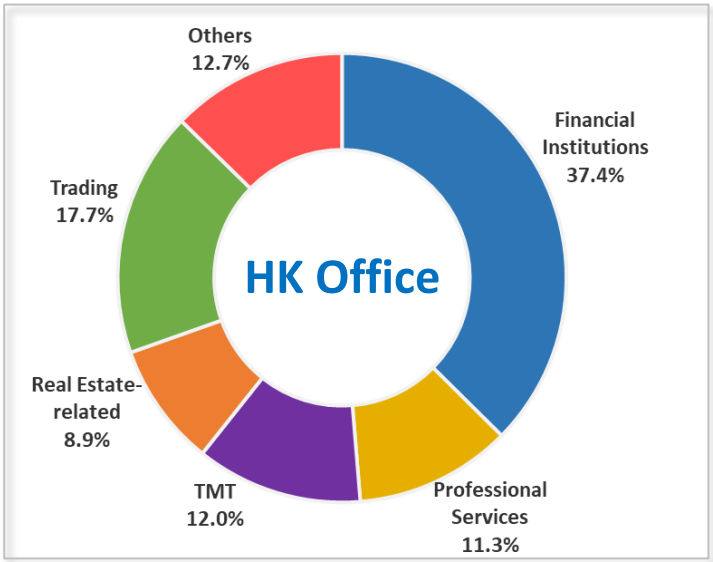
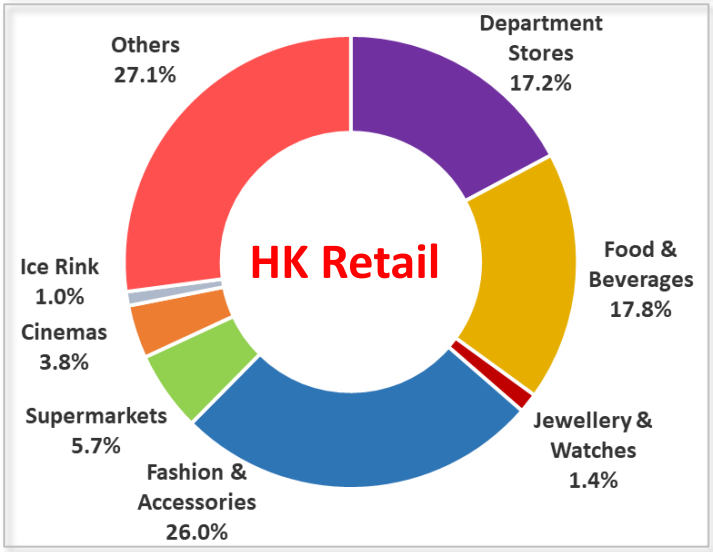
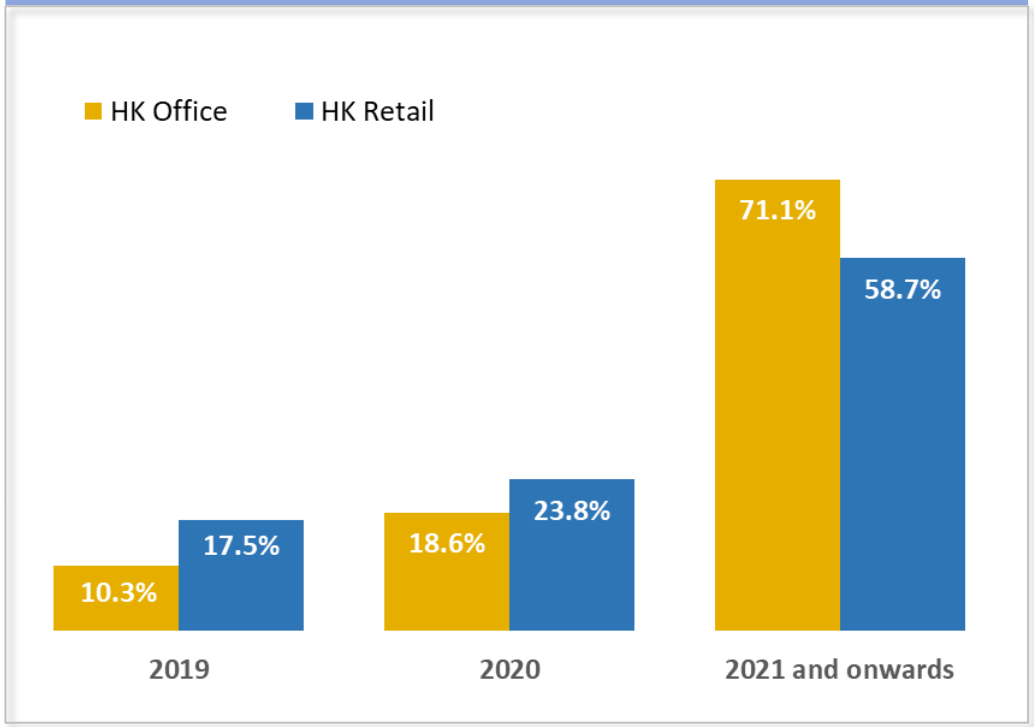
# HK Portfolio – Well-Balanced Tenant Mix and Lease Expiries




## Lease Expiry Profile (1)(2)




- Strong and diverse tenant base.
- Well-spread lease expiry profile.
- Top 10 office tenants occupied approx. **20%** of office area in HK.
- Top 10 retail tenants occupied approx. **26%** of retail area in HK.

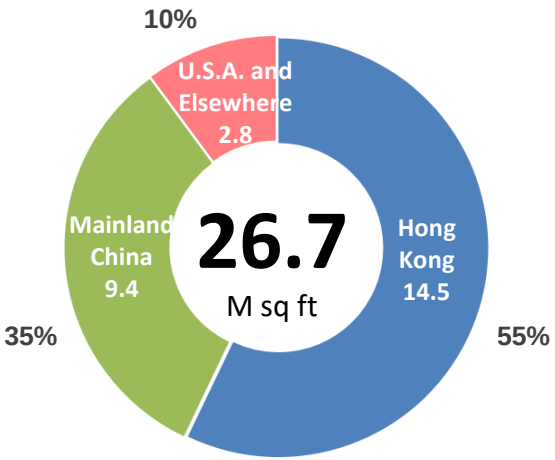
*(1) At 31st December 2018.*
*(2) Based on the percentage of attributable gross rental income for the month ended 31st December 2018.*

# Property Portfolio at 31st December 2018

| Investment Props / Hotels Attributable GFA (M sq ft) | Office | Retail | Hotels [1] | Resid./Serviced apartments | Under Planning | Total |
|---|---|---|---|---|---|---|
| **Completed** | | | | | | |
| *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*** |
| **Sub-Total (A)** | **12.6** | **7.3** | **2.4** | **0.9** | - | ***23.2*** |
| **Under Development or Held for Future Development** | | | | | | |
| *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*** |
| **Sub-Total (B)** | **1.2** | **0.7** | **-** | **0.1** | **1.5** | **3.5** |
| **TOTAL = (A) + (B)** | **13.8** | **8.0** | **2.4** | **1.0** | **1.5** | **26.7** |

| Trading Props Attributable GFA (M sq ft) | Completed Prop Held for Sale | Under Development / Held for Development | Total |
|---|---|---|---|
| *Hong Kong* [4] | - | - | - |
| *Mainland China* | *0.2* | - | ***0.2*** |
| *U.S.A.* | *0.3* | *1.9* | ***2.2*** |
| **Total** | **0.5** | **1.9** | **2.4** |

**Attributable Investment Props by Region (GFA M sq ft)**




**Attri. Investment Portfolio**
**26.7 M sq ft**

**Attri. Trading Portfolio**
**2.4 M sq ft**

**Total Attri. Property Portfolio**
**29.1 M sq ft**

(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.*
(4) *This aggregate GFA in Hong Kong is less than 0.1 million.*



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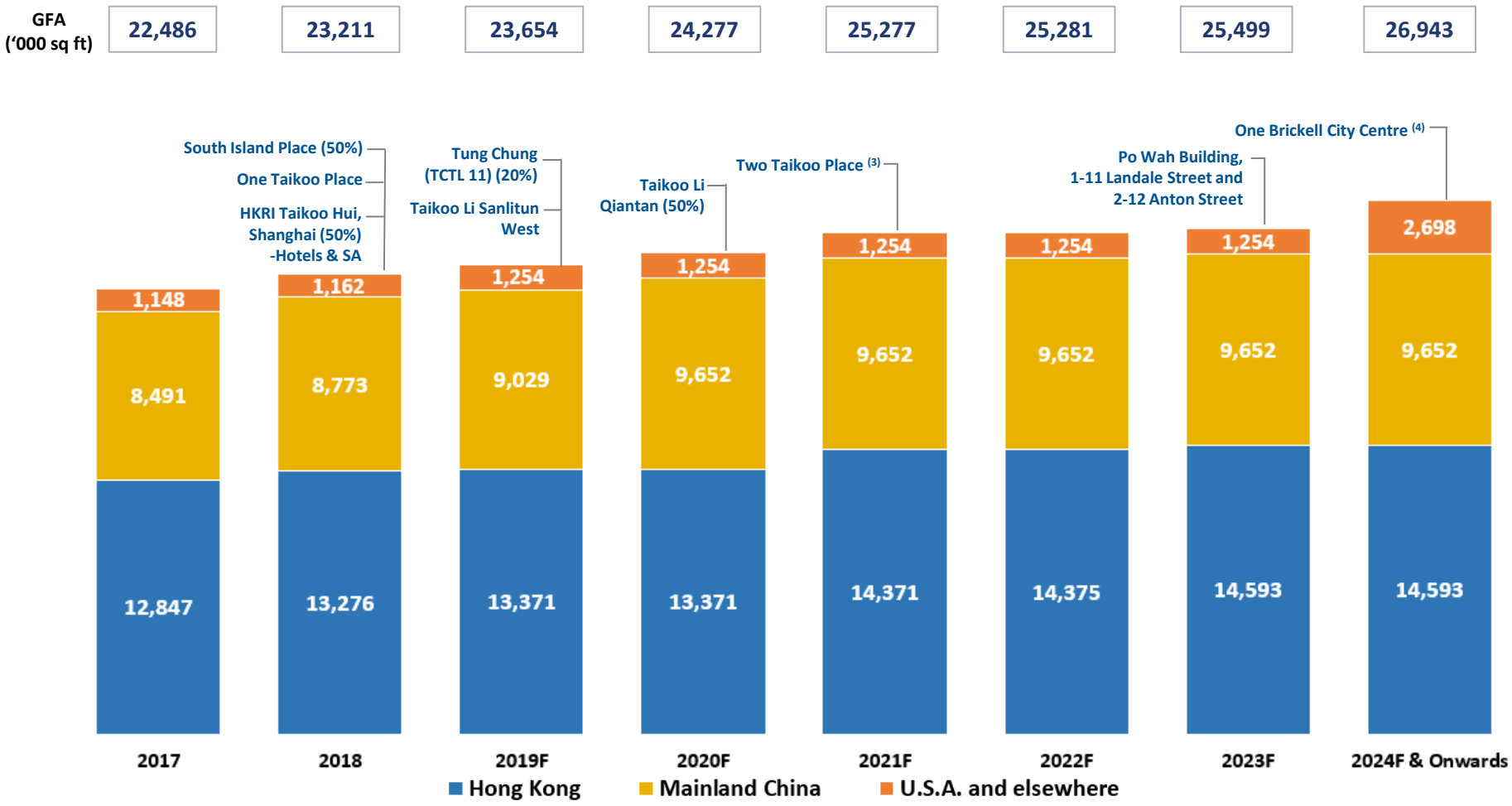
# Completed Investment Portfolio

## Expected Attributable GFA of Completed Investment Portfolio (incl. Hotels) (1)(2)(3)




(1) *Hotels are accounted for under property, plant and equipment in the financial statements.*

(2) *Excludes GFA of property trading components, two sites (Wah Ha Factory Building, No. 8 Shipyard Lane and Zung Fu Industrial Building, No. 1067 King's Road), and car parks but includes GFA of the hotel portion of these projects.*

(3) *Two Taikoo Place is expected to be completed in 2021 or 2022.*

(4) *Development under planning.*



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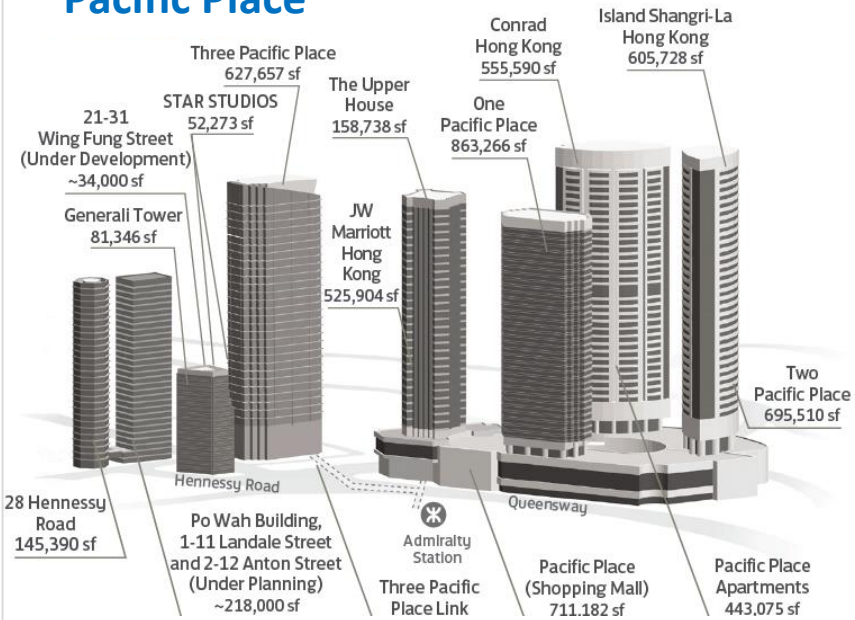
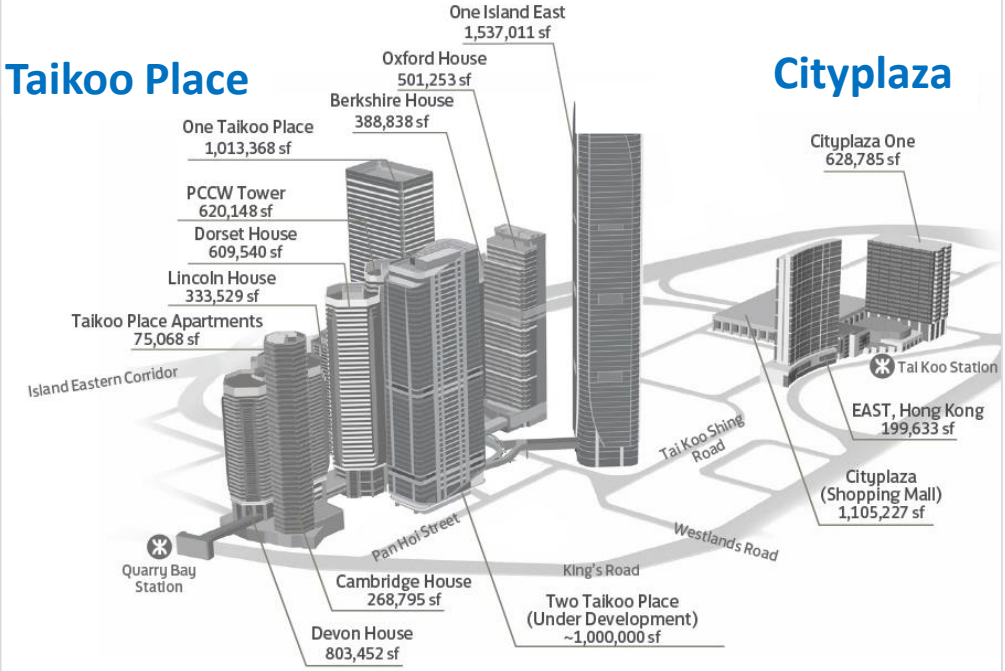
# Hong Kong Portfolio Map

## Pacific Place




## Taikoo Place




(1) *The simplified maps are not to scale and are for illustrative purpose only.*
(2) *GFA figures are for reference only.*



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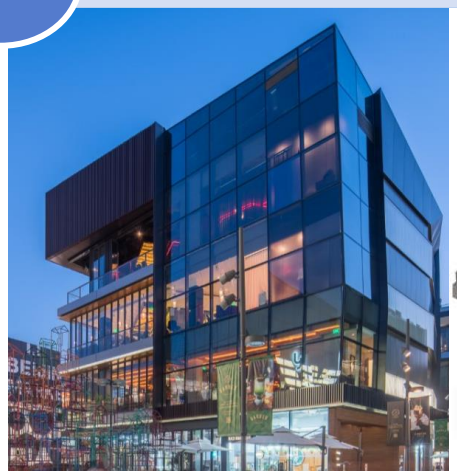
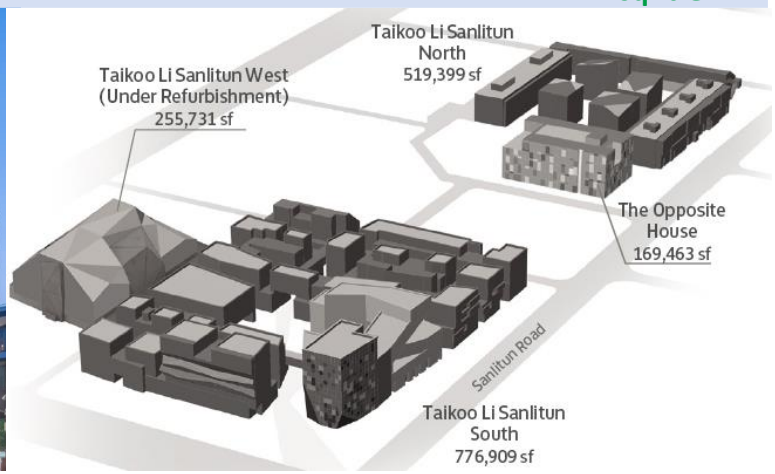
# PRC Portfolio – Beijing

Beijing

## Taikoo Li Sanlitun

~ 1.47 M sq ft GFA[1]






| Project Summary (100% Basis) | |
|---|---|
| Components | TKL Sanlitun South<br>TKL Sanlitun North<br>TKL Sanlitun West<br>The Opposite House |
| Interest | Retail : 100%<br>TOH : 100% |
| Yr of Opening | 2008 (TKL South)<br>2008 (TOH)<br>2010 (TKL North)<br>Expected in 2019 (TKL West) |

| Retail Sales | Occupancy |
|---|---|
| +10.8% | 100% |
| | *Retail* |

Beijing

## INDIGO

~ 1.89 M sq ft GFA[2]

| Project Summary (100% Basis) | |
|---|---|
| Components | Retail<br>ONE INDIGO<br>EAST, Beijing |
| Interest | 50% |
| Yr of Opening | 2011 / 2012 |

| Retail Sales | Occupancy | |
|---|---|---|
| +0.3% | 99% | 97% |
| | *Retail* | *Office* |

(1) *Excluding TKL Sanlitun West which is expected to be completed later in 2019.*
(2) *GFA based on 100% basis.*



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# PRC Portfolio - Guangzhou and Chengdu

Guangzhou

## Taikoo Hui

~ 3.84 M sq ft GFA[1]

| Project Summary (100% Basis) | |
|---|---|
| Components | Retail<br>2 Office Towers<br>Mandarin Oriental GZ |
| Interest | 97% |
| Yr of Opening | 2011 / 2012 / 2013 |

| Retail Sales | Occupancy | |
|---|---|---|
| +11.4% | 100% | 99% |
| | *Retail* | *Office* |

Chengdu

## Sino-Ocean Taikoo Li, Chengdu

~ 2.09 M sq ft GFA[1]

| Project Summary (100% Basis) | |
|---|---|
| Components | Retail<br>Office (for trading)<br>The Temple House<br>Serviced Apartments |
| Interest | 50% |
| Yr of Opening | 2014 / 2015 |

| Retail Sales | Occupancy |
|---|---|
| +21.5% | 99% |
| | *Retail* |

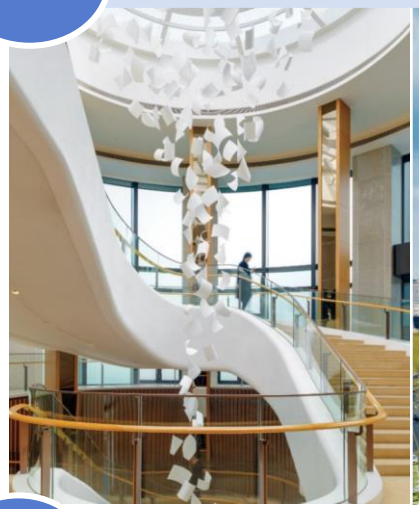


(1) *GFA based on 100% basis.*

# PRC Portfolio – Shanghai

## Shanghai HKRI Taikoo Hui

~ 3.47 M sq ft GFA [1]



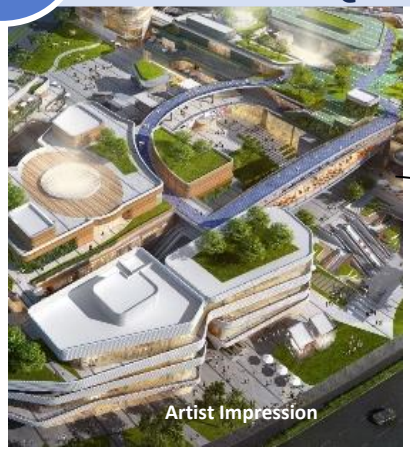
| Project Summary (100% Basis) | |
|---|---|
| Components | Retail<br>2 Office Towers<br>2 Hotels<br>Serviced Apartments |
| Interest | 50% |
| Yr of Opening | 2016 / 2017 / 2018 |

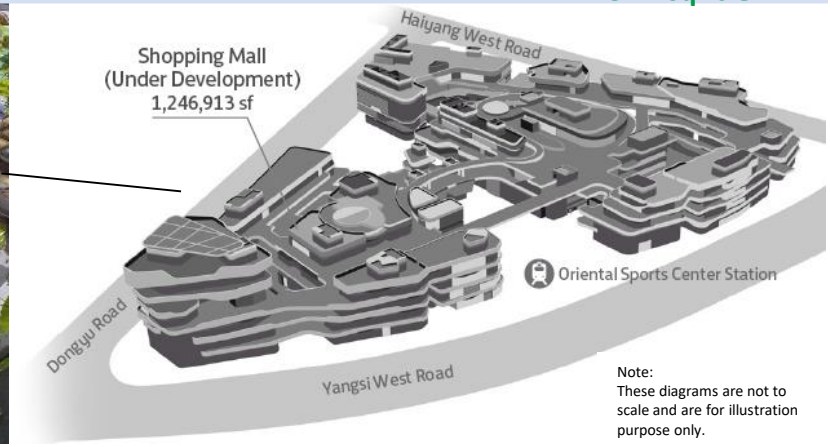
Occupancy [2]

| 97% | 98% |
|---|---|
| *Retail* | *Office* |

## Shanghai Taikoo Li Qiantan

~ 1.25 M sq ft GFA [1]




Note:
These diagrams are not to scale and are for illustration purpose only.

| Project Summary (100% Basis) | |
|---|---|
| Components | Retail |
| Interest | 50% |
| Expected Yr of Opening | 2020 |

(1) *GFA based on 100% basis.*
(2) *Taking into account letters of intent.*

# U.S.A. Portfolio – Miami

Miami

## Brickell City Centre

| Project Summary (100% Basis) | |
|---|---|
| GFA [1] | 1.35 M sq ft (BCC)<br>1.96 M sq ft (OBCC & Others) (under planning) |
| Components | Retail<br>2 Office Buildings<br>EAST Miami *(w Serv Apmt)*<br>2 Condo Towers *(Reach / Rise)*<br>One BCC and a Condo Tower (under planning) |
| Interest | Retail: 62.93%<br>Others: 100% |

| Retail Sales | Occupancy | |
|---|---|---|
| +153.4% | 89% | 100% |
| | *Retail* [2] | *Office* |

*(1) GFA based on 100% basis.*
*(2) Taking into account letters of intent.*



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# Trading Portfolio

| Trading Properties Sold or Being Sold (At 12th March 2019) | Total Units/ Houses | Units/ Houses Sold | Actual Completion | Actual Handover (from) | Units/Houses for which Profit Recognised or Expected to be Recognised (Year) | Interest |
|---|---|---|---|---|---|---|
| **Hong Kong** | | | | | | |
| WHITESANDS, Lantau | 28 | 28 | 2015 | 2015 | - 1(2015), 1(2016), 14(2017) and 12(2018) | 100% |
| **Miami, Florida, U.S.A.** | | | | | | |
| Reach, Brickell City Centre | 390 | 363 | 2016 | 2016 | - 347(2016), 12(2017), 2(2018) and 2(2019) (1) | 100% |
| Rise, Brickell City Centre | 390 | 258 | 2016 | 2016 | - 171(2016), 28(2017), 35(2018) and 24(2019) (1) | 100% |

*(1) The profit from the sale of these units is expected to be recognised in 2019.*
*(2) Excluding 21-31 Wing Fung Street in Hong Kong which is expected to be completed in 2022.*

# Hotel Portfolio

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

| Owned but Non-managed Hotels | | No. of Rooms | Interest |
|---|---|---|---|
| **Completed** | | (100% basis) | |
| *Hong Kong* | *Island Shangri-La HK* | *565* | *20%* |
| | *JW Marriott Hotel HK* | *602* | *20%* |
| | *Conrad HK* | *513* | *20%* |
| | *Novotel Citygate HK* | *440* | *20%* |
| *Mainland China* | *Mandarin Oriental, Guangzhou* [3] | *287* | *97%* |
| *Mainland China* | *The Sukhothai, Shanghai* | *201* | *50%* |
| *U.S.A.* | *Mandarin Oriental, Miami* | *326* | *75%* |
| | | | |
| **Sub-Total (B)** | | **2,934** | |
| **Under Development** | | | |
| *Hong Kong* | *Hotel at Tung Chung Town Lot No. 11* | *206* | *20%* |
| **Sub-Total (C)** | | **206** | |
| **Total = (B) + (C)** | | **3,140** | |

**Total Managed Rooms**

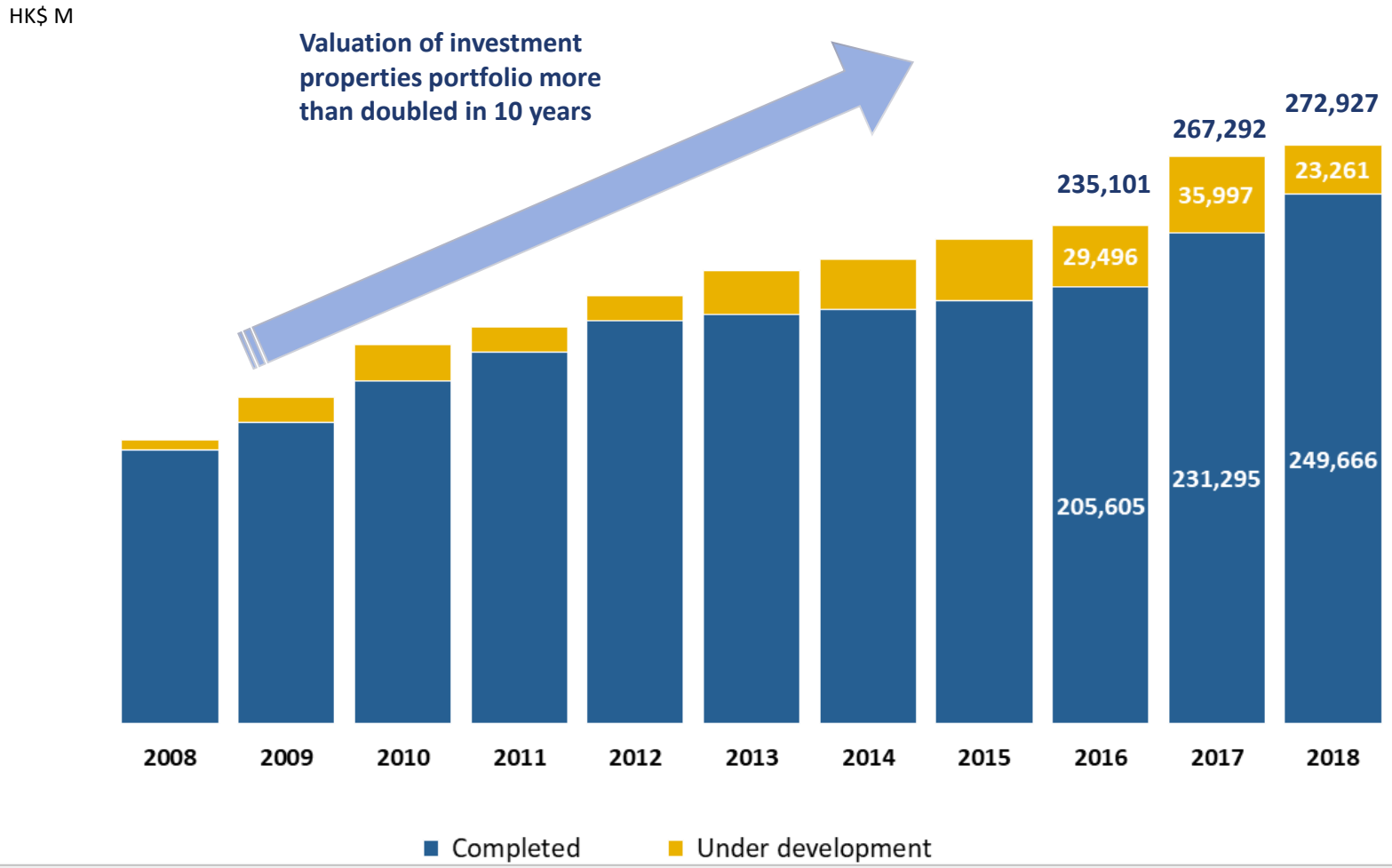
**2,138**

*(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.*

# Valuation of Completed Investment Properties

- Consistent value creation through continuous property investment and asset reinforcement.

**2008 – 2018 Valuation of Completed Investment Properties (excl. Hotels) ***




** Per December 2018 financial statements on accounting basis (before initial leasing costs). Hotels are accounted for under property, plant and equipment in the financial statements. Valuation after 2010 does not include Festival Walk, which was sold in August 2011 for HK$ 18.8 bn. Valuation at December 2018 excludes Cityplaza Three and Cityplaza Four. Swire Properties Limited entered into a conditional sale and purchase agreement on 15th June 2018 for the sale of Swire Properties Limited's 100% interest in a subsidiary which owns the Cityplaza Three and Cityplaza Four properties.*