



INTERIM REPORT 2015

Swire Properties Limited

Stock Code: 1972

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Financial Highlights

		Six months ended 30th June		
	Note	2015 HK\$M	2014 HK\$M	Change
Results				
Revenue		9,386	8,338	+12.6%
Operating profit		9,605	7,103	+35.2%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	3,938	3,775	+4.3%
Reported		8,493	6,461	+31.5%
Cash generated from operations		5,579	5,618	-0.7%
Net cash inflow before financing		2,220	1,468	+51.2%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	0.67	0.65	+3.1%
Reported	(c)	1.45	1.10	+31.8%
Dividends per share				
First interim		0.23	0.22	+4.5%
		30th June 2015 HK\$M	31st December 2014 HK\$M	Change
Financial Position				
Total equity (including non-controlling interests)		215,108	208,547	+3.1%
Net debt		33,773	34,071	-0.9%
Gearing ratio	(a)	15.7%	16.3%	-0.6%pt.
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share				
Underlying	(a), (b)	38.08	36.95	+3.1%
Reported	(a)	36.50	35.50	+2.8%

Notes:

(a) Refer to glossary on page 55 for definition.

(b) A reconciliation between reported profit and underlying profit, and between reported equity and underlying equity attributable to the Company's shareholders is provided on page 6.

(c) Refer to Note 11 in the financial statements for the weighted average number of shares.

Chairman's Statement

Our consolidated profit attributable to shareholders in the first half of 2015 was HK\$8,493 million, compared to HK\$6,461 million in the first half of 2014. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$163 million from HK\$3,775 million in the first half of 2014 to HK\$3,938 million in the first half of 2015.

Dividends

The Directors have declared a first interim dividend of HK¢23 (2014: HK¢22) per share for the period ended 30th June 2015. The first interim dividend, which totals HK\$1,346 million (2014: HK\$1,287 million), will be paid on 5th October 2015 to shareholders registered at the close of business on the record date, being Friday, 11th September 2015. Shares of the Company will be traded ex-dividend from Wednesday, 9th September 2015.

Key Developments

In April 2015, Swire Properties started to pre-lease Taikoo Place Apartments in Quarry Bay, Hong Kong, which opened in August 2015. There are 111 serviced apartments with an aggregate gross floor area ("GFA") of approximately 63,000 square feet in this development.

In April 2015, Swire Properties and Sino-Ocean Land formally opened their joint-venture retail complex, Sino-Ocean Taikoo Li Chengdu. The development comprises an aggregate GFA of more than 1,326,000 square feet.

In April 2015, Swire Properties, Bal Harbour Shops and Simon Property Group agreed to develop the retail component of Brickell City Centre in Miami, U.S.A. jointly. Under the agreement, Swire Properties will remain the primary developer of Brickell City Centre. As a result, the retail component is owned 61.5% by Swire Properties, 25% by Simon Property Group and 13.5% by Bal Harbour Shops.

In May 2015, Swire Properties entered into a joint venture with China Motor Bus Company, Limited ("CMB"). The joint venture was formed to acquire, subject to conditions (including the agreement of a land premium with the Hong Kong Government), a plot of land in Chai Wan, Hong Kong. The land, together with some adjoining land, is intended to be redeveloped into a residential and commercial development. The proposed development is expected to have an aggregate GFA of approximately 692,000 square feet. The joint venture is 80% held by Swire Properties and 20% held by CMB.

In July 2015, a subsidiary of Swire Properties entered into a framework agreement with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. signifying the parties' intention to jointly develop a retail project with an aggregate GFA of approximately 1,330,000 square feet in Qiantan, Pudong New District in Shanghai. Entry into the proposed joint venture and undertaking the project are subject to certain conditions precedent. If the joint venture is formed, it is expected that Swire Properties will have a 50% interest in the project.

Operating Performance

The increase in underlying profit from HK\$3,775 million in the first half of 2014 to HK\$3,938 million in the first half of 2015 principally reflected increased income from retail and office investment properties, and higher trading profits from the sale of luxury residential properties in Hong Kong.

Underlying profit from property investment increased by 4%. Gross rental income amounted to HK\$5,368 million in the first half of 2015 compared with HK\$5,045 million in the first half of 2014. The increase principally reflected higher rents from office properties in Hong Kong and from retail properties in Mainland China.

There was an operating profit of HK\$1,025 million from property trading in the first half of 2015, compared to an operating profit of HK\$807 million in the first half of 2014. The profits in the first half of 2015 largely arose from the sales of 96 units at the AREZZO development and from sales of remaining units at the AZURA and MOUNT PARKER RESIDENCES developments in Hong Kong.

Profits from hotels were lower than in the first half of 2014. This mainly reflected weaker results in Hong Kong.

Net finance charges in the first half of 2015 were HK\$631 million, a 4% decrease from HK\$658 million in the first half of 2014. The decrease principally reflected a reduction in the amount and cost of borrowings in Mainland China and a decrease in finance charges arising from the change in the fair value of a put option in respect of a non-controlling interest.

On an attributable basis, net investment property valuation gains in the first half of 2015, after deferred tax relating to investment properties in Mainland China, were HK\$4,610 million, compared to net gains in the first half of 2014 of HK\$2,757 million.

Finance

Net debt at 30th June 2015 was HK\$33,773 million, compared with HK\$34,071 million at 31st December 2014. Gearing decreased from 16.3% at 31st December 2014 to 15.7% at 30th June 2015. The decrease in borrowings was mainly due to receipt of sales proceeds from trading properties in Hong Kong and in Miami, partially offset by expenditure on investment and trading properties in Hong Kong and on the Brickell City Centre development in Miami. Cash and undrawn committed facilities were HK\$10,046 million at 30th June 2015, compared with HK\$9,622 million at 31st December 2014.

Prospects

The pick-up in demand for office space in Hong Kong experienced in the first half of 2015 is expected to continue. There is demand for space in the central district. Rents are being renewed at higher rates at Taikoo Place.

In Guangzhou, demand for Grade-A office space in the Tianhe business district is expected to be robust despite the substantial supply of new office space in the city expected in the coming years. Office rents in Beijing are expected to weaken against a background of reduced demand and increased supply.

The fall in retail sales in Hong Kong has made retailers more cautious. However, Swire Properties' retail properties in Hong Kong remain fully let.

In the second half of 2015, retail sales are expected to continue to grow at rates above the national average in Guangzhou, Beijing and Chengdu despite the fact that demand for luxury goods has weakened in those cities.

In the second half of 2015, property trading profits are expected to be recognised on the sales of residential units at the AREZZO, ARGENTA, AZURA, MOUNT PARKER RESIDENCES and WHITESANDS developments in Hong Kong. Profits are also expected to be recognised on the sale of the office portion of the Daci Temple development in Chengdu, Mainland China.

Profits from property trading in Miami are expected to be recognised commencing from late 2015, when some pre-sold units will start to be handed over to purchasers.

The performance of the hotels in Hong Kong and in Beijing is expected to remain weak in the second half of 2015. The results of the hotels in Guangzhou and Miami are expected to improve despite difficult trading conditions.

John Slosar

Chairman

Hong Kong, 20th August 2015

Review of Operations

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Revenue			
Gross Rental Income derived from			
Offices	2,994	2,790	5,707
Retail	2,187	2,086	4,260
Residential	187	169	353
Other Revenue ⁽¹⁾	65	64	136
Property Investment	5,433	5,109	10,456
Property Trading	3,403	2,707	3,842
Hotels	550	522	1,089
Total Revenue	9,386	8,338	15,387
Operating Profit/(Loss) derived from			
Property investment	4,145	3,947	7,878
Valuation gains on investment properties	4,458	2,357	1,956
Property trading	1,025	807	1,180
Hotels	(23)	(8)	(22)
Total Operating Profit	9,605	7,103	10,992
Share of Post-tax Profits from Joint Venture and Associated Companies	753	1,104	1,604
Attributable Profit	8,493	6,461	9,516

(1) Other revenue is mainly estate management fees.

Additional information is provided in the following section to reconcile reported and underlying profit and equity 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 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.

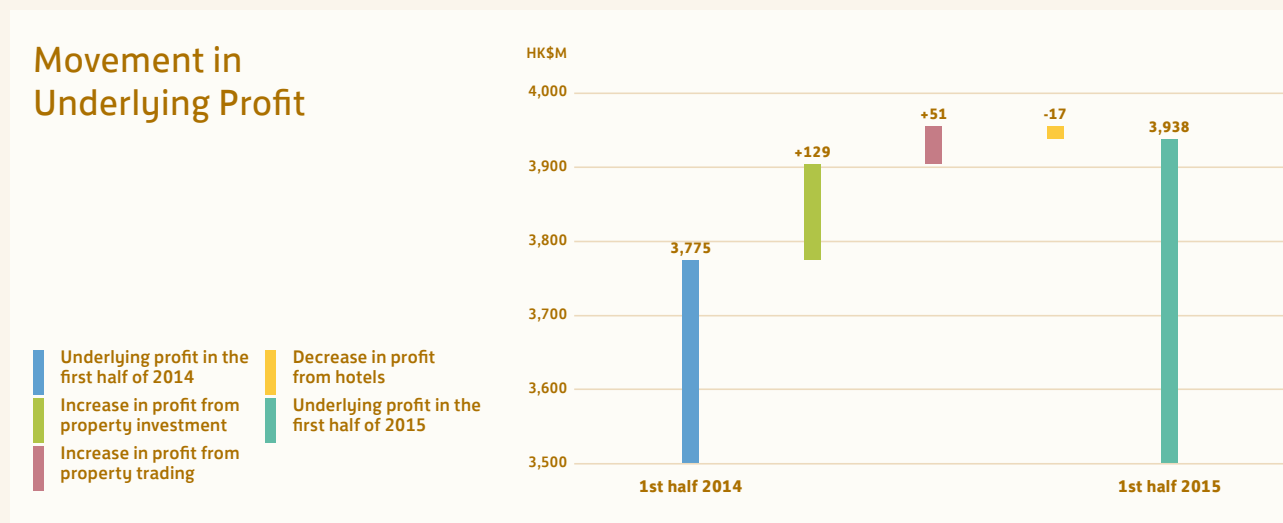
	Note	Six months ended 30th June		Year ended 31st December
		2015 HK\$M	2014 HK\$M	2014 HK\$M
Underlying Profit				
Profit attributable to the Company's shareholders per financial statements		8,493	6,461	9,516
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	(5,202)	(3,265)	(3,148)
Deferred tax on investment properties	(b)	565	505	710
Realised profit on sale of properties	(c)	19	19	29
Depreciation of investment properties occupied by the Group	(d)	10	7	16
Non-controlling interests' share of revaluation movements less deferred tax		27	3	1
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)	26	45	28
Underlying Profit Attributable to the Company's Shareholders		3,938	3,775	7,152

	Note	30th June		31st December
		2015 HK\$M	2014 HK\$M	2014 HK\$M
Underlying Equity				
Equity attributable to the Company's shareholders per financial statements		213,533	205,997	207,691
Deferred tax on investment properties		5,793	5,032	5,234
Unrecognised valuation gains on hotels held as part of mixed-use developments	(f)	2,558	2,358	2,354
Revaluation of investment properties occupied by the Group		825	791	793
Cumulative depreciation of investment properties occupied by the Group		72	57	65
Underlying Equity Attributable to the Company's Shareholders		222,781	214,235	216,137
Underlying non-controlling interests		1,637	848	912
Underlying Equity		224,418	215,083	217,049

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 and associated 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 and associated companies. These principally comprise the deferred tax on revaluation movements on investment properties in Mainland China 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.
- (f) Under HKAS 40, hotel properties are stated in the financial statements at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those hotel properties owned by subsidiary and joint venture companies and held for the long term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated statement of profit or loss.

Underlying Profit



The increase in underlying profit from HK\$3,775 million in the first half of 2014 to HK\$3,938 million in the first half of 2015 principally reflected increased income from retail and office investment properties, and higher trading profits from the sale of luxury residential properties in Hong Kong. Underlying profit from property investment increased by 4%. This principally reflected higher rents from office and retail properties in Hong Kong and in Mainland China. Property trading profits arose largely from the sales of 96 units at the AREZZO development and from sales of remaining units at the AZURA and MOUNT PARKER RESIDENCES developments in Hong Kong. Profits from hotels were lower than in the first half of 2014.

Portfolio Overview

The aggregate GFA attributable to the Group at 30th June 2015 was approximately 31.3 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 27.3 million square feet are investment properties, comprising completed investment properties of approximately 21.5 million square feet and investment properties under development or held for future development of approximately 5.8 million square feet. In Hong Kong, this investment property portfolio comprises approximately 15.9 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Guangzhou, Shanghai and Chengdu. These developments are expected to comprise approximately 8.7 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 project in Miami, U.S.A.

The tables below illustrate the GFA (attributable to the Group) of the investment property portfolio at 30th June 2015.

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

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	10.2	2.5	0.7	0.6	–	14.0
Mainland China	2.0	3.8	1.1	0.1	–	7.0
U.S.A. and others	–	–	0.5	–	–	0.5
Total	12.2	6.3	2.3	0.7	–	21.5

**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	1.8	–	–	–	0.1	1.9
Mainland China	0.9	0.5	0.3	–	–	1.7
U.S.A. and others	0.3	0.3	0.2	0.1	1.3 ⁽²⁾	2.2
Total	3.0	0.8	0.5	0.1	1.4	5.8

**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	15.2	7.1	2.8	0.8	1.4	27.3

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

(2) GFA of 558,000 square feet relating to the site acquired in July 2013 are accounted for as properties held for development in the financial statements.

The trading portfolio comprises a luxury residential project under development on Hong Kong Island, two residential towers under development at the Brickell City Centre development in Miami, U.S.A., a completed office property (Pinnacle One) at the Daci Temple project in Chengdu in Mainland China and the remaining residential units at completed developments. The principal completed developments are the AZURA, ARGENTA, MOUNT PARKER RESIDENCES, AREZZO and WHITESANDS developments in Hong Kong and the completed ASIA development in Miami. 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 30th June 2015.

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

	Completed	Under Development or Held for Development	Total
Hong Kong	0.1	0.2	0.3
Mainland China	0.7	–	0.7
U.S.A.	–	3.0	3.0
Total	0.8	3.2	4.0

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.5 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK\$2,950 million in the first half of 2015. At 30th June 2015, the office properties in Hong Kong were valued at HK\$130,480 million. Of this amount, Swire Properties' attributable interest represented HK\$124,343 million.

Hong Kong Office Portfolio			
	GFA (sq.ft.) (100% Basis)	Occupancy (at 30th June 2015)	Attributable Interest
Pacific Place	2,186,433	98%	100%
Cityplaza	1,632,930	98%	100%
TaiKoo Place Office Towers ⁽¹⁾	3,136,717	100%	50%/100%
One Island East	1,537,011	99%	100%
Techno Centres ⁽²⁾	893,516	100%	100%
Others ⁽³⁾	1,077,161	98%	20%/50%/100%
Total	10,463,768		

⁽¹⁾ Including PCCW Tower, of which Swire Properties owns 50%.

⁽²⁾ Excluding Somerset House (the redevelopment of which into a Grade-A office building commenced in 2014) and approximately 187,000 square feet in Cornwall House owned by the Hong Kong Government.

⁽³⁾ Others comprise One Citygate (20% owned), 625 King's Road (50% owned), Berkshire House (50% owned), Generali Tower (wholly-owned) and 28 Hennessy Road (wholly-owned).

Gross rental income from the Group's Hong Kong office portfolio in the first half of 2015 increased by 7% compared with the first half of 2014 to HK\$2,802 million. This reflected positive rental reversions at Taikoo Place and Cityplaza, and higher occupancy levels at Pacific Place. At 30th June 2015, the Hong Kong office portfolio was 99% let.

Demand for the Group's office space in Hong Kong improved. Mainland Chinese companies are taking more space in the central district and our existing tenants are also taking more space. The occupancy rate at Pacific Place offices was 98% at 30th June 2015. Rents at Taikoo Place and Cityplaza were robust due to high occupancy and solid demand.

The chart 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 30th June 2015.

Office Area by Tenants' Businesses

(At 30th June 2015)



At 30th June 2015, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2015) together occupied approximately 21% of the total attributable office area in Hong Kong.

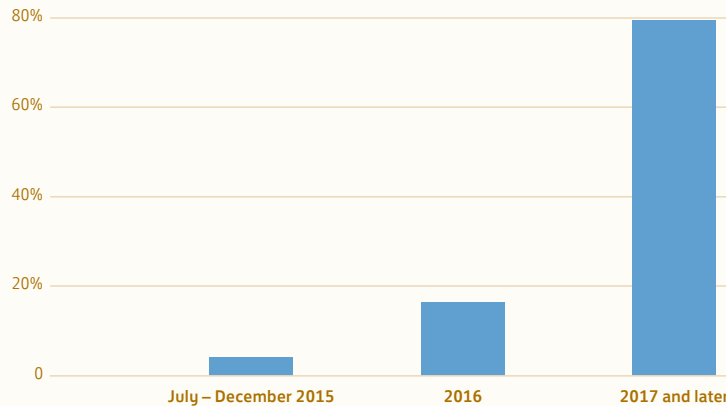
Hong Kong Office Market Outlook

The pick-up in demand for office space in Hong Kong experienced in the first half of 2015 is expected to continue. There is demand for space in the central district. Rents are being renewed at higher rates at Taikoo Place.

The following chart shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 30th June 2015, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 4.1% of the attributable gross rental income in the month of June 2015 are due to expire in the second half of 2015, with tenancies accounting for a further 16.5% of such rental income due to expire in 2016.

Office Lease Expiry Profile

(At 30th June 2015)



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 in 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\$1,406 million in the first half of 2015. At 30th June 2015, our retail properties in Hong Kong were valued at HK\$54,886 million. Of this amount, Swire Properties' attributable interest represented HK\$48,533 million.

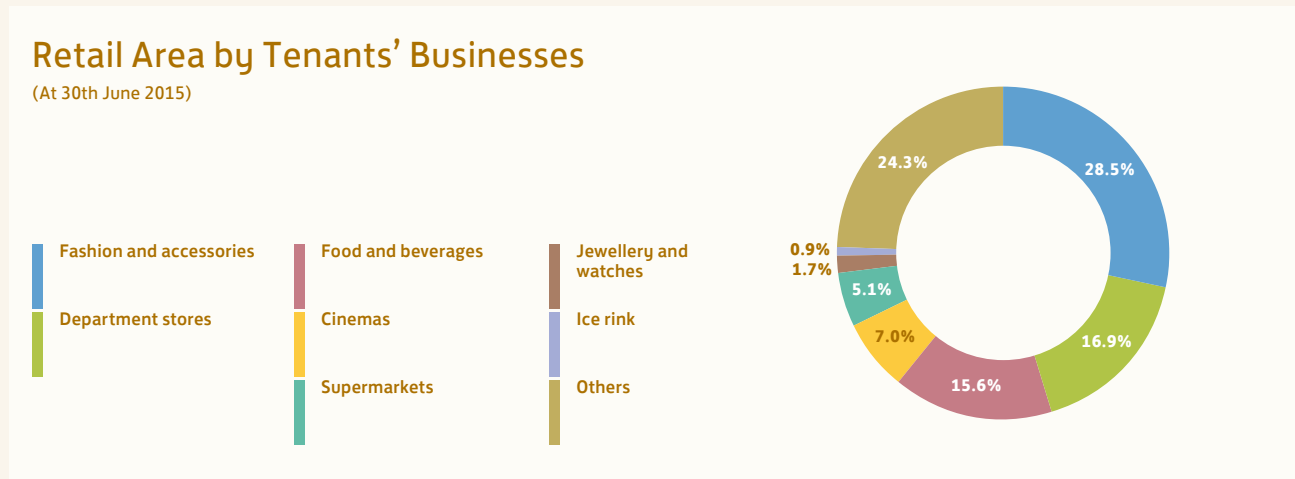
Sales at the Mall at Pacific Place and Citygate Outlets fell, reflecting the weak Hong Kong retail market. Sales grew at Cityplaza, following the completion of an enhancement project and changes in the tenant mix.

Hong Kong Retail Portfolio			
	GFA (sq.ft.) (100% Basis)	Occupancy (at 30th June 2015)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others ⁽¹⁾	556,818	100%	20%/60%/100%
Total	2,835,655		

⁽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).

Gross rental income from the Group's retail portfolio in Hong Kong was HK\$1,363 million in the first half of 2015, compared with HK\$1,344 million in the same period in 2014. Occupancy levels at the Group's malls were effectively 100% during the period.

The chart 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 30th June 2015.

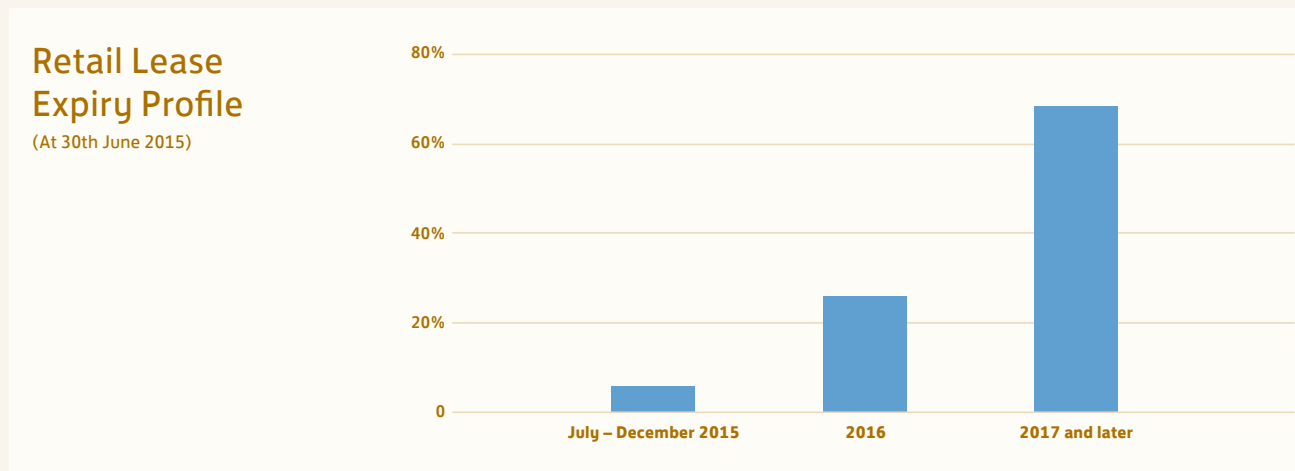


At 30th June 2015, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2015) together occupied approximately 27% of the total attributable retail area in Hong Kong.

Hong Kong Retail Market Outlook

The fall in retail sales in Hong Kong has made retailers more cautious. However, Swire Properties' retail properties in Hong Kong remain fully let.

The following chart shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 30th June 2015, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 5.8% of the attributable gross rental income in the month of June 2015 are due to expire in the second half of 2015, with tenancies accounting for a further 25.9% of such rental income due to expire in 2016.



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments in Taikoo Place and a small number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of approximately 546,467 square feet. Occupancy at the residential portfolio was 94% at 30 June 2015, reflecting improved demand for space at Pacific Place Apartments. Pre-leasing of the newly completed Taikoo Place Apartments commenced in April 2015, and opening took place in August 2015.

Performance at Pacific Place Apartments is expected to be stable in the second half of 2015.

Investment Properties Under Development

Tung Chung Town Lot No. 11

This commercial site adjacent to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel GFA of approximately 460,000 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017. Swire Properties has a 20% interest in the development.

New Kowloon Inland Lot No. 6312

This commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate GFA of approximately 555,000 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017.

Taikoo Place Redevelopment

Somerset House in Taikoo Place is being redeveloped into a 50-storey office building with an aggregate GFA of approximately 1,020,000 square feet. Excavation and foundation works are proceeding. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building) is being planned. The redevelopment will include a landscaped square of approximately 69,000 square feet.

8-10 Wong Chuk Hang Road

This commercial site at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate GFA of approximately 382,500 square feet. Excavation and foundation works are in progress. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

Investment Properties – Mainland China

Overview

The property portfolio in Mainland China comprises an aggregate of 13.6 million square feet of space, 9.4 million square feet of which is attributable to the Group. Completed properties amount to 10.2 million square feet, with 3.4 million square feet under development. Total attributable gross rental income from investment properties in Mainland China was HK\$1,224 million in the first half of 2015. At 30th June 2015, the investment properties in Mainland China were valued at HK\$58,192 million. Of this amount, Swire Properties' attributable interest represented HK\$41,842 million.

Mainland China Property Portfolio ⁽¹⁾	GFA (sq.ft.) (100% Basis)			Attributable Interest
	Total	Investment Properties	Hotels, Trading Properties and Others	
<i>Completed</i>				
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	1,893,226	1,534,957	358,269	50%
Daci Temple Project, Chengdu ⁽²⁾	2,855,566	1,326,839	1,528,727	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	5,825	2,912	2,913	100%
Sub-total	10,151,432	7,507,876	2,643,556	
<i>Under Development</i>				
HKRI Taikoo Hui, Shanghai ⁽³⁾	3,457,375	2,930,068	527,307	50%
Total	13,608,807	10,437,944	3,170,863	

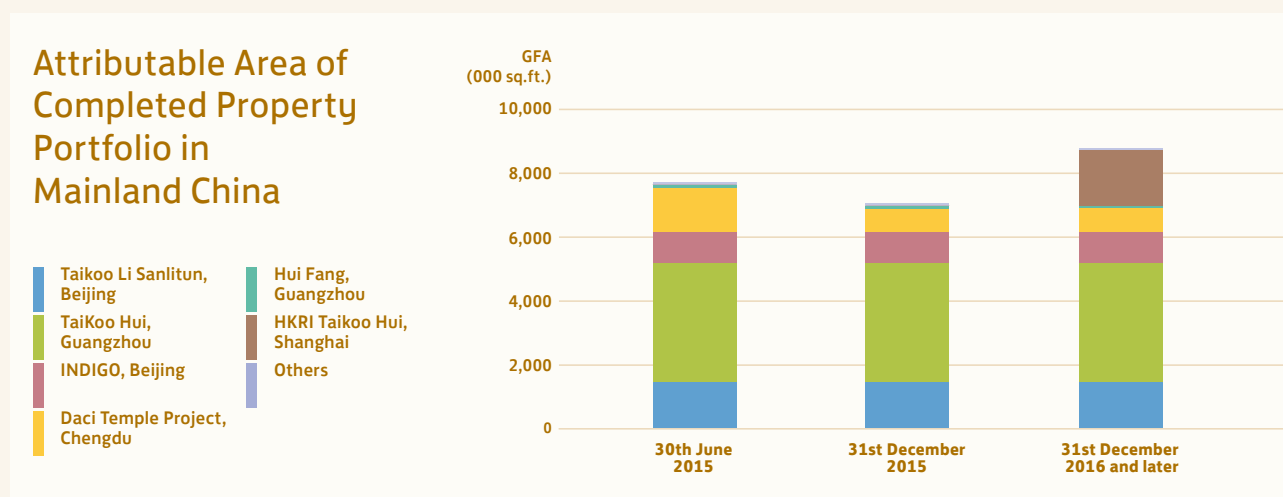
(1) Including the hotel and property trading components of these Projects.

(2) The retail portion of the Daci Temple project, Sino-Ocean Taikoo Li Chengdu, was formally opened in April 2015. The office portion of the Daci Temple project, Pinnacle One, has been developed for trading purposes. 89% of the office's total GFA (approximately 1.15 million square feet) and 350 car parking spaces were presold in August 2013. The Temple House (which is the hotel portion of the project and includes 42 serviced apartments) started to open in July 2015.

(3) HKRI Taikoo Hui (formerly known as the Dazhongli project) is expected to open in phases from 2016.

Gross rental income from the Group's investment property portfolio in Mainland China was HK\$1,010 million in the first half of 2015, HK\$111 million higher than the same period in 2014, reflecting positive rental reversions and higher retail sales.

The chart below illustrates the expected growth in the attributable area of the completed property portfolio in Mainland China.



Retail

The Mainland China retail portfolio's gross rental income for the first half of 2015 was HK\$824 million, an increase of 11% compared to the same period in 2014.

Gross rental income at Taikoo Li Sanlitun increased in the first half of 2015, because of growth in reversionary rents. Retail sales increased by 7%. The overall occupancy rate was 95% at 30th June 2015.

Gross rental income at TaiKoo Hui in Guangzhou increased in the first half of 2015. Retail sales grew by 21% because of changes in the tenant mix following lease expiries in 2014. The mall was 99% let at 30th June 2015.

The mall at INDIGO in Beijing was 94% occupied at 30th June 2015. Retail sales increased by 36% in the first half of 2015. More people visited the mall following the opening of Line 14 of the Beijing Metro in December 2014. The first significant renewal of leases is taking place.

Sino-Ocean Taikoo Li Chengdu was formally opened in April 2015. Retail sales and the number of visitors have grown since the soft opening in October 2014. At 30th June 2015, tenants had committed (including by way of letters of intent) to lease 87% of the space and 70% of the shops in the development were open.

In the second half of 2015, retail sales are expected to continue to grow at rates above the national average in Guangzhou, Beijing and Chengdu despite the fact that demand for luxury goods has weakened in those cities.

Offices

The Mainland China office portfolio's gross rental income for the first half of 2015 was HK\$180 million, an increase of 18% compared to the same period in 2014.

Occupancy at TaiKoo Hui's office towers in Guangzhou was 100% at 30th June 2015, despite the substantial

new supply of office space in Guangzhou over the last 12 months. In Guangzhou, demand for Grade-A office space in the Tianhe business district is expected to be robust despite the substantial supply of new office space in the city expected in the coming years.

Occupancy at ONE INDIGO in Beijing was 97% at 30th June 2015. Demand for office space in Beijing was subdued during the first half of 2015. Office rents in Beijing are expected to weaken against a background of reduced demand and increased supply.

Investment Properties under Development

Shanghai

HKRI Taikoo Hui (formerly known as the Dazhongli project) in Shanghai will comprise a retail mall, two office buildings and three hotels, including serviced apartments. Work on the basement sub-structure is near completion. Above ground construction is in progress. The superstructures of one office tower and one hotel have been topped out. The development is expected to open in phases from 2016.

Investment Properties – U.S.A.

Brickell City Centre, Miami

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).

Phase I of the development consists of a shopping centre, EAST Miami hotel and serviced apartments (to be operated by EAST), two office buildings and two residential towers (Reach and Rise). The residential towers are being developed for sale. Construction work on Phase I commenced in 2012, with completion expected by the end of 2015. A light rail system station within the site is being renovated as part of the development.

In January 2013 and April 2015, Swire Properties entered into agreements with Bal Harbour Shops and (in the case of the latter agreement) with Bal Harbour Shops and Simon Property Group to develop the retail component of Brickell City Centre. Swire Properties will remain the primary developer of the Brickell City Centre project.

At 30th June 2015, Swire Properties owned 100% of the office, hotel and residential portions and 61.5% of the retail component of the Brickell City Centre project. The remaining interest in the retail component is held by Simon Property Group (25%) and Bal Harbour Shops (13.5%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of

the retail component, to sell its interest to Swire Properties.

Phase II of the Brickell City Centre project is planned to be a mixed-use development comprising retail, office, hotel and residential space and including an 80-storey tower to be called One Brickell City Centre. Phase II will incorporate the site at 700 Brickell Avenue acquired by Swire Properties in July 2013. Development of this site will connect the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of Phase II.

At 30th June 2015, the Brickell City Centre Phase I development (excluding the hotel and residential trading components) was valued at HK\$3,489 million.

Brickell City Centre, Miami		
	GFA (sq.ft.) ⁽³⁾ (100% Basis)	Attributable Interest
Phase I		
Retail	490,000	61.5%
Offices	260,000	100%
Serviced apartments	109,000	100%
Hotel ⁽¹⁾	218,000	100%
Residential ⁽²⁾	1,134,000	100%
Carpark, roof top and circulation areas	2,713,000	100%
Total Phase I	4,924,000	
Phase II		
Residential ⁽²⁾	520,000 ⁽⁴⁾	100%
Future mixed-use tower	1,300,000 ⁽⁴⁾	100%
Total Phase I and Phase II	6,744,000	

(1) The hotel is accounted for under property, plant and equipment in the financial statements.

(2) The residential portion of Brickell City Centre is being developed for trading purposes.

(3) Represents leasable/saleable area except for the carpark, roof top and circulation areas.

(4) These developments are still being planned. The GFA is under review.

Miami Market Outlook

The retail market is encouraging but remains competitive.

The office market continues to recover from the adverse effects of the 2008 recession. There is little new supply.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2015 (94% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK\$224,524 million, compared to HK\$218,720 million at 31st December 2014.

The modest increase in the valuation of the investment property portfolio is mainly due to higher rental income at Taikoo Place and Cityplaza in Hong Kong and at TaiKoo Hui in Guangzhou in Mainland China.

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.

Financial Information Reviewed by Auditors Investment Properties

	Group		
	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2015	194,991	23,729	218,720
Translation differences	(20)	(11)	(31)
Additions	114	1,431	1,545
Disposals	–	(21)	(21)
Transfer from properties under development	–	18	18
Other net transfers to property, plant and equipment	(160)	(5)	(165)
Fair value gains	3,951	507	4,458
	198,876	25,648	224,524
Add: Initial leasing costs	146	–	146
At 30th June 2015	199,022	25,648	224,670
At 31st December 2014 (including initial leasing costs)	195,226	23,729	218,955

Property Trading

The trading portfolio comprises a luxury residential project under development on Hong Kong Island, two residential towers under development at the Brickell City Centre development in Miami, U.S.A., a completed office property (Pinnacle One) at the Daci Temple project in Chengdu in Mainland China and the remaining residential

units at completed developments. The principal completed developments are the AZURA, ARGENTA, MOUNT PARKER RESIDENCES, AREZZO and WHITESANDS developments in Hong Kong and the completed ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

Property Trading Portfolio

	GFA (sq.ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<i>Completed</i>			
Hong Kong			
– 5 Star Street ⁽²⁾	408 ⁽¹⁾	2010	100%
– AZURA ⁽²⁾	1,588 ⁽¹⁾	2012	87.5%
– ARGENTA ⁽²⁾	5,739 ⁽¹⁾	2013	100%
– MOUNT PARKER RESIDENCES ⁽²⁾	2,748 ⁽¹⁾	2013	80%
– AREZZO ⁽²⁾	42,721 ⁽¹⁾	2015	100%
– WHITESANDS (formerly known as 160 South Lantau Road, Cheung Sha)	64,410	2015	100%
Mainland China			
– Pinnacle One, Chengdu	1,300,517	2014	50%
U.S.A.			
– ASIA, Miami ⁽²⁾	5,359 ⁽¹⁾	2008	100%
<i>Under Development</i>			
Hong Kong			
– 100 Caine Road	195,533	2016	100%
U.S.A.			
– Reach, Brickell City Centre, Miami, Florida	567,000 ⁽¹⁾	End of 2015	100%
– Rise, Brickell City Centre, Miami, Florida	567,000 ⁽¹⁾	End of 2015	100%
<i>Held for Development</i>			
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 Square site	520,000	N/A	100%

⁽¹⁾ Area shown reflects saleable area (square feet).

⁽²⁾ Remaining unsold units at 30th June 2015.

Hong Kong

All 126 units at the AZURA development on Seymour Road had been sold at 18th August 2015. The profit from the sale of three units was recognised in the first half of 2015. Swire Properties holds an 87.5% interest in this development. The property is managed by Swire Properties.

29 of the 30 units at the ARGENTA development, also on Seymour Road, had been sold at 18th August 2015. Profit was recognised on sale of one unit in the first half of 2015. Swire Properties holds a 100% interest in this development. The property is managed by Swire Properties.

All 53 units at DUNBAR PLACE, a residential development in Ho Man Tin, Kowloon, have been sold. The profit from the sale of the last unit was recognised in the first half of 2015. Swire Properties holds a 50% interest in this development. The property is managed by Swire Properties.

91 of the 92 units at the MOUNT PARKER RESIDENCES development in Quarry Bay had been sold at 18th August 2015. The profit from the sale of nine units was recognised in the first half of 2015. Swire Properties holds an 80% interest in this development. The property is managed by Swire Properties.

AREZZO, the residential development at 33 Seymour Road, was completed in January 2015 and handover to purchasers commenced in April 2015. 108 of the 127 units had been sold at 18th August 2015. The profit from the sale of 96 units was recognised in the first half of 2015. Profits from the sale of the remaining units sold are expected to be recognised in the second half of 2015. Swire Properties holds a 100% interest in this development. The property is managed by Swire Properties.

WHITESANDS (formerly known as 160 South Lantau Road, Cheung Sha) on Lantau Island is being developed into 28 detached houses with an aggregate GFA of 64,410 square feet. Interior, exterior finishing and soft landscaping works are in progress. The occupation permit was issued in February 2015 and the development is expected to be available for handover in the second half of 2015. Sales have not yet

commenced. The development is wholly-owned by Swire Properties.

Superstructure work at 100 Caine Road is in progress, with completion expected in 2016 and the units being available for handover in 2017. The development consists of a 50-storey tower of 197 residential units. The development is wholly-owned by Swire Properties.

Mainland China

Construction of the Grade-A office tower, Pinnacle One, was completed in December 2014. The handover of the office tower is expected to start in the second half of 2015.

U.S.A.

The residential portion of Phase I of the Brickell City Centre development is being developed for trading purposes. There will be 780 units in two towers (Reach and Rise), with an aggregate saleable area of 1,134,000 square feet.

We started to sell units in Reach in June 2014 and units in Rise in November 2014. 317 units in Reach and 129 units in Rise had been sold at 18th August 2015. The development is expected to be completed and available for handover to purchasers from late 2015.

Since the ASIA development was completed in 2008, 122 out of the 123 units have been sold. One penthouse unit, which is not on offer, remains unsold.

Outlook

In the second half of 2015, property trading profits are expected to be recognised on the sales of residential units at the AREZZO, ARGENTA, AZURA, MOUNT PARKER RESIDENCES and WHITESANDS developments in Hong Kong. Profits are also expected on the sale of the office portion of the Daci Temple development in Chengdu.

Profits from property trading in Miami are expected to be recognised commencing from late 2015, when some pre-sold units will start to be handed over to purchasers.

Leasing and Management Business

Swire Properties is responsible for the redevelopment, leasing and management of a property owned by Swire Pacific at 53 Stubbs Road, known as OPUS HONG KONG. The property is a prime residential development consisting of a 12-storey residential building with 10 whole-floor units and two double-level garden apartments. It was designed by Pritzker Prize-winning architect Frank Gehry. Four units had been leased at 30th June 2015.

Estate Management

Swire Properties manages 19 residential estates which it has developed. 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

Overview

Swire Hotels owns and manages hotels in Hong Kong, Mainland China and the U.K., comprising the “House Collective”, “EAST” and “Chapter Hotels”. The House Collective, comprising The Upper House in Hong Kong, The Opposite House in Beijing and The Temple House in Chengdu, is a group of small and distinctive hotels in Asia. EAST hotels are lifestyle hotels. Chapter Hotels are local hotels in regional towns and cities in the U.K. The Group also has interests in non-managed hotels in Hong Kong, Guangzhou and Miami, Florida.

Hotel Portfolio (Managed by the Group)	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
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, Chengdu ⁽²⁾	142	50%
U.K.		
– The Montpellier Chapter, Cheltenham	61	100%
– Avon Gorge Hotel, Bristol	75	100%
– The Magdalen Chapter, Exeter	59	100%
– Hotel Seattle, Brighton	71	100%
<i>Under Development</i>		
Mainland China		
– Hotels at HKRI Taikoo Hui, Shanghai ^{(2), (3)}	275	50%
U.S.A.		
– EAST, Miami ⁽²⁾	352	100%
Total	2,466	

⁽¹⁾ Headland Hotel is owned by Airline Hotel Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.

⁽²⁾ Including serviced apartments.

⁽³⁾ Number of modules.

Hong Kong

Swire Properties wholly-owns and manages two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place, and EAST, Hong Kong, a 345-room hotel at Taikoo Shing.

Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung.

There were lower profits from the managed and non-managed hotels in Hong Kong in the first half of 2015. Trading conditions were difficult as there were fewer overnight visitor arrivals in Hong Kong.

Mainland China

Swire Properties manages three hotels in Mainland China, The Opposite House, a 99-room luxury hotel at Taikoo Li Sanlitun, EAST, Beijing, a 369-room hotel at INDIGO and The Temple House, a 142-room hotel (including serviced apartments) in Chengdu. Swire Properties owns 100% of The Opposite House, 50% of EAST, Beijing and 50% of The Temple House. Swire Properties owns 97% of, but does not manage, the Mandarin Oriental at TaiKoo Hui in Guangzhou, which has 263 rooms and 24 serviced apartments.

Trading conditions were difficult at The Opposite House and EAST, Beijing in the first half of 2015. Occupancy and average room rates at the Mandarin Oriental, Guangzhou improved in the first half of 2015 despite an over-supply of hotel rooms in the city.

The development of The Temple House in Chengdu, the hotel portion of the Daci Temple project, was completed at 30th June 2015. The hotel started to open in July 2015.

There are one non-managed and two managed hotels including serviced apartments at HKRI Taikoo Hui in Shanghai under development.

U.S.A.

Swire Properties has a 75% interest in the 326-room Mandarin Oriental hotel in Miami. The performance of the hotel was satisfactory in the first half of 2015. Occupancy and average room rates improved compared to same period in 2014.

EAST, Miami is under development as part of Phase I of the Brickell City Centre development. The building was topped out in December 2014. The hotel is expected to open in late 2015.

U.K.

Swire Properties owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. Occupancy and average room rates were satisfactory in the first half of 2015, showing some improvement compared to the same period in 2014.

Restaurants

Swire Hotels owns and manages restaurants in Hong Kong. Plat du Jour is a French bistro in Quarry Bay. PUBLIC is a restaurant at One Island East. Ground PUBLIC is a café in One Island East and North Point. The Continental is an all-day European style restaurant at Pacific Place. Mr & Mrs Fox is a restaurant with an international menu in Quarry Bay, which had its soft opening in August 2015.

Outlook

The performance of the hotels in Hong Kong and in Beijing is expected to remain weak in the second half of 2015. The results of the hotels in Guangzhou and Miami are expected to improve despite difficult trading conditions.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in the first half of 2015 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$843 million (first half of 2014: HK\$3,151 million). Outstanding capital commitments at 30th June 2015 were HK\$16,824 million (31st December 2014: HK\$17,497 million), including the Group's share of the capital commitments of joint venture companies of HK\$1,402 million (31st December 2014: HK\$1,418 million). The Group is committed to funding HK\$846 million (31st December 2014: HK\$1,017 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in the first half of 2015 on Mainland China investment properties and hotels, including the

Group's share of the capital expenditure of joint venture companies, amounted to HK\$395 million (first half of 2014: HK\$1,016 million). Outstanding capital commitments at 30th June 2015 were HK\$4,255 million (31st December 2014: HK\$4,646 million), including the Group's share of the capital commitments of joint venture companies of HK\$3,664 million (31st December 2014: HK\$4,051 million). The Group is committed to funding HK\$931 million (31st December 2014: HK\$1,617 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in the first half of 2015 on investment properties and hotels in the U.S.A., Singapore and the U.K. amounted to HK\$950 million (first half of 2014: HK\$1,014 million). Outstanding capital commitments at 30th June 2015 were HK\$1,600 million (31st December 2014: HK\$1,997 million).

	Profile of Capital Commitments					Commitments*
	Expenditure	Forecast Year of Expenditure				
	Six months ended 30th June 2015 HK\$M	Six months ended 31st December 2015 HK\$M	2016 HK\$M	2017 HK\$M	2018 and later HK\$M	
Hong Kong	843	869	4,089	3,900	7,966	16,824
Mainland China	395	521	2,096	868	770	4,255
U.S.A. and others	950	1,069	531	—	—	1,600
Total	2,188	2,459	6,716	4,768	8,736	22,679

* The capital commitments represent the Group's capital commitments of HK\$17,613 million plus the Group's share of the capital commitments of joint venture companies of HK\$5,066 million. The Group is committed to funding HK\$1,777 million of the capital commitments of joint venture companies.

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Net cash from/(used by) businesses and investments			
Cash generated from operations	5,579	5,618	10,724
Dividends received	135	205	786
Profits tax paid	(412)	(106)	(760)
Net interest paid	(713)	(740)	(1,477)
Cash used in investing activities	(2,369)	(3,509)	(6,392)
	2,220	1,468	2,881
Cash (paid to)/received from shareholders and net funding by debt			
Net increase in borrowings	1,644	1,609	1,930
(Decrease)/Increase in loans due to Swire Finance Limited	(1,800)	1,300	600
Purchase of shares in an existing subsidiary company	–	(1,256)	(1,256)
Capital contribution from a non-controlling interest	629	–	–
Dividends paid	(2,584)	(2,480)	(3,771)
	(2,111)	(827)	(2,497)
Increase in cash and cash equivalents	109	641	384

Cash used in investing activities during the first half of 2015 included capital expenditure on property projects by subsidiary companies and investments in joint venture companies.

Financing Arrangements with the Swire Pacific Group

There are a number of financing arrangements between the Group and the Swire Pacific group.

Financial Information Reviewed by Auditors

On 31st March 2010, Swire Properties (Finance) Limited, the Company and Swire Finance Limited (“Swire Finance”, a wholly-owned subsidiary of Swire Pacific Limited), entered into five loan agreements (“Loan Agreements”) (as amended on 31st October 2011) to record the terms of the borrowings by the Group from Swire Finance. The Loan Agreements substantially mirror the terms and maturity profile (currently ranging, disregarding the perpetual element of the financing agreements, up to three years) of the underlying borrowings of Swire Finance from third parties. The underlying borrowings are in the form of bonds issued under the Swire Pacific group’s medium term note programme and perpetual capital securities. No security has been given by the Group in respect of the Loan Agreements. Upon maturity of the financing agreements provided by Swire Finance, the Group will obtain new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.

Medium Term Note Programme

In May 2012, Swire Properties MTN Financing Limited, a wholly-owned subsidiary of the Company, established a US\$3 billion Medium Term Note (MTN) Programme. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. The MTN Programme is rated A by Fitch Ratings Limited, (P)A2 by Moody's Investors Service Limited and A- by Standard & Poor's Ratings Services, in each case in respect of notes with a maturity of more than one year.

The MTN Programme enables the Group to raise money directly from the capital markets. Under the MTN Programme, notes may be issued in US dollars or in other currencies, in various amounts and for various tenors.

Changes in Financing

Financial Information Reviewed by Auditors Analysis of Changes in Financing

	Six months ended 30th June 2015 HK\$M	Year ended 31st December 2014 HK\$M
Bank loans, bonds and loans from Swire Finance		
At 1st January	36,945	34,535
Loans drawn and refinancing	2,474	10,004
Bonds issued	600	600
Repayment of bank loans	(1,430)	(8,674)
(Decrease)/Increase in loans due to Swire Finance	(1,800)	600
Other non-cash movements	16	(120)
	36,805	36,945
Overdrafts		
At 30th June/31st December	-	-
	36,805	36,945

During the first half of 2015, the Group raised HK\$4,038 million. This comprised:

- two five-year term and revolving loan facilities aggregating HK\$1,500 million
- medium-term notes of HK\$600 million
- an increase of US\$250 million in a revolving loan facility

During the first half of 2015, the Group made various repayments including the full repayment of the drawn portions of expired HK\$2,500 million revolving loan facilities under the Loan Agreements.

Net Borrowings

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings at 30th June 2015 and 31st December 2014 were as follows:

Financial Information Reviewed by Auditors

	30th June 2015 HK\$M	31st December 2014 HK\$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	14,055	11,482
Bonds – unsecured	9,702	9,106
Borrowings from Swire Finance – unsecured	7,502	12,156
Borrowings included in current liabilities		
Bank borrowings – unsecured	890	2,402
Borrowings from Swire Finance – unsecured	4,656	1,799
Total borrowings	36,805	36,945
Less: short-term deposits and bank balances	3,032	2,874
Net borrowings	33,773	34,071

Sources of Finance

At 30th June 2015, committed loan facilities and debt securities amounted to HK\$43,346 million, of which HK\$7,014 million (16.2%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$1,598 million. Sources of funds at 30th June 2015 comprised:

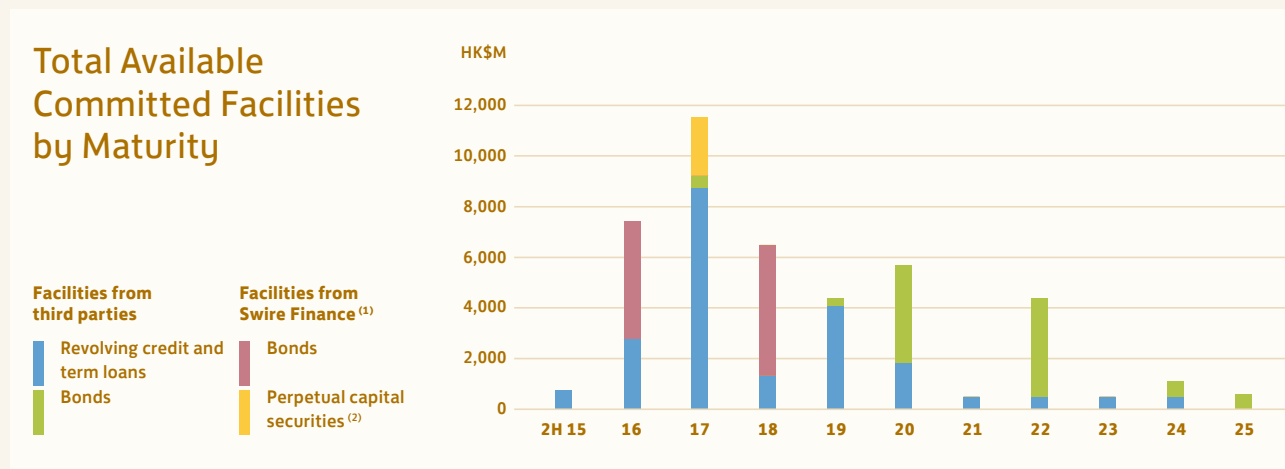
Financial Information Reviewed by Auditors

	Available HK\$M	Drawn HK\$M	Undrawn Expiring Within One Year HK\$M	Undrawn Expiring After One Year HK\$M
Facilities from third parties				
Revolving credit and short-term loans	8,213	1,449	500	6,264
Term loans	13,217	12,967	–	250
Bonds	9,752	9,752	–	–
Facilities from Swire Finance				
Bonds	9,835	9,835	–	–
Perpetual capital securities	2,329	2,329	–	–
Total committed facilities	43,346	36,332	500	6,514
Uncommitted facilities				
Bank loans and overdrafts	2,212	614	1,598	–
Total	45,558	36,946	2,098	6,514

Note: The figures above are stated before unamortised loan fees of HK\$141 million.

Maturity Profile and Refinancing

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



(1) Facilities from Swire Finance under the Loan Agreements.

(2) The perpetual capital securities have no fixed maturity date. In the above chart their maturity is presented as their first call date, 13th May 2017.

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

Financial Information Reviewed by Auditors	30th June 2015		31st December 2014	
	HK\$M		HK\$M	
Bank and other borrowings due				
Within 1 year	890	2%	2,402	6%
1 – 2 years	8,448	23%	2,038	5%
2 – 5 years	8,148	22%	7,966	22%
After 5 years	7,161	20%	10,584	29%
Borrowings from Swire Finance due				
Within 1 year	4,656	13%	1,799	5%
1 – 2 years	2,329	6%	4,655	13%
2 – 5 years	5,173	14%	7,501	20%
After 5 years	–	–	–	–
Total	36,805	100%	36,945	100%
Less: Amount due within one year included under current liabilities	5,546		4,201	
Amount due after one year included under non-current liabilities	31,259		32,744	

Currency Profile

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

Financial Information Reviewed by Auditors

	30th June 2015		31st December 2014	
	HK\$M		HK\$M	
Currency				
Hong Kong dollar	25,849	70%	26,728	72%
United States dollar	5,826	16%	4,966	14%
Renminbi	5,058	14%	5,242	14%
Others	72	–	9	–
Total	36,805	100%	36,945	100%

Net Finance Charges

At 30th June 2015, 59% of the Group's gross borrowings were on a fixed rate basis and 41% were on a floating rate basis (31st December 2014: 57% and 43% respectively). Interest charged and interest earned were as follows:

Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Interest charged on:			
– Bank loans and overdrafts	(229)	(276)	(525)
– Bonds	(164)	(148)	(302)
– Loans from fellow subsidiary companies	(349)	(354)	(715)
– Loans from joint venture and related companies	(4)	(7)	(14)
Fair value loss on derivative instruments			
– Cash flow hedges – transferred from other comprehensive income	–	–	(1)
Other financing costs	(74)	(77)	(152)
Loss on the movement in the fair values of liabilities in respect of put option in favour of the owner of non-controlling interest in a subsidiary company	(26)	(45)	(28)
Capitalised on:			
– Investment properties	90	88	185
– Properties under development and for sale	74	101	221
– Hotels	5	3	7
	(677)	(715)	(1,324)
Interest income on:			
– Short-term deposits and bank balances	14	12	29
– Loans to joint venture companies	32	20	42
– Others	–	25	26
	46	57	97
Net finance charges	(631)	(658)	(1,227)

Gearing Ratio and Interest Cover

	30th June		31st December
	2015	2014	2014
Gearing ratio*			
Per financial statements	15.7%	16.4%	16.3%
Underlying	15.0%	15.8%	15.7%
Interest cover – times*			
Per financial statements	15.2	10.8	9.0
Underlying	8.6	7.8	7.6
Cash interest cover – times*			
Per financial statements	12.0	8.4	6.7
Underlying	6.7	5.9	5.6

* Refer to Glossary on page 55 for definition

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 30th June 2015 and 31st December 2014:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by Swire Properties	
	30th June 2015	31st December 2014	30th June 2015	31st December 2014	30th June 2015	31st December 2014
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Hong Kong Entities	3,060	3,367	1,627	1,714	975	975
Mainland China Entities	8,179	7,363	4,090	3,682	–	–
U.S.A. Entities	564	597	423	448	498	502
	11,803	11,327	6,140	5,844	1,473	1,477

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 18.6% and underlying gearing would rise to 17.8%.

Report on Review of Condensed Interim Financial Statements

To the Board of Directors of Swire Properties Limited
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 30 to 51, which comprise the consolidated statement of financial position of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) at 30th June 2015 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended and a summary of significant accounting policies and other explanatory notes.

The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The Directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20th August 2015

Interim Financial Statements

Consolidated Statement of Profit or Loss

For the six months ended 30th June 2015 – unaudited

	Note	Unaudited Six months ended 30th June		Audited Year ended 31st December	
		2015 HK\$M	2014 HK\$M	2014 HK\$M	
Revenue	4	9,386	8,338	15,387	
Cost of sales	5	(3,587)	(3,012)	(5,176)	
Gross profit		5,799	5,326	10,211	
Administrative and selling expenses		(558)	(503)	(1,010)	
Other operating expenses		(119)	(111)	(221)	
Other net gains	6	25	34	56	
Change in fair value of investment properties		4,458	2,357	1,956	
Operating profit		9,605	7,103	10,992	
Finance charges		(677)	(715)	(1,324)	
Finance income		46	57	97	
Net finance charges	8	(631)	(658)	(1,227)	
Share of profits less losses of joint venture companies		686	1,021	1,444	
Share of profits less losses of associated companies		67	83	160	
Profit before taxation		9,727	7,549	11,369	
Taxation	9	(1,134)	(948)	(1,646)	
Profit for the period		8,593	6,601	9,723	
Profit attributable to:					
The Company's shareholders		8,493	6,461	9,516	
Non-controlling interests		100	140	207	
		8,593	6,601	9,723	
Dividends					
First interim – declared/paid		1,346	1,287	1,287	
Second interim – declared on 19th March 2015		–	–	2,574	
	10	1,346	1,287	3,861	
		HK\$	HK\$	HK\$	
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	11	1.45	1.10	1.63	
		2015	2014		
		First Interim HK\$	First Interim HK\$	Second Interim HK\$	Total HK\$
Dividends per share		0.23	0.22	0.44	0.66

The notes on pages 35 to 51 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the six months ended 30th June 2015 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Profit for the period	8,593	6,601	9,723
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 period	13	1	5
– deferred tax	–	–	(1)
Defined benefit plans			
– remeasurement losses recognised during the period	–	–	(94)
– deferred tax	–	–	16
	13	1	(74)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
– (losses)/gains recognised during the period	(103)	61	105
– transferred to net finance charges	–	–	1
– deferred tax	17	(11)	(17)
Share of other comprehensive income/(losses) of joint venture and associated companies	8	(113)	(84)
Net translation differences on foreign operations	(12)	(419)	(486)
	(90)	(482)	(481)
Other comprehensive losses for the period, net of tax	(77)	(481)	(555)
Total comprehensive income for the period	8,516	6,120	9,168
Total comprehensive income attributable to:			
The Company's shareholders	8,416	5,987	8,968
Non-controlling interests	100	133	200
	8,516	6,120	9,168

The notes on pages 35 to 51 form part of these financial statements.

Consolidated Statement of Financial Position

At 30th June 2015 – unaudited

	Unaudited 30th June 2015 HK\$M	Audited 31st December 2014 HK\$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	12 7,965	7,703
Investment properties	12 224,670	218,955
Intangible assets	13 121	82
Properties held for development	902	920
Joint venture companies	14 19,396	18,207
Associated companies	15 508	535
Available-for-sale assets	102	98
Derivative financial instruments	17 –	33
Deferred tax assets	21 71	63
	253,735	246,596
Current assets		
Properties under development and for sale	7,212	7,979
Stocks and work in progress	76	77
Trade and other receivables	18 3,596	2,821
Amount due from immediate holding company – Swire Pacific Limited	19 18	8
Cash and cash equivalents	2,982	2,874
Short-term deposits maturing after three months	50	–
	13,934	13,759
Current liabilities		
Trade and other payables	20 7,751	7,674
Tax payable	853	519
Bank overdrafts and short-term loans	614	551
Long-term loans due within one year	276	1,851
Loans due to a fellow subsidiary company – Swire Finance Limited	4,656	1,799
	14,150	12,394
Net current (liabilities)/assets	(216)	1,365
Total assets less current liabilities	253,519	247,961
Non-current liabilities		
Long-term loans and bonds	23,757	20,588
Loans due to a fellow subsidiary company – Swire Finance Limited	7,502	12,156
Other payables	20 505	470
Derivative financial instruments	17 76	4
Deferred tax liabilities	21 6,476	6,105
Retirement benefit liabilities	95	91
	38,411	39,414
NET ASSETS	215,108	208,547
EQUITY		
Share capital	22 10,449	10,449
Reserves	23 203,084	197,242
Equity attributable to the Company's shareholders	213,533	207,691
Non-controlling interests	24 1,575	856
TOTAL EQUITY	215,108	208,547

The notes on pages 35 to 51 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30th June 2015 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Operating activities			
Cash generated from operations	5,579	5,618	10,724
Interest paid	(760)	(797)	(1,575)
Interest received	47	57	98
Profits tax paid	(412)	(106)	(760)
	4,454	4,772	8,487
Dividends received from joint venture and associated companies	135	205	786
Net cash from operating activities	4,589	4,977	9,273
Investing activities			
Purchase of property, plant and equipment	(210)	(371)	(615)
Additions to investment properties	(1,560)	(1,329)	(4,336)
Purchase of intangible assets	(5)	(5)	(15)
Purchase of available-for-sale assets	(4)	–	(23)
Proceeds from disposals of property, plant and equipment	–	–	1
Proceeds from disposals of investment properties	4	7	7
Proceeds from disposal of a joint venture company	–	–	32
Loans to joint venture companies	(593)	(1,672)	(1,934)
Repayment of loans by joint venture companies	57	122	535
Repayment of loans by associated companies	–	–	21
Increase in deposits maturing after three months	(50)	(250)	–
Initial leasing costs incurred	(8)	(11)	(65)
Net cash used in investing activities	(2,369)	(3,509)	(6,392)
Net cash inflow before financing	2,220	1,468	2,881
Financing activities			
Loans drawn and refinancing	2,474	5,212	10,004
Bonds issued	600	–	600
Repayment of loans	(1,430)	(3,603)	(8,674)
	1,644	1,609	1,930
Capital contribution from a non-controlling interest	629	–	–
(Decrease)/Increase in loans due to a fellow subsidiary company	(1,800)	1,300	600
Purchase of shares in an existing subsidiary company	–	(1,256)	(1,256)
Dividends paid to the Company's shareholders	(2,574)	(2,340)	(3,627)
Dividends paid to non-controlling interests	(10)	(140)	(144)
Net cash used in financing activities	(2,111)	(827)	(2,497)
Increase in cash and cash equivalents	109	641	384
Cash and cash equivalents at 1st January	2,874	2,521	2,521
Currency adjustment	(1)	(31)	(31)
Cash and cash equivalents at end of the period	2,982	3,131	2,874
Represented by:			
Bank balances and short-term deposits maturing within three months	2,982	3,131	2,874

The notes on pages 35 to 51 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30th June 2015 – unaudited

	Attributable to the Company's shareholders				Non-controlling interests HK\$M	Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M		
At 1st January 2015	10,449	194,278	2,964	207,691	856	208,547
Profit for the period	–	8,493	–	8,493	100	8,593
Other comprehensive losses	–	–	(77)	(77)	–	(77)
Total comprehensive income for the period	–	8,493	(77)	8,416	100	8,516
Dividends paid	–	(2,574)	–	(2,574)	(10)	(2,584)
Capital contribution from a non-controlling interest	–	–	–	–	629	629
At 30th June 2015 (unaudited)	10,449	200,197	2,887	213,533	1,575	215,108

	Attributable to the Company's shareholders				Non-controlling interests HK\$M	Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M		
At 1st January 2014	5,850	188,467	8,033	202,350	800	203,150
Profit for the period	–	6,461	–	6,461	140	6,601
Other comprehensive losses	–	–	(474)	(474)	(7)	(481)
Total comprehensive income for the period	–	6,461	(474)	5,987	133	6,120
Transition to no-par value regime on 3rd March 2014	4,599	–	(4,599)	–	–	–
Dividends paid	–	(2,340)	–	(2,340)	(140)	(2,480)
At 30th June 2014 (unaudited)	10,449	192,588	2,960	205,997	793	206,790

The notes on pages 35 to 51 form part of these financial statements.

Notes to the Interim Financial Statements

1. Segment Information

(a) 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	Net finance charges HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit before taxation HK\$M	Profit for the period HK\$M	Profit attributable to the Company's shareholders HK\$M
Six months ended 30th June 2015									
Property investment	5,433	9	4,145	(610)	109	–	3,644	3,102	3,086
Property trading	3,403	–	1,025	1	(2)	–	1,024	846	788
Hotels	550	1	(23)	(22)	(8)	67	14	8	9
Change in fair value of investment properties	–	–	4,458	–	587	–	5,045	4,637	4,610
Inter-segment elimination	–	(10)	–	–	–	–	–	–	–
Total	9,386	–	9,605	(631)	686	67	9,727	8,593	8,493

	External revenue HK\$M	Inter-segment revenue HK\$M	Operating profit/(loss) after depreciation and amortisation HK\$M	Net finance charges HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit before taxation HK\$M	Profit for the period HK\$M	Profit attributable to the Company's shareholders HK\$M
Six months ended 30th June 2014									
Property investment	5,109	7	3,947	(636)	117	–	3,428	2,964	2,951
Property trading	2,707	–	807	2	175	–	984	851	727
Hotels	522	1	(8)	(24)	(10)	83	41	26	26
Change in fair value of investment properties	–	–	2,357	–	739	–	3,096	2,760	2,757
Inter-segment elimination	–	(8)	–	–	–	–	–	–	–
Total	8,338	–	7,103	(658)	1,021	83	7,549	6,601	6,461

	External revenue HK\$M	Inter-segment revenue HK\$M	Operating profit/(loss) after depreciation and amortisation HK\$M	Net finance charges HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit before taxation HK\$M	Profit for the period HK\$M	Profit attributable to the Company's shareholders HK\$M
Year ended 31st December 2014									
Property investment	10,456	11	7,878	(1,186)	308	–	7,000	6,055	6,029
Property trading	3,842	–	1,180	5	226	–	1,411	1,200	1,020
Hotels	1,089	2	(22)	(46)	(46)	160	46	30	30
Change in fair value of investment properties	–	–	1,956	–	956	–	2,912	2,438	2,437
Inter-segment elimination	–	(13)	–	–	–	–	–	–	–
Total	15,387	–	10,992	(1,227)	1,444	160	11,369	9,723	9,516

1. Segment Information (continued)

(b) Analysis of Total Assets of the Group

	Segment assets HK\$M	Joint venture companies HK\$M	Associated companies HK\$M	Bank deposits HK\$M	Total assets HK\$M
At 30th June 2015					
Property investment	228,966	17,029	29	2,229	248,253
Property trading and development	9,317	1,057	–	644	11,018
Hotels	6,450	1,310	479	159	8,398
Total	244,733	19,396	508	3,032	267,669
At 31st December 2014					
Property investment	223,021	16,046	28	2,092	241,187
Property trading and development	9,417	891	–	612	10,920
Hotels	6,301	1,270	507	170	8,248
Total	238,739	18,207	535	2,874	260,355

(c) 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 30th June 2015					
Property investment	6,115	6,941	31,317	44,373	1,271
Property trading and development	2,082	388	4,874	7,344	283
Hotels	230	–	614	844	21
Total	8,427	7,329	36,805	52,561	1,575
At 31st December 2014					
Property investment	6,147	6,341	30,344	42,832	612
Property trading and development	1,815	283	6,056	8,154	224
Hotels	277	–	545	822	20
Total	8,239	6,624	36,945	51,808	856

1. Segment Information (continued)

The Swire Properties Group is organised on a divisional basis: Property investment, Property trading and development, and Hotels.

The reportable segments that make up each of the three divisions are classified according to the nature of business.

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.

2. Basis of Preparation

(a) The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of The Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies, methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2014 annual financial statements except for those noted in 2(b) below.

(b) The following amendments were required to be adopted by the Group effective from 1st January 2015:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010-2012 Cycle
	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions

The improvements to HKFRSs cycles consist of amendments to existing standards. The amendments have had no significant impact on the Group’s financial statements.

The amendment to HKAS 19 applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment permits (but does not require) contributions from employees or third parties that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, rather than being attributed to periods of service as a negative benefit. The amendment has had no significant impact on the Group’s financial statements.

(c) The preparation of the interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Those areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the Group’s consolidated financial statements are detailed in the 2014 annual financial statements.

3. Financial Risk Management

Financial risk factors

In the normal course of business the Group is exposed to financial risks attributable to interest rates, currency, credit and liquidity.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2014 annual financial statements. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. Revenue

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

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Gross rental income from investment properties	5,368	5,045	10,320
Property trading	3,403	2,707	3,842
Hotels	550	522	1,089
Rendering of other services	65	64	136
	9,386	8,338	15,387

5. Cost of Sales

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Direct rental outgoings in respect of investment properties	896	803	1,786
Property trading	2,187	1,760	2,439
Hotels	485	437	924
Rendering of other services	19	12	27
	3,587	3,012	5,176

6. Other Net Gains

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Profit on sale of investment properties	13	6	6
Loss on sale of property, plant and equipment	–	–	(1)
Impairment reversals on trading properties	–	24	45
Net foreign exchange (losses)/gains	(1)	3	(2)
Recognition of income on forfeited deposits on trading properties	10	–	2
Others	3	1	6
	25	34	56

7. Expenses by Nature

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

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Depreciation of property, plant and equipment (note 12)	134	131	263
Amortisation of			
– Intangible assets (note 13)	4	3	8
– Initial leasing costs on investment properties	37	46	89
Staff costs	761	733	1,397
Operating lease rental			
– properties	39	33	65
– plant and equipment	2	1	3

8. Net Finance Charges

Refer to page 27 for details of the Group's net finance charges.

9. Taxation

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Current taxation			
Hong Kong profits tax	(644)	(541)	(988)
Overseas taxation	(100)	(6)	(74)
Under provisions in prior years	(1)	–	(6)
	(745)	(547)	(1,068)
Deferred taxation (note 21)			
Changes in fair value of investment properties	(290)	(219)	(265)
Origination and reversal of temporary differences	(99)	(182)	(313)
	(389)	(401)	(578)
	(1,134)	(948)	(1,646)

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group's share of joint venture and associated companies' tax charges for the six months ended 30th June 2015 of HK\$187 million (30th June 2014: HK\$212 million; year ended 31st December 2014: HK\$320 million) and HK\$14 million (30th June 2014: HK\$17 million; year ended 31st December 2014: HK\$33 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

10. Dividends

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
First interim dividend declared on 20th August 2015 of HK\$0.23 per share (2014 first interim dividend paid on 6th October 2014: HK\$0.22)	1,346	1,287	1,287
Second interim dividend paid on 7th May 2015 of HK\$0.44 per share	–	–	2,574
	1,346	1,287	3,861

The Directors have declared a first interim dividend of HK\$0.23 (2014: HK\$0.22) per share for the period ended 30th June 2015. The first interim dividend, which totals HK\$1,346 million (2014: HK\$1,287 million), will be paid on 5th October 2015 to shareholders registered at the close of business on the record date, being Friday, 11th September 2015. Shares of the Company will be traded ex-dividend as from Wednesday, 9th September 2015.

The register of members will be closed on Friday, 11th September 2015, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first 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 Thursday, 10th September 2015.

11. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2015 of HK\$8,493 million (30th June 2014: HK\$6,461 million; 31st December 2014: HK\$9,516 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2014 and 31st December 2014: 5,850,000,000 ordinary shares).

12. Property, Plant and Equipment/Investment Properties

	Property, plant and equipment HK\$M
Cost:	
At 1st January 2015	9,650
Translation differences	7
Additions	214
Disposals	(9)
Net transfers from investment properties	164
Revaluation surplus	13
At 30th June 2015	10,039
Accumulated depreciation and impairment:	
At 1st January 2015	1,947
Translation differences	2
Charge for the period	134
Disposals	(8)
Net transfers to investment properties	(1)
At 30th June 2015	2,074
Net book value:	
At 30th June 2015	7,965
At 1st January 2015	7,703

Properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from carrying amount to fair value for the period ended 30th June 2015 was HK\$13 million and has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2015.

Refer to page 17 for details of the Group's investment properties.

13. Intangible Assets

	Computer software HK\$M	Others HK\$M	Total HK\$M
Cost:			
At 1st January 2015	82	58	140
Additions	5	–	5
Transfer from deferred expenditure	–	38	38
At 30th June 2015	87	96	183
Accumulated amortisation:			
At 1st January 2015	58	–	58
Amortisation for the period	4	–	4
At 30th June 2015	62	–	62
Net book value:			
At 30th June 2015	25	96	121
At 1st January 2015	24	58	82

14. Joint Venture Companies

	30th June 2015 HK\$M	31st December 2014 HK\$M
Share of net assets, unlisted	5,959	5,305
Loans due from joint venture companies less provisions		
– Interest-free	12,159	12,060
– Interest-bearing	1,278	842
	19,396	18,207

15. Associated Companies

	30th June 2015 HK\$M	31st December 2014 HK\$M
Share of net assets, unlisted	477	504
Loans due from associated companies		
– Interest-free	31	31
	508	535

16. Fair Value Measurement of Financial Instruments

(a) Financial instruments that are measured at fair value are included in the following fair value hierarchy:

	Level 2 HK\$M	Level 3 HK\$M	Total HK\$M
Assets as per consolidated statement of financial position			
At 30th June 2015			
Derivatives used for hedging (note 17)	–	–	–
Available-for-sale assets – Unlisted investments	–	102	102
Total	–	102	102
At 31st December 2014			
Derivatives used for hedging (note 17)	33	–	33
Available-for-sale assets – Unlisted investments	–	98	98
Total	33	98	131
Liabilities as per consolidated statement of financial position			
At 30th June 2015			
Derivatives used for hedging (note 17)	76	–	76
Put option in favour of a non-controlling interest (note 20)	–	505	505
Total	76	505	581
At 31st December 2014			
Derivatives used for hedging (note 17)	4	–	4
Put option in favour of a non-controlling interest (note 20)	–	470	470
Total	4	470	474

Notes:

Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.

Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

There were no transfers of financial instruments between level 2 and level 3 fair value classifications and there were no transfers into or out of level 3 fair value hierarchy classifications. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels at the date of the event or change in circumstances that causes the transfer.

There has been no change in valuation techniques for level 2 and level 3 fair value hierarchy classifications.

The fair value of derivatives used for hedging in level 2 has been determined based on quotes from market makers or alternative market participants supported by observable inputs. The most significant inputs are market interest rates, exchange rates and yields.

The fair value of the put option over non-controlling interest in subsidiary company classified as Level 3 is determined using discounted cash flow valuations.

16. Fair Value Measurement of Financial Instruments (continued)

The fair value estimate of the put option in favour of a non-controlling interest in the retail portion of Brickell City Centre contains a number of significant unobservable inputs, including the expected fair value of the investment property at the expected exercise date, the expected exercise date itself and the discount rate used.

The investment property's fair value at the expected exercise date is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's already complete investment properties, including expected fair market rent and the capitalisation rate. If the investment property's expected fair value at the exercise date is higher, the fair value of the put option would also be higher at 30th June 2015. If the expected exercise date is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise date or a lower discount rate.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30th June 2015 and 31st December 2014 except for the following financial liabilities, the carrying amounts and fair value of which are disclosed below:

	30th June 2015		31st December 2014	
	Carrying amount HK\$M	Fair value HK\$M	Carrying amount HK\$M	Fair value HK\$M
Long-term loans and bonds	24,033	24,306	22,439	22,714

17. Derivative Financial Instruments

The Group uses derivative financial instruments solely for management of an underlying risk. The Group minimises its exposure to market risk since gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

	30th June 2015		31st December 2014	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Cross-currency swaps – cash flow hedges – due after one year	–	76	33	4

18. Trade and Other Receivables

	30th June 2015 HK\$M	31st December 2014 HK\$M
Trade debtors	962	275
Prepayments and accrued income	433	253
Other receivables	2,201	2,293
	3,596	2,821

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

	30th June 2015 HK\$M	31st December 2014 HK\$M
Under three months	958	271
Between three and six months	3	2
Over six months	1	2
	962	275

There is no concentration of credit risk with respect to trade and other receivables, as the Group has a large number of customers.

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.

19. Amount due from immediate holding company – Swire Pacific Limited

The amount due from immediate holding company is unsecured, interest free and repayable within one year.

20. Trade and Other Payables

	30th June 2015 HK\$M	31st December 2014 HK\$M
Trade creditors	1,054	1,337
Amount due to intermediate holding company	119	110
Amount due to a fellow subsidiary company	81	77
Amount due to an associated company	76	106
Interest-bearing advances from fellow subsidiary companies	400	400
Interest-bearing advances from joint venture and related companies	250	250
Rental deposits from tenants	2,295	2,295
Put option in favour of a non-controlling interest – non-current	505	470
Accrued capital expenditure	392	497
Other payables	3,084	2,602
	8,256	8,144
Amount due after one year included under non-current liabilities	(505)	(470)
	7,751	7,674

The analysis of the age of trade creditors is as follows:

	30th June 2015 HK\$M	31st December 2014 HK\$M
Under three months	1,054	1,337

21. Deferred Taxation

The movement on the net deferred tax liabilities account is as follows:

	HK\$M
At 1st January 2015	6,042
Translation differences	(9)
Charged to statement of profit or loss (note 9)	389
Credited to other comprehensive income	(17)
At 30th June 2015	6,405
Represented by:	
Deferred tax assets	(71)
Deferred tax liabilities	6,476
	6,405

22. Share Capital

Issued and fully paid:
At 30th June 2015 and 31st December 2014
5,850,000,000 ordinary shares

Company	
30th June 2015 HK\$M	31st December 2014 HK\$M
10,449	10,449

23. 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 2015	194,278	(1,108)	1,676	24	2,372	197,242
Profit for the period	8,493	–	–	–	–	8,493
<i>Other comprehensive income</i>						
Revaluation of property previously occupied by the Group						
– gain recognised during the period	–	–	13	–	–	13
Cash flow hedges						
– losses recognised during the period	–	–	–	(103)	–	(103)
– deferred tax	–	–	–	17	–	17
Share of other comprehensive income of joint venture and associated companies	–	–	–	(1)	9	8
Net translation differences on foreign operations	–	–	–	–	(12)	(12)
Total comprehensive income for the period	8,493	–	13	(87)	(3)	8,416
2014 second interim dividend	(2,574)	–	–	–	–	(2,574)
At 30th June 2015	200,197	(1,108)	1,689	(63)	2,369	203,084

* The revenue reserve includes HK\$1,346 million representing the proposed first interim dividend for the period (31st December 2014: HK\$2,574 million representing the proposed second interim dividend for 2014).

24. Non-controlling Interests

	HK\$M
At 1st January 2015	856
Share of profits less losses for the period	100
Share of translation differences on foreign operations	–
Share of total comprehensive income for the period	100
Dividends paid and payable	(10)
Capital contribution from a non-controlling interest	629
At 30th June 2015	1,575

The capital contribution from a non-controlling interest relates to the 25% interest in the retail component of the Brickell City Centre Project, held by Simon Property Group.

25. Capital Commitments

	30th June 2015 HK\$M	31st December 2014 HK\$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	374	315
Authorised by Directors but not contracted for	104	166
Investment properties		
Contracted for	2,557	2,417
Authorised by Directors but not contracted for	14,578	15,773
	17,613	18,671
The Group's share of capital commitments of joint venture companies at the end of the period *		
Contracted for	2,130	2,134
Authorised by Directors but not contracted for	2,936	3,335
	5,066	5,469

* of which the Group is committed to funding HK\$1,777 million (31st December 2014: HK\$2,634 million).

26. Contingencies

Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK\$1,473 million (31st December 2014: HK\$1,477 million). Bank guarantees given in lieu of utility deposits and other liabilities totalled HK\$88 million at the end of the period (31st December 2014: HK\$146 million).

27. Related Party Transactions

There is an agreement for services (“Services Agreement”), in respect of which John Swire & Sons (H.K.) Limited (“JSSHK”), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group’s relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement, which commenced on 1st January 2014 for a period of three years, will expire on 31st December 2016. For the period ended 30th June 2015, service fees payable amounted to HK\$119 million (2014: HK\$111 million). Expenses of HK\$29 million (2014: HK\$30 million) were reimbursed at cost; in addition, HK\$32 million (2014: HK\$40 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (the “Tenancy Framework Agreement”) between JSSHK, Swire Pacific Limited and the Company dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group and members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement is for a term of two years ending 31st December 2015 and will be renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the six months ended 30th June 2015, the aggregate rentals payable to the Group by members of the JSSHK group and members of the Swire Pacific group under the tenancies subject to the Tenancy Framework Agreement amounted to HK\$49 million (2014: HK\$45 million) and HK\$44 million (2014: HK\$44 million) respectively.

The above transactions under the Services Agreement and the Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the Tenancy Framework Agreement), which were carried out in the normal course of the Group’s business, in addition to those transactions disclosed elsewhere in the financial statements.

27. Related Party Transactions (continued)

		For the six months ended 30th June									
		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
Note		2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M
	Purchases of services	(a)	–	–	10	10	–	–	–	–	–
	Rental revenue	(b)	2	2	46	45	6	6	41	38	5
	Revenue from hotels		–	–	–	1	–	–	–	–	1
	Other revenue	(a)	–	–	3	5	1	–	1	1	–
	Interest income	(c)	32	20	–	–	–	–	–	–	–
	Interest charges	(c)	–	3	349	354	–	–	–	–	4

Notes:

- (a) Purchases of goods and rendering of services from and to related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged by/to and contracted with other suppliers/customers of the Group.
- (b) The Group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- (c) Loans advanced to joint venture and associated companies at 30th June 2015 are disclosed in notes 14 and 15 respectively. Advances from fellow subsidiary, joint venture, associated and related companies are disclosed in note 20. There are a number of loan agreements between the Group and the Swire Pacific group, details of which are disclosed on page 23. The loans due to Swire Finance Limited, a fellow subsidiary company, are disclosed on page 25.

Amount due from the immediate holding company at 30th June 2015 was HK\$18 million (31st December 2014: HK\$8 million). These balances arise in the normal course of business, are non-interest-bearing and repayable within one year.

28. Event After the Reporting Period

In July 2015, a subsidiary of Swire Properties entered into a framework agreement with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. signifying the parties' intention to jointly develop a retail project with an aggregate GFA of approximately 1,330,000 square feet in Qiantan, Pudong New District in Shanghai. Entry into the proposed joint venture and undertaking the project are subject to certain conditions precedent. If the joint venture is formed, it is expected that Swire Properties will have a 50% interest in the project.

Supplementary Information

Corporate Governance

The Company complied with all the code provisions set out in the Corporate Governance Code (the “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 accounting period covered by the interim 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”) set out 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 interim 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.

The interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

Share Capital

During the period under review, the Group did not purchase, sell or redeem any of its shares.

Directors’ Particulars

Changes in the particulars of the Directors are set out as follows:

1. J.R. Slosar was appointed as a Vice-President of The Real Estate Developers Association of Hong Kong with effect from 19th March 2015.
2. G.J. Ongley ceased to be Director, Development and was appointed Senior Advisor with effect from 1st July 2015.
3. D.C.Y. Ho was appointed Senior Advisor (Mainland China) with effect from 1st August 2015.

Directors' Interests

At 30th June 2015, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Pacific Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity			Total no. of shares	Percentage of voting shares (%)	Note
	Beneficial interest		Trust interest			
	Personal	Family				
Swire Properties Limited						
S.E. Bradley	700	–	–	700	0.00001	
P.K. Etchells	–	8,400	–	8,400	0.00014	
D.C.Y. Ho	14,000	–	–	14,000	0.00024	

	Capacity			Total no. of shares	Percentage of issued capital (%)	Note
	Beneficial interest		Trust interest			
	Personal	Family				
John Swire & Sons Limited						
Ordinary Shares of £1						
M.B. Swire	3,150,523	–	19,222,920	22,373,443	22.37	(1)
8% Cum. Preference Shares of £1						
M.B. Swire	846,476	–	5,655,441	6,501,917	21.67	(1)

	Capacity			Total no. of shares	Percentage of voting shares in the class (%)	Note
	Beneficial interest		Trust interest			
	Personal	Family				
Swire Pacific Limited						
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
P.K. Etchells	–	12,000	–	12,000	0.0013	
'B' shares						
D.C.Y. Ho	100,000	–	–	100,000	0.0033	

Directors' Interests (continued)

Hong Kong Aircraft Engineering Company Limited	Capacity			Total no. of shares	Percentage of voting shares (%)	Note
	Beneficial interest		Trust interest			
	Personal	Family				
D.C.Y. Ho	6,400	–	–	6,400	0.0038	

Note:

(1) M.B. Swire is a trustee of trusts which held 7,899,584 ordinary shares and 2,237,039 preference shares in John Swire & Sons Limited included under "Trust interest" and does not have any beneficial interest in those shares.

Other than as stated above, no Director or Chief Executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2015 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	Number of shares	Percentage of voting shares (%)	Type of interest	Note
1. Swire Pacific Limited	4,796,765,835	82.00	Beneficial owner	(1)
2. John Swire & Sons Limited	4,796,765,835	82.00	Attributable interest	(2)

Notes:

At 30th June 2015:

(1) Swire Pacific Limited was interested in 4,796,765,835 shares of the Company as beneficial owner.

(2) John Swire & Sons Limited was deemed to be interested in a total of 4,796,765,835 shares in which Swire Pacific Limited was interested, by virtue of the John Swire & Sons Limited group's interests in shares of Swire Pacific Limited representing approximately 49.75% of the equity and approximately 61.26% of the voting rights.

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, overdrafts and perpetual capital securities.

Net debt Gross borrowings net of bank deposits and bank balances.

Underlying equity attributable to the Company's shareholders Reported equity before non-controlling interests, adjusted for the impact of deferred tax on investment properties, unrecognised valuation gains on hotels held as part of mixed-use developments, revaluation of investment properties occupied by the Group and cumulative depreciation of investment properties occupied by the Group.

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

Ratios

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

$$\text{Equity attributable to the Company's shareholders per share} = \frac{\text{Equity before non-controlling interests}}{\text{Weighted average number of shares in issue during the period}}$$

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

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2015

Interim Report available to shareholders	7th September
Shares trade ex-dividend	9th September
Share register closed for 2015 first interim dividend entitlement	11th September
Payment of 2015 first interim dividend	5th October
Annual results announcement	March 2016
Annual General Meeting	May 2016

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