

Interim Report

2019



Stock Code: 1972



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# Financial Highlights

		<b>Six months ended 30th June</b>		
		<b>2019</b>	2018	
		<b>HK\$M</b>	HK\$M	Change
<b>Results</b>				
Revenue		<b>7,510</b>	7,309	+3%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	<b>18,606</b>	6,219	+199%
Recurring underlying	(b)	<b>4,049</b>	3,732	+8%
Reported		<b>8,973</b>	21,205	-58%
Cash generated from operations		<b>2,158</b>	5,308	-59%
Net cash inflow before financing		<b>15,104</b>	7,628	+98%
		<b>HK\$</b>	HK\$	
Earnings per share				
Underlying	(c)	<b>3.18</b>	1.06	+199%
Recurring underlying	(c)	<b>0.69</b>	0.64	+8%
Reported	(c)	<b>1.53</b>	3.62	-58%
Dividends per share				
First interim		<b>0.29</b>	0.27	+7%
		<b>30th June</b>	31st December	
		<b>2019</b>	2018	
		<b>HK\$M</b>	HK\$M	Change
<b>Financial Position</b>				
Total equity (including non-controlling interests)		<b>286,714</b>	281,291	+2%
Net debt		<b>15,670</b>	29,905	-48%
Gearing ratio	(a)	<b>5.5%</b>	10.6%	-5.1%pt.
		<b>HK\$</b>	HK\$	
Equity attributable to the Company's shareholders per share	(a)	<b>48.66</b>	47.74	+2%

Notes:

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

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

(c) Refer to note 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 2019 was HK\$8,973 million, compared to HK\$21,205 million in the first half of 2018. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$12,387 million from HK\$6,219 million in the first half of 2018 to HK\$18,606 million in the first half of 2019. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK\$4,049 million in the first half of 2019, compared with HK\$3,732 million in the first half of 2018.

## Dividends

The Directors have declared a first interim dividend of HK\$0.29 (2018: HK\$0.27) per share for the year ending 31st December 2019. The first interim dividend, which totals HK\$1,697 million (2018: HK\$1,580 million), will be paid on 3rd October 2019 to shareholders registered at the close of business on the record date, being Friday, 6th September 2019. Shares of the Company will be traded ex-dividend from Wednesday, 4th September 2019.

## Key Developments

In April 2019, Swire Properties completed the sale of its 100% interest in a subsidiary which owned the two office buildings at 14 Taikoo Wan Road and 12 Taikoo Wan Road (formerly known as Cityplaza Three and Cityplaza Four respectively) in Taikoo Shing, Hong Kong.

In April 2019, Swire Properties announced its first residential project "EDEN" in Singapore. The development comprises 20 residential units with an aggregate GFA of approximately 77,000 square feet and is expected to be completed in the fourth quarter of 2019.

In May 2019, Swire Properties conditionally agreed to sell its entire 50% interest in a company which owns an office building at 625 King's Road in Hong Kong. Completion of the sale took place in July 2019.

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate GFA of approximately 1,123,000 square feet. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

## Operating Performance

The increase in underlying profit from HK\$6,219 million in the first half of 2018 to HK\$18,606 million in the first half of 2019 principally reflected the profit arising from the sale of interests in two office buildings in Taikoo Shing and in other investment properties in Hong Kong.

Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK\$4,049 million in the first half of 2019, compared with HK\$3,732 million in the first half of 2018.

Recurring underlying profit from property investment increased by 7% in the first half of 2019, with satisfactory growth at the Hong Kong and Mainland China portfolios. Gross rental income increased by 6% (to HK\$6,346 million in the first half of 2019, compared with HK\$5,996 million in the first half of 2018). This reflected positive rental reversions at the office properties in Hong Kong and Mainland China and higher retail sales in Mainland China and the U.S.A.

Underlying profit from property trading in the first half of 2019 arose mainly from the sale of carparks at the ALASSIO development in Hong Kong and residential units in the U.S.A.

Hotels recorded a profit in the first half of 2019 compared with a loss in the first half of 2018, principally due to improved performances at the hotels in Shanghai in Mainland China and in the U.S.A.

Net finance charges in the first half of 2019 were HK\$323 million, a 36% decrease from HK\$503 million in the first half of 2018. The decrease principally reflected reduced net borrowings in Hong Kong following receipt of the balance of the proceeds of sale of a subsidiary owning our interests in two office buildings in Taikoo Shing, Hong Kong.

On an attributable basis, net investment property valuation gains in the first half of 2019, after deferred tax relating to investment properties, were HK\$3,569 million, compared to net gains of HK\$16,233 million in the first half of 2018.

## Finance

Net debt at 30th June 2019 was HK\$15,670 million, compared with HK\$29,905 million at 31st December 2018. Gearing decreased from 10.6% at 31st December 2018 to 5.5% at 30th June 2019. The reduction in net debt reflected receipt of the balance of the proceeds of sale of a subsidiary owning our interests in two office buildings in Taikoo Shing, Hong Kong. The receipt was partially offset by capital expenditure on investment properties in Hong Kong. Cash and undrawn committed facilities were HK\$25,116 million at 30th June 2019, compared with HK\$14,147 million at 31st December 2018.

## Prospects

In Hong Kong, with reduced demand for office space, particularly from Mainland Chinese companies, and relocations to other districts, more vacancies are expected in the Central district of Hong Kong. This will put downward pressure on office rents in Central. Strong demand and high occupancy are expected to result in office rents at our Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts. In Mainland China, increased vacancy rates consequent on new supply and a weak market are expected to put downward pressure on office rents in Guangzhou. The same is true in Beijing. In the central business district of Shanghai, demand for office space is expected to weaken and vacancy rates are expected to increase. But rents will remain resilient at HKRI Taikoo Hui due to high occupancy. In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is limited and demand is firm.

Global trade uncertainties and the adverse effect of Renminbi weakness on spending by tourists from Mainland China have affected retail spending in Hong Kong. The protests in Hong Kong have had some effect on retail sales at our malls, particularly at Pacific Place. If the protests continue, sales are likely to continue to be affected. In Mainland China, retail sales are expected to grow steadily in Beijing and Guangzhou, moderately in Shanghai and satisfactorily in Chengdu. In Beijing, demand for luxury, fashion and lifestyle brands and food and beverages is expected to be solid. In Guangzhou, demand for retail space from international retailers is expected to be strong. In Chengdu, demand for luxury goods, and for retail space in prime locations, is expected to be strong. In Shanghai, demand for retail space from cosmetic, fashion, lifestyle and food and beverages outlets is expected to be strong. In Miami, retail sales are growing. Demand for retail space in the metropolitan area is correspondingly steady.

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

In Miami, the majority of the demand for condominiums is from South American buyers. The demand is expected to continue to be affected by weak South American economies and the relative strength of the US dollar. The property markets in Singapore and in Jakarta, Indonesia are expected to be stable. Trading profits are expected to be recognised in 2019 from sales at Pinnacle One at Sino-Ocean Taikoo Li Chengdu, Mainland China and of residential units at the Reach and Rise developments in Miami.

Trading conditions for our hotels are expected to be stable in the second half of 2019 except that occupancy in Hong Kong has been affected somewhat by the protests and this is likely to continue if the situation persists. Our new hotels in Shanghai are building up their occupancy. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later this year.

**Merlin Swire**

Chairman

Hong Kong, 8th August 2019

# Review of Operations

	Six months ended 30th June		Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
<b>Revenue</b>			
<b>Gross Rental Income derived from</b>			
Offices	3,302	3,141	6,375
Retail	2,747	2,579	5,205
Residential	297	276	537
<b>Other Revenue <sup>(1)</sup></b>	<b>66</b>	63	137
<b>Property Investment</b>	<b>6,412</b>	6,059	12,254
<b>Property Trading</b>	<b>392</b>	530	1,061
<b>Hotels</b>	<b>706</b>	720	1,404
<b>Total Revenue</b>	<b>7,510</b>	7,309	14,719
<b>Operating Profit/(Loss) derived from</b>			
Property investment			
From operation	4,466	4,448	8,597
Sale of interests in investment properties	1,361	1,254	1,276
Valuation gains on investment properties	3,837	15,535	19,452
Property trading	50	73	65
Hotels	11	(1)	(25)
<b>Total Operating Profit</b>	<b>9,725</b>	21,309	29,365
<b>Share of Post-tax Profits from Joint Venture and Associated Companies</b>	<b>740</b>	1,064	1,978
<b>Profit Attributable to the Company's Shareholders</b>	<b>8,973</b>	21,205	28,666

(1) Other revenue is mainly estate management fees.

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

	Note	Six months ended 30th June		Year ended 31st December
		2019 HK\$M	2018 HK\$M	2018 HK\$M
<b>Underlying Profit Reconciliation</b>				
<b>Profit attributable to the Company's shareholders per financial statements</b>		<b>8,973</b>	21,205	28,666
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	<b>(4,270)</b>	(16,360)	(20,796)
Deferred tax on investment properties	(b)	<b>684</b>	121	935
Valuation gains realised on sale of interests in investment properties	(c)	<b>13,197</b>	1,233	1,351
Depreciation of investment properties occupied by the Group	(d)	<b>11</b>	11	19
Non-controlling interests' share of revaluation movements less deferred tax		<b>17</b>	6	(15)
Movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	(e)	<b>2</b>	3	(12)
Less amortisation of right-of-use assets reported under investment properties	(f)	<b>(8)</b>	–	–
<b>Underlying Profit Attributable to the Company's Shareholders</b>		<b>18,606</b>	6,219	10,148
Profit on sale of interests in investment properties		<b>(14,557)</b>	(2,487)	(2,627)
<b>Recurring Underlying Profit Attributable to the Company's Shareholders</b>		<b>4,049</b>	3,732	7,521

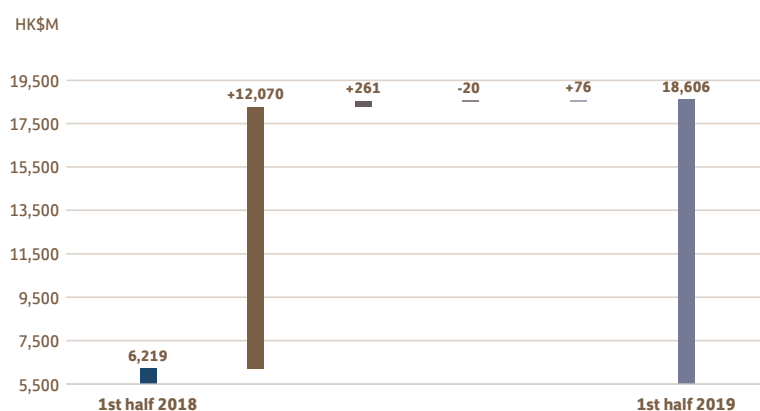
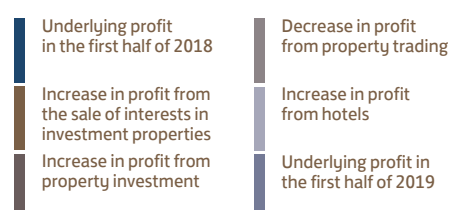
## Notes:

- (a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss and the Group's share of net revaluation movements of joint venture companies.
- (b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and the U.S.A., and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
- (c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement of profit or loss.
- (d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
- (e) The value of the put option in favour of the owner of a non-controlling interest is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the non-controlling interest is interested.
- (f) HKFRS 16 amends the definition of investment property under HKAS 40 to include property held by a lessee as right-of-use assets to earn rentals or for capital appreciation or both, and requires the Group to account for such right-of-use assets at their fair value. The amortisation of such right-of-use assets is charged to underlying profit.



## Underlying Profit

### Movement in Underlying Profit



The increase in underlying profit from HK\$6,219 million in the first half of 2018 to HK\$18,606 million in the first half of 2019 principally reflected the profit arising from the sale of interests in two office buildings in Taikoo Shing and in other investment properties in Hong Kong. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK\$4,049 million in the first half of 2019, compared with HK\$3,732 million in the first half of 2018.

Recurring underlying profit from property investment increased by 7% in the first half of 2019, with satisfactory growth at the Hong Kong and Mainland China portfolios. Gross rental income increased by 6% (to HK\$6,346 million in the first half of 2019, compared with HK\$5,996 million in the first half of 2018). This reflected positive rental reversions at the office properties in Hong Kong and Mainland China and higher retail sales in Mainland China and the U.S.A. Underlying profit from property trading in the first half of 2019 arose mainly from the sale of carparks at the ALASSIO development in Hong Kong and residential units in the U.S.A. Hotels recorded a profit in the first half of 2019 compared with a loss in the first half of 2018, principally due to improved performances at the hotels in Shanghai in Mainland China and in the U.S.A.

## Portfolio Overview

The aggregate GFA attributable to the Group at 30th June 2019 was approximately 29.3 million square feet.

Of the aggregate GFA attributable to the Group, approximately 26.8 million square feet are investment properties, comprising completed investment properties of approximately 23.2 million square feet and investment properties under development or held for future development of approximately 3.6 million square feet. In Hong Kong, the investment property portfolio comprises approximately 14.4 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 six major commercial developments in prime locations in Beijing, Guangzhou, Chengdu and Shanghai. These developments are expected to comprise approximately 9.7 million square feet of attributable GFA when they are all completed. Of this, 8.8 million square feet has already been completed. Outside Hong Kong and Mainland China, the investment property portfolio principally comprises the Brickell City Centre development in Miami, U.S.A.

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property portfolio at 30th June 2019.

<b>Completed Investment Properties (GFA attributable to the Group in million square feet)</b>						
	Office	Retail	Hotels <sup>(1)</sup>	Residential/ Serviced Apartments	Under Planning	<b>Total</b>
Hong Kong	9.3	2.5	0.8	0.6	–	<b>13.2</b>
Mainland China	2.9	4.5	1.2	0.2	–	<b>8.8</b>
U.S.A.	0.3	0.3	0.5	0.1	–	<b>1.2</b>
<b>Total</b>	<b>12.5</b>	<b>7.3</b>	<b>2.5</b>	<b>0.9</b>	<b>–</b>	<b>23.2</b>

<b>Investment Properties Under Development or Held for Future Development (expected GFA attributable to the Group in million square feet)</b>						
	Office	Retail	Hotels <sup>(1)</sup>	Residential/ Serviced Apartments	Under Planning	<b>Total</b>
Hong Kong	1.2	–	–	–	–	<b>1.2</b>
Mainland China	–	0.9	–	–	–	<b>0.9</b>
U.S.A.	–	–	–	–	1.5 <sup>(2)</sup>	<b>1.5</b>
<b>Total</b>	<b>1.2</b>	<b>0.9</b>	<b>–</b>	<b>–</b>	<b>1.5</b>	<b>3.6</b>

<b>Total Investment Properties (GFA (or expected GFA) attributable to the Group in million square feet)</b>						
	Office	Retail	Hotels <sup>(1)</sup>	Residential/ Serviced Apartments	Under Planning	<b>Total</b>
<b>Total</b>	<b>13.7</b>	<b>8.2</b>	<b>2.5</b>	<b>0.9</b>	<b>1.5</b>	<b>26.8</b>

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

(2) This property is accounted for under properties held for development in the financial statements.

The trading portfolio comprises completed developments available for sale in the Reach and Rise developments at Brickell City Centre in Miami, U.S.A., and two uncompleted residential developments, one in Hong Kong, the other in Singapore. 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 2019.

<b>Trading Properties (GFA (or expected GFA) attributable to the Group in million square feet)</b>			
	Completed	Under Development or Held for Development	Total
Hong Kong <sup>(1)</sup>	–	–	–
Mainland China	0.2	–	<b>0.2</b>
U.S.A. and elsewhere	0.3	2.0	<b>2.3</b>
<b>Total</b>	<b>0.5</b>	<b>2.0</b>	<b>2.5</b>

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

## Investment Properties – Hong Kong

### Offices

#### Overview

The completed office portfolio in Hong Kong comprises an aggregate of 9.7 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK\$3,224 million in the first half of 2019. At 30th June 2019, the office properties in Hong Kong were valued at HK\$180,019 million. Of this amount, Swire Properties' attributable interest was HK\$169,992 million.

<b>Hong Kong Office Portfolio</b>			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2019)	Attributable Interest
Pacific Place	2,186,433	99%	100%
Taikoo Place Office Towers <sup>(1)</sup>	3,136,717	99%	50%/100%
One Island East and One Taikoo Place	2,550,379	100%	100%
Cityplaza One	628,785	100%	100%
Others <sup>(2)</sup>	1,158,595	89%	20%/50%/100%
<b>Total</b>	<b>9,660,909</b>		

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

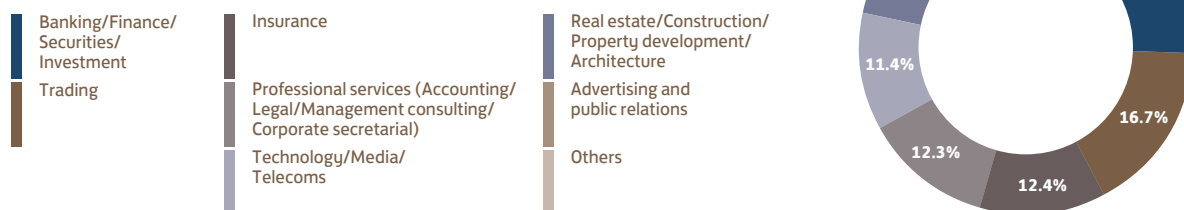
(2) Others comprise One Citygate (20% owned), Berkshire House (50% owned), Generali Tower (wholly-owned), 28 Hennessy Road (wholly-owned) and South Island Place (50% owned).

Gross rental income from the Hong Kong office portfolio in the first half of 2019 was HK\$3,047 million, 6% higher than in the same period in 2018. The increase mainly reflected positive rental reversions and the opening of One Taikoo Place in September 2018. The increase was partly offset by the loss of gross rental income from the two office buildings in Taikoo Shing which were disposed of in April 2019. Demand for the Group's office space in Hong Kong was strong. This was reflected in positive rental reversions. Occupancy was high at Pacific Place, Taikoo Place and Cityplaza One. At 30th June 2019, the office portfolio was almost fully let.

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 2019.

### Office Area by Tenants' Businesses

(At 30th June 2019)



At 30th June 2019, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2019) together occupied approximately 21% of the Group's total attributable office area in Hong Kong.

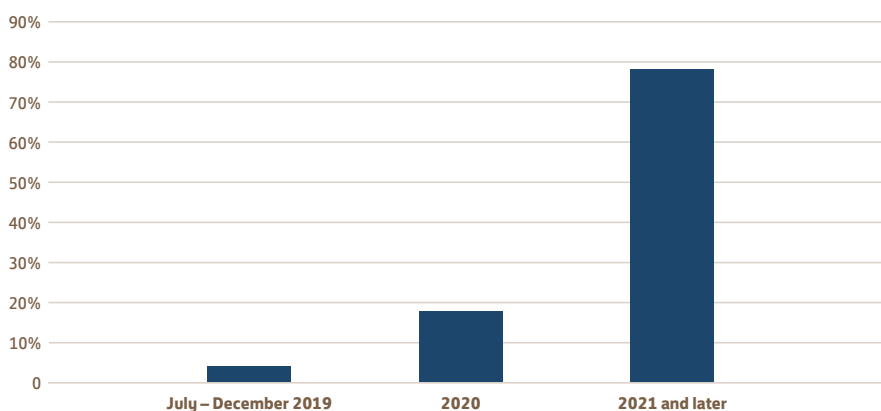
### Hong Kong Office Market Outlook

With reduced demand for office space, particularly from Mainland Chinese companies, and relocations to other districts, more vacancies are expected in the Central district of Hong Kong. This will put downward pressure on office rents in Central. Strong demand and high occupancy are expected to result in office rents at our Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts.

The following chart shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 30th June 2019, 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 2019 are due to expire in the second half of 2019, with tenancies accounting for a further 17.7% of such rental income due to expire in 2020.

### Office Lease Expiry Profile

(At 30th June 2019)



## 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\$1,444 million in the first half of 2019. At 30th June 2019, our retail properties in Hong Kong were valued at HK\$60,579 million. Of this amount, Swire Properties' attributable interest was HK\$49,517 million.

Retail sales decreased by 4% at The Mall, Pacific Place against a background of global trade uncertainties and with lower spending by tourists, particularly from Mainland China. Retail sales increased marginally at Cityplaza and Citygate Outlets, following an improvement in the tenant mix.

<b>Hong Kong Retail Portfolio</b>			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2019)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	462,428	99%	20%
Others <sup>(1)</sup>	542,779	100%	20%/60%/100%
<b>Total</b>	<b>2,821,616</b>		

<sup>(1)</sup> 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).

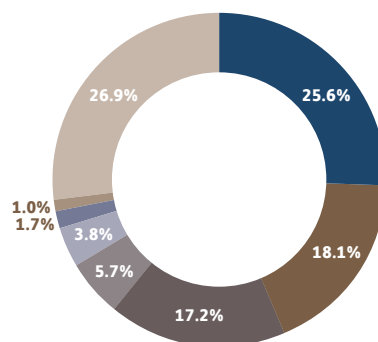
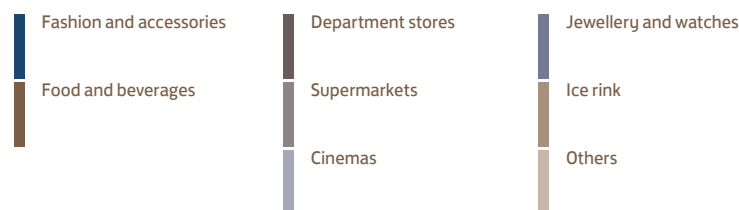
Gross rental income from the Group's retail portfolio in Hong Kong was HK\$1,404 million in the first half of 2019, representing an increase of 3% compared to the same period in 2018. Rental income from The Mall at Pacific Place and Cityplaza increased by 2% and 1% respectively despite the challenging retail environment in the first half of 2019. Occupancy levels at the Group's malls were effectively 100% during the period.

The development at the Tung Chung Town Lot No. 11 next to Citygate Outlets was completed in March 2019 and is expected to open later this year. 98% of the retail space is leased.

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 2019.

### Retail Area by Tenants' Businesses

(At 30th June 2019)



At 30th June 2019, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2019) together occupied approximately 27% of the Group's total attributable retail area in Hong Kong.

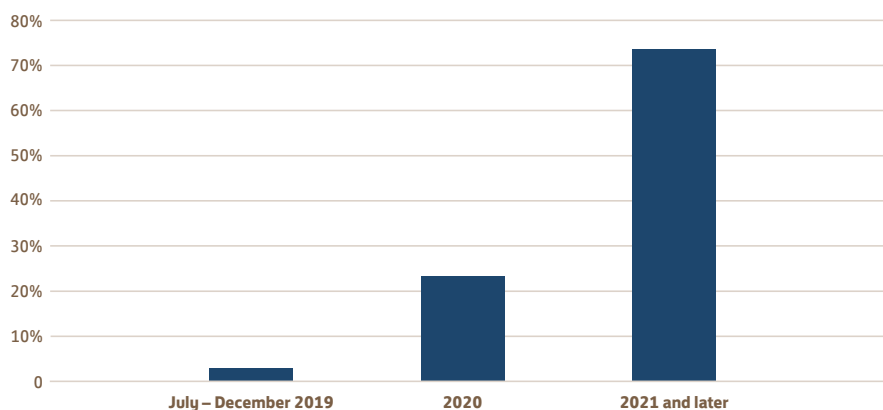
### Hong Kong Retail Market Outlook

Global trade uncertainties and the adverse effect of Renminbi weakness on spending by tourists from Mainland China have affected retail spending in Hong Kong. The protests in Hong Kong have had some effect on retail sales at our malls, particularly at Pacific Place. If the protests continue, sales are likely to continue to be affected.

The following chart shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 30th June 2019, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 3.0% of the attributable gross rental income in the month of June 2019 are due to expire in the second half of 2019, with tenancies accounting for a further 23.4% of such rental income due to expire in 2020.

### Retail Lease Expiry Profile

(At 30th June 2019)



## Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences (formerly known as Taikoo Place Apartments) in Quarry Bay, STAR STUDIOS in Wanchai and a number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of 580,272 square feet. The occupancy rate at the residential portfolio was approximately 87% at 30th June 2019. Rental demand for our residential investment properties is expected to be stable in the second half of 2019.

## Investment Properties Under Development

### Taikoo Place Redevelopment

The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House) is the construction of an office building with an aggregate GFA of approximately 1,000,000 square feet, to be called Two Taikoo Place. Superstructure works are in progress. Completion of the redevelopment is expected in 2021 or 2022.

### 46-56 Queen's Road East, 1A-11 Landale Street and 2A-12 Anton Street

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

## Others

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

In 2018, Swire Properties submitted compulsory sale applications in respect of two sites (Wah Ha Factory Building, No. 8 Shipyard Lane and Zung Fu Industrial Building, No. 1067 King's Road) in Hong Kong. Subject to Swire Properties having successfully bid in the compulsory sale of the sites, the sites are intended to be redeveloped for office and other commercial uses with an aggregate GFA of approximately 779,000 square feet.

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

In 2018, a joint venture company in which Swire Properties holds a 50% interest submitted a compulsory sale application in respect of this site. Subject to the joint venture company having successfully bid in the compulsory sale and in accordance with applicable town planning controls, it is expected that the site can be redeveloped for residential and retail uses with a GFA of approximately 400,000 square feet.

### Chai Wan Inland Lot No. 88

In 2018, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company, Limited received general building plans approvals for a predominantly residential development in Chai Wan, Hong Kong. The joint venture company intends to complete the acquisition of the relevant land in September 2019. The joint venture company is negotiating land exchange terms (including a land premium) with the Hong Kong government to redevelop the relevant land into a residential and commercial complex. Subject to agreement with the Hong Kong government, the proposed development is expected to have an aggregate GFA of approximately 694,000 square feet.

## Investment Properties – Mainland China

### Overview

The property portfolio in Mainland China comprises an aggregate of 14.5 million square feet of space, 10.0 million square feet of which is attributable to the Group. Completed properties amount to 13.0 million square feet, with 1.5 million square feet under development. Total attributable gross rental income from investment properties in Mainland China was HK\$2,147 million in the first half of 2019. At 30th June 2019, the investment properties in Mainland China were valued at HK\$76,221 million. Of this amount, Swire Properties' attributable interest was HK\$53,678 million.

Mainland China Property Portfolio <sup>(1)</sup>	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	1,886,865	1,528,564	358,301	50%
Sino-Ocean Taikoo Li Chengdu <sup>(2)</sup>	2,132,728	1,465,217	667,511	50%
HKRI Taikoo Hui, Shanghai	3,536,619	3,148,792	387,827	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	22,664	21,205	1,459	100%
<b>Sub-Total</b>	<b>12,975,691</b>	<b>10,806,946</b>	<b>2,168,745</b>	
<i>Under Development/Refurbishment</i>				
Taikoo Li Qiantan, Shanghai <sup>(3)</sup>	1,247,031	1,247,031	–	50%
Taikoo Li Sanlitun, Beijing <sup>(4)</sup>	255,731	255,731	–	100%
<b>Sub-Total</b>	<b>1,502,762</b>	<b>1,502,762</b>	<b>–</b>	
<b>Total</b>	<b>14,478,453</b>	<b>12,309,708</b>	<b>2,168,745</b>	

(1) Including the hotel, property trading portions and properties leased for investment of these projects.

(2) The office portion of Sino-Ocean Taikoo Li Chengdu, Pinnacle One, was developed for trading purposes.

(3) Construction of the shopping mall at Taikoo Li Qiantan is in progress. The development is expected to be completed in 2020.

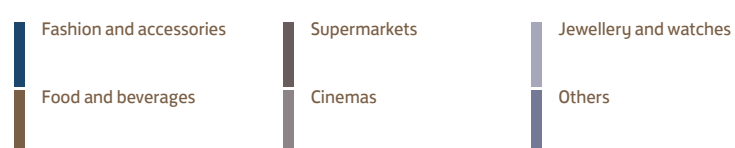
(4) Refurbishment of Taikoo Li Sanlitun West is expected to be completed in 2020.

Gross rental income from the Group's investment property portfolio in Mainland China was HK\$1,395 million in the first half of 2019, 7% higher (despite a 6% depreciation of the Renminbi against the Hong Kong dollar) than in the same period in 2018, reflecting positive rental reversions and higher retail sales.

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 2019.

## Retail Area by Tenants' Businesses

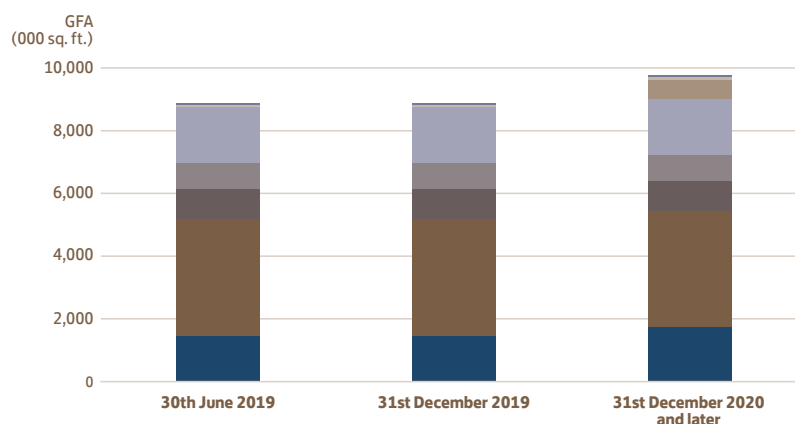
(At 30th June 2019)





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

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



## Retail

The Mainland China retail portfolio's gross rental income for the first half of 2019 was HK\$1,193 million. In Renminbi terms, this represents an increase of 16% compared to the same period in 2018.

Gross rental income at Taikoo Li Sanlitun in Beijing increased in the first half of 2019. Retail sales increased by 9%. The overall occupancy rate was 100% at 30th June 2019. Demand for retail space in Taikoo Li Sanlitun remains solid as it reinforces its position as a fashionable retail destination in Beijing. Improvement works are being carried out and are expected to have a positive impact on rents. The refurbishment of Taikoo Li Sanlitun West as an extension to Taikoo Li Sanlitun (with a GFA of 255,731 square feet) is expected to be completed in 2020.

Gross rental income at Taikoo Hui in Guangzhou increased in the first half of 2019, as the tenant mix improved. Retail sales grew by 15%. The mall was fully let at 30th June 2019.

The mall at INDIGO in Beijing was 99% occupied at 30th June 2019. Improvements to the tenant mix have been made. Retail sales increased by 18% in the first half of 2019. The mall is becoming a significant lifestyle shopping centre in north-east Beijing.

Gross rental income at Sino-Ocean Taikoo Li Chengdu increased in the first half of 2019. Retail sales increased by 19% in the first half of 2019. The development is gaining popularity as a downtown shopping destination in Chengdu. At 30th June 2019, the occupancy rate was 98%.

Gross rental income at HKRI Taikoo Hui increased in the first half of 2019 as more shops were open than in the first half of 2018. Retail sales increased by 67% in the first half of 2019 and footfall has grown steadily since early 2019. At 30th June 2019, the occupancy rate was 98% and 92% of the shops were open.

### **Mainland China Retail Market Outlook**

In the second half of 2019, retail sales are expected to grow steadily in Beijing and Guangzhou, moderately in Shanghai and satisfactorily in Chengdu. In Beijing, demand for luxury, fashion and lifestyle brands and food and beverages is expected to be solid. In Guangzhou, demand for retail space from international retailers is expected to be strong. In Chengdu, demand for luxury goods, and for retail space in prime locations, is expected to be strong. In Shanghai, demand for retail space from cosmetic, fashion, lifestyle and food and beverages outlets is expected to be strong.

### **Offices**

The Mainland China office portfolio's gross rental income for the first half of 2019 was HK\$195 million.

The occupancy rate at Taikoo Hui's office towers in Guangzhou was 99% at 30th June 2019. The occupancy rate at ONE INDIGO in Beijing was 86% at 30th June 2019. Demand for office space in Beijing was weak in the first half of 2019. The occupancy rate at HKRI Taikoo Hui in Shanghai was 99% at 30th June 2019.

### **Mainland China Office Market Outlook**

In the second half of 2019, increased vacancy rates consequent on new supply and a weak market are expected to put downward pressure on office rents in Guangzhou. The same is true in Beijing. In the central business district of Shanghai, demand for office space is expected to weaken and vacancy rates are expected to increase. But rents will remain resilient at HKRI Taikoo Hui due to high occupancy.

### **Investment Property Under Development**

#### **Taikoo Li Qiantan, Shanghai**

In 2018, Swire Properties and a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. formed a joint venture to develop a retail project with an aggregate GFA of 1,247,031 square feet in Qiantan,

Pudong New District in Shanghai. The project was named "Taikoo Li Qiantan" in January 2019. Construction and pre-leasing are in progress. The development is expected to be completed in late 2020.

### **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, U.S.A. It has a site area of 504,017 square feet (approximately 11.6 acres).

The first phase of Brickell City Centre consists of a shopping centre, two office buildings (Two Brickell City Centre and Three Brickell City Centre), a hotel and serviced apartments (EAST, Miami) managed by Swire Hotels and two residential towers (Reach and Rise). The residential towers have been developed for sale.

The first phase of the Brickell City Centre development was completed in 2016. Two and Three Brickell City Centre are fully leased. The shopping centre was 90% let (including by way of letters of intent) at 30th June 2019.

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

At 30th June 2019, Swire Properties owned 100% of the office, hotel and unsold residential elements, and 62.93% of the shopping centre, at the Brickell City Centre development. The remaining interest in the shopping centre was owned by Simon Property Group (25%) and Bal Harbour Shops (12.07%). Bal Harbour Shops has an option, exercisable from 2020, to sell its interest to Swire Properties.

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

At 30th June 2019, the completed development at Brickell City Centre (excluding the hotel and residential trading portions) was valued at HK\$6,710 million.

<b>Brickell City Centre, Miami</b>		
	GFA (sq. ft.) <sup>(1)</sup> (100% Basis)	Attributable Interest
<i>Completed</i>		
Shopping centre	496,508	62.9%
Two and Three Brickell City Centre	263,384	100%
EAST, Miami – hotel <sup>(2)</sup>	218,000	100%
EAST, Miami – serviced apartments	109,000	100%
Reach and Rise <sup>(3)</sup>	217,149	100%
<b>Sub-Total</b>	<b>1,304,041</b>	
<i>Future Development</i>		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
<b>Total</b>	<b>3,271,041</b>	

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

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

(3) Remaining unsold units at 30th June 2019.

### Miami Market Outlook

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

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

### Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2019 on the basis of market value (94% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another

independent valuer). The amount of this valuation was HK\$276,493 million, compared to HK\$272,927 million at 31st December 2018.

The increase in the valuation of the investment property portfolio is mainly due to increases in the valuation of the office properties in Hong Kong and of the investment properties in Mainland China following rental increases.

Under HKAS 40, hotel properties are not accounted for as investment properties. The hotel buildings are included within property, plant and equipment. The leasehold land is included within right-of-use assets. Both are recorded at cost less accumulated depreciation or amortisation and any provision for impairment.

## Property Trading

The trading portfolio comprises completed developments available for sale in the Reach and Rise developments at Brickell City Centre in Miami, U.S.A., and two uncompleted residential developments, one in Hong Kong, the other in Singapore. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

<b>Property Trading Portfolio (At 30th June 2019)</b>			
	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<i><u>Completed</u></i>			
Mainland China			
– Pinnacle One, Chengdu	471,003	2014	50%
U.S.A.			
– Reach, Miami	47,857 <sup>(1)</sup>	2016	100%
– Rise, Miami	169,292 <sup>(1)</sup>	2016	100%
<i><u>Under Development</u></i>			
Hong Kong			
– 21-31 Wing Fung Street, Wanchai	30,511	2022	100%
Singapore			
– EDEN, 2 Draycott Park	77,212	2019	100%
<i><u>Held for Development</u></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 Squared site	523,000	N/A	100%

<sup>(1)</sup> Remaining saleable area.

## Hong Kong

The site at 21-31 Wing Fung Street, Wanchai is to be redeveloped into a 34,000 square feet residential building with retail outlets on the two base levels. Foundation works are in progress and the development is expected to be completed in 2022.

## Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total GFA (approximately 1.15 million square feet) and 350 carparking spaces at Pinnacle One were pre-sold in 2013 and the profit from the sales of approximately 52% of the pre-sold GFA was recognised in 2015. Application was made to the court to cancel the sale of the remaining pre-sold GFA and 350 carparking spaces as part of the consideration was not received on time. The application succeeded (after an unsuccessful appeal by the buyer). The profit on the sales of 122,136 square feet of the GFA and 44 carparking spaces was recognised in 2018. Agreements have been entered into for the sales of a further 436,988 square feet of the GFA and 163 carparking spaces in 2019. It is expected that the profit on these sales will be recognised later this year. The remaining 34,015 square feet of GFA will be retained.

## U.S.A.

The residential portion of the first phase of the Brickell City Centre development was developed for trading purposes. 364 of 390 units at Reach and 280 of 390 units at Rise had been sold at 6th August 2019. Profits from the sales of 25 units at Rise and the last unit in the ASIA development were recognised in the first half of 2019.

## Singapore

EDEN at 2 Draycott Park in District 10, comprises 20 residential units with an aggregate GFA of approximately 77,000 square feet. Fitting out works are in progress and the development is expected to be completed in the fourth quarter of 2019.

## Indonesia

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate GFA of approximately 1,123,000 square feet. Demolition works are in progress. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

## Outlook

In Miami, the majority of the demand for condominiums is from South American buyers. The demand is expected to continue to be affected by weak South American economies and the relative strength of the US dollar. The property markets in Singapore and in Jakarta, Indonesia are expected to be stable. Trading profits are expected to be recognised in 2019 from sales at Pinnacle One at Sino-Ocean Taikoo Li Chengdu, Mainland China and of residential units at the Reach and Rise developments in Miami.

## Estate Management

Swire Properties manages 19 residential estates which it has developed. It also manages OPUS HONG KONG, a residential property in Hong Kong which Swire Properties redeveloped for Swire Pacific Limited. 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 Properties owns and manages (through Swire Hotels) hotels in Hong Kong, Mainland China and the U.S.A. The House Collective, comprising The Upper House in Hong Kong, The Opposite House in Beijing, The Temple House in Chengdu and The Middle House in Shanghai, is a group of small and distinctive luxury hotels. EAST are business hotels in Hong Kong, Beijing and Miami. The Group also has interests in non-managed hotels in Hong Kong, Guangzhou, Shanghai and Miami, Florida.

The operating profit before depreciation of managed hotels increased by 18% to HK\$122 million in the first half of 2019, mainly due to improved results in Shanghai in Mainland China and in the U.S.A. Trading conditions for the managed hotels in Hong Kong were difficult in the first half of 2019.

<b>Hotel Portfolio (Managed by Swire Hotels)</b>		
	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
Hong Kong		
– The Upper House	117	100%
– EAST, Hong Kong	345	100%
– Headland Hotel <sup>(1)</sup>	501	0%
Mainland China		
– The Opposite House	99	100%
– EAST, Beijing	369	50%
– The Temple House <sup>(2)</sup>	142	50%
– The Middle House <sup>(2)</sup>	213	50%
U.S.A.		
– EAST, Miami <sup>(3)</sup>	352	100%
<b>Total</b>	<b>2,138</b>	

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

(2) Comprising one hotel tower and one serviced apartment tower.

(3) Including serviced apartments in a hotel tower.

## Hong Kong

Swire Properties wholly-owns and manages (through Swire Hotels) two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place, and EAST, Hong Kong, a 345-room hotel in 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. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later this year.

Trading conditions for the managed hotels in Hong Kong were difficult in the first half of 2019. Revenue per available room and occupancy were lower, while food and beverages businesses were stable.

The performance of the non-managed hotels in Hong Kong was stable.

## Mainland China

Swire Hotels manages four hotels in Mainland China, The Opposite House, a 99-room luxury hotel at Taikoo Li Sanlitun, EAST, Beijing, a 369-room business hotel at INDIGO in Beijing, The Temple House, a luxury property consisting of 100 hotel rooms and 42 serviced apartments at Sino-Ocean Taikoo Li Chengdu, and The Middle House, a luxury property consisting of 111 hotel rooms and 102 serviced apartments at HKRI Taikoo Hui, Shanghai. Swire Properties owns 100% of The Opposite House, 50% of EAST, Beijing, 50% of The Temple House and 50% of The Middle 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. Swire Properties owns 50% of another non-managed hotel, The Sukhothai, at HKRI Taikoo Hui in Shanghai, which has 201 rooms.

Revenue per available room and occupancy improved at EAST, Beijing, and were stable at The Temple House. The Opposite House had lower revenue per available

room and occupancy in the first half of 2019. The Middle House officially opened in May 2018 and is building up its occupancy.

Average room rates increased at the Mandarin Oriental in Guangzhou in the first half of 2019. Occupancy started to build up at The Sukhothai in Shanghai.

## U.S.A.

Swire Properties wholly-owns and manages (through Swire Hotels) EAST, Miami at the Brickell City Centre development. The property consists of 263 rooms and 89 serviced apartments. The operating results of EAST, Miami were better in the first half of 2019 due to higher occupancy and improved operating margins.

Swire Properties has a 75% interest in the 326-room Mandarin Oriental hotel in Miami. The operating results of the hotel in the first half of 2019 were better than in the first half of 2018, mainly due to higher room occupancy.

## Swire Restaurants

Swire Hotels operates restaurants in Hong Kong. There are PUBLIC cafés at One Island East and North Point. The Continental is a European restaurant at Pacific Place. Mr & Mrs Fox is a restaurant with an international menu in Quarry Bay. The Plat du Jour restaurants are French bistros at Pacific Place and in Quarry Bay.

## Outlook

Trading conditions for our hotels are expected to be stable in the second half of 2019 except that occupancy in Hong Kong has been affected somewhat by the protests and this is likely to continue if the situation persists. Our new hotels in Shanghai are building up their occupancy. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later this year.

## Capital Commitments

### Capital Expenditure and Commitments

Capital expenditure in the first half of 2019 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$1,023 million (first half of 2018: HK\$3,209 million). Outstanding capital commitments at 30th June 2019 were HK\$14,820 million (31st December 2018: HK\$15,213 million), including the Group's share of the capital commitments of joint venture companies of HK\$196 million (31st December 2018: HK\$251 million). The Group is committed to funding HK\$66 million (31st December 2018: HK\$64 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in the first half of 2019 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$72 million (first half of 2018: HK\$2,034 million). Outstanding capital commitments at 30th June 2019 were HK\$1,958 million (31st December 2018: HK\$2,081 million), including the Group's share of the capital commitments of joint venture companies of HK\$1,410 million (31st December 2018: HK\$1,500 million). The Group is committed to funding HK\$297 million (31st December 2018: HK\$400 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in the first half of 2019 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK\$115 million (first half of 2018: HK\$84 million). Outstanding capital commitments at 30th June 2019 were HK\$8 million (31st December 2018: HK\$328 million).

Profile of Capital Commitments for Investment Properties and Hotels						
	Expenditure	Forecast Expenditure				Commitments <sup>(1)</sup>
	Six months ended 30th June 2019 HK\$M	Six months ending 31st December 2019 HK\$M	2020 HK\$M	2021 HK\$M	2022 and later HK\$M	At 30th June 2019 HK\$M
Hong Kong	1,023	1,323	3,928	2,783	6,786	14,820
Mainland China	72	721	868	225	144	1,958
U.S.A. and elsewhere	115	8	–	–	–	8
<b>Total</b>	<b>1,210</b>	<b>2,052</b>	<b>4,796</b>	<b>3,008</b>	<b>6,930</b>	<b>16,786</b>

<sup>(1)</sup> The capital commitments represent the Group's capital commitments of HK\$15,180 million plus the Group's share of the capital commitments of joint venture companies of HK\$1,606 million. The Group is committed to funding HK\$363 million of the capital commitments of joint venture companies.



# Financing

## Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
<b>Net cash from/(used by) businesses and investments</b>			
Cash generated from operations	2,158	5,308	11,619
Dividends received	90	45	221
Tax paid	(421)	(358)	(1,443)
Net interest paid	(438)	(533)	(1,006)
Net Cash from investing activities	13,715	3,166	753
	15,104	7,628	10,144
<b>Cash (paid to) shareholders and net funding by debt</b>			
Net (decrease)/increase in borrowings	(2,043)	573	111
Decrease in loans due to Swire Finance Limited	–	(4,232)	(5,177)
Principal elements of lease payments	(18)	–	–
Dividends paid	(3,364)	(3,054)	(4,646)
	(5,425)	(6,713)	(9,712)
Increase in cash and cash equivalents	9,679	915	432

During the first half of 2019, net cash from investing activities principally comprised the proceeds of sale of investment properties, offset in part by capital expenditure and investments in joint venture companies.

## Medium Term Note Programme

In 2012, Swire Properties MTN Financing Limited, a wholly-owned subsidiary of the Company, established a US\$3 billion Medium Term Note (“MTN”) Programme. The aggregate nominal amount of the MTN Programme was increased to US\$4 billion in 2017. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. At 30th June 2019, the MTN Programme was rated A by Fitch and (P)A2 by Moody’s, 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 2019		Year ended 31st December 2018
	Loans and bonds HK\$M	Lease liabilities* HK\$M	Loans and bonds HK\$M
<b>Bank loans, bonds and loans from Swire Finance Limited</b>			
At 1st January	<b>31,999</b>	–	37,055
Loans drawn and refinancing	<b>110</b>	–	2,426
Bonds issued	–	–	3,917
Repayment of loans	<b>(2,153)</b>	–	(6,232)
Decrease in loans due to Swire Finance Limited	–	–	(5,177)
Lease liabilities recognised under HKFRS 16*	–	<b>538</b>	–
New leases arranged during the period	–	<b>30</b>	–
Principal elements of lease payments	–	<b>(18)</b>	–
Currency adjustment and other non-cash movements	<b>(40)</b>	<b>(2)</b>	10
At 30th June/31st December	<b>29,916</b>	<b>548</b>	31,999

\* Lease liabilities were first recognised at 1st January 2019 following the adoption of HKFRS 16 “Leases”. They represent the present values of the remaining lease payments under operating leases payable by the lessees, discounted using the incremental borrowing rates of the lessees at 1st January 2019.

During the first half of 2019, the Group made various repayments of debt, including prepayment of term loan facilities and repayment of revolving loan facilities totalling HK\$1,700 million and RMB399 million.

## Net Debt

### Financial Information Reviewed by Auditors

The Group's borrowings are principally denominated in Hong Kong dollars and US dollars. Outstanding borrowings at 30th June 2019 and 31st December 2018 were as follows:

	30th June 2019 HK\$M	31st December 2018 HK\$M
<b>Borrowings included in non-current liabilities</b>		
Bank borrowings – unsecured	7,850	9,547
Bonds – unsecured	17,278	21,222
<b>Borrowings included in current liabilities</b>		
Bank borrowings – unsecured	587	930
Bonds – unsecured	4,201	300
<b>Total borrowings</b>	<b>29,916</b>	<b>31,999</b>
<b>Lease liabilities</b>		
Included in non-current liabilities	504	–
Included in current liabilities	44	–
Less: short-term deposits and bank balances	14,794	2,094
<b>Net debt</b>	<b>15,670</b>	<b>29,905</b>

## Sources of Finance

### Financial Information Reviewed by Auditors

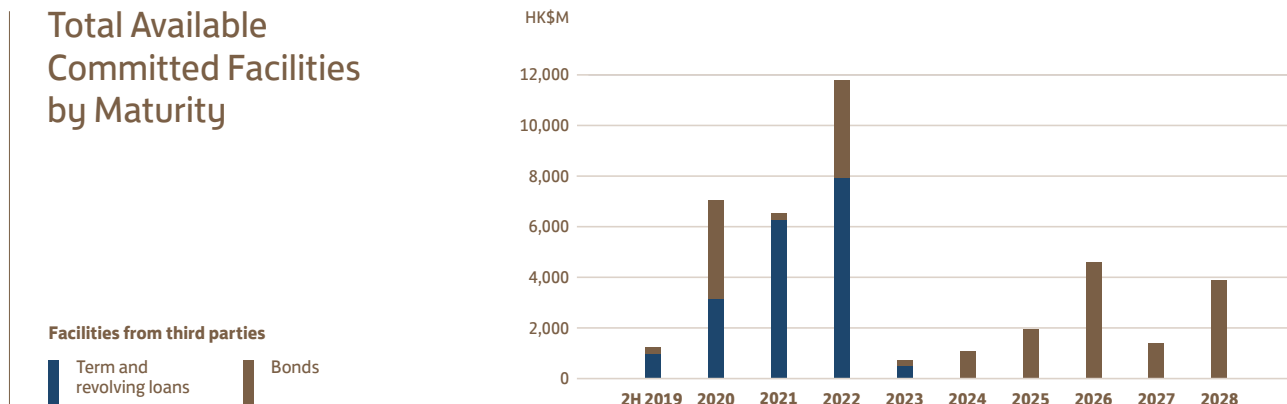
At 30th June 2019, committed loan facilities and debt securities amounted to HK\$40,295 million, of which HK\$10,322 million (26%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$755 million. Sources of funds at 30th June 2019 comprised:

	Available HK\$M	Drawn HK\$M	Undrawn Expiring Within One Year HK\$M	Undrawn Expiring After One Year HK\$M
<b>Facilities from third parties</b>				
Term loans	5,579	5,579	–	–
Revolving loans	13,170	2,848	1,247	9,075
Bonds	21,546	21,546	–	–
<b>Total committed facilities</b>	<b>40,295</b>	<b>29,973</b>	<b>1,247</b>	<b>9,075</b>
<b>Uncommitted facilities</b>				
Bank loans and overdrafts	839	84	755	–
<b>Total</b>	<b>41,134</b>	<b>30,057</b>	<b>2,002</b>	<b>9,075</b>

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:



### Financial Information Reviewed by Auditors

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

	30th June 2019		31st December 2018	
	HK\$M		HK\$M	
<b>Bank borrowings from and bonds issued to third parties due</b>				
Within 1 year	4,788	16%	1,230	4%
1-2 years	3,197	11%	6,951	22%
2-5 years	9,348	31%	10,915	34%
After 5 years	12,583	42%	12,903	40%
<b>Total</b>	<b>29,916</b>	<b>100%</b>	<b>31,999</b>	<b>100%</b>
Less: Amount due within one year included under current liabilities	4,788		1,230	
Amount due after one year included under non-current liabilities	25,128		30,769	

## Currency Profile

### Financial Information Reviewed by Auditors

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

Currency	30th June 2019		31st December 2018	
	HK\$M		HK\$M	
Hong Kong dollars	23,109	77%	24,834	78%
United States dollars	6,219	21%	6,234	20%
Renminbi	–	–	455	1%
Singapore dollars	588	2%	476	1%
<b>Total</b>	<b>29,916</b>	<b>100%</b>	<b>31,999</b>	<b>100%</b>

## Finance Charges

### Financial Information Reviewed by Auditors

At 30th June 2019, 80% of the Group's gross borrowings (after interest rate swaps) were on a fixed rate basis and 20% were on a floating rate basis (31st December 2018: 75% and 25% respectively). Interest charged and earned was as follows:

	Six months ended 30th June		Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
<b>Interest charged on:</b>			
Bank loans and overdrafts	135	161	314
Bonds	362	359	722
Lease liabilities	6	–	–
Loans from fellow subsidiary companies	–	84	95
Loans from joint venture and related companies	–	3	6
Net fair value gains on derivative instruments			
Cash flow hedges – transferred from other comprehensive income	(15)	(11)	(21)
Derivatives not qualifying as hedges	(1)	–	–
Other financing costs	85	81	162
	<b>572</b>	<b>677</b>	<b>1,278</b>
Loss/(gain) on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	3	4	(16)
Capitalised on:			
Investment properties	(129)	(127)	(265)
Properties under development and for sale	(8)	–	(2)
	<b>438</b>	<b>554</b>	<b>995</b>
<b>Interest income on:</b>			
Short-term deposits and bank balances	(79)	(14)	(34)
Loans to joint venture companies	(35)	(37)	(78)
Others	(1)	–	(1)
	<b>(115)</b>	<b>(51)</b>	<b>(113)</b>
<b>Net finance charges</b>	<b>323</b>	<b>503</b>	<b>882</b>

## Gearing Ratio and Interest Cover

	30th June		31st December
	2019	2018	2018
<b>Gearing ratio <sup>(1)</sup></b>	<b>5.5%</b>	11.1%	10.6%
	Six months ended 30th June		Year ended 31st December
	2019	2018	2018
<b>Interest cover – times <sup>(1)</sup></b>			
Per financial statements	<b>30.1</b>	42.4	33.3
Underlying	<b>59.6</b>	14.1	12.6
<b>Cash interest cover – times <sup>(1)</sup></b>			
Per financial statements	<b>21.1</b>	33.8	25.6
Underlying	<b>41.8</b>	11.2	9.7

(1) Refer to Glossary on page 55 for definitions.

## Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2019 and 31st December 2018:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	30th June 2019 HK\$M	31st December 2018 HK\$M	30th June 2019 HK\$M	31st December 2018 HK\$M	30th June 2019 HK\$M	31st December 2018 HK\$M
Hong Kong Entities	<b>5,225</b>	4,533	<b>2,148</b>	1,879	<b>1,365</b>	1,295
Mainland China Entities	<b>13,215</b>	12,033	<b>6,608</b>	6,017	–	–
U.S.A. and other Entities	<b>412</b>	458	<b>326</b>	354	<b>474</b>	476
<b>Total</b>	<b>18,852</b>	17,024	<b>9,082</b>	8,250	<b>1,839</b>	1,771

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 8.6%.

# 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 52, which comprise the consolidated statement of financial position of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2019 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 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 condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed 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 information 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 of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

## **PricewaterhouseCoopers**

Certified Public Accountants  
Hong Kong, 8th August 2019

# Condensed Interim Financial Statements

## Consolidated Statement of Profit or Loss

For the six months ended 30th June 2019 – unaudited

	Note	Unaudited Six months ended 30th June		Audited Year ended 31st December
		2019 HK\$M	2018 HK\$M	2018 HK\$M
Revenue	4	7,510	7,309	14,719
Cost of sales	5	(2,007)	(2,144)	(4,493)
Gross profit		5,503	5,165	10,226
Administrative and selling expenses		(874)	(717)	(1,576)
Other operating expenses		(108)	(105)	(206)
Other net (losses)/gains	6	(5)	237	246
Profit on sale of subsidiary companies		1,372	1,194	1,223
Change in fair value of investment properties	13	3,837	15,535	19,452
Operating profit		9,725	21,309	29,365
Finance charges		(438)	(554)	(995)
Finance income		115	51	113
Net finance charges	8	(323)	(503)	(882)
Share of profits less losses of joint venture companies		674	990	1,825
Share of profits less losses of associated companies		66	74	153
Profit before taxation		10,142	21,870	30,461
Taxation	9	(1,115)	(627)	(1,740)
Profit for the period		9,027	21,243	28,721
Profit attributable to:				
The Company's shareholders		8,973	21,205	28,666
Non-controlling interests		54	38	55
		9,027	21,243	28,721
		HK\$	HK\$	HK\$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11	1.53	3.62	4.90

The notes on pages 35 to 52 form part of these financial statements.



## Consolidated Statement of Other Comprehensive Income

For the six months ended 30th June 2019 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
<b>Profit for the period</b>	<b>9,027</b>	21,243	28,721
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of properties previously occupied by the Group			
– gains recognised during the period	–	–	11
Defined benefit plans			
– remeasurement losses recognised during the period	–	–	(44)
– deferred tax credit	–	–	8
	–	–	(25)
<b>Items that can be reclassified subsequently to profit or loss</b>			
Cash flow hedges			
– gains/(losses) recognised during the period	165	59	(137)
– reclassification to profit or loss	(15)	(11)	(21)
– deferred tax (charge)/credit	(25)	(8)	26
Share of other comprehensive income of joint venture and associated companies	(56)	(173)	(632)
Net translation differences on foreign operations	(154)	(381)	(1,381)
	(85)	(514)	(2,145)
<b>Other comprehensive income for the period, net of tax</b>	<b>(85)</b>	(514)	(2,170)
<b>Total comprehensive income for the period</b>	<b>8,942</b>	20,729	26,551
Total comprehensive income attributable to:			
The Company's shareholders	8,894	20,693	26,516
Non-controlling interests	48	36	35
	<b>8,942</b>	20,729	26,551

The notes on pages 35 to 52 form part of these financial statements.

## Consolidated Statement of Financial Position

At 30th June 2019 – unaudited

		Unaudited 30th June 2019 HK\$M	Audited 31st December 2018 HK\$M
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	4,521	7,877
Investment properties	13	276,752	273,186
Intangible assets	14	200	212
Right-of-use assets	15	3,205	–
Properties held for development		1,358	1,360
Joint venture companies	16	13,138	13,540
Loans due from joint venture companies	16	14,497	15,251
Associated companies	17	425	413
Derivative financial instruments	19	78	64
Deferred tax assets	24	101	123
Other financial assets at amortised cost		36	37
		<b>314,311</b>	<b>312,063</b>
<b>Current assets</b>			
Properties under development and for sale		2,349	1,469
Stocks		70	63
Trade and other receivables	20	2,038	2,401
Contract assets	20	18	16
Amount due from immediate holding company – Swire Pacific Limited	21	28	15
Derivative financial instruments	19	49	–
Short-term deposits maturing after three months		3,028	1
Cash and cash equivalents		11,766	2,093
		<b>19,346</b>	<b>6,058</b>
Assets classified as held for sale	25	1,399	15,526
<b>Total current assets</b>		<b>20,745</b>	<b>21,584</b>
<b>Current liabilities</b>			
Trade and other payables	22	7,817	10,154
Contract liabilities	22	8	7
Tax payable		613	392
Bank overdrafts and short-term loans		84	234
Long-term loans and bonds due within one year		4,704	996
Lease liabilities due within one year	23	44	–
		<b>13,270</b>	<b>11,783</b>
Liabilities directly associated with assets classified as held for sale	25	–	207
<b>Total current liabilities</b>		<b>13,270</b>	<b>11,990</b>
<b>Net current assets</b>		<b>7,475</b>	<b>9,594</b>
<b>Total assets less current liabilities</b>		<b>321,786</b>	<b>321,657</b>
<b>Non-current liabilities</b>			
Long-term loans and bonds		25,128	30,769
Lease liabilities	23	504	–
Other payables	22	–	601
Derivative financial instruments	19	31	70
Deferred tax liabilities	24	9,190	8,716
Retirement benefit liabilities		219	210
		<b>35,072</b>	<b>40,366</b>
<b>NET ASSETS</b>		<b>286,714</b>	<b>281,291</b>
<b>EQUITY</b>			
Share capital	26	10,449	10,449
Reserves	27	274,231	268,826
<b>Equity attributable to the Company's shareholders</b>		<b>284,680</b>	<b>279,275</b>
<b>Non-controlling interests</b>	28	2,034	2,016
<b>TOTAL EQUITY</b>		<b>286,714</b>	<b>281,291</b>

The notes on pages 35 to 52 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the six months ended 30th June 2019 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
<b>Operating activities</b>			
Cash generated from operations	2,158	5,308	11,619
Interest paid	(500)	(583)	(1,116)
Interest received	62	50	110
Tax paid	(421)	(358)	(1,443)
	1,299	4,417	9,170
Dividends received from joint venture and associated companies and financial assets at fair value through other comprehensive income	90	45	221
<b>Net cash from operating activities</b>	<b>1,389</b>	<b>4,462</b>	<b>9,391</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(36)	(59)	(121)
Additions to investment properties	(673)	(2,598)	(3,917)
Additions to assets classified as held for sale/other current assets	–	(71)	(452)
Purchase of intangible assets	(6)	(3)	(16)
Proceeds from sale of property, plant and equipment	1	–	–
Proceeds from sale of investment properties	94	236	350
Proceeds from sale of subsidiary companies	16,982	7,757	7,857
Equity and loans to joint venture companies	(272)	(2,225)	(3,225)
Repayment of loans by joint venture companies	669	135	338
Increase in deposits maturing after three months	(3,027)	–	(1)
Initial leasing costs incurred	(17)	(6)	(60)
<b>Net cash from investing activities</b>	<b>13,715</b>	<b>3,166</b>	<b>753</b>
<b>Net cash inflow before financing</b>	<b>15,104</b>	<b>7,628</b>	<b>10,144</b>
<b>Financing activities</b>			
Loans drawn and refinanced	110	17	2,426
Bonds issued	–	3,924	3,917
Repayment of loans and bonds	(2,153)	(3,368)	(6,232)
Principal elements of lease payments	(18)	–	–
	(2,061)	573	111
Repayment of loans to a fellow subsidiary company	–	(4,232)	(5,177)
Dividends paid to the Company's shareholders	(3,334)	(3,042)	(4,622)
Dividends paid to non-controlling interests	(30)	(12)	(24)
<b>Net cash used in financing activities</b>	<b>(5,425)</b>	<b>(6,713)</b>	<b>(9,712)</b>
<b>Increase in cash and cash equivalents</b>	<b>9,679</b>	<b>915</b>	<b>432</b>
Cash and cash equivalents at 1st January	2,093	1,708	1,708
Currency adjustment	(6)	(11)	(47)
<b>Cash and cash equivalents at end of the period</b>	<b>11,766</b>	<b>2,612</b>	<b>2,093</b>
<b>Represented by:</b>			
Bank balances and short-term deposits maturing within three months	11,766	2,612	2,093

The notes on pages 35 to 52 form part of these financial statements.

## Consolidated Statement of Changes in Equity

For the six months ended 30th June 2019 – 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		
<b>At 1st January 2019</b>					
<b>as originally stated</b>	<b>10,449</b>	<b>269,010</b>	<b>(184)</b>	<b>279,275</b>	<b>2,016</b>
<b>adjustment on adoption of HKFRS 16</b>	<b>–</b>	<b>(155)</b>	<b>–</b>	<b>(155)</b>	<b>–</b>
<b>as restated</b>	<b>10,449</b>	<b>268,855</b>	<b>(184)</b>	<b>279,120</b>	<b>2,016</b>
<b>Profit for the period</b>	<b>–</b>	<b>8,973</b>	<b>–</b>	<b>8,973</b>	<b>54</b>
<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>(79)</b>	<b>(79)</b>	<b>(6)</b>
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>8,973</b>	<b>(79)</b>	<b>8,894</b>	<b>48</b>
<b>Dividends paid</b>	<b>–</b>	<b>(3,334)</b>	<b>–</b>	<b>(3,334)</b>	<b>(30)</b>
<b>At 30th June 2019 (unaudited)</b>	<b>10,449</b>	<b>274,494</b>	<b>(263)</b>	<b>284,680</b>	<b>2,034</b>

	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		
<b>At 1st January 2018</b>	<b>10,449</b>	<b>245,002</b>	<b>1,930</b>	<b>257,381</b>	<b>1,997</b>
<b>Profit for the period</b>	<b>–</b>	<b>21,205</b>	<b>–</b>	<b>21,205</b>	<b>38</b>
<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>(512)</b>	<b>(512)</b>	<b>(2)</b>
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>21,205</b>	<b>(512)</b>	<b>20,693</b>	<b>36</b>
<b>Dividends paid</b>	<b>–</b>	<b>(3,042)</b>	<b>–</b>	<b>(3,042)</b>	<b>(12)</b>
<b>Capital contribution from a non-controlling interest accrued</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8</b>
<b>At 30th June 2018 (unaudited)</b>	<b>10,449</b>	<b>263,165</b>	<b>1,418</b>	<b>275,032</b>	<b>2,029</b>

The notes on pages 35 to 52 form part of these financial statements.

# Notes to the Condensed Interim Financial Statements

## 1. Segment Information

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

(a) 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/(Loss) before taxation HK\$M	Profit/(Loss) for the period HK\$M	Profit/(Loss) attributable to the Company's shareholders HK\$M
<b>Six months ended 30th June 2019</b>									
Property investment	6,412	19	5,827	(282)	488	–	6,033	5,387	5,350
Property trading	392	–	50	(21)	(13)	–	16	2	2
Hotels	706	1	11	(20)	(4)	66	53	52	52
Change in fair value of investment properties	–	–	3,837	–	203	–	4,040	3,586	3,569
Inter-segment elimination	–	(20)	–	–	–	–	–	–	–
<b>Total</b>	<b>7,510</b>	<b>–</b>	<b>9,725</b>	<b>(323)</b>	<b>674</b>	<b>66</b>	<b>10,142</b>	<b>9,027</b>	<b>8,973</b>
<b>Six months ended 30th June 2018</b>									
Property investment	6,059	18	5,702	(463)	388	–	5,627	4,996	4,974
Property trading	530	–	73	(20)	(4)	–	49	32	22
Hotels	720	3	(1)	(20)	(72)	74	(19)	(24)	(24)
Change in fair value of investment properties	–	–	15,535	–	678	–	16,213	16,239	16,233
Inter-segment elimination	–	(21)	–	–	–	–	–	–	–
<b>Total</b>	<b>7,309</b>	<b>–</b>	<b>21,309</b>	<b>(503)</b>	<b>990</b>	<b>74</b>	<b>21,870</b>	<b>21,243</b>	<b>21,205</b>
<b>Year ended 31st December 2018</b>									
Property investment	12,254	40	9,873	(801)	772	–	9,844	8,792	8,732
Property trading	1,061	–	65	(39)	107	–	133	109	99
Hotels	1,404	5	(25)	(42)	(117)	153	(31)	(41)	(41)
Change in fair value of investment properties	–	–	19,452	–	1,063	–	20,515	19,861	19,876
Inter-segment elimination	–	(45)	–	–	–	–	–	–	–
<b>Total</b>	<b>14,719</b>	<b>–</b>	<b>29,365</b>	<b>(882)</b>	<b>1,825</b>	<b>153</b>	<b>30,461</b>	<b>28,721</b>	<b>28,666</b>

Note:

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

**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 and cash HK\$M	Total assets HK\$M
<b>At 30th June 2019</b>					
Property investment	282,391	24,750	–	14,474	321,615
Property trading	3,915	1,614	–	155	5,684
Hotels	5,896	1,271	425	165	7,757
<b>Total</b>	<b>292,202</b>	<b>27,635</b>	<b>425</b>	<b>14,794</b>	<b>335,056</b>
<b>At 31st December 2018</b>					
Property investment	293,340	26,133	–	1,820	321,293
Property trading	3,034	1,411	–	118	4,563
Hotels	5,975	1,247	413	156	7,791
<b>Total</b>	<b>302,349</b>	<b>28,791</b>	<b>413</b>	<b>2,094</b>	<b>333,647</b>

\* The assets of joint venture companies include the respective loans due from these companies.

## (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
<b>At 30th June 2019</b>					
Property investment	7,555	9,760	26,768	44,083	1,913
Property trading	309	43	2,463	2,815	92
Hotels	211	–	1,233	1,444	29
<b>Total</b>	<b>8,075</b>	<b>9,803</b>	<b>30,464</b>	<b>48,342</b>	<b>2,034</b>
<b>At 31st December 2018</b>					
Property investment	10,751	9,063	29,275	49,089	1,897
Property trading	257	45	1,558	1,860	92
Hotels	241	–	1,166	1,407	27
<b>Total</b>	<b>11,249</b>	<b>9,108</b>	<b>31,999</b>	<b>52,356</b>	<b>2,016</b>

## (d) Analysis of external revenue of the Group – Timing of revenue recognition

	At a point in time HK\$M	Over time HK\$M	Rental income HK\$M	Total HK\$M
<b>Six months ended 30th June 2019</b>				
Property investment	1	65	6,346	6,412
Property trading	392	–	–	392
Hotels	332	374	–	706
<b>Total</b>	<b>725</b>	<b>439</b>	<b>6,346</b>	<b>7,510</b>
<b>Six months ended 30th June 2018</b>				
Property investment	1	62	5,996	6,059
Property trading	530	–	–	530
Hotels	335	385	–	720
<b>Total</b>	<b>866</b>	<b>447</b>	<b>5,996</b>	<b>7,309</b>

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 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 “Listing Rules”).

The unaudited condensed interim financial statements are set out on pages 30 to 52 and also include the “Financial Information Reviewed by Auditors” in the Financing section on pages 23 to 28.

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

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the “Ordinance”)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2018 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor’s report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies and methods of computation and presentation used in the preparation of the condensed interim financial statements are consistent with those described in the 2018 annual financial statements except for those noted in 2(b) below.

- (b) The following new and revised standards and a new interpretation were required to be adopted by the Group effective from 1st January 2019:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures

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

### HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 “Leases” and related interpretations where the distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised on the statement of financial position for all leases by lessees. HKFRS 16 also amends the definition of investment property under HKAS 40 to include property held by a lessee as right-of-use assets to earn rentals or for capital appreciation or both and requires the Group to account for such right-of-use assets at their fair value. The standard does not significantly change the accounting of lessors.

The Group has adopted HKFRS 16 retrospectively from 1st January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules for lessees are therefore recognised in the opening statement of financial position on 1st January 2019.

**2. Basis of Preparation** (continued)**Adjustment recognised on adoption of HKFRS 16**

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the lessees at 1st January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1st January 2019 was 3.4%.

A reconciliation between (i) commitments under operating leases for future periods at 31st December 2018 and (ii) lease liabilities recognised at 1st January 2019 under HKFRS 16 is provided below:

	<b>2019 HK\$M</b>
Operating lease commitments disclosed at 31st December 2018	<b>700</b>
Discounted using the lessee’s incremental borrowing rate at the date of initial application (i.e. 1st January 2019)	<b>561</b>
Less: short-term leases recognised on a straight-line basis as expenses	<b>(17)</b>
low-value assets leases recognised on a straight-line basis as expenses	<b>(6)</b>
<b>Lease liabilities recognised at 1st January 2019</b>	<b>538</b>
Of which are:	
Current lease liabilities	<b>32</b>
Non-current lease liabilities	<b>506</b>
	<b>538</b>

The associated right-of-use assets for leases were measured on a modified retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to the leases recognised in the financial statements at 31st December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position at 1st January 2019:

	As originally stated HK\$M	Adjustments on adoption of HKFRS 16 HK\$M	As restated HK\$M
<b>Assets</b>			
Property, plant and equipment	7,877	(3,229)	4,648
Investment properties	273,186	336	273,522
Right-of-use assets	–	3,194	3,194
Joint venture companies	13,540	58	13,598
Trade and other receivables	2,401	(3)	2,398
<b>Liabilities</b>			
Trade and other payables	10,154	(27)	10,127
Lease liabilities	–	538	538
<b>Equity</b>			
Reserves	268,826	(155)	268,671
Non-controlling interests	2,016	–	2,016



## 2. Basis of Preparation (continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate for a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months at 1st January 2019 as short-term leases
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application, and
- use of hindsight in determining lease terms where the contracts contain options to extend or terminate the leases.

(c) The Group has not early adopted any new standards and interpretations that are not yet effective for the current accounting period.

(d) The preparation of the condensed 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 2018 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 condensed 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 2018 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
	2019 HK\$M	2018 HK\$M	2018 HK\$M
Gross rental income from investment properties	6,346	5,996	12,117
Property trading	392	530	1,061
Hotels	706	720	1,404
Rendering of other services	66	63	137
	<b>7,510</b>	<b>7,309</b>	<b>14,719</b>

## 5. Cost of Sales

	Six months ended 30th June		Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
Direct rental outgoings in respect of investment properties	1,135	1,134	2,389
Property trading	267	392	870
Hotels	583	602	1,193
Rendering of other services	22	16	41
	<b>2,007</b>	<b>2,144</b>	<b>4,493</b>

## 6. Other Net (Losses)/Gains

	Six months ended 30th June		Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
(Loss)/Profit on sale of investment properties	(11)	60	53
Loss on disposal of property, plant and equipment	–	(1)	(9)
Net foreign exchange (losses)/gains	(14)	1	(3)
Recognition of income on forfeited deposits in respect of trading properties	–	1	5
Others	20	176	200
	<b>(5)</b>	<b>237</b>	<b>246</b>

## 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
	2019 HK\$M	2018 HK\$M	2018 HK\$M
Depreciation of property, plant and equipment (note 12)	143	163	324
Amortisation of			
– intangible assets (note 14)	18	14	31
– initial leasing costs in respect of investment properties	17	22	39
Staff costs	1,004	965	1,854
Operating lease rentals			
– properties	–	47	91
– plant and equipment	–	3	6
Short-term lease expenses*	11	–	–
Low-value assets lease expenses*	14	–	–

\* These lease payments are directly charged to operating expenses and are not included in the measurement of lease liabilities under HKFRS 16.

## 8. Net Finance Charges

Refer to the table with the heading “Financial Information Reviewed by Auditors” on page 27 for details of the Group’s net finance charges.

## 9. Taxation

	Six months ended 30th June		Year ended 31st December
	2019 HK\$M	2018 HK\$M	2018 HK\$M
Current taxation			
Hong Kong profits tax	411	592	960
Overseas tax	204	168	356
(Over)/Under-provisions in prior years	(4)	9	(2)
	611	769	1,314
Deferred taxation (note 24)			
Changes in fair value of investment properties	311	128	501
Origination and reversal of temporary differences	193	(270)	(75)
	504	(142)	426
	1,115	627	1,740

Hong Kong profits tax is calculated at 16.5% (2018: 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 2019 of HK\$254 million (30th June 2018: HK\$166 million; year ended 31st December 2018: HK\$355 million) and HK\$14 million (30th June 2018: HK\$16 million; year ended 31st December 2018: HK\$29 million) respectively are 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
	2019 HK\$M	2018 HK\$M	2018 HK\$M
First interim dividend declared on 8th August 2019 of HK\$0.29 per share (2018 first interim dividend paid on 4th October 2018: HK\$0.27)	1,697	1,580	1,580
Second interim dividend paid on 9th May 2019 of HK\$0.57 per share	–	–	3,334
	1,697	1,580	4,914

The first interim dividend is not accounted for in the condensed interim financial statements because it had not been declared at the period end date.

The Directors have declared a first interim dividend of HK\$0.29 (2018: HK\$0.27) per share for the year ending 31st December 2019. The first interim dividend, which totals HK\$1,697 million (2018: HK\$1,580 million), will be paid on Thursday, 3rd October 2019 to shareholders registered at the close of business on the record date, being Friday, 6th September 2019. Shares of the Company will be traded ex-dividend as from Wednesday, 4th September 2019.

The register of members will be closed on Friday, 6th September 2019, 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, 5th September 2019.

## 11. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2019 of HK\$8,973 million (30th June 2018: HK\$21,205 million; year ended 31st December 2018: HK\$28,666 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2018 and 31st December 2018: 5,850,000,000 ordinary shares).

## 12. Property, Plant and Equipment

	Property, plant and equipment HK\$M
<b>Cost:</b>	
At 1st January 2019	
as originally stated	10,566
reclassification to right-of-use assets	(3,358)
reclassification to investment properties	(76)
as restated	7,132
Translation differences	(16)
Additions	27
Disposals	(9)
<b>At 30th June 2019</b>	<b>7,134</b>
<b>Accumulated depreciation and impairment:</b>	
At 1st January 2019	
as originally stated	2,689
reclassification to right-of-use assets	(205)
as restated	2,484
Translation differences	(6)
Charge for the period	143
Disposals	(8)
<b>At 30th June 2019</b>	<b>2,613</b>
<b>Net book value:</b>	
<b>At 30th June 2019</b>	<b>4,521</b>
At 1st January 2019	7,877

Property, plant and equipment are 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 2019.

### 13. Investment Properties

	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2019			
as originally stated	249,666	23,261	272,927
adjustment on adoption of HKFRS 16	4	332	336
as restated	249,670	23,593	273,263
Translation differences	(170)	(10)	(180)
Additions	245	472	717
Disposals	(105)	–	(105)
Transfer to properties under development and for sale	–	(1,039)	(1,039)
Net fair value gains	3,678	159	3,837
	253,318	23,175	276,493
Add: Initial leasing costs	259	–	259
<b>At 30th June 2019</b>	<b>253,577</b>	<b>23,175</b>	<b>276,752</b>
At 1st January 2019 (including initial leasing costs)	249,925	23,261	273,186

### 14. Intangible Assets

	Computer Software HK\$M	Others HK\$M	Total HK\$M
<b>Cost:</b>			
At 1st January 2019	149	205	354
Additions	6	–	6
<b>At 30th June 2019</b>	<b>155</b>	<b>205</b>	<b>360</b>
<b>Accumulated amortisation:</b>			
At 1st January 2019	106	36	142
Amortisation for the period	7	11	18
<b>At 30th June 2019</b>	<b>113</b>	<b>47</b>	<b>160</b>
<b>Net book value:</b>			
<b>At 30th June 2019</b>	<b>42</b>	<b>158</b>	<b>200</b>
At 1st January 2019	43	169	212

## 15. Right-Of-Use Assets

The recognised right-of-use assets relate to the following types of assets:

	<b>30th June 2019 HK\$M</b>
Leasehold land held for own use	<b>3,140</b>
Property	<b>65</b>
<b>Total</b>	<b>3,205</b>

The Group obtains the right to control the use of land and buildings for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 24 years.

Additions to the right-of-use assets during the six months ended 30th June 2019 were HK\$30 million.

During the six months ended 30th June 2019, total cash outflow for leases was included in the statement of cash flows in (a) interest paid under “operating activities” of HK\$5 million, (b) payment for short-term leases and low-value assets leases of HK\$25 million under “operating activities”, and (c) principal elements of lease payments of HK\$18 million under “financing activities”.

## 16. Joint Venture Companies

	<b>30th June 2019 HK\$M</b>	31st December 2018 HK\$M
Share of net assets, unlisted	<b>13,138</b>	13,540
Loans due from joint venture companies less provisions		
– Interest-free	<b>13,510</b>	13,839
– Interest-bearing	<b>987</b>	1,412
	<b>14,497</b>	15,251

## 17. Associated Companies

	<b>30th June 2019 HK\$M</b>	31st December 2018 HK\$M
Share of net assets, unlisted	<b>425</b>	413

## 18. 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 carrying amount HK\$M
<b>Assets as per consolidated statement of financial position</b>			
<b>At 30th June 2019</b>			
<b>Derivatives used for hedging (note 19)</b>	<b>127</b>	<b>–</b>	<b>127</b>
At 31st December 2018			
Derivatives used for hedging (note 19)	64	–	64
<b>Liabilities as per consolidated statement of financial position</b>			
<b>At 30th June 2019</b>			
<b>Derivatives used for hedging (note 19)</b>	<b>31</b>	<b>–</b>	<b>31</b>
<b>Put option in respect of a non-controlling interest (note 22)</b>	<b>–</b>	<b>593</b>	<b>593</b>
<b>Total</b>	<b>31</b>	<b>593</b>	<b>624</b>
At 31st December 2018			
Derivatives used for hedging (note 19)	70	–	70
Put option in respect of a non-controlling interest (note 22)	–	601	601
<b>Total</b>	<b>70</b>	<b>601</b>	<b>671</b>

Notes:

The levels in the hierarchy represent the following:

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 the levels in the fair value hierarchy.

The following table presents the changes in Level 3 financial instruments for the period ended 30th June 2019:

	Put option over non-controlling interest HK\$M
At 1st January 2019	601
Translation differences	(2)
Payments	(9)
Change in fair value recognised as net finance charges	3
At 30th June 2019	593
Total losses for the period included in profit or loss in respect of financial instruments held at 30th June 2019	3

**18. Fair Value Measurement of Financial Instruments** (continued)

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 observable inputs are market interest rates, exchange rates and yields.

The fair value estimate of the put option in respect of a non-controlling interest in the retail portion of Brickell City Centre classified as Level 3 is determined using a discounted cash flow valuation technique and contains a number of 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. Changing these unobservable inputs to unobservable inputs based on reasonable alternative assumptions would change the valuation of the put option.

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 other investment properties, including the expected fair market rent and the expected 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 2019. 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 2019 and 31st December 2018 except for the following financial liabilities, the carrying amounts and fair values of which are disclosed below:

	30th June 2019		31st December 2018	
	Carrying amount HK\$M	Fair value HK\$M	Carrying amount HK\$M	Fair value HK\$M
Long-term loans and bonds	29,832	30,332	31,765	31,596



## 19. 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 2019		31st December 2018	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Interest rate and cross-currency swaps – cash flow hedges				
– due within one year	49	–	–	–
– due after one year	78	31	64	70

## 20. Trade and Other Receivables and Contract Assets

	30th June 2019 HK\$M	31st December 2018 HK\$M
Trade debtors	219	216
Prepayments and accrued income	279	240
Other receivables	1,540	1,945
	<b>2,038</b>	<b>2,401</b>
Contract assets	18	16

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

	30th June 2019 HK\$M	31st December 2018 HK\$M
Under three months	207	209
Between three and six months	11	6
Over six months	1	1
	<b>219</b>	<b>216</b>

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.

## 21. 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.

**22. Trade and Other Payables and Contract Liabilities**

	<b>30th June 2019 HK\$M</b>	31st December 2018 HK\$M
Trade and other payables – current:		
Trade creditors	<b>387</b>	419
Rental deposits from tenants	<b>2,910</b>	2,751
Deposit received on the sale of investment properties	<b>21</b>	–
Deposits received on the sale of subsidiary and joint venture companies	<b>237</b>	3,238
Other current payables		
Accrued capital expenditure	<b>1,117</b>	1,211
Amount due to intermediate holding company	<b>114</b>	109
Amount due to an associated company	<b>11</b>	15
Advances from a non-controlling interest	<b>35</b>	35
Put option in respect of a non-controlling interest	<b>593</b>	–
Others	<b>2,392</b>	2,376
	<b>4,262</b>	3,746
	<b>7,817</b>	10,154
Contract Liabilities	<b>8</b>	7
Other payables – non-current:		
Put option in respect of a non-controlling interest	–	601

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

	<b>30th June 2019 HK\$M</b>	31st December 2018 HK\$M
Under three months	<b>387</b>	419

**23. Lease Liabilities**

	<b>30th June 2019 HK\$M</b>
Maturity Profile:	
Within 1 year	<b>44</b>
1-2 years	<b>41</b>
2-5 years	<b>53</b>
After 5 years	<b>410</b>
<b>Total</b>	<b>548</b>

## 24. Deferred Taxation

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

	HK\$M
At 1st January 2019	8,593
Translation differences	(29)
Charged to statement of profit or loss (note 9)	504
Charged to other comprehensive income	25
Other transfers	(4)
<b>At 30th June 2019</b>	<b>9,089</b>
Represented by:	
Deferred tax assets	(101)
Deferred tax liabilities	9,190
	<b>9,089</b>

## 25. Assets Classified as Held for Sale

At 30th June 2019, assets classified as held for sale relate to a sale and purchase agreement entered into by the Company with a third party on 21st May 2019 for the sale of the Company's entire 50% interest in a joint venture company which holds 625 King's Road, a 26-storey office building located in North Point, Hong Kong. The interest in the joint venture company was classified as held for sale at 30th June 2019.

At 31st December 2018, assets classified as held for sale mainly relate to a sale and purchase agreement entered into by a wholly owned subsidiary of the Company with a third party for the sale of the Company's interests in office buildings at 14 Taikoo Wan Road and 12 Taikoo Wan Road in Hong Kong. The consideration for the sale was HK\$15,000 million, subject to adjustments, and resulted in a profit on sale of subsidiaries being recorded on 11th April 2019 when the transaction was completed. Assets held for sale at 31st December 2018 also include several wholly owned subsidiaries holding investment properties in respect of which a sale and purchase agreement was entered into on 28th August 2018. The total consideration for the sale of HK\$2,037 million resulted in a profit on sale of subsidiaries being recorded on 18th January 2019 when the transaction was completed.

## 26. Share Capital

	Company	
	<b>30th June 2019 HK\$M</b>	31st December 2018 HK\$M
<b>Issued and fully paid:</b>		
At 30th June 2019 and 31st December 2018		
5,850,000,000 ordinary shares	<b>10,449</b>	10,449

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the period.

**27. 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
<b>At 1st January 2019</b>						
as originally stated	269,010	(1,108)	1,823	(195)	(704)	268,826
adjustment on adoption of HKFRS 16	(155)	–	–	–	–	(155)
as restated	268,855	(1,108)	1,823	(195)	(704)	268,671
Profit for the period	8,973	–	–	–	–	8,973
Other comprehensive income						
Cash flow hedges						
– gains recognised during the period	–	–	–	165	–	165
– reclassification to profit or loss	–	–	–	(15)	–	(15)
– deferred tax charge	–	–	–	(25)	–	(25)
Share of other comprehensive income of joint venture and associated companies	–	–	–	(7)	(49)	(56)
Net translation differences on foreign operations	–	–	–	–	(148)	(148)
Total comprehensive income for the period	8,973	–	–	118	(197)	8,894
2018 second interim dividend (note 10)	(3,334)	–	–	–	–	(3,334)
<b>At 30th June 2019</b>	<b>274,494</b>	<b>(1,108)</b>	<b>1,823</b>	<b>(77)</b>	<b>(901)</b>	<b>274,231</b>

\* The revenue reserve at 30th June 2019 was not subject to a deduction of HK\$1,697 million representing the first interim dividend for the year ending 31st December 2019 declared on 8th August 2019 (31st December 2018: HK\$3,334 million representing the second interim dividend for 2018 declared on 14th March 2019).

**28. Non-controlling Interests**

	HK\$M
<b>At 1st January 2019</b>	
as originally stated	2,016
adjustment on adoption of HKFRS 16	–
as restated	2,016
Share of profits less losses for the period	54
Share of translation differences on foreign operations	(6)
Share of total comprehensive income for the period	48
Dividends paid and payable	(30)
<b>At 30th June 2019</b>	<b>2,034</b>

## 29. Capital Commitments

	<b>30th June 2019 HK\$M</b>	31st December 2018 HK\$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	–	–
Authorised by Directors but not contracted for	<b>80</b>	93
Investment properties		
Contracted for	<b>5,647</b>	1,192
Authorised by Directors but not contracted for	<b>9,453</b>	14,586
	<b>15,180</b>	15,871
The Group's share of capital commitments of joint venture companies at the end of the period *		
Contracted for	<b>597</b>	1,388
Authorised by Directors but not contracted for	<b>1,009</b>	363
	<b>1,606</b>	1,751

\* of which the Group is committed to funding HK\$363 million (31st December 2018: HK\$464 million).

## 30. Contingencies

Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK\$1,839 million (31st December 2018: HK\$1,771 million). Bank guarantees given in lieu of utility deposits and other liabilities totalled HK\$170 million at the end of the period (31st December 2018: HK\$174 million).

## 31. 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 commenced on 1st January 2017 and will last for three years until 31st December 2019. For the six months ended 30th June 2019, service fees payable amounted to HK\$108 million (2018: HK\$105 million). Expenses of HK\$47 million (2018: HK\$38 million) were reimbursed at cost; in addition, HK\$38 million (2018: HK\$35 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 was renewed on 1st October 2018 for a further term of three years commencing on 1st January 2019. For the six months ended 30th June 2019, the aggregate rentals payable to the Group by members of the JSSHK group and members of the Swire Pacific group under tenancies to which the Tenancy Framework Agreement applies amounted to HK\$56 million (2018: HK\$51 million) and HK\$51 million (2018: HK\$58 million) respectively.

**31. Related Party Transactions** (continued)

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 of Chapter 14A of the Listing Rules.

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.

		For the six months ended 30th June										
		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties		
Note		2019 HK\$M	2018 HK\$M	2019 HK\$M	2018 HK\$M	2019 HK\$M	2018 HK\$M	2019 HK\$M	2018 HK\$M	2019 HK\$M	2018 HK\$M	
	Purchases of services	(a)	–	–	9	7	–	–	–	–	–	–
	Rendering of services	(a)	–	–	–	–	–	–	–	1	–	–
	Rental revenue	(b)	–	–	45	51	6	7	56	51	2	3
	Revenue from hotels		–	–	–	–	–	–	1	1	–	–
	Interest income	(c)	35	37	–	–	–	–	–	–	–	–
	Interest charges	(c)	–	–	–	84	–	–	–	–	–	3

Notes:

- (a) Purchases of services from and rendering of services 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 companies at 30th June 2019 are disclosed in note 16. Advances from associated and related companies are disclosed in note 22.

The amount due from the immediate holding company at 30th June 2019 was HK\$28 million (31st December 2018: HK\$15 million). The balance arises in the normal course of business, is non-interest-bearing and repayable within one year.

**32. Event After the Reporting Period**

In May 2019, Swire Properties entered into an agreement for the sale of the entire 50% interest in a joint venture company which holds 625 King's Road. The consideration for the sale was HK\$2,375 million, subject to adjustments, and resulted in a profit on sale of approximately HK\$992 million being recorded on 19th July 2019 when the transaction was completed.

# 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 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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s shares during the period.

## Directors’ Particulars

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

1. S.C. Liu retired as an Independent Non-Executive Director of the Company at the conclusion of the 2019 annual general meeting held on 14th May 2019.
2. T.T.K. Choi was appointed as an Independent Non-Executive Director of the Company with effect from the conclusion of the 2019 annual general meeting held on 14th May 2019.

## Directors’ Interests

At 30th June 2019, 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 and Swire Pacific Limited:

	Capacity			Total No. of Shares	Percentage of Voting Shares (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
<b>Swire Properties Limited</b>						
L.K.L. Cheng	1,000	–	–	1,000	0.00002	

**Directors' Interests** (continued)

	Capacity			Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
<b>John Swire &amp; Sons Limited</b>						
<b>Ordinary Shares of £1</b>						
N.A.H. Fenwick	–	–	3,136,000	3,136,000	3.14	(1)
M.B. Swire	2,671,599	130,000	17,546,068	20,347,667	20.35	(2)
<b>8% Cum. Preference Shares of £1</b>						
N.A.H. Fenwick	–	–	2,822,400	2,822,400	3.14	(1)
M.B. Swire	3,946,580	–	13,656,040	17,602,620	19.56	(2)

	Capacity			Total No. of Shares	Percentage of Voting Shares (comprised in the class) (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
<b>Swire Pacific Limited</b>						
<b>'A' shares</b>						
L.K.L. Cheng	10,000	–	–	10,000	0.0011	
<b>'B' shares</b>						
M.B. Swire	–	–	56,085	56,085	0.0019	

Notes:

- (1) N.A.H. Fenwick is a trustee of a trust which held 3,136,000 ordinary shares and 2,822,400 preference shares in John Swire & Sons Limited included under "Trust interest" and does not have any beneficial interest in those shares.
- (2) M.B. Swire is a trustee and/or a potential beneficiary of trusts which held 6,222,732 ordinary shares and 3,443,638 preference shares in John Swire & Sons Limited and 56,085 'B' shares in Swire Pacific 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 2019 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 (notes)
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 2019:

- (1) Swire Pacific Limited was interested in 4,796,765,835 shares of the Company as beneficial owner.
- (2) John Swire & Sons Limited ("Swire") and its wholly owned subsidiary John Swire & Sons (H.K.) Limited were deemed to be interested in a total of 4,796,765,835 shares of the Company, in which Swire Pacific Limited was interested, by virtue of the Swire group being interested in 55.12% of the equity of Swire Pacific Limited and controlling 64.12% of the voting rights attached to shares in Swire Pacific Limited.



# Glossary

## Terms

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

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

**Gross borrowings** Total of loans, bonds and overdrafts.

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

**Underlying profit** Reported profit adjusted principally for the impact of changes in the fair value of investment properties, deferred tax on investment properties and amortisation of right-of-use assets reported under investment properties.

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

## Ratios

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

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

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

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

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

# Financial Calendar and Information for Investors

## Financial Calendar 2019

Interim Report available to shareholders	3rd September
Shares traded ex-dividend	4th September
Share register closed for 2019 first interim dividend entitlement	6th September
Payment of 2019 first interim dividend	3rd October
Annual results announcement	March 2020
Annual General Meeting	May 2020

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## Registrars

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## Request for Feedback

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

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