SWIRE PROPERTIES

Stock Code: 1972

Annual Report 2019

CONTENTS

Creative Transformation

Captures what we do and how we do it. It underlines the creative mindset and long-term approach that enables us to seek out new perspectives, and original thinking that goes beyond the conventional. It also encapsulates our ability to unlock the potential of places and create vibrant destinations that can engender further growth and create sustainable value for our stakeholders.

2019 Highlights

1 Completed the sale of 100% interest in a subsidiary which owned two office buildings at **14 Taikoo Wan Road and 12 Taikoo Wan Road** (formerly known as Cityplaza Three and Cityplaza Four, respectively)

April, Hong Kong

2 Launched **HOMETOWN HEROES: I AM A DREAM MAKER** community-building initiative and Swire Properties' Placemaking Academy

June, Hong Kong

3 Completed the sale of entire 50% interest in a company which owned an office tower at **625 King's Road**

July, Hong Kong

4 Formed a joint-venture with Jakarta Setiabudi Internasional Group to develop **a residential development in Jakarta, Indonesia**

July, Indonesia

5 Secured HK$500 million **sustainability-linked loan**

July, Hong Kong

6 Officially launched **"UrbanLab"**, the first corporate accelerator programme in Mainland China to focus on property technology

July, Shanghai

7 Launched the new extension of **Citygate Outlets**

August, Hong Kong

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8 Included in the **Dow Jones Sustainability World Index (DJSI World), Global Real Estate Sustainability Benchmark (GRESB), Hang Seng Corporate Sustainability Index, MSCI World ESG Leaders Index and FTSE4Good Index**

September, Hong Kong

9 Celebrated the **8th anniversary of Taikoo Hui**

September, Guangzhou

10 Celebrated the **30th anniversary of Pacific Place**

October, Hong Kong

11 Tendered successfully for **a residential property development at Wong Chuk Hang** by a joint venture company with Kerry Properties and Sino Land

October, Hong Kong

12 Completed first residential trading project **"EDEN"** in Singapore

November, Singapore

SD2030

"Our vision is to be the leading sustainable development performer in our industry globally by 2030."

— Guy Bradley, Chief Executive

2019 Highlight Achievements

MEMBER OF Dow Jones Sustainability Indices
In collaboration with RobecoSAM

No. 1 in Asia and top 10 globally

green building award 2019 環保建築大獎

Pioneer Award
Green Building Leadership: Developer category

Grand Awards
One Taikoo Place: Completed Projects – Commercial Building, New Buildings category

Pacific Place: Facilities Management, Existing Buildings category

GRESB REAL ESTATE Sector Leader 2019

No. 1 in "mixed-use development" category and 5-star rating

Hang Seng Corporate Sustainability Index Series Member 2019-2020
AAA HKQAA

No. 1 for 2nd consecutive year

Only company with AAA rating

HONG KONG SUSTAINABILITY AWARD 2018/19 Grand Award

Grand Award
Hong Kong Sustainability Award

SCIENCE BASED TARGETS

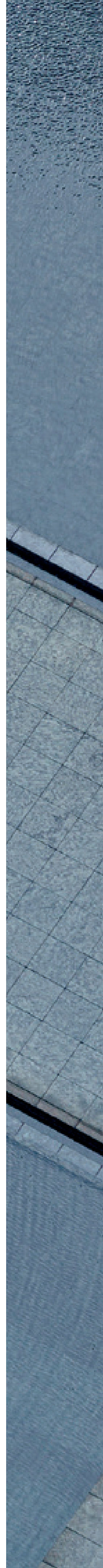
First Hong Kong and Mainland China developer to have science-based targets approved

Long-term carbon reduction
35% by 2025
52% by 2030

RICS

One Taikoo Place: Sustainability Achievement of the Year Award

Announced first sustainability-linked loan



COMPANY PROFILE

Swire Properties is a leading developer, owner and operator of mixed-use, principally commercial, properties in Hong Kong and Mainland China, with a record of creating long-term value by transforming urban areas. Our business comprises three main elements: property investment, property trading and hotel investment.

Founded in Hong Kong in 1972, Swire Properties is listed on The Stock Exchange of Hong Kong Limited and, with its subsidiaries, employs over 5,000 people. Swire Properties' shopping malls are home to more than 1,800 retail outlets. Its offices house a working population estimated to exceed 73,000.

In Hong Kong, we have spent over 40 years developing an industrial area into what is now Taikoo Place and Cityplaza, one of Hong Kong's largest business districts comprising office space, the largest shopping mall on Hong Kong Island and a hotel. Pacific Place, built on the former Victoria Barracks site, is one of Hong Kong's premier retail and business addresses. In Mainland China, Swire Properties has six major mixed-use projects in operation or under development in Beijing, Guangzhou, Chengdu and Shanghai. Similar in scale to our developments in Hong Kong, our Mainland China properties are in commercial districts with excellent transport connections.

Swire Properties has interests in the luxury and high quality residential markets in Hong Kong, Singapore, Jakarta and Miami in the U.S.A. Swire Hotels develops and manages hotels in Hong Kong and Mainland China and in Miami in the U.S.A.

The Company has a presence in Miami, U.S.A., where it develops investment and residential trading properties. The first phase of Brickell City Centre, a large scale mixed-use project in the Brickell financial district in Miami, was completed in 2016 and was fully open in 2017. The Company has an office in Singapore to explore opportunities in the property markets in Southeast Asia.

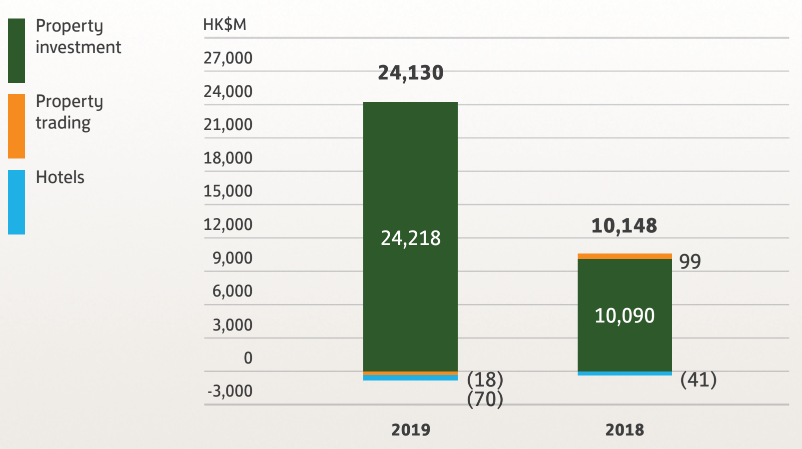
Financial Highlights

Results **For the year**	*Note*	**2019** **HK$M**	2018 HK$M	Change
Revenue		**14,222**	14,719	-3%
Profit attributable to the Company's shareholders				
Underlying	*(a), (b)*	**24,130**	10,148	+138%
Recurring underlying	*(b)*	**7,633**	7,521	+1%
Reported		**13,423**	28,666	-53%
Cash generated from operations		**5,499**	11,619	-53%
Net cash inflow before financing		**20,217**	10,144	+99%
		HK$	HK$	
Earnings per share				
Underlying	*(c)*	**4.12**	1.74	+138%
Recurring underlying	*(c)*	**1.30**	1.29	+1%
Reported	*(c)*	**2.29**	4.90	-53%
Dividends per share				
First interim		**0.29**	0.27	+7%
Second interim		**0.59**	0.57	+4%

Financial Position **At 31st December**		**HK$M**	HK$M	
Total equity (including non-controlling interests)		**288,911**	281,291	+3%
Net debt		**15,292**	29,905	-49%
Gearing ratio	*(a)*	**5.3%**	10.6%	-5.3%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share	*(a)*	**49.05**	47.74	+3%

Notes:
(a) Refer to glossary on page 195 for definition.
(b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 21.
(c) Refer to note 14 in the financial statements for the weighted average number of shares.

Underlying profit/(loss) by segment



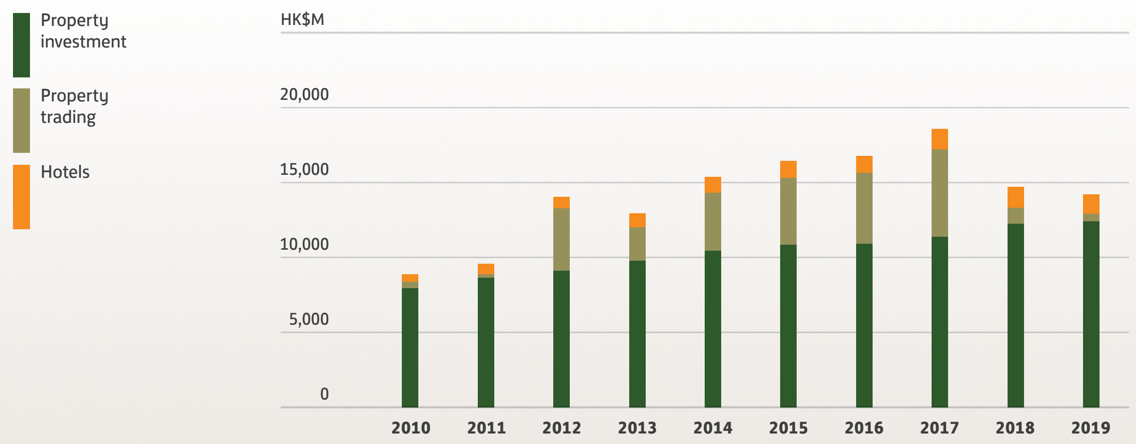
Ten-Year Financial Summary

	2010 HK$M	2011 HK$M	2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M	2016 HK$M	2017 HK$M	2018 HK$M	**2019 HK$M**
STATEMENT OF PROFIT OR LOSS										
Revenue										
Property investment	7,953	8,651	9,123	9,786	10,456	10,857	10,902	11,380	12,254	**12,410**
Property trading	400	213	4,147	2,207	3,842	4,463	4,760	5,833	1,061	**516**
Hotels	518	717	782	942	1,089	1,127	1,130	1,345	1,404	**1,296**
	8,871	9,581	14,052	12,935	15,387	16,447	16,792	18,558	14,719	**14,222**
Profit Attributable to the Company's Shareholders										
Property investment	4,574	4,638	4,896	5,426	6,029	6,231	5,938	6,671	8,732	**10,061**
Property trading	87	7	1,659	720	1,020	1,089	1,199	1,111	99	**(18)**
Hotels	(109)	(33)	14	(46)	30	(303)	(117)	(43)	(41)	**(70)**
Change in fair value of investment properties	21,478	20,496	12,184	6,425	2,437	7,055	8,030	26,218	19,876	**3,450**
	26,030	25,108	18,753	12,525	9,516	14,072	15,050	33,957	28,666	**13,423**
Dividends for the year	2,426	11,067	3,510	3,510	3,861	4,154	4,154	4,505	4,914	**5,148**
Retained profit	23,604	14,041	15,243	9,015	5,655	9,918	10,896	29,452	23,752	**8,275**
STATEMENT OF FINANCIAL POSITION										
Net Assets Employed										
Property investment	183,062	191,116	207,577	218,556	226,607	235,917	248,466	283,045	299,659	**289,185**
Property trading	6,303	6,581	7,309	9,408	8,210	7,452	6,616	3,942	4,143	**7,789**
Hotels	5,797	6,421	7,111	7,200	7,801	7,928	7,520	7,738	7,394	**7,229**
	195,162	204,118	221,997	235,164	242,618	251,297	262,602	294,725	311,196	**304,203**
Financed by										
Equity attributable to the Company's shareholders	157,847	175,886	192,434	202,350	207,691	216,247	225,369	257,381	279,275	**286,927**
Non-controlling interests	479	532	642	800	856	1,702	1,856	1,997	2,016	**1,984**
Net debt	36,836	27,700	28,921	32,014	34,071	33,348	35,377	35,347	29,905	**15,292**
	195,162	204,118	221,997	235,164	242,618	251,297	262,602	294,725	311,196	**304,203**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	**HK$**
Earnings per share	4.57	4.40	3.21	2.14	1.63	2.41	2.57	5.80	4.90	**2.29**
Dividends per share	0.43	1.94	0.60	0.60	0.66	0.71	0.71	0.77	0.84	**0.88**
Equity attributable to shareholders per share	27.74	30.07	32.89	34.59	35.50	36.97	38.52	44.00	47.74	**49.05**
RATIOS										
Return on average equity attributable to the Company's shareholders	18.1%	15.0%	10.2%	6.3%	4.6%	6.6%	6.8%	14.1%	10.7%	**4.7%**
Gearing ratio	23.3%	15.7%	15.0%	15.8%	16.3%	15.3%	15.6%	13.6%	10.6%	**5.3%**
Interest cover – times	21.79	18.23	15.72	10.02	8.96	13.56	15.48	38.81	33.29	**28.85**
Dividend payout ratio	9.3%	44.1%	18.7%	28.0%	40.6%	29.5%	27.6%	13.3%	17.1%	**38.4%**
UNDERLYING										
Profit (HK$M)	4,767	12,914	6,935	6,348	7,152	7,078	7,112	7,834	10,148	**24,130**
Return on average equity attributable to the Company's shareholders	3.3%	7.7%	3.8%	3.2%	3.5%	3.3%	3.2%	3.2%	3.8%	**8.5%**
Earnings per share (HK$)	0.84	2.26	1.19	1.09	1.22	1.21	1.22	1.34	1.74	**4.12**
Interest cover – times	5.37	12.01	7.90	6.43	7.58	7.75	8.89	10.68	12.58	**48.16**
Dividend payout ratio	50.9%	85.7%	50.6%	55.3%	54.0%	58.7%	58.4%	57.5%	48.4%	**21.3%**

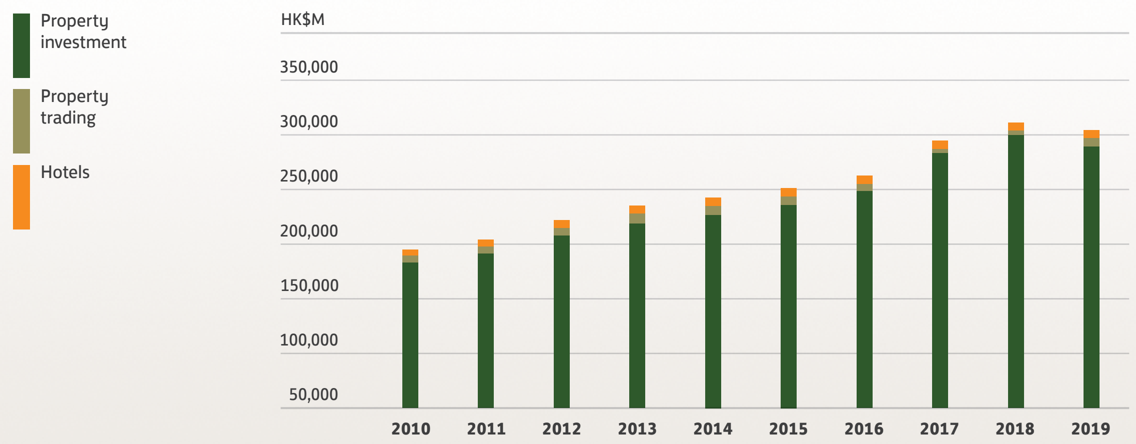
Notes:

1. The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2019 may be different from those originally presented.
2. The equity attributable to the Company's shareholders and the returns by segment for 2019 and 2018 are shown in the Financial Review – Investment Appraisal and Performance Review on page 60.
3. Underlying profit is discussed on pages 21 to 23.
4. Refer to Glossary on page 195 for definitions and ratios.

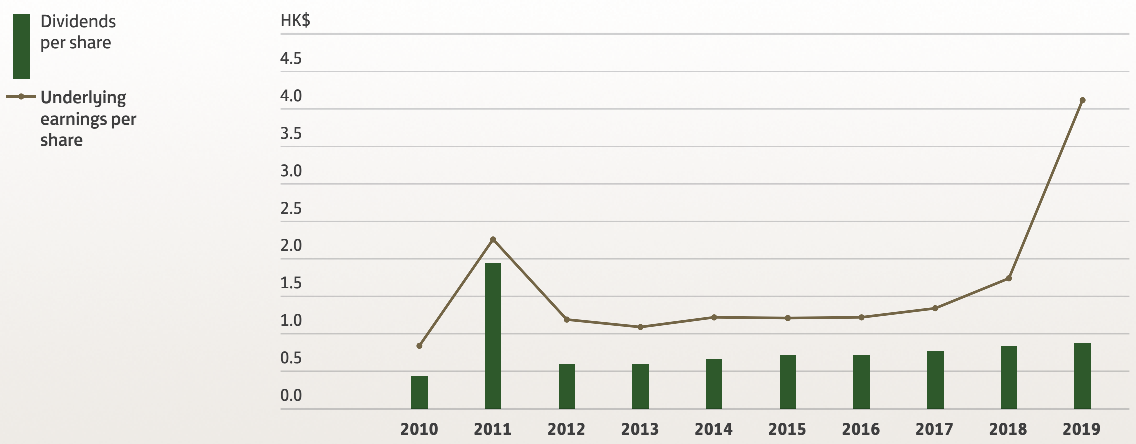
Revenue



Net Assets Employed

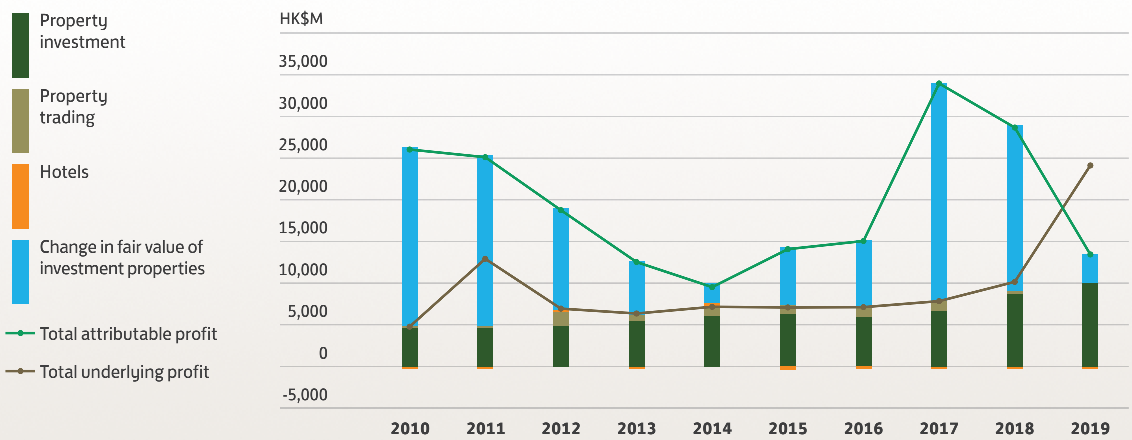


Dividends and Underlying Earnings Per Share

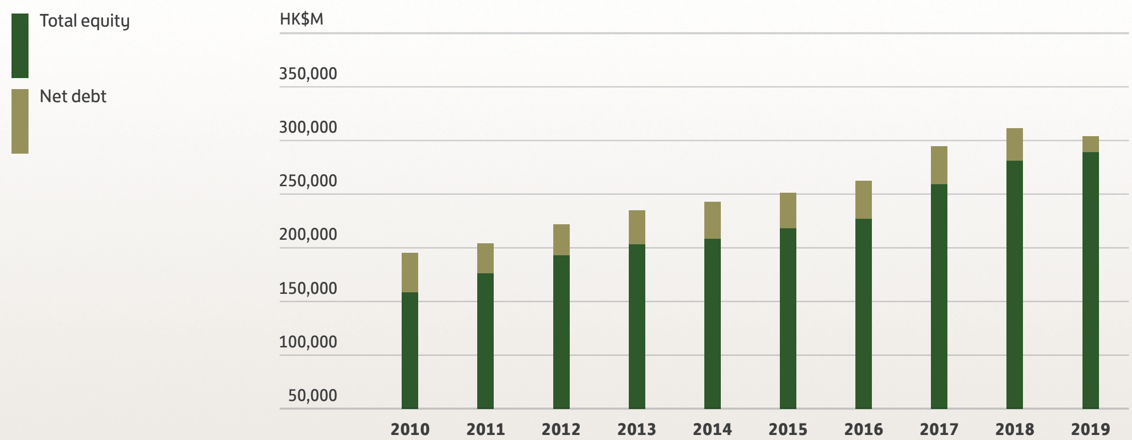


Ten-Year Financial Summary

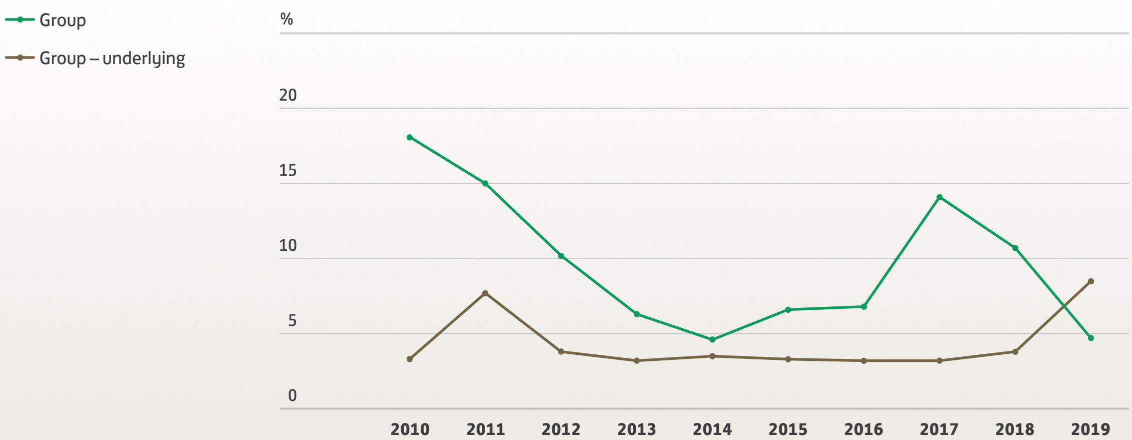
Profit Attributable to the Company's Shareholders



Total Equity and Net Debt



Returns on Average Equity



CHAIRMAN'S STATEMENT

Our consolidated profit attributable to shareholders for 2019 was HK$13,423 million, compared to HK$28,666 million in 2018. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$13,982 million from HK$10,148 million in 2018 to HK$24,130 million in 2019. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK$7,633 million in 2019, compared with HK$7,521 million in 2018.

Dividends

The Directors have declared a second interim dividend of HK$0.59 (2018: HK$0.57) per share which, together with the first interim dividend of HK$0.29 per share paid in October 2019, amounts to full year dividends of HK$0.88 (2018: HK$0.84) per share. The second interim dividend, which totals HK$3,451 million (2018: HK$3,334 million), will be paid on Thursday, 7th May 2020 to shareholders registered at the close of business on the record date, being Friday, 3rd April 2020. Shares of the Company will be traded ex-dividend from Wednesday, 1st April 2020.

The full year dividends for 2019 represent a 5% increase over the dividends for 2018. The Company's dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profits in ordinary dividend over time. During the five years ending with 2019, our dividends have represented 41% of underlying profits.

Key Developments

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

In July 2019, Swire Properties completed the sale of its entire 50% interest in a company which owned an office building at 625 King's Road in Hong Kong.

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 gross floor area ("GFA") of approximately 1,140,000 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.

In August 2019, an extension opened at Citygate Outlets in Hong Kong. The extension has an aggregate GFA of approximately 341,000 square feet. Swire Properties has a 20% interest in the development.

In September 2019, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company completed the acquisition of a plot of land in Chai Wan, Hong Kong. Subject to agreement with the Hong Kong government, the plot of land is expected to be redeveloped into a residential complex with an aggregate GFA of approximately 694,000 square feet.

In October 2019, a joint venture company formed by the Company, Kerry Properties Limited and Sino Land Company Limited tendered successfully for a residential property development at Wong Chuk Hang in Hong Kong. The development is expected to comprise two residential towers with an aggregate GFA of approximately 638,000 square feet and about 800 residential units. It is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

In November 2019, EDEN, Swire Properties' first residential project in Singapore, was completed and is available for sale. The development comprises 20 residential units with an aggregate GFA of approximately 77,000 square feet.

Operating Performance

Underlying profit increased to HK$24,130 million in 2019 from HK$10,148 million in 2018. The increase 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$7,633 million in 2019, compared with HK$7,521 million in 2018. The increase principally reflected higher underlying profit from property investment in Mainland China.

Recurring underlying profit from property investment increased by 3% in 2019. There was satisfactory growth from the Mainland China and U.S.A. portfolios, and from the Hong Kong office portfolio. Gross rental income was HK$12,271 million in 2019, compared to HK$12,117 million in 2018. In Hong Kong, office rental income increased due to positive rental reversions, firm occupancy and a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018. However, this was more than offset by a reduction in retail rental income in Hong Kong. This was due to rental subsidies and lower retail sales in the second half of 2019. Disregarding rental subsidies, gross retail rental income in Hong Kong decreased slightly. In Mainland China, gross rental income increased by 8%, mainly due to positive rental reversions, higher retail sales and firm occupancy. There was satisfactory growth in rental income in the U.S.A., due to improved occupancy and higher retail sales.

The underlying loss from property trading in 2019 related to the residential units in the U.S.A., partly offset by profit from the sale of carparks at the ALASSIO development in Hong Kong and from the share of profit from the sale of offices and carparks at Sino-Ocean Taikoo Li Chengdu in Mainland China.

Hotels recorded a loss in 2019, mainly due to a deterioration in the results of the Hong Kong hotels (reflecting social unrest) in the second half of the year. The performance of the hotels in Mainland China and the U.S.A. improved.

On an attributable basis, net investment property valuation gains in 2019, after deferred tax relating to investment properties in Mainland China and the U.S.A., were HK$3,450 million, compared to net gains of HK$19,876 million in 2018.

Finance

Net debt at 31st December 2019 was HK$15,292 million, compared with HK$29,905 million at 31st December 2018. Gearing decreased from 10.6% at 31st December 2018 to 5.3% at 31st December 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 and the proceeds of sale of the entire 50% interest in a joint venture company which owns an office building at 625 King's Road in Hong Kong. These receipts were partially offset by capital expenditure on investment properties and development expenditure in Hong Kong. Cash and undrawn committed facilities were HK$25,068 million at 31st December 2019, compared with HK$14,147 million at 31st December 2018.

Sustainable Development

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

In July 2019, Swire Properties converted an existing five-year revolving credit facility of HK$500 million into a sustainability-linked loan, with the interest rate being linked to sustainability performance.

Prospects

In the central district of Hong Kong, reduced demand (particularly from Mainland Chinese companies) and increased vacancy rates are expected to exert downward pressure on office rents. High occupancy is expected to result in office rents at our Taikoo Place developments being relatively resilient (by comparison with rents in other areas) despite reduced demand and increased supply in Kowloon East and other districts. However, given the uncertain outlook, office tenants are delaying making lease commitments. With new supply in the central business districts of Guangzhou and Beijing and weak demand, office vacancy rates are expected to increase and rents to be under pressure in 2020. Demand from domestic and international companies for office space in Shanghai is expected to be weak in 2020. But with high occupancy and limited new supply in the central business district of Jing'an, Shanghai office rents are expected to be relatively resilient. In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is low. Job growth in Miami-Dade County is expected to continue, resulting in sustainable demand for office space and stable rental rates.

COVID-19 is adversely affecting our retail investment properties and our hotel business in Hong Kong and Mainland China. Lower rental income is expected from the retail properties and serviced apartments in 2020. Temporary rental subsidies are being provided to retail tenants on a case by case basis. Occupancy and revenue are significantly down at our hotels. Costs will be saved where this can be done without damaging the long-term relationship with tenants and other customers.

As well as COVID-19, social unrest and economic uncertainty are adversely affecting retail sales in Hong Kong. In Mainland China, demand for retail space from international retailers and food and beverage operators is expected, despite the current effects of COVID-19, to be strong in the long term. In Miami, retail sales in Brickell City Centre are increasing steadily. However, established shopping districts in Miami are expanding. As a result, Brickell City Centre is expected to experience increased competition in the retail leasing market.

In Hong Kong, demand for residential accommodation has weakened due to social unrest, economic uncertainty and COVID-19. There is a shortage of land and a limited supply of housing in Hong Kong. This, together with low interest rates, is expected to result in demand for residential accommodation being resilient in the medium and long term. In Miami, demand for condominiums is weak due to weak South American economies, currency fluctuations and political uncertainty. In Singapore, growth in incomes and robust employment are expected to support a stable residential property market.

A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later in the first half of 2020. Steady growth in business is expected at our Miami hotels.

With our balanced portfolio and strong balance sheet, we are well placed to withstand the effects of this difficult time and to benefit from improved conditions in the future.

On behalf of the shareholders and my fellow Directors, I wish to express our appreciation to all our employees, whose commitment and hard work have been central to our continuing success. In particular, I should like to commend our staff for the tremendous professionalism and resilience of their responses to the operational challenges arising from social unrest in Hong Kong and COVID-19.

Merlin Swire
Chairman
Hong Kong, 12th March 2020

KEY BUSINESS STRATEGIES

As a leading developer, owner and operator of mixed-use, principally commercial, properties in Hong Kong and Mainland China, our strategic objective is sustainable growth in shareholder value in the long term. To achieve this objective, we employ five strategies.

1. **Continue to create long-term value by conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas**

   We will continue to design projects which we believe will have the necessary scale, mix of uses and transport links to become key commercial destinations and to transform the areas in which they are situated.

2. **Maximise the earnings and value of our completed properties through active asset management and by reinforcing our assets through enhancement, redevelopment and new additions**

   We manage our completed properties actively (including by optimising the mix of retail tenants and early renewal negotiations with office tenants) and with a view to the long term, to maintain consistently high levels of service and to enhance and reinforce our assets. By doing so, we believe that we will maximise the occupancy and earnings potential of our properties.

Tenants increasingly scrutinise the sustainable development credentials of landlords and buildings. We aim to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology, and by engagement with tenants and others with whom we do business.

3. Continue with our luxury and high quality residential property activities

We will look to acquire appropriate sites for development of luxury and high quality residential projects for trading and investment in the markets in which we operate.

4. Remain focused principally on Hong Kong and Mainland China

In Hong Kong, we will continue to focus on reinforcing our existing investment property assets and seeking new sites suitable for transformational developments and for residential projects.

We aim to replicate in Mainland China our success in Hong Kong. We intend to take a measured approach to land purchases in Mainland China and will focus on developments where we can secure sites through early engagement with local governments who recognise our strengths in developing large-scale mixed-use projects.

We will seek residential development opportunities in Mainland China. These are likely to be ancillary to our mixed-use developments. However, in the right locations and cities we may also consider standalone residential development opportunities. Our residential developments will be aimed at buyers of luxury and high quality properties, where we believe we have a competitive advantage.

While we will continue to concentrate on Hong Kong and Mainland China, we intend to expand selectively elsewhere.

5. Manage our capital base conservatively

We intend to maintain a strong balance sheet with a view to investing in and financing our projects in a disciplined and targeted manner.

We aim to maintain exposure to a range of debt maturities and a range of debt types and lenders. Our current debt profile reflects a mix of revolving and term bank loans and medium term notes.

In implementing the above strategies, the principal risks and uncertainties facing the Group are that the economies in which it operates (in particular Hong Kong and Mainland China) will not perform as well in the future as they have in the past and the uncertainties as to whether this will happen.

Management Discussion & Analysis

One Taikoo Place, Hong Kong

REVIEW OF OPERATIONS

	2019 HK$M	2018 HK$M
Revenue		
Gross Rental Income derived from		
Offices	**6,598**	6,375
Retail	**5,107**	5,205
Residential	**566**	537
Other Revenue [(1)]	**139**	137
Property Investment	**12,410**	12,254
Property Trading	**516**	1,061
Hotels	**1,296**	1,404
Total Revenue	**14,222**	14,719
Operating Profit/(Loss) derived from		
Property investment		
From operations	**8,397**	8,597
Sale of interests in investment properties	**2,338**	1,276
Valuation gains on investment properties	**3,720**	19,452
Property trading	**4**	65
Hotels	**(62)**	(25)
Total Operating Profit	**14,397**	29,365
Share of Post-tax Profits from Joint Venture and Associated Companies	**1,430**	1,978
Profit Attributable to the Company's Shareholders	**13,423**	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.

Underlying Profit Reconciliation	*Note*	**2019 HK$M**	2018 HK$M
Profit attributable to the Company's shareholders per financial statements		**13,423**	28,666
Adjustments in respect of investment properties:			
Revaluation of investment properties	*(a)*	**(4,563)**	(20,796)
Deferred tax on investment properties	*(b)*	**1,138**	935
Valuation gains realised on sale of interests in investment properties	*(c)*	**14,159**	1,351
Depreciation of investment properties occupied by the Group	*(d)*	**24**	19
Non-controlling interests' share of revaluation movements less deferred tax		**(25)**	(15)
Movements in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	*(e)*	**(13)**	(12)
Less amortisation of right-of-use assets reported under investment properties	*(f)*	**(13)**	–
Underlying Profit Attributable to the Company's Shareholders		**24,130**	10,148
Profit on sale of interests in investment properties		**(16,497)**	(2,627)
Recurring Underlying Profit Attributable to the Company's Shareholders		**7,633**	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.

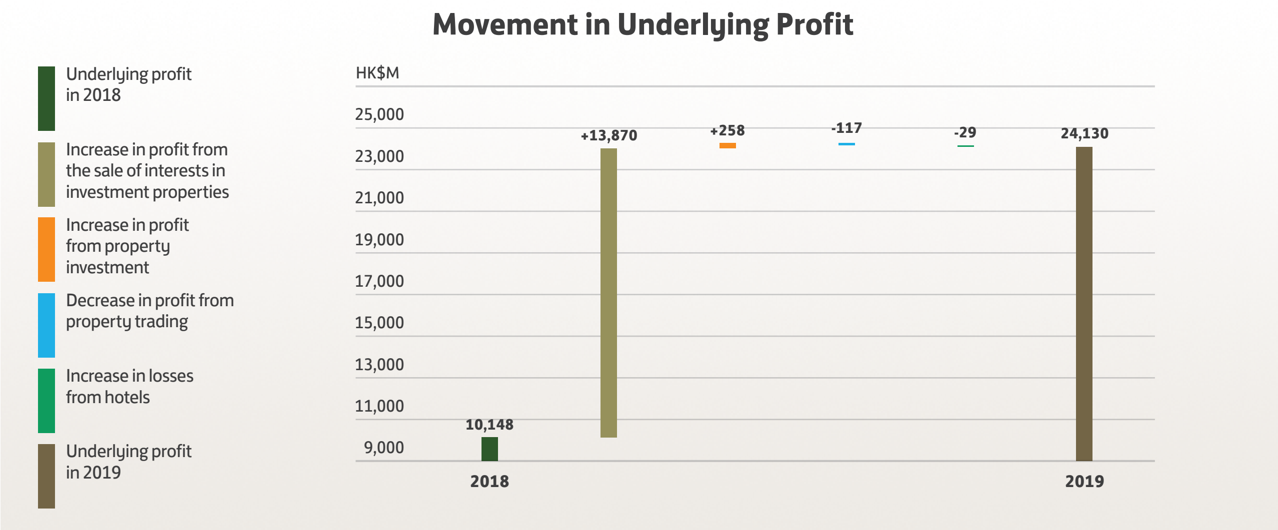
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement 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 properties held by lessees 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.

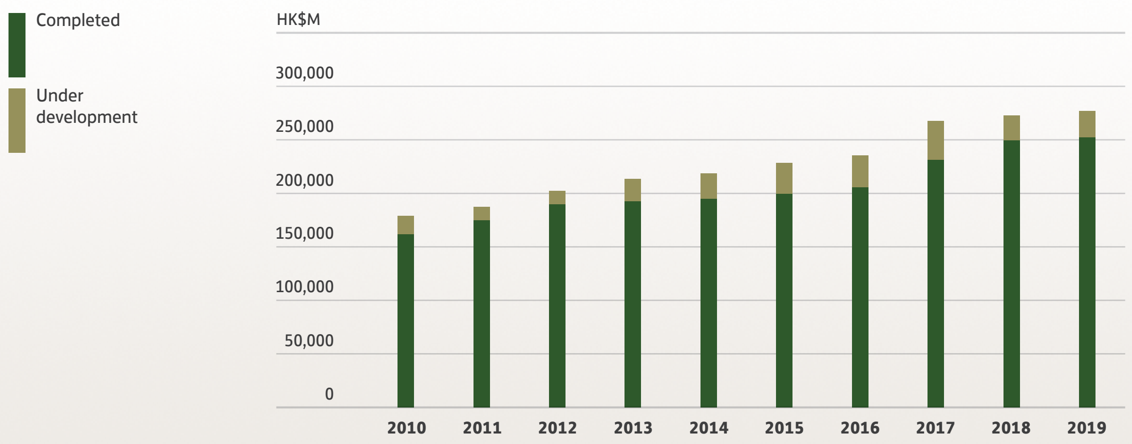
Underlying Profit



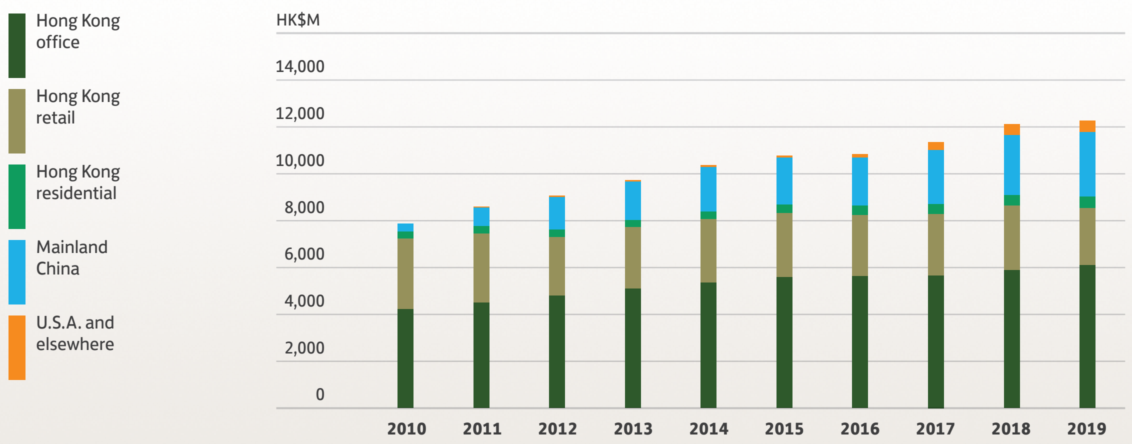
Underlying profit increased to HK$24,130 million in 2019 from HK$10,148 million in 2018. The increase principally reflected the profit arising from the sale of interests in two office buildings in Taikoo Shing and in other investment properties in Hong Kong. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK$7,633 million in 2019, compared with HK$7,521 million in 2018. The increase principally reflected higher underlying profit from property investment in Mainland China.

Recurring underlying profit from property investment increased by 3% in 2019. There was satisfactory growth from the Mainland China and U.S.A. portfolios, and from the Hong Kong office portfolio. Gross rental income was HK$12,271 million in 2019, compared to HK$12,117 million in 2018. In Hong Kong, office rental income increased due to positive rental reversions, firm occupancy and a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018. However, this was more than offset by a reduction in retail rental income in Hong Kong. This was due to rental subsidies and lower retail sales in the second half of 2019. Disregarding rental subsidies, gross retail rental income in Hong Kong decreased slightly. In Mainland China, gross rental income increased by 8%, mainly due to positive rental reversions, higher retail sales and firm occupancy. There was satisfactory growth in rental income in the U.S.A., due to improved occupancy and higher retail sales. The underlying loss from property trading in 2019 related to the residential units in the U.S.A., partly offset by profit from the sale of carparks at the ALASSIO development in Hong Kong and from the share of profit from the sale of offices and carparks at Sino-Ocean Taikoo Li Chengdu in Mainland China. Hotels recorded a loss in 2019, mainly due to a deterioration in the results of the Hong Kong hotels (reflecting social unrest) in the second half of the year. The performance of the hotels in Mainland China and the U.S.A. improved.

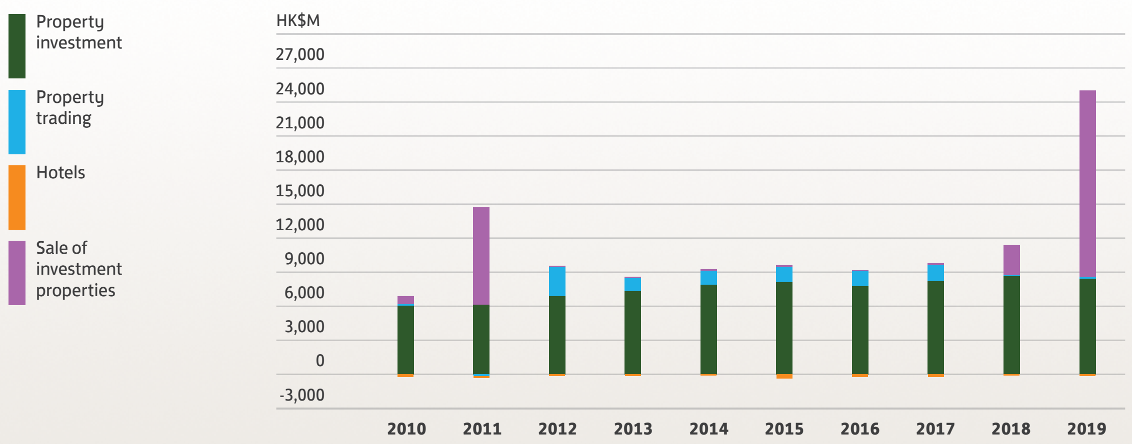
Valuation of Investment Properties

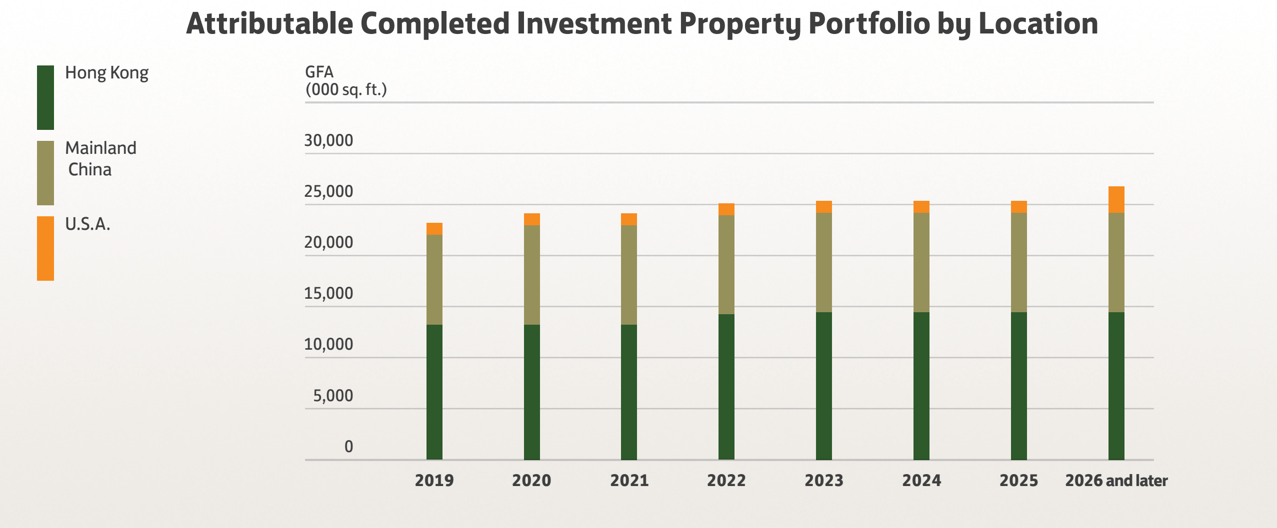


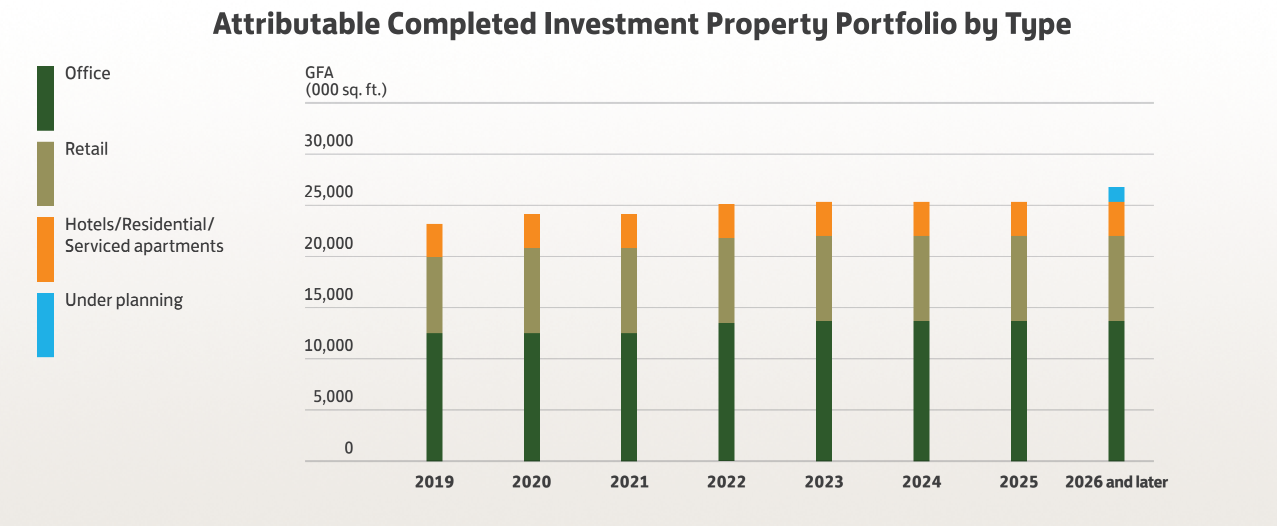
Gross Rental Income



Underlying Operating Profit







Portfolio Overview

The aggregate GFA attributable to the Group at 31st December 2019 was approximately 30.3 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 other luxury residential accommodation. In Mainland China, Swire Properties has interests in six major commercial developments in prime locations in Beijing, Guangzhou, Chengdu and Shanghai. These developments are expected to comprise approximately 9.7 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 comprises the Brickell City Centre development in Miami, U.S.A.

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property portfolio at 31st December 2019.

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

	Office	Retail	Hotels[1]	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	9.3	2.5	0.8	0.6	–	**13.2**
Mainland China	2.9	4.5	1.2	0.2	–	**8.8**
U.S.A.	0.3	0.3	0.5	0.1	–	**1.2**
Total	**12.5**	**7.3**	**2.5**	**0.9**	**–**	**23.2**

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

	Office	Retail	Hotels[1]	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	1.2	–	–	–	–	**1.2**
Mainland China	–	0.9	–	–	–	**0.9**
U.S.A.	–	–	–	–	1.5[2]	**1.5**
Total	**1.2**	**0.9**	**–**	**–**	**1.5**	**3.6**

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

	Office	Retail	Hotels[1]	Residential/ Serviced Apartments	Under Planning	**Total**
Total	**13.7**	**8.2**	**2.5**	**0.9**	**1.5**	**26.8**

(1) Hotels are accounted for in the financial statements under property, plant and equipment and, where applicable, the leasehold land portion is accounted for under right-of-use assets.

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

The trading portfolio comprises completed developments available for sale at the Reach and Rise developments at Brickell City Centre in Miami, U.S.A. and EDEN in Singapore. There are four residential projects under development, three in Hong Kong and one in Indonesia. There are also land banks in Miami, U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 31st December 2019.

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

	Completed	Under Development or Held for Development	**Total**
Hong Kong	–	0.7	**0.7**
U.S.A. and elsewhere	0.3	2.5	**2.8**
Total	**0.3**	**3.2**	**3.5**

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$6,439 million in 2019. At 31st December 2019, our office properties in Hong Kong were valued at HK$180,828 million. Of this amount, Swire Properties' attributable interest was HK$170,760 million.

Hong Kong Office Portfolio

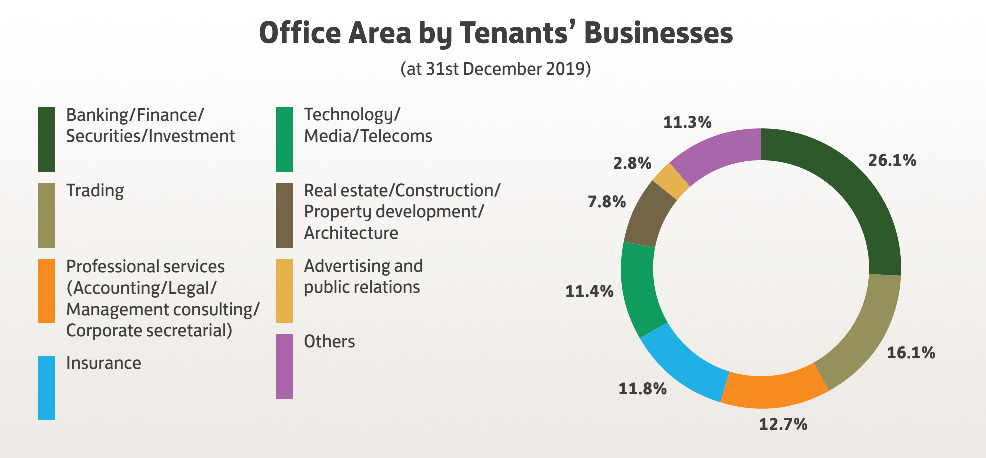
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2019)	Attributable Interest
Pacific Place	2,186,433	98%	100%
Taikoo Place Office Towers[1]	3,136,717	99%	50%/100%
One Island East and One Taikoo Place	2,550,379	100%	100%
Cityplaza One	628,785	100%	100%
Others[2]	1,158,595	89%	20%/50%/100%
Total	**9,660,909**		

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

(2) Others comprise One Citygate (20% owned), Berkshire House (50% owned), 8 Queen's Road East (wholly-owned), 28 Hennessy Road (wholly-owned) and South Island Place (50% owned).

Gross rental income from the Hong Kong office portfolio in 2019 was HK$6,100 million, a 4% increase from 2018. There were positive rental reversions and occupancy was firm. The increase also reflected a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018. This was partly offset by the loss of rental income from the Cityplaza Three and Four office buildings, the sale of which was completed in April 2019. At 31st December 2019, the office portfolio was 99% let. Demand for office space (particularly from Mainland Chinese companies) started to weaken significantly in the second half of 2019. This reflected global trade tensions and a slowdown in the Hong Kong economy, with gross domestic product declining in 2019.

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 31st December 2019.



At 31st December 2019, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2019) together occupied approximately 20% of the Group's total attributable office area in Hong Kong.

Pacific Place
The offices at One, Two and Three Pacific Place performed well in 2019. Occupancy and rental rates were robust. The occupancy rate was 98% at 31st December 2019. PAG, Bain Capital, Duff & Phelps, Soochow Securities, The Executive Centre, CIMC, China Harmony New Energy Auto, Sinic Holdings, Fullerton Healthcare, TPP(HK), First Eastern Investment, Anchor Equity, Qilu Investment and JIC (HK) became tenants. CACIB, Sequoia Capital, China Boafeng International, Resona Bank, Liquidnet and Shenwan Hongyuan leased more space. CLSA, National Australia Bank, Rabobank, Bank of New York Mellon, Dorsey & Whitney, Bonhams, Tianli Financial, Matthews Global, Papua New Guinea Industry Development, SAIF, United Energy, Oneday Capital, Yanchang Petro, Yida China, SITE Centers, Brilliant City, South South Education, Rifa Securities, Peter Silling, Liquidnet, Shenwan Hongyuan, Ambition and W2 Asset Management renewed their leases. WeWork leased the entire office building at 8 Queen's Road East.

Cityplaza
The occupancy rate at Cityplaza One was 100% at 31st December 2019. FWD Financial, U Banquet Group and Assicurazioni Generali became tenants. Global Institute For Tomorrow, Tetra Pak, Liberty Specialty Markets, Next Sourcing, MG Asia and Diagnostica Stago renewed their leases.

Taikoo Place
There are six office towers at Taikoo Place (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 99% at 31st December 2019. ACCA, Bird Meditation, Currenxie, ELEVATE, Grobest, Hong Kong Adventist Hospital, livi Bank, LyondellBasell, Magnum Research, Mars, MM HK Retail, NCR, Osborne Clarke, Qantas, SinoEnergy Capital, Trinity and Worms Asia became tenants. Balenciaga, Burberry, China CITIC Bank, FWD and LVMH leased more space. Allegis Group, Chrysler, Chung Shek Enterprises, Continental Engineering Corporation, JLL, Paramount Vintage, Verizon and Zuellig Pharma renewed their leases.

One Island East had an occupancy rate of 100% at 31st December 2019. CHANEL, CMS, Mandarin Oriental Hotel Group, Reed Smith Richards Butler, Squarepoint Capital and United High Corporation Limited became tenants. H&H Group leased more space. Aedas, Allied World Assurance Company and Transamerica Life Bermuda renewed their leases.

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

Despite weaker general demand for office properties in Hong Kong, rents were resilient and occupancy was strong at Taikoo Place in 2019. Rental reversions were positive.

South Island Place
The occupancy rate was 75% at 31st December 2019. Tenants include professional services, media, insurance, financial services and logistics companies. Swire Properties has a 50% interest in the development.

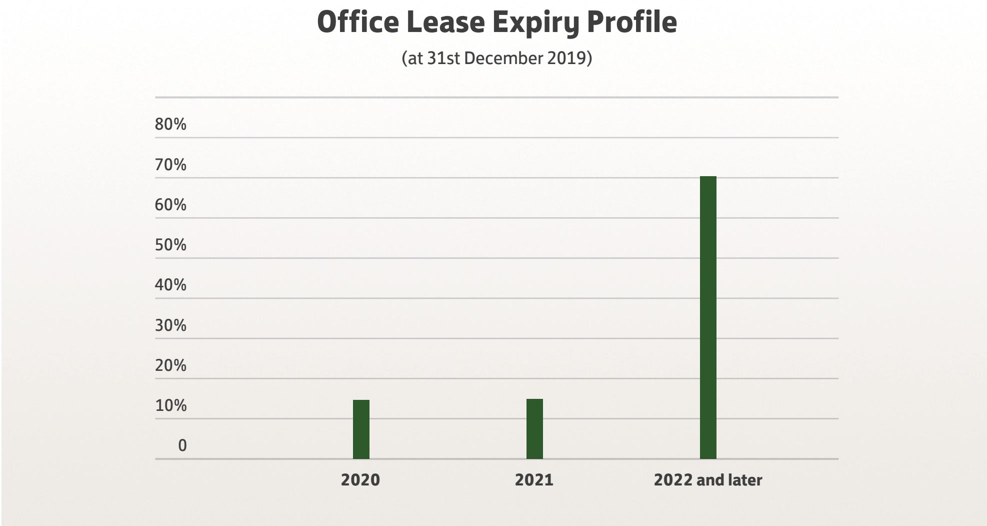
Pacific Place

Hong Kong

Hong Kong Office Market Outlook

In the central district of Hong Kong, reduced demand (particularly from Mainland Chinese companies) and increased vacancy rates are expected to exert downward pressure on office rents. High occupancy is expected to result in office rents at our Taikoo Place developments being relatively resilient (by comparison with rents in other areas) despite reduced demand and increased supply in Kowloon East and other districts. However, given the uncertain outlook, office tenants are delaying making lease commitments.

The following chart shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 31st December 2019, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 14.7% of the attributable gross rental income in the month of December 2019 are due to expire in 2020, with tenancies accounting for a further 14.9% of such rental income due to expire in 2021.



Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 3.2 million square feet of space on a 100% basis. The portfolio principally consists of The Mall at Pacific Place, Cityplaza at Taikoo Shing and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK$2,539 million in 2019. At 31st December 2019, our retail properties in Hong Kong were valued at HK$59,255 million. Of this amount, Swire Properties' attributable interest was HK$48,414 million.

Hong Kong Retail Portfolio

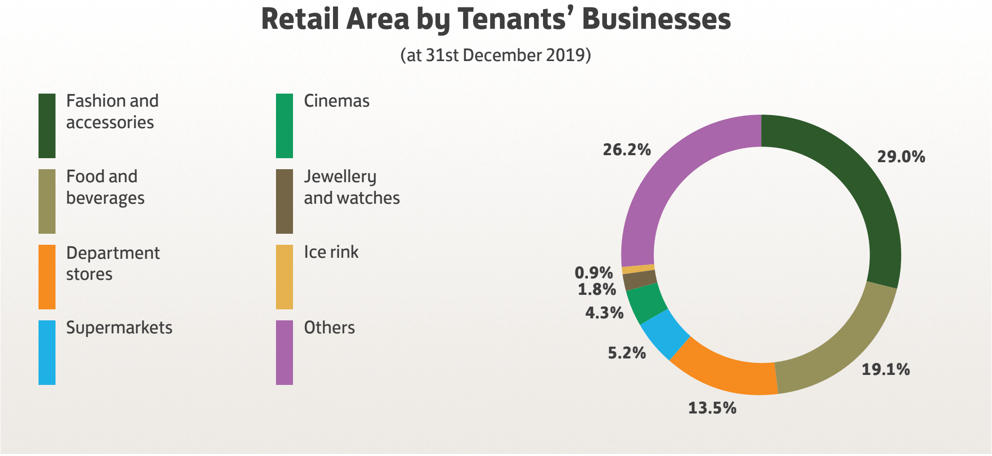
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2019)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	803,582	98%	20%
Others[(1)]	542,779	100%	20%/60%/100%
Total	**3,162,770**		

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

The Hong Kong retail portfolio's gross rental income was HK$2,437 million in 2019, a 12% (or HK$318 million) decrease from 2018. The decrease was mainly due to rental subsidies offered to tenants whose retail sales were adversely affected by social unrest in Hong Kong. Disregarding rental subsidies, gross rental income decreased slightly by 2% from 2018. Our malls were almost fully let during the year.

Retail sales in 2019 decreased by 17% at The Mall, Pacific Place, by 3% at Cityplaza and by 5% at Citygate Outlets. These decreases compare with an 11% decrease in retail sales in Hong Kong as a whole. The decreases reflected difficult market conditions. There were fewer tourists and spending by local consumers was weaker. Rental subsidies have been given for specific periods on a case by case basis to maintain occupancy and to help our tenants.

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 31st December 2019.



At 31st December 2019, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2019) together occupied approximately 27% of our total attributable retail area in Hong Kong.

The Mall at Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The offices and the four hotels at Pacific Place provide a flow of shoppers for The Mall.

The Mall was fully let during the year, with the only void periods resulting from tenant changes and reconfiguration works. adidas, American Vintage, Aveda, Balenciaga, Cocktail, Emmer, Glasstique, Lululemon, maje, Marc Jacobs, Moynat Paris, Muji, Stuart Weitzman and Wolford became tenants. Emporio Armani, I.T, La Perla and The North Face were relocated within The Mall. The premises occupied by Bally, Bottega Veneta, Cartier, CHA LING, Drivepro, Great, Gucci, Harvey Nichols, Jaeger-LeCoultre, La Prairie, Masterpiece by King Fook, Prada and Richard Mille were refitted.

Citygate Outlets

Hong Kong

Cityplaza

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

Cityplaza was fully let in 2019, except for void periods during tenancy changes and reconfiguration works. CRCare, HOBBS, john masters organics, KIKO MILANO, maje, PANDORA, Wai Yuen Tong and YIFANG TAIWAN FRUIT TEA became tenants.

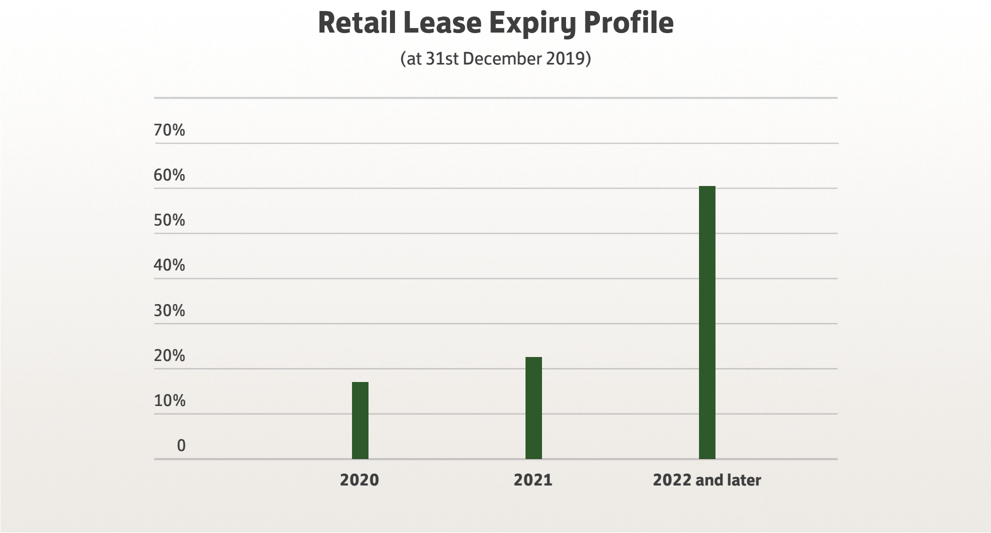
Citygate Outlets

Citygate Outlets is in a good location near tourist attractions and transport links (Hong Kong International Airport and the Hong Kong-Zhuhai-Macao Bridge). It attracts tourists and local shoppers. The development at Tung Chung Town Lot No. 11 extending Citygate Outlets opened in August 2019, providing new shops and restaurants, a food court and a 4-screen cinema. The centre is 98% leased. Major tenants (including at the extension of the development) are adidas, Burberry, Calvin Klein, cdf Beauty, Coach, Fortress, Gap, I.T/i.t, Nike, Polo Ralph Lauren, TaSTe, UA Citygate and Uniqlo.

Hong Kong Retail Market Outlook

COVID-19 is adversely affecting our retail investment properties in Hong Kong. Lower rental income is expected from the retail properties in 2020. Temporary rental subsidies are being provided to retail tenants on a case by case basis. Costs will be saved where this can be done without damaging the long-term relationship with tenants. As well as COVID-19, social unrest and economic uncertainty are adversely affecting retail sales in Hong Kong.

The following chart shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 31st December 2019, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 17.0% of the attributable gross rental income in the month of December 2019 are due to expire in 2020, with tenancies accounting for a further 22.6% of such rental income due to expire in 2021.



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wanchai and a number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of 573,637 square feet. The occupancy rate at the residential portfolio was approximately 76% at 31st December 2019. Rental demand for our residential investment properties is being affected by social unrest and COVID-19.

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 early 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.

Investment Properties – Mainland China

Retail

Overview

The completed retail portfolio in Mainland China comprises an aggregate of 6.3 million square feet of space at 31st December 2019, 4.5 million square feet of which is attributable to the Group. The portfolio principally consists of Taikoo Li Sanlitun in Beijing and Hui Fang in Guangzhou, which are wholly owned by Swire Properties, Taikoo Hui in Guangzhou, which is 97% owned, and INDIGO in Beijing, Sino-Ocean Taikoo Li Chengdu and HKRI Taikoo Hui in Shanghai, each of which is 50% owned. Total attributable gross rental income from our retail properties in Mainland China grew by 8% to HK$3,352 million in 2019. At 31st December 2019, our retail properties in Mainland China were valued at HK$55,112 million. Of this amount, Swire Properties' attributable interest was HK$40,340 million.

Mainland China Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2019)	Attributable Interest
Taikoo Li Sanlitun, Beijing	1,296,308	100%	100%
Taikoo Hui, Guangzhou	1,472,730	99%	97%
INDIGO, Beijing	939,493	100%	50%
Sino-Ocean Taikoo Li Chengdu	1,355,360	97%	50%
HKRI Taikoo Hui, Shanghai	1,173,459	98%	50%
Hui Fang, Guangzhou	90,847	100%	100%
Total	**6,328,197**		

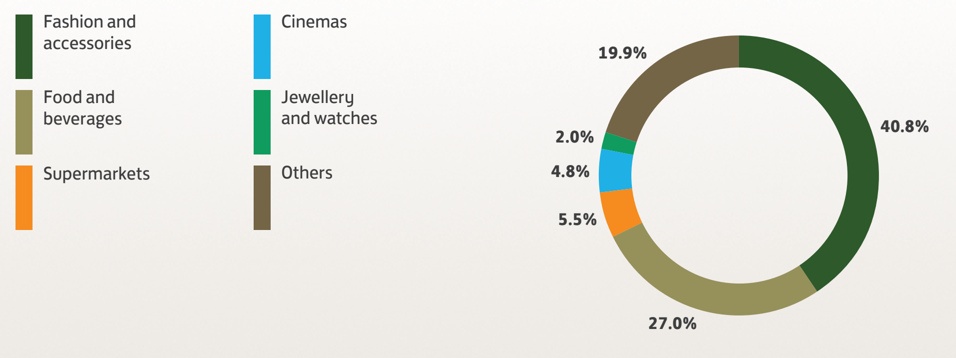
The Group's gross rental income from retail properties in Mainland China increased by 10% to HK$2,376 million in 2019 (despite a 4% depreciation of the Renminbi against the Hong Kong dollar), reflecting positive rental reversions and higher retail sales.

Retail sales in 2019 increased by 11% in Taikoo Li Sanlitun in Beijing, 20% in Taikoo Hui in Guangzhou, 26% in INDIGO in Beijing, 23% in Sino-Ocean Taikoo Li Chengdu and 73% in HKRI Taikoo Hui in Shanghai, all of which percentage increases are higher than the national retail sales percentage increase of 8%.

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 31st December 2019.

Retail Area by Tenants' Businesses

(at 31st December 2019)



Taikoo Li Sanlitun, Beijing

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

Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands, with tenants including adidas, Apple, H&M, Starbucks, Uniqlo, and a 1,597-seat Megabox cinema. In 2019, allbirds, SoleStage, LOOK STORE, Venchi, Din Tai Fung and Red Lobster became tenants. Tenants in Taikoo Li Sanlitun North are principally retailers of luxury, designer fashion and lifestyle brands, including Alexander McQueen, Alexander Wang, Balenciaga, Christian Louboutin, Delvaux, Givenchy, OFF-WHITE, Moncler and Thom Browne. A3, LOEWE, Rossignol and Valentino became tenants in 2019.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2019, reflecting positive rental reversions. Retail sales grew by 11%. The occupancy rate was 100% at 31st December 2019. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination.

The refurbishment of Taikoo Li Sanlitun West as an extension to Taikoo Li Sanlitun (with an aggregate GFA of approximately 256,000 square feet) is expected to be completed by the end of 2020.

Taikoo Hui, Guangzhou

Situated in a prime location in the Tianhe district of Guangzhou, the shopping mall in Taikoo Hui is one of the most popular shopping centres in Guangzhou. Tenants include Bottega Veneta, Cartier, Chanel, DIOR, Gucci, Hermes, I.T, Louis Vuitton, Uniqlo, Fangsuo bookstore, Victoria's Secret and Olé Supermarket. ACQUA DI PARMA, allbirds, Berluti, COMMON GENDER, Kiehl's, LADY M, la prairie, LEGO, LI NING, Moncler, Pence, Saint Laurent, Skinceuticals, The Peninsula Boutique and Van Cleef & Arpels became tenants in 2019.

Gross rental income at Taikoo Hui grew satisfactorily in 2019. Retail sales increased by 20%, reflecting improvements to the tenant mix and stronger marketing and promotion. At 31st December 2019, the occupancy rate at the shopping mall was 99%.

Taikoo Hui

Guangzhou

HKRI Taikoo Hui

Shanghai

INDIGO, Beijing

INDIGO mall is located in the Jiangtai area in the Chaoyang district of Beijing. It is directly linked to the Beijing Metro Line 14 and is near the airport expressway. H&M, Massimo Dutti, Muji, Page One bookstore, BHG supermarket and a seven-house, 1,000-seat CGV cinema are tenants. Arc'teryx, Converse, Fjall Raven, Garmin, I-PRIMO, Lululemon, LOOK STORE, NEIWAI, O bag, SPACE, Staccato, Hey Tea and Le Grenier a Pain became tenants in 2019. The mall is becoming a significant lifestyle shopping centre in north-east Beijing.

Occupancy at the shopping mall was 100% at 31st December 2019. Retail sales increased by 26% in 2019.

Sino-Ocean Taikoo Li Chengdu

Sino-Ocean Taikoo Li Chengdu is in the Jinjiang district of Chengdu and is part of the Chunxi Road/Daci Temple shopping district. It is our second Taikoo Li project in Mainland China. adidas, Apple, Cartier, Gucci, Hermes, I.T/i.t, Muji, ZARA, Fangsuo bookstore, Olé Supermarket and a 1,720-seat cinema are tenants. Acne Studios, Golden Goose, Mercedes me and % ARABICA opened their first stores in south-west Mainland China in 2019.

Retail sales increased by 23% in 2019, reflecting an improved mix of brands and growing sales to young shoppers. The development continues to gain popularity as a shopping destination in Chengdu. At 31st December 2019, the occupancy rate was 97%.

HKRI Taikoo Hui, Shanghai

HKRI Taikoo Hui is located at a prime location on Nanjing West Road, one of Shanghai's major shopping and business thoroughfares, in the Jing'an district of Puxi, Shanghai. It has excellent transport connections, being adjacent to the Nanjing West Road metro station (which serves three metro lines) and near the Yan'an Expressway.

HKRI Taikoo Hui is our second Taikoo Hui development in Mainland China. Starbucks Reserve Roastery, Atelier Cologne, CHA LING, Champion, COS, diptyque, The Disney Store, G Givenchy, Guerlain, i.t, Kenzo, Lululemon, McQ, Nike Kicks Lounge, Nio, Puma, SpaceCycle, Tesla, ZWILLING HOME, Shanghai Club, Ho Hung Kee and a city'super supermarket are tenants. DEVIALET, DMG Transformer and Netease Yanxuan opened their first Shanghai stores at the mall in 2019.

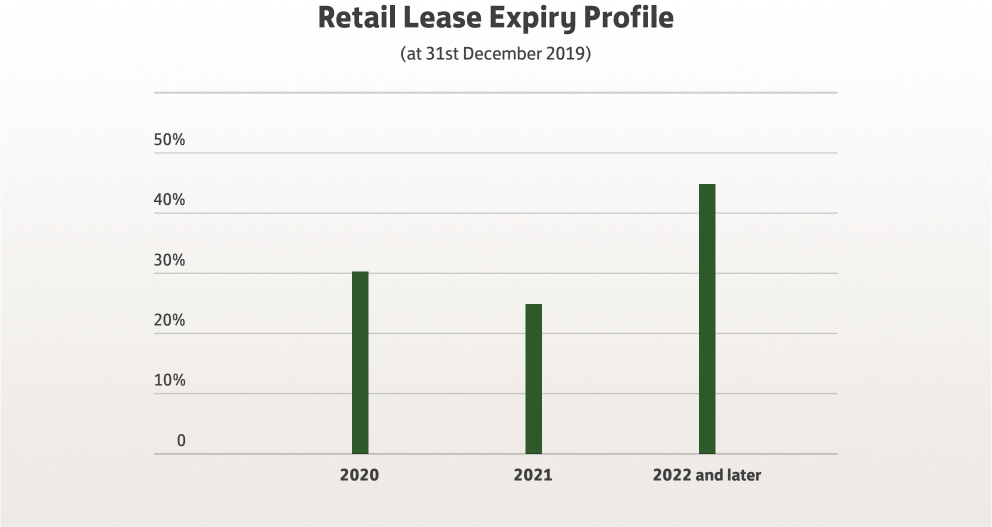
Retail sales increased by 73% in 2019. Footfall has grown steadily since early 2019. At 31st December 2019, the occupancy rate was 98%.

Mainland China Retail Market Outlook

COVID-19 is adversely affecting our retail investment properties in Mainland China. Lower rental income is expected from the retail properties in 2020. Temporary rental subsidies are being provided to retail tenants on a case by case basis. Costs will be saved where this can be done without damaging the long-term relationship with tenants.

In Mainland China, demand for retail space from international retailers and food and beverage operators is expected, despite the current effects of COVID-19, to be strong in the long term.

The following chart shows the percentage of attributable gross rental income from the retail properties in Mainland China, for the month ended 31st December 2019, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 30.3% of the attributable gross rental income in the month of December 2019 are due to expire in 2020, with tenancies accounting for a further 24.9% of such rental income due to expire in 2021.



Offices

Overview

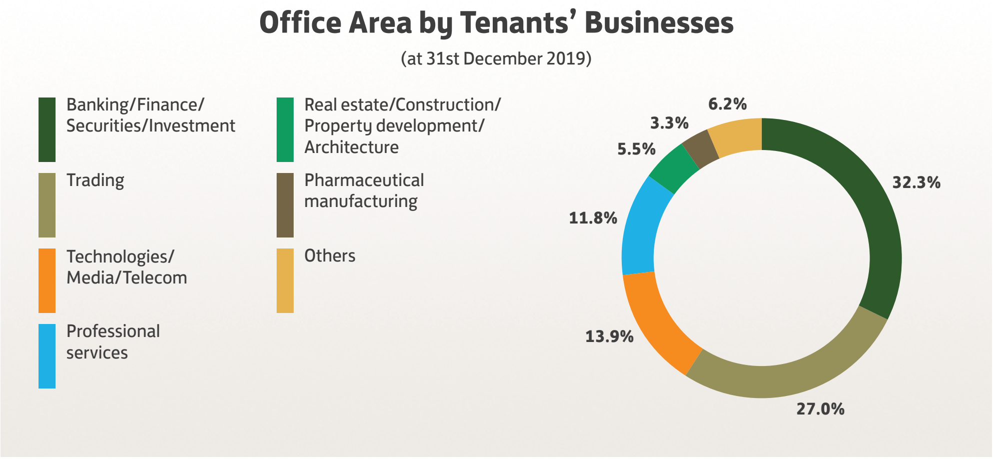
The completed office portfolio in Mainland China comprises an aggregate of 4.2 million square feet of space at 31st December 2019, 2.9 million square feet of which is attributable to the Group. The portfolio principally consists of Taikoo Hui in Guangzhou, which is 97% owned, and INDIGO in Beijing and HKRI Taikoo Hui in Shanghai, each of which is 50% owned. Total attributable gross rental income from our office properties in Mainland China grew by 3% to HK$830 million in 2019. At 31st December 2019, our office properties in Mainland China were valued at HK$21,060 million. Of this amount, Swire Properties' attributable interest was HK$13,281 million.

Mainland China Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2019)	Attributable Interest
Taikoo Hui, Guangzhou	1,731,766	97%	97%
INDIGO, Beijing	589,071	76%	50%
HKRI Taikoo Hui, Shanghai	1,828,060	99%	50%
Others	19,747	100%	100%
Total	**4,168,644**		

The Group's gross rental income from office properties in Mainland China decreased by 3% to HK$380 million in 2019 (after taking into account a 4% depreciation of the Renminbi against the Hong Kong dollar). There were positive rental reversions in Renminbi terms. This was despite weak demand for office space because of economic uncertainty arising from trade tensions.

The chart below shows the mix of the tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 31st December 2019.



Taikoo Hui, Guangzhou

There are two office towers in Taikoo Hui, Guangzhou. Rents were stable in 2019 despite weak demand for office space. Occupancy at 31st December 2019 was 97%. Canon, HSBC, Microsoft and Toyota are tenants. Asahi and Everwin leased more office spaces. A&F Scientific Technology, Bank of China, Fila, Intuitive Fosun, Phoenix Metropolis Media, Quercus and United Overseas Bank became tenants in 2019.

INDIGO, Beijing

Occupancy at ONE INDIGO was 76% at 31st December 2019. Demand for office space in 2019 was weak and office rents were under pressure. AG Tech, CJ Group, Rolls Royce and Western Cloud are tenants. Alcon, Coupang and Wanshan became tenants in 2019.

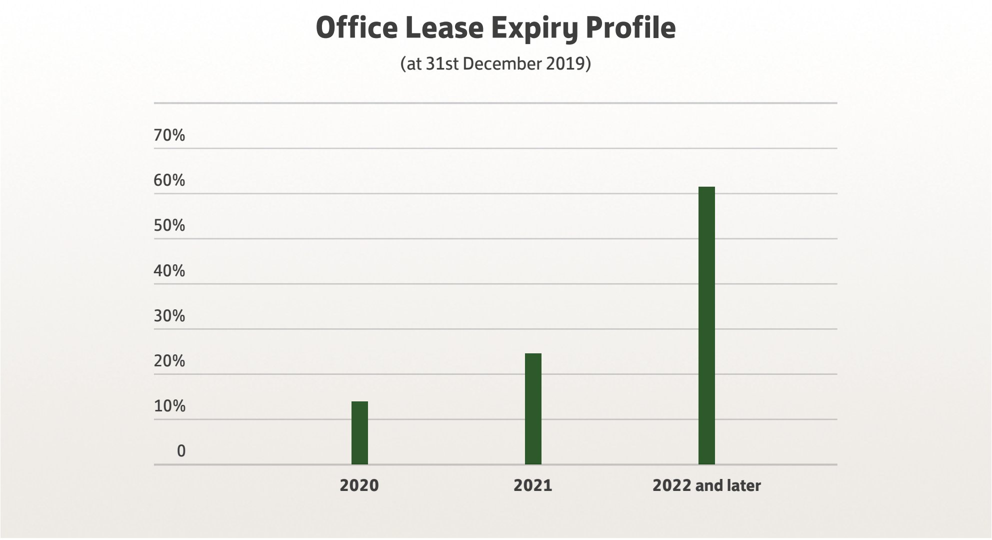
INDIGO

Beijing

HKRI Taikoo Hui, Shanghai
There are two office towers at HKRI Taikoo Hui in Shanghai. The occupancy rate was 99% at 31st December 2019. Demand was subdued because of economic uncertainty. The main sources of demand were from financial and professional services providers, domestic law firms and retailers. Abbvie, Advent Capital, Alibaba, Allbright Law Offices, Amore Pacific, Audemars Piguet, Bally, Bank of China, BDA Partners, Blackstone, Clifford Chance, China Media Capital, Citic Capital, EA, Eli Lilly, Epic Games, Fangda Partners, Fidelity, Grosvenor, H&M, Harry Winston, Heinz, Han Kun Law Offices, KKR, Jimmy Choo, JLL, Jun He Law Offices, Neuberger Berman, Prelude Capital, Rothschild, Supercell, Warner Brothers and Warburg Pincus are tenants. Alliance Bernstein, Chanel, CVC Capital Partners, Emaar, Firmenich, FountainVest Partners, Nio Capital and Towers Research Capital became tenants in 2019.

Mainland China Office Market Outlook
With new supply in the central business districts of Guangzhou and Beijing and weak demand, office vacancy rates are expected to increase and rents to be under pressure in 2020. Demand from domestic and international companies for office space in Shanghai is expected to be weak in 2020. But with high occupancy and limited new supply in the central business district of Jing'an, Shanghai office rents are expected to be relatively resilient.

The following chart shows the percentage of attributable gross rental income from the office properties in Mainland China, for the month ended 31st December 2019, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 13.9% of the attributable gross rental income in the month of December 2019 are due to expire in 2020, with tenancies accounting for a further 24.6% of such rental income due to expire in 2021.



Serviced Apartments

The completed residential portfolio comprises 24 serviced apartments at the Mandarin Oriental in Taikoo Hui Guangzhou, 42 serviced apartments at The Temple House in Sino-Ocean Taikoo Li Chengdu and 102 serviced apartments at The Middle House Residences in HKRI Taikoo Hui Shanghai.

The performance of the serviced apartments in 2019 was stable. The Middle House Residences was opened in 2018 and occupancy is building up.

Mainland China Serviced Apartments	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2019)	Attributable Interest
Mandarin Oriental, Guangzhou	51,517	96%	97%
The Temple House, Chengdu	109,857	98%	50%
The Middle House Residences, Shanghai	147,273	91%	50%
Others	2,917	100%	100%
Total	**311,564**		

Mainland China Serviced Apartments Market Outlook

The performance of the serviced apartments is being affected by COVID-19.

Investment Property Under Development

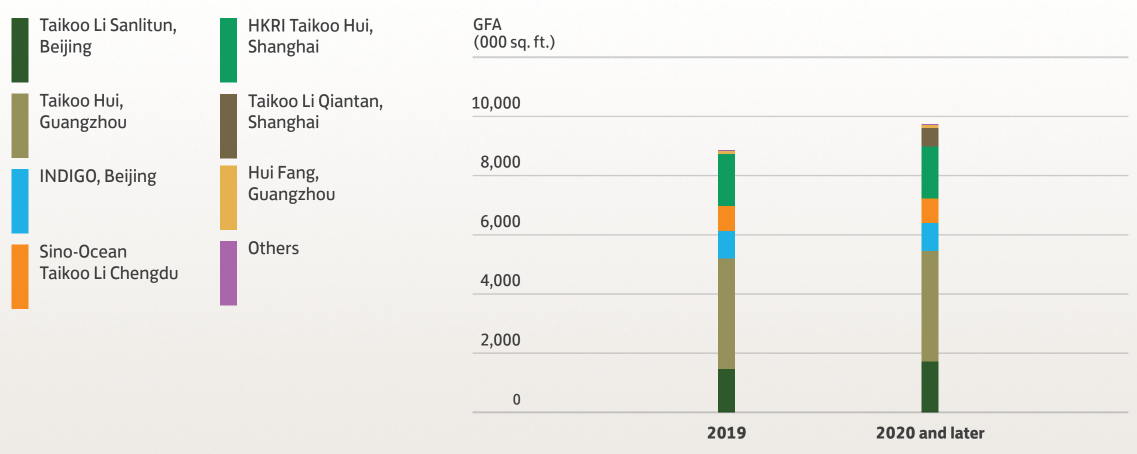
Taikoo Li Qiantan, Shanghai

Taikoo Li Qiantan is a low-rise retail development with an aggregate GFA of 1,247,006 square feet in Qiantan, Pudong New District. It is our second development in Shanghai and the third Taikoo Li project in Mainland China. Qiantan International Business Zone is envisaged as a new international business district of Shanghai and as a commercial, residential and cultural centre. The development will be connected to a three-line metro interchange station.

In 2018, Swire Properties and a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. formed a joint venture for the purpose of undertaking this development. The project was named Taikoo Li Qiantan in January 2019. Construction and pre-leasing are in progress. The development is expected to be completed by the end of 2020.

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

Attributable Area of Completed Property Portfolio in Mainland China



Brickell City Centre

Miami

Investment Properties – U.S.A.

Overview

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

Two and Three Brickell City Centre were almost fully leased. The shopping centre was 90% let (including by way of letters of intent) at 31st December 2019. Retail sales in 2019 increased by 14%.

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

At 31st December 2019, Swire Properties owned 100% of the office, hotel and unsold residential portions and 62.93% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre was owned by Simon Property Group (25%) and Bal Harbour Shops (12.07%). Bal Harbour Shops has an option, exercisable from February 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.

Miami Market Outlook

In Miami, the supply of new Grade-A office space in the central business district and the Brickell area is low. Job growth in Miami-Dade County is expected to continue, resulting in sustainable demand for office space and stable rental rates.

In Miami, retail sales in Brickell City Centre are increasing steadily. However, established shopping districts in Miami are expanding. As a result, Brickell City Centre is expected to experience increased competition in the retail leasing market.

Brickell City Centre, Miami	GFA (sq. ft.)[1] (100% Basis)	Attributable Interest
Completed		
Shopping centre	496,508	62.9%
Two and Three Brickell City Centre	263,384	100%
EAST, Miami – hotel[2]	218,000	100%
EAST Residences – serviced apartments	109,000	100%
Reach and Rise[3]	216,277	100%
Sub-Total	**1,303,169**	
Future Development		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
Total	**3,270,169**	

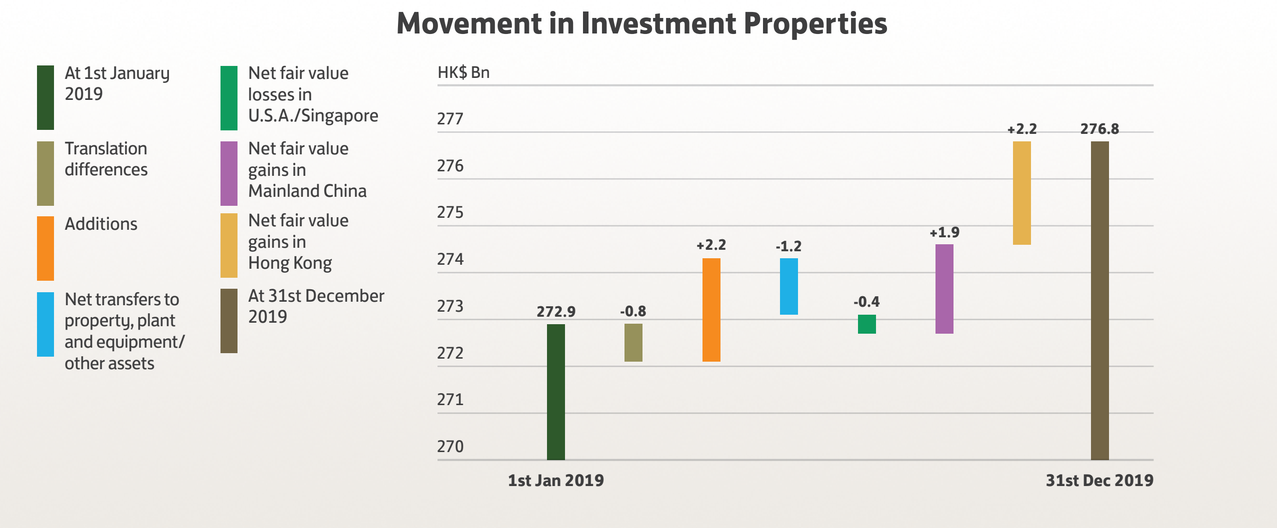
(1) Represents leasable/saleable area except for the carpark, roof top and circulation areas.
(2) The hotel is accounted for under property, plant and equipment in the financial statements.
(3) Remaining unsold units at 31st December 2019.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2019 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK$276,791 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 modest increases in the valuation of the office properties in Hong Kong and of the investment properties in Mainland China following rental increases, partly offset by a decrease in the valuation of the retail properties in Hong Kong.

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

Overview

The trading portfolio comprises completed developments available for sale at the Reach and Rise developments at Brickell City Centre in Miami, U.S.A. and EDEN in Singapore. There are four residential projects under development, three in Hong Kong and one in Indonesia. There are also land banks in Miami, U.S.A.

Property Trading Portfolio (At 31st December 2019)

	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
Completed			
U.S.A.			
– Reach, Miami	51,505[1]	2016	100%
– Rise, Miami	164,772[1]	2016	100%
Singapore			
– EDEN, 2 Draycott Park	77,212	2019	100%
Under Development			
Hong Kong			
– 21-31 Wing Fung Street, Wanchai	30,867	2022	100%
– Wong Chuk Hang Station Package Four Property Development	638,305	2024	25%
– Chai Wan Inland Lot No. 88	694,000	–	80%
Indonesia			
– South Jakarta Project	1,139,908	2023	50%
Held for Development/for sale			
U.S.A.			
– Fort Lauderdale, Florida	825,000	N/A	75%
– South Brickell Key, Miami, Florida	550,000	N/A	100%
– Brickell City Centre, Miami, Florida – North Squared site	523,000	N/A	100%

(1) Remaining saleable area.

Hong Kong

21-31 Wing Fung Street, Wanchai

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. Superstructure works are in progress. The development is expected to be completed in 2022.

Chai Wan Inland Lot No. 88

In September 2019, a joint venture company held as to 80% by Swire Properties and as to 20% by China Motor Bus Company completed the acquisition of a plot of land in Chai Wan, Hong Kong. Subject to agreement with the Hong Kong government, the plot of land is expected to be redeveloped into a residential complex with an aggregate GFA of approximately 694,000 square feet.

Wong Chuk Hang Station Package Four Property Development

In October 2019, a joint venture company formed by the Company, Kerry Properties Limited and Sino Land Company Limited tendered successfully for a residential property development at Wong Chuk Hang in Hong Kong. The development is expected to comprise two residential towers with an aggregate GFA of approximately 638,000 square feet and about 800 residential units. Schematic design is in progress. The development is expected to be completed in 2024. Swire Properties has a 25% interest in the joint venture.

Hong Kong Residential Market Outlook

In Hong Kong, demand for residential accommodation has weakened due to social unrest, economic uncertainty and COVID-19. There is a shortage of land and a limited supply of housing in Hong Kong. This, together with low interest rates, is expected to result in demand for residential accommodation being resilient in the medium and long term.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total GFA (approximately 1.15 million square feet) and 350 carparking spaces 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. The profit on the sales of a further 436,988 square feet of the GFA and 163 carparking spaces was recognised in 2019. The remaining 34,015 square feet of the GFA will be retained for its own use by the joint venture company which owns the property.

U.S.A.

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

The Reach and Rise developments were completed, and handover to purchasers commenced, in 2016. 364 units at Reach and 282 units at Rise had been sold at 10th March 2020. Sales of two units at Reach, 38 units at Rise and the last unit in the ASIA development were recognised in 2019.

Miami Residential Market Outlook
In Miami, demand for condominiums is weak due to weak South American economies, currency fluctuations and political uncertainty.

Singapore
EDEN, at 2 Draycott Park in District 10, comprises 20 residential units with an aggregate GFA of approximately 77,000 square feet. The development was completed in November 2019 and is available for sale.

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 1,140,000 square feet. Demolition works have been completed and foundation works are expected to commence soon. 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.

Singapore Residential Market Outlook
In Singapore, growth in incomes and robust employment are expected to support a stable residential property market.

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

Managed Hotels and Restaurants

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

The performance of our managed hotels in Hong Kong deteriorated in 2019. They were adversely affected by a decrease in the number of tourists visiting Hong Kong due to social unrest. The number of overnight visitors to Hong Kong decreased by 19% for the full year and by 57% in December 2019.

The operating profit before depreciation of the managed hotels decreased by 16% to HK$168 million in 2019. Results in Shanghai and the U.S.A. improved, but this was more than offset by a deterioration in results in Hong Kong.

The Opposite House

Beijing

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room and occupancy declined in 2019. Social unrest adversely affected the number of visitors. TripAdvisor named the hotel number 9 in its "Top 25 Luxury Hotels in the World" category, number 2 in its "Top 25 Hotels in China" category and number 1 in its "Top 25 Luxury Hotels in China" category. The hotel received awards from Condé Nast Traveler, Forbes Travel Guide and Hotels.com. Café Gray Deluxe was named number 3 by TripAdvisor in its "Top 10 Fine Dining Restaurants – China" category.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel in Taikoo Shing, revenue per available room and occupancy were adversely affected by social unrest. The hotel received awards from HolidayCheck and Agoda.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Its occupancy and revenue per available room decreased slightly in 2019, due to renovation in the second half of 2019. Its food and beverage business was affected by increased competition. The hotel received an award from Condé Nast Traveler and was named number 6 by TripAdvisor in its "Top 25 Hotels in China" category. Jing Yaa Tang was awarded a Michelin star in the Michelin Guide Beijing 2020.

EAST, Beijing

EAST, Beijing is a 369-room business hotel at INDIGO in Beijing, in which Swire Properties has a 50% interest. Revenue per available room improved in 2019. The hotel received awards from TripAdvisor and Airtime. The hotel's Xian bar received an award from Travel + Leisure.

The Temple House

The Temple House is a luxury property with 100 hotel rooms and 42 serviced apartments at Sino-Ocean Taikoo Li Chengdu. Swire Properties has a 50% interest in the property. Revenue per available room improved in 2019. Occupancy was stable. The hotel received awards from Condé Nast Traveler and Ctrip. TripAdvisor named the hotel number 1 in its "Top 25 Hotels in China" category. TIVANO restaurant and Jing bar received awards from Dianping.

The Middle House

The Middle House is a luxury property with 111 hotel rooms and 102 serviced apartments at HKRI Taikoo Hui, Shanghai. Swire Properties has a 50% interest in the property. It opened in 2018 and is building up its occupancy. Revenue per available room and occupancy improved in 2019. The hotel received awards from Condé Nast Traveler and The Bund. The hotel's Café Gray Deluxe restaurant received an award from Metropolitan. The hotel's MI XUN Spa received an award at Ahead Asia 2019 in its "SPA & Wellness" category.

EAST, Miami

EAST, Miami at the Brickell City Centre development in Miami has 263 hotel rooms and 89 serviced apartments. Its revenue per available room and operating margins improved in 2019. The hotel received an award from Condé Nast Traveler. Sugar restaurant received an award at the 2019 Miami Hospitality Design Awards.

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. Mr & Mrs Fox received an award from TripAdvisor.

Hotel Portfolio (managed by Swire Hotels)

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

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

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

(3) Including serviced apartments in a hotel tower.

Non-managed Hotels

Overview

Swire Properties has ownership interests in (but does not manage) hotels with 3,146 rooms in aggregate.

Hotel Portfolio (not managed by the Group)

	No. of Rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
– Island Shangri-La Hong Kong	565	20%
– JW Marriott Hotel Hong Kong	608	20%
– Conrad Hong Kong	513	20%
– Novotel Citygate Hong Kong	440	20%
Mainland China		
– Mandarin Oriental, Guangzhou[(1)]	287	97%
– The Sukhothai Shanghai	201	50%
U.S.A.		
– Mandarin Oriental, Miami	326	75%
Under Development		
Hong Kong		
– The Silveri Hong Kong – MGallery	206	20%
Total	**3,146**	

(1) Including serviced apartments in the hotel tower.

The performance of the non-managed hotels in Hong Kong was adversely affected by social unrest. The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Average room rates improved in 2019. The Chinese Restaurant, Jiang by Chef Fei, in the Mandarin Oriental obtained a 2-star Michelin award. The operating results of the Mandarin Oriental, Miami improved.

The Sukhothai Shanghai has established itself as a leading luxury hotel in Shanghai. Occupancy started to build up.

Hotels Market Outlook

COVID-19 is adversely affecting our hotel business in Hong Kong and Mainland China. Occupancy and revenue are significantly down at our hotels. Costs will be saved where this can be done without damaging the long-term relationship with our customers. A non-managed hotel (The Silveri Hong Kong – MGallery) which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open later in the first half of 2020. Steady growth in business is expected at our Miami hotels.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in 2019 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$2,460 million (2018: HK$5,479 million). Outstanding capital commitments at 31st December 2019 were HK$14,735 million (2018: HK$15,213 million), including the Group's share of the capital commitments of joint venture companies of HK$66 million (2018: HK$251 million). The Group was committed to funding HK$18 million (2018: HK$64 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2019 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, was HK$643 million (2018: HK$2,463 million). Outstanding capital commitments at 31st December 2019 were HK$1,865 million (2018: HK$2,081 million), including the Group's share of the capital commitments of joint venture companies of HK$821 million (2018: HK$1,500 million). The Group was committed to funding HK$465 million (2018: HK$400 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2019 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK$168 million (2018: HK$168 million). Outstanding capital commitments at 31st December 2019 were HK$3 million (2018: HK$328 million).

Profile of Capital Commitments at 31st December 2019 for Investment Properties and Hotels

	Expenditure	Forecast expenditure				Commitments[(1)]
	2019 HK$M	2020 HK$M	2021 HK$M	2022 HK$M	2023 and later HK$M	**At 31st December 2019 HK$M**
Hong Kong	**2,460**	1,832	5,479	2,123	5,301	**14,735**
Mainland China	**643**	1,365	44	202	254	**1,865**
U.S.A. and elsewhere	**168**	3	–	–	–	**3**
Total	**3,271**	3,200	5,523	2,325	5,555	**16,603**

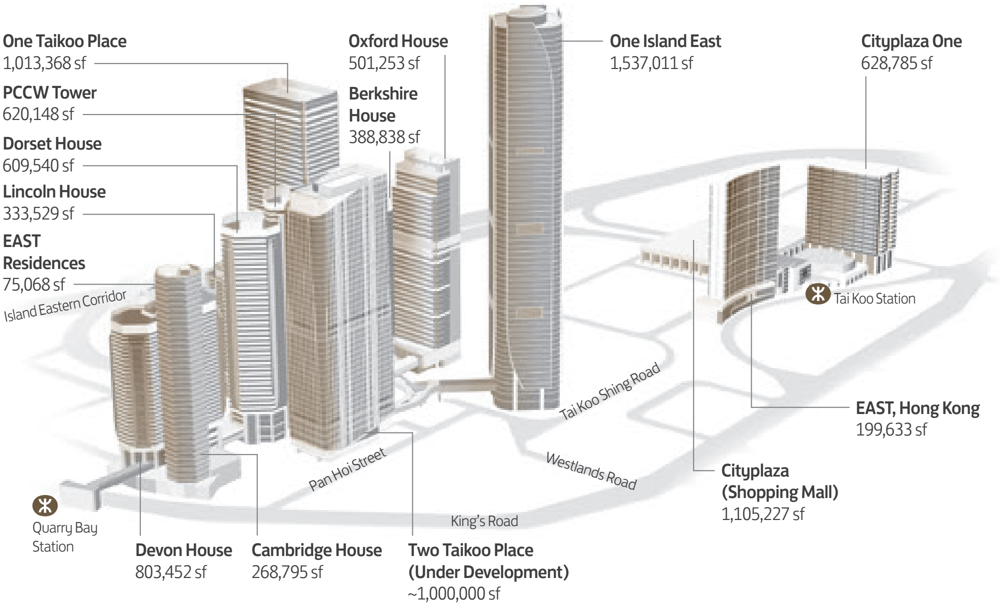
(1) The capital commitments represent the Group's capital commitments of HK$15,716 million plus the Group's share of the capital commitments of joint venture companies of HK$887 million. The Group was committed to funding HK$483 million of the capital commitments of joint venture companies.

Sino-Ocean Taikoo Li Chengdu

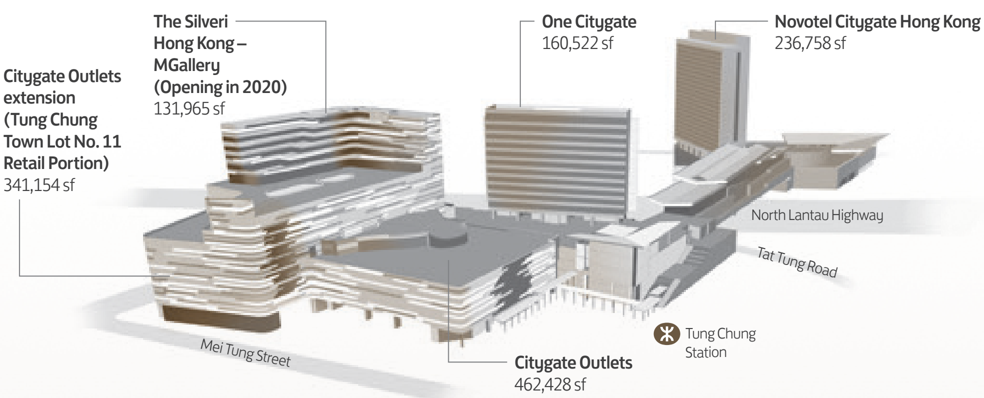
Taikoo Hui, Guangzhou

HONG KONG

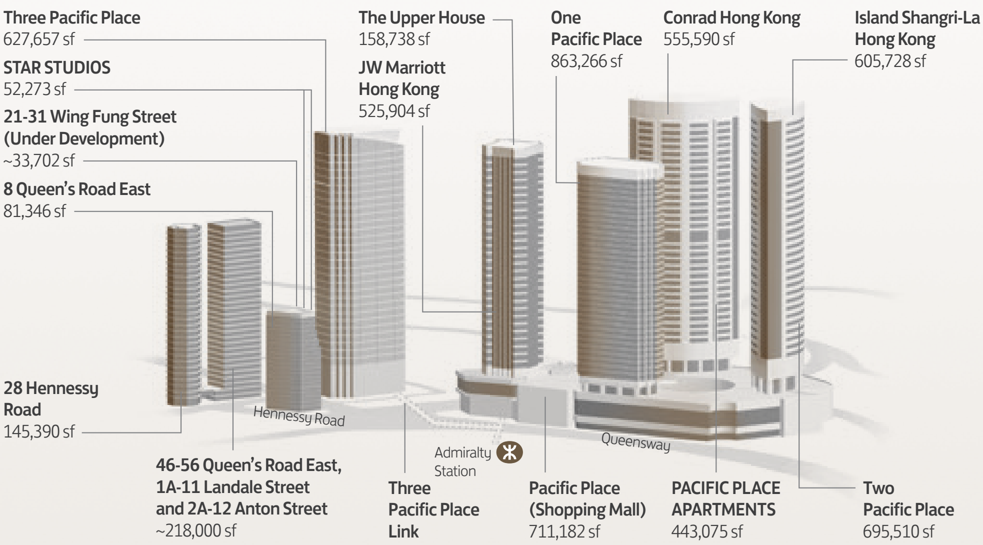
Taikoo Place and Cityplaza



Citygate

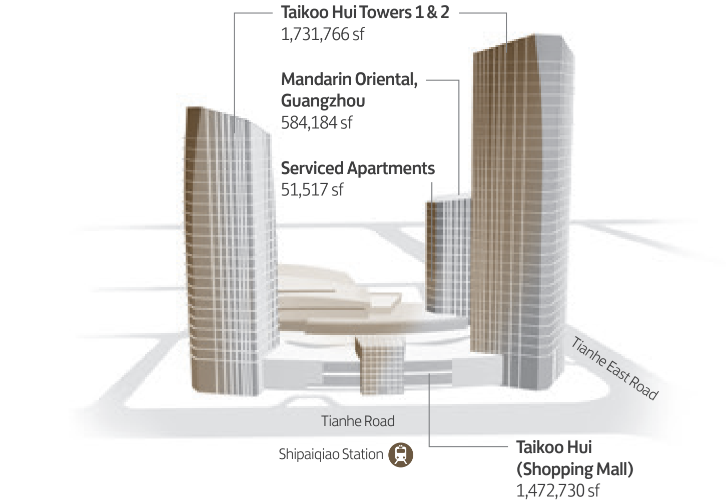


Pacific Place

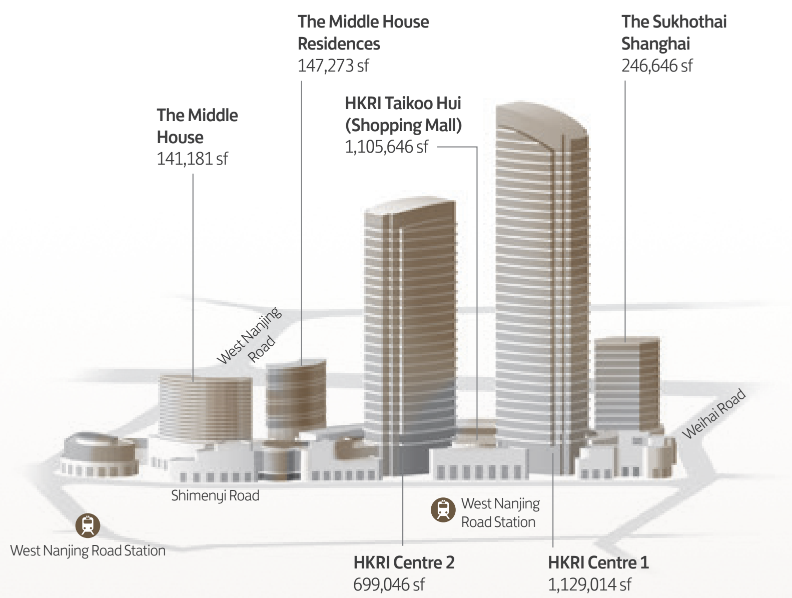


MAINLAND CHINA

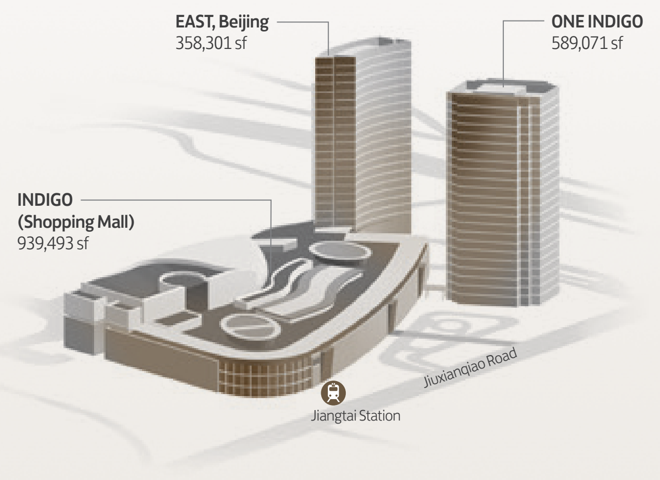
Taikoo Hui
Guangzhou



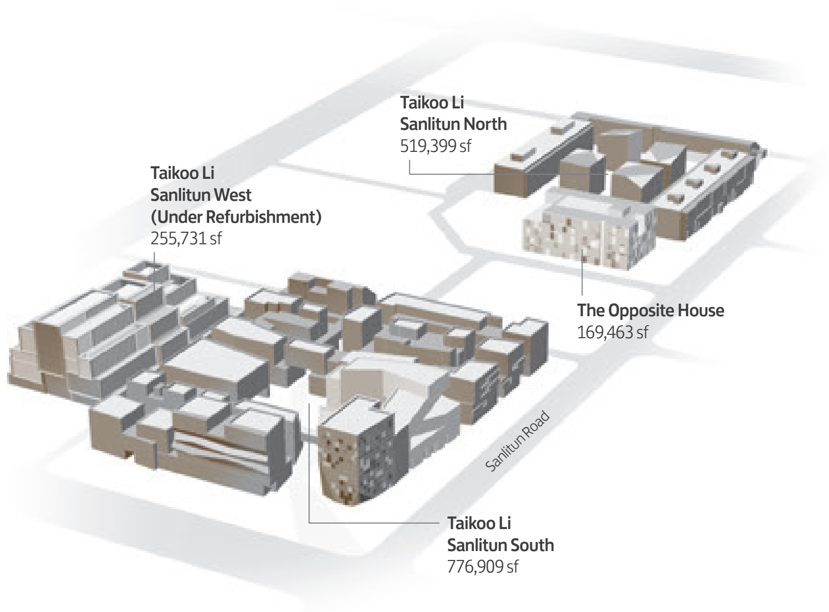
HKRI Taikoo Hui
Shanghai



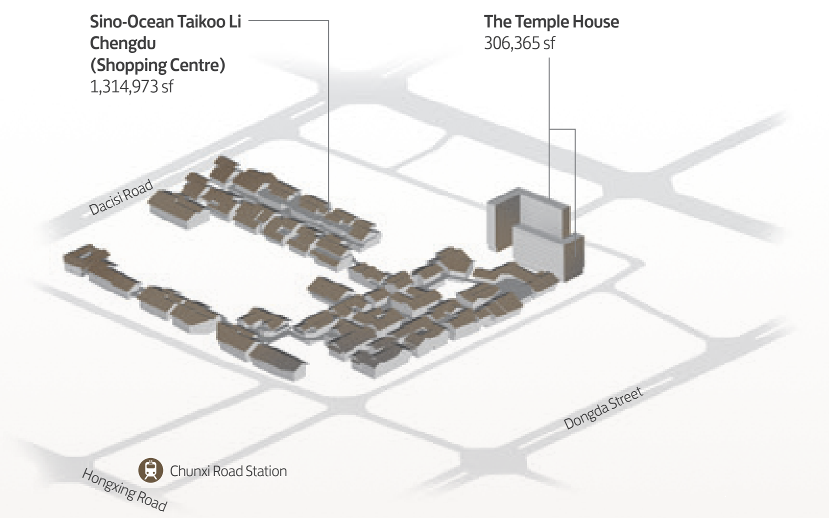
INDIGO
Beijing



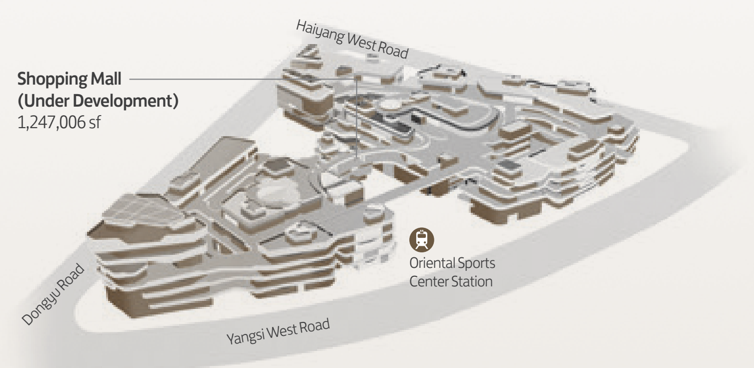
Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



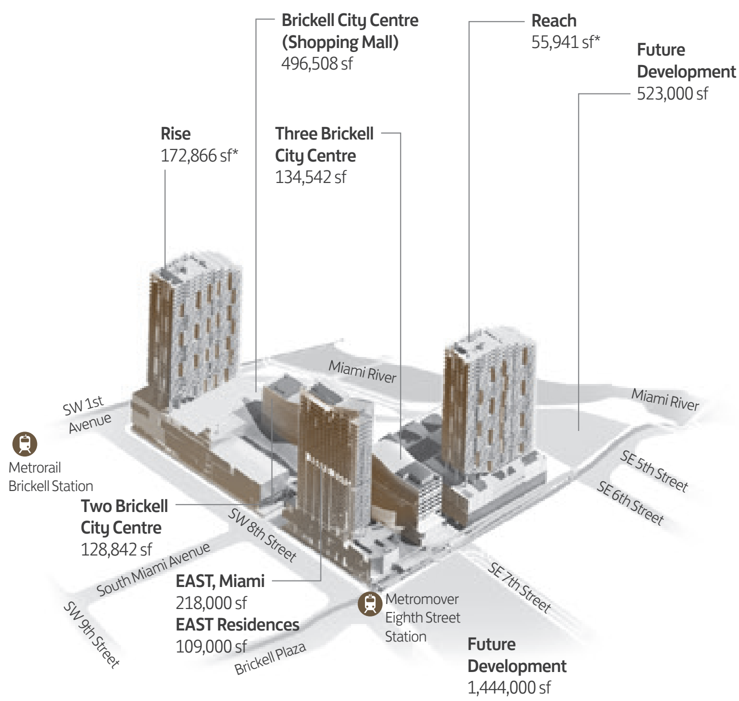
Taikoo Li Qiantan
Shanghai



U.S.A.

Brickell City Centre

Miami, Florida



* Rise and Reach developed for trading purposes.
Floor area shown represents the unclosed portion.

Note:

These diagrams are not to scale and are for illustration purposes only.
These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 184 to 194.

FINANCIAL REVIEW

References are to "Notes to the Financial Statements" on pages 115 to 177.

Consolidated Statement of Profit or Loss

	2019 HK$M	2018 HK$M	Reference
Revenue	**14,222**	14,719	Note 4

The decrease in revenue of HK$497 million compared to 2018 was principally due to lower revenue from property trading and from hotels, partly offset by higher gross rental income from investment properties.

Revenue from property trading decreased by HK$545 million from 2018. In 2019, revenue was recognised from the sale of carparks at the ALASSIO development in Hong Kong and from the sale of two Reach units, 38 Rise units and the last unit in the ASIA development in Miami, U.S.A. In 2018, revenue was recognised from the sale of 12 WHITESANDS houses and carparks at the AZURA development in Hong Kong and from the sale of two Reach units and 35 Rise units in Miami, U.S.A.

Gross rental income from investment properties increased by HK$154 million. In Hong Kong, gross rental income decreased by HK$68 million, reflecting lower retail rental income (due to rental subsidies and lower retail sales in the second half of 2019), which was partly offset by higher office rental income (from positive rental reversions, firm occupancy and a full year of rental income from One Taikoo Place, which opened in the last quarter of 2018). In Mainland China, gross rental income increased by HK$201 million, reflecting higher retail rental income due to positive rental reversions, higher retail sales and firm occupancy. In the U.S.A., there was satisfactory growth in rental income in 2019 due to improved occupancy and higher retail sales.

Revenue from hotels decreased by HK$108 million, mainly reflecting lower revenue at the Hong Kong hotels.

Consolidated Statement of Profit or Loss *(continued)*

	2019 HK$M	2018 HK$M	Reference
Gross Profit Gross profit decreased by HK$32 million. Gross profit from property trading decreased by HK$67 million. This was partly offset by higher gross profit from investment properties. Gross profit from property trading reflected the recognition of profits on the sale of carparks at ALASSIO in Hong Kong, and profits on the sale of units at the Reach and Rise developments in the U.S.A. Gross profit from investment properties increased by HK$85 million, principally reflecting better performances from the retail portfolio in Mainland China and the office portfolio in Hong Kong, partly offset by lower profit from the retail portfolio in Hong Kong. Gross profit from hotels decreased by HK$53 million, mainly reflecting lower gross profit at the Hong Kong hotels.	**10,194**	10,226	
Operating Profit The decrease in operating profit of HK$14,968 million was principally due to lower net revaluation gains on investment properties. There was also a decrease in gross profit from property trading. These decreases were partly offset by higher gross profit from investment properties and higher profit on sale of subsidiary and joint venture companies in Hong Kong. A net revaluation gain on investment properties of HK$3,720 million was recorded in 2019, HK$15,732 million less than that recorded in 2018. Investment properties in Hong Kong recorded a net revaluation gain of HK$2,234 million, principally due to higher rents at the offices in Taikoo Place. Investment properties in Mainland China recorded a revaluation gain of HK$1,884 million, principally due to higher rents at Taikoo Hui, Guangzhou and Taikoo Li Sanlitun, Beijing. The investment properties at Brickell City Centre in Miami, U.S.A. recorded a revaluation loss of HK$185 million, mainly due to decrease in the retail market rent assumption, which was partly offset by a decrease of 25 basis points in the discount rate applicable to the retail portfolio. Administrative and selling expenses increased by HK$98 million compared to 2018. The increase principally reflected increased staff costs.	**14,397**	29,365	Notes 6 and 8(a)
Net Finance Charges The reduction of HK$383 million principally reflected a decrease in the amount of net borrowings in Hong Kong and Mainland China.	**499**	882	Note 10

Consolidated Statement of Profit or Loss *(continued)*

	2019 HK$M	2018 HK$M	Reference
Share of Profits Less Losses of Joint Venture Companies The decrease of HK$466 million principally reflected lower net revaluation gains of HK$630 million, partly offset by higher operating profit at HKRI Taikoo Hui in Mainland China.	**1,359**	1,825	Note 8(a)
Taxation The increase of HK$122 million was principally due to a tax adjustment in 2018 related to the Group's disposal of interests in investment properties and higher operating profit from Mainland China investment properties, partly offset by the effect of a decrease in fair value gains in respect of investment properties in Mainland China.	**1,862**	1,740	Note 11
Profit Attributable to the Company's Shareholders The decrease of HK$15,243 million reflected lower net revaluation gains from investment properties, partly offset by higher profits on sales of subsidiary and joint venture companies in Hong Kong and higher profits from investment properties.	**13,423**	28,666	Note 8(a)

Consolidated Statement of Financial Position

	2019 HK$M	2018 HK$M	Reference
Property, Plant and Equipment The decrease in property, plant and equipment was principally due to leasehold land held for own use being reclassified as right-of-use assets with the adoption of HKFRS 16 Leases with effect from 1st January 2019.	**4,457**	7,877	Note 15
Investment Properties The increase in investment properties of HK$3,847 million was principally due to a revaluation gain of HK$3,720 million and additions during the year of HK$2,155 million (including capital expenditure at the Taikoo Place redevelopment and other projects in Hong Kong and Mainland China), partly offset by the transfer of properties to properties for sale of HK$1,040 million and a foreign exchange translation loss (principally in respect of investment properties in Mainland China) of HK$765 million.	**277,033**	273,186	Note 16

Consolidated Statement of Financial Position *(continued)*

	2019 HK$M	2018 HK$M	Reference
Joint Venture Companies and Loans Due from Joint Venture Companies The increase of HK$1,375 million principally reflected (i) equity funding of a new project in Indonesia and an increase in debt funding of projects in Hong Kong, (ii) the Company's share of profits of joint venture companies (including revaluation gains), partly offset by (iii) the sale of an interest in a joint venture company and (iv) the Company's share of foreign exchange translation losses in respect of joint venture companies in Mainland China.	**30,166**	28,791	Note 20
Properties For Sale The increase of HK$2,135 million reflected a transfer of HK$1,039 million in respect of EDEN from investment property, acquisition of Chai Wan Inland Lot No. 88 and development expenditure, partly offset by sales of carparks at ALASSIO in Hong Kong and of units at the Reach and Rise developments at Brickell City Centre in the U.S.A.	**3,604**	1,469	Note 23
Right-of-use Assets With the adoption of HKFRS 16 Leases with effect from 1st January 2019, lessees have to recognise their leases as right-of-use assets. Certain leasehold land previously classified as property, plant and equipment has been reclassified as right-of-use assets.	**3,416**	–	Note 18
Assets Classified as Held For Sale The decrease reflects completion of the sale of the subsidiary companies owning the Company's interests in two office buildings in Taikoo Shing and other investment properties in Hong Kong.	**–**	15,526	Note 33
Trade and Other Receivables The decrease of HK$475 million was partly due to the utilisation of a prepayment on completion of the acquisition of Chai Wan Inland Lot No. 88.	**1,926**	2,401	Note 24
Trade and Other Payables and Contract Liabilities (including non-current portion) The decrease of HK$2,597 million principally reflects a reduction in deposits received on the sales of subsidiary companies on completion of the sales, partly offset by an increase in tenancy deposits.	**8,165**	10,762	Note 27

Consolidated Statement of Financial Position *(continued)*

	2019 HK$M	2018 HK$M	Reference
Long-Term Loans and Bonds (including the component due within one year) The decrease of HK$2,120 million was principally due to the prepayment of bank loans in Hong Kong and Mainland China, and the repayment of medium term notes of HK$300 million on their maturity.	**29,645**	31,765	Note 29
Deferred Tax Liabilities The increase of HK$665 million principally reflects deferred tax in respect of depreciation allowances relating to investment properties and in respect of revaluation gains on investment properties in Mainland China.	**9,381**	8,716	Note 31
Equity Attributable to the Company's Shareholders The increase in equity attributable to the Company's shareholders represents the total comprehensive income for the year attributable to the Company's shareholders (HK$12,838 million), as reduced by dividends paid to the Company's shareholders and an opening adjustment on adoption of HKFRS 16.	**286,927**	279,275	Notes 35 and 36
Non-Controlling Interests The decrease in non-controlling interests of HK$32 million reflected dividends paid to the owners of non-controlling interests and foreign exchange translation losses in respect of companies in Mainland China, partly offset by profits earned by companies in which there are non-controlling interests.	**1,984**	2,016	Note 38

Consolidated Statement of Cash Flows

	2019 HK$M	2018 HK$M	Reference
Cash Generated from Operations Cash generated from operations of HK$5,499 million principally comprised cash inflows from investment properties of approximately HK$10,205 million and from property trading of approximately HK$381 million, partly offset by operating expenses of approximately HK$1,226 million, expenditure on properties for sale of approximately HK$1,033 million and utilisation of deposits received on the sales of subsidiary companies of HK$3,238 million upon completion of the sales.	**5,499**	11,619	Note 43(a)

Consolidated Statement of Cash Flows *(continued)*

	2019 HK$M	2018 HK$M	Reference
Tax Paid The decrease principally reflects a deferral of tax payments due in Hong Kong.	**586**	1,443	
Purchase of Property, Plant and Equipment The amount of HK$120 million in 2019 principally reflects additions to plant and equipment and other capital expenditure.	**120**	121	Note 43(b)
Additions to Investment Properties The amount of HK$1,962 million in 2019 principally reflects capital expenditure at the Taikoo Place redevelopment and at other projects in Hong Kong and Mainland China.	**1,962**	3,917	
Proceeds from Sale of Subsidiary and Joint Venture Companies The amount of HK$19,337 million in 2019 principally reflects the proceeds of sale of the subsidiary companies owning the Company's interests in two office buildings in Taikoo Shing and other investment properties in Hong Kong and the proceeds of sale of a joint venture company owning the Company's interest in an office building at 625 King's Road in Hong Kong.	**19,337**	7,857	Note 43(c) and (d)
Equity and Loans (Net of Repayment) to Joint Venture Companies The amount of HK$1,646 million in 2019 principally reflects funding by way of debt and equity for projects in Hong Kong, Mainland China and Indonesia.	**1,646**	2,887	
Repayment of Loans, Bonds and Lease Liabilities (Net of Loans Drawn and Refinancing) The amount of HK$2,235 million in 2019 principally reflects the prepayment of bank loans in Hong Kong and Mainland China, and the repayment of medium term notes of HK$300 million on their maturity.	**2,235**	(111)	

Investment Appraisal and Performance Review

	Net Assets Employed		Capital Commitments[1]	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M
Property investment	**289,185**	299,659	**16,340**	17,407
Property trading	**7,789**	4,143	**–**	–
Hotels	**7,229**	7,394	**263**	215
Total net assets employed	**304,203**	311,196	**16,603**	17,622
Less: net debt	**(15,292)**	(29,905)		
Less: non-controlling interests	**(1,984)**	(2,016)		
Equity attributable to the Company's shareholders	**286,927**	279,275		

	Equity Attributable to the Company's Shareholders[2]		Return on Average Equity Attributable to the Company's Shareholders[2]	
	2019 HK$M	2018 HK$M	**2019**	2018
Property investment	**276,208**	270,307	**4.9%**	11.0%
Property trading	**4,633**	2,611	**-0.5%**	4.4%
Hotels	**6,086**	6,357	**-1.1%**	-0.6%
Total	**286,927**	279,275	**4.7%**	10.7%

(1) The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of joint venture companies.

(2) Refer to Glossary on page 195 for definitions.

FINANCING

- Capital Structure
- Medium Term Note Programme
- Changes in Financing
- Net Debt
- Sources of Finance
  – Loans and Bonds
  – Bank Balances and Short-term Deposits
- Maturity Profile and Refinancing
- Currency Profile
- Finance Charges
- Gearing Ratio and Interest Cover
- Capital Management
- Attributable Net Debt
- Debt in Joint Venture and Associated Companies

Capital Structure

The Group aims to maintain a capital structure which enables it to invest in and finance projects in a disciplined and targeted manner.

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as a going concern, so that it can continue to provide returns for shareholders, and to secure access to finance at a reasonable cost.

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its investments.

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 31st December 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

Audited Financial Information

During the year, the Group completed refinancing of a loan facility of SG$150 million and 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.

	Loans and bonds		Lease liabilities*			
	due within one year HK$M	due after one year HK$M	due within one year HK$M	due after one year HK$M	2019 HK$M	2018 HK$M
At 1st January	1,230	30,769	–	–	31,999	37,055
Loans drawn and refinanced	3	654	–	–	657	2,426
Bonds issued	–	–	–	–	–	3,917
Bonds matured	(300)	–	–	–	(300)	–
Repayment of loans	(1,544)	(1,000)	–	–	(2,544)	(11,409)
Lease liabilities recognised under HKFRS 16*	–	–	39	499	538	–
New leases arranged during the period	–	–	19	49	68	–
Principal elements of lease payments	–	–	(48)	–	(48)	–
Reclassification	6,913	(6,913)	41	(41)	–	–
Currency adjustment	(7)	(133)	(1)	(11)	(152)	(54)
Other non-cash movements	13	44	2	–	59	64
At 31st December	6,308	23,421	52	496	30,277	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.

Net Debt

Audited Financial Information

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

	2019 HK$M	2018 HK$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	6,170	9,547
Bonds – unsecured	17,251	21,222
Borrowings included in current liabilities		
Bank borrowings – unsecured	2,416	930
Bonds – unsecured	3,892	300
Total borrowings	29,729	31,999
Lease liabilities		
Included in non-current liabilities	496	–
Included in current liabilities	52	–
Less: short-term deposits and bank balances	14,985	2,094
Net debt	15,292	29,905

Sources of Finance

Audited Financial Information

At 31st December 2019, committed loan facilities and debt securities amounted to HK$39,848 million, of which HK$10,083 million (25%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$747 million. Sources of funds at 31st December 2019 comprised:

	Available HK$M	Drawn HK$M	Undrawn Expiring Within One Year HK$M	Undrawn Expiring After One Year HK$M
Facilities from third parties				
Term loans	**6,146**	**6,146**	**–**	**–**
Revolving loans	**12,500**	**2,417**	**800**	**9,283**
Bonds	**21,202**	**21,202**	**–**	**–**
Total committed facilities	**39,848**	**29,765**	**800**	**9,283**
Uncommitted facilities				
Bank loans and overdrafts	**831**	**84**	**747**	**–**
Total	**40,679**	**29,849**	**1,547**	**9,283**

Note:
The figures above are stated before unamortised loan fees of HK$120 million.

i) Loans and Bonds

Audited Financial Information

For accounting purposes, loans and bonds are classified as follows:

	2019			2018		
	Drawn, Before Unamortised Loan Fees HK$M	**Unamortised Loan Fees HK$M**	**Carrying Value HK$M**	Drawn, Before Unamortised Loan Fees HK$M	Unamortised Loan Fees HK$M	Carrying Value HK$M
Group						
Uncommitted bank loans and overdrafts						
– unsecured	**84**	**–**	**84**	234	–	234
Long-term loans and bonds at amortised cost						
– unsecured	**29,765**	**(120)**	**29,645**	31,937	(172)	31,765
Less: amount due within one year included under current liabilities	**6,229**	**(5)**	**6,224**	998	(2)	996
	23,536	**(115)**	**23,421**	30,939	(170)	30,769

ii) Bank Balances and Short-term Deposits

The Group had bank balances and short-term deposits of HK$14,985 million at 31st December 2019, compared to HK$2,094 million at 31st December 2018.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2028 (2018: up to 2028). The weighted average term and cost of the Group's debt are:

	2019	2018
Weighted average term of debt	**3.3 years**	3.9 years
Weighted average cost of debt	**3.4%**	3.3%

Note:
The weighted average cost of debt above is stated on gross debt basis.

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

Audited Financial Information

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

	2019		2018	
	HK$M		HK$M	
Bank borrowings and bonds from third parties due				
Within 1 year	**6,308**	**21%**	1,230	4%
1-2 years	**1,807**	**6%**	6,951	22%
2-5 years	**9,846**	**33%**	10,915	34%
After 5 years	**11,768**	**40%**	12,903	40%
Total	**29,729**	**100%**	31,999	100%
Less: Amount due within one year included under current liabilities	**6,308**		1,230	
Amount due after one year included under non-current liabilities	**23,421**		30,769	

Currency Profile

Audited Financial Information

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

	2019		2018	
	HK$M		HK$M	
Currency				
Hong Kong dollars	**22,783**	**77%**	24,834	78%
United States dollars	**6,208**	**21%**	6,234	20%
Renminbi	**–**	**–**	455	1%
Singapore dollars	**738**	**2%**	476	1%
Total	**29,729**	**100%**	31,999	100%

Finance Charges

Audited Financial Information

An analysis of outstanding borrowings by reference to whether they bear interest at fixed or floating rates is shown below:

	2019		2018	
	HK$M		HK$M	
Fixed	**23,694**	**79%**	24,104	75%
Floating	**6,155**	**21%**	8,067	25%
Sub-total	**29,849**	**100%**	32,171	100%
Less: Unamortised loan fee	**120**		172	
Total	**29,729**		31,999	

The exposure of the Group's borrowings to fixed and floating interest rates can be illustrated as follows:

		Fixed Interest Rates Maturing in:			
	Floating Interest Rates HK$M	1 Year or Less HK$M	1 to 5 Years HK$M	Over 5 Years HK$M	Total HK$M
At 31st December 2019	**6,103**	**4,825**	**7,033**	**11,768**	**29,729**
At 31st December 2018	7,984	300	10,812	12,903	31,999

Audited Financial Information *(continued)*

Interest charged and earned during the year was as follows:

	2019 HK$M	2018 HK$M
Interest charged on:		
Bank loans and overdrafts	254	314
Bonds	722	722
Lease liabilities	10	–
Loans from fellow subsidiary companies	–	95
Loans from joint venture and related companies	–	6
Net fair value gains on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	(20)	(21)
Cross-currency swaps not qualifying as hedges	(1)	–
Other financing costs	163	162
	1,128	1,278
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	(17)	(16)
Capitalised on:		
Investment properties	(242)	(265)
Properties for sale	(32)	(2)
	837	995
Interest income on:		
Short-term deposits and bank balances	(268)	(34)
Loans to joint venture companies	(69)	(78)
Others	(1)	(1)
	(338)	(113)
Net finance charges	499	882

The capitalised interest rates on funds both borrowed generally and used for the development of investment properties and properties for sale were between 2.6% and 3.7% per annum (2018: 2.1% and 3.6% per annum).

The amount transferred from other comprehensive income in respect of cash flow hedges in 2019 includes HK$1 million (2018: HK$1 million) relating to currency basis.

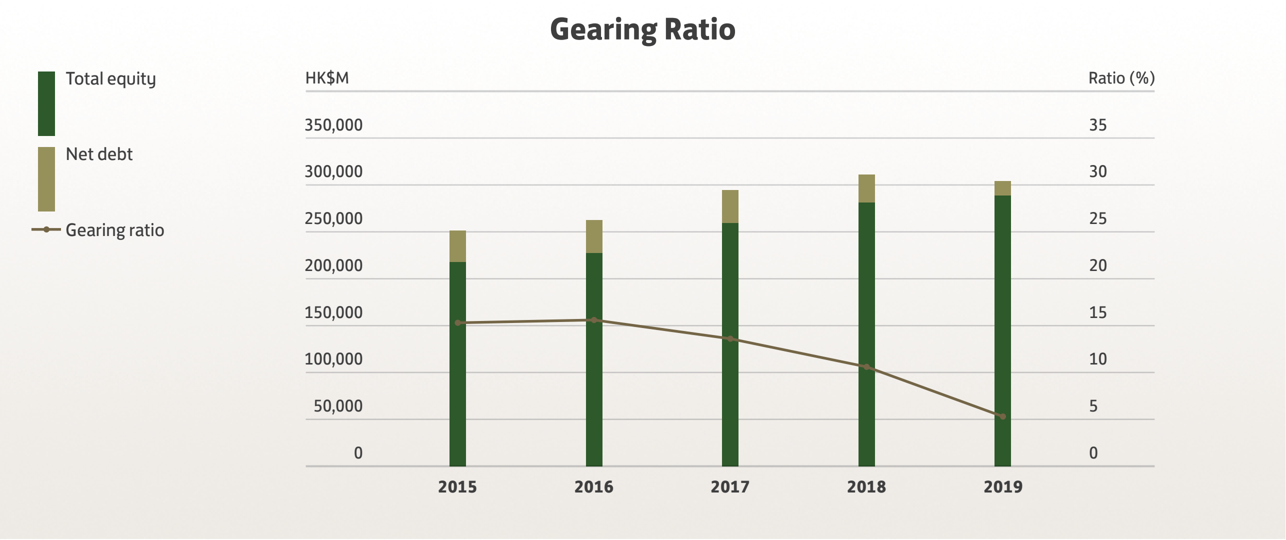
Audited Financial Information *(continued)*

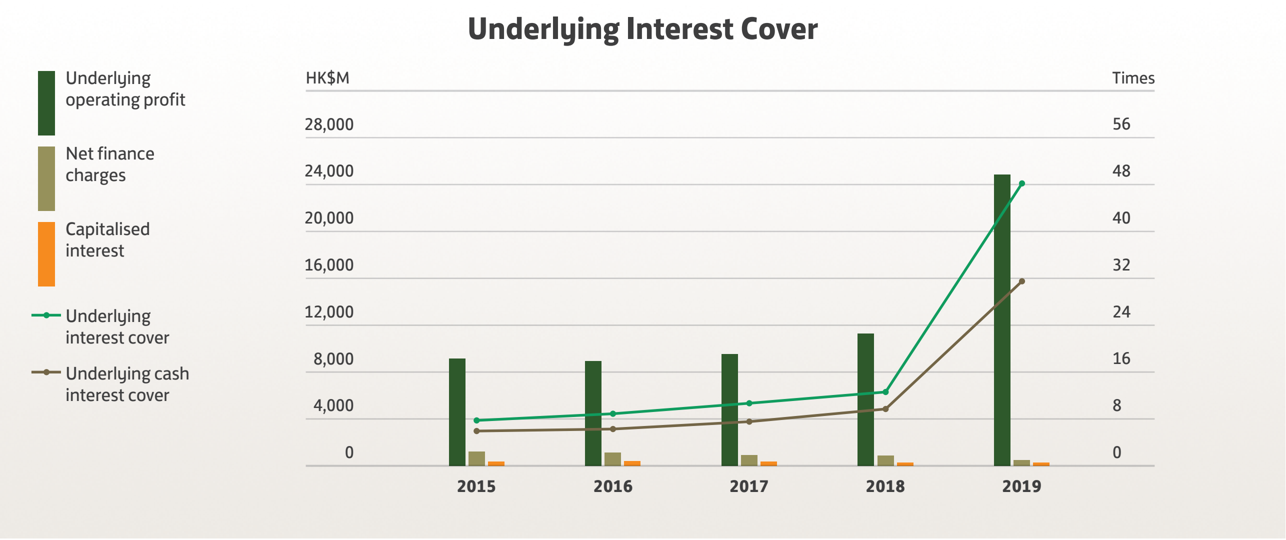
The interest rates per annum (after interest rate and cross-currency swaps) at 31st December were as follows:

	2019				2018			
	HK$ %	**US$ %**	**RMB %**	**SGD %**	HK$ %	US$ %	RMB %	SGD %
Uncommitted bank loans and overdrafts	**–**	**–**	**–**	**2.5**	–	–	4.4	2.4
Long-term loans and bonds	**1.8-4.4**	**2.4-3.4**	**–**	**2.4**	1.8-4.4	2.9-3.4	4.3-4.4	2.4

Gearing Ratio and Interest Cover

The following graphs illustrate the gearing ratio and underlying interest cover for each of the last five years:





	2019	2018
Gearing ratio[1]	**5.3%**	10.6%
Interest cover – times[1]		
Per financial statements	**28.9**	33.3
Underlying	**48.2**	12.6
Cash interest cover – times[1]		
Per financial statements	**18.6**	25.6
Underlying	**31.5**	9.7

(1) Refer to Glossary on page 195 for definitions.

Capital Management

Audited Financial Information

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as a going concern, so that it can continue to provide returns for shareholders, and to secure access to finance at a reasonable cost.

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings and lease liabilities less short-term deposits and bank balances. Capital comprises total equity, as shown in the consolidated statement of financial position.

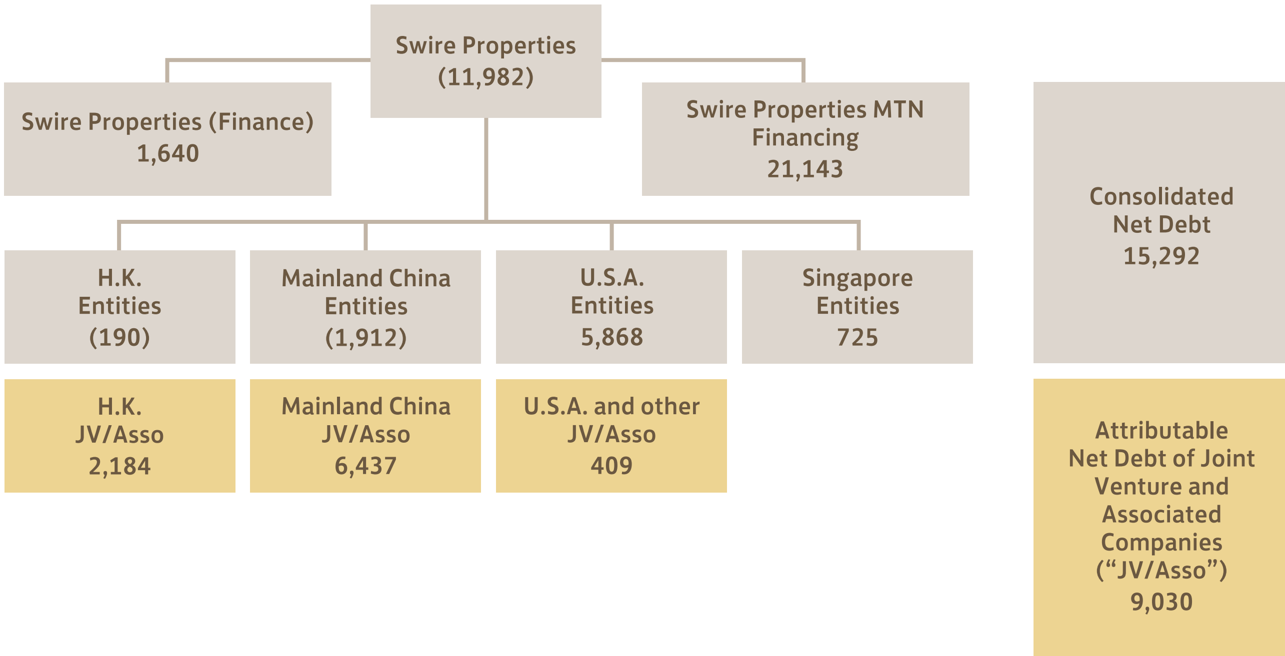
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2019 and 31st December 2018 were as follows:

	2019 HK$M	2018 HK$M
Total borrowings	**29,729**	31,999
Lease liabilities	**548**	–
Less: Short-term deposits and bank balances	**14,985**	2,094
Net debt	**15,292**	29,905
Total equity	**288,911**	281,291
Gearing ratio	**5.3%**	10.6%

The Group has given certain covenants under facilities from third-parties, including maintenance of a minimum amount of tangible net worth. The Group has significant headroom on all covenants, and does not expect any breach in the foreseeable future.

Attributable Net Debt

The chart below illustrates, by entity, the Group's attributable net debt (in HK$ million):



Debt in Joint Venture and Associated Companies

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

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M
Hong Kong Entities	**5,342**	4,533	**2,184**	1,879	**1,405**	1,295
Mainland China Entities	**12,874**	12,033	**6,437**	6,017	**–**	–
U.S.A. and other Entities	**537**	458	**409**	354	**473**	476
Total	**18,753**	17,024	**9,030**	8,250	**1,878**	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 8.4%.

Corporate Governance & Sustainability

Taikoo Li Sanlitun, Beijing

CORPORATE GOVERNANCE

Governance Culture

Swire Properties is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Swire Properties believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders
- that the interests of those who deal with the Company are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers and
- that high standards of ethics are maintained

Corporate Governance Statement

The Corporate Governance Code (the "CG Code") as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

- code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only

The Company supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Swire Properties has adopted its own corporate governance code which is available on its website www.swireproperties.com. Corporate governance does not stand still; it evolves with each business and operating environment. The Company is always ready to learn and adopt best practices.

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

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

The Board of Directors

Role of the Board

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the interests of those with whom the Group does business and others.

Responsibility for achieving the Company's objectives and running the business on a day-to-day basis is delegated to management. The Board exercises a number of reserved powers which include:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including financial statements
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of the Group's risk management and internal control systems
- ensuring the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see pages 80 to 81) and the Remuneration Committee (see pages 77 to 78).

Chairman and Chief Executive

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

M.B. Swire, the Chairman, is responsible for:

- leadership of the Board
- setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
- facilitating effective contributions from and dialogue with all Directors and constructive relations between them
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information
- obtaining consensus amongst the Directors
- ensuring, through the Board, that good corporate governance practices and procedures are followed

G.M.C. Bradley, the Chief Executive, is responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's business.

Throughout the year, there was a clear division of responsibilities between the Chairman and the Chief Executive.

Board Composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board comprises the Chairman, two other Executive Directors and nine Non-Executive Directors. Their biographical details are set out in the section of this annual report headed Directors and Officers and are posted on the Company's website.

G.M.C. Bradley, N.A.H. Fenwick, P. Healy, M.M.S. Low and F.N.Y. Lung are directors and/or employees of the John Swire & Sons Limited ("Swire") group. M.B. Swire is a shareholder, director and employee of and R.S.K. Lim is an adviser to the Swire group.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit and Remuneration Committees of the Board comprise only Non-Executive Directors.

The Board considers that five of the nine Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules. None of the Independent Non-Executive Directors holds cross-directorships or has significant links with other Directors through involvements in other companies or bodies.

The Independent Non-Executive Directors:

- provide open and objective challenge to management and other Board members
- raise intelligent questions and challenge constructively and with vigour
- bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management

The number of Independent Non-Executive Directors represents at least one-third of the Board of Directors.

Appointment and Re-election

Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his or her appointment, and all Executive and Non-Executive Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

On 10th March 2020, the Board, having reviewed the Board's composition, nominated R.S.K. Lim, M.M.S. Low, L.K.L. Cheng, T.T.K. Choi, J.L. Wang and M.Y. Wu for recommendation to shareholders for election/re-election at the 2020 Annual General Meeting. The nominations were made in accordance with objective criteria (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders), with due regard for the benefits of diversity, as set out in the board diversity policy. The Board also took into account the respective contributions of R.S.K. Lim, M.M.S. Low, L.K.L. Cheng, T.T.K. Choi, J.L. Wang and M.Y. Wu to the Board and their firm commitment to their roles. The Board is satisfied with the independence of L.K.L. Cheng, T.T.K. Choi, J.L. Wang and M.Y. Wu having regard to the criteria laid down in the Listing Rules. The particulars of the Directors standing for election/re-election are set out in the section of this annual report headed Directors and Officers and will also be set out in the circular to shareholders to be distributed with this annual report and posted on the Company's website.

Full details of changes in the Board during the year and to the date of this report are provided in the section of this annual report headed Directors' Report.

Board Diversity

The Board has adopted a board diversity policy, which is available on the Company's website. The Board's composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness. A summary is set out in the table below:

Age	Gender	Ethnicity	Years of service as Director	Skills, expertise and experience
39-47 years (25%)	Male (67%)	British (33%)	1-5 years (67%)	company executive (67%)
48-56 years (33%)	Female (33%)	Chinese (58%)	6-10 years (25%)	accounting, banking and finance (25%)
57-65 years (42%)		Singaporean (9%)	over 10 years (8%)	e-commerce (8%)

In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders.

Responsibilities of Directors

On appointment, the Directors receive information about the Group including:

- the role of the Board and the matters reserved for its attention
- the role and terms of reference of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management and
- the latest financial information

Directors update their skills, knowledge and familiarity with the Group through their participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training and advice.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly.

Details of Directors' other appointments are shown in their biographies in the section of this annual report headed Directors and Officers.

Board Processes

All committees of the Board follow the same processes as the full Board.

The dates of the 2019 Board meetings were determined in 2018 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met five times in 2019. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 76. Average attendance at Board meetings was 100%. All Directors attended Board meetings in person or through electronic means of communication during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings.

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting papers, are made available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and records respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:

- review of the operating environment for the business and of the most recent financial results and outlook
- review and discussion of longer term financial plans, including a discussion of capital allocation and investment plans
- discussion of strategy, including in relation to major investments and divestments
- the raising of new initiatives and ideas
- the presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for the Board's consideration
- any declarations of interest

The executive management provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility.

The Chairman meets at least annually with the Independent Non-Executive Directors without the presence of other Directors.

	Meetings Attended/Held				Continuous Professional Development
Directors	Board	Audit Committee	Remuneration Committee	2019 Annual General Meeting	Type of Training (Note)
Executive Directors					
M.B. Swire – Chairman	5/5			√	A
G.M.C. Bradley	5/5			√	A
F.N.Y. Lung	5/5			√	A
Non-Executive Directors					
N.A.H. Fenwick	5/5		2/2	√	A
P. Healy	5/5			√	A
R.S.K. Lim	5/5			√	A
M.M.S. Low	5/5	3/3		√	A
Independent Non-Executive Directors					
L.K.L. Cheng	5/5	3/3		√	A
T.T.K. Choi (appointed on 14th May 2019)	3/3		1/1	N/A	A
S.T. Fung	5/5		2/2	√	A
S.C. Liu (retired on 14th May 2019)	2/2		1/1	√	A
J.L. Wang (appointed on 12th September 2019)	1/1			N/A	A
M.Y. Wu	5/5	3/3		√	A
Average attendance	100%	100%	100%	100%	

Note:

A: All the Directors received training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors. They also kept abreast of matters relevant to their role as directors by such means as attendance at seminars and conferences and reading and viewing materials about financial, commercial, economic, legal, regulatory and business affairs.

Continuous Professional Development
All Directors named above have received the training referred to above and have been provided with "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

Directors' and Officers' Insurance
The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Conflicts of Interest
If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

Delegation by the Board
Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the Chief Executive. The Chief Executive has been given clear guidelines and directions as to his powers and, in particular, the circumstances under which he should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

- detailed monthly management accounts consisting of statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
- internal and external audit reports
- feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers

Securities Transactions
The Company has adopted a code of conduct (the "Securities Code") regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are available on the Company's website.

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director twice annually, immediately before the two financial period ends, with a reminder that the Director cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors and senior executives of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests at 31st December 2019 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the section of this annual report headed Directors' Report.

Remuneration Committee

Full details of the remuneration of the Directors are provided in note 9 to the financial statements.

The Remuneration Committee comprises three Non-Executive Directors, S.T. Fung, T.T.K. Choi and N.A.H. Fenwick. Two of the Committee Members are Independent Non-Executive Directors, one of whom, S.T. Fung, is Chairman. With effect from the conclusion of the Company's 2019 Annual General Meeting held on 14th May 2019, S.T. Fung succeeded S.C. Liu as Chairman of the Remuneration Committee and T.T.K. Choi succeeded S.T. Fung as a member of the Remuneration Committee. N.A.H. Fenwick served for the whole of 2019.

The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee exercises the powers of the Board to determine the remuneration packages of individual Executive Directors (including salaries, bonuses, benefits in kind and the terms on which they participate in any provident fund or other retirement benefit scheme), taking into consideration salaries paid by comparable companies, time commitments and responsibilities and employment conditions elsewhere in the group.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Company's website.

A Services Agreement exists between the Company and John Swire & Sons (H.K.) Limited, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors, are seconded to the Company. These staff report to and take instructions from the Board of the Company but remain employees of the Swire group. Given its substantial equity interest in the Company, it is in the best interests of the Swire group to ensure that executives of high quality are seconded to and retained within the Swire Properties group.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire Pacific group. Although the remuneration of these executives is not directly linked to the profits of the Company, it is considered that these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in October 2019. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 9 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following fee levels have been approved by the Board:

Fee	**2019 HK$**	2020 HK$
Director's Fee	**575,000**	575,000
Fee for Audit Committee Chairman	**268,000**	268,000
Fee for Audit Committee Member	**186,000**	186,000
Fee for Remuneration Committee Chairman	**83,000**	83,000
Fee for Remuneration Committee Member	**60,000**	60,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim financial statements and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate

Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 80 to 81.

The foundation of strong risk management and internal control systems is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

Since profits are, in part, the reward for successful risk taking in business, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key components of the Group's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. This is more significant than any written procedures.

The Company aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by example from the Board down. The Company has a Code of Conduct, which is posted on its internal intranet site.

The Company is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's ways of thinking and acting.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Company's Code of Conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk assessment: The Board of Directors and the management each have a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated.

Management structure: The Group has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and monitoring of risk. Individuals appreciate where they will be held accountable in this process.

A control self-assessment process requires management to assess, through the use of detailed questionnaires, the adequacy and effectiveness of risk management and internal controls over the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This process and its results are reviewed by internal auditors and form part of the Audit Committee's annual assessment of control effectiveness.

Controls and review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities include:

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports
- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse

The Company has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Internal audit: Independent of management, the Internal Audit department reports directly to the Audit Committee and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 81 and 82.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, M.Y. Wu, L.K.L. Cheng and M.M.S. Low, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, M.Y. Wu, is Chairman. All the members served for the whole of 2019.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website.

The Audit Committee met three times in 2019. Regular attendees at the meetings are the Finance Director, the Head of Internal Audit of the Swire group and the external auditors. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the external auditors and Internal Audit. The valuer (Cushman & Wakefield Limited) also attended two of the meetings.

The work of the Committee during 2019 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2018 annual and 2019 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's risk management and internal control systems
- the Group's risk management processes
- the approval of the 2020 annual Internal Audit programme and review of progress on the 2019 programme
- periodic reports from Internal Audit and progress in resolving any matters identified in them
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 82
- the Company's compliance with the CG Code

In 2020, the Committee has reviewed, and recommended to the Board for approval, the 2019 financial statements.

Assessing the Effectiveness of Risk Management and Internal Control Systems

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems, the work and effectiveness of Internal Audit and the assurances provided by the Finance Director
- the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Internal Audit
- work programmes proposed by both Internal Audit and the external auditors
- significant issues arising from internal and external audit reports
- the results of management's control self assessment exercise

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the CG Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update his skills and knowledge.

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 24 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 25 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 25 professionals include a team based in Mainland China which reports to IA in Hong Kong.

IA reports directly to the Audit Committee without the need to consult with management, and via the Audit Committee to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

Scope of Work

Business unit audits are designed to provide assurance that the risk management and internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Swire Pacific Group Risk Management Committee and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 15 assignments were conducted for Swire Properties in 2019.

IA specifically assists the Audit Committee in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad-hoc projects and investigative work as may be required by management or the Audit Committee.

Audit Conclusion and Response

Copies of IA reports are sent to the Chairman of the Board, the Chief Executive, the Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations, including those aimed at resolving material internal control defects. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the "auditors"). The auditors have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity are not, and are not seen to be, compromised
- approval of audit and non-audit fees

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of Section 290 of the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work and the nature of the non-audit work) at a meeting of the Audit Committee.

Provision of Non-audit Services

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

Fees paid to the auditors are disclosed in note 7 to the financial statements.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information

Shareholders

Communication with Shareholders and Investors

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The methods used to communicate with shareholders include the following:

- The Chief Executive and Finance Director make themselves available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In addition, they attended regular meetings with analysts and investors in Hong Kong, analyst briefings, investor group briefings, overseas roadshows and investor conferences during the year
- through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
- through publication of interim and annual reports
- through the Annual General Meeting as discussed below

Shareholders may send their enquiries and concerns to the Board by post or email at ir@swireproperties.com. The relevant contact details are set out in the Financial Calendar and Information for Investors section of this Annual Report.

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 14th May 2019. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 76.

At the Annual General Meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited financial statements for the year ended 31st December 2018
- electing/re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share buy-backs
- a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares then in issue, provided that the aggregate number of the shares so allotted wholly for cash would not exceed 5% of the number of the shares then in issue

Minutes of the meeting together with voting results are available on the Company's website.

Dividend Policy

The Company has a policy on the payment of dividends, which is set out in the section of this annual report headed Directors' Report.

Shareholder Engagement

Pursuant to Article 95 of the Company's Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination at the registered office of the Company within the 7-day period commencing on and including the day after the despatch of the notice of the meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in the Corporate Governance Section of the Company's website.

If they wish to propose a resolution relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Corporate Governance Section of the Company's website.

Shareholder(s) representing at least 5% of the total voting rights of all members may request the Board to convene a general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

Other Information for Shareholders

Key shareholder dates for 2020 are set out in the section of this annual report headed Financial Calendar and Information for Investors and in the Financial Calendar on the Company's website.

No amendment has been made to the Company's Articles of Association during the year.

From information publicly available to the Company and within the knowledge of its Directors, at least 10.28% (being the minimum public float percentage which the Company is required to maintain) of the Company's total number of issued shares are held by the public. Details of substantial shareholders' and other interests are included in the section of this annual report headed Directors' Report.

RISK MANAGEMENT

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems.

The Board and management are responsible for identifying and analysing the risks underlying the achievement of business objectives, and for determining how such risks should be managed and mitigated. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management provides confirmations to the Board on the effectiveness of these systems.

The management of risks is subject to audit by IA, with support from specialist external consultants where necessary.

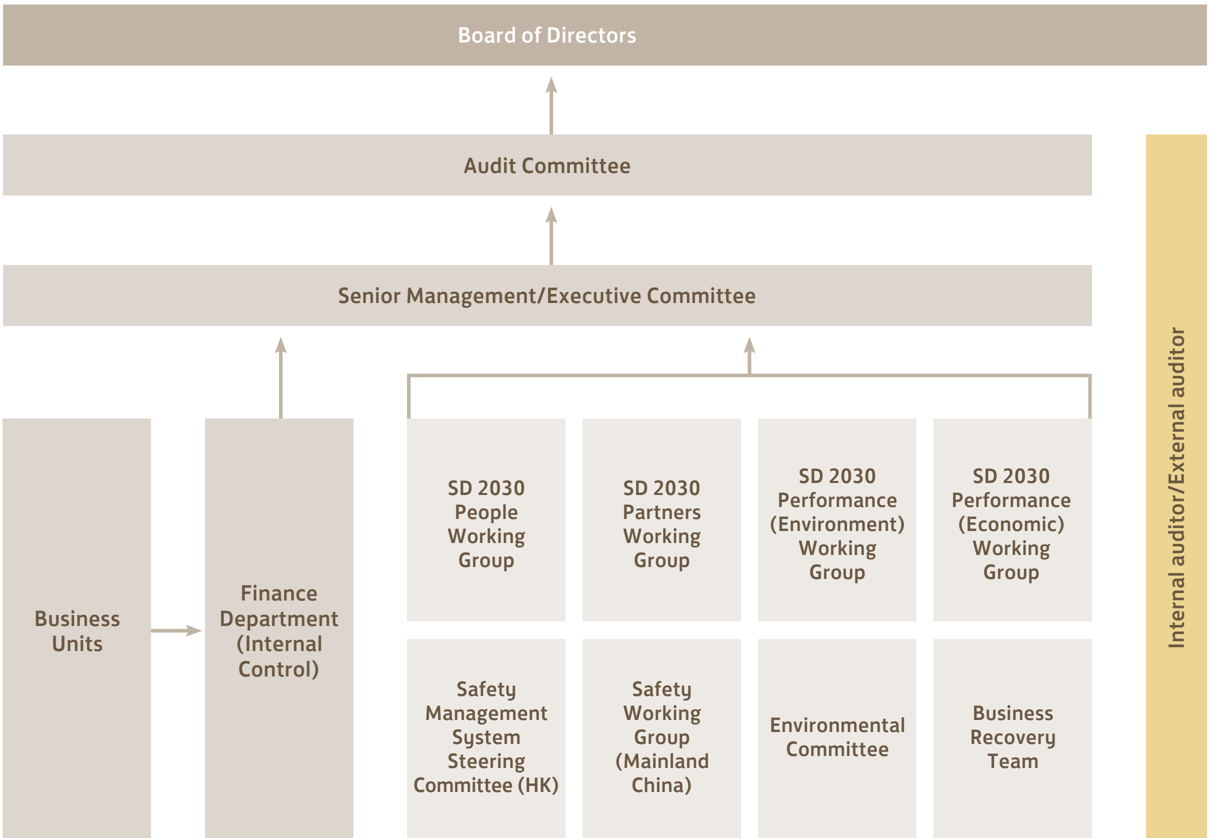
Further discussion of risk management is set out in the sections of the Corporate Governance Report headed "Accountability and Audit – Risk Management and Internal Control", "Audit Committee – Assessing the Effectiveness of Risk Management and Internal Control Systems" and "Internal Audit Department – Scope of Work" on pages 79 to 80, pages 80 to 81 and pages 81 to 82 respectively.

Executive Committee

The Executive Committee meets twice a month and is responsible for overseeing the day-to-day operations of the Company. It comprises two Executive Directors and 10 members of senior management. The Chief Executive chairs the Executive Committee.

The Executive Committee provides oversight of all the risks to which the Group is subject and is responsible for the design, implementation and monitoring of the relevant risk management and internal control systems of the Group. Matters of significance that arise are reported as appropriate via the Audit Committee to the Board of Directors.

Risk Governance Framework



Financial Risk Management

The Group's approach to financial risk management is discussed in note 2 to the financial statements.

Risk Profile

The following table provides an overview of our risk profile, including what we consider to be Swire Properties' principal existing and emerging risks, possible associated impacts and mitigation measures that are in place or under development.

Existing Risks and Possible Impacts	Mitigation Measures
Economic and political volatilities could lead to adverse impacts on the property market and our development costs.	• Differentiate our properties in the market and maintain a balanced tenant mix. • Pursue development schemes that do not require the payment of a land premium or, if the payment of a land premium is required, allow sufficient time to review the premium. • Arrange workshops for teams at building management offices to familiarise them with procedures for managing incidents arising from social unrest.
Change in government policies could adversely affect the property market and our financing costs.	• Liaise closely with government authorities about property related policies, closely monitor policy developments and seek to secure planning approvals as early as possible. • Adopt conservative budgeting assumptions when assessing new opportunities. • Explore alternative sources of funding.
Increase in development costs and delay in project completions could adversely affect our financing costs.	• Closely monitor and manage construction progress and contractors in order to avoid delays in project development. • Implement stringent pre-qualification assessments of contractors and approval mechanisms for design changes. • Build in additional time during development planning to obtain statutory approvals and communicate with government authorities on a timely basis.

Existing Risks and Possible Impacts	Mitigation Measures
Health and safety issues could lead to casualties, property damage, construction delays and disruption to our business and/or damage to our reputation.	• Ensure safety management is part of property construction and management, including incident investigation, safety guidelines and training, contractor evaluation and maintenance programmes for fire-fighting systems and other building facilities. • A business recovery plan and other business compliance measures (including specific health and safety provisions) are in place.
Cyber-attacks on networks and systems could result in disruptions to our business, data breaches, damage to our reputation, and/or financial loss.	• Conduct regular audits to assess compliance with our information and cyber security policy, provide training on information security awareness, test network security and conduct drills as part of the business recovery plan. • A cyber incident response plan is in place to address cyber-attacks that may threaten our business. • Include data protection obligations in contracts with third-party data processors.
Emerging Risks and Possible Impacts	**Mitigation Measures**
Climate change, which may give rise to extreme weather conditions, could expose properties to increased risks of physical damage and could adversely affect property valuations.	• A climate change policy is in place. • Conduct climate risk assessments for all portfolios. • Science-based targets with a view to achieving long-term decarbonisation have been established. • Monitor and reduce carbon emissions from construction activities and embodied carbon from major building and construction materials.

DIRECTORS AND OFFICERS

Executive Directors

SWIRE, Merlin Bingham, aged 46, has been a Director of the Company since January 2009 and its Chairman since July 2018. He is also Chairman of John Swire & Sons (H.K.) Limited and Swire Pacific Limited. He is also Deputy Chairman and a shareholder of John Swire & Sons Limited and a Director of Cathay Pacific Airways Limited. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London.

BRADLEY, Guy Martin Coutts, aged 54, has been a Director of the Company since January 2008 and Chief Executive since January 2015. He is also a Director of John Swire & Sons (H.K.) Limited. He joined the Swire group in 1987 and has worked with the group in Hong Kong, Papua New Guinea, Japan, the United States, Vietnam, Mainland China, Taiwan and the Middle East. He is a chartered surveyor and a Fellow of The Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors.

LUNG, Ngan Yee Fanny, aged 53, has been Finance Director of the Company since October 2017. She was previously Group Director Finance of Hong Kong Aircraft Engineering Company Limited. She joined the Swire group in 1992.

Non-Executive Directors

FENWICK, Nicholas Adam Hodnett, aged 59, has been a Director of the Company since May 2018. He is also a Director of John Swire & Sons Limited. He was employed by the Swire group from 1985 to 1995 and worked for the group in Hong Kong, Singapore, Taiwan, the Philippines and the U.S.A.

HEALY, Patrick, aged 54, has been a Director of the Company since January 2015. He is also Chairman of Cathay Pacific Airways Limited and Swire Coca-Cola Limited and a Director of John Swire & Sons (H.K.) Limited and Air China Limited. He joined the Swire group in 1988 and has worked with the group in Hong Kong, Germany and Mainland China.

LIM, Siang Keat Raymond, aged 60, has been a Director of the Company since July 2013. He is also Senior Adviser to John Swire & Sons (H.K.) Limited. He is Executive Chairman of APS Asset Management Pte Ltd and a Director of Hong Leong Finance Limited and Raffles Medical Group Ltd. He was a Member of the Singapore Parliament from 2001 to 2015.

LOW, Mei Shuen Michelle, aged 59, has been a Director of the Company since September 2010. She is also Finance Director of Swire Pacific Limited and a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited. She joined the Swire group in 1987.

Independent Non-Executive Directors

CHENG, Lily Ka Lai, aged 41, has been a Director of the Company since March 2017. She is an Independent Non-Executive Director of Chow Tai Fook Jewellery Group Limited, Octopus Cards Limited, SUNeVision Holdings Ltd. as well as an Adviser to Mars Inc. and HotelBeds Group. She is an Executive Director of Hubel Labs Limited and was the former President of TripAdvisor Asia Pacific and Senior Director at Expedia Inc.

CHOI, Tak Kwan Thomas, aged 64, has been a Director of the Company since May 2019. He is a Fellow of the Royal Institution of Chartered Surveyors in the U.K. and of The Hong Kong Institute of Surveyors. He is also an Authorized Person (Surveyor). He was a member of the Appeal Tribunal Panel (Buildings) from December 2000 to November 2013. He was employed by the Company in Hong Kong from 1981 to 2002. He was employed by China Resources (Holdings) Company Limited and worked in Mainland China from 2002 until his retirement in 2016.

FUNG, Spencer Theodore, aged 46, has been a Director of the Company since December 2012. He is an Executive Director and Group Chief Executive Officer of Li & Fung Limited. He is also a Member of the General Committee of The Hong Kong Exporters' Association, Young Presidents' Organization and the Board of Trustees at Northeastern University.

WANG, Jinlong, aged 62, has been a Director of the Company since September 2019. He is the Chairman and Chief Executive Officer of PizzaExpress Group Holdings Limited. He is also an Operating Partner of Hony Capital Limited and a Director of Sonova Holding AG. He was previously President of Starbucks Asia Pacific, and Chairman and President of Starbucks Greater China.

WU, May Yihong, aged 52, has been a Director of the Company since May 2017. She is Board Advisor of Homeinns Hotel Group and an Independent Director of Noah Holdings Limited.

Company Secretary

FLAHERTY, St.John Andrew, aged 73, has been Company Secretary since January 2020. He is a solicitor qualified to practise in Hong Kong and England and Wales. He retired as a partner in Slaughter and May and joined the Swire group as Senior Adviser in 2007.

Notes:

1. The Audit Committee comprises M.Y. Wu (committee chairman), L.K.L. Cheng and M.M.S. Low.
2. The Remuneration Committee comprises S.T. Fung (committee chairman), T.T.K. Choi and N.A.H. Fenwick.
3. G.M.C. Bradley, P. Healy, M.M.S. Low, F.N.Y. Lung and M.B. Swire are employees of the John Swire & Sons Limited group.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31st December 2019, which are set out on pages 110 to 183.

Principal Activities

The principal activities of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") are: (i) property investment, that is the development, leasing and management of commercial, retail and some residential properties; (ii) property trading, that is the development and construction of properties, principally residential apartments, for sale; and (iii) investment in and operation of hotels.

The principal activities of the Company's principal subsidiary, joint venture and associated companies are shown on pages 181 to 183. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 8 to the financial statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") together with the Group's interests in joint venture and associated companies. Details of the joint venture and associated companies are provided in notes 20 and 21 to the financial statements.

Dividends

The Directors have declared a second interim dividend of HK$0.59 per share for the year ended 31st December 2019. Together with the first interim dividend of HK$0.29 per share paid on 3rd October 2019, this makes a total dividend for the year of HK$0.88 (2018: HK$0.84) per share. This represents a total distribution for the year of HK$5,148 million. The second interim dividend, which totals HK$3,451 million (2018: HK$3,334 million), will be paid on 7th May 2020 to shareholders registered at the close of business on the record date, being Friday, 3rd April 2020. Shares of the Company will be traded ex-dividend as from Wednesday, 1st April 2020.

The Company's dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profits in ordinary dividend over time.

Closure of Register of Members

The register of members will be closed on Friday, 3rd April 2020, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 2nd April 2020.

To facilitate the processing of proxy voting for the annual general meeting to be held on 12th May 2020, the register of members will be closed from 7th May 2020 to 12th May 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 6th May 2020.

Business Review

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chairman's Statement, Key Business Strategies, Review of Operations, Financial Review and Financing and in the notes to the financial statements. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Sustainable Development. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group is provided in the sections of this annual report headed Sustainable Development, Corporate Governance and Directors' Report.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 36 and 37 to the financial statements.

Share Capital

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year and the Group has not adopted any share option scheme.

At 31st December 2019, 5,850,000,000 shares were in issue (31st December 2018: 5,850,000,000 shares). Details of the movement of share capital are set out in note 35 to the financial statements.

Accounting Policies

The principal accounting policies of the Group are set out in the section of this annual report headed Principal Accounting Policies.

Auditors

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Financial Review

A review of the consolidated results, financial position and cash flows is shown in the section of this annual report headed Financial Review. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown in the section of this annual report headed Ten-Year Financial Summary.

Corporate Governance

The Company complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

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

Details of the Company's corporate governance practices are set out in the section of this annual report headed Corporate Governance.

Environmental, Social and Governance

The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report.

Donations

During the year, the Group made donations for charitable purposes of HK$20 million and donations towards various scholarships of HK$0.3 million.

Fixed Assets

For details of movements in fixed assets refer to notes 15 and 16 to the financial statements.

The annual valuation of the Group's investment property portfolio, whether completed or in the course of development, was carried out by professionally qualified valuers (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer) on the basis of market value at 31st December 2019. This valuation resulted in an increase of HK$3,720 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given in the section of this annual report headed Schedule of Principal Group Properties.

Borrowings

For details of the Group's borrowings refer to the section of this annual report headed Financing.

Interest

For details of the amount of interest capitalised by the Group refer to page 66.

Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and suppliers respectively.

Directors

The Directors of the Company at the date of this report are listed in the section of this annual report headed Directors and Officers. T.T.K. Choi was appointed as a Director of the Company with effect from the conclusion of the Company's 2019 Annual General Meeting held on 14th May 2019 ("2019 AGM"). J.L. Wang was appointed as a Director of the Company with effect from 12th September 2019. S.C. Liu retired as a Director of the Company at the conclusion of the 2019 AGM. All the other Directors at the date of this report served throughout the year 2019.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (listed in the section of this annual report headed Directors and Officers) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

The Board considers that all of its Independent Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules.

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, L.K.L. Cheng, R.S.K. Lim, M.M.S. Low and M.Y. Wu retire this year and, being eligible, offer themselves for re-election. T.T.K. Choi and J.L. Wang, having been appointed to the Board under Article 91 since the last annual general meeting, also retire this year and offer themselves for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 9 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$3.1 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 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					
	Beneficial Interest					
	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Voting Shares (%)	Note
Swire Properties Limited						
L.K.L. Cheng	1,000	–	–	1,000	0.00002	

	Capacity					
	Beneficial Interest					
	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
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)
8% Cum. Preference Shares of £1						
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					
	Beneficial Interest					
	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Voting Shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
L.K.L. Cheng	10,000	–	–	10,000	0.0011	

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 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).

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.

Other than as stated in this report, no transaction, arrangement or contract of significance to which the Group was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Businesses

None of the Directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2019 or during the period from 1st January 2020 to the date of this Report are kept at the Company's registered office and made available for inspection by the members of the Company in accordance with Section 390(6) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

Permitted Indemnity

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), every Director is entitled under the Company's Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by such Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 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 31st December 2019:

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

(2) John Swire & Sons Limited 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 John Swire & Sons Limited group being interested in 55.20% of the equity of Swire Pacific Limited and controlling 64.28% of the voting rights attached to shares in Swire Pacific Limited.

Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total number of issued shares must at all times be held by the public. The Company has been granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a waiver from strict compliance with Listing Rule 8.08(1) so as to allow a lower public float percentage of 10% (or such higher percentage as was held by the public upon completion of the listing of the shares of the Company on the Stock Exchange). On such completion on 18th January 2012, the public float percentage was approximately 10.28%. From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 10.28% of the Company's total number of issued shares are held by the public.

Termination of American Depositary Receipts Programme

The Company's sponsored Level 1 American Depositary Receipts ("ADR") programme came into effect on 5th September 2014. The Bank of New York Mellon was the sponsor. Under the programme, the Company's ADRs were traded in the over-the-counter market, but not listed, on the New York Stock Exchange under the depositary receipt symbol 'SWROY' and in the ratio of 1 ADR to 5 shares of the Company. As participation in the programme was low and declining, and outstanding ADRs represented only approximately 0.000003% of the Company's total issued shares in 2018, a notice of termination was sent to The Bank of New York Mellon (as sponsor of the programme) on 18th December 2018 and the programme was terminated on 5th September 2019.

Continuing Connected Transactions

During the year ended 31st December 2019, the Group had the following continuing connected transactions, details of which are set out below:

(a) Services Agreement

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and its subsidiaries advice and expertise of the directors and senior officers of the Swire group, including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, certain staff services (including full or part time services of members of the staff of the Swire group), certain central services and such other services as may be agreed from time to time, and procured for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. The procuration obligation would fall away if the Services Agreement were terminated or not renewed.

In return for these services, JSSHK receives annual service fees calculated as 2.5% of the Company's consolidated profit before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in arrear in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The Services Agreement, which was entered into between JSSHK and the Company on 1st December 2004, took effect from 1st January 2005, was renewed on 1st October 2007, was amended and restated with effect from 1st January 2010, was renewed again on 1st October 2010, 14th November 2013 and 1st October 2016, was amended and restated on 9th August 2019 and was renewed again on 1st October 2019. The current term of the Services Agreement is from 1st January 2020 to 31st December 2022 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2019 are given in note 42 to the financial statements.

(b) Tenancy Framework Agreement

The Company, JSSHK and Swire Pacific entered into a tenancy framework agreement ("Tenancy Framework Agreement") on 14th August 2014 to govern existing and future tenancy agreements between members of the Group, members of the JSSHK group and members of the Swire Pacific group. The Tenancy Framework Agreement, which took effect from 1st January 2014 and was renewed on 1st October 2015, was renewed again on 1st October 2018 for a term of three years from 1st January 2019 to 31st December 2021. It is renewable for successive periods of three years thereafter unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JSSHK group and members of the Swire Pacific group enter into tenancy agreements from time to time on normal commercial terms based on prevailing market rentals.

For the year ended 31st December 2019, the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement totalled HK$196 million.

At 31st December 2019, the Swire group was interested in 55.20% of the equity of Swire Pacific and controlled 64.28% of the voting rights attached to shares in Swire Pacific and Swire Pacific owned 82.00% of the Company's total number of issued shares. JSSHK, as a wholly-owned subsidiary of Swire, and Swire Pacific are therefore connected persons of the Company under the Listing Rules. The transactions under the Services Agreement and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 9th August 2019 and 10th May 2018 respectively were published.

As directors and/or employees of (or in one case as an adviser to) the Swire group, G.M.C. Bradley, N.A.H. Fenwick, P. Healy, R.S.K. Lim, M.M.S. Low, F.N.Y. Lung and M.B. Swire are interested in the Services Agreement and the Tenancy Framework Agreement. N.A.H. Fenwick and M.B. Swire are so interested as shareholders of Swire.

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that the relevant annual caps have been exceeded.

On behalf of the Board

Merlin Swire
Chairman
Hong Kong, 12th March 2020

SUSTAINABLE DEVELOPMENT

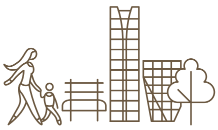
We believe that long-term value creation depends on the sustainable development of our business and the communities in which we operate.

In 2019, Swire Properties continued its Sustainable Development 2030 Strategy ("SD 2030 Strategy"). The SD 2030 Strategy incorporates specific commitments, and through working closely with all relevant parties, is designed to integrate sustainable development ("SD") into every aspect of our business. Our SD 2030 Strategy has five pillars:

SD2030

Places | People | Partners | Performance (Environment) | Performance (Economic)

Sustainable Development (SD) 2030 Strategy: 2019 Highlights



Places

Through effective placemaking and long-term placekeeping, we aim to continue to transform the places in which we invest so as to create value, whilst retaining their character, supporting communities and enhancing people's lives.

Impact Reporting

First **Places Impact Report** for Taikoo Place will be published in 2020

Developed a methodology for assessing, measuring and reporting on the impacts of our developments

People

We aim to create an environment where our employees will be healthier, happier and more productive, to invest in our employees and to provide rewarding career paths so as to develop a diverse and industry-leading team.

Talent Retention

2019 Progress

>169,000 training hours delivered

26.2 training hours/employee/year

Safety, Health and Wellbeing

2020 KPI	2019 Progress
Maintain Lost Time Injury Rate ("LTIR") below 2.0	LTIR: **1.63**

Diversity & Inclusion ("D&I")

2020 KPI	2019 Progress
Public disclosure of data on gender, age, job level, pay, and ethnicity	Gender remuneration ratio (female to male): **1 to 1** Women hold **51%** of management positions
Develop a flexible working policy and guidelines	Achieved and launched a **flexible working policy and guidelines**

Volunteering

2019 Progress

Community Ambassador Programme contributed **>7,000** volunteer service hours, supporting **98** activities

Partners

We aim to continue to develop long-term, mutually beneficial relationships with our business partners and other key parties so as to improve our environmental, social and economic performance.

Suppliers

2020 KPI	2019 Progress
Develop programmes for supply chain improvements	Organised our first **sustainability engagement events** for suppliers and business partners in Hong Kong and Mainland China

HK$48 million of Green Procurement spending[2]

Tenants

2020 KPI	2019 Progress
Introduce sustainability guidelines for commercial tenants undertaking new fit-outs and renovations	Launched sustainability fit-out and renovation guidelines for office and retail tenants

Recognised **8** F&B tenants in Hong Kong and Mainland China with Green Kitchen Awards

9 million kWh potential annual energy savings from free energy audits for Hong Kong and Mainland China tenants (since 2008)

1 Disclaimer: www.swireproperties.com/sd/awards/mscidisclaimer.html
2 Products that meet specific environmental criteria such as green certification or accreditation by reputable, independent third parties.
3 Carbon intensity reduction targets reference the business-as-usual ("BAU") baseline year of 2008 for our Hong Kong portfolio and the first BAU baseline year for which a complete calendar year of data was available for projects in our Mainland China portfolio.
4 Hong Kong portfolio and Mainland China portfolio refer to our office and retail portfolios in Hong Kong and Mainland China respectively, excluding hotels.
5 Task Force on Climate-related Financial Disclosures.
6 Energy consumption refers to purchased electricity for the provision of shared services for and in the common parts of our buildings, with reference to the BAU baseline year of 2008 for our Hong Kong portfolio and the first BAU baseline year for which a complete calendar year of data was available for projects in our Mainland China portfolio.
7 Hong Kong portfolio refers to our office and retail portfolios and hotels in Hong Kong.
8 For Mainland China portfolio, this refers to the commercial waste recycling rate.
9 Hong Kong portfolio and Mainland China portfolio refer to our office and retail portfolios and hotels in Hong Kong and Mainland China respectively.
10 BEAM Plus/LEED/China Green Building Design Label/WELL certification.
11 Projects under development refers to projects that are under construction or at the precertification stage. This includes non-joint venture projects only.
12 Measured as the percentage of total gross floor area.

Performance (Environment)

We aim to continue to design, construct and manage high quality developments that contribute positively to the communities in which we operate and the environment.

Climate Change

2020 KPI	2019 Progress
Carbon intensity[3]	
Hong Kong Portfolio[4] ↓27%	Hong Kong Portfolio[4] ↓28%
Mainland China Portfolio[4] ↓21%	Mainland China Portfolio[4] ↓19.9%

First Hong Kong and Mainland China developer to have **science-based targets** approved to drive long-term decarbonisation

Continued to publish **climate-related financial disclosures** as per TCFD[5] recommendations

Energy

2020 KPI	2019 Progress
Energy consumption[6]	
Hong Kong Portfolio[7] ↓ 64 million kWh/year ↓26%	Hong Kong Portfolio[7] ↓ 62.7 million kWh/year ↓26.9%
Mainland China Portfolio[4] ↓ 23 million kWh/year ↓20%	Mainland China Portfolio[4] ↓ 23.2 million kWh/year ↓19.4%

Waste

2020 KPI	2019 Progress
Commercial waste diversion rate[8] 25%	Hong Kong Portfolio[9] 21.7%
	Mainland China Portfolio[9] 32.5%

Building/Asset Investment

2020 KPI

Target the highest environmental building assessment scheme[10] rating for all projects under development[11]

2019 Progress

100% of projects under development achieved the highest ratings

97% of all existing buildings[12] are certified green buildings, of which **84%** achieved the highest ratings

Performance (Economic)

We aim to deliver sustainable economic performance coupled with good corporate governance and high ethical standards.

Financial Performance

2020 KPI

Long-term sustainable growth in shareholder value

2019 Progress

HK$24,130 million underlying profit attributable to shareholders

Green Financing

2020 KPI

Review, develop and issue green bond

2019 Progress

100% of the net proceeds from our first green bond of **US$500 million** allocated to green projects

Green Bond Report 2019 published

Launched our first **sustainability-linked loan** of **HK$500 million**, with the interest rate indexed against the Company's year-on-year ESG performance improvement

Disclosure and Reporting

2020 KPI

Disclose SD information in accordance with the requirements of relevant major global sustainability benchmarks

2019 Progress

Member of Dow Jones Sustainability Indices In collaboration with RobecoSAM

Top ten globally, No. 1 in Asia; Member of the World Index

GRESB Real Estate Sector Leader 2019

Global Sector Leader

Hang Seng Corporate Sustainability Index Series Member 2019-2020

Highest total score among constituents; "AAA" rating

MSCI ESG Ratings

"AAA" rating

The Sustainability Yearbook 2020

The only Hong Kong and Mainland China developer listed

FTSE4Good

Launched HOMETOWN HEROES: I AM A DREAM MAKER, a city-wide youth empowerment scheme

Hong Kong

Debuted fashion photography exhibition "Beyond Fashion" at ArtisTree

Hong Kong

Places

Places are at the heart of, and central to, the achievement of our SD 2030 Strategy.

Swire Properties' Placemaking Academy

In 2019, we introduced a mentorship programme called *Swire Properties Placemaking Academy.* Students attended lectures by senior management, event-planning experts and thought leaders. We continued our community outreach programme called HOMETOWN HEROES. In I AM A DREAM MAKER, 14 university students planned our annual White Christmas Street Fair (which was cancelled in 2019 because of social unrest).

Swire Properties Arts Month

In March 2019, in conjunction with Art Basel Hong Kong for the seventh year, we hosted events and a public Dialogue Series at the VIP Lounge (called Spectrum) at this major art show. Pacific Place, Taikoo Place and Starstreet Precinct hosted art installations and live performances during the Swire Properties Arts Month programme.

ArtisTree

In 2019, we hosted over 100 events, performances and exhibitions for 27,000 visitors to Taikoo Place. These demonstrated our efforts to make world-class arts and culture programmes part of everyday life, and to build a better workplace experience. The programmes included *Beyond Fashion, Urban Playgrounds, ArtisTree Selects' Theatre Bites* and *Moving Pieces.*

Canton Culture Workshops 2019

These workshops had five themes, dress, culinary, architecture, customs and recreation and arts and crafts. The final event in December was an exhibition called Reminiscing Through Cantonese Living, which compared old and modern Canton lifestyles. 25 Swire Properties community ambassadors took part, contributing 168 community service hours.

People

The contributions of our employees are critical to our success.

Employees – Talent

Swire Properties employs over 5,000 people in Hong Kong, Mainland China and the U.S.A. Attracting and developing talented employees is central to our success. We are an equal opportunities employer and aim to provide an environment at work that is respectful, challenging, rewarding and safe.

In 2019, we provided more than 169,000 hours of training and development in topics including leadership and management, health and safety and employee wellness.

Health and Safety

In 2019, our lost time injury rate increased by 10.9% and our lost day rate decreased by 20.5% compared to 2018. The increase in our lost time injury rate was primarily due to injuries resulting from lifting and carrying, and from slips, trips and falls. We have carried out corrective measures

Held the annual charity book sale "BOOKS for LOVE @ $10" at Taikoo Place

Hong Kong

Helped to build houses for impoverished families in Chengdu

Mainland China

and have reviewed our compulsory induction safety training for frontline staff to identify ways to address these sources of injury.

An e-learning platform for senior management was introduced in 2019, providing them with an insight into key aspects of health and safety in the workplace and an appreciation of current health and safety legislation, and providing them with the means of promoting safety culture.

Our Sustainable Development Report 2018 won a Gold Occupational Safety and Health Annual Report Award. A senior technical supervisor won a merit award at the 11th Outstanding Occupational Safety and Health Employee Award Scheme, which is organised by the Hong Kong Occupational Safety and Health Council.

Volunteering

In 2019, almost 1,900 Swire Properties community ambassadors took part in 98 activities, contributing more than 7,000 hours of service in Hong Kong, Mainland China and Miami.

In April 2019, we held our annual charity book sale (called BOOKS for LOVE @ $10) at Taikoo Place. The event attracted more than 65,000 visitors and raised over HK$750,000. All proceeds were donated to The Boys' and Girls' Clubs Association of Hong Kong and The Agency for Volunteer Service.

In June 2019, 48 community ambassadors from Hong Kong, Guangzhou, Beijing and Chengdu helped to build houses for impoverished local families in Chengdu in Sichuan and taught children at a Chengdu community centre. They donated more than 600 children's books, engaged 138 primary school students and helped to build two houses.

Pacific Place's 30th Anniversary Celebrations

For 10 weeks in 2019, we organised workshops on arranging flowers, mindful eating and calligraphy. All 140 Pacific Place staff received cupcakes with a personalised note during their birthday months as a token of appreciation for their hard work.

With St. James' Settlement, Pacific Place invited 30 children to a Movie Bash at AMC Pacific Place. We donated HK$300,000 to St. James' Settlement to provide 1,000 underprivileged children with learning materials.

Partners

Our business partners play a critical part in the success of our SD 2030 Strategy.

Suppliers

We include our suppliers in our approach to sustainable development. We address ethical conduct, labour standards, human rights, product responsibility and environmental impact. We address sustainability and manage risk in our supply chain through our supplier monitoring and evaluation system and our supplier code of conduct.

Hosted first Sustainability Engagement Forum with 80 business partners in attendance

Hong Kong

First Hong Kong and Mainland China developer to have science-based targets approved

Mainland China & Hong Kong

We monitor our green purchasing with a green procurement tracking system. In 2019, procurement of building materials, building services equipment and office supplies was monitored. HK$48 million worth of green products was procured.

Tenants

We aim to work closely with our commercial tenants to integrate sustainability practices into their operations. We offer office and retail tenants in Hong Kong, Beijing, Guangzhou, Shanghai and Chengdu free energy audits to help them to identify energy saving opportunities. By 31st December 2019, our energy audits had covered approximately five and a half million square feet of tenanted area.

More than 70 of our retail tenants in Hong Kong have joined the Green Shop Alliance, which is intended to embed sustainability in their daily operations.

Discover Taikoo Place

Discover Taikoo Place took place in May 2019. With 26 tenants and 53 other organisations we demonstrated what we offer, reinforcing Taikoo Place's position as a vibrant and dynamic office development in Hong Kong. There were more than 7,500 participants in more than 60 events dealing with wellness, culture, gourmet activities and business.

Performance (Environment)

As a leading property developer, we are committed to building and managing our developments sustainably.

Climate Change

We recognise that climate change poses risks to and opportunities for our business. In 2019, we continued to assess climate risks for our properties, with a view to protecting them from the impact of climate change and to building climate resilience into our business.

Our science-based targets were officially approved in 2019 by the Science Based Targets initiative. We are the first developer from Hong Kong and Mainland China to establish long-term decarbonisation goals in line with the Paris Agreement.

Energy

In 2019, our energy intensity* decreased by 4.7% compared to 2018 in our Hong Kong and Mainland China properties. The reduction reflected better monitoring of heating, ventilation and air conditioning systems, the introduction of electrically-commutated motor plug fans, the retrofitting of air conditioning systems and the use of more energy efficient lighting.

We intend to reduce our energy consumption* in our Hong Kong properties by 64 million kWh per year by 2020, as compared to the baseline year of 2008. We intend to reduce the energy consumption* in our Mainland China properties by 23 million kWh per year by 2020 from its

Won the Pioneer Award in the Green Building Leadership – Developer category at the Green Building Awards 2019

Hong Kong

Won the Grand Award at Hong Kong Management Association's Hong Kong Sustainability Award 2018/19

Hong Kong

amount in the first complete calendar year for which electricity consumption data was collected.

* *Energy intensity and energy consumption are measured using the consumption of electricity for the provision of shared services and in the common parts of our buildings.*

Waste

We aim to reduce waste as much as we can. In 2019, we provided guidelines and training for our tenants on how to handle and separate food waste. Tenant participation in our food waste recycling programme at Citygate, Cityplaza, Taikoo Place, Pacific Place and Island Place grew by 34% compared with 2018.

Green Building

In 2019, Two Taikoo Place achieved Precertification Platinum rating under WELL Core and Shell Version 1 and Provisional Platinum rating under the BEAM Plus New Buildings Version 1.2. One Taikoo Place achieved Final Platinum rating under WELL Core and Shell Version 1. South Island Place achieved Final Platinum rating under the BEAM Plus New Buildings Version 1.2.

INDIGO Mall, ONE INDIGO office tower, EAST, Beijing and Sino-Ocean Taikoo Li Chengdu achieved Final Platinum ratings under LEED Operations and Maintenance Version 4.1. Taikoo Li Qiantan achieved Precertification Platinum rating under WELL Core and Shell Version 1 and Precertification Gold rating under LEED for Building Design and Construction: Core and Shell Development Version 2009.

At the Green Building Awards 2019 in Hong Kong, Swire Properties obtained the Pioneer Award in the Green Building Leadership: Developer category.

Performance (Economic)

We believe that long-term value creation depends on the sustainable development of our business.

Details of our financial performance in 2019 are set out in the rest of this report.

Swire Properties is included in the DJSI World, the GRESB, the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI World ESG Leaders Index. For the third year in a row, Swire Properties was the only constituent company from Hong Kong and Mainland China to be listed in the DJSI World. Swire Properties ranked eighth in 2019 out of 23 leading real estate developers from around the world and was No. 1 in Asia.

In July 2019, Swire Properties converted an existing five-year revolving credit facility of HK$500 million into a sustainability-linked loan, with the interest rate being linked to sustainability performance.

In 2019, Swire Properties won six awards at The Hong Kong Management Association's Hong Kong Sustainability Award 2018/2019, comprising the Grand Award, the Hong Kong Sustainability Award and four special recognitions.

Further details of our sustainable development performance, including details of our SD 2030 Strategy, will be set out in our Sustainable Development Report 2019.

Financial Contents

AUDITOR'S REPORT AND ACCOUNTS

SUPPLEMENTARY INFORMATION

EDEN, Singapore

Independent Auditor's Report

pwc

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

Opinion

What we have audited

The consolidated financial statements of Swire Properties Limited ("the Group financial statements") and its subsidiaries ("the Group") set out on pages 110 to 183, which comprise:

- The consolidated statement of financial position as at 31st December 2019;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of other comprehensive income for the year then ended;
- The consolidated statement of cash flows for the year then ended;
- The consolidated statement of changes in equity for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements as at and for the year ended 31st December 2019. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Valuation of investment properties
Refer to note 16 in the Group financial statements

The fair value of the Group's investment properties amounted to HK$277,033 million at 31st December 2019, with a fair value gain of HK$3,720 million recorded in the consolidated statement of profit or loss for the year.

Valuations were obtained from third party valuers (the 'valuers') in respect of 97% of the investment properties as at 31st December 2019. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and market rents. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.

How our audit addressed the Key Audit Matter

Our procedures in relation to the valuation of investment properties included:

- Evaluation of the valuers' competence, capabilities, independence and objectivity;
- Meeting the valuers to discuss the valuations and key assumptions used;
- Review of the external valuation reports to assess the appropriateness of methodologies used;
- Comparison of the capitalisation rates, market rents and expected developer's profit margin used by the valuers to an estimated range, determined by reference to publicly available information by our in-house valuation experts;
- Checking the accuracy of the rental data provided by management to the valuers by agreeing them on a sample basis to the Group's records; and
- For investment properties under development, comparing the estimated construction costs to complete with the Group's budgets.

We found the key assumptions were supported by the available evidence. We found the disclosures in note 16 to be appropriate.

Independent Auditor's Report

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Swire Properties 2019 annual report other than the Group financial statements and our auditor's report thereon ("the Other Information").

Our opinion on the Group financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Group Financial Statements

The directors are responsible for the preparation of Group financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Group Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the Group financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John J. Ryan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12th March 2020

Consolidated Statement of Profit or Loss

For the year ended 31st December 2019

	Note	2019 HK$M	2018 HK$M
Revenue	4	**14,222**	14,719
Cost of sales	5	**(4,028)**	(4,493)
Gross profit		**10,194**	10,226
Administrative and selling expenses		**(1,674)**	(1,576)
Other operating expenses		**(203)**	(206)
Other net gains	6	**5**	246
Profit on sale of subsidiary companies	43(c)	**1,361**	1,223
Profit on sale of a joint venture company	43(d)	**994**	–
Change in fair value of investment properties		**3,720**	19,452
Operating profit		**14,397**	29,365
Finance charges		**(837)**	(995)
Finance income		**338**	113
Net finance charges	10	**(499)**	(882)
Share of profits less losses of joint venture companies		**1,359**	1,825
Share of profits less losses of associated companies		**71**	153
Profit before taxation		**15,328**	30,461
Taxation	11	**(1,862)**	(1,740)
Profit for the year		**13,466**	28,721
Profit for the year attributable to:			
The Company's shareholders	36	**13,423**	28,666
Non-controlling interests	38	**43**	55
		13,466	28,721
		HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	14	**2.29**	4.90

The notes on pages 115 to 177 and the principal accounting policies on pages 178 to 180 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2019

	2019 HK$M	2018 HK$M
Profit for the year	**13,466**	28,721
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties previously occupied by the Group		
– gains recognised during the year	**16**	11
Defined benefit plans		
– remeasurement gains/(losses) recognised during the year	**50**	(44)
– deferred tax	**(8)**	8
	58	(25)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
– gains/(losses) recognised during the year	**358**	(137)
– reclassification to profit or loss	**(20)**	(21)
– deferred tax	**(56)**	26
Share of other comprehensive income of joint venture and associated companies	**(253)**	(632)
Net translation differences on foreign operations	**(689)**	(1,381)
	(660)	(2,145)
Other comprehensive income for the year, net of tax	**(602)**	(2,170)
Total comprehensive income for the year	**12,864**	26,551
Total comprehensive income attributable to:		
The Company's shareholders	**12,838**	26,516
Non-controlling interests	**26**	35
	12,864	26,551

The notes on pages 115 to 177 and the principal accounting policies on pages 178 to 180 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2019

	Note	2019 HK$M	2018 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**4,457**	7,877
Investment properties	16	**277,033**	273,186
Intangible assets	17	**199**	212
Right-of-use assets	18	**3,416**	–
Properties held for development	19	**1,212**	1,360
Joint venture companies	20	**13,575**	13,540
Loans due from joint venture companies	20	**16,591**	15,251
Associated companies	21	**409**	413
Derivative financial instruments	30	**222**	64
Deferred tax assets	31	**79**	123
Other financial assets at amortised cost	32	**36**	37
		317,229	312,063
Current assets			
Properties for sale	23	**3,604**	1,469
Stocks		**72**	63
Trade and other receivables	24	**1,926**	2,401
Contract assets	24	**–**	16
Amount due from immediate holding company – Swire Pacific Limited	25	**4**	15
Derivative financial instruments	30	**44**	–
Short-term deposits maturing after three months		**22**	1
Cash and cash equivalents	26	**14,963**	2,093
		20,635	6,058
Assets classified as held for sale	33	**–**	15,526
Total current assets		**20,635**	21,584
Current liabilities			
Trade and other payables	27	**8,146**	10,154
Contract liabilities	27	**19**	7
Tax payable		**938**	392
Derivative financial instruments	30	**10**	–
Bank overdrafts and short-term loans	29	**84**	234
Long-term loans and bonds due within one year	29	**6,224**	996
Lease liabilities due within one year	28	**52**	–
		15,473	11,783
Liabilities directly associated with assets classified as held for sale	33	**–**	207
Total current liabilities		**15,473**	11,990
Net current assets		**5,162**	9,594
Total assets less current liabilities		**322,391**	321,657
Non-current liabilities			
Long-term loans and bonds	29	**23,421**	30,769
Long-term lease liabilities	28	**496**	–
Other payables	27	**–**	601
Derivative financial instruments	30	**17**	70
Deferred tax liabilities	31	**9,381**	8,716
Retirement benefit liabilities	34	**165**	210
		33,480	40,366
NET ASSETS		**288,911**	281,291
EQUITY			
Share capital	35	**10,449**	10,449
Reserves	36	**276,478**	268,826
Equity attributable to the Company's shareholders		**286,927**	279,275
Non-controlling interests	38	**1,984**	2,016
TOTAL EQUITY		**288,911**	281,291

Merlin B. Swire
May Y. Wu
Directors

Hong Kong, 12th March 2020

The notes on pages 115 to 177 and the principal accounting policies on pages 178 to 180 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2019

	Note	2019 HK$M	2018 HK$M
Operating activities			
Cash generated from operations	43(a)	**5,499**	11,619
Interest paid		**(990)**	(1,116)
Interest received		**276**	110
Tax paid		**(586)**	(1,443)
		4,199	9,170
Dividends received from joint venture and associated companies and financial assets at fair value through other comprehensive income		**176**	221
Net cash from operating activities		**4,375**	9,391
Investing activities			
Purchase of property, plant and equipment	43(b)	**(120)**	(121)
Additions to investment properties		**(1,962)**	(3,917)
Additions to assets classified as held for sale/other current assets		**–**	(452)
Purchase of intangible assets		**(23)**	(16)
Proceeds from sale of property, plant and equipment		**1**	–
Proceeds from sale of investment properties		**295**	350
Proceeds from sale of subsidiary companies	43(c)	**16,985**	7,857
Proceeds from sale of a joint venture company	43(d)	**2,352**	–
Equity to joint venture companies		**(214)**	(1,670)
Loans to joint venture companies		**(2,452)**	(1,555)
Repayment of loans by joint venture companies		**1,020**	338
Increase in deposits maturing after three months		**(21)**	(1)
Initial leasing costs incurred		**(19)**	(60)
Net cash from investing activities		**15,842**	753
Net cash inflow before financing		**20,217**	10,144
Financing activities			
Loans drawn and refinanced		**657**	2,426
Bonds issued		**–**	3,917
Repayment of loans and bonds		**(2,844)**	(6,232)
Principal elements of lease payments		**(48)**	–
		(2,235)	111
Repayment of loans to a fellow subsidiary company		**–**	(5,177)
Dividends paid to the Company's shareholders	36	**(5,031)**	(4,622)
Dividends paid to non-controlling interests	38	**(58)**	(24)
Net cash used in financing activities		**(7,324)**	(9,712)
Increase in cash and cash equivalents		**12,893**	432
Cash and cash equivalents at 1st January		**2,093**	1,708
Currency adjustment		**(23)**	(47)
Cash and cash equivalents at end of the year		**14,963**	2,093
Represented by:			
Bank balances and short-term deposits maturing within three months	26	**14,963**	2,093

The notes on pages 115 to 177 and the principal accounting policies on pages 178 to 180 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2019

	Note	Attributable to the Company's shareholders				Non-controlling interests HK$M	Total equity HK$M
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M		
At 1st January 2019							
as originally stated		**10,449**	**269,010**	**(184)**	**279,275**	**2,016**	**281,291**
adjustment on adoption of HKFRS 16		**–**	**(155)**	**–**	**(155)**	**–**	**(155)**
as restated		**10,449**	**268,855**	**(184)**	**279,120**	**2,016**	**281,136**
Profit for the year		**–**	**13,423**	**–**	**13,423**	**43**	**13,466**
Other comprehensive income		**–**	**42**	**(627)**	**(585)**	**(17)**	**(602)**
Total comprehensive income for the year	*36, 38*	**–**	**13,465**	**(627)**	**12,838**	**26**	**12,864**
Dividends paid		**–**	**(5,031)**	**–**	**(5,031)**	**(58)**	**(5,089)**
At 31st December 2019		**10,449**	**277,289**	**(811)**	**286,927**	**1,984**	**288,911**

	Note	Attributable to the Company's shareholders				Non-controlling interests HK$M	Total equity HK$M
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M		
At 1st January 2018		10,449	245,002	1,930	257,381	1,997	259,378
Profit for the year		–	28,666	–	28,666	55	28,721
Other comprehensive income		–	(36)	(2,114)	(2,150)	(20)	(2,170)
Total comprehensive income for the year	*36, 38*	–	28,630	(2,114)	26,516	35	26,551
Dividends paid		–	(4,622)	–	(4,622)	(24)	(4,646)
Capital contribution from a non-controlling interest accrued		–	–	–	–	8	8
At 31st December 2018		10,449	269,010	(184)	279,275	2,016	281,291

The notes on pages 115 to 177 and the principal accounting policies on pages 178 to 180 form part of these financial statements.

Notes to the Financial Statements

General Information

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 181 to 183.

1. Changes in Accounting Policies and Disclosures

(a) 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 in the statement of financial position for all leases by lessees, except for leases that have a lease term of twelve months or less and leases of low-value assets. 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.

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 incremental borrowing rate of the lessees 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:

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

Notes to the Financial Statements

1. Changes in Accounting Policies and Disclosures *(continued)*

Adjustment recognised on adoption of HKFRS 16 (continued)

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
Assets			
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
		356	

	As originally stated HK$M	Adjustments on adoption of HKFRS 16 HK$M	As restated HK$M
Liabilities			
Trade and other payables	10,154	(27)	10,127
Lease liabilities	–	538	538
		511	
Equity			
Reserves	268,826	(155)	268,671
Non-controlling interests	2,016	–	2,016
		(155)	

For the year ended 31st December 2019, the change in accounting policy has increased the profit for the year by HK$70 million.

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 twelve 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.

Please refer to note 18 for the accounting policies of right-of-use assets and lease liabilities.

1. Changes in Accounting Policies and Disclosures *(continued)*

(b) The Group has not early adopted the following relevant new and revised standards that have been issued but are effective for annual periods beginning on or after 1st January 2020 and such standards have not been applied in preparing these consolidated financial statements.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
HKFRS 17	Insurance Contracts[2]

[1] To be applied by the Group from 1st January 2020.
[2] To be applied by the Group from 1st January 2021.

None of these new and revised standards is expected to have a significant effect on the Group's financial statements.

2. Financial Risk Management

Financial risk factors

The Group is exposed to financial risks attributable to interest rates, currency, credit and liquidity. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate exposure

The Group's interest rate risk arises primarily from borrowings from banks and issuance of bonds. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits and some loans due from joint venture companies.

The Group has entered into cross-currency swap contracts in relation to US dollar medium-term notes. The Group has entered into interest rate swaps to manage its long-term interest rate exposure.

The impact on the Group's statement of profit or loss and other comprehensive income of a 100 basis-points increase or decrease in market interest rates from the rates applicable at 31st December, with all other variables held constant, would have been:

	100 basis-points increase in interest rates HK$M	100 basis-points decrease in interest rates HK$M
At 31st December 2019		
Impact on statement of profit or loss: gain/(loss)	**89**	**(89)**
Impact on other comprehensive income: gain/(loss)	**35**	**(34)**
At 31st December 2018		
Impact on statement of profit or loss: (loss)/gain	(60)	60
Impact on other comprehensive income: gain/(loss)	78	(81)

Notes to the Financial Statements

2. Financial Risk Management *(continued)*

(i) Interest rate exposure (continued)

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments
- Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
- Changes in market interest rates affect the fair value of derivative financial instruments
- All other variable financial assets and liabilities are held constant

(ii) Currency exposure

The Group operates internationally and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in Renminbi and US dollars.

The Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. However, the Group is exposed to insignificant foreign exchange risk on US dollar medium-term notes and the Group managed this exposure by hedging through cross-currency swap contracts entered by the Group.

Foreign currency funding and deposit exposure are monitored on a continuous basis. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

The impact on the Group's statement of profit or loss and other comprehensive income of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.786 (2018: 7.8336), with all other variables held constant, would have been:

	Strengthening in HK$ to lower peg limit (7.75) HK$M	Weakening in HK$ to upper peg limit (7.85) HK$M
At 31st December 2019		
Impact on statement of profit or loss:	**–**	**–**
Impact on other comprehensive income: (loss)/gain	**(6)**	**11**
At 31st December 2018		
Impact on statement of profit or loss:	–	–
Impact on other comprehensive income: (loss)/gain	(6)	6

2. Financial Risk Management *(continued)*

(ii) Currency exposure (continued)

The analysis is based on a hypothetical situation, as in practice market exchange rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- All foreign currency cash flow hedges are expected to be highly effective
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies
- Currency risk does not arise from financial instruments that are non-monetary items

(iii) Credit exposure

The Group's credit risk is mainly attributable to trade debtors, deposits with financial institutions and receivables from joint venture companies and associated companies.

Risk management
The exposure to these credit risks is closely monitored on a continuous basis by reference to established credit policies. For financial institutions, only independently rated parties with investment grade credit ratings are accepted. Tenants are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. The Group does not grant credit terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. The Group also holds non-interest bearing rental deposits as security against trade debtors. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint venture companies and associated companies through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables
- Contract assets
- Other financial assets at amortised cost

Trade and other receivables and contract assets
The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. As the Group's historical credit loss experience does not indicate different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The expected loss rates are based on the payment profiles over the past three years. These rates are adjusted to reflect current and forward-looking information about economic conditions.

Trade and other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade and other receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost
Other financial assets at amortised cost include other receivables and loans due from related parties. Loans due from joint venture and associated companies and other related companies are considered to have low credit risk as the financial positions and performances of these companies are regularly monitored and reviewed by management of the Group.

Notes to the Financial Statements

2. Financial Risk Management *(continued)*

(iv) Liquidity exposure

The Group takes liquidity risk into consideration when deciding its sources of funds and their respective tenors. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the head office. The head office monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

The tables below analyse the contractual undiscounted cash flows of the Group's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest contractual maturity date.

At 31st December 2019

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	*27*	**642**	**642**	**642**	**–**	**–**	**–**
Rental deposits from tenants	*27*	**2,905**	**2,905**	**795**	**546**	**1,094**	**470**
Other current payables	*27*	**4,035**	**4,035**	**4,035**	**–**	**–**	**–**
Put option in respect of a non-controlling interest	*27*	**564**	**564**	**564**	**–**	**–**	**–**
Lease liabilities	*28*	**548**	**673**	**70**	**70**	**142**	**391**
Borrowings (including interest obligations)	*29*	**29,729**	**33,404**	**7,026**	**2,648**	**11,242**	**12,488**
Derivative financial instruments	*30*	**27**	**27**	**10**	**–**	**17**	**–**
Financial guarantee contracts	*40*	**–**	**2,048**	**170**	**430**	**1,448**	**–**
		38,450	**44,298**	**13,312**	**3,694**	**13,943**	**13,349**

At 31st December 2018

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	*27*	419	419	419	–	–	–
Rental deposits from tenants	*27*	2,751	2,751	453	580	1,242	476
Other current payables	*27*	3,746	3,746	3,746	–	–	–
Put option in respect of a non-controlling interest	*27*	601	644	–	644	–	–
Deposits from the sale of subsidiary companies	*27*	3,238	3,238	3,238	–	–	–
Borrowings (including interest obligations)	*29*	31,999	36,861	2,265	7,865	12,698	14,033
Derivative financial instruments	*30*	70	70	–	6	26	38
Financial guarantee contracts	*40*	–	1,945	1,149	–	796	–
		42,824	49,674	11,270	9,095	14,762	14,547

3. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed in the relevant notes as follows:

Carrying value of property, plant and equipment (note 15)
Fair value of investment properties (note 16)
Retirement benefits (note 34)

4. Revenue

Accounting Policy

Revenue is recognised when a customer obtains control of a good or service and thus has ability to direct the use and obtain benefits from the good or service. Provided the collectability of the related receivable is reasonably assured, revenue is recognised as follows:

Rental income is recognised when a lease commences. According to the contractual obligations, leased properties do not have alternative uses to the Group after the leasing period stipulated in the signed tenancy agreements commences. Rental income is recognised on a straight-line basis over the shortest of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when the lessee's revenue transaction is recognised.

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the buyers. Owing to contractual restrictions, the properties generally do not have alternative uses to the Group after the signing of sales contracts with the buyers. However, in Hong Kong and the U.S.A., an enforceable right to payment does not arise until legal title of the property has been transferred to the buyer and, therefore, revenue is recognised upon completion of the transfer of legal title to the buyer. Revenue from sales of properties in Singapore is recognised over time because after the signing of a sales contract with the buyer, the Group has an enforceable right to payment for performance completed to date. Revenue for these sales of properties is recognised based on the stage of completion of the contract using the input method.

Sales of services, including services provided by hotel operations and estate management, are recognised when the customers receive and consume the benefits provided by the Group. Hence, revenues other than those related to food and beverages are recognised as the Group renders its services over time.

Definition of terms

Contract asset: An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance).

Contract liability: An entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

When the Group enters into sale and purchase contracts for properties or sale contracts for services other than tenancy agreements, if the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognised; if the total payments to date exceed the performance obligation fulfilled, a contract liability is recognised. Deposits received upon signing of sale and purchase contracts, or sale contracts are recognised as contract liabilities.

Direct costs incurred to obtain a contract are capitalised if the Group expects to recover those costs. Costs of obtaining a contract are amortised on a straight line basis over the expected life of the contract. The Group has elected to adopt the practical expedient to expense such direct costs to profit or loss since the period of amortisation is generally one year or less with no material impact to the Group.

Notes to the Financial Statements

4. Revenue *(continued)*

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

	2019 HK$M	2018 HK$M
Gross rental income from investment properties	**12,271**	12,117
Property trading	**516**	1,061
Hotels	**1,296**	1,404
Rendering of other services	**139**	137
	14,222	14,719

The following table presents the significant movements in contract liabilities for the years ended 31st December 2019 and 31st December 2018.

	2019 HK$M	2018 HK$M
At 1st January	**7**	–
Increase in contract liabilities as a result of receiving deposits on sale of trading properties	**18**	7
Revenue recognised that was included in the contract liability balance at the beginning of the year	**(6)**	–
At 31st December	**19**	7

Of the contract liabilities of HK$19 million outstanding at 31st December 2019, HK$7 million is expected to be recognised as revenue within one year and the remaining balance of HK$12 million over one year.

The following table shows unsatisfied performance obligations resulting from contracts with customers.

	2019 HK$M	2018 HK$M
Aggregate amount of the transaction price allocated to revenue contracts that are partially or fully unsatisfied at the end of the year	**471**	195

Of the amount disclosed above at 31st December 2019, HK$89 million is expected to be recognised as revenue within one year.

5. Cost of Sales

	2019 HK$M	2018 HK$M
Direct rental outgoings in respect of investment properties that		
– generated rental income	**2,300**	2,237
– did not generate rental income	**158**	152
	2,458	2,389
Property trading	**392**	870
Hotels	**1,138**	1,193
Rendering of other services	**40**	41
	4,028	4,493

6. Other Net Gains

	2019 HK$M	2018 HK$M
(Loss)/Profit on sale of investment properties	**(17)**	53
Loss on disposal of property, plant and equipment	**(6)**	(9)
Net foreign exchange losses	**(27)**	(3)
Recognition of income on forfeited deposits in respect of trading properties	**6**	5
Others	**49**	200
	5	246

7. Expenses by Nature

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

	2019 HK$M	2018 HK$M
Depreciation of property, plant and equipment (note 15)	**288**	324
Depreciation of right-of-use assets		
– leasehold land held for own use	**26**	–
– property	**20**	–
Amortisation of		
– intangible assets (note 17)	**36**	31
– initial leasing costs in respect of investment properties	**35**	39
Staff costs	**1,975**	1,854
Operating lease rentals		
– properties	**–**	91
– plant and equipment	**–**	6
Short-term lease expenses*	**17**	–
Low-value assets lease expenses*	**16**	–
Auditors' remuneration		
– audit services	**13**	13
– tax services	**4**	6
– other services	**1**	2

* These lease expenses are directly charged to the consolidated statement of profit or loss and are not included in the measurement of lease liabilities under HKFRS 16.

Notes to the Financial Statements

8. 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.

Accounting Policy

Segment information is reported in a manner consistent with the Group's internal financial reporting provided to the executive directors for making strategic decisions. A reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are discloseable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) after depreciation and amortisation HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Profit/(Loss) before taxation HK$M	Taxation HK$M	Profit/(Loss) for the year HK$M	Profit/(Loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Year ended 31st December 2019												
Property investment	**12,410**	**35**	**10,735**	**(760)**	**335**	**942**	**–**	**11,252**	**(1,123)**	**10,129**	**10,061**	**(179)**
Property trading	**516**	**–**	**4**	**(41)**	**3**	**30**	**–**	**(4)**	**(14)**	**(18)**	**(18)**	**–**
Hotels	**1,296**	**3**	**(62)**	**(36)**	**–**	**(46)**	**71**	**(73)**	**3**	**(70)**	**(70)**	**(226)**
Change in fair value of investment properties	**–**	**–**	**3,720**	**–**	**–**	**433**	**–**	**4,153**	**(728)**	**3,425**	**3,450**	**–**
Inter-segment elimination	**–**	**(38)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	14,222	**–**	**14,397**	**(837)**	**338**	**1,359**	**71**	**15,328**	**(1,862)**	**13,466**	**13,423**	**(405)**
Year ended 31st December 2018												
Property investment	12,254	40	9,873	(913)	112	772	–	9,844	(1,052)	8,792	8,732	(160)
Property trading	1,061	–	65	(40)	1	107	–	133	(24)	109	99	–
Hotels	1,404	5	(25)	(42)	–	(117)	153	(31)	(10)	(41)	(41)	(234)
Change in fair value of investment properties	–	–	19,452	–	–	1,063	–	20,515	(654)	19,861	19,876	–
Inter-segment elimination	–	(45)	–	–	–	–	–	–	–	–	–	–
	14,719	–	29,365	(995)	113	1,825	153	30,461	(1,740)	28,721	28,666	(394)

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

8. Segment Information *(continued)*

(a) Information about reportable segments *(continued)*

Analysis of external revenue of the Group – Timing of revenue recognition

	At a point in time HK$M	Over time HK$M	Rental income on leases HK$M	Total HK$M
Year ended 31st December 2019				
Property investment	**1**	**138**	**12,271**	**12,410**
Property trading	**516**	**–**	**–**	**516**
Hotels	**649**	**647**	**–**	**1,296**
	1,166	**785**	**12,271**	**14,222**
Year ended 31st December 2018				
Property investment	1	136	12,117	12,254
Property trading	1,061	–	–	1,061
Hotels	664	740	–	1,404
	1,726	876	12,117	14,719

Analysis of total assets of the Group

	Segment assets HK$M	Joint venture companies* HK$M	Associated companies HK$M	Bank deposits and cash HK$M	Total assets HK$M	Additions to non-current assets HK$M
At 31st December 2019						
Property investment	**281,646**	**25,609**	**–**	**14,703**	**321,958**	**2,282**
Property trading	**4,876**	**3,281**	**–**	**130**	**8,287**	**8**
Hotels	**5,782**	**1,276**	**409**	**152**	**7,619**	**80**
	292,304	**30,166**	**409**	**14,985**	**337,864**	**2,370**
At 31st December 2018						
Property investment	293,340	26,133	–	1,820	321,293	4,938
Property trading	3,034	1,411	–	118	4,563	52
Hotels	5,975	1,247	413	156	7,791	(19)
	302,349	28,791	413	2,094	333,647	4,971

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

Note:
Additions to non-current assets during the year exclude joint venture and associated companies, financial assets at fair value through other comprehensive income, financial instruments, deferred tax assets, retirement benefit assets and other financial assets at amortised cost.

Notes to the Financial Statements

8. Segment Information *(continued)*

(a) Information about reportable segments *(continued)*

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

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Gross borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
At 31st December 2019					
Property investment	**7,792**	**10,278**	**25,817**	**43,887**	**1,863**
Property trading	**327**	**41**	**3,194**	**3,562**	**92**
Hotels	**238**	**–**	**1,266**	**1,504**	**29**
	8,357	**10,319**	**30,277**	**48,953**	**1,984**
At 31st December 2018					
Property investment	10,751	9,063	29,275	49,089	1,897
Property trading	257	45	1,558	1,860	92
Hotels	241	–	1,166	1,407	27
	11,249	9,108	31,999	52,356	2,016

(b) Information about geographical areas

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

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

	Revenue		Non-current assets	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M
Hong Kong	**9,909**	10,704	**243,538**	239,779
Mainland China	**3,096**	2,903	**33,740**	32,247
U.S.A.	**1,217**	1,112	**9,039**	9,460
Others	**–**	–	**–**	1,149
	14,222	14,719	**286,317**	282,635

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

9. Directors' and Executive Officers' Emoluments

(a) The total emoluments of Directors of the Company disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Cash				Non cash				
	Salary HK$'000	Fee HK$'000	Discretionary bonus (note (i)) HK$'000	Allowances and benefits HK$'000	Retirement schemes contributions HK$'000	Discretionary bonus paid to retirement schemes HK$'000	Housing and other benefits (note (ii)) HK$'000	Total 2019 HK$'000	Total 2018 HK$'000
For the year ended 31st December 2019									
Executive Directors									
M.B. Swire (Chairman) (note (iii))	**600**	**–**	**–**	**–**	**2**	**–**	**1,298**	**1,900**	862
J.R. Slosar (note (iv))	**–**	**–**	**365**	**–**	**–**	**–**	**–**	**365**	952
G.M.C. Bradley	**4,975**	**–**	**2,999**	**418**	**3,340**	**984**	**3,747**	**16,463**	11,163
F.N.Y. Lung	**3,360**	**–**	**1,296**	**1,179**	**1,040**	**–**	**–**	**6,875**	3,955
Non-Executive Directors									
M.M.S. Low	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	1,492
P. Healy	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
R.S.K. Lim	**–**	**575**	**–**	**–**	**–**	**–**	**–**	**575**	575
N.A.H. Fenwick (note (v))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
Independent Non-Executive Directors									
S.E. Bradley (note (vi))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	384
L.K.L. Cheng	**–**	**761**	**–**	**–**	**–**	**–**	**–**	**761**	761
S.T. Fung	**–**	**650**	**–**	**–**	**–**	**–**	**–**	**650**	599
S.C. Liu (note (vii))	**–**	**242**	**–**	**–**	**–**	**–**	**–**	**242**	658
M.Y. Wu	**–**	**843**	**–**	**–**	**–**	**–**	**–**	**843**	843
T.T.K. Choi (note (viii))	**–**	**404**	**–**	**–**	**–**	**–**	**–**	**404**	–
J.L. Wang (note (ix))	**–**	**175**	**–**	**–**	**–**	**–**	**–**	**175**	–
Total 2019	**8,935**	**3,650**	**4,660**	**1,597**	**4,382**	**984**	**5,045**	**29,253**	N/A
Total 2018	8,397	3,820	3,576	587	1,660	755	3,449	N/A	22,244

Notes:
(i) The bonuses disclosed above are related to services as executive directors for the previous year.
(ii) Other benefits include medical and insurance benefits and overseas tax subsidies.
(iii) M.B. Swire was a non-executive director until 30th June 2018. He was appointed as Chairman and was re-designated as an executive director from 1st July 2018.
(iv) J.R. Slosar retired as Chairman and an executive director on 30th June 2018.
(v) N.A.H. Fenwick was appointed as a non-executive director on 31st May 2018.
(vi) S.E. Bradley resigned as an independent non-executive director on 9th August 2018.
(vii) S.C. Liu retired as an independent non-executive director on 14th May 2019.
(viii) T.T.K. Choi was appointed as an independent non-executive director on 14th May 2019.
(ix) J.L. Wang was appointed as an independent non-executive director on 12th September 2019.

Notes to the Financial Statements

9. Directors' and Executive Officers' Emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31st December 2019 and 2018 are as follows:

	Year ended 31st December	
	2019	2018
Number of individuals:		
Executive directors (note (i))	**1**	1
Executive officers (note (ii))	**4**	4
	5	5

Notes:
(i) Details of the emoluments paid to this director were included in the disclosure as set out in note 9(a) above.
(ii) Details of emoluments paid to the above executive officers are as follows:

	Year ended 31st December	
	2019 HK$'000	2018 HK$'000
Cash:		
Salary	**10,431**	10,140
Discretionary bonus	**6,257**	4,947
Allowance and benefits	**2,776**	2,197
Non-cash:		
Retirement scheme contributions	**8,661**	1,608
Bonus paid into retirement scheme	**578**	448
Housing and other benefits	**10,697**	10,277
	39,400	29,617

Note:
The bonuses disclosed above are related to services for the previous year.

The number of the above executive officers whose emoluments fell within the following bands:

	Year ended 31st December	
	2019	2018
HK$13,500,001 – HK$14,000,000	**1**	–
HK$9,500,001 – HK$10,000,000	**1**	–
HK$8,500,001 – HK$9,000,000	**1**	1
HK$7,500,001 – HK$8,000,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	2
	4	4

10. Net Finance Charges

Accounting Policy

Interest costs incurred are charged to the statement of profit or loss except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale), which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Interest income on financial assets at fair value through profit or loss ("FVPL") is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income ("FVOCI") calculated using the effective interest method is recognised on a time proportion basis in the statement of profit or loss as part of finance income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other net gains. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Refer to the tables with heading "Audited Financial Information" on pages 65 to 67 for details of the Group's net finance charges.

11. Taxation

Accounting Policy

The tax charge comprises current and deferred tax. The tax charge is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case, the tax charge is recognised in other comprehensive income or directly in equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

	2019		2018	
	HK$M	**HK$M**	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	**678**		960	
Overseas tax	**434**		356	
Over-provisions in prior years	**(11)**		(2)	
		1,101		1,314
Deferred taxation: (note 31)				
Changes in fair value of investment properties	**366**		501	
Origination and reversal of temporary differences	**406**		(75)	
Effect of change in tax rate in the U.S.A.	**(11)**		–	
		761		426
		1,862		1,740

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

Notes to the Financial Statements

11. Taxation *(continued)*

The tax charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

	2019 HK$M	2018 HK$M
Profit before taxation	**15,328**	30,461
Calculated at a tax rate of 16.5% (2018: 16.5%)	**2,529**	5,026
Results of joint venture and associated companies reported net of tax	**(236)**	(326)
Effect of different tax rates in other countries	**276**	291
Effect of change in tax rate in the U.S.A.	**(11)**	–
Fair value gains on investment properties	**(417)**	(2,894)
Income not subject to tax	**(455)**	(481)
Expenses not deductible for tax purposes	**94**	74
Unused tax losses not recognised	**74**	34
Utilisation of previously unrecognised tax losses	**(5)**	(4)
Recognition of previously unrecognised tax losses	**(3)**	–
Withholding tax	**27**	22
Over-provisions in prior years	**(11)**	(2)
Tax charge	**1,862**	1,740

The Group's share of joint venture and associated companies' tax charges of HK$469 million (2018: HK$355 million) and HK$18 million (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.

12. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$8,567 million (2018: HK$25,272 million) is dealt with in the financial statements of the Company.

13. Dividends

Accounting Policy

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or declared by the Company's directors, where appropriate.

	2019 HK$M	2018 HK$M
First interim dividend paid on 3rd October 2019 of HK$0.29 per share (2018: HK$0.27)	**1,697**	1,580
Second interim dividend declared on 12th March 2020 of HK$0.59 per share (2018: HK$0.57)	**3,451**	3,334
	5,148	4,914

The second interim dividend is not accounted for in 2019 because it had not been declared or approved at the year-end date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2020.

The Directors have declared a second interim dividend of HK$0.59 (2018: HK$0.57) per share which, together with the first interim dividend of HK$0.29 per share paid in October 2019, amounts to full year dividends of HK$0.88 (2018: HK$0.84) per share. The second interim dividend, which totals HK$3,451 million (2018: HK$3,334 million), will be paid on Thursday, 7th May 2020 to shareholders registered at the close of business on the record date, being Friday, 3rd April 2020. Shares of the Company will be traded ex-dividend from Wednesday, 1st April 2020.

The register of members will be closed on Friday, 3rd April 2020, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 2nd April 2020.

To facilitate the processing of proxy voting for the annual general meeting to be held on 12th May 2020, the register of members will be closed from 7th May 2020 to 12th May 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 6th May 2020.

14. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK$13,423 million (2018: HK$28,666 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2019 (2018: 5,850,000,000 ordinary shares).

15. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred.

Leasehold land previously classified as held for own use under finance lease and recorded as property, plant and equipment was reclassified to right-of-use assets (note 18) at 1st January 2019.

With the exception of freehold land, all other items of property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Buildings	2% to 5% per annum
Plant and equipment	10% to 33 ⅓% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at each reporting date to take into account operational experience and changing circumstances.

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within other net gains in the statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

Critical Accounting Estimates and Judgements

At each reporting date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs of disposal and/or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment loss is recognised in the statement of profit or loss within other net gains.

15. Property, Plant and Equipment *(continued)*

	Leasehold land held for own use HK$M	Land and buildings HK$M	Plant and equipment HK$M	Total HK$M
Cost:				
At 1st January 2019				
as originally stated	3,358	5,524	1,684	10,566
reclassification to right-of-use assets	(3,358)	–	–	(3,358)
reclassification to investment properties	–	–	(76)	(76)
as restated	–	5,524	1,608	7,132
Translation differences	–	(51)	(10)	(61)
Additions	–	9	137	146
Disposals	–	–	(34)	(34)
Net transfers to investment properties	–	(7)	–	(7)
Disposal of a subsidiary company	–	–	(6)	(6)
At 31st December 2019	–	5,475	1,695	7,170
Accumulated depreciation and impairment:				
At 1st January 2019				
as originally stated	205	1,178	1,306	2,689
reclassification to right-of-use assets	(205)	–	–	(205)
as restated	–	1,178	1,306	2,484
Translation differences	–	(15)	(9)	(24)
Charge for the year (note 7)	–	168	120	288
Disposals	–	–	(27)	(27)
Net transfer to investment properties	–	(2)	–	(2)
Disposal of a subsidiary company	–	–	(6)	(6)
At 31st December 2019	–	1,329	1,384	2,713
Net book value:				
At 31st December 2019	–	4,146	311	4,457

At 31st December 2019 and 2018, none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

Properties occupied by the Group were transferred to investment properties following the end of occupation by the Group. The valuation increase from carrying amount to fair value in respect of such transfers during the year ended 31st December 2019 was HK$16 million (2018: HK$11 million).

Refer to the table with heading "Audited Financial Information" on page 66 for details of the Group's capitalised interest rates and the amount of interest capitalised.

15. Property, Plant and Equipment *(continued)*

	Leasehold land held for own use HK$M	Land and buildings HK$M	Plant and equipment HK$M	Total HK$M
Cost:				
At 1st January 2018	3,488	5,696	1,627	10,811
Translation differences	–	(96)	(25)	(121)
Additions	–	17	118	135
Cost written back	–	(64)	(3)	(67)
Disposals	–	–	(33)	(33)
Net transfers (to)/from investment properties	(43)	3	–	(40)
Transfers to assets classified as held for sale	(93)	(32)	–	(125)
Disposal of a subsidiary company	(5)	–	–	(5)
Revaluation surplus	11	–	–	11
At 31st December 2018	3,358	5,524	1,684	10,566
Accumulated depreciation and impairment:				
At 1st January 2018	178	1,038	1,224	2,440
Translation differences	–	(29)	(18)	(47)
Charge for the year (note 7)	27	173	124	324
Disposals	–	–	(24)	(24)
Transfers to assets classified as held for sale	–	(4)	–	(4)
At 31st December 2018	205	1,178	1,306	2,689
Net book value:				
At 31st December 2018	3,153	4,346	378	7,877

16. Investment Properties

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under lease is classified and accounted for as an investment property when the rest of the definition of investment property is met.

Investment properties (including those under development) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors and are on the basis of market value related to individual properties, and separate values are not attributed to land and buildings. These values represent their fair values in accordance with HKFRS 13. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as investment properties under development. Changes in fair values are recognised in the consolidated statement of profit or loss.

Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with that expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs in respect of an investment property are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and, where applicable, the leasehold land portion is accounted for under right-of-use assets. Its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

Expenditure incurred in leasing the Group's investment property during development is deferred and amortised on a straight-line basis to the consolidated statement of profit or loss upon occupation of the property over a period not exceeding the term of the lease.

Critical Accounting Estimates and Judgements

Cushman & Wakefield Limited, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2019. This valuation was carried out in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of market rents and yields.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

Notes to the Financial Statements

16. Investment Properties *(continued)*

	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	**(750)**	**(15)**	**(765)**
Additions	**663**	**1,492**	**2,155**
Cost written back	**(1)**	**(49)**	**(50)**
Disposals	**(312)**	**–**	**(312)**
Transfer to properties for sale	**–**	**(1,040)**	**(1,040)**
Net transfers from/(to) property, plant and equipment and right-of-use assets	**34**	**(214)**	**(180)**
Net fair value gains	**2,956**	**764**	**3,720**
	252,260	**24,531**	**276,791**
Add: Initial leasing costs	**242**	**–**	**242**
At 31st December 2019	**252,502**	**24,531**	**277,033**

	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2018	231,295	35,997	267,292
Translation differences	(1,440)	(19)	(1,459)
Additions	725	4,018	4,743
Cost written back	(15)	(1)	(16)
Disposals	(285)	–	(285)
Transfer from properties for sale	142	–	142
Net transfers (to)/from property, plant and equipment	(32)	72	40
Transfer between categories	17,076	(17,076)	–
Transfers to assets classified as held for sale	(14,546)	(435)	(14,981)
Disposal of subsidiary companies	–	(2,001)	(2,001)
Net fair value gains	16,746	2,706	19,452
	249,666	23,261	272,927
Add: Initial leasing costs	259	–	259
At 31st December 2018	249,925	23,261	273,186

16. Investment Properties *(continued)*

Geographical Analysis of Investment Properties

	2019 HK$M	2018 HK$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	**34,777**	34,640
On long-term leases (over 50 years)	**203,421**	199,969
	238,198	234,609
Held in Mainland China:		
On short-term leases (less than 10 years)	**11**	–
On medium-term leases (10 to 50 years)	**32,165**	30,575
	32,176	30,575
Held in U.S.A. and elsewhere:		
Freehold	**6,417**	7,743
	276,791	272,927

Refer to the table with heading "Audited Financial Information" on page 66 for details of the Group's capitalised interest rates and the amount of interest capitalised.

Valuation processes and techniques underlying management's estimate of fair value

The Group's investment properties were valued at their fair values at 31st December 2019. 95% by value were valued by Cushman & Wakefield Limited and 2% by value were valued by another independent valuer, in each case on the basis of market value. The independent professionally qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

The valuation of the Group's investment properties under development is derived by making reference to market capitalisation rates and recent comparable sales transactions in the relevant property market (on the assumption that the property had already been completed at the valuation date). It also takes into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rates increase, the fair values decrease. If market rents increase, the fair values increase. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair values decrease. The opposite is true for decreases in these inputs.

There are inter-relationships between observable and unobservable inputs. Expected vacancy rates may have an impact on yields, with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the properties' features may result in an increase in future rental values. An increase in future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuers at least once every half year, in line with the Group's half year reporting dates.

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16. Investment Properties *(continued)*

Fair value hierarchy

The Group's investment properties are measured at fair value and categorised within the fair value hierarchy as follows:

	Completed				Under Development				
	Hong Kong HK$M	**Mainland China HK$M**	**U.S.A. HK$M**	**Total HK$M**	**Hong Kong HK$M**	**Mainland China HK$M**	**Others HK$M**	**Total HK$M**	**2019 Total HK$M**
Fair value hierarchy									
Level 2	**3,432**	**184**	**–**	**3,616**	**11,678**	**–**	**–**	**11,678**	**15,294**
Level 3	**211,003**	**31,224**	**6,417**	**248,644**	**12,085**	**768**	**–**	**12,853**	**261,497**
Total	**214,435**	**31,408**	**6,417**	**252,260**	**23,763**	**768**	**–**	**24,531**	**276,791**
Add: initial leasing costs									**242**
At 31st December 2019									**277,033**

	Completed				Under Development				
	Hong Kong HK$M	Mainland China HK$M	U.S.A. HK$M	Total HK$M	Hong Kong HK$M	Mainland China HK$M	Others HK$M	Total HK$M	2018 Total HK$M
Fair value hierarchy									
Level 2	3,525	186	–	3,711	11,091	–	–	11,091	14,802
Level 3	208,973	30,388	6,594	245,955	11,021	–	1,149	12,170	258,125
Total	212,498	30,574	6,594	249,666	22,112	–	1,149	23,261	272,927
Add: initial leasing costs									259
At 31st December 2018									273,186

Notes:
The levels in the hierarchy represent the following:
Level 2 – Investment properties measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Investment properties measured at fair value using inputs not based on observable market data.

The above investment properties principally comprise completed commercial and residential properties in Hong Kong and Mainland China and commercial and residential properties under development in Hong Kong. The Group has other investment property projects, principally comprising a mixed-use development, the first phase of Brickell City Centre, in Miami which was completed in 2016. Because of the unique nature of the Group's investment properties, most of them are valued by reference to a Level 3 fair value measurement.

16. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

The change in Level 3 fair value of investment properties during the year is as follows:

	Completed				Under Development				
	Hong Kong HK$M	Mainland China HK$M	U.S.A. HK$M	Total HK$M	Hong Kong HK$M	Mainland China HK$M	Others HK$M	Total HK$M	2019 Total HK$M
Fair value – Level 3:									
At 1st January 2019									
as originally stated	**208,973**	**30,388**	**6,594**	**245,955**	**11,021**	**–**	**1,149**	**12,170**	**258,125**
adjustment on adoption of HKFRS 16	**–**	**4**	**–**	**4**	**–**	**332**	**–**	**332**	**336**
as restated	**208,973**	**30,392**	**6,594**	**245,959**	**11,021**	**332**	**1,149**	**12,502**	**258,461**
Translation differences	**–**	**(707)**	**(40)**	**(747)**	**–**	**(8)**	**(7)**	**(15)**	**(762)**
Additions	**517**	**96**	**48**	**661**	**716**	**6**	**110**	**832**	**1,493**
Cost written back	**(1)**	**–**	**–**	**(1)**	**(48)**	**–**	**–**	**(48)**	**(49)**
Transfer to properties for sale	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1,039)**	**(1,040)**	**(1,040)**
Net transfers from property, plant and equipment and right-of-use assets	**34**	**–**	**–**	**34**	**–**	**–**	**–**	**–**	**34**
Fair value gains/(losses)	**1,480**	**1,443**	**(185)**	**2,738**	**397**	**438**	**(213)**	**622**	**3,360**
At 31st December 2019	**211,003**	**31,224**	**6,417**	**248,644**	**12,085**	**768**	**–**	**12,853**	**261,497**

	Completed				Under Development				
	Hong Kong HK$M	Mainland China HK$M	U.S.A. HK$M	Total HK$M	Hong Kong HK$M	Mainland China HK$M	Others HK$M	Total HK$M	2018 Total HK$M
Fair value – Level 3:									
At 1st January 2018	191,618	29,272	6,767	227,657	22,687	–	1,093	23,780	251,437
Translation differences	–	(1,444)	14	(1,430)	–	–	(19)	(19)	(1,449)
Additions	458	210	55	723	3,067	–	144	3,211	3,934
Cost written back	(2)	–	–	(2)	–	–	–	–	(2)
Transfer from properties for sale	–	–	142	142	–	–	–	–	142
Net transfers to property, plant and equipment	(32)	–	–	(32)	–	–	–	–	(32)
Transfer between categories	17,076	–	–	17,076	(17,076)	–	–	(17,076)	–
Transfers to assets classified as held for sale	(14,546)	–	–	(14,546)	–	–	–	–	(14,546)
Fair value gains/(losses)	14,401	2,350	(384)	16,367	2,343	–	(69)	2,274	18,641
At 31st December 2018	208,973	30,388	6,594	245,955	11,021	–	1,149	12,170	258,125

Notes to the Financial Statements

16. Investment Properties *(continued)*

Information about Level 3 fair value measurements using significant unobservable inputs

	Fair value HK$M	Valuation technique	Market rent per month[1] HK$ per sq. ft. (lettable)	Capitalisation rate
At 31st December 2019				
Completed				
Hong Kong	**211,003**	**Income capitalisation**	**Less than 10 – Low 500's**	**2.50% – 4.88%**
Mainland China	**31,224**	**Income capitalisation**	**Less than 10 – Low 200's**	**6.25% – 7.50%**
U.S.A.	**5,934**	**Income capitalisation**	**Less than 10 – High 70's**	**4.75% – 5.75%**
U.S.A.	**483**	**Sales comparison**	**–**	**–**
Sub-total	**248,644**			
Under development				
Hong Kong	**12,085**	**Residual[2]**	**Low 60's – Mid 80's**	**3.63% – 3.75%**
Mainland China	**768**	**Residual[2]**	**High 20's – High 100's**	**6.75%**
Sub-total	**12,853**			
Total (Level 3)	**261,497**			
At 31st December 2018				
Completed				
Hong Kong	208,973	Income capitalisation	Less than 10 – Mid 500's	2.50% – 4.88%
Mainland China	30,388	Income capitalisation	Less than 10 – Low 200's	6.25% – 6.75%
U.S.A.	6,106	Income capitalisation	Low 10's – Low 100's	4.75% – 5.75%
U.S.A.	488	Sales comparison	–	–
Sub-total	245,955			
Under development				
Hong Kong	11,021	Residual[2]	High 50's – Mid 80's	3.63% – 3.75%
Others	1,149	Residual[2]	–	–
Sub-total	12,170			
Total (Level 3)	258,125			

1 Market rent is determined in accordance with the definition of that term in the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors, which is "the estimated amount for which all interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion". It is in effect the rental income (exclusive of usual outgoings) which a property would be expected to earn if it were vacant and available to let. It is not necessarily the same as the rent which a tenant is actually committed to pay.

2 In using the residual method to make fair value measurements of investment properties, two additional unobservable inputs have been used. These are the estimated costs to complete the development and the developer's estimated profit and margin for risk.

17. Intangible Assets

Accounting Policy

Computer software

Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

	Computer Software HK$M	**Others HK$M**	**Total HK$M**
Cost:			
At 1st January 2019	**149**	**205**	**354**
Additions	**23**	**–**	**23**
At 31st December 2019	**172**	**205**	**377**
Accumulated amortisation:			
At 1st January 2019	**106**	**36**	**142**
Amortisation for the year (note 7)	**14**	**22**	**36**
At 31st December 2019	**120**	**58**	**178**
Net book value:			
At 31st December 2019	**52**	**147**	**199**

	Computer Software HK$M	Others HK$M	Total HK$M
Cost:			
At 1st January 2018	133	156	289
Additions	16	49	65
At 31st December 2018	149	205	354
Accumulated amortisation:			
At 1st January 2018	94	17	111
Amortisation for the year (note 7)	12	19	31
At 31st December 2018	106	36	142
Net book value:			
At 31st December 2018	43	169	212

Amortisation of HK$36 million (2018: HK$31 million) is included in cost of sales and administrative expenses in the consolidated statement of profit or loss.

18. Right-Of-Use Assets

Accounting Policy

The Group (acting as lessee) leases various land, offices, warehouses and equipment. Except for certain long-term leasehold land in Hong Kong, rental contracts are typically made for fixed periods of 1 to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for other borrowing purposes.

Prior to 1st January 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made by lessees under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases are recognised by lessees as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each financial period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payment of penalties for terminating the lease, if the lease term used in the computation assumes the lessee exercises an option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments by lessees associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as expenses in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

18. Right-Of-Use Assets *(continued)*

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

	2019 HK$M
Leasehold land held for own use	3,327
Property	89
	3,416

Lease arrangements are negotiated on an individual asset basis and contain a wide range of different terms and conditions including lease payments and lease terms.

For leasehold land, the Group is the registered owner of these property interests. Upfront payments were made to acquire these land interests and there are no ongoing payments to be made under the terms of the land lease (i.e. no lease liabilities are recognised), other than government rents and rates and other payments to the relevant government authorities, which may vary from time to time. Their remaining lease periods since 31st December 2019 are as follows:-

	Leasehold land held for own use HK$M
Held in Hong Kong	
On medium-term leases (10-50 years)	379
On long-term leases (over 50 years)	2,948
	3,327

Additions to right-of-use assets during the year ended 31st December 2019 were HK$69 million.

During the year ended 31st December 2019, total cash outflow for leases was included in the statement of cash flows in (a) interest paid of HK$9 million under “operating activities”, (b) payment for short-term and low-value assets leases of HK$33 million under “operating activities” and (c) principal elements of lease payments of HK$48 million under “financing activities”.

19. Properties Held for Development

Accounting Policy

Properties held for development comprise freehold land at cost, less provisions for possible losses. Properties held for development are not expected to be sold or developed within the Group’s normal operating cycle and are classified as non-current assets.

	2019 HK$M	2018 HK$M
Properties held for development		
Freehold land	989	1,141
Development cost	223	219
	1,212	1,360

20. Joint Venture Companies

Accounting Policy

Joint venture companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where the Group has rights to the net assets of those companies. The use of the equity method by the Group to account for the investment in joint venture companies is disclosed in the "Basis of Consolidation" of the Principal Accounting Policies on pages 178 to 180.

	2019 HK$M	2018 HK$M
Share of net assets, unlisted	**13,575**	13,540
Loans due from joint venture companies less provisions		
– Interest-free	**13,647**	13,839
– Interest-bearing at 1.7% to 7.5% (2018: 1.7% to 7.5%)	**2,944**	1,412
	16,591	15,251

The loans due from joint venture companies are unsecured and have no fixed terms of repayment. These loans are considered to have low credit risk. The financial positions, and performances of these companies are regularly monitored and reviewed by the management of the Group.

The Group's share of assets and liabilities and results of joint venture companies is summarised below:

	2019 HK$M	2018 HK$M
Non-current assets	**41,789**	39,167
Current assets	**3,103**	3,372
Current liabilities	**(2,681)**	(2,627)
Non-current liabilities	**(28,636)**	(26,372)
Net assets	**13,575**	13,540
Revenue	**3,137**	2,839
Change in fair value of investment properties	**843**	1,344
Expenses	**(2,152)**	(2,003)
Profit before taxation	**1,828**	2,180
Taxation	**(469)**	(355)
Profit for the year	**1,359**	1,825
Other comprehensive income for the year	**(253)**	(632)
Total comprehensive income for the year	**1,106**	1,193

Capital commitments and contingencies in respect of joint venture companies are disclosed in notes 39 and 40.

The principal joint venture companies of Swire Properties Limited are shown on pages 181 to 183. There are no joint venture companies that are considered individually material to the Group.

21. Associated Companies

Accounting Policy

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights. The use of the equity method by the Group to account for the investment in associated companies is disclosed in the "Basis of Consolidation" of the Principal Accounting Policies on pages 178 to 180.

	2019 HK$M	2018 HK$M
Share of net assets, unlisted	**409**	413

The Group's share of the assets and liabilities and results of associated companies is summarised below:

	2019 HK$M	2018 HK$M
Non-current assets	**560**	564
Current assets	**213**	258
Current liabilities	**(124)**	(126)
Non-current liabilities	**(240)**	(283)
Net assets	**409**	413
Revenue	**500**	624
Profit and total comprehensive income for the year	**71**	153

The principal associated companies of Swire Properties Limited are shown on pages 181 to 183. There are no associated companies that are considered individually material to the Group.

Notes to the Financial Statements

22. Financial Instruments by Category

Accounting Policy

Financial Assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on their trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

– Debt instruments:
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other net gains together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other net gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other net gains and impairment losses are presented as separate line item in the statement of profit or loss.

22. Financial Instruments by Category *(continued)*

Accounting Policy *(continued)*

Financial Assets *(continued)*

(c) Measurement (continued)

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other net gains in the period in which it arises.

– Equity instruments:
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss as other net gains when the Group's right to receive payments is established.

Changes in the fair value of equity investments at FVPL are recognised in other net gains in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by HKFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

(e) Significant increases in credit risk

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse to actions such as realising security. The Group considers information that is reasonable and supportable, including historical experience and forward looking information that is available.

(f) Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

Financial liabilities

Non-derivative financial liabilities with fixed or determinable payments and fixed maturities are measured at amortised cost. They are included in non-current liabilities, except for maturities less than twelve months after the period-end date where these are classified as current liabilities.

Put options in respect of non-controlling interests in subsidiary companies included in trade and other payables are measured at fair value through profit or loss.

22. Financial Instruments by Category *(continued)*

The accounting policies applied to financial instruments are shown below by line item:

	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position						
At 31st December 2019						
Loans due from joint venture companies	20	**–**	**–**	**16,591**	**16,591**	**16,591**
Amount due from immediate holding company		**–**	**–**	**4**	**4**	**4**
Trade and other receivables excluding prepayments	24	**–**	**–**	**1,857**	**1,857**	**1,857**
Short-term deposits maturing after three months		**–**	**–**	**22**	**22**	**22**
Cash and cash equivalents	26	**–**	**–**	**14,963**	**14,963**	**14,963**
Derivative financial assets	30	**–**	**266**	**–**	**266**	**266**
Other financial assets at amortised cost	32	**–**	**–**	**36**	**36**	**36**
Total		**–**	**266**	**33,473**	**33,739**	**33,739**
At 31st December 2018						
Loans due from joint venture companies	20	–	–	15,251	15,251	15,251
Amount due from immediate holding company		–	–	15	15	15
Trade and other receivables excluding prepayments	24	–	–	2,162	2,162	2,162
Short-term deposits maturing after three months		–	–	1	1	1
Cash and cash equivalents	26	–	–	2,093	2,093	2,093
Derivative financial assets	30	–	64	–	64	64
Other financial assets at amortised cost	32	–	–	37	37	37
Total		–	64	19,559	19,623	19,623
Liabilities as per consolidated statement of financial position						
At 31st December 2019						
Trade and other payables excluding non-financial liabilities	27	**564**	**–**	**7,571**	**8,135**	**8,135**
Bank overdrafts and short-term loans	29	**–**	**–**	**84**	**84**	**84**
Long-term loans and bonds	29	**–**	**–**	**29,645**	**29,645**	**30,155**
Lease liabilities	28	**–**	**–**	**548**	**548**	**548**
Derivative financial liabilities	30	**–**	**27**	**–**	**27**	**27**
Total		**564**	**27**	**37,848**	**38,439**	**38,949**
At 31st December 2018						
Trade and other payables excluding non-financial liabilities	27	601	–	10,145	10,746	10,746
Bank overdrafts and short-term loans	29	–	–	234	234	234
Long-term loans and bonds	29	–	–	31,765	31,765	31,596
Derivative financial liabilities	30	–	70	–	70	70
Total		601	70	42,144	42,815	42,646

22. Financial Instruments by Category *(continued)*

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows, which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings is not equal to their carrying value but is based on cash flows discounted using assumptions sourced from the relevant financial institutions or quotes from market makers or alternative market participants supported by observable inputs, such as interest rates. Non-current borrowings would be categorised within Level 2 of the fair value hierarchy if they were accounted for at fair value.

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
Assets as per consolidated statement of financial position			
At 31st December 2019			
Derivatives used for hedging (note 30)	**266**	**–**	**266**
At 31st December 2018			
Derivatives used for hedging (note 30)	64	–	64
Liabilities as per consolidated statement of financial position			
At 31st December 2019			
Derivatives used for hedging (note 30)	**27**	**–**	**27**
Put option in respect of a non-controlling interest (note 27)	**–**	**564**	**564**
	27	**564**	**591**
At 31st December 2018			
Derivatives used for hedging (note 30)	70	–	70
Put option in respect of a non-controlling interest (note 27)	–	601	601
	70	601	671

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.

Notes to the Financial Statements

22. Financial Instruments by Category *(continued)*

The fair value of derivatives used for hedging in Level 2 has been 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.

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

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

The Group's finance department performs the valuations of financial instruments required for reporting purposes, including Level 3 fair values. The valuations are reviewed and approved by the Finance Director.

The following table presents the changes in Level 3 financial instruments for the year ended 31st December 2019:

	2019 HK$M	2018 HK$M
Put options in respect of non-controlling interests in subsidiary companies		
At 1st January	**601**	716
Translation differences	**(4)**	1
Addition during the year	**–**	50
Distribution during the year	**(16)**	–
Change in percentage interest	**–**	(150)
Change in fair value recognised as net finance charges	**(17)**	(16)
At 31st December	**564**	601
Total gains for the year included in profit or loss in respect of financial instruments held at 31st December	**(17)**	(16)

The fair value of the put option in respect of a non-controlling interest in a subsidiary company and unlisted investments classified within Level 3 are determined using discounted cash flow valuations. The significant unobservable inputs used are expected future growth rates and discount rates.

The fair value estimate of the put option over a non-controlling interest in the retail portion of Brickell City Centre is classified within Level 3 because it is based on a number of unobservable inputs, including the expected fair value of the investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is in 2020 and the discount rate used is 6.3%.

The investment property's fair value at the expected time of exercise is itself subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected fair market rent and the expected capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 31st December 2019. If the expected time of exercise 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 time of exercise or a lower discount rate.

23. Properties for Sale

Accounting Policy

Properties for sale comprise freehold and leasehold land at cost, construction costs and interest costs capitalised, less provisions for possible losses. Properties under development are active construction projects which are expected to be sold within the Group's normal operating cycle and are classified as current assets. Properties for sale are available for immediate sale and are classified as current assets.

	2019 HK$M	2018 HK$M
Properties for sale		
Properties under development		
– development costs	**77**	30
– leasehold land	**1,260**	338
Completed properties		
– development costs	**1,507**	1,008
– freehold land	**759**	92
– leasehold land	**1**	1
	3,604	1,469

Refer to the table with heading "Audited Financial Information" on page 66 for details of the Group's capitalised interest rates and the amount of interest capitalised.

24. Trade and Other Receivables and Contract Assets

Accounting Policy

Trade and other receivables and contract assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables and contract assets in the statement of financial position are stated net of such provisions.

	2019 HK$M	2018 HK$M
Trade debtors	**205**	216
Prepayments and accrued income	**72**	240
Other receivables	**1,649**	1,945
	1,926	2,401
Contract assets	**–**	16

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

	2019 HK$M	2018 HK$M
Under 3 months	**201**	209
Between 3 and 6 months	**4**	6
Over 6 months	**–**	1
	205	216

Other receivables include rent free and other lease incentives to tenants of HK$1,152 million (2018: HK$992 million), which are amortised over the relevant lease terms. Their carrying values approximate their fair values as the impact of discounting is not significant.

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. The Group also holds non-interest bearing rental deposits as security against trade debtors. At 31st December 2019, trade debtors of HK$147 million (2018: HK$165 million) were past due but not impaired. The majority of the amount past due but not impaired is under three months. These relate to a number of independent customers for whom there is no recent history of default. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at 31st December 2019 and 31st December 2018 is the carrying value of trade debtors and other receivables disclosed above. The value of rental deposits from tenants at 31st December 2019 was HK$2,905 million (2018: HK$2,751 million).

25. 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.

26. Cash and Cash Equivalents

Accounting Policy

In the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts. In the consolidated statement of financial position, cash and cash equivalents exclude bank overdrafts which are shown within borrowings in current liabilities.

	2019 HK$M	2018 HK$M
Short-term deposits maturing within three months	**11,993**	413
Bank balances	**2,970**	1,680
	14,963	2,093

The effective interest rates on short-term deposits of the Group ranged from 2.0% to 3.2% (2018: 1.6% to 2.7%); these deposits have maturities from 2 to 72 days (2018: 2 to 45 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2019 and 31st December 2018 is the carrying value of the bank balances and short-term deposits disclosed above.

27. Trade and Other Payables and Contract Liabilities

Accounting Policy

Trade and other payables (except put options in respect of non-controlling interests in subsidiary companies) and contract liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Put options in respect of non-controlling interests in subsidiary companies are measured at the fair value of the expected redemption amounts, and are designated at fair value through profit or loss.

Notes to the Financial Statements

27. Trade and Other Payables and Contract Liabilities *(continued)*

	2019 HK$M	2018 HK$M
Trade and other payables – current:		
Trade creditors	**642**	419
Rental deposits from tenants	**2,905**	2,751
Deposits received on the sale of subsidiary companies	**–**	3,238
Other current payables		
Accrued capital expenditure	**1,138**	1,211
Amounts due to intermediate holding company	**100**	109
Amounts due to an associated company	**18**	15
Advances from a non-controlling interest	**187**	35
Put option in respect of a non-controlling interest	**564**	–
Others	**2,592**	2,376
	4,599	3,746
	8,146	10,154
Contract Liabilities	**19**	7
Other payables – non-current:		
Put option in respect of a non-controlling interest	**–**	601

In relation to other current payables, apart from certain amounts due to joint venture and related companies, which are interest-bearing as specified above, the balances are interest free, unsecured and have no fixed term of repayment.

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

	2019 HK$M	2018 HK$M
Under 3 months	**642**	419

28. Lease Liabilities

	31st December 2019 HK$M
Maturity Profile:	
Within 1 year	**52**
1-2 years	**54**
2-5 years	**103**
After 5 years	**339**
	548

At 31st December 2019, the weighted average incremental borrowing rate applied to the lease liabilities is 3.4%.

For the accounting policy in respect of lease liabilities, please refer to right-of-use assets (note 18).

29. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included for those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Refer to the tables with the headings "Audited Financial Information" on pages 62 to 65 for details of the Group's borrowings.

	2019 HK$M	2018 HK$M
Bank overdrafts and short-term loans – unsecured	**84**	234
Long-term bank loans – unsecured:		
Repayable within 1 year	**2,332**	696
Repayable between 1 and 2 years	**1,507**	3,040
Repayable between 2 and 5 years	**4,663**	6,507
	8,502	10,243
Other borrowings – unsecured:		
Repayable within 1 year	**3,892**	300
Repayable between 1 and 2 years	**300**	3,911
Repayable between 2 and 5 years	**5,183**	4,408
Repayable after 5 years	**11,768**	12,903
	21,143	21,522
Amount due within one year included under current liabilities	**(6,224)**	(996)
	23,421	30,769

Notes to the Financial Statements

29. Borrowings *(continued)*

(a) The effective interest rates per annum (before interest rate and cross-currency swaps) at 31st December were as follows:

	2019				2018			
	HK$ %	US$ %	RMB %	SGD %	HK$ %	US$ %	RMB %	SGD %
Uncommitted bank loans and overdrafts	–	–	–	2.5	–	–	4.4	2.4
Long-term loans and bonds	1.8-3.7	2.4-4.4	–	2.4	1.8-3.6	2.8-4.4	4.3-4.4	2.4

Bank loans and other borrowings are repayable on various dates up to 2028 (2018: up to 2028).

(b) The carrying amounts of these long-term bank loans and other borrowings (before cross-currency swaps) are denominated in the following currencies:

	2019 HK$M	2018 HK$M
Hong Kong dollars	7,243	9,209
United States dollars	21,748	21,859
Renminbi	–	301
Singapore dollars	654	396
	29,645	31,765

30. Derivative Financial Instruments

Accounting Policy

Derivatives are initially recognised at fair value on the dates derivative contracts are entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if this is the case, the nature of the item being hedged.

The Group documents at the inception of the transactions the economic relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

All of the Group's derivatives relate to cash flow hedges. The effective portions of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in OCI. The gains or losses relating to ineffective portions are recognised immediately in the statement of profit or loss.

When cross-currency swap contracts are used to hedge future cash flows, the Group designates only the change in fair value of the swap contract after exclusion of the foreign currency basis spread component as the hedging instrument. Gains or losses relating to the effective portion of the swap contract after exclusion of the foreign currency basis spread component are recognised in the cash flow hedge reserve within equity. The change in fair value of the foreign currency basis spread of the swap contract, to the extent it relates to the hedged item, is recognised separately as a cost of hedging within OCI in equity. The basis spreads priced into the terms of the hedging instrument, to the extent that they relate to the hedged item, are expensed on a systematic and rational basis over the period of the hedging relationship. Hedge ineffectiveness is recognised in the statement of profit or loss within finance costs.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The gains or losses relating to the effective portion of (a) the interest rate swaps hedging variable rate borrowings and (b) cross-currency swap contracts hedging borrowings in foreign currency are recognised in profit or loss within finance costs at the same time as the interest expense on the hedged borrowings.

If the hedge ratio for risk management purpose is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss.

	2019		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	**44**	**10**	–	–
– due after one year	**222**	**17**	64	70

The interest rate swaps hedge long-term interest rate exposure. The cross-currency swaps hedge the foreign currency risk relating to US dollar note issues. Gains and losses recognised in other comprehensive income on interest rate and cross-currency swaps at 31st December 2019 are expected to affect the statement of profit or loss in the years to redemption of the notes and expiry of loans (up to and including 2028).

Notes to the Financial Statements

30. Derivative Financial Instruments *(continued)*

The notional principal amounts of the outstanding derivative financial instruments are as follows:

	2019 HK$M	2018 HK$M
Cross-currency swaps	**15,572**	15,667
Interest rate swaps	**2,492**	2,507

In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged terms.

For the years ended 31st December 2019 and 31st December 2018 all cash flow hedges qualifying for hedge accounting were highly effective.

31. Deferred Taxation

Accounting Policy

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable or accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to investment properties in Hong Kong and the U.S.A. is calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in Mainland China, because the business model applicable to them is to consume substantially all the economic benefits embodied in them over time rather than through sale. Accordingly, deferred tax relating to investment properties in Mainland China is determined on the basis of recovery through use.

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

	2019 HK$M	2018 HK$M
At 1st January	**8,593**	8,438
Translation differences	**(112)**	(239)
Charged to statement of profit or loss (note 11)	**761**	426
Charged/(Credited) to other comprehensive income	**64**	(34)
Transfers to assets classified as held for sale	**(4)**	5
Disposal of subsidiary companies	**–**	(3)
At 31st December	**9,302**	8,593

31. Deferred Taxation *(continued)*

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. These were recognised as these entities are expected to generate sufficient taxable profits in the future. The Group has unrecognised tax losses of HK$2,346 million (2018: HK$1,975 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Unrecognised tax losses	
	2019 HK$M	2018 HK$M
No expiry date	**1,336**	1,020
Expiring within 1 year	**28**	31
Expiring between 1-5 years	**284**	223
Expiring between 5-10 years	**–**	–
Expiring between 10-20 years	**698**	701
	2,346	1,975

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year was as follows:

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of Investment Properties		Others		Total	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M
At 1st January	**3,867**	3,733	**4,831**	4,535	**454**	487	**9,152**	8,755
Translation differences	**1**	(33)	**(113)**	(205)	**(3)**	(2)	**(115)**	(240)
Charged/(Credited) to statement of profit or loss	**387**	165	**366**	501	**64**	(31)	**817**	635
Charged to other comprehensive income	**–**	–	**–**	–	**18**	–	**18**	–
Transfers to assets classified as held for sale	**(4)**	5	**–**	–	**–**	–	**(4)**	5
Disposal of subsidiary companies	**–**	(3)	**–**	–	**–**	–	**–**	(3)
At 31st December	**4,251**	3,867	**5,084**	4,831	**533**	454	**9,868**	9,152

Notes to the Financial Statements

31. Deferred Taxation *(continued)*

Deferred tax assets

	Tax losses		Others		Total	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M
At 1st January	**292**	156	**267**	161	**559**	317
Translation difference	**(4)**	(1)	**1**	–	**(3)**	(1)
(Charged)/Credited to statement of profit or loss	**(24)**	137	**80**	72	**56**	209
(Charged)/Credited to other comprehensive income	**–**	–	**(46)**	34	**(46)**	34
At 31st December	**264**	292	**302**	267	**566**	559

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately in the statement of financial position:

	2019 HK$M	2018 HK$M
Deferred tax assets:		
– to be recovered after more than 12 months	**(79)**	(123)
– to be recovered within 12 months	**–**	–
	(79)	(123)
Deferred tax liabilities:		
– to be settled after more than 12 months	**9,381**	8,716
– to be settled within 12 months	**–**	–
	9,381	8,716
	9,302	8,593

32. Other Financial Assets at Amortised Cost

Financial assets at amortised cost include the following debt investment:

	2019			2018		
	Current HK$M	**Non-current HK$M**	**Total HK$M**	Current HK$M	Non-current HK$M	Total HK$M
Other receivables	**–**	**36**	**36**	–	37	37
Less: loss allowance for debt investments at amortised cost	**–**	**–**	**–**	–	–	–
At 31st December	**–**	**36**	**36**	–	37	37

Other receivables consist of mortgage financing offered to certain buyers of trading properties in the U.S.A. Mortgages are offered at up to a 80% loan-to-value ratio and at a fixed interest rate of 5.5%. Loan repayments for the first four years are at a rate that would repay the loan over 30 years, but there is a balloon payment in the fifth year upon maturity. The non-current other receivables are due and payable within two to four years from the end of the reporting period.

The Group holds the other receivables to collect contractual cash flows and its contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amounts outstanding.

The Group applies expected credit loss model to measure the impairment of other financial assets at amortised cost.

33. Assets Classified as Held for Sale

Accounting Policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value.

In May 2019, the Company entered into a sale and purchase agreement with a third party for the sale of its entire 50% interest in a joint venture company which held 625 King's Road, a 26-storey office building in North Point, Hong Kong. The consideration for the sale of HK$2,375 million (before net asset value adjustments) resulted in a profit on sale of a joint venture company being recorded in July 2019 when the transaction was completed. Prior to completion of the transaction, the Group's interest in that joint venture company was included under assets classified as held for sale.

At 31st December 2018, assets classified as held for sale mainly relate to a sale and purchase agreement entered into by a 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, Hong Kong. The consideration for the sale of HK$15,000 million (before net asset value adjustments) resulted in a profit on sale of subsidiaries being recorded in April 2019 when the transaction was completed. Assets classified as held for sale at 31st December 2018 also include several wholly owned subsidiaries holding investment properties in Hong Kong in respect of which a sale and purchase agreement was entered into in August 2018. The total consideration for the sale of HK$2,037 million resulted in a profit on sale of subsidiaries being recorded in January 2019 when the transaction was completed.

34. Retirement Benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are held in separate trustee administered funds.

A defined benefit scheme is a retirement plan that defines the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has an obligation to provide participating employees with these benefits.

A defined contribution scheme is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

Accounting Policy

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees.

The asset or liability recognised in the statement of financial position is the present value of the cost of providing these benefits (the defined benefit obligation) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries and is determined by discounting the estimated future cash outflows using interest rates payable in respect of high quality corporate bonds. The plan assets are valued on a bid price basis.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the statement of profit or loss. Any differences between the implicit and actual return on assets are charged as remeasurements to other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to the statement of profit or loss in the periods to which the contributions relate.

Critical Accounting Estimates and Judgements

The Group's obligations and expenses in respect of defined benefit schemes are dependent on a number of factors that are determined using a number of actuarial assumptions. The details of the actuarial assumptions used, including applicable sensitivities are disclosed in this note.

34. Retirement Benefits *(continued)*

The majority of the Group's schemes are final salary guaranteed lump sum defined benefit plans.

Most new employees are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and the staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$30,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an ongoing basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued by qualified actuaries for funding purposes under the provisions of Hong Kong's Occupational Retirement Schemes Ordinance. The latest actuarial valuations indicate that the funding level for the year was 97% (2018: 111%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$91 million to its defined benefit schemes in 2020.

Total retirement benefit costs charged to the statement of profit or loss for the year ended 31st December 2019 amounted to HK$142 million (2018: HK$111 million), including HK$41 million (2018: HK$20 million) in respect of defined contribution schemes.

For the year ended 31st December 2018, disclosures in respect of defined benefit schemes are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2018. For the year ended 31st December 2019, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2018, which were updated to reflect the position at 31st December 2019 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes.

(a) The amounts recognised in the statement of financial position are as follows:

	2019 HK$M	2018 HK$M
Present value of funded obligations	**1,243**	1,101
Fair value of plan assets	**(1,078)**	(891)
Net retirement benefit liabilities	**165**	210
Represented by:		
Retirement benefit liabilities	**165**	210

Notes to the Financial Statements

34. Retirement Benefits *(continued)*

(b) Changes in the present value of the defined benefit obligations are as follows:

	2019 HK$M	2018 HK$M
At 1st January	**1,101**	1,086
Current service cost	**88**	89
Past service cost	**7**	–
Interest cost	**36**	30
Remeasurements from changes in:		
– financial assumptions	**54**	(48)
Experience losses	**12**	4
Transfer	**1**	9
Benefits paid	**(56)**	(69)
At 31st December	**1,243**	1,101

The weighted average duration of the defined benefit obligations is 10.73 years (2018: 10.68 years).

(c) Changes in the fair value of plan assets are as follows:

	2019 HK$M	2018 HK$M
At 1st January	**891**	941
Interest income	**30**	28
Remeasurements of plan assets	**116**	(88)
Contributions by employers	**96**	70
Transfer	**1**	9
Benefits paid	**(56)**	(69)
At 31st December	**1,078**	891

There were no plan amendments, curtailments or settlements during the year.

(d) Net expenses recognised in the consolidated statement of profit or loss are as follows:

	2019 HK$M	2018 HK$M
Current service cost	**88**	89
Past service cost	**7**	–
Net interest cost	**6**	2
	101	91

The above net expenses were included in cost of sales and administrative expenses in the consolidated statement of profit or loss.

The actual return on defined benefit plan assets was a gain of HK$147 million (2018: HK$60 million loss).

34. Retirement Benefits *(continued)*

(e) The plan assets are invested in the Swire Group Unitised Trust ("the Trust"). The Trust has three sub-funds in which the assets may be invested in accordance with separate and distinct investment policies and objectives. The Trust and sub-funds are overseen by an investment committee, which meets four times a year.

The make-up of the Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities and bonds.

The management of the assets within the sub-funds is delegated by the investment committee to a number of reputable investment managers. The plan assets comprise:

	Defined benefit plans	
	2019 HK$M	2018 HK$M
Equities		
Asia Pacific	**116**	91
Europe	**112**	80
North America	**179**	130
Emerging markets	**299**	223
Bonds		
Global	**94**	305
Emerging markets	**8**	18
Absolute return	**247**	–
Cash	**23**	44
	1,078	891

At 31st December 2019, the prices of 96% of equities and 28% of bonds were quoted on active markets (2018: 96% and 39% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the appointed investment managers. Investment managers enter into agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark. The investment committee monitors the overall market risk position on a quarterly basis.

Notes to the Financial Statements

34. Retirement Benefits *(continued)*

(f) The significant actuarial assumptions used are as follows:

	2019	2018
Discount rate	**2.93%**	3.34%
Expected rate of future salary increases	**4.50% p.a. for 2020; 4.00% p.a. thereafter**	4.50% p.a. for 2020 to 2021; 4.00% p.a. thereafter

The sensitivity of the defined benefit obligations to changes in actuarial assumptions is:

	2019 Increase/(Decrease) in defined benefit obligation			2018 Increase/(Decrease) in defined benefit obligation		
	Change in assumption	**Increase in assumption HK$M**	**Decrease in assumption HK$M**	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
Discount rate	**0.5%**	**(72)**	**62**	0.5%	(55)	59
Expected rate of future salary increases	**0.5%**	**60**	**(72)**	0.5%	58	(54)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the statement of financial position.

35. Share Capital

	Ordinary shares	**HK$M**
Issued and fully paid:		
At 1st January 2019 and 31st December 2019	**5,850,000,000**	**10,449**
At 1st January 2018 and 31st December 2018	5,850,000,000	10,449

There was no purchase, sale or redemption by the Company of its shares during the years ended 31st December 2019 and 31st December 2018.

36. Reserves

	Revenue reserve HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2019						
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 year	13,423	–	–	–	–	13,423
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
– gains recognised during the year	–	–	16	–	–	16
Defined benefit plans						
– remeasurement gains recognised during the year	50	–	–	–	–	50
– deferred tax	(8)	–	–	–	–	(8)
Cash flow hedges						
– gains recognised during the year	–	–	–	358	–	358
– reclassification to profit or loss	–	–	–	(20)	–	(20)
– deferred tax	–	–	–	(56)	–	(56)
Share of other comprehensive income of joint venture and associated companies	–	–	–	(6)	(247)	(253)
Net translation differences on foreign operations	–	–	–	–	(672)	(672)
Total comprehensive income for the year	13,465	–	16	276	(919)	12,838
2018 second interim dividend (note 13)	(3,334)	–	–	–	–	(3,334)
2019 first interim dividend (note 13)	(1,697)	–	–	–	–	(1,697)
At 31st December 2019	277,289	(1,108)	1,839	81	(1,623)	276,478

36. Reserves *(continued)*

	Revenue reserve HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2018	245,002	(1,108)	1,812	(62)	1,288	246,932
Profit for the year	28,666	–	–	–	–	28,666
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
– gains recognised during the year	–	–	11	–	–	11
Defined benefit plans						
– remeasurement losses recognised during the year	(44)	–	–	–	–	(44)
– deferred tax	8	–	–	–	–	8
Cash flow hedges						
– losses recognised during the year	–	–	–	(137)	–	(137)
– reclassification to profit or loss	–	–	–	(21)	–	(21)
– deferred tax	–	–	–	26	–	26
Share of other comprehensive income of joint venture and associated companies	–	–	–	(1)	(631)	(632)
Net translation differences on foreign operations	–	–	–	–	(1,361)	(1,361)
Total comprehensive income for the year	28,630	–	11	(133)	(1,992)	26,516
2017 second interim dividend	(3,042)	–	–	–	–	(3,042)
2018 first interim dividend (note 13)	(1,580)	–	–	–	–	(1,580)
At 31st December 2018	269,010	(1,108)	1,823	(195)	(704)	268,826

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$10,119 million (2018: HK$9,790 million) and retained revenue reserves from associated companies amounting to HK$315 million (2018: HK$319 million).

(b) The Group revenue reserve has not yet deducted from it the second interim dividend for the year of HK$3,451 million declared after the year-end date (2018: HK$3,334 million) (note 13).

(c) The Group adopted merger accounting in accordance with Accounting Guideline 5, Merger Accounting for Common Control Combinations (issued by the HKICPA) to account for the acquisition of all the shares of Swire Properties US Inc and Swire Properties One LLC in January 2010. These companies were wholly-owned subsidiaries of the immediate holding company of Swire Properties Limited.

(d) At 31st December 2019, the Group's cash flow hedge reserve included HK$57 million (2018: HK$67 million) (net of tax) relating to the currency basis element of the Group's derivatives which is recognised separately as a cost of hedging.

37. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

At 31st December 2019	Note	2019 HK$M	2018 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**39**	47
Intangible assets		**52**	43
Right-of-use assets		**31**	–
Subsidiary companies		**84,234**	81,262
Loans due from joint venture companies		**3,567**	1,598
Associated companies		**3**	3
Deferred tax assets		**15**	23
		87,941	82,976
Current assets			
Trade and other receivables		**85**	201
Cash and cash equivalents		**11,982**	416
		12,067	617
Current liabilities			
Trade and other payables		**20,083**	7,251
Lease liabilities due within one year		**11**	–
Taxation payable		**27**	11
		20,121	7,262
Net current liabilities		**(8,054)**	(6,645)
Total assets less current liabilities		**79,887**	76,331
Non-current liabilities			
Lease liabilities		**19**	–
Retirement benefit liabilities		**139**	174
		158	174
NET ASSETS		**79,729**	76,157
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	*35*	**10,449**	10,449
Reserves	*36(b)*	**69,280**	65,708
TOTAL EQUITY		**79,729**	76,157

Merlin B. Swire
May Y. Wu
Directors

Hong Kong, 12th March 2020

Notes to the Financial Statements

37. Company Statement of Financial Position and Reserves *(continued)*

(b) The movement of the Company reserves during the year are as follows:

	Revenue reserve HK$M
Company	
At 1st January 2019	**65,708**
Profit for the year (note 12)	**8,567**
Other comprehensive income	
Defined benefit plans	
– remeasurement gains recognised during the year	**43**
– deferred tax	**(7)**
Total comprehensive income for the year	**8,603**
2018 second interim dividend (note 13)	**(3,334)**
2019 first interim dividend (note 13)	**(1,697)**
At 31st December 2019	**69,280**
Company	
At 1st January 2018	45,082
Profit for the year (note 12)	25,272
Other comprehensive income	
Defined benefit plans	
– remeasurement losses recognised during the year	(29)
– deferred tax	5
Total comprehensive income for the year	25,248
2017 second interim dividend	(3,042)
2018 first interim dividend (note 13)	(1,580)
At 31st December 2018	65,708

(i) Distributable reserves of the Company at 31st December 2019 amounted to HK$69,280 million (2018: HK$65,708 million).

(ii) The Company revenue reserve has not yet deducted the second interim dividend for the year of HK$3,451 million declared after the year-end date (2018: HK$3,334 million) (note 13).

38. Non-controlling Interests

	2019 HK$M	2018 HK$M
At 1st January	**2,016**	1,997
Share of profits less losses for the year	**43**	55
Share of translation differences on foreign operations	**(17)**	(20)
Share of total comprehensive income	**26**	35
Dividends paid and payable	**(58)**	(24)
Capital contribution from a non-controlling interest accrued	**–**	8
At 31st December	**1,984**	2,016

39. Capital Commitments

	2019 HK$M	2018 HK$M
Outstanding capital commitments at the year-end in respect of:		
Property, plant and equipment		
Contracted for	**–**	–
Authorised by Directors but not contracted for	**212**	93
Investment properties		
Contracted for	**5,293**	1,192
Authorised by Directors but not contracted for	**10,211**	14,586
	15,716	15,871
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**270**	1,388
Authorised by Directors but not contracted for	**617**	363
	887	1,751

* of which the Group is committed to funding HK$483 million (2018: HK$464 million).

At 31st December 2019, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$256 million (2018: HK$219 million).

40. Contingencies

Accounting Policy

Contingent liabilities are possible obligations that arise from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments" and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

	2019 HK$M	2018 HK$M
Guarantees provided in respect of bank loans and other liabilities of joint venture companies	**1,878**	1,771
Bank guarantees given in lieu of utility deposits and others	**170**	174
	2,048	1,945

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

41. Lease Commitments

Accounting Policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts from operating leases (net of any incentives paid to lessees) are recognised as income in the statement of profit or loss on a straight-line basis over the period of the lease.

For all types of leases undertaken by the Group, right-of-use assets and the corresponding lease liabilities are recognized in the financial statements at the date when the leased assets become available for use by the Group. Therefore, commitments in respect of leases payable by the Group represent the total future lease payments for committed leases which have not yet commenced at the year-end date.

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor – lease receivables

The Group leases out investment properties under operating leases. The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received from investment properties during the year amounted to HK$547 million (2018: HK$526 million).

At 31st December, the future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group were as follows:

	2019 HK$M	2018 HK$M
Investment properties:		
Within 1 year	**9,449**	9,308
Between 1 and 2 years	**8,048**	8,072
Between 2 and 3 years	**6,220**	6,350
Between 3 and 4 years	**4,454**	4,761
Between 4 and 5 years	**3,307**	3,426
Later than 5 years	**7,153**	8,342
	38,631	40,259

Assets held for deployment on operating leases at 31st December were as follows:

	2019 HK$M	2018 HK$M
Investment properties at fair value	**252,260**	249,666

(b) Lessee – lease payable under committed leases not commenced

At 31st December 2019, there are no future lease payments under leases committed but not yet commenced by the Group.

42. Related Party Transactions

Accounting Policy

Related parties of the Group are individuals and companies, including subsidiary, fellow subsidiary, joint venture and associated companies and key management of the Group or the parent of the Group (including close members of their families), where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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 Services Agreement (as amended and restated on 9th August 2019) was renewed on 1st October 2019 for three years expiring on 31st December 2022. For the year ended 31st December 2019, service fees payable amounted to HK$203 million (2018: HK$206 million). Expenses of HK$84 million (2018: HK$69 million) were reimbursed at cost; in addition, HK$72 million (2018: HK$57 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 term of three years expiring on 31st December 2021. For the year ended 31st December 2019, the aggregate rentals payable to the Group by members of the JSSHK group and members of the Swire Pacific group under the tenancies subject to the Tenancy Framework Agreement amounted to HK$109 million (2018: HK$105 million) and HK$87 million (2018: HK$115 million) respectively.

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

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

		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
	Notes	**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
Purchase of services	*(a)*	**–**	–	**19**	14	**–**	–	**–**	–	**–**	–
Rendering of services	*(a)*	**–**	–	**–**	–	**–**	–	**2**	2	**–**	–
Rental revenue	*(b)*	**–**	–	**75**	101	**12**	14	**109**	105	**3**	6
Revenue from hotels		**–**	–	**1**	1	**–**	–	**1**	2	**–**	–
Interest income	*(c)*	**69**	78	**–**	–	**–**	–	**–**	–	**–**	–
Interest charges	*(c)*	**–**	–	**–**	95	**–**	–	**–**	–	**–**	6

Notes:

(a) Purchase and rendering of services from and to related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged by/to and contracted with other suppliers/customers of the Group.

(b) The Group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to eight years. The leases were entered into on normal commercial terms.

(c) Loans advanced to joint venture companies at 31st December 2019 are disclosed in note 20. Advances from associated and related companies are disclosed in note 27.

The amount due from the immediate holding company at 31st December 2019 is disclosed in note 25. The balance arises in the normal course of business, is non-interest-bearing and repayable within one year. Remuneration of key management, which includes executive and non-executive directors and executive officers, is disclosed in note 9.

43. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	2019 HK$M	2018 HK$M
Operating profit	14,397	29,365
Change in fair value of investment properties	(3,720)	(19,452)
Depreciation	334	324
Amortisation of initial leasing costs on investment properties	35	39
Amortisation of intangible assets	36	31
Profit on disposal of subsidiary companies	(1,361)	(1,223)
Profit on disposal of a joint venture company	(994)	–
Loss/(Profit) on disposal of investment properties	17	(53)
Loss on disposal of property, plant and equipment	6	9
Dividend income from financial assets at fair value through other comprehensive income	–	(4)
Other items	(52)	(132)
Operating profit before working capital changes	8,698	8,904
Decrease/(Increase) in amount due from immediate holding company	11	(10)
(Increase)/Decrease in properties for sale	(915)	673
Increase in stocks	(9)	(4)
Decrease in trade and other receivables	519	452
Increase in contract assets	(4)	(2)
(Decrease)/Increase in trade and other payables	(2,817)	1,578
Increase in contract liabilities	12	7
Increase in retirement benefit liabilities	4	21
Cash generated from operations	5,499	11,619

Notes to the Financial Statements

43. Notes to the Consolidated Statement of Cash Flows *(continued)*

(b) Purchase of property, plant and equipment

	2019 HK$M	2018 HK$M
Land and buildings	**14**	35
Plant and equipment	**106**	86
Total	**120**	121

The above figures do not include interest capitalised on property, plant and equipment.

(c) Disposal of subsidiary companies

	2019 HK$M
Net assets disposed of:	
Assets classified as held for sale	**15,508**
Contract assets	**20**
Trade and other receivables	**9**
Cash and cash equivalents	**2**
Trade and other payables	**(15)**
Liabilities directly associated with assets classified as held for sale	**(198)**
	15,326
Gain on disposal	**1,361**
	16,687
Satisfied by:	
Cash received (net of transaction costs)	**16,987**
Other consideration	**(300)**
	16,687
Analysis of net inflow of cash and cash equivalents:	
Cash received	**16,987**
Less: cash and cash equivalents disposed	**(2)**
	16,985

The disposal of subsidiary companies consists of the sale of the Group's interests in two office buildings at Taikoo Shing and in other investment properties in Hong Kong (note 33). Assets classified as held for sale principally comprised investment properties of HK$15,345 million.

43. Notes to the Consolidated Statement of Cash Flows *(continued)*

(d) Disposal of a joint venture company

	2019 HK$M
Share of net assets in a joint venture company disposed of	1,358
Gain on disposal	994
	2,352
Satisfied by:	
Cash received (net of transaction costs)	2,352

The share of net assets in the joint venture company disposed of mainly consisted of the Group's 50% interest in the fair value of an investment property at 625 King's Road in Hong Kong (note 33).

Refer to the tables with the headings "Audited Financial Information" on page 62 for details of the changes in financing during the year.

44. Immediate and Ultimate Holding Company

The immediate holding company is Swire Pacific Limited, a company incorporated and listed in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England and Wales.

Principal Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, the other principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements include "Audited Financial Information" in the Financing section on pages 61 to 69. The consolidated financial statements have been prepared under the historical cost convention as modified in relation to the revaluation of investment properties, put options in respect of non-controlling interests, financial assets at fair value through other comprehensive income, defined benefits assets/liabilities and derivative financial instruments, each of which are carried at fair value.

2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Swire Properties Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in joint venture and associated companies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are either expensed as incurred or recognised in retained earnings for acquisition of non-controlling interests. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquired subsidiary either at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired subsidiary and the acquisition-date fair value of any previous equity interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in statement of other comprehensive income are reclassified to the statement of profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the owner of the non-controlling interest, which is not part of a business combination, the Group records a financial liability in respect of the present value of the redemption amount with a corresponding charge directly to equity. Changes to the value of the financial liability are recognised in the statement of profit or loss within net finance charges.

2. Basis of Consolidation *(continued)*

In the Group's consolidated statement of financial position, its investments in joint venture and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in joint venture and associated companies over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition represents goodwill. The Group's investments in joint venture and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

The Group's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the joint venture or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associated company.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in joint venture and associated companies are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associated company is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs of disposal or value in use. Any reversal of such impairment loss in subsequent periods is credited to profit or loss.

The Group recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint venture and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its joint venture and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in respect of investments in associated companies are recognised in the consolidated statement of profit or loss.

3. Subsidiary Companies

Subsidiary companies are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiary companies in the Company's standalone financial statements are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for on the basis of dividends received and receivable. Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there is no defined repayment terms and no expectation of repayment.

4. Joint Venture and Associated Companies

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company on the basis of dividends received and receivable. Long-term loans to joint venture and associated companies are subject to expected credit losses assessment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

5. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the statement of profit or loss, any associated translation difference is also recognised in the statement of profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified in the consolidated statement of profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2019

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up shares/Registered capital	Principal activities
Subsidiary companies:					
Incorporated in Hong Kong with limited liability and operating in Hong Kong:					
Cathay Limited	100	100	–	807 shares (HK$8,070)	Property investment
Citiluck Development Limited	100	–	100	1,000 shares (HK$1,000)	Property investment
Cityplaza Holdings Limited	100	100	–	100 shares (HK$1,000)	Property investment
Coventry Estates Limited	100	–	100	4 shares (HK$40)	Property investment
Joyful Sincere Limited	80	–	100	1 share (HK$1)	Property trading
Keen Well Holdings Limited	80	–	100	1 share (HK$1)	Property trading
One Queen's Road East Limited	100	100	–	2 shares (HK$2)	Property investment
Pacific Place Holdings Limited	100	100	–	2 shares (HK$2)	Property investment
Redhill Properties Limited	100	100	–	250,000 shares (HK$7,300,000)	Property investment
Super Gear Investment Limited	100	100	–	2 shares (HK$2)	Property investment
Swire Properties (Finance) Limited	100	100	–	1,000,000 shares (HK$1,000,000)	Financial services
Swire Properties Management Limited	100	100	–	2 shares (HK$20)	Property management
Swire Properties MTN Financing Limited	100	100	–	1 share (HK$1)	Financial services
Swire Properties Real Estate Agency Limited	100	100	–	2 shares (HK$20)	Real estate agency
Taikoo Place Holdings Limited	100	100	–	2 shares (HK$2)	Property investment
Incorporated in Mainland China with limited liability and operating in Mainland China:					
(Sino-foreign joint venture)					
Taikoo Hui (Guangzhou) Development Company Limited (b)	97	–	97	Registered capital of RMB3,050,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Anye Property Management Company Limited (b) (d)	100	–	100	Registered capital of RMB209,500,000	Property Investment
Beijing Sanlitun Hotel Management Company Limited (b)	100	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited (b)	100	–	100	Registered capital of RMB2,784,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited (b)	100	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	100	–	100	Registered capital of RMB295,000,000	Property investment
Swire Properties (China) Investment Company Limited (b)	100	–	100	Registered capital of US$30,000,000	Holding company
(Domestic company)					
Beijing Tianlian Real Estate Company Limited (b)(d)	100	–	100	Registered capital of RMB865,000,000	Holding company

Notes:

(a) This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.

(b) Translated name.

(c) Group interest held through joint venture and associated companies.

(d) Companies the accounts of which are not audited by PricewaterhouseCoopers. These companies accounted for approximately 2.1% of attributable net assets at 31st December 2019.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2019

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up shares/Registered capital	Principal activities
Subsidiary companies (continued):					
Incorporated in the United States with limited liability and operating in the United States:					
700 Brickell City Centre LLC	100	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	100	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	100	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	62.93	–	87.93	Limited Liability Company	Property investment
FTL/AD LTD	75	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	100	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties Inc	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	100	–	100	Limited Liability Company	Property trading and investment
Swire Properties US Inc	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	100	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands with limited liability and operating in Hong Kong:					
Boom View Holdings Limited	100	100	–	2 shares of US$1 each	Property investment
Endeavour Technology Limited	87.5	–	87.5	1,000 shares of US$1 each	Holding company
High Grade Ventures Limited	100	100	–	1 share of US$1	Property trading and investment
Novel Ray Limited	100	100	–	1 share of US$1	Property investment
Peragore Limited	80	–	80	1,000 shares of US$1 each	Holding company
Sino Flagship Investments Limited	100	100	–	1 share of US$1	Property investment
Swire and Island Communication Developments Limited (d)	60	60	–	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	100	100	–	1 share of US$1	Holding company
Wonder Cruise Group Limited	100	100	–	1 share of US$1	Property trading
Joint venture companies:					
Incorporated in Hong Kong with limited liability and operating in Hong Kong:					
Hareton Limited (d)	50	–	50	100 shares (HK$1,000)	Property investment
Pacific Grace Limited	50	–	(c)	2 shares (HK$2)	Property investment
Richly Leader Limited	50	–	50	1,000,000,000 shares (HK$700,000,000)	Property investment
Incorporated in the United States with limited liability and operating in the United States:					
Swire Brickell Key Hotel, Ltd.	75	–	75	Florida Partnership	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up shares/Registered capital	Principal activities
Joint venture companies (continued):					
Incorporated in the British Virgin Islands with limited liability:					
Dazhongli Properties Limited (operating in Mainland China)	50	–	50	1,000 shares of US$1 each	Holding company
Fortune Access Holdings Limited	25	–	25	100 shares of US$1 each	Holding company
Great City China Holdings Limited (operating in Mainland China)	50	–	50	100 shares of US$1 each	Holding company
Honster Investment Limited	50	–	50	2 shares of US$1 each	Holding company
Newfoundworld Investment Holdings Limited (operating in Hong Kong)	20	–	20	5 shares of US$1 each	Holding company
Incorporated in Mainland China with limited liability and operating in Mainland China:					
(Domestic company)					
Beijing Linlian Real Estate Company Limited (b)	50	–	50	Registered capital of RMB400,000,000	Property investment
(Wholly foreign owned enterprises)					
Chengdu Qianhao Real Estate Company Limited	50	–	(c)	Registered capital of US$329,000,000	Property investment
Guan Feng (Shanghai) Real Estate Development Company Limited (b)	50	–	(c)	Registered capital of US$1,136,530,000	Property investment
(Sino-foreign owned enterprise)					
Shanghai Qianxiu Company Limited (b)	50	–	50	Registered capital of RMB1,549,777,000	Property investment
Incorporated in Indonesia with limited liability and operating in Indonesia:					
PT Jantra Swarna Dipta	50	–	50	1,202,044 shares of Rp1,000,000 each	Property trading
Associated companies:					
Incorporated in Hong Kong with limited liability and operating in Hong Kong:					
Greenroll Limited (d)	20	20	–	45,441,000 shares (HK$454,410,000)	Hotel investment
Queensway Hotel Limited (d)	20	–	(c)	100,000 shares (HK$1,000,000)	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	20	20	–	10,005,000 shares (HK$10,005,000)	Hotel investment

Schedule of Principal Group Properties

At 31st December 2019

	Gross floor areas in square feet							
	Hong Kong		Mainland China		U.S.A. and Elsewhere		Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment								
Retail	2,323,135	167,927	2,859,885	1,734,156	496,508	–	5,679,528	7,581,611
Office	8,108,902	727,847	1,751,513	1,208,566	263,384	–	10,123,799	12,060,212
Residential/serviced apartment	573,637	–	51,517	128,565	109,000	–	734,154	862,719
Hotels	358,371	384,796	753,647	471,318	218,000	258,750	1,330,018	2,444,882
	11,364,045	1,280,570	5,416,562	3,542,605	1,086,892	258,750	17,867,499	22,949,424
Property developments for investment								
Retail	2,835	–	255,731	623,503	–	–	258,566	882,069
Office	1,218,000	–	–	–	–	–	1,218,000	1,218,000
Residential/serviced apartment	–	–	–	–	–	–	–	–
Hotels	–	26,393	–	–	–	–	–	26,393
Under planning	–	–	–	–	1,444,000*	–	1,444,000	1,444,000
	1,220,835	26,393	255,731	623,503	1,444,000	–	2,920,566	3,570,462
Completed properties for sale								
Retail	–	–	–	–	–	–	–	–
Residential	–	–	–	–	306,019	–	306,019	306,019
Office	–	–	–	–	–	–	–	–
	–	–	–	–	306,019	–	306,019	306,019
Property developments for sale								
Retail	2,000	–	–	–	–	–	2,000	2,000
Residential	722,867	159,576	–	–	1,073,000	569,954	1,795,867	2,525,397
Under planning	–	–	–	–	825,000	–	825,000	825,000
	724,867	159,576	–	–	1,898,000	569,954	2,622,867	3,352,397
	13,309,747	1,466,539	5,672,293	4,166,108	4,734,911	828,704	23,716,951	30,178,302

* One Brickell City Centre is currently under planning. The site is included under "Properties held for development" in the financial statements.

Notes:

1. All properties held through subsidiary companies are wholly-owned except for Island Place (60% owned), Chai Wan Inland Lot No. 88 (80% owned), Taikoo Hui, Guangzhou (97% owned), Brickell City Centre (Retail: 62.93% owned) and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these five properties in 100%.
2. "Other companies" comprise joint venture or associated companies. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas in Hong Kong and Mainland China exclude carparking spaces; there are about 10,400 completed carparking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the U.S.A. are freehold.
6. Gross floor areas for all properties in the U.S.A. represent saleable or leasable areas for completed and nearly completed properties, which exclude carparking spaces; there are about 1,976 completed carparking spaces held by subsidiaries and other companies for investment.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext	2050-2852	40,236	627,657	111	2004/07	Linked to The Mall at Pacific Place and Admiralty MTR station.
3. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Above part of Cityplaza shopping centre.
4. Devon House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Linked to Dorset House and Cambridge House.
5. Dorset House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Linked to Devon House.
6. Lincoln House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,529	164	1998	Linked to PCCW Tower and One Taikoo Place.

Schedule of Principal Group Properties

At 31st December 2019

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office *(continued)*							
7. Oxford House, Taikoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/2899	33,434	501,253	182	1999	Linked to One Taikoo Place.
8. Cambridge House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Linked to Devon House.
9. One Island East, Taikoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/2899	109,929	1,537,011	–	2008	
10. One Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,013,368	82	2018	Linked to Lincoln House and Oxford House.
11. 8 Queen's Road East, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/2113	4,612	81,346	–	2013 (Refurbishment)	With ground floor retail.
12. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	
	Total held through subsidiaries			**8,108,902**	**1,065**		
13. PCCW Tower, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Linked to Dorset House. Floor area shown represents the whole development, in which the Group owns a 50% interest.
14. Berkshire House, Taikoo Place	IL 8854	2047	25,926	388,838	84	1998	Floor area shown represents the whole development, in which the Group owns a 50% interest.
15. One Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	160,522	63	1999/ 2000	Above Citygate shopping centre. Floor area shown represents the whole of the office area of the development, in which the Group owns a 20% interest. Citygate also comprises a hotel, details of which are given in the Hotel Category below.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office *(continued)*							
16. South Island Place, Wong Chuk Hang	AIL 461	2064	25,500	382,499	137	2018	Floor area shown represents the whole development, in which the Group owns a 50% interest.
	Total held through joint venture companies			**1,552,007**	**501**		
	– of which attributable to the Group			**727,847**			
Retail							
1. Pacific Place, 88 Queensway, Central							
The Mall at Pacific Place	IL 8571 (part) IL 8582 & Ext. (part)	2135/2047	318,289 (part)	711,182	426	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/87/ 97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
3. Commercial areas in Stages I - X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2889/2899	–	331,079	3,826	1977-85	Neighbourhood shops, schools and carparking spaces.
4. Island Place 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, in which the Group owns a 60% interest.

Schedule of Principal Group Properties

At 31st December 2019

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail *(continued)*							
5. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail podium.
6. EAST Residences, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	12,312	–	2014	Floor area shown represents the whole of a 3-storey retail podium (excluding serviced-suites above).
	Total held through subsidiaries			**2,323,135**	**5,457**		
7. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/ 1999	Floor area shown represents the retail space, in which the Group owns a 20% interest.
8. Citygate Outlets, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	462,428	1,093	1999/ 2000	Floor area shown represents the whole of the retail area of the development, in which the Group owns a 20% interest. Major renovation works covering approximately 126,000 square feet of the shopping centre was completed in 2019.
9. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	341,154	122	2019	Floor area shown represents the retail portion of the development, in which the Group owns a 20% interest, and excludes the area of a public transport terminus. A public transport terminus of approximately 65,000 square feet is to be handed over to the Government.
	Total held through joint venture companies			**839,635**	**1,290**		
	– of which attributable to the Group			**167,927**			
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. EAST Residences 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	62,756	–	2014	111 serviced suites above a 3-storey retail podium. Floor area shown excludes retail portion.
3. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street	IL 47 sF (part) IL 47 sG (part) IL 47 sH (part) IL 47 sI (part) IL 8464 (part)	2056/2852	6,775 (part)	47,076	–	2016 (Refurbishment)	120 apartments above ground floor shops. Floor area shown excludes retail area (5,197 square feet).
4. Rocky Bank 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
5. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
6. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,440 (part)	3,318	1	1965	One apartment unit.
	Total held through subsidiaries			**573,637**	**1**		

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel							
1. EAST, Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009 (Refurbishment)	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			**358,371**	**–**		
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	608-room hotel, in which the Group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Group owns a 20% interest.
	Total held through associated companies			**1,687,222**	**–**		
	– of which attributable to the Group			**337,444**			
6. Novotel Citygate Hong Kong Hotel, Citygate	TCTL 2 (part)	2047	358,557 (part)	236,758	7	2005	440-room hotel, in which the Group owns a 20% interest.
	Total held through joint venture companies			**236,758**	**7**		
	– of which attributable to the Group			**47,352**			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	417	2007	Shopping centre with restaurants and cinema.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	340	2007	Shopping centre with restaurants.
3. Hui Fang	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants and carparking spaces.
4. Taikoo Hui	381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, in which the Group owns a 97% interest.
	Total held through subsidiaries			**2,859,885**	**1,575**		
5. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	631,072 (part)	939,493	617	2012	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Group owns a 50% interest.

Schedule of Principal Group Properties

At 31st December 2019

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail *(continued)*							
6. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	1,314,973	1,051	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Group owns a 50% interest.
7. Heritage Buildings in Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2034	N/A (part)	40,387	–	2014	Heritage buildings leased from the local government as part of the retail operation of Sino-Ocean Taikoo Li Chengdu, in which the Group owns a 50% interest.
8. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jing'an District, Shanghai	2049	676,091 (part)	1,105,646	240	2016	Floor area shown represents the retail portion, in which the Group owns a 50% interest.
9. Metrolink in HKRI Taikoo Hui	South of West Nanjing Road and underneath Shimenyi Road, Jing'an District, Shanghai	2028	N/A (part)	67,813	–	2018	Shopping corridor leased from Shanghai Shentong Metro and operated by HKRI Taikoo Hui, in which the Group owns a 50% interest.
	Total held through joint venture companies			**3,468,312**	**1,908**		
	– of which attributable to the Group			**1,734,156**			
Office							
1. Taikoo Hui Towers 1 & 2	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,731,766	–	2011	Floor area shown represents the office portion, in which the Group owns a 97% interest.
2. No. 15 Building	15 Sanlitun North, Chaoyang District, Beijing	2022	N/A	19,747	–	2000s	Commercial building leased by the Group mainly for office letting.
	Total held through subsidiaries			**1,751,513**	**–**		
3. ONE INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)	589,071	390	2011	Floor area shown represents the office portion, in which the Group owns a 50% interest.
4. HKRI Center 1 and HKRI Center 2	South of West Nanjing Road and east of Shimenyi Road, Jing'an District, Shanghai	2059	676,091 (part)	1,828,060	798	2016	Floor area shown represents the office portion, in which the Group owns a 50% interest.
	Total held through joint venture companies			**2,417,131**	**1,188**		
	– of which attributable to the Group			**1,208,566**			
Hotel							
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel: 584,184 Serviced apartment: 51,517 635,701	– –	2012	263-room hotel and 24 serviced apartments, in which the Group owns a 97% interest.
	Total held through subsidiaries			**805,164**	**32**		
3. EAST, Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (part)	358,301	240	2012	369-room hotel, in which the Group owns a 50% interest.

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel *(continued)*							
4. The Temple House	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Hotel: 196,508	–	2015	100-room hotel and 42 serviced apartments, in which the Group owns a 50% interest.
				Serviced apartment: 109,857	–		
				306,365			
5. The Sukhothai Shanghai Hotel	380 Weihai Road, Jing'an District, Shanghai	2049	676,091 (part)	Hotel: 246,646	79	2018	201-room hotel in which the Group owns 50% interest.
The Middle House	366 Shi Men Yi Road, Jing'an District, Shanghai			Hotel: 141,181	43	2018	111-room hotel, in which the Group owns 50% interest.
The Middle House Residences	366 Shi Men Yi Road, Jing'an District, Shanghai			Serviced apartment: 147,273	40	2018	102 serviced apartments, in which the Group owns a 50% interest.
				535,100			
	Total held through joint venture companies			**1,199,766**	**402**		
	– of which attributable to the Group			**599,883**			

Completed properties for investment in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail						
1. Brickell City Centre – retail portion	701 S Miami Avenue, Miami, Florida	380,670 (part)	496,508	1,137	2016	Floor area shown represents the whole shopping centre, in which the Group owns a 62.93% interest.
	Total held through subsidiaries		**496,508**	**1,137**		
Office						
1. Two Brickell City Centre	78 SW 7th Street, Miami, Florida	380,670 (part)	128,842	145	2016	
2. Three Brickell City Centre	98 Southeast Seventh Street, Miami, Florida	380,670 (part)	134,542	144	2016	
	Total held through subsidiaries		**263,384**	**289**		
Serviced apartments						
1. EAST Residences	788 Brickell Plaza, Miami, Florida	380,670 (part)	109,000	20	2016	89 serviced suites within the EAST, Miami Hotel tower.
	Total held through subsidiaries		**109,000**	**20**		
Hotel						
1. Mandarin Oriental, Miami	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Group owns a 75% interest.
	Total held through joint venture companies		**345,000**	**600**		
	– of which attributable to the Group		**258,750**			
2. EAST, Miami	788 Brickell Plaza, Miami, Florida	380,670 (part)	218,000	80	2016	263-room hotel.
	Total held through subsidiaries		**218,000**	**80**		

Schedule of Principal Group Properties

At 31st December 2019

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Office								
1. Two Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,000,000	351	Superstructure works in progress	2022	Floor area shown is an approximation.
2. 46-56 Queen's Road East, 1A-11 Landale Street and 2A-12 Anton Street	IL 2242 IL 2244 sA IL 2244 sB IL 2244 sC IL 2245 sA IL 2245 sB IL 2245 sC IL 2245 sD IL 2245 sE IL 2245 sF	2843	14,433	218,000	88	Foundation works in progress	2023	Floor area shown is an approximation.
	Total held through subsidiaries			**1,218,000**	**439**			
Retail								
1. 21-31 Wing Fung Street	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,612 (part)	2,835	–	Foundation works are in progress	2022	Residential block over retail podium is proposed. Floor area shown represents the retail portion of the development. The area shown is subject to change.
	Total held through subsidiaries			**2,835**	**–**			
Hotel								
1. The Silveri Hong Kong – MGallery, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	131,965	5	License application in progress	2019	Floor area shown represents the hotel portion of the development, in which the Group owns 20% interest, and excludes the area of a public transport terminus.
	Total held through joint venture companies			**131,965**	**5**			
	– of which attributable to the Group			**26,393**				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun West)	58 Gongti North Road, Chaoyang District, Beijing	2033	40,102	255,731	50	In Refurbishment	2020	Shopping centre with restaurants.
	Total held through subsidiaries			**255,731**	**50**			
2. Taikoo Li Qiantan	East of Yangsi West Road, West of Dongyu Road, North of Haiyang West Road, Pudong New District, Shanghai	2053	638,125 (part)	1,247,006	907	Superstructure in progress	2020	Group owns a 50% interest.
	Total held through joint venture companies			**1,247,006**	**907**			
	– of which attributable to the Group			**623,503**				

Property developments for investment in the United States	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. One Brickell City Centre, Miami, Florida	123,347	Under planning: 1,444,000	To be determined	To be determined	One Brickell City Centre is being planned as a future mixed-use development comprised of retail, Grade A office space, condominiums and a hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre (comprising approximately 1.4 million square feet) is planned as an 80-storey luxury high rise tower.
	Total held through subsidiaries	**1,444,000**	**–**		

Completed properties for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pinnacle One	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	702,243 (part)	–	240	2014	Pinnacle One has been completed; the remaining one-and-half floors will be retained for its own use by the joint venture company which owns the property. The tradable assets outstanding are the 240 carparks.
	Total held through joint venture companies			**–**	**240**		
	– of which attributable to the Group			**–**			

Completed properties for sale in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential						
1. Reach, Brickell City Centre, Miami, Florida	68 SE 6th Street, Miami, Florida	380,670 (part)	55,941	40	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2019, sales of 363 units had been closed.
2. Rise, Brickell City Centre, Miami, Florida	1 SW 8 Street, Miami, Florida	380,670 (part)	172,866	220	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2019, sales of 272 units had been closed.
	Total held through subsidiaries		**228,807**	**260**		

Completed properties for sale in Singapore	Lot Number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential							
1. EDEN	LOT 01316N TS 25	Freehold	33,425	77,212	40	2019	Floor area shown represents a residential tower with 20 units.
	Total held through subsidiaries			**77,212**	**40**		

Schedule of Principal Group Properties

At 31st December 2019

Property developments for sale in Hong Kong	Lot No	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
Residential							
1. 21-31 Wing Fung Street	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3 IL 526 sA RP	2856	3,612 (part)	30,867	–	2022	Residential block over retail podium is proposed. Floor area shown represents the residential portion of the development. The area shown is subject to change.
2. Chai Wan Inland Lot No. 88	Subject to Land Exchange with the Government	2118 (To be revised upon successful Land Exchange with the Government)	To be determined	692,000	To be determined	To be determined	Land exchange under negotiation with the Government. Floor area shown is subject to changes and represents the whole development, in which the Group owns 80%.
	Total held through subsidiaries			**722,867**	**–**		
3. Wong Chuk Hang Station Package Four Property Development	AIL 467	2067	738,199 (part)	638,305	To be determined	2024	Floor area shown represents the whole Package Four development, in which the Group owns a 25% interest.
	Total held through joint venture company			**638,305**	**–**		
	– of which attributable to the Group			**159,576**			
Retail							
1. Chai Wan Inland Lot No. 88	Subject to Land Exchange with the Government	2118 (To be revised upon successful Land Exchange with the Government)	To be determined	2,000	To be determined	To be determined	Land exchange under negotiation with the Government. Floor area shown is subject to changes and represents the whole development, in which the Group owns 80%.
	Total held through subsidiaries			**2,000**	**–**		

Property developments for sale in the United States	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential: 550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	203,941	Under planning: 825,000	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group owns 100%, with 75% defined profits.
3. North Squared, Miami, Florida	380,670 (part)	Residential: 523,000	544	–	The development on the North Squared site is currently on hold.
Total held through subsidiaries		**1,898,000**	**1,989**		

Property developments for sale in Indonesia	Lot Number/Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Jakarta Project	Jalan Wijaya II/ Jalan Dharmawangsa Raya, Kebayoran Baru, South Jakarta	227,982	Residential: 1,139,908	847	2023	Residential tower with 431 units, in which the Group owns a 50% interest.
	Total held through joint venture companies		**1,139,908**	**847**		
	– of which attributable to the Group		**569,954**			

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 assets employed Total equity plus net debt.

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

Underlying profit Reported profit adjusted principally for the impact of (i) changes in the fair value of investment properties, (ii) deferred tax on investment properties and (iii) 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

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

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

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

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

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2020

Shares traded ex-dividend	1st April
Share register closed for 2019 second interim dividend entitlement	3rd April
Annual Report available to shareholders	7th April
Payment of 2019 second interim dividend	7th May
Share register closed for attending and voting at Annual General Meeting	7th – 12th May
Annual General Meeting	12th May
Interim results announcement	August 2020
2020 first interim dividend payable	October 2020

Registered Office

Swire Properties Limited
33rd Floor, One Pacific Place
88 Queensway
Hong Kong

Registrars

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Website: www.computershare.com

Stock Code

Hong Kong Stock Exchange 1972

Auditors

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

Investor Relations

E-mail: ir@swireproperties.com

Public Affairs

E-mail: pad@swireproperties.com
Tel: (852) 2844-3888
Fax: (852) 2918-9960
Website: www.swireproperties.com

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.

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