

Swire Properties Limited

Stock Code: 1972

INTERIM REPORT 2014



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Financial Highlights

		Six months ended 30th June		
	Note	2014 HK\$M	2013 HK\$M	Change
Results				
Turnover		8,338	5,754	+44.9%
Operating profit		7,103	7,843	-9.4%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	3,775	2,812	+34.2%
Reported		6,461	6,952	-7.1%
Cash generated from operations		5,618	4,528	+24.1%
Net cash inflow before financing		1,468	2,298	-36.1%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	0.65	0.48	+35.4%
Reported	(c)	1.10	1.19	-7.6%
Dividends per share				
First interim		0.22	0.20	+10.0%
		30th June 2014 HK\$M	31st December 2013 HK\$M	Change
Financial Position				
Total equity (including non-controlling interests)		206,790	203,150	+1.8%
Net debt		33,900	32,014	+5.9%
Gearing ratio	(a)	16.4%	15.8%	+0.6%pt.
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share				
Underlying	(a), (b)	36.62	35.88	+2.1%
Reported	(a)	35.21	34.59	+1.8%

Notes:

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

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

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

Chairman's Statement

Our consolidated profit attributable to shareholders in the first half of 2014 was HK\$6,461 million, compared to HK\$6,952 million in the first half of 2013. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$963 million from HK\$2,812 million in the first half of 2013 to HK\$3,775 million in the first half of 2014.

Dividends

The Directors have declared a first interim dividend of HK¢22 (2013: HK¢20) per share for the period ended 30th June 2014. The first interim dividend, which totals HK\$1,287 million (2013: HK\$1,170 million), will be paid on 6th October 2014 to shareholders registered at the close of business on the record date, being Friday, 5th September 2014. Shares of the Company will be traded ex-dividend from Wednesday, 3rd September 2014.

Key Developments

In January 2014, the Company acquired 50% of DCH Commercial Centre, an office building with a gross floor area of approximately 389,000 square feet in Quarry Bay, Hong Kong. The building was renamed Berkshire House in July 2014.

In January 2014, the Company entered into a framework agreement with CITIC Real Estate Co., Ltd. and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development

comprising a retail complex and apartments in Dalian through a joint venture in which we plan to hold a 50% interest. The proposed joint venture and development are subject to satisfaction of certain conditions precedent.

In February 2014, Swire Properties completed the purchase of a 20% interest in Taikoo Li Sanlitun from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, following the exercise of an option by GCA to sell its interest in Taikoo Li Sanlitun to Swire Properties in August 2013. Following this transaction, Taikoo Li Sanlitun became wholly-owned by Swire Properties.

In February 2014, the Company entered into an agreement with the Government of the Hong Kong Special Administrative Region (represented by The Financial Secretary Incorporated) to acquire its interest in Cornwall House in TaiKoo Place, Hong Kong. The transaction is expected to be completed on or before 30th December 2016. The acquisition will allow the Company to proceed with the redevelopment of three existing techno-centres in TaiKoo Place into two Grade-A office buildings.

In February 2014, the company which owns an industrial site at 8-10 Wong Chuk Hang Road in Aberdeen, Hong Kong (in which Swire Properties has a 50% interest) agreed with the Government to proceed with a modification of the relevant Government leases to permit the site to be used for commercial purposes. The site is intended to be developed into an office building with an aggregate gross floor area of approximately 382,500 square feet.

Operating Performance

Underlying profit increased from HK\$2,812 million in the first half of 2013 to HK\$3,775 million in the first half of 2014. The increase was mainly attributable to higher profits from property trading in Hong Kong and positive rental reversions from the investment property portfolio.

Gross rental income amounted to HK\$5,045 million in the first half of 2014 compared with HK\$4,711 million in the first half of 2013, the increase principally reflecting positive rental reversions from office and retail properties in Hong Kong. In Mainland China, gross rental income from TaiKoo Hui and Taikoo Li Sanlitun benefited from positive rental reversions and higher retail sales.

Property trading recorded an operating profit of HK\$807 million in the first half of 2014, compared to an operating profit of HK\$278 million in the first half of 2013. This was largely due to profits from the sales of 57 units at MOUNT PARKER RESIDENCES and nine units at ARGENTA in Hong Kong. Sales of apartments at MOUNT PARKER RESIDENCES in Quarry Bay in Hong Kong began in March 2014 and 73 of the 92 units had been sold at 12th August 2014. Profits were also recognised on the sales of 45 units at our 50%-owned DUNBAR PLACE residential joint venture development in Hong Kong.

The performance of the hotel portfolio improved, particularly in Mainland China, where our hotels in Beijing and Guangzhou recorded higher occupancies and improved room rates in spite of increased supply.

Net finance charges in the first half of 2014 were HK\$658 million, a 17% decrease from HK\$793 million in the first half of 2013. The decrease principally reflected a reduction of borrowings in Mainland China and a decrease in finance charges arising from the change in the fair values of put options in relation to non-controlling interests.

On an attributable basis, net investment property valuation gains in the first half of 2014, after deferred tax relating to investment properties in Mainland China, were HK\$2,757 million, compared to net gains in the first half of 2013 of HK\$4,312 million.

Finance

Net debt at 30th June 2014 was HK\$33,900 million, compared with HK\$32,014 million at 31st December 2013. Gearing increased by 0.6 percentage point from 15.8% at 31st December 2013 to 16.4% at 30th June 2014. Cash and undrawn committed facilities totalled HK\$9,553 million at 30th June 2014, compared with HK\$9,854 million at 31st December 2013.

Prospects

Demand for Swire Properties' office space in Hong Kong is expected to show further improvement with modest additional demand for office space in the central district and continued firm rental levels on renewals at Island East.

The fall in retail sales in Hong Kong has resulted in retailers becoming more cautious. However, this is not expected to have a significant adverse effect on Swire Properties' retail properties in Hong Kong, which remain fully let.

In Mainland China, retail sales in our shopping malls in Beijing and Guangzhou are expected to record continued strong growth in the second half of 2014. Demand for decentralised office space in Beijing remains good reflecting rental increases in the city's central business district. In Guangzhou, there is demand for prime office space in Tianhe central business district. Nevertheless, the supply of new office space in the city is expected to be substantial over the coming years.

Demand for luxury residential properties in Hong Kong has picked up over the last three months, a trend that is likely to continue into the second half. In the second half of 2014, property trading profits are expected to be recognised on sales of units at the MOUNT PARKER RESIDENCES, AZURA, ARGENTA and DUNBAR PLACE developments in Hong Kong and on the sale of the office portion of the Daci Temple development in Chengdu, Mainland China.

The performance of the hotels in Hong Kong is expected to be stable in the second half of 2014. Trading conditions for our hotels in Mainland China are expected to continue to improve.

John Slosar

Chairman

Hong Kong, 14th August 2014

Review of Operations

	Six months ended 30th June	Year ended 31st December	
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Turnover			
Gross Rental Income derived from			
Offices	2,790	2,619	5,386
Retail	2,086	1,931	3,961
Residential	169	161	329
Other Revenue ⁽¹⁾	64	41	110
Property Investment	5,109	4,752	9,786
Property Trading	2,707	571	2,207
Hotels	522	431	942
Total Turnover	8,338	5,754	12,935
Operating Profit/(Loss) derived from			
Property investment	3,947	3,541	7,317
Valuation gains on investment properties	2,357	4,068	6,211
Property trading	807	278	1,035
Hotels	(8)	(44)	(65)
Total Operating Profit	7,103	7,843	14,498
Share of Post-tax Profits from Joint Venture and Associated Companies	1,104	717	948
Attributable Profit	6,461	6,952	12,525

⁽¹⁾ Other revenue is mainly estate management fees.

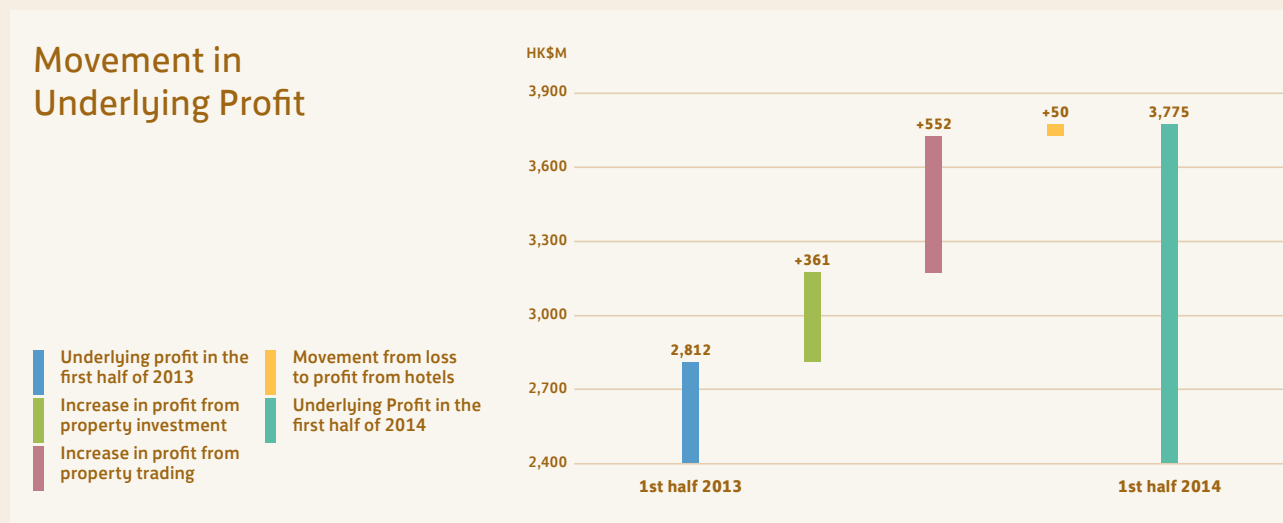
Additional information is provided in the following section to reconcile reported and underlying profit and equity attributable to the Company's shareholders. These reconciling items principally adjust for the net revaluation movement on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties. There is a further adjustment to remove the effect of the movement in the fair values of the liabilities in respect of put options in favour of the owners of non-controlling interests.

	Note	Six months ended 30th June		Year ended 31st December
		2014 HK\$M	2013 HK\$M	2013 HK\$M
Underlying Profit				
Profit attributable to the Company's shareholders per accounts		6,461	6,952	12,525
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	(3,265)	(4,732)	(7,017)
Deferred tax on investment properties	(b)	505	409	573
Realised profit on sale of investment properties	(c)	19	23	94
Depreciation of investment properties occupied by the Group	(d)	7	7	14
Non-controlling interests' share of revaluation movements less deferred tax		3	11	19
Movement in the fair values of liabilities in respect of put options in favour of the owners of non-controlling interests	(e)	45	142	140
Underlying Profit Attributable to the Company's Shareholders		3,775	2,812	6,348
		30th June		31st December
	Note	2014 HK\$M	2013 HK\$M	2013 HK\$M
Underlying Equity				
Equity attributable to the Company's shareholders per accounts		205,997	197,542	202,350
Deferred tax on investment properties		5,032	4,356	4,531
Unrecognised valuation gains on hotels held as part of mixed-use developments	(f)	2,358	2,204	2,244
Revaluation of investment properties occupied by the Group		791	691	721
Cumulative depreciation of investment properties occupied by the Group		57	44	49
Underlying Equity Attributable to the Company's Shareholders		214,235	204,837	209,895
Underlying non-controlling interests		848	764	854
Underlying Equity		215,083	205,601	210,749

Notes:

- (a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss and the Group's share of net revaluation movements of joint venture and associated companies.
- (b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These principally comprise the deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
- (c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement of profit or loss.
- (d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
- (e) The values of the put options in favour of the owners of non-controlling interests are calculated principally by reference to the estimated fair value of the portions of the underlying investment properties in which the owners of the non-controlling interests are interested.
- (f) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those hotel properties owned by subsidiary and joint venture companies and held for the long term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated statement of profit or loss.

Underlying Profit



Underlying profit in the first half of 2014 increased by HK\$963 million, from HK\$2,812 million to HK\$3,775 million. The increase principally reflected an increase in profits from property trading with increased sales of residential units in Hong Kong and from positive rental reversions from the office property portfolio in Hong Kong and from retail operations at TaiKoo Hui in Guangzhou and Taikoo Li Sanlitun in Beijing. Property trading profits arose largely from the completion of sales of 57 units at MOUNT PARKER RESIDENCES, nine units at ARGENTA and 45 units at DUNBAR PLACE in Hong Kong. The performance of the hotel portfolio improved, with much reduced start up losses in Mainland China.

Portfolio Overview

The aggregate gross floor area (“GFA”) attributable to the Group at 30th June 2014 was approximately 31.4 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 27.4 million square feet are investment properties, comprising completed investment properties of approximately 20.6 million square feet and investment properties under development or held for future development of approximately 6.8 million square feet. In Hong Kong, this investment property portfolio comprises approximately 15.8 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Guangzhou, Shanghai and Chengdu. These developments are expected to comprise approximately 8.7 million square feet of attributable GFA when they are all completed. Outside Hong Kong and Mainland China, the investment property portfolio comprises principally the Brickell City Centre project in Miami, U.S.A.

The tables below illustrate the GFA (attributable to the Group) of the investment portfolio at 30th June 2014.

Completed Investment Properties (GFA attributable to the Group in million square feet)						
	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	10.2	2.5	0.7	0.5	–	13.9
Mainland China	2.0	3.2	0.9	0.1	–	6.2
U.S.A. and others	–	–	0.5	–	–	0.5
Total	12.2	5.7	2.1	0.6	–	20.6

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	1.7	–	–	0.1	0.1	1.9
Mainland China	0.9	1.2	0.4	–	–	2.5
U.S.A. and others	0.3	0.5	0.2	0.1	1.3 ⁽²⁾	2.4
Total	2.9	1.7	0.6	0.2	1.4	6.8

Total Investment Properties (GFA (or expected GFA) attributable to the Group in million square feet)						
	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Total	15.1	7.4	2.7	0.8	1.4	27.4

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

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

The trading property portfolio principally comprises land, apartments and offices under development in Hong Kong, in Miami in the U.S.A. and in Mainland China, together with the remaining units at the completed ARGENTA, AZURA, DUNBAR PLACE and MOUNT PARKER RESIDENCES developments in Hong Kong.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 30th June 2014.

Trading Properties (GFA (or expected GFA) attributable to the Group in million square feet)			
	Completed	Under Development or Held for Development	Total
Hong Kong	0.1	0.4	0.5
Mainland China	–	0.7	0.7
U.S.A.	–	2.8	2.8
Total	0.1	3.9	4.0

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises 10.5 million square feet of space on a 100% basis. Total attributable gross rental income (which includes the Group's share of gross rental income of joint venture and associated companies but excludes the amount shared by non-controlling interests (if any)) from our office properties in Hong Kong was HK\$2,764 million in the first half of 2014. At 30th June 2014, the office properties in Hong Kong were valued at HK\$128,230 million. Of this amount, Swire Properties' attributable interest represented HK\$122,246 million.

Hong Kong Office Portfolio			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (at 30th June 2014)	Attributable Interest
Pacific Place	2,186,433	93%	100%
Cityplaza	1,632,930	98%	100%
TaiKoo Place Office Towers ⁽¹⁾	3,136,541	99%	50%/100%
One Island East	1,537,011	100%	100%
Techno Centres ⁽²⁾	893,516	97%	100%
Others ⁽³⁾	1,077,161	96%	20%/50%/100%
Total	10,463,592		

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

⁽²⁾ Excluding Somerset House, the redevelopment of which into a Grade-A office building commenced in 2014.

⁽³⁾ Others comprise One Citygate (20% owned), 625 King's Road (50% owned), Berkshire House (purchased by the Group in January 2014 and 50% owned), Generali Tower (wholly owned) and 28 Hennessy Road (wholly-owned).

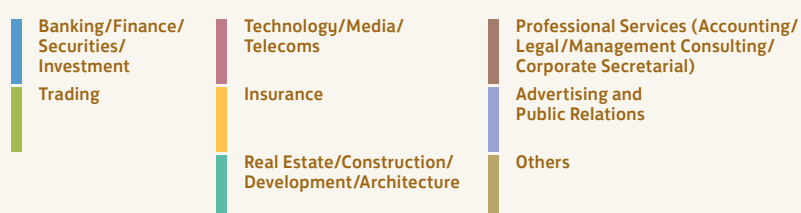
Gross rental income from the Group's Hong Kong office portfolio in the first half of 2014 increased by 6% over the first half of 2013 to HK\$2,630 million. This reflected positive rental reversions at Pacific Place and Island East. At 30th June 2014, the Hong Kong office portfolio was 97% let.

Demand for the Group's office space in Hong Kong has improved. Mainland Chinese companies are taking more space in the central district and our existing tenants are renting more space. The occupancy rate at Pacific Place offices rose to 93% at 30th June 2014. At Island East, rents remain robust due to high occupancy and solid demand. The occupancy rate at 28 Hennessy Road continued to improve and reached 95% at 30th June 2014. Generali Tower generated stable rental income during the period following the commencement of a ten-year lease in September 2013. The DCH Commercial Centre in Quarry Bay, in which Swire Properties purchased a 50% interest in January 2014, was renamed Berkshire House.

The chart below shows the mix of tenants occupying the Group's Hong Kong office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area attributable to the Group at 30th June 2014.

Office Area Attributable to the Group by Tenants' Trades

(At 30th June 2014)



At 30th June 2014, the top ten office tenants (based on rental income in the six months ended 30th June 2014) together occupied approximately 23% of the total office area in Hong Kong.

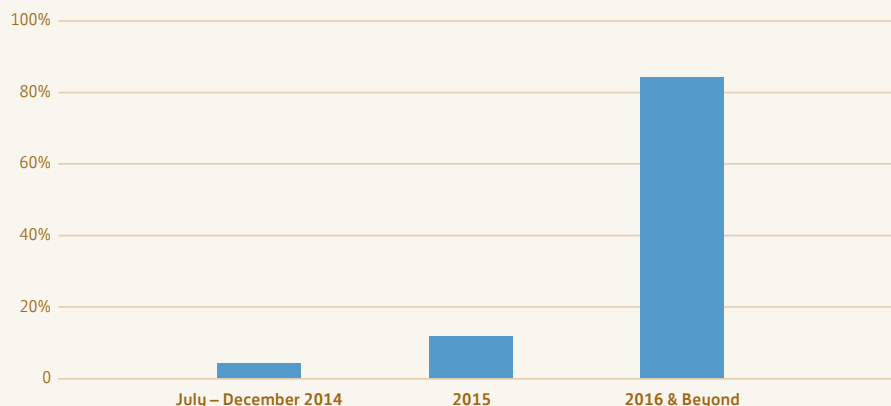
Hong Kong Office Market Outlook

Demand for Swire Properties' office space in Hong Kong is expected to show further improvement with modest additional demand for office space in the central district and continued firm rental levels on renewals at Island East.

The following chart shows the percentage of the total rental income attributable to the Group from the office properties in Hong Kong, for the month ended 30th June 2014, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 3.8% of the rental income in the month of June 2014 are due to expire in the second half of 2014, with a further 11.9% due to expire in 2015.

Office Lease Expiry Profile

(At 30th June 2014)



Retail

Overview

The completed retail portfolio in Hong Kong comprises 2.8 million square feet of space on a 100% basis, principally The Mall at Pacific Place, Cityplaza Mall at Island East, and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK\$1,389 million in the first half of 2014. At 30th June 2014, our retail properties in Hong Kong were valued at HK\$53,591 million. Of this amount, Swire Properties' attributable interest represented HK\$47,564 million.

Cityplaza Mall at Island East in Hong Kong is undergoing a HK\$100 million enhancement. The first phase of the enhancement was completed in March 2014 with the opening of the Beauty Zone, an area dedicated to cosmetics and skincare. The second phase, comprising the Family and Lifestyle Zones, was completed in July 2014. The final phase is expected to be completed by the end of November 2014. Completion of the enhancement will enable 35 new tenants to be brought into the mall, so broadening choice for consumers.

Hong Kong Retail Portfolio			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (at 30th June 2014)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza Mall	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others ⁽¹⁾	530,467	100%	20%/60%/100%
Total	2,809,304		

⁽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 neighbourhood shops (20% owned).

Gross rental income from the Group's retail portfolio in Hong Kong was HK\$1,344 million in the first half of 2014, an increase of 5% from the same period in 2013. Occupancy levels at the Group's malls were effectively 100% during the period.

The chart below shows the mix of the tenants occupying the Group's Hong Kong retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area attributable to the Group at 30th June 2014.

Retail Area Attributable to the Group by Tenants' Trades

(At 30th June 2014)



At 30th June 2014, the top ten retail tenants (based on rental income in the six months ended 30th June 2014) together occupied approximately 25% of our total retail area in Hong Kong.

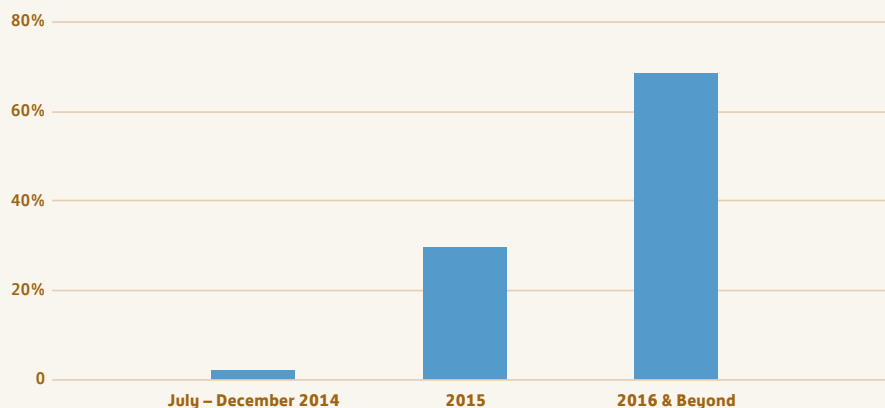
Hong Kong Retail Market Outlook

The fall in retail sales in Hong Kong has resulted in retailers becoming more cautious about the cost of renting premises. However, this is not expected to have a significant adverse effect on Swire Properties' retail properties in Hong Kong, which remain fully let.

The following chart shows the percentage of the total rental income attributable to the Group from the retail properties in Hong Kong, for the month ended 30th June 2014, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 1.9% of the rental income in the month of June 2014 are due to expire in the second half of 2014, with tenancies accounting for a further 29.6% of such rental income due to expire in 2015.

Retail Lease Expiry Profile

(At 30th June 2014)



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place in Hong Kong and a small number of luxury houses and apartments on Hong Kong Island, with a total floor area of 483,711 square feet.

Occupancy at the residential portfolio was 89% at 30th June 2014, reflecting an improvement in demand for space at Pacific Place Apartments.

Performance at Pacific Place Apartments is expected to remain stable in the second half of 2014.

Investment Properties Under Development

TAIKOO PLACE APARTMENTS

The property at 23 Tong Chong Street in Quarry Bay is being redeveloped into a 28-storey building comprising 111 serviced apartments. The new development has been named TAIKOO PLACE APARTMENTS and will have a gross floor area of approximately 75,000 square feet. Superstructure works are in progress. The development is expected to be completed by the end of 2014 and to open in the middle of 2015. The development will be a valuable addition to our investment portfolio in Island East.

Tung Chung Town Lot No. 11

This commercial site adjacent to the Citygate Outlets is being developed into a multi-storey commercial building with a gross floor area of approximately 460,000 square feet. The development is expected to be completed in 2017. Swire Properties holds a 20% interest in the development.

New Kowloon Inland Lot No. 6312, Kowloon Bay

This commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay in Hong Kong was acquired by tender in November 2013. The site will be developed into an office building, with an aggregate gross floor area of approximately 555,000 square feet. Building design is in progress. The development is expected to be completed in 2017.

TaiKoo Place Redevelopment

Somerset House in TaiKoo Place is being demolished and will be redeveloped into a 51-storey office building with an aggregate gross floor area of approximately 1,000,000 square feet. The redevelopment is expected to be completed in 2018. The second phase of the TaiKoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building) is being planned.

The redevelopment will include a landscaped square of approximately 69,000 square feet.

8-10 Wong Chuk Hang Road, Aberdeen

In February 2014, the company which owns an industrial site at 8-10 Wong Chuk Hang Road in Aberdeen, Hong Kong (in which Swire Properties has a 50% interest) agreed with the Government to proceed with a modification of the relevant Government leases to permit the site to be used for commercial purposes at a premium of approximately HK\$1,070 million. The site is intended to be developed into an office building with an aggregate gross floor area of approximately 382,500 square feet. Lease modification has been completed and building design is in progress. The development is expected to be completed in 2018.

Investment Properties – Mainland China

Overview

The property portfolio in Mainland China comprises 13.5 million square feet of space, 9.3 million square feet of which is attributable to the Group. Completed properties amount to 7.3 million square feet, with 6.2 million square feet under development. Total attributable gross rental income from investment properties in Mainland China was HK\$974 million in the first half of 2014. At 30th June 2014, the investment properties in Mainland China were valued at HK\$52,352 million. Of this amount, Swire Properties' attributable interest represented HK\$38,252 million.

Property Portfolio ⁽¹⁾ – Mainland China	Gross Floor Area (sq.ft.) (100% Basis)			Attributable Interest
	Total	Investment Properties	Hotels, Trading Properties and Others	
<i>Completed</i>				
Taikoo Li Sanlitun, Beijing	1,465,771	1,296,308	169,463	100%
TaiKoo Hui, Guangzhou	3,840,197	3,256,013	584,184	97%
INDIGO, Beijing	1,893,226	1,534,957	358,269	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	5,825	–	5,825	100%
Sub-total	7,295,866	6,178,125	1,117,741	
<i>Under Development</i>				
Daci Temple Project, Chengdu ⁽²⁾	2,749,653	1,285,943	1,463,710	50%
Dazhongli Project, Shanghai ⁽³⁾	3,457,375	2,930,068	527,307	50%
Sub-total	6,207,028	4,216,011	1,991,017	
Total	13,502,894	10,394,136	3,108,758	

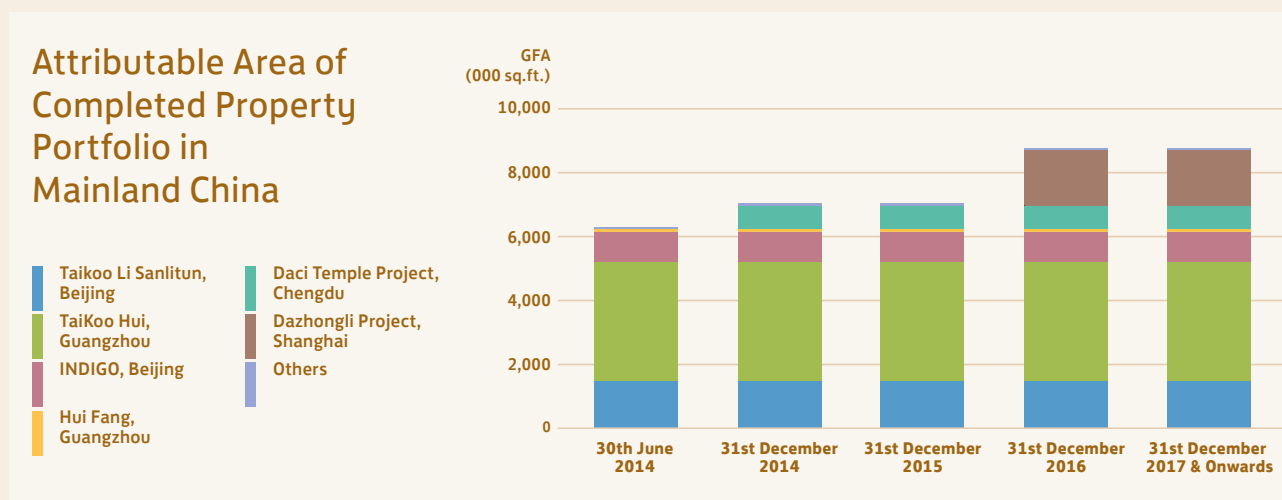
(1) Including the hotel and property trading components of these projects.

(2) The Daci Temple project is expected to open in phases from 2014 onwards. The office portion of the Daci Temple project, Pinnacle One, is being developed for trading purposes. 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 car parking spaces were presold in August 2013.

(3) The Dazhongli project is expected to open in phases from 2016 onwards.

Gross rental income from the Group's investment portfolio in Mainland China was HK\$899 million in the first half of 2014, HK\$115 million higher than the same period in 2013, reflecting positive rental reversions and higher retail sales.

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



Offices

The Mainland China office portfolio's gross rental income for the first half of 2014 was HK\$152 million, an increase of 18% compared to the same period in 2013.

Occupancy of TaiKoo Hui's office towers in Guangzhou rose to 99% at 30th June 2014. This was in spite of substantial new supply of space in Guangzhou over the last 18 months.

Occupancy at One INDIGO in Beijing was 96% at 30th June 2014. There has been strong demand for decentralised office space in Beijing, reflecting significant rental increases in the central business district.

Retail

The Mainland China retail portfolio's gross rental income for the first half of 2014 was HK\$742 million, an increase of 13% compared to the same period in 2013.

Retail sales increased by 23% at Taikoo Li Sanlitun following recent changes to the tenant mix and completion of structural works designed to improve traffic flows around the mall. Gross rental income growth at this development reflected continued improvement in reversionary rents. At 30th June 2014, the overall occupancy rate was 97%.

In February 2014, Swire Properties completed the purchase of a 20% interest in Taikoo Li Sanlitun from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, following the exercise of an option by GCA to sell its interest in Taikoo Li Sanlitun to Swire Properties in August 2013. Following this transaction, Taikoo Li Sanlitun became wholly-owned by Swire Properties.

Retail sales at the TaiKoo Hui development in Guangzhou grew by 13% in the first half of 2014. The mall was 99% let at 30th June 2014. The first major renewal of leases at the TaiKoo Hui mall takes place later this year and discussions with new and existing tenants are progressing well.

The mall at INDIGO in Beijing was 95% occupied at 30th June 2014. Retail sales increased by 94% in the first half of 2014. The mall will benefit from direct access to line 14 of the Beijing Metro, which is expected to open in late 2014.

Retail sales at Swire Properties' shopping malls in Beijing and Guangzhou are expected to record continued strong growth in the second half of 2014.

Investment Properties under Development

Chengdu

Pre-letting of Sino-Ocean Taikoo Li Chengdu, the retail portion of the Daci Temple project, is satisfactory. Commitments (including letters of intent) have been received for over 80% of the lettable area. Façade installation works are in progress. The development is expected to open in late 2014.

Internal fit-out works at The Temple House (the hotel and serviced apartment portion of the project) are in progress.

Shanghai

At the Dazhongli development in Shanghai, construction of the office, hotel and retail portions is in progress. Upon completion in phases from 2016, the development will comprise a retail mall, two office buildings and three hotels. The project will be linked to line 13 of the Shanghai Metro.

Investment Properties – U.S.A.

Brickell City Centre, Miami

Brickell City Centre is an urban mixed-use development in the Brickell financial district of Miami, Florida. It has a site area of 504,017 square feet (approximately 11.6 acres).

Phase I of the development consists of a shopping centre, a hotel and serviced apartments to be operated by EAST, two office buildings and two residential towers. Swire Properties owns 100% of the office, hotel and residential portions and 87.5% of the retail portion of the development, with a 12.5% interest in the retail portion held by Bal Harbour Shops. Bal Harbour Shops has an option, exercisable from the fifth anniversary of the date on which the retail portion of the development

opens, to sell its 12.5% interest to Swire Properties. The residential towers are being developed for sale. Construction work on Phase I commenced in 2012, with completion expected by the end of 2015. A light rail system station is within the site.

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

At 30th June 2014, the Brickell City Centre Phase I development (excluding the hotel and residential trading components) was valued at HK\$1,452 million.

Brickell City Centre, Miami		
	Gross Floor Area (sq.ft.) ⁽³⁾ (100% Basis)	Attributable Interest
Phase I		
Retail	587,000	87.5%
Wellness/general offices	260,000	100%
Serviced apartments	109,000	100%
Hotel ⁽¹⁾	218,000	100%
Residential ⁽²⁾	1,127,000	100%
Carpark/circulation	2,643,000	100%
Sub-total	4,944,000	
Potential future residential ⁽²⁾	450,000 ⁽⁴⁾	100%
Total Phase I	5,394,000	
Phase II		
Mixed-use tower	1,300,000 ⁽⁴⁾	100%
Total Phase I and Phase II	6,694,000	

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

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

⁽³⁾ Represents leasable/saleable area except for the carpark/circulation area.

⁽⁴⁾ This development is at the planning stage and therefore the gross floor area is still under review.

The residential property market in urban Miami has continued to improve in 2014. The retail market is also encouraging, although there is increased competition. The office market is improving as vacancies decline.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2014 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK\$216,264 million, compared to HK\$213,423 million at 31st December 2013.

The increase in the valuation of the investment property portfolio is mainly due to higher rental income at the offices at Island East in Hong Kong and at the retail malls in Hong Kong, Beijing and Guangzhou.

Under HKAS 40, hotel properties are not accounted for as investment properties but are included within property, plant and equipment at cost less accumulated depreciation and any provision for impairment.

Financial Information Reviewed by Auditors Investment Properties

	Group		
	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2014	192,609	20,814	213,423
Translation differences	(601)	(2)	(603)
Additions	234	1,290	1,524
Cost written back	(10)	(28)	(38)
Disposals	–	(1)	(1)
Transfer from deferred expenditure	–	1	1
Transfer to properties under development	–	(138)	(138)
Other net transfers (to)/from property, plant and equipment	(272)	11	(261)
Fair value gains	1,269	1,088	2,357
	193,229	23,035	216,264
Add: Initial leasing costs	242	–	242
At 30th June 2014	193,471	23,035	216,506
At 31st December 2013 (including initial leasing costs)	192,894	20,814	213,708

Property Trading

The trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), two residential towers under development in Brickell City Centre in Miami, U.S.A., an office property under development in the Daci Temple project in Chengdu in

Mainland China, and the remaining residential units at the completed ARGENTA, AZURA, DUNBAR PLACE, MOUNT PARKER RESIDENCES and 5 Star Street developments in Hong Kong and at the completed ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

Property Trading Portfolio			
	Gross Floor Area (sq.ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<u>Completed</u>			
Hong Kong			
– 5 Star Street ⁽²⁾	408 ⁽¹⁾	2010	100%
– AZURA ⁽²⁾	6,923 ⁽¹⁾	2012	87.5%
– ARGENTA ⁽²⁾	21,013 ⁽¹⁾	2013	100%
– DUNBAR PLACE ⁽²⁾	13,925 ⁽¹⁾	2013	50%
– MOUNT PARKER RESIDENCES ⁽²⁾	54,069 ⁽¹⁾	2013	80%
U.S.A.			
– ASIA, Miami ⁽²⁾	5,359 ⁽¹⁾	2008	100%
<u>Under Development</u>			
Hong Kong			
– AREZZO	165,792	2014	100%
– 2 Castle Road (formerly known as 33 Seymour Road (Phase 2))	195,533	2016	100%
– 160 South Lantau Road, Cheung Sha	64,410	2015	100%
Mainland China			
– Daci Temple Project, Chengdu (office portion)	1,299,882 ⁽³⁾	2014	50%
U.S.A.			
– Brickell City Centre, Miami, Florida (residential portion)	1,127,000	2015	100%
<u>Held for Development</u>			
U.S.A.			
– Fort Lauderdale, Florida	787,414	N/A	75%
– South Brickell Key, Miami, Florida	421,800	N/A	100%
– Brickell City Centre, Miami, Florida – North Squared site	450,000	N/A	100%
– 700 Brickell Avenue, Miami, Florida	558,000	N/A	100%

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

⁽²⁾ Remaining unsold units at 30th June 2014.

⁽³⁾ The office portion of Daci Temple project, Pinnacle One, is being developed for trading purposes. 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 car parking spaces were presold in August 2013.

Hong Kong

122 of the 126 units at the AZURA development on Seymour Road had been sold at 12th August 2014. The profit from the sale of three units was recognised in the first half of 2014. Swire Properties holds an 87.5% interest in this development. The property is managed by Swire Properties.

23 of the 30 units at the ARGENTA development, also on Seymour Road, had been sold at 12th August 2014. Profits were recognised on sales of nine units in the first half of 2014. The property is managed by Swire Properties.

48 of the 53 units at DUNBAR PLACE, a residential development in Ho Man Tin, Kowloon, had been sold at 12th August 2014. Handover to purchasers began in January 2014. The profit from the sale of 45 units was recognised in the first half of 2014. Swire Properties holds a 50% interest in this development. The property is managed by Swire Properties.

Sales of apartments at MOUNT PARKER RESIDENCES in Quarry Bay began in March 2014. 73 of the 92 units had been sold at 12th August 2014. Handover to purchasers began in May 2014 and the profit from the sale of 57 units was recognised in the first half of 2014. The profit from the sale of the remaining units is expected to be recognised in the second half of 2014. Swire Properties holds an 80% interest in this development. The property is managed by Swire Properties.

Superstructure work at AREZZO, the residential development at 33 Seymour Road, is progressing on schedule, with completion expected in the second half of 2014. Superstructure work at 2 Castle Road (formerly known as 33 Seymour Road (Phase 2)) is in progress, with completion expected in 2016.

Two adjacent residential sites at 160 South Lantau Road, Cheung Sha, on Lantau Island, are being developed into detached houses. Superstructure works are in progress. The development is expected to be completed and available for handover to purchasers in 2015.

Mainland China

Superstructure and façade installation works at Pinnacle One, the office tower at the Daci Temple project in Chengdu, are in progress. Approximately 1,150,000 square feet (representing roughly 89% of the office's total gross floor area) was presold in August 2013. The tower is scheduled for handover later this year.

U.S.A.

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

Pre-sales of apartments at REACH, the residential portion of Brickell City Centre began in June 2014. 204 of 390 units had been presold at 12th August 2014 with 16 of the buyers having customary unexpired rights of rescission. The units are expected to be completed and available for handover to purchasers in late 2015 or 2016.

Outlook

Demand for luxury residential properties in Hong Kong has picked up over the last three months, a trend that is likely to continue into the second half. In the second half of 2014, property trading profits are expected to be recognised on sales of units at the MOUNT PARKER RESIDENCES, AZURA, ARGENTA and DUNBAR PLACE developments in Hong Kong and on the sale of the office portion of the Daci Temple development in Chengdu, Mainland China.

Leasing and Management Business

Swire Properties is responsible for the redevelopment, leasing and management of a property owned by Swire Pacific at 53 Stubbs Road, known as OPUS HONG KONG. The property is a prime residential development consisting of a 12-storey residential building with ten whole-floor units and two double-level garden apartments. It was designed by Pritzker Prize-winning architect Frank Gehry. Five units had been leased at 30th June 2014.

Estate Management

Swire Properties manages 17 estates which it has developed. The management services include day to day assistance for occupants and cleaning, maintenance and renovation of common areas and facilities. Swire Properties places great emphasis on maintaining good relationships with occupants.

Hotels

Overview

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

Hotel Portfolio (Managed by the Group)		
	No. of Rooms (100% Basis)	Attributable Interest
<u>Completed</u>		
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%
U.K.		
– The Montpellier Chapter, Cheltenham	61	100%
– Avon Gorge Hotel, Bristol	75	100%
– The Magdalen Chapter, Exeter	59	100%
– Hotel Seattle, Brighton	71	100%
<u>Under Development</u>		
Mainland China		
– The Temple House, Chengdu ⁽²⁾	142	50%
– Dazhongli Project (Hotel), Shanghai ⁽³⁾	119	50%
U.S.A.		
– EAST, Miami ⁽²⁾	352	100%
Total	2,310	

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

(2) Including serviced apartments.

(3) No. of modules.

Hong Kong

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

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

Both the managed and non-managed hotels in Hong Kong performed well in the first half of 2014. Average room rates and food and beverage sales grew.

Mainland China

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

Occupancy rates at The Opposite House and EAST, Beijing improved in the first half of 2014 despite an increase in the supply of new hotel rooms. Occupancy rates at the Mandarin Oriental, Guangzhou improved in the first half of 2014 despite an over-supply of hotel rooms.

A third House hotel, The Temple House, is expected to open in late 2014 as part of the Daci Temple project in Chengdu. It will be managed by Swire Hotels.

U.S.A.

Swire Properties has a 75% interest in the 326-room Mandarin Oriental hotel in Miami. The hotel performed well in the first half of 2014, with higher room rates and similar occupancy rates compared to the same period in 2013.

U.K.

Swire Properties owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. Occupancy and room rates were satisfactory in the first half of 2014, showing some improvement compared to the same period in 2013.

Outlook

The performance of the hotels in Hong Kong is expected be stable in the second half of 2014. Trading conditions for the hotels in Mainland China are expected to continue to improve.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in the first half of 2014 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$3,151 million (first half of 2013: HK\$829 million). Outstanding capital commitments at 30th June 2014 were HK\$17,855 million (31st December 2013: HK\$20,291 million), including the Group's share of the capital commitments of joint venture companies of HK\$1,397 million. The Group is committed to funding HK\$834 million of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in the first half of 2014 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture

companies, amounted to HK\$1,016 million (first half of 2013: HK\$712 million). Outstanding capital commitments at 30th June 2014 were HK\$5,215 million (31st December 2013: HK\$6,313 million), including the Group's share of the capital commitments of joint venture companies of HK\$4,627 million (31st December 2013: HK\$5,577 million). The Group is committed to funding HK\$894 million (31st December 2013: HK\$1,083 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in the first half of 2014 on investment properties and hotels in the U.S.A., Singapore and the U.K. amounted to HK\$1,014 million (first half of 2013: HK\$892 million).

Outstanding capital commitments at 30th June 2014 were HK\$1,959 million (31st December 2013: HK\$2,850 million).

Profile of Capital Commitments						
	Expenditure	Forecast Year of Expenditure				Commitments*
	Six months ended 30th June 2014 HK\$M	Six months ended 31st December 2014 HK\$M	2015 HK\$M	2016 HK\$M	2017 & beyond HK\$M	At 30th June 2014 HK\$M
Hong Kong	3,151	811	1,740	3,215	12,089	17,855
Mainland China	1,016	1,346	2,018	1,461	390	5,215
U.S.A. and others	1,014	318	1,633	8	—	1,959
Total	5,181	2,475	5,391	4,684	12,479	25,029

* The capital commitments represent the Group's capital commitments of HK\$19,005 million plus the Group's share of the capital commitments of joint venture companies of HK\$6,024 million. The Group is committed to funding HK\$1,728 million of the capital commitments of joint venture companies.

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Net cash from/(used by) businesses and investments			
Cash generated from operations	5,618	4,528	8,873
Dividends received	205	196	216
Profits tax paid	(106)	(177)	(1,314)
Net interest paid	(740)	(684)	(1,394)
Cash used in investing activities	(3,509)	(1,565)	(5,804)
	1,468	2,298	577
Cash (paid to)/received from shareholders and net funding by debt			
Net increase in borrowings	1,609	4,699	5,282
Increase/(decrease) in loans due to Swire Finance Limited	1,300	(3,100)	(1,900)
Purchase of shares in an existing subsidiary company	(1,256)	–	–
Capital contribution from a non-controlling interest	–	15	15
Dividends paid	(2,480)	(2,227)	(3,401)
	(827)	(613)	(4)
Increase in cash and cash equivalents	641	1,685	573

Cash used in investing activities during the first half of 2014 included capital expenditure on property projects by subsidiary companies and investments in joint venture companies.

Financing Arrangements with the Swire Pacific Group

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

Financial Information Reviewed by Auditors

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

Medium Term Note Programme

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

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

Changes in Financing

Financial Information Reviewed by Auditors Analysis of Changes in Financing

	Six months ended 30th June 2014 HK\$M	Year ended 31st December 2013 HK\$M
Bank loans, bonds and loans from Swire Finance		
At 1st January	34,535	30,857
Loans drawn and refinancing	5,212	3,637
Bonds issued	–	3,877
Repayment of bank loans	(3,603)	(2,232)
Increase/(decrease) in loans due to Swire Finance	1,300	(1,900)
Other non-cash movements	(163)	296
	37,281	34,535
Overdrafts	–	–
At 30th June/31st December	37,281	34,535

During the first half of 2014, the Group raised HK\$5,422 million. This comprised:

- three five-year term and revolving loan facilities aggregating HK\$2,250 million
- a three-year term loan facility of RMB2,440 million to refinance an expired RMB2,700 million facility
- an uncommitted revolving loan facility of SGD20 million

Subsequent to 30th June 2014, the Group issued medium-term notes of HK\$300 million in July 2014.

Net Borrowings

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings at 30th June 2014 and 31st December 2013 were as follows:

Financial Information Reviewed by Auditors

	30th June 2014 HK\$M	31st December 2013 HK\$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	10,071	5,097
Bonds – unsecured	8,502	8,501
Borrowings from Swire Finance – unsecured	12,154	13,348
Borrowings included in current liabilities		
Bank borrowings – unsecured	4,057	7,589
Borrowings from Swire Finance – unsecured	2,497	–
Total borrowings	37,281	34,535
Less: short-term deposits and bank balances	3,381	2,521
Net borrowings	33,900	32,014

Sources of Finance

At 30th June 2014, committed loan facilities and debt securities amounted to HK\$42,819 million, of which HK\$6,172 million (14.4%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$1,436 million. Sources of funds at 30th June 2014 comprised:

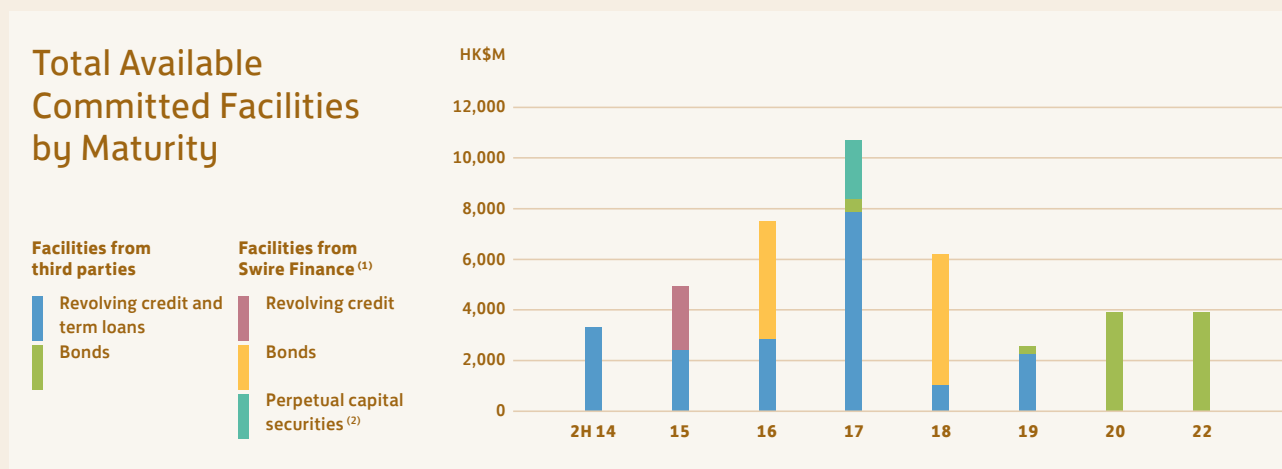
Financial Information Reviewed by Auditors

	Available HK\$M	Drawn HK\$M	Undrawn Expiring Within One Year HK\$M	Undrawn Expiring After One Year HK\$M
Facilities from third parties				
Revolving credit and short-term loans	4,763	587	–	4,176
Term loans	14,841	12,845	–	1,996
Bonds	8,551	8,551	–	–
Facilities from Swire Finance				
Revolving credit	2,500	2,500	–	–
Bonds	9,835	9,835	–	–
Perpetual capital securities	2,329	2,329	–	–
Total committed facilities	42,819	36,647	–	6,172
Uncommitted facilities				
Bank loans and overdrafts	2,221	785	1,436	–
Total	45,040	37,432	1,436	6,172

Note: The figures above are stated before unamortised loan fees of HK\$151 million.

Maturity Profile

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



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

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

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

Financial Information Reviewed by Auditors				
	30th June 2014		31st December 2013	
	HK\$M		HK\$M	
Bank and other borrowings due				
Within 1 year	4,057	11%	7,589	22%
1 – 2 years	2,159	6%	1,795	5%
2 – 5 years	8,411	23%	3,800	11%
After 5 years	8,003	21%	8,003	23%
Borrowings from Swire Finance due				
Within 1 year	2,497	7%	–	–
1 – 2 years	4,654	12%	1,195	4%
2 – 5 years	7,500	20%	12,153	35%
After 5 years	–	–	–	–
Total	37,281	100%	34,535	100%
Less : Amount due within one year included under current liabilities	6,554		7,589	
Amount due after one year included under non-current liabilities	30,727		26,946	

Currency Profile

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

Financial Information Reviewed by Auditors				
	30th June 2014		31st December 2013	
	HK\$M		HK\$M	
Currency				
Hong Kong dollar	26,646	72%	24,407	71%
United States dollar	3,513	9%	2,342	7%
Renminbi	7,116	19%	7,786	22%
Others	6	0%	–	–
Total	37,281	100%	34,535	100%

Net Finance Charges

At 30th June 2014, 55% of the Group's gross borrowings were on a fixed rate basis and 45% were on a floating rate basis (31st December 2013: 60% and 40% respectively). Interest charged and interest earned were as follows:

Financial Information Reviewed by Auditors			
	Six months ended 30th June		Year ended 31st December
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Interest charged on:			
Bank loans and overdrafts	(276)	(283)	(568)
Bonds:			
Wholly repayable within five years	(6)	(6)	(10)
Not wholly repayable within five years	(142)	(123)	(266)
Loans from fellow subsidiary companies	(354)	(371)	(722)
Loans from joint venture and related companies	(7)	(4)	(9)
Fair value loss on derivative instruments			
Cash flow hedges – transferred from other comprehensive income	–	–	(2)
Other financing costs	(77)	(67)	(136)
Loss on the movement in the fair values of liabilities in respect of put options in favour of the owners of non-controlling interests in subsidiary companies	(45)	(142)	(139)
Capitalised on:			
Investment properties	88	25	63
Properties under development and for sale	101	130	256
Hotels	3	6	8
	(715)	(835)	(1,525)
Interest income on:			
Short-term deposits and bank balances	12	7	26
Loans to joint venture companies	20	11	21
Others	25	24	31
	57	42	78
Net finance charges	(658)	(793)	(1,447)

Gearing Ratio and Interest Cover

	30th June		31st December
	2014	2013	2013
Gearing ratio*			
Per accounts	16.4%	14.6%	15.8%
Underlying	15.8%	14.1%	15.2%
Interest cover – times*			
Per accounts	10.8	9.9	10.0
Underlying	7.8	5.8	6.4
Cash interest cover – times*			
Per accounts	8.4	8.2	8.2
Underlying	5.9	4.7	5.1

* Refer to Glossary on page 55 for definition

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2014 and 31st December 2013:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by Swire Properties	
	30th June 2014	31st December 2013	30th June 2014	31st December 2013	30th June 2014	31st December 2013
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Hong Kong Entities	3,086	2,601	1,605	1,207	975	–
Mainland China Entities	5,762	4,619	2,881	2,309	–	–
U.S.A. Entities	613	597	460	448	507	496
	9,461	7,817	4,946	3,964	1,482	496

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 18.8% and underlying gearing would rise to 18.1%.

Report on Review of Interim Accounts

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

Introduction

We have reviewed the condensed interim accounts set out on pages 30 to 51, which comprises the consolidated statement of financial position of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) at 30th June 2014 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended and a summary of significant accounting policies and other explanatory notes.

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

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

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14th August 2014

Consolidated Statement of Profit or Loss

For the six months ended 30th June 2014 – unaudited

	Note	Unaudited Six months ended 30th June		Audited Year ended 31st December
		2014 HK\$M	2013 HK\$M	2013 HK\$M
Turnover	4	8,338	5,754	12,935
Cost of sales	5	(3,012)	(1,377)	(3,531)
Gross profit		5,326	4,377	9,404
Administrative expenses		(503)	(513)	(974)
Other operating expenses		(111)	(86)	(186)
Other net gains/(losses)	6	34	(3)	43
Change in fair value of investment properties		2,357	4,068	6,211
Operating profit		7,103	7,843	14,498
Finance charges		(715)	(835)	(1,525)
Finance income		57	42	78
Net finance charges	8	(658)	(793)	(1,447)
Share of profits less losses of joint venture companies		1,021	647	809
Share of profits less losses of associated companies		83	70	139
Profit before taxation		7,549	7,767	13,999
Taxation	9	(948)	(756)	(1,344)
Profit for the period		6,601	7,011	12,655
Profit attributable to:				
The Company's shareholders		6,461	6,952	12,525
Non-controlling interests		140	59	130
		6,601	7,011	12,655
Dividends				
First interim – declared/paid		1,287	1,170	1,170
Second interim – declared on 13th March 2014		–	–	2,340
	10	1,287	1,170	3,510
		HK\$	HK\$	HK\$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	11	1.10	1.19	2.14
		2014	2013	
		First Interim HK\$	First Interim HK\$	Second Interim HK\$
Dividends per share		0.22	0.20	0.40
				Total HK\$
				0.60

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

Consolidated Statement of Other Comprehensive Income

For the six months ended 30th June 2014 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Profit for the period	6,601	7,011	12,655
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of properties previously occupied by the Group			
– gains recognised during the period	1	17	24
– deferred tax	–	–	(14)
Defined benefit plans			
– remeasurement gains recognised during the period	–	–	105
– deferred tax	–	–	(17)
	1	17	98
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
– gains recognised during the period	61	48	6
– transferred to net finance charges	–	–	2
– deferred tax	(11)	(8)	(1)
Net translation (losses)/gains on foreign operations	(419)	208	494
Share of other comprehensive (losses)/income of joint venture and associated companies	(113)	115	206
	(482)	363	707
Other comprehensive (losses)/income for the period, net of tax	(481)	380	805
Total comprehensive income for the period	6,120	7,391	13,460
Total comprehensive income attributable to:			
The Company's shareholders	5,987	7,331	13,309
Non-controlling interests	133	60	151
	6,120	7,391	13,460

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

Consolidated Statement of Financial Position

For the six months ended 30th June 2014 – unaudited

	Note	Unaudited 30th June 2014 HK\$M	Audited 31st December 2013 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	7,649	7,225
Investment properties	12	216,506	213,708
Intangible assets	13	77	75
Properties held for development		736	706
Joint venture companies	14	18,717	16,379
Associated companies	15	519	521
Available-for-sale assets		75	75
Derivative financial instruments	17	21	4
Deferred tax assets	21	69	72
Retirement benefit assets		2	–
		244,371	238,765
Current assets			
Properties under development and for sale		7,550	8,020
Stocks and work in progress		75	76
Trade and other receivables	18	3,073	2,522
Amount due from immediate holding company – Swire Pacific Limited	19	30	53
Cash and cash equivalents		3,131	2,521
Short-term deposits maturing after three months		250	–
		14,109	13,192
Current liabilities			
Trade and other payables	20	7,301	8,007
Taxation payable		651	211
Bank overdrafts and short-term loans		785	828
Long-term loans due within one year		3,272	6,761
Loans due to a fellow subsidiary company – Swire Finance Limited		2,497	–
		14,506	15,807
Net current liabilities		(397)	(2,615)
Total assets less current liabilities		243,974	236,150
Non-current liabilities			
Long-term loans and bonds		18,573	13,598
Loans due to a fellow subsidiary company – Swire Finance Limited		12,154	13,348
Other payables	20	477	367
Derivative financial instruments	17	42	83
Deferred tax liabilities	21	5,938	5,604
		37,184	33,000
NET ASSETS		206,790	203,150
EQUITY			
Share capital	22	10,449	5,850
Reserves	23	195,548	196,500
Equity attributable to the Company's shareholders		205,997	202,350
Non-controlling interests	24	793	800
TOTAL EQUITY		206,790	203,150

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

Consolidated Statement of Cash Flows

For the six months ended 30th June 2014 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Operating activities			
Cash generated from operations	5,618	4,528	8,873
Interest paid	(797)	(793)	(1,560)
Interest received	57	109	166
Profits tax paid	(106)	(177)	(1,314)
	4,772	3,667	6,165
Dividends received from joint venture and associated companies	205	196	216
Net cash from operating activities	4,977	3,863	6,381
Investing activities			
Purchase of property, plant and equipment	(371)	(176)	(415)
Additions of investment properties	(1,329)	(1,261)	(5,043)
Purchase of intangible assets	(5)	(4)	(14)
Purchase of available-for-sale assets	–	(1)	(1)
Proceeds from disposals of property, plant and equipment	–	–	56
Proceeds from disposals of investment properties	7	–	–
Proceeds from disposal of a subsidiary company	–	–	31
Purchase of shares in joint venture companies	–	(1)	(1)
Loans to joint venture companies	(1,672)	(606)	(847)
Repayment of loans by joint venture companies	122	389	362
Repayment of loans by associated companies	–	124	124
Increase in deposits maturing after three months	(250)	–	–
Initial leasing costs incurred	(11)	(29)	(56)
Net cash used in investing activities	(3,509)	(1,565)	(5,804)
Net cash inflow before financing	1,468	2,298	577
Financing activities			
Loans drawn and refinancing	5,212	2,148	3,637
Bonds issued	–	3,877	3,877
Repayment of loans	(3,603)	(1,326)	(2,232)
	1,609	4,699	5,282
Capital contribution from a non-controlling interest	–	15	15
Increase/(decrease) in loans due to a fellow subsidiary company	1,300	(3,100)	(1,900)
Purchase of shares in an existing subsidiary company	(1,256)	–	–
Dividends paid to the Company's shareholders	(2,340)	(2,223)	(3,393)
Dividends paid to non-controlling interests	(140)	(4)	(8)
Net cash used in financing activities	(827)	(613)	(4)
Increase in cash and cash equivalents	641	1,685	573
Cash and cash equivalents at 1st January	2,521	1,936	1,936
Currency adjustment	(31)	6	12
Cash and cash equivalents at end of the period	3,131	3,627	2,521
Represented by:			
Bank balances and short-term deposits maturing within three months	3,131	3,627	2,521

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

Consolidated Statement of Changes in Equity

For the six months ended 30th June 2014 – unaudited

	Attributable to the Company's shareholders				Non-controlling interests HK\$M	Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M		
At 1st January 2014	5,850	188,467	8,033	202,350	800	203,150
Profit for the period	–	6,461	–	6,461	140	6,601
Other comprehensive losses	–	–	(474)	(474)	(7)	(481)
Total comprehensive income for the period	–	6,461	(474)	5,987	133	6,120
Transition to no-par value regime on 3rd March 2014 (note 22)	4,599	–	(4,599)	–	–	–
Dividends paid	–	(2,340)	–	(2,340)	(140)	(2,480)
At 30th June 2014 (unaudited)	10,449	192,588	2,960	205,997	793	206,790

	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 2013	5,850	179,247	7,337	192,434	642	193,076
Profit for the period	–	6,952	–	6,952	59	7,011
Other comprehensive income	–	–	379	379	1	380
Total comprehensive income for the period	–	6,952	379	7,331	60	7,391
Dividends paid	–	(2,223)	–	(2,223)	(4)	(2,227)
Capital contribution from a non-controlling interest	–	–	–	–	15	15
At 30th June 2013 (unaudited)	5,850	183,976	7,716	197,542	713	198,255

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

Notes to the Interim Accounts

1. Segment Information

(a) Analysis of Consolidated Statement of Profit or Loss

	External turnover HK\$M	Inter-segment turnover HK\$M	Operating profit after depreciation and amortisation HK\$M	Net finance charges HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit before taxation HK\$M	Profit for the period HK\$M	Profit attributable to the Company's shareholders HK\$M
Six months ended 30th June 2014									
Property investment	5,109	7	3,947	(636)	117	–	3,428	2,964	2,951
Property trading	2,707	–	807	2	175	–	984	851	727
Hotels	522	1	(8)	(24)	(10)	83	41	26	26
Change in fair value of investment properties	–	–	2,357	–	739	–	3,096	2,760	2,757
Inter-segment elimination	–	(8)	–	–	–	–	–	–	–
Total	8,338	–	7,103	(658)	1,021	83	7,549	6,601	6,461
Six months ended 30th June 2013									
Property investment	4,752	5	3,541	(762)	121	–	2,900	2,505	2,494
Property trading	571	–	278	–	(17)	–	261	208	170
Hotels	431	1	(44)	(31)	(5)	69	(11)	(25)	(24)
Change in fair value of investment properties	–	–	4,068	–	548	1	4,617	4,323	4,312
Inter-segment elimination	–	(6)	–	–	–	–	–	–	–
Total	5,754	–	7,843	(793)	647	70	7,767	7,011	6,952
Year ended 31st December 2013									
Property investment	9,786	11	7,317	(1,392)	208	(2)	6,131	5,448	5,426
Property trading	2,207	–	1,035	7	(46)	–	996	811	720
Hotels	942	2	(65)	(62)	(36)	145	(18)	(48)	(46)
Change in fair value of investment properties	–	–	6,211	–	683	(4)	6,890	6,444	6,425
Inter-segment elimination	–	(13)	–	–	–	–	–	–	–
Total	12,935	–	14,498	(1,447)	809	139	13,999	12,655	12,525

1. Segment Information (continued)

(b) Analysis of Total Assets of the Group

	Segment assets HK\$M	Joint venture companies HK\$M	Associated companies HK\$M	Bank deposits HK\$M	Total assets HK\$M
At 30th June 2014					
Property investment	220,310	16,281	50	2,507	239,148
Property trading and development	9,323	1,257	–	782	11,362
Hotels	6,230	1,179	469	92	7,970
Total	235,863	18,717	519	3,381	258,480
	Segment assets HK\$M	Joint venture companies HK\$M	Associated companies HK\$M	Bank deposits HK\$M	Total assets HK\$M
At 31st December 2013					
Property investment	217,547	14,008	50	1,713	233,318
Property trading and development	9,255	1,128	–	729	11,112
Hotels	5,734	1,243	471	79	7,527
Total	232,536	16,379	521	2,521	251,957

(c) Analysis of Total Liabilities and Non-controlling Interests of the Group

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Gross borrowings HK\$M	Total liabilities HK\$M	Non- controlling interests HK\$M
At 30th June 2014					
Property investment	6,313	6,366	31,435	44,114	606
Property trading and development	1,189	222	5,387	6,798	168
Hotels	318	1	459	778	19
Total	7,820	6,589	37,281	51,690	793
	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 2013					
Property investment	7,337	5,712	28,439	41,488	606
Property trading and development	873	102	5,549	6,524	175
Hotels	247	1	547	795	19
Total	8,457	5,815	34,535	48,807	800

1. Segment Information (continued)

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

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

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

2. Basis of Preparation

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

The accounting policies, methods of computation and presentation used in the preparation of the interim accounts are consistent with those described in the 2013 annual accounts except for those noted in 2(b) below.

- (b) The following relevant new and revised standards were required to be adopted by the Group effective from 1st January 2014:

HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) 21	Levies

The amendment to HKAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”. The amendment has had no significant impact on the Group’s accounts.

The amendment to HKAS 39 provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendment has had no significant impact on the Group’s accounts.

HK(IFRIC) 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to a levy and when a liability should be recognised. The interpretation has had no significant impact on the Group’s accounts.

- (c) The preparation of the interim accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Those areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the Group’s consolidated accounts are detailed in the 2013 annual accounts.

3. Financial Risk Management

Financial risk factors

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

The interim accounts do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2013 annual accounts. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. Turnover

Turnover represents sales by the Company and its subsidiary companies to external customers and comprises revenue from:

	Six months ended 30th June		Year ended 31st December
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Gross rental income from investment properties	5,045	4,711	9,676
Property trading	2,707	571	2,207
Hotels	522	431	942
Rendering of other services	64	41	110
	8,338	5,754	12,935

5. Cost of Sales

The following table illustrates the cost of sales for the period:

	Six months ended 30th June		Year ended 31st December
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Direct rental outgoings in respect of investment properties	(803)	(766)	(1,698)
Property trading	(1,760)	(214)	(980)
Hotels	(437)	(382)	(816)
Rendering of other services	(12)	(15)	(37)
	(3,012)	(1,377)	(3,531)

6. Other Net Gains/(Losses)

	Six months ended 30th June		Year ended 31st December
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Profit on sale of investment properties	6	–	–
(Loss)/profit on sale of property, plant and equipment	–	(3)	16
Impairment reversals on trading properties	24	6	21
Net foreign exchange gains/(losses)	3	(22)	(25)
Recognition of income on forfeited deposits on trading properties	–	5	8
Others	1	11	23
	34	(3)	43

7. Expenses by Nature

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

	Six months ended 30th June		Year ended 31st December
	2014 HK\$M	2013 HK\$M	2013 HK\$M
Depreciation of property, plant and equipment (note 12)	131	143	291
Amortisation of			
Intangible assets (note 13)	3	1	6
Initial leasing costs on investment properties	46	50	94
Staff costs	733	687	1,292
Operating lease rental			
– properties	33	35	60
– plant and equipment	1	–	2

8. Net Finance Charges

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

9. Taxation

	Six months ended 30th June	Year ended 31st December
	2014 HK\$M	2013 HK\$M
Current taxation		
Hong Kong profits tax	(541)	(419)
Overseas taxation	(6)	(6)
Over provisions in prior years	–	8
	(547)	(417)
Deferred taxation (note 21)		
Changes in fair value of investment properties	(219)	(180)
Origination and reversal of temporary differences	(182)	(159)
	(401)	(339)
	(948)	(756)
		(1,344)

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable to tax.

The Group's share of joint venture and associated companies' tax charges for the six months ended 30th June 2014 of HK\$212 million (30th June 2013 : HK\$102 million; year ended 31st December 2013: HK\$115 million) and HK\$17 million (30th June 2013 : HK\$12 million; year ended 31st December 2013 : HK\$28 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

10. Dividends

	Six months ended 30th June	Year ended 31st December
	2014 HK\$M	2013 HK\$M
First interim dividend declared on 14th August 2014 of HK\$0.22 per share (2013 first interim dividend paid on 3rd October 2013: HK\$0.20)	1,287	1,170
Second interim dividend paid on 8th May 2014 of HK\$0.40 per share	–	2,340
	1,287	3,510

The Directors have declared a first interim dividend of HK\$0.22 (2013: HK\$0.20) per share for the period ended 30th June 2014. The first interim dividend, which totals HK\$1,287 million (2013: HK\$1,170 million), will be paid on 6th October 2014 to shareholders registered at the close of business on the record date, being Friday, 5th September 2014. Shares of the Company will be traded ex-dividend as from Wednesday, 3rd September 2014.

The register of members will be closed on Friday, 5th September 2014, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 4th September 2014.

11. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2014 of HK\$6,461 million (30th June 2013: HK\$6,952 million; 31st December 2013: HK\$12,525 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2013 and 31st December 2013: 5,850,000,000 ordinary shares).

12. Property, Plant and Equipment/Investment Properties

	Property, plant and equipment HK\$M
Cost	
At 1st January 2014	8,961
Translation differences	(34)
Additions	366
Disposals	(6)
Revaluation surplus	1
Transfer to properties under development and for sale	(43)
Net transfers from investment properties	261
At 30th June 2014	9,506
Accumulated depreciation/amortisation and impairment	
At 1st January 2014	1,736
Translation differences	(5)
Charge for the period	131
Disposals	(5)
At 30th June 2014	1,857
Net book value	
At 30th June 2014	7,649
At 1st January 2014	7,225

During the period, certain properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from its carrying amount to its fair value at the date of transfer of HK\$1 million has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2014.

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

13. Intangible Assets

	Computer Software HK\$M	Others HK\$M	Total HK\$M
Cost			
At 1st January 2014	67	58	125
Additions	5	–	5
At 30th June 2014	72	58	130
Accumulated amortisation			
At 1st January 2014	50	–	50
Amortisation for the period	3	–	3
At 30th June 2014	53	–	53
Net book value			
At 30th June 2014	19	58	77
At 1st January 2014	17	58	75

14. Joint Venture Companies

	30th June 2014 HK\$M	31st December 2013 HK\$M
Share of net assets, unlisted	5,664	4,876
Loans due from joint venture companies less provisions		
– Interest-free	12,218	10,955
– Interest-bearing	835	548
	18,717	16,379

15. Associated Companies

	30th June 2014 HK\$M	31st December 2013 HK\$M
Share of net assets, unlisted	467	469
Loans due from associated companies		
– Interest-free	52	52
	519	521

16. Fair Value Measurement of Financial Instruments

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

	Level 2 HK\$M	Level 3 HK\$M	Total HK\$M
Assets as per consolidated statement of financial position			
At 30th June 2014			
Derivatives used for hedging (note 17)	21	–	21
Available-for-sale assets – Unlisted investments	–	75	75
Total	21	75	96
At 31st December 2013			
Derivatives used for hedging (note 17)	4	–	4
Available-for-sale assets – Unlisted investments	–	75	75
Total	4	75	79
Liabilities as per consolidated statement of financial position			
At 30th June 2014			
Derivatives used for hedging (note 17)	42	–	42
Put option in favour of a non-controlling interest (note 20)	–	477	477
Total	42	477	519
At 31st December 2013			
Derivatives used for hedging (note 17)	83	–	83
Put options in favour of non-controlling interests (note 20)	–	1,623	1,623
Total	83	1,623	1,706

Notes:

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

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

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

The fair values of the put options over non-controlling interests in subsidiary companies classified as Level 3 are determined using discounted cash flow valuations.

16. Fair Value Measurement of Financial Instruments (continued)

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

The investment property's fair value at the expected exercise date is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's other already complete investment properties, including expected fair market rent and the capitalisation rate. If the investment property's expected fair value at the exercise date is higher, the fair value of the put option would also be higher at 30th June 2014. If the expected exercise date is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise date or a lower discount rate.

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

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30th June 2014 and 31st December 2013 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	30th June 2014		31st December 2013	
	Carrying amount HK\$M	Fair value HK\$M	Carrying amount HK\$M	Fair value HK\$M
Long-term loans and bonds	21,845	21,997	20,359	20,163

17. Derivative Financial Instruments

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

	30th June 2014		31st December 2013	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Cross-currency swaps – cash flow hedges – due after one year	21	42	4	83

18. Trade and Other Receivables

	30th June 2014 HK\$M	31st December 2013 HK\$M
Trade debtors	963	612
Prepayments and accrued income	136	137
Other receivables	1,974	1,773
	3,073	2,522

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

	30th June 2014 HK\$M	31st December 2013 HK\$M
Under three months	954	604
Between three and six months	5	5
Over six months	4	3
	963	612

There is no concentration of credit risk with respect to trade 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 business where commercial trade credit terms are given.

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

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

20. Trade and Other Payables

	30th June 2014 HK\$M	31st December 2013 HK\$M
Trade creditors	1,123	1,003
Amount due to intermediate holding company	111	117
Amount due to a fellow subsidiary company	80	78
Amount due to a joint venture company	3	3
Amount due to an associated company	106	106
Interest-bearing loans from fellow subsidiary companies	369	281
Interest-bearing loans from joint venture and related companies	675	484
Advances from non-controlling interests	153	319
Rental deposits from tenants	2,171	2,116
Put option in favour of a non-controlling interest – current	–	1,256
Put option in favour of a non-controlling interest – non-current	477	367
Accrued capital expenditure	760	699
Other payables	1,750	1,545
	7,778	8,374
Amount due after one year included under non-current liabilities	(477)	(367)
	7,301	8,007

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

	30th June 2014 HK\$M	31st December 2013 HK\$M
Under three months	1,123	1,000
Between three and six months	–	–
Between six and twelve months	–	1
Over twelve months	–	2
	1,123	1,003

21. Deferred Taxation

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

	HK\$M
At 1st January 2014	5,532
Translation differences	(75)
Charged to statement of profit or loss (note 9)	401
Charged to other comprehensive income	11
At 30th June 2014	5,869
Represented by:	
Deferred tax assets	(69)
Deferred tax liabilities	5,938
	5,869

22. Share Capital

	Company	
	Ordinary shares of HK\$1 each ^(b)	HK\$M
Authorised: ^(a)		
At 31st December 2013	30,000,000,000	30,000
At 30th June 2014	–	–
Issued and fully paid:		
At 1st January 2014	5,850,000,000	5,850
Transition to no-par value regime on 3rd March 2014 (note 23) ^(c)	–	4,599
At 30th June 2014	5,850,000,000	10,449

Notes:

On 3rd March 2014, the Companies Ordinance (Cap. 662) (the “New CO”) came into effect. This had the following results.

(a) The Company’s authorised share capital ceased to exist (by virtue of section 98(4) of the New CO).

(b) The Company’s shares ceased to have nominal or par value (by virtue of section 135 of the New CO).

(c) The amount standing to the credit of the Company’s share premium account became part of the Company’s share capital (by virtue of paragraph 37 of Schedule 11 to the New CO).

The entitlements of the Company’s shareholders are unaffected by the Company’s shares ceasing to have nominal or par value as referred to in (b) above.

23. Reserves

	Revenue reserve* HK\$M	Share premium HK\$M	Merger account reserve HK\$M	Property revaluation reserve HK\$M	Cashflow hedges reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2014	188,467	4,599	(1,108)	1,672	(64)	2,934	196,500
Profit for the period	6,461	–	–	–	–	–	6,461
Other comprehensive income							
Revaluation of property previously occupied by the Group							
– gain recognised during the period	–	–	–	1	–	–	1
Cash flow hedges							
– recognised during the period	–	–	–	–	61	–	61
– deferred tax	–	–	–	–	(11)	–	(11)
Share of other comprehensive losses of joint venture and associated companies	–	–	–	–	(1)	(112)	(113)
Net translation losses on foreign operations	–	–	–	–	–	(412)	(412)
Total comprehensive income for the period	6,461	–	–	1	49	(524)	5,987
Transfer to share capital (note 22)	–	(4,599)	–	–	–	–	(4,599)
2013 second interim dividend	(2,340)	–	–	–	–	–	(2,340)
At 30th June 2014	192,588	–	(1,108)	1,673	(15)	2,410	195,548

* The revenue reserve includes HK\$1,287 million representing the proposed first interim dividend for the period (31st December 2013: HK\$2,340 million representing the proposed second interim dividend for 2013).

24. Non-controlling Interests

	HK\$M
At 1st January 2014	800
Share of profits less losses for the period	140
Share of translation differences on foreign operations	(7)
Share of total comprehensive income for the period	133
Dividends paid and payable	(140)
At 30th June 2014	793

25. Capital Commitments

	30th June 2014 HK\$M	31st December 2013 HK\$M
Outstanding capital commitments at the end of the period in respect of:		
(a) Property, plant and equipment		
Contracted for	330	222
Authorised by Directors but not contracted for	116	338
(b) Investment properties		
Contracted for	3,571	2,069
Authorised by Directors but not contracted for	14,988	17,712
	19,005	20,341
The Group's share of capital commitments of joint venture companies *		
Contracted for	2,760	3,089
Authorised by Directors but not contracted for	3,264	6,024
	6,024	9,113

* of which the Group is committed to funding HK\$1,728 million (31st December 2013: HK\$4,212 million).

26. Contingencies

Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK\$1,482 million (31st December 2013: HK\$496 million). Bank guarantees given in lieu of utility deposits and other liabilities totalled HK\$145 million at the end of the period (31st December 2013: HK\$144 million).

27. Related Party Transactions

There is an agreement for services (“Services Agreement”), in respect of which John Swire & Sons (H.K.) Limited (“JSSHK”), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group’s relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement, which commenced on 1st January 2014 for a period of three years, will expire on 31st December 2016. For the period ended 30th June 2014, service fees payable amounted to HK\$111 million (2013: HK\$86 million). Expenses of HK\$30 million (2013: HK\$21 million) were reimbursed at cost; in addition, HK\$40 million (2013: HK\$39 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (the “Tenancy Framework Agreement”) between JSSHK, Swire Pacific Limited and the Company dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group and members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement is for a term of two years to 31st December 2015. For the period ended 30th June 2014, the aggregate rentals payable to the Group by members of the JSSHK group and members of the Swire Pacific group under the tenancies pursuant to the Tenancy Framework Agreement amounted to HK\$45 million (2013: HK\$39 million) and HK\$44 million (2013: HK\$34 million) respectively.

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

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

27. Related Party Transactions (continued)

		For the six months ended 30th June									
		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
Note		2014 HK\$M	2013 HK\$M	2014 HK\$M	2013 HK\$M	2014 HK\$M	2013 HK\$M	2014 HK\$M	2013 HK\$M	2014 HK\$M	2013 HK\$M
Purchases of services	(a)	–	–	10	7	–	–	–	1	–	–
Rental revenue	(b)	2	2	45	36	6	5	38	32	4	4
Revenue from hotels		–	–	1	–	–	–	–	–	1	1
Other revenue	(a)	–	–	–	–	–	–	6	1	–	–
Interest income	(c)	20	11	–	–	–	–	–	–	–	–
Interest charges	(c)	3	3	354	371	–	–	–	–	4	1

Notes:

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

Amount due from the immediate holding company at 30th June 2014 was HK\$30 million (31st December 2013: HK\$53 million). These balances arise in the normal course of business, are non-interest-bearing and repayable within one year.

Supplementary Information

Corporate Governance

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

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

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the interim report, they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions.

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

Share Capital

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

Directors’ Particulars

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

1. J.R. Slosar was appointed as a Non-Executive Director of The Hongkong and Shanghai Banking Corporation Limited with effect from 12th May 2014. He was also appointed as a Non-Executive Director of Air China Limited with effect from the conclusion of its annual general meeting held on 22nd May 2014.
2. J.W.J. Hughes-Hallett retired as an Independent Non-Executive Director of HSBC Holdings plc with effect from the conclusion of its annual general meeting held on 23rd May 2014.
3. D.C.Y. Ho was appointed as a Director of Amber Road, Inc. with effect from 12th June 2014.
4. S.T. Fung ceased to be Group Chief Operating Officer and was appointed Group Chief Executive Officer of Li & Fung Limited with effect from 7th July 2014.
5. M.M.S. Low ceased to be Director, Finance & Human Resources and was appointed Finance Director with effect from 1st August 2014.

Directors' Interests

At 30th June 2014, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Pacific Limited and Hong Kong Aircraft Engineering Company Limited:

Swire Properties Limited	Capacity			Total No. of Shares	Percentage of Issued Capital (%)
	Beneficial Interest		Trust Interest		
	Personal	Family			
S.E. Bradley	700	–	–	700	0.00001
P.K. Etchells	–	8,400	–	8,400	0.00014
D.C.Y. Ho	14,000	–	–	14,000	0.00024
P.A. Kilgour	23,500	–	–	23,500	0.00040

John Swire & Sons Limited	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
Ordinary Shares of £1						
M.B. Swire	3,140,523	–	19,222,920	22,363,443	22.36	(1)
8% Cum. Preference Shares of £1						
M.B. Swire	846,476	–	5,655,441	6,501,917	21.67	(1)

Swire Pacific Limited	Capacity			Total No. of Shares	Percentage of Issued Capital (%)
	Beneficial Interest		Trust Interest		
	Personal	Family			
‘A’ shares					
S.E. Bradley	1,000	–	–	1,000	0.0001
P.K. Etchells	–	12,000	–	12,000	0.0013
P.A. Kilgour	5,000	–	–	5,000	0.0006
‘B’ shares					
D.C.Y. Ho	100,000	–	–	100,000	0.0033

Directors' Interests (continued)

Hong Kong Aircraft Engineering Company Limited	Capacity			Total No. of Shares	Percentage of Issued Capital (%)
	Beneficial Interest		Trust Interest		
	Personal	Family			
D.C.Y. Ho	6,400	–	–	6,400	0.0038

Note:

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

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

Substantial Shareholders' and Other Interests

The register of interests in shares maintained under Section 336 of the SFO shows that at 30th June 2014 the Company had been notified of the following interests in the Company's shares:

	Number of Shares	Percentage of Issued Capital (%)	Type of Interest	Note
1. Swire Pacific Limited	4,796,765,835	82.00	Beneficial owner	(1)
2. John Swire & Sons Limited	4,796,765,835	82.00	Attributable interest	(2)

Notes:

At 30th June 2014:

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

(2) John Swire & Sons Limited was deemed to be interested in a total of 4,796,765,835 shares in which Swire Pacific Limited was interested, by virtue of the John Swire & Sons Limited group's interest in shares of Swire Pacific Limited representing approximately 48.10% of the issued share capital and approximately 60.63% of the voting rights.

Glossary

Terms

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

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

Gross borrowings Total of loans, bonds, overdrafts and perpetual capital securities.

Gross rental income 100% of gross rental income of Group companies.

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

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

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

Ratios

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

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

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

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2014

Interim Report available to shareholders	28th August
Shares trade ex-dividend	3rd September
Share register closed for 2014 first interim dividend entitlement	5th September
Payment of 2014 first interim dividend	6th October
Annual results announcement	March 2015
Annual General Meeting	May 2015

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Request for Feedback

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