



Stock Code: 1972

Interim Report 2020



Contents

1	Financial Highlights
2	Chairman’s Statement
5	Review of Operations
26	Financing
32	Report on Review of Condensed Interim Financial Statements
33	Condensed Interim Financial Statements
38	Notes to the Condensed Interim Financial Statements
57	Supplementary Information
59	Glossary
60	Financial Calendar and Information for Investors

Financial Highlights

		Six months ended 30th June		
		2020	2019	
		HK\$M	HK\$M	Change
Results				
Revenue		6,551	7,510	-13%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	3,753	18,606	-80%
Recurring underlying	(b)	3,702	4,049	-9%
Reported		1,029	8,973	-89%
Cash generated from operations		3,020	2,158	+40%
Net cash inflow before financing		1,748	15,104	-88%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	0.64	3.18	-80%
Recurring underlying	(c)	0.63	0.69	-9%
Reported	(c)	0.18	1.53	-89%
Dividend per share				
First interim		0.30	0.29	+3%
		30th June 2020	31st December 2019	
		HK\$M	HK\$M	Change
Financial Position				
Total equity (including non-controlling interests)		285,731	288,911	-1%
Net debt		16,986	15,292	+11%
Gearing ratio	(a)	5.9%	5.3%	+0.6%pt.
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share	(a)	48.52	49.05	-1%

Notes:

(a) Refer to glossary on page 59 for definition.

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

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

Chairman's Statement

Our consolidated profit attributable to shareholders in the first half of 2020 was HK\$1,029 million, compared to HK\$8,973 million in the first half of 2019. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK\$14,853 million from HK\$18,606 million in the first half of 2019 to HK\$3,753 million in the first half of 2020. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK\$3,702 million in the first half of 2020, compared with HK\$4,049 million in the first half of 2019.

Dividend

The Directors have declared a first interim dividend of HK\$0.30 (2019: HK\$0.29) per share for the year ending 31st December 2020. The first interim dividend, which totals HK\$1,755 million (2019: HK\$1,697 million), will be paid on Tuesday, 6th October 2020 to shareholders registered at the close of business on the record date, being Friday, 11th September 2020. Shares of the Company will be traded ex-dividend from Wednesday, 9th September 2020.

Key Development

In July 2020, Swire Properties completed the sale of two office buildings (Two and Three Brickell City Centre) in Miami, U.S.A.

Operating Performance

The decrease in underlying profit (from HK\$18,606 million in the first half of 2019 to HK\$3,753 million in the first half of 2020) principally reflects the absence in the first half of 2020 of the significant profits on the sale of investment properties in Hong Kong which were made in the first half of 2019.

Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK\$3,702 million in the first half of 2020, compared with HK\$4,049 million in the first half of 2019.

Recurring underlying profit from property investment increased slightly in the first half of 2020. This principally reflected lower operating costs and finance charges. Gross rental income decreased by 4% (to HK\$6,101 million in the first half of 2020, compared with HK\$6,346 million in the first half of 2019). This mainly reflected lower retail rental income from Hong Kong and the Chinese mainland. This in turn reflected lower retail sales and rental concessions as a result of COVID-19. The gross profit margin percentage improved slightly, reflecting a reduction in operating costs in the Chinese mainland.

The small underlying loss from property trading in the first half of 2020 resulted from sales and marketing expenses in Singapore and losses relating to residential units in the U.S.A.

Hotels recorded a loss in the first half of 2020 compared with a profit in the first half of 2019 due to the drastic effect on occupancy and revenue of COVID-19.

Net finance charges in the first half of 2020 were HK\$133 million, compared with HK\$323 million in the first half of 2019. The decrease reflected a decrease in the amount of net borrowings in Hong Kong, a decrease in the cost of borrowings and a decrease in the fair value of a put option in favour of the owner of a non-controlling interest in the U.S.A.

On an attributable basis, net investment property valuation losses in the first half of 2020, after deferred tax relating to investment properties, were HK\$2,715 million, compared to net gains of HK\$3,569 million in the first half of 2019.

Finance

Net debt at 30th June 2020 was HK\$16,986 million, compared with HK\$15,292 million at 31st December 2019. Gearing increased from 5.3% at 31st December 2019 to 5.9% at 30th June 2020. The increase in net debt was due to dividend and tax payments, partly offset by cash generated from operations. Cash and undrawn committed facilities were HK\$20,479 million at 30th June 2020, compared with HK\$25,068 million at 31st December 2019.

Prospects

Demand for office space in Hong Kong is expected to be weak in the second half of 2020, reflecting the weakness of the economy. However, only a small proportion of our Hong Kong office leases expire in the second half. In the Chinese mainland, demand for office space in Beijing, Guangzhou and Shanghai is expected to be weak in the second half of 2020. This is expected to put pressure on office rents. Vacancies are expected to increase.

Social unrest and COVID-19 have severely affected retail businesses in Hong Kong, although we still expect relatively high occupancy in our malls. Retail sales (except those in supermarkets and of daily necessities) have fallen sharply. This has put significant pressure on retail rents. Rental concessions are expected to continue, in order to support our tenants. Footfall and retail sales in the Chinese mainland have recovered strongly since March 2020. Retail sales are expected to continue to improve for the rest of the year, led by sales of watches, jewellery and other luxury brands. In Guangzhou, demand for luxury brands is expected to be robust. In Chengdu, demand for luxury goods and for retail space in prime locations is expected to be solid. In Shanghai, demand for retail space from the owners of fashion, cosmetic and lifestyle brands and of food and beverage outlets is expected to be stable. In Beijing, demand for retail space from the owners of lifestyle brands is expected to recover steadily. In Miami, retail sales continue to be affected by COVID-19.

Chairman's Statement

In Hong Kong, demand for our residential investment properties is being affected by COVID-19.

In Hong Kong, buyers of residential property have become more cautious in the light of COVID-19, social unrest and international trade tensions. Demand for residential accommodation is expected to be resilient in the medium and long term supported by low interest rates and a limited supply of housing due to a shortage of land. In Miami, sales of Reach and Rise units are expected to be slow. The market is weak and COVID-19 is restricting travel from South America. The markets for the sale of residential properties in Singapore and Jakarta, Indonesia have been adversely affected by COVID-19. However, in Singapore, low interest rates and the long-term prospects of the property market are expected to underpin demand for residential accommodation. In Jakarta, urbanisation and a growing middle class are expected to support a stable residential property market.

COVID-19 and associated travel restrictions are likely to continue to make trading conditions difficult for our hotels for the rest of 2020. Occupancy and revenue are expected to remain under pressure. Costs are being saved where possible without damaging the long-term relationship with our customers. A non-managed hotel (The Silveri Hong Kong – MGallery) which is part of the Citygate extension in Hong Kong is expected to open later this year or next year.

With our strong balance sheet, we are well placed to get through this difficult time and to take advantage of new opportunities that may arise.

Merlin Swire

Chairman

Hong Kong, 13th August 2020

Review of Operations

	Six months ended 30th June		Year ended 31st December
	2020 HK\$M	2019 HK\$M	2019 HK\$M
Revenue			
Gross Rental Income derived from			
Offices	3,344	3,302	6,598
Retail	2,530	2,747	5,107
Residential	227	297	566
Other Revenue⁽¹⁾	46	66	139
Property Investment	6,147	6,412	12,410
Property Trading	130	392	516
Hotels	274	706	1,296
Total Revenue	6,551	7,510	14,222
Operating Profit/(Losses) derived from			
Property investment			
From operation	4,329	4,466	8,397
Sale of interests in investment properties	(8)	1,361	2,338
Valuation (losses)/gains on investment properties	(2,621)	3,837	3,720
Property trading	(30)	50	4
Hotels	(197)	11	(62)
Total Operating Profit	1,473	9,725	14,397
Share of Post-tax Profit from Joint Venture and Associated Companies	270	740	1,430
Profit Attributable to the Company's Shareholders	1,029	8,973	13,423

(1) Other revenue is mainly estate management fees.

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

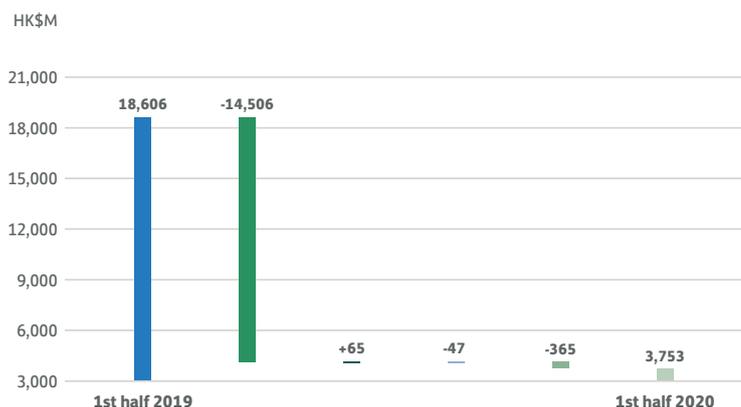
	Note	Six months ended 30th June		Year ended 31st December
		2020 HK\$M	2019 HK\$M	2019 HK\$M
Underlying Profit Reconciliation				
Profit Attributable to the Company's Shareholders per Financial Statements		1,029	8,973	13,423
Adjustments in respect of investment properties:				
Valuation losses/(gains) of investment properties	(a)	2,762	(4,270)	(4,563)
Deferred tax on investment properties	(b)	68	684	1,138
Valuation gains realised on sale of interests in investment properties	(c)	59	13,197	14,159
Depreciation of investment properties occupied by the Group	(d)	12	11	24
Non-controlling interests' share of revaluation movements less deferred tax		(115)	17	(25)
Movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	(e)	(38)	2	(13)
Less amortisation of right-of-use assets reported under investment properties	(f)	(24)	(8)	(13)
Underlying Profit Attributable to the Company's Shareholders		3,753	18,606	24,130
Profit on sale of interests in investment properties		(51)	(14,557)	(16,497)
Recurring Underlying Profit Attributable to the Company's Shareholders		3,702	4,049	7,633

Notes:

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

Underlying Profit

Movement in Underlying Profit



The decrease in underlying profit (from HK\$18,606 million in the first half of 2019 to HK\$3,753 million in the first half of 2020) principally reflects the absence in the first half of 2020 of the significant profits on the sale of investment properties in Hong Kong, which were made in the first half of 2019. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK\$3,702 million in the first half of 2020, compared with HK\$4,049 million in the first half of 2019.

Recurring underlying profit from property investment increased slightly in the first half of 2020. This principally reflected lower operating costs and finance charges. Gross rental income decreased by 4% (to HK\$6,101 million in the first half of 2020, compared with HK\$6,346 million in the first half of 2019). This mainly reflected lower retail rental income from Hong Kong and the Chinese mainland. This in turn reflected lower retail sales and rental concessions as a result of COVID-19. The gross profit margin percentage improved slightly, reflecting a reduction in operating costs in the Chinese mainland. The small underlying loss from property trading in the first half of 2020 resulted from sales and marketing expenses in Singapore and losses relating to residential units in the U.S.A. Hotels recorded a loss in the first half of 2020 compared with a profit in the first half of 2019 due to the drastic effect on occupancy and revenue of COVID-19.

Portfolio Overview

The aggregate gross floor area (“GFA”) attributable to the Group at 30th June 2020 was approximately 30.0 million square feet.

Of the aggregate GFA attributable to the Group, approximately 26.5 million square feet are investment properties, comprising completed investment properties of approximately 22.9 million square feet and investment properties under development or held for future development of approximately 3.6 million square feet. In Hong Kong, the investment property portfolio comprises approximately 14.4 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In the Chinese mainland, Swire Properties has interests in six major commercial developments in prime locations in Beijing, Guangzhou, Chengdu and Shanghai. These developments are expected to comprise approximately 9.7 million square feet of attributable GFA when they are all completed. Of this, 8.8 million square feet has already been completed. Outside Hong Kong and the Chinese mainland, the investment property portfolio comprises the Brickell City Centre development in Miami, U.S.A.

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property portfolio at 30th June 2020.

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

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	9.3	2.5	0.8	0.6	–	13.2
Chinese mainland	2.9	4.5	1.2	0.2	–	8.8
U.S.A.	–	0.3	0.5	0.1	–	0.9
Total	12.2	7.3	2.5	0.9	–	22.9

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

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	1.2	–	–	–	–	1.2
Chinese mainland	–	0.9	–	–	–	0.9
U.S.A.	–	–	–	–	1.5 ⁽²⁾	1.5
Total	1.2	0.9	–	–	1.5	3.6

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

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Total	13.4	8.2	2.5	0.9	1.5	26.5

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

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

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

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 30th June 2020.

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

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

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 9.7 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK\$3,277 million in the first half of 2020. At 30th June 2020, our office properties in Hong Kong were valued at HK\$180,125 million. Of this amount, Swire Properties' attributable interest was HK\$170,080 million.

Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2020)	Attributable Interest
Pacific Place	2,186,433	97%	100%
Taikoo Place Office Towers ⁽¹⁾	3,136,717	98%	50%/100%
One Island East and One Taikoo Place	2,550,379	100%	100%
Cityplaza One	628,785	94%	100%
Others ⁽²⁾	1,158,595	85%	20%/50%/100%
Total	9,660,909		

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

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

Gross rental income from the Hong Kong office portfolio in the first half of 2020 was HK\$3,109 million, 2% higher than in the same period in 2019. The increase mainly reflected positive rental reversions and increased rental income at One Taikoo Place (which opened in September 2018) as more tenants moved in. The increase was partly offset by the loss of gross rental income from two office buildings in Taikoo Shing which were disposed of in April 2019. Demand for office space in Hong Kong started to weaken during the period. However, occupancy was high at Pacific Place, Taikoo Place and Cityplaza One. At 30th June 2020, the office portfolio was 97% let.

The chart below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 30th June 2020.

Office Area by Tenants' Businesses

(At 30th June 2020)



At 30th June 2020, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2020) together occupied approximately 19% of the Group's total attributable office area in Hong Kong.

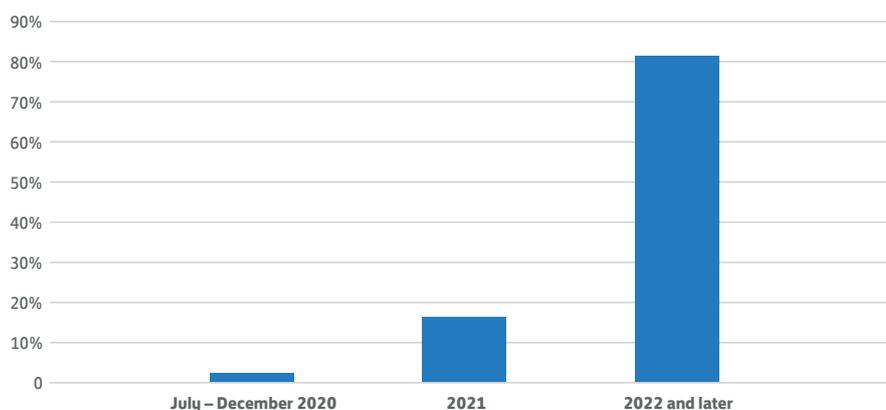
Hong Kong Office Market Outlook

Demand for office space in Hong Kong is expected to be weak in the second half of 2020, reflecting the weakness of the economy. However, only a small proportion of our Hong Kong office leases expire in the second half.

The following chart shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 30th June 2020, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 2.3% of the attributable gross rental income in the month of June 2020 are due to expire in the second half of 2020, with tenancies accounting for a further 16.3% of such rental income due to expire in 2021.

Office Lease Expiry Profile

(At 30th June 2020)



Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 3.2 million square feet of space on a 100% basis. The portfolio principally consists of The Mall at Pacific Place, Cityplaza in Taikoo Shing and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK\$1,336 million in the first half of 2020. At 30th June 2020, our retail properties in Hong Kong were valued at HK\$57,409 million. Of this amount, Swire Properties' attributable interest was HK\$47,009 million.

Retail businesses in Hong Kong have been adversely affected by COVID-19 and social unrest. Retail sales decreased by 47%, 20% and 26% respectively at The Mall, Pacific Place, Cityplaza and Citygate Outlets.

Hong Kong Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2020)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	803,582	99%	20%
Others ⁽¹⁾	542,779	100%	20%/60%/100%
Total	3,162,770		

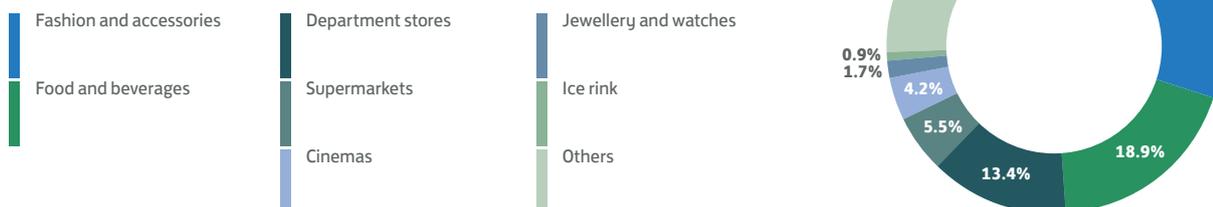
⁽¹⁾ Others largely comprise Taikoo Shing neighbourhood shops and StarCrest retail premises (which are wholly-owned), Island Place retail premises (60% owned) and Tung Chung Crescent neighbourhood shops (20% owned).

Gross rental income from the Group's retail portfolio in Hong Kong was HK\$1,269 million in the first half of 2020, representing a decrease of 10% compared to the same period in 2019. The decreases reflected lower turnover rents and rental concessions. Disregarding amortised rental concessions, gross rental income decreased by 8%. Rental income from The Mall at Pacific Place and Cityplaza decreased by 13% and 9% respectively. Occupancy levels at the Group's malls were almost 100% during the period.

The chart below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 30th June 2020.

Retail Area by Tenants' Businesses

(At 30th June 2020)



At 30th June 2020, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2020) together occupied approximately 26% of the Group's total attributable retail area in Hong Kong.

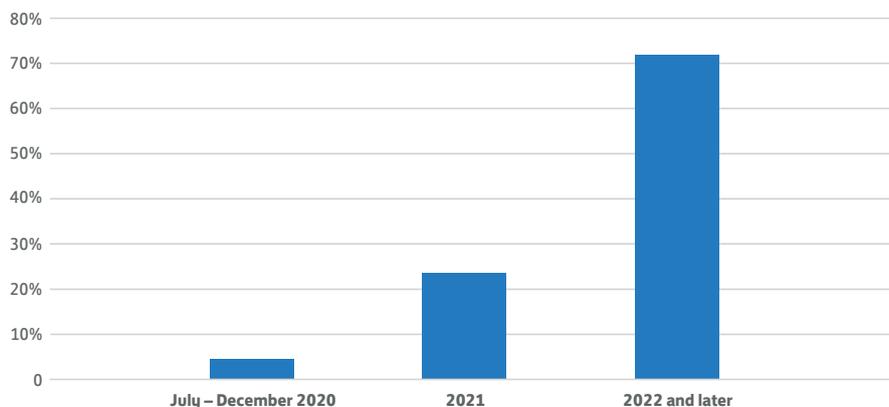
Hong Kong Retail Market Outlook

Social unrest and COVID-19 have severely affected retail businesses in Hong Kong, although we still expect relatively high occupancy in our malls. Retail sales (except those in supermarkets and of daily necessities) have fallen sharply. This has put significant pressure on retail rents. Rental concessions are expected to continue, in order to support our tenants.

The following chart shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 30th June 2020, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 4.5% of the attributable gross rental income in the month of June 2020 are due to expire in the second half of 2020, with tenancies accounting for a further 23.5% of such rental income due to expire in 2021.

Retail Lease Expiry Profile

(At 30th June 2020)



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wanchai and a number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of 555,551 square feet. The occupancy rate at the residential portfolio was approximately 72% at 30th June 2020. Demand for our residential investment properties is being affected by COVID-19.

Investment Properties Under Development

Taikoo Place Redevelopment

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

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

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

Others

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

In 2018, Swire Properties submitted compulsory sale applications in respect of these two sites in Hong Kong. Subject to Swire Properties having successfully bid in the compulsory sale of the sites, the sites are intended to be redeveloped for office and other commercial uses with an aggregate GFA of approximately 779,000 square feet.

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

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

Investment Properties – Chinese mainland

Overview

The property portfolio in the Chinese mainland comprises an aggregate of 14.0 million square feet of space, 9.7 million square feet of which is attributable to the Group. Completed properties amount to 12.5 million square feet, with 1.5 million square feet under development. Total attributable gross rental income from investment properties in the Chinese mainland was HK\$1,941 million in the first half of 2020. At 30th June 2020, the investment properties in the Chinese mainland were valued at HK\$76,735 million. Of this amount, Swire Properties' attributable interest was HK\$53,783 million.

Chinese mainland Property Portfolio ⁽¹⁾

	GFA (sq. ft.) (100% Basis)			Attributable Interest
	Total	Investment Properties	Hotels and Others	
<i>Completed</i>				
Taikoo Li Sanlitun, Beijing	1,465,771	1,296,308	169,463	100%
Taikoo Hui, Guangzhou	3,840,197	3,256,013	584,184	97%
INDIGO, Beijing	1,886,865	1,528,564	358,301	50%
Sino-Ocean Taikoo Li Chengdu	1,661,725	1,465,217	196,508	50%
HKRI Taikoo Hui, Shanghai	3,536,619	3,148,792	387,827	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	22,664	21,205	1,459	100%
Sub-Total	12,504,688	10,806,946	1,697,742	
<i>Under Development/Refurbishment</i>				
Taikoo Li Qiantan, Shanghai ⁽²⁾	1,247,006	1,247,006	–	50%
Taikoo Li Sanlitun, Beijing ⁽³⁾	255,731	255,731	–	100%
Sub-Total	1,502,737	1,502,737	–	
Total	14,007,425	12,309,683	1,697,742	

(1) Including the hotel and properties leased for investment components of these developments.

(2) Construction of the shopping mall at Taikoo Li Qiantan is in progress. The development is expected to be completed by the end of this year.

(3) Refurbishment of Taikoo Li Sanlitun West is expected to be completed in 2021.

Gross rental income from the Group's investment property portfolio in the Chinese mainland was HK\$1,280 million in the first half of 2020, 8% lower than in the same period in 2019, reflecting lower retail sales, rental concessions to tenants affected by COVID-19 and Renminbi depreciation.

Retail

COVID-19 adversely affected the retail investment properties in the Chinese mainland in the first half of 2020, though footfall and retail sales started to recover strongly in March. Total retail sales for the half year were lower and rental concessions were given. Gross rental income from Chinese mainland retail properties in the first half of 2020 was HK\$1,099 million, 8% lower than in the same period in 2019. Disregarding amortised rental concessions and Renminbi depreciation, gross rental income increased by 2%.

The chart below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 30th June 2020.

Retail Area by Tenants' Businesses

(At 30th June 2020)



Gross rental income at Taikoo Li Sanlitun in Beijing decreased in the first half of 2020. Retail sales decreased by 38%. The occupancy rate was 96% at 30th June 2020. Improvement works are being carried out to reinforce the property's position as a fashionable retail destination in Beijing. The refurbishment of Taikoo Li Sanlitun West as an extension to Taikoo Li Sanlitun (with a GFA of 255,731 square feet) is expected to be completed in 2021.

Gross rental income at Taikoo Hui in Guangzhou increased in the first half of 2020. Retail sales increased by 3%, reflecting a strong recovery from March. The mall was 99% occupied at 30th June 2020. Improvements to the tenant mix continued.

The mall at INDIGO in Beijing was 96% occupied at 30th June 2020. Retail sales decreased by 6% in the first half of 2020. Improvements to the tenant mix continued.

Gross rental income at Sino-Ocean Taikoo Li Chengdu decreased in the first half of 2020. Retail sales decreased by 15% in the first half of 2020. Footfall and retail sales started to recover in March. At 30th June 2020, the occupancy rate was 95%.

Gross rental income at HKRI Taikoo Hui decreased in the first half of 2020, as rental concessions were given. Retail sales increased by 2%. Footfall and retail sales started to recover in March. At 30th June 2020, the occupancy rate was 94%.

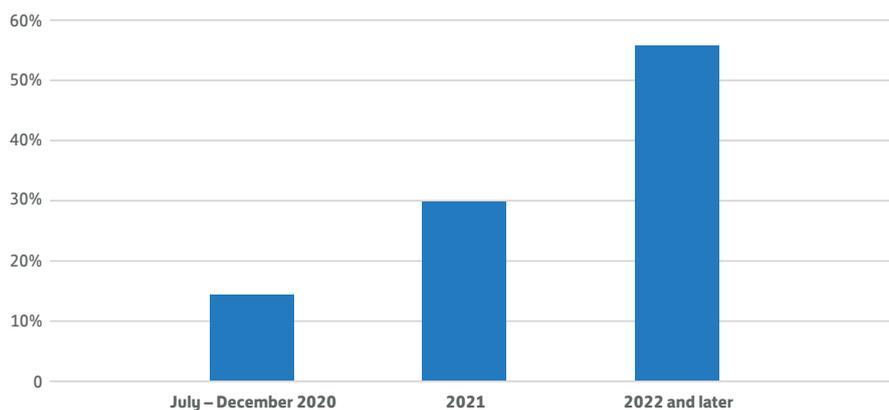
Chinese mainland Retail Market Outlook

Footfall and retail sales in the Chinese mainland have recovered strongly since March 2020. Retail sales are expected to continue to improve for the rest of the year, led by sales of watches, jewellery and other luxury brands. In Guangzhou, demand for luxury brands is expected to be robust. In Chengdu, demand for luxury goods and for retail space in prime locations is expected to be solid. In Shanghai, demand for retail space from the owners of fashion, cosmetic and lifestyle brands and of food and beverage outlets is expected to be stable. In Beijing, demand for retail space from the owners of lifestyle brands is expected to recover steadily.

The following chart shows the percentage of attributable gross rental income from the retail properties in the Chinese mainland, for the month ended 30th June 2020, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 14.4% of the attributable gross rental income in the month of June 2020 are due to expire in the second half of 2020, with tenancies accounting for a further 29.8% of such rental income due to expire in 2021.

Retail Lease Expiry Profile

(At 30th June 2020)



Offices

The Chinese mainland office portfolio's gross rental income for the first half of 2020 was HK\$176 million, compared with HK\$195 million in the first half of 2019.

The chart below shows the mix of the tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 30th June 2020.

Office Area by Tenants' Businesses

(At 30th June 2020)



COVID-19 reduced demand for office space in the Chinese mainland. The occupancy rate at the Taikoo Hui office towers in Guangzhou was 95% at 30th June 2020. The occupancy rate at ONE INDIGO in Beijing was 74% at 30th June 2020. The occupancy rate at HKRI Taikoo Hui in Shanghai was 97% at 30th June 2020.

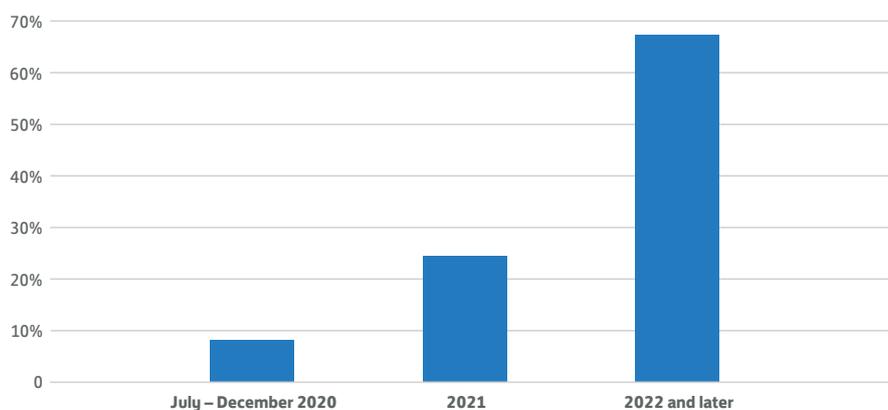
Chinese mainland Office Market Outlook

Demand for office space in Beijing, Guangzhou and Shanghai is expected to be weak in the second half of 2020. This is expected to put pressure on office rents. Vacancies are expected to increase.

The following chart shows the percentage of attributable gross rental income from the office properties in the Chinese mainland, for the month ended 30th June 2020, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 8.2% of the attributable gross rental income in the month of June 2020 are due to expire in the second half of 2020, with tenancies accounting for a further 24.4% of such rental income due to expire in 2021.

Office Lease Expiry Profile

(At 30th June 2020)



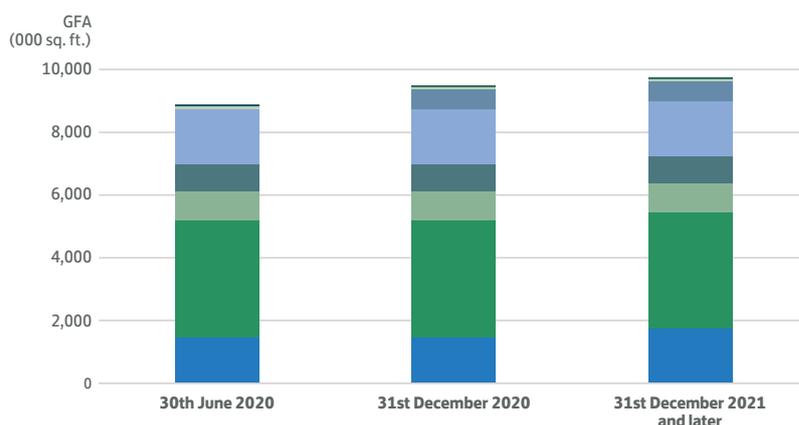
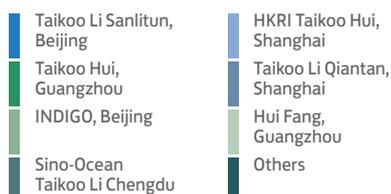
Investment Property Under Development

Taikoo Li Qiantan, Shanghai

Taikoo Li Qiantan is a retail development in Qiantan, Pudong New District in Shanghai. Jointly developed with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd., it will have over 200 shops in an aggregate GFA of 1,247,006 square feet. Construction and pre-leasing are in progress. Pre-leasing is going well. The development is expected to be completed by the end of this year.

The chart below illustrates the expected attributable area of the completed property portfolio in the Chinese mainland.

Attributable Area of Completed Property Portfolio in the Chinese mainland



Serviced Apartments

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

The serviced apartments were adversely affected by COVID-19 in the first half of 2020. Occupancy at the

Mandarin Oriental in Guangzhou, The Temple House in Chengdu and The Middle House Residences in Shanghai was 91%, 40% and 64% respectively at 30th June 2020.

Chinese mainland Serviced Apartments Market Outlook

The performance of the serviced apartments is expected to continue to be affected by COVID-19.

Investment Properties – U.S.A.

Overview

Brickell City Centre, Miami

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

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

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

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

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

The shopping centre was 93% leased (including by way of letters of intent) at 30th June 2020. Retail sales in the first half of 2020 decreased by 48%. There were no sales from the second half of March to the end of May, when the mall was closed because of COVID-19.

Two and Three Brickell City Centre were almost fully leased at 30th June 2020. In July 2020, Swire Properties completed the sale of these two office buildings.

At 30th June 2020, the completed development at Brickell City Centre (excluding the hotel and residential trading portions) was valued at HK\$4,663 million.

Brickell City Centre, Miami

	GFA (sq. ft.) ⁽¹⁾ (100% Basis)	Attributable Interest
<i>Completed</i>		
Shopping centre	496,508	62.9%
EAST, Miami ⁽²⁾	218,000	100%
EAST Residences	109,000	100%
Reach and Rise ⁽³⁾	203,622	100%
Sub-Total	1,027,130	
<i>Future Development</i>		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
Total	2,994,130	

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

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

(3) Remaining unsold units at 30th June 2020.

Miami Market Outlook

In Miami, retail sales continue to be affected by COVID-19.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2020 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK\$273,430 million, compared to HK\$276,791 million at 31st December 2019.

The decrease in the valuation of the investment property portfolio principally reflects the effect of adverse market conditions and COVID-19 on the valuation of investment properties in Hong Kong and retail investment properties in the U.S.A., and the reclassification of Two and Three Brickell City Centre in Miami to Assets Held for Sale, pending their disposal in July 2020.

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

Property Trading

Overview

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

Property Trading Portfolio (At 30th June 2020)

	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<u>Completed</u>			
U.S.A.			
– Reach, Miami	51,505 ⁽¹⁾	2016	100%
– Rise, Miami	152,117 ⁽¹⁾	2016	100%
Singapore			
– EDEN, 2 Draycott Park	77,212	2019	100%
<u>Under Development</u>			
Hong Kong			
– 8 Star Street, Wanchai (formerly known as 21-31 Wing Fung Street)	30,867	2022	100%
– Wong Chuk Hang Station Package Four Property Development	638,305	2024	25%
– Chai Wan Inland Lot No. 88	694,000	–	80%
Indonesia			
– South Jakarta Project	1,122,728	2023	50%
<u>Held for Development/for sale</u>			
U.S.A.			
– Fort Lauderdale, Florida	825,000	N/A	75%
– South Brickell Key, Miami, Florida	550,000	N/A	100%
– Brickell City Centre, Miami, Florida – North Squared site	523,000	N/A	100%

⁽¹⁾ Remaining saleable area.

Hong Kong

8 Star Street, Wanchai (formerly known as 21-31 Wing Fung Street)

The site at 8 Star Street, Wanchai is to be redeveloped into a 34,000 square feet residential building with retail outlets on the two base levels. Superstructure works are in progress. The development is expected to be completed in 2022.

Wong Chuk Hang Station Package Four Property Development

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

Chai Wan Inland Lot No. 88

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

U.S.A.

The residential portion of the first phase of the Brickell City Centre development was developed for trading purposes. 364 of 390 units at Reach and 286 of 390 units at Rise had been sold at 11th August 2020. Sales of one unit at Reach and 11 units at Rise were recognised in the first half of 2020.

Singapore

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

Indonesia

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

Outlook

In Hong Kong, buyers of residential property have become more cautious in the light of COVID-19, social unrest and international trade tensions. Demand for residential accommodation is expected to be resilient in the medium and long term supported by low interest rates and a limited supply of housing due to a shortage of land. In Miami, sales of Reach and Rise units are expected to be slow. The market is weak and COVID-19 is restricting travel from South America. The markets for the sale of residential properties in Singapore and Jakarta, Indonesia have been adversely affected by COVID-19. However, in Singapore, low interest rates and the long-term prospects of the property market are expected to underpin demand for residential accommodation. In Jakarta, urbanisation and a growing middle class are expected to support a stable residential property market.

Estate Management

Swire Properties manages 19 residential estates which it has developed. It also manages OPUS HONG KONG, a residential property in Hong Kong which Swire Properties redeveloped for Swire Pacific Limited. The management services include day to day assistance for occupants, management, maintenance, cleaning, security and renovation of common areas and facilities. Swire Properties places great emphasis on maintaining good relationships with occupants.

Hotels

Overview

Swire Properties owns and manages (through Swire Hotels) hotels in Hong Kong, the Chinese mainland and the U.S.A. The House Collective, comprising The Upper House in Hong Kong, The Opposite House in Beijing, The Temple House in Chengdu and The Middle House in Shanghai, is a group of small and distinctive luxury hotels. EAST hotels are business hotels in Hong Kong, Beijing and Miami. The Group also has interests in non-managed hotels in Hong Kong, Guangzhou, Shanghai and Miami.

Our managed hotels were severely affected by COVID-19. They recorded an operating loss before depreciation of HK\$86 million in the first half of 2020, compared with an operating profit before depreciation of HK\$122 million in the first half of 2019.

Hotel Portfolio (Managed by Swire Hotels)

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

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

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

(3) Including serviced apartments in a hotel tower.

Hong Kong

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

Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. A non-managed hotel (The Silveri Hong Kong – MGallery) which is part of the Citygate extension in Hong Kong is expected to open later this year or next year.

Trading conditions for the managed and non-managed hotels in Hong Kong were challenging in the first half of 2020 due to COVID-19 and social unrest, which adversely affected revenue per available room and occupancy.

Chinese mainland

Swire Hotels manages four hotels in the Chinese mainland, The Opposite House, a 99-room luxury hotel at Taikoo Li Sanlitun, EAST, Beijing, a 369-room business hotel at INDIGO in Beijing, The Temple House, a luxury property with 100 hotel rooms and 42 serviced apartments at Sino-Ocean Taikoo Li Chengdu, and The Middle House, a luxury property consisting of 111 hotel rooms and 102 serviced apartments at HKRI Taikoo Hui, Shanghai. Swire Properties owns 100% of The Opposite House, 50% of EAST, Beijing, 50% of The Temple House and 50% of The Middle House. Swire Properties owns 97% of, but does not manage, the Mandarin Oriental at Taikoo Hui in Guangzhou, which has 263 rooms and 24 serviced apartments. Swire Properties owns 50% of another non-managed hotel, The Sukhothai, at HKRI Taikoo Hui in Shanghai, which has 201 rooms.

The performance of our managed and non-managed hotels in the Chinese mainland were affected by COVID-19, with lower revenue per available room and occupancy recorded in the first half of 2020.

U.S.A.

Swire Properties wholly-owns and manages (through Swire Hotels) EAST, Miami at the Brickell City Centre development. The property consists of 263 rooms and 89 serviced apartments. It was badly affected by COVID-19 in the first half of 2020. EAST, Miami and the Mandarin Oriental Miami were closed from March to June 2020.

Swire Restaurants

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

Outlook

COVID-19 and associated travel restrictions are likely to continue to make trading conditions difficult for our hotels for the rest of 2020. Occupancy and revenue are expected to remain under pressure. Costs are being saved where possible without damaging the long-term relationship with our customers. A non-managed hotel (The Silveri Hong Kong – MGallery) which is part of the Citygate extension in Hong Kong is expected to open later this year or next year.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in the first half of 2020 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$499 million (first half of 2019: HK\$1,023 million). Outstanding capital commitments at 30th June 2020 were HK\$14,357 million (31st December 2019: HK\$14,735 million), including the Group's share of the capital commitments of joint venture companies of HK\$69 million (31st December 2019: HK\$66 million). The Group is committed to funding HK\$20 million (31st December 2019: HK\$18 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in the first half of 2020 on Chinese mainland investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$333 million (first half of 2019: HK\$72 million). Outstanding capital commitments at 30th June 2020 were HK\$1,535 million (31st December 2019: HK\$1,865 million), including the Group's share of the capital commitments of joint venture companies of HK\$563 million (31st December 2019: HK\$821 million). The Group is committed to funding HK\$418 million (31st December 2019: HK\$465 million) of the capital commitments of joint venture companies in the Chinese mainland.

Capital expenditure in the first half of 2020 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK\$63 million (first half of 2019: HK\$115 million). Outstanding capital commitments at 30th June 2020 were HK\$11 million (31st December 2019: HK\$3 million).

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast Expenditure				Commitments ⁽¹⁾
	Six months ended 30th June 2020 HK\$M	Six months ending 31st December 2020 HK\$M	2021 HK\$M	2022 HK\$M	2023 and later HK\$M	At 30th June 2020 HK\$M
Hong Kong	499	1,974	5,489	1,994	4,900	14,357
Chinese mainland	333	908	153	217	257	1,535
U.S.A. and elsewhere	63	11	–	–	–	11
Total	895	2,893	5,642	2,211	5,157	15,903

⁽¹⁾ The capital commitments represent the Group's capital commitments of HK\$15,271 million plus the Group's share of the capital commitments of joint venture companies of HK\$632 million. The Group is committed to funding HK\$438 million of the capital commitments of joint venture companies.

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2020 HK\$M	2019 HK\$M	2019 HK\$M
Net cash from/(used by) businesses and investments			
Cash generated from operations	3,020	2,158	5,499
Dividends received	40	90	176
Tax paid	(1,116)	(421)	(586)
Net interest paid	(266)	(438)	(714)
Net cash from investing activities	70	13,715	15,842
	1,748	15,104	20,217
Cash paid to shareholders and net funding by debt			
Net decrease in borrowings	(1,919)	(2,043)	(2,187)
Principal elements of lease payments	(25)	(18)	(48)
Dividends paid	(3,477)	(3,364)	(5,089)
	(5,421)	(5,425)	(7,324)
(Decrease)/Increase in cash and cash equivalents	(3,673)	9,679	12,893

During the first half of 2020, net cash from investing activities principally comprised the repayment of shareholder loans by joint venture companies, partly offset by capital expenditure on investment properties.

Medium Term Note Programme

In 2012, Swire Properties MTN Financing Limited, a wholly-owned subsidiary of the Company, established a US\$3 billion Medium Term Note (“MTN”) Programme. The aggregate nominal amount of the MTN Programme was increased to US\$4 billion in 2017. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. At 30th June 2020, the MTN Programme was rated A by Fitch and (P)A2 by Moody’s, in each case in respect of notes with a maturity of more than one year.

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

Changes in Financing

Financial Information Reviewed by Auditors Analysis of Changes in Financing

	Six months ended 30th June 2020		Year ended 31st December 2019	
	Loans and bonds HK\$M	Lease liabilities HK\$M	Loans and bonds HK\$M	Lease liabilities HK\$M
Bank loans and bonds				
At 1st January	29,729	548	31,999	–
Loans drawn and refinancing	36	–	657	–
Bonds issued	1,920	–	–	–
Bonds matured	(3,875)	–	(300)	–
Repayment of loans	–	–	(2,544)	–
Lease liabilities recognised under HKFRS 16*	–	–	–	538
New leases arranged during the period	–	4	–	68
Principal elements of lease payments	–	(25)	–	(48)
Currency adjustment and other non-cash movements	(106)	(8)	(83)	(10)
At 30th June/31st December	27,704	519	29,729	548

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

During the first half of 2020, the Group issued medium term notes of HK\$1,934 million. Medium term notes of US\$500 million were repaid during the period.

Subsequent to 30th June 2020, the Group obtained term and revolving loan facilities aggregating HK\$2,000 million.

Net Debt

Financial Information Reviewed by Auditors

The Group's borrowings are principally denominated in Hong Kong dollars and US dollars. Outstanding borrowings at 30th June 2020 and 31st December 2019 were as follows:

	30th June 2020 HK\$M	31st December 2019 HK\$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	5,305	6,170
Bonds – unsecured	19,123	17,251
Borrowings included in current liabilities		
Bank borrowings – unsecured	3,276	2,416
Bonds – unsecured	–	3,892
Total borrowings	27,704	29,729
Lease liabilities		
Included in non-current liabilities	462	496
Included in current liabilities	57	52
Less: short-term deposits and bank balances	11,237	14,985
Net debt	16,986	15,292

Sources of Finance

Financial Information Reviewed by Auditors

At 30th June 2020, committed loan facilities and debt securities amounted to HK\$36,973 million, of which HK\$9,242 million (25%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$737 million. Sources of funds at 30th June 2020 comprised:

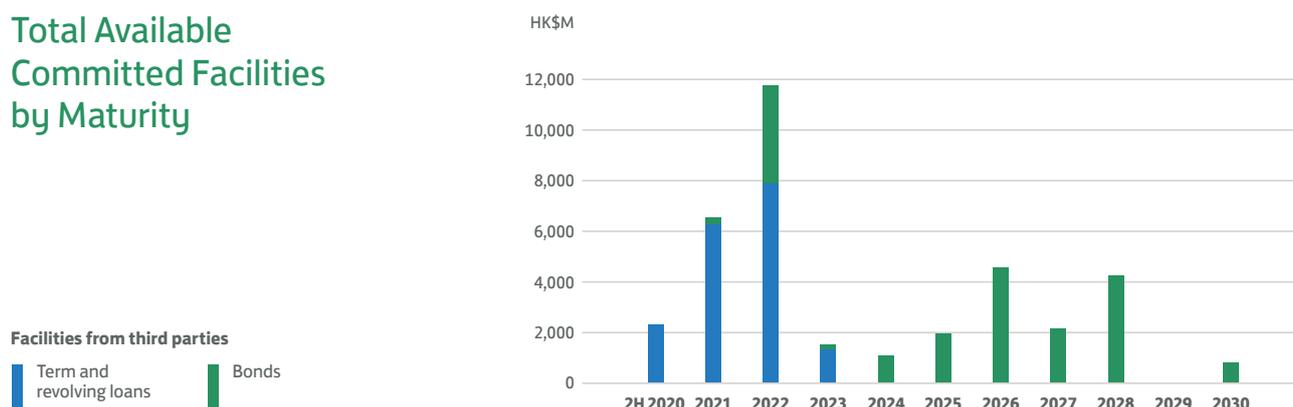
	Available HK\$M	Drawn HK\$M	Undrawn Expiring Within One Year HK\$M	Undrawn Expiring After One Year HK\$M
Facilities from third parties				
Term loans	6,106	6,106	–	–
Revolving loans	11,678	2,436	2,875	6,367
Bonds	19,189	19,189	–	–
Total committed facilities	36,973	27,731	2,875	6,367
Uncommitted facilities				
Bank loans and overdrafts	820	83	737	–
Total	37,793	27,814	3,612	6,367

Note: The figures above are stated before unamortised loan fees of HK\$110 million.

Maturity Profile and Refinancing

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

Total Available Committed Facilities by Maturity



Financial Information Reviewed by Auditors

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

	30th June 2020		31st December 2019	
	HK\$M		HK\$M	
Bank borrowings from and bonds issued to third parties due				
Within 1 year	3,276	12%	6,308	21%
1-2 years	8,673	31%	1,807	6%
2-5 years	2,695	10%	9,846	33%
After 5 years	13,060	47%	11,768	40%
Total	27,704	100%	29,729	100%
Less: Amount due within one year included under current liabilities	3,276		6,308	
Amount due after one year included under non-current liabilities	24,428		23,421	

Currency Profile

Financial Information Reviewed by Auditors

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

Currency	30th June 2020		31st December 2019	
	HK\$M		HK\$M	
Hong Kong dollars	20,774	75%	22,783	77%
United States dollars	6,185	22%	6,208	21%
Singapore dollars	745	3%	738	2%
Total	27,704	100%	29,729	100%

Finance Charges

Financial Information Reviewed by Auditors

At 30th June 2020, 78% of the Group's gross borrowings (after interest rate swaps) were on a fixed rate basis and 22% were on a floating rate basis (31st December 2019: 79% and 21% respectively). Interest charged and earned was as follows:

	Six months ended 30th June		Year ended 31st December	
	2020 HK\$M	2019 HK\$M	2019 HK\$M	2019 HK\$M
Interest charged on:				
Bank loans and overdrafts	82	135		254
Bonds	328	362		722
Lease liabilities	9	6		10
Net fair value losses/(gains) on derivative instruments				
Cash flow hedges – transferred from other comprehensive income	7	(15)		(20)
Cross-currency swaps not qualifying as hedges	(3)	(1)		(1)
Other financing costs	72	85		163
	495	572		1,128
(Gains)/losses on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	(50)	3		(17)
Capitalised on:				
Investment properties	(117)	(129)		(242)
Properties for sale	(20)	(8)		(32)
	308	438		837
Interest income on:				
Short-term deposits and bank balances	(130)	(79)		(268)
Loans to joint venture companies	(44)	(35)		(69)
Others	(1)	(1)		(1)
	(175)	(115)		(338)
Net finance charges	133	323		499

Gearing Ratio and Interest Cover

	30th June		31st December	
	2020	2019	2019	
Gearing ratio ⁽¹⁾	5.9%	5.5%	5.3%	
	Six months ended 30th June		Year ended 31st December	
	2020	2019	2019	
Interest cover – times ⁽¹⁾				
Per financial statements	11.1	30.1	28.9	
Underlying	22.6	59.6	48.2	
Cash interest cover – times ⁽¹⁾				
Per financial statements	5.5	21.1	18.6	
Underlying	13.0	41.8	31.5	

⁽¹⁾ Refer to Glossary on page 59 for definitions.

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2020 and 31st December 2019:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	30th June 2020 HK\$M	31st December 2019 HK\$M	30th June 2020 HK\$M	31st December 2019 HK\$M	30th June 2020 HK\$M	31st December 2019 HK\$M
Hong Kong Entities	7,569	5,342	2,697	2,184	1,835	1,405
Chinese mainland Entities	12,638	12,874	6,319	6,437	–	–
U.S.A. and other Entities	599	537	449	409	471	473
Total	20,806	18,753	9,465	9,030	2,306	1,878

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 9.3%.

Report on Review of Condensed Interim Financial Statements

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

Introduction

We have reviewed the condensed interim financial statements set out on pages 33 to 56, which comprise the consolidated statement of financial position of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2020 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of these condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong, 13th August 2020

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss

For the six months ended 30th June 2020 – unaudited

	Note	Unaudited Six months ended 30th June		Audited Year ended 31st December
		2020 HK\$M	2019 HK\$M	2019 HK\$M
Revenue	4	6,551	7,510	14,222
Cost of sales	5	(1,500)	(2,007)	(4,028)
Gross profit		5,051	5,503	10,194
Administrative and selling expenses		(832)	(874)	(1,674)
Other operating expenses		(102)	(108)	(203)
Other net (losses)/gains	6	(23)	(5)	5
Profit on sale of subsidiary companies		–	1,372	1,361
Profit on sale of a joint venture company		–	–	994
Change in fair value of investment properties	13	(2,621)	3,837	3,720
Operating profit		1,473	9,725	14,397
Finance charges		(308)	(438)	(837)
Finance income		175	115	338
Net finance charges	8	(133)	(323)	(499)
Share of profit less losses of joint venture companies		320	674	1,359
Share of profit less losses of associated companies		(50)	66	71
Profit before taxation		1,610	10,142	15,328
Taxation	9	(655)	(1,115)	(1,862)
Profit for the period		955	9,027	13,466
Profit for the period attributable to:				
The Company's shareholders		1,029	8,973	13,423
Non-controlling interests		(74)	54	43
		955	9,027	13,466
		HK\$	HK\$	HK\$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11	0.18	1.53	2.29

The notes on pages 38 to 56 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the six months ended 30th June 2020 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2020 HK\$M	2019 HK\$M	2019 HK\$M
Profit for the period	955	9,027	13,466
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of properties previously occupied by the Group			
– gains recognised during the period	92	–	16
Defined benefit plans			
– remeasurement gains recognised during the period	–	–	50
– deferred tax	–	–	(8)
	92	–	58
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
– gains recognised during the period	68	165	358
– reclassification to profit or loss	7	(15)	(20)
– deferred tax	(12)	(25)	(56)
Share of other comprehensive income of joint venture and associated companies	(245)	(56)	(253)
Net translation differences on foreign operations	(568)	(154)	(689)
	(750)	(85)	(660)
Other comprehensive income for the period, net of tax	(658)	(85)	(602)
Total comprehensive income for the period	297	8,942	12,864
Total comprehensive income attributable to:			
The Company's shareholders	384	8,894	12,838
Non-controlling interests	(87)	48	26
	297	8,942	12,864

The notes on pages 38 to 56 form part of these financial statements.

Consolidated Statement of Financial Position

At 30th June 2020 – unaudited

	Unaudited 30th June 2020 HK\$M	Audited 31st December 2019 HK\$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	12 4,235	4,457
Investment properties	13 273,617	277,033
Intangible assets	14 185	199
Right-of-use assets	15 2,932	3,416
Properties held for development	1,206	1,212
Joint venture companies	16 13,610	13,575
Loans due from joint venture companies	16 16,108	16,591
Associated companies	17 359	409
Derivative financial instruments	19 289	222
Deferred tax assets	24 80	79
Other financial assets at amortised cost	18	36
	312,639	317,229
Current assets		
Properties for sale	3,547	3,604
Stocks	69	72
Trade and other receivables	20 2,603	1,926
Amount due from immediate holding company – Swire Pacific Limited	21 4	4
Derivative financial instruments	19 –	44
Short-term deposits maturing after three months	–	22
Cash and cash equivalents	11,237	14,963
	17,460	20,635
Assets classified as held for sale	25 1,263	–
Total current assets	18,723	20,635
Current liabilities		
Trade and other payables	22 7,387	8,146
Contract liabilities	22 16	19
Tax payable	338	938
Derivative financial instruments	19 9	10
Bank overdrafts and short-term loans	83	84
Long-term loans and bonds due within one year	3,193	6,224
Lease liabilities due within one year	23 57	52
Total current liabilities	11,083	15,473
Net current assets	7,640	5,162
Total assets less current liabilities	320,279	322,391
Non-current liabilities		
Long-term loans and bonds	24,428	23,421
Long-term lease liabilities	23 462	496
Derivative financial instruments	19 51	17
Deferred tax liabilities	24 9,425	9,381
Retirement benefit liabilities	182	165
	34,548	33,480
NET ASSETS	285,731	288,911
EQUITY		
Share capital	26 10,449	10,449
Reserves	27 273,411	276,478
Equity attributable to the Company's shareholders	283,860	286,927
Non-controlling interests	28 1,871	1,984
TOTAL EQUITY	285,731	288,911

The notes on pages 38 to 56 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30th June 2020 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2020 HK\$M	2019 HK\$M	2019 HK\$M
Operating activities			
Cash generated from operations	3,020	2,158	5,499
Interest paid	(446)	(500)	(990)
Interest received	180	62	276
Tax paid	(1,116)	(421)	(586)
	1,638	1,299	4,199
Dividends received from joint venture and associated companies	40	90	176
Net cash from operating activities	1,678	1,389	4,375
Investing activities			
Purchase of property, plant and equipment	(44)	(36)	(120)
Additions to investment properties	(452)	(673)	(1,962)
Purchase of intangible assets	(6)	(6)	(23)
Proceeds from sale of property, plant and equipment	–	1	1
Proceeds from sale of investment properties	92	94	295
Proceeds from sale of subsidiary companies	–	16,982	16,985
Proceeds from sale of a joint venture company	–	–	2,352
Equity to joint venture companies	–	(214)	(214)
Loans to joint venture companies	(80)	(58)	(2,452)
Repayment of loans by joint venture companies	588	669	1,020
Deposit paid for financial assets at fair value through profit or loss	(47)	–	–
Decrease/(Increase) in deposits maturing after three months	22	(3,027)	(21)
Initial leasing costs incurred	(3)	(17)	(19)
Net cash from investing activities	70	13,715	15,842
Net cash inflow before financing	1,748	15,104	20,217
Financing activities			
Loans drawn and refinanced	36	110	657
Bonds issued	1,920	–	–
Repayment of loans and bonds	(3,875)	(2,153)	(2,844)
Principal elements of lease payments	(25)	(18)	(48)
	(1,944)	(2,061)	(2,235)
Dividends paid to the Company's shareholders	(3,451)	(3,334)	(5,031)
Dividends paid to non-controlling interests	(26)	(30)	(58)
Net cash used in financing activities	(5,421)	(5,425)	(7,324)
(Decrease)/Increase in cash and cash equivalents	(3,673)	9,679	12,893
Cash and cash equivalents at 1st January	14,963	2,093	2,093
Currency adjustment	(53)	(6)	(23)
Cash and cash equivalents at end of the period	11,237	11,766	14,963
Represented by:			
Bank balances and short-term deposits maturing within three months	11,237	11,766	14,963

The notes on pages 38 to 56 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30th June 2020 – 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 2020	10,449	277,289	(811)	286,927	1,984	288,911
Profit for the period	–	1,029	–	1,029	(74)	955
Other comprehensive income	–	–	(645)	(645)	(13)	(658)
Total comprehensive income for the period	–	1,029	(645)	384	(87)	297
Dividends paid	–	(3,451)	–	(3,451)	(26)	(3,477)
At 30th June 2020 (unaudited)	10,449	274,867	(1,456)	283,860	1,871	285,731

	Attributable to the Company's shareholders			Non-controlling interests HK\$M	Total equity HK\$M	
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M			Total HK\$M
At 1st January 2019						
as originally stated	10,449	269,010	(184)	279,275	2,016	281,291
adjustment on adoption of HKFRS 16	–	(155)	–	(155)	–	(155)
as restated	10,449	268,855	(184)	279,120	2,016	281,136
Profit for the period	–	8,973	–	8,973	54	9,027
Other comprehensive income	–	–	(79)	(79)	(6)	(85)
Total comprehensive income for the period	–	8,973	(79)	8,894	48	8,942
Dividends paid	–	(3,334)	–	(3,334)	(30)	(3,364)
At 30th June 2019 (unaudited)	10,449	274,494	(263)	284,680	2,034	286,714

The notes on pages 38 to 56 form part of these financial statements.

Notes to the Condensed Interim Financial Statements

1. Segment Information

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

(a) Analysis of consolidated statement of profit or loss

	External revenue HK\$M	Inter-segment revenue HK\$M	Operating profit/(losses) after depreciation and amortisation HK\$M	Net finance charges HK\$M	Share of profit less losses of joint venture companies HK\$M	Share of profit less losses of associated companies HK\$M	Profit/(Losses) before taxation HK\$M	Profit/(Losses) for the period HK\$M	Profit/(Losses) attributable to the Company's shareholders HK\$M
Six months ended									
30th June 2020									
Property investment	6,147	13	4,321	(105)	579	–	4,795	4,144	4,102
Property trading	130	–	(30)	(17)	9	–	(38)	(45)	(45)
Hotels	274	1	(197)	(11)	(81)	(50)	(339)	(314)	(313)
Change in fair value of investment properties	–	–	(2,621)	–	(187)	–	(2,808)	(2,830)	(2,715)
Inter-segment elimination	–	(14)	–	–	–	–	–	–	–
Total	6,551	–	1,473	(133)	320	(50)	1,610	955	1,029
Six months ended									
30th June 2019									
Property investment	6,412	19	5,827	(282)	488	–	6,033	5,387	5,350
Property trading	392	–	50	(21)	(13)	–	16	2	2
Hotels	706	1	11	(20)	(4)	66	53	52	52
Change in fair value of investment properties	–	–	3,837	–	203	–	4,040	3,586	3,569
Inter-segment elimination	–	(20)	–	–	–	–	–	–	–
Total	7,510	–	9,725	(323)	674	66	10,142	9,027	8,973
Year ended									
31st December 2019									
Property investment	12,410	35	10,735	(425)	942	–	11,252	10,129	10,061
Property trading	516	–	4	(38)	30	–	(4)	(18)	(18)
Hotels	1,296	3	(62)	(36)	(46)	71	(73)	(70)	(70)
Change in fair value of investment properties	–	–	3,720	–	433	–	4,153	3,425	3,450
Inter-segment elimination	–	(38)	–	–	–	–	–	–	–
Total	14,222	–	14,397	(499)	1,359	71	15,328	13,466	13,423

Note:

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

1. Segment Information (continued)

(b) Analysis of total assets of the Group

	Segment assets HK\$M	Joint venture companies* HK\$M	Associated companies HK\$M	Bank deposits and cash HK\$M	Total assets HK\$M
At 30th June 2020					
Property investment	279,344	25,590	–	11,029	315,963
Property trading	5,039	2,858	–	112	8,009
Hotels	5,665	1,270	359	96	7,390
Total	290,048	29,718	359	11,237	331,362
At 31st December 2019					
Property investment	281,646	25,609	–	14,703	321,958
Property trading	4,876	3,281	–	130	8,287
Hotels	5,782	1,276	409	152	7,619
Total	292,304	30,166	409	14,985	337,864

* The assets relating to joint venture companies included the respective loans due from these companies.

(c) Analysis of total liabilities and non-controlling interests of the Group

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	External borrowings HK\$M	Lease liabilities HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
At 30th June 2020						
Property investment	7,178	9,747	23,418	519	40,862	1,748
Property trading	310	16	2,971	–	3,297	92
Hotels	157	–	1,315	–	1,472	31
Total	7,645	9,763	27,704	519	45,631	1,871
At 31st December 2019						
Property investment	7,792	10,278	25,269	548	43,887	1,863
Property trading	327	41	3,194	–	3,562	92
Hotels	238	–	1,266	–	1,504	29
Total	8,357	10,319	29,729	548	48,953	1,984

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

	At a point in time HK\$M	Over time HK\$M	Rental income on leases HK\$M	Total HK\$M
Six months ended 30th June 2020				
Property investment	–	46	6,101	6,147
Property trading	130	–	–	130
Hotels	168	106	–	274
Total	298	152	6,101	6,551
Six months ended 30th June 2019				
Property investment	1	65	6,346	6,412
Property trading	392	–	–	392
Hotels	332	374	–	706
Total	725	439	6,346	7,510

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

2. Basis of Preparation

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

The unaudited condensed interim financial statements are set out on pages 33 to 56 and also include the “Financial Information Reviewed by Auditors” in the Financing section on pages 26 to 31.

The financial information relating to the year ended 31st December 2019 that is included in this document as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the “Ordinance”)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2019 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor’s report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies and methods of computation and presentation used in the preparation of the condensed interim financial statements are consistent with those described in the 2019 annual financial statements except for those noted in 2(b) to 2(d) below.

- (b) The following revised standards were required to be adopted by the Group effective from 1st January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

None of these revised standards had a significant effect on the Group’s financial statements or accounting policies.

2. Basis of Preparation (continued)

- (c) Except for the early adoption of the amendment to HKFRS 16, the Group has not early adopted any other new standards and interpretations that are not yet effective for the current accounting period.

An amendment to HKFRS 16 “COVID-19-related rent concessions” was issued in June 2020 and is effective for annual reporting periods beginning on or after 1st June 2020. This amendment allows a lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient has been applied to all rent concessions occurring as a direct consequence of the COVID-19 pandemic, if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30th June 2021;
- There is no substantive change to other terms and conditions of the lease.

The Group has early adopted this amendment to the existing standard retrospectively from 1st January 2020, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The adoption of this amendment has no impact on the opening statement of financial position at 1st January 2020 and the amount recognised in the profit or loss for the period ended 30th June 2020 is not material.

- (d) The Group has applied the accounting policy on “Government grants” during the period ended 30th June 2020 as follows:

The Group recognises government grants when there is reasonable assurance that the Group will comply with the conditions attached to the grants and the grants will be received. Government grants, that are intended to compensate the Group for expenses incurred, are recognised in profit or loss on a systematic basis in the periods in which the related expenses are recognised.

- (e) The preparation of the condensed interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Those areas involving a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the Group’s consolidated financial statements are detailed in the 2019 annual financial statements.

3. Financial Risk Management

Financial risk factors

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2019 annual financial statements. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. Revenue

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

	Six months ended 30th June		Year ended 31st December
	2020 HK\$M	2019 HK\$M	2019 HK\$M
Gross rental income from investment properties	6,101	6,346	12,271
Property trading	130	392	516
Hotels	274	706	1,296
Rendering of other services	46	66	139
	6,551	7,510	14,222

5. Cost of Sales

	Six months ended 30th June		Year ended 31st December
	2020 HK\$M	2019 HK\$M	2019 HK\$M
Direct rental outgoings in respect of investment properties	1,011	1,135	2,458
Property trading	107	267	392
Hotels	382	583	1,138
Rendering of other services	–	22	40
	1,500	2,007	4,028

6. Other Net (Losses)/Gains

	Six months ended 30th June		Year ended 31st December	
	2020 HK\$M	2019 HK\$M	2019 HK\$M	
Losses on sale of investment properties	(8)	(11)	(17)	
Losses on sale of property, plant and equipment	(2)	–	(6)	
Net foreign exchange losses	(38)	(14)	(27)	
Recognition of income on forfeited deposits in respect of trading properties	1	–	6	
Others	24	20	49	
	(23)	(5)	5	

7. Expenses by Nature

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

	Six months ended 30th June		Year ended 31st December	
	2020 HK\$M	2019 HK\$M	2019 HK\$M	
Depreciation of property, plant and equipment (note 12)	139	143	288	
Depreciation of right-of-use assets				
– leasehold land held for own use	14	13	26	
– property	15	6	20	
Amortisation of				
– intangible assets (note 14)	19	18	36	
– initial leasing costs in respect of investment properties	17	17	35	
Staff costs	966	1,004	1,975	
Other lease expenses*	16	25	33	

* These expenses relate to short-term leases or leases of low-value assets. They are directly charged to the consolidated statement of profit or loss and are not included in the measurement of lease liabilities under HKFRS 16.

8. Net Finance Charges

Refer to the table with the heading “Financial Information Reviewed by Auditors” on page 30 for details of the Group’s net finance charges.

9. Taxation

	Six months ended 30th June		Year ended 31st December
	2020 HK\$M	2019 HK\$M	2019 HK\$M
Current taxation:			
Hong Kong profits tax	332	411	678
Overseas tax	182	204	434
Under/(Over)-provisions in prior years	4	(4)	(11)
	518	611	1,101
Deferred taxation: (note 24)			
Changes in fair value of investment properties	(122)	311	366
Origination and reversal of temporary differences	259	193	406
Effect of change in tax rate in the U.S.A.	–	–	(11)
	137	504	761
	655	1,115	1,862

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group's share of joint venture and associated companies' tax credits for the six months ended 30th June 2020 of HK\$44 million (30th June 2019: tax charges of HK\$254 million; year ended 31st December 2019: tax charges of HK\$469 million) and HK\$4 million (30th June 2019: tax charges of HK\$14 million; year ended 31st December 2019: tax charges of HK\$18 million) respectively are included in the share of profit 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
	2020 HK\$M	2019 HK\$M	2019 HK\$M
First interim dividend declared on 13th August 2020 of HK\$0.30 per share (2019 first interim dividend paid on 3rd October 2019: HK\$0.29)	1,755	1,697	1,697
Second interim dividend paid on 7th May 2020 of HK\$0.59 per share	–	–	3,451
	1,755	1,697	5,148

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

The Directors have declared a first interim dividend of HK\$0.30 (2019: HK\$0.29) per share for the year ending 31st December 2020. The first interim dividend, which totals HK\$1,755 million (2019: HK\$1,697 million), will be paid on Tuesday, 6th October 2020 to shareholders registered at the close of business on the record date, being Friday, 11th September 2020. Shares of the Company will be traded ex-dividend as from Wednesday, 9th September 2020.

The register of members will be closed on Friday, 11th September 2020, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10th September 2020.

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 2020 of HK\$1,029 million (30th June 2019: HK\$8,973 million; year ended 31st December 2019: HK\$13,423 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2019 and 31st December 2019: 5,850,000,000 ordinary shares).

12. Property, Plant and Equipment

	Property, plant and equipment HK\$M
Cost:	
At 1st January 2020	7,170
Translation differences	(52)
Additions	33
Disposals	(34)
Transfer to assets held for sale	(91)
At 30th June 2020	7,026
Accumulated depreciation and impairment:	
At 1st January 2020	2,713
Translation differences	(23)
Charge for the period	139
Disposals	(32)
Transfer to assets held for sale	(6)
At 30th June 2020	2,791
Net book value:	
At 30th June 2020	4,235
At 1st January 2020	4,457

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

13. Investment Properties

	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2020	252,260	24,531	276,791
Translation differences	(618)	(16)	(634)
Additions	290	499	789
Cost written back	–	(206)	(206)
Disposals	(100)	–	(100)
Transfer between categories	(883)	883	–
Net transfers from right-of-use assets	–	550	550
Transfer to assets held for sale	(1,139)	–	(1,139)
Net fair value (losses)/gains	(2,888)	267	(2,621)
	246,922	26,508	273,430
Add: Initial leasing costs	187	–	187
At 30th June 2020	247,109	26,508	273,617
At 1st January 2020 (including initial leasing costs)	252,502	24,531	277,033

14. Intangible Assets

	Computer Software HK\$M	Others HK\$M	Total HK\$M
Cost:			
At 1st January 2020	172	205	377
Translation differences	–	(1)	(1)
Additions	6	–	6
At 30th June 2020	178	204	382
Accumulated amortisation:			
At 1st January 2020	120	58	178
Amortisation for the period	9	10	19
At 30th June 2020	129	68	197
Net book value:			
At 30th June 2020	49	136	185
At 1st January 2020	52	147	199

15. Right-Of-Use Assets

The Group (as lessee) leases land, offices, warehouses and equipment. Except for certain long-term leasehold land in Hong Kong, rental contracts are typically made for fixed periods of 1 to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

	30th June 2020 HK\$M	31st December 2019 HK\$M
Leasehold land held for own use	2,855	3,327
Property	77	89
	2,932	3,416

Additions to the right-of-use assets during the six months ended 30th June 2020 were HK\$4 million (30th June 2019: HK\$30 million).

During the six months ended 30th June 2020, total cash outflow for leases was included in the statement of cash flows as (a) interest paid of HK\$9 million (30th June 2019: HK\$5 million) under “operating activities”, (b) payment for short-term and low-value assets leases of HK\$16 million (30th June 2019: HK\$25 million) under “operating activities” and (c) principal elements of lease payments of HK\$25 million (30th June 2019: HK\$18 million) under “financing activities”.

16. Joint Venture Companies

	30th June 2020 HK\$M	31st December 2019 HK\$M
Share of net assets, unlisted	13,610	13,575
Loans due from joint venture companies less provisions		
– Interest-free	13,629	13,647
– Interest-bearing	2,479	2,944
	16,108	16,591

17. Associated Companies

	30th June 2020 HK\$M	31st December 2019 HK\$M
Share of net assets, unlisted	359	409

18. Fair Value Measurement of Financial Instruments

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

	Level 2 HK\$M	Level 3 HK\$M	Total carrying amount HK\$M
Assets as per consolidated statement of financial position			
At 30th June 2020			
Derivatives used for hedging (note 19)	289	–	289
At 31st December 2019			
Derivatives used for hedging (note 19)	266	–	266
Liabilities as per consolidated statement of financial position			
At 30th June 2020			
Derivatives used for hedging (note 19)	60	–	60
Put option in respect of a non-controlling interest (note 22)	–	504	504
Total	60	504	564
At 31st December 2019			
Derivatives used for hedging (note 19)	27	–	27
Put option in respect of a non-controlling interest (note 22)	–	564	564
Total	27	564	591

Notes:

The levels in the hierarchy represent the following:

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

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

There were no transfers of financial instruments between the levels in the fair value hierarchy.

The following table presents the changes in Level 3 financial instruments for the period ended 30th June 2020:

	Put option over non-controlling interest HK\$M
At 1st January 2020	564
Translation differences	(2)
Distributions during the period	(8)
Change in fair value recognised as net finance charges	(50)
At 30th June 2020	504
Total gains for the period included in profit or loss in respect of financial instruments held at 30th June 2020	(50)

18. Fair Value Measurement of Financial Instruments (continued)

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

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

The fair value estimate of the put option over a non-controlling interest in the U.S.A. is classified within Level 3 because it is based on a number of unobservable inputs, including the expected fair value of the associated investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is in 2020 and the discount rate used is 6.3%.

The investment property's fair value at the expected time of exercise is itself subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected fair market rent and the expected capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 30th June 2020. If the expected time of exercise is later or if the discount rate is higher, the fair value of the put option would be lower. The opposite is true for an earlier time of exercise or a lower discount rate.

(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 amortised cost are not materially different from their fair values at 30th June 2020 and 31st December 2019 except for the following financial liabilities, the carrying amounts and fair values of which are disclosed below:

	30th June 2020		31st December 2019	
	Carrying amount HK\$M	Fair value HK\$M	Carrying amount HK\$M	Fair value HK\$M
Long-term loans and bonds	27,621	28,608	29,645	30,155

19. Derivative Financial Instruments

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

	30th June 2020		31st December 2019	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Interest rate and cross-currency swaps – cash flow hedges				
– due within one year	–	9	44	10
– due after one year	289	51	222	17

20. Trade and Other Receivables

	30th June 2020 HK\$M	31st December 2019 HK\$M
Trade debtors	341	205
Prepayments and accrued income	64	72
Deposit paid for financial assets at fair value through profit or loss	46	–
Other receivables	2,152	1,649
	2,603	1,926

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

	30th June 2020 HK\$M	31st December 2019 HK\$M
Under 3 months	324	201
Between 3 and 6 months	17	4
Over 6 months	–	–
	341	205

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

The Group does not grant any credit terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given.

21. Amount Due from Immediate Holding Company – Swire Pacific Limited

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

22. Trade and Other Payables and Contract Liabilities

	30th June 2020 HK\$M	31st December 2019 HK\$M
Trade and other payables:		
Trade creditors	557	642
Rental deposits from tenants	2,895	2,905
Put option in respect of a non-controlling interest	504	564
Other current payables		
Accrued capital expenditure	1,141	1,138
Amount due to intermediate holding company	102	100
Amount due to an associated company	20	18
Advances from a non-controlling interest	188	187
Others	1,980	2,592
	3,431	4,035
	7,387	8,146
Contract Liabilities	16	19

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

	30th June 2020 HK\$M	31st December 2019 HK\$M
Under 3 months	557	642

23. Lease Liabilities

	30th June 2020 HK\$M	31st December 2019 HK\$M
Maturity Profile:		
Within 1 year	57	52
1-2 years	53	54
2-5 years	91	103
After 5 years	318	339
	519	548

24. Deferred Taxation

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

	HK\$M
At 1st January 2020	9,302
Translation differences	(106)
Charged to statement of profit or loss (note 9)	137
Charged to other comprehensive income	12
At 30th June 2020	9,345
Represented by:	
Deferred tax assets	(80)
Deferred tax liabilities	9,425
	9,345

25. Assets Classified as Held for Sale

Assets classified as held for sale relate to the Group's 100% interest in Two and Three Brickell City Centre in Miami, U.S.A. After the end of the period, a sales and purchase agreement was entered into by wholly-owned subsidiary companies of the Company with a third party and the sale was completed on 21st July 2020. The fair value of the relevant investment properties determined by management at 30th June 2020 reasonably approximated the final consideration payable under the sales and purchase agreement.

26. Share Capital

	Company	
	30th June 2020 HK\$M	31st December 2019 HK\$M
Issued and fully paid:		
At 30th June 2020 and 31st December 2019		
5,850,000,000 ordinary shares	10,449	10,449

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

27. Reserves

	Revenue reserve* HK\$M	Merger reserve HK\$M	Property revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2020	277,289	(1,108)	1,839	81	(1,623)	276,478
Profit for the period	1,029	–	–	–	–	1,029
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
– gains recognised during the period	–	–	92	–	–	92
Cash flow hedges						
– gains recognised during the period	–	–	–	68	–	68
– reclassification to profit or loss	–	–	–	7	–	7
– deferred tax	–	–	–	(12)	–	(12)
Share of other comprehensive income of joint venture and associated companies	–	–	–	(8)	(237)	(245)
Net translation differences on foreign operations	–	–	–	–	(555)	(555)
Total comprehensive income for the period	1,029	–	92	55	(792)	384
2019 second interim dividend (note 10)	(3,451)	–	–	–	–	(3,451)
At 30th June 2020	274,867	(1,108)	1,931	136	(2,415)	273,411

* The revenue reserve at 30th June 2020 was not subject to a deduction of HK\$1,755 million representing the first interim dividend for the year ending 31st December 2020 declared on 13th August 2020 (31st December 2019: HK\$3,451 million representing the second interim dividend for 2019 declared on 12th March 2020) (note 10).

28. Non-controlling Interests

	HK\$M
At 1st January 2020	1,984
Share of profit less losses for the period	(74)
Share of translation differences on foreign operations	(13)
Share of total comprehensive income for the period	(87)
Dividends paid and payable	(26)
At 30th June 2020	1,871

29. Capital Commitments

	30th June 2020 HK\$M	31st December 2019 HK\$M
The Group's outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted but not provided for	–	–
Authorised by Directors but not contracted for	288	212
Investment properties		
Contracted but not provided for	4,864	5,293
Authorised by Directors but not contracted for	10,119	10,211
	15,271	15,716
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted but not provided for	62	270
Authorised by Directors but not contracted for	570	617
	632	887

* of which the Group is committed to funding HK\$438 million (31st December 2019: HK\$483 million).

30. Contingencies

Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK\$2,306 million (31st December 2019: HK\$1,878 million). Bank guarantees given in lieu of utility deposits and other liabilities totalled HK\$162 million at the end of the period (31st December 2019: HK\$170 million).

31. Related Party Transactions

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group's relevant consolidated profit before taxation and non-controlling interests after certain adjustments. The current Services Agreement commenced on 1st January 2020 for a period of three years expiring on 31st December 2022. For the six months ended 30th June 2020, service fees payable amounted to HK\$102 million (30th June 2019: HK\$108 million). Expenses of HK\$54 million (30th June 2019: HK\$47 million) were reimbursed at cost; in addition, HK\$41 million (30th June 2019: HK\$38 million) in respect of shared administrative services was reimbursed.

31. Related Party Transactions (continued)

Under a tenancy framework agreement (the “Tenancy Framework Agreement”) between JSSHK, Swire Pacific Limited and the Company dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group and members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed on 1st October 2018 for a further term of three years expiring on 31st December 2021. For the six months ended 30th June 2020, the aggregate rentals payable to the Group by members of the JSSHK group and members of the Swire Pacific group under tenancies subject to the Tenancy Framework Agreement applies amounted to HK\$53 million (30th June 2019: HK\$56 million) and HK\$26 million (30th June 2019: HK\$51 million) respectively.

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

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

		For the six months ended 30th June										
		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties		
Note		2020 HK\$M	2019 HK\$M	2020 HK\$M	2019 HK\$M	2020 HK\$M	2019 HK\$M	2020 HK\$M	2019 HK\$M	2020 HK\$M	2019 HK\$M	
	Purchases of services	(a)	-	-	12	9	-	-	-	-	-	-
	Rendering of services	(a)	22	21	-	-	-	-	1	1	1	-
	Rental revenue	(b)	-	-	20	45	6	6	53	56	-	2
	Rental expenses	(b)	5	5	-	-	-	-	-	-	-	-
	Revenue from hotels		3	9	-	-	-	-	1	2	2	1
	Interest income	(c)	44	35	-	-	-	-	-	-	-	-

Notes:

- (a) Purchases and rendering of services from and to related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged by/to and contracted with other suppliers/customers of the Group.
- (b) The Group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to eight years. The leases were entered into on normal commercial terms.
- (c) Loans advanced to joint venture companies at 30th June 2020 are disclosed in note 16. Advances from associated and related companies are disclosed in note 22.

The amount due from the immediate holding company at 30th June 2020 was HK\$4 million (31st December 2019: HK\$4 million). The balance arises in the normal course of business, is 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 Listing Rules throughout the accounting period covered by the interim report with the following exceptions which it believes do not benefit shareholders:

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

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

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

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

Share Capital

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

Directors’ Particulars

Change in the particulars of the Directors is set out as follows:

1. G.M.C. Bradley was appointed as a Member of the General Committee of the Hong Kong General Chamber of Commerce with effect from 23rd March 2020.

Directors’ Interests

At 30th June 2020, the register maintained under Section 352 of the Securities and Futures Ordinance (“SFO”) showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited and Swire Pacific Limited:

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

Directors' Interests (continued)

	Capacity			Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
John Swire & Sons Limited						
Ordinary Shares of £1						
N.A.H. Fenwick	–	–	3,136,000	3,136,000	3.14	(1)
M.B. Swire	2,671,599	130,000	17,546,068	20,347,667	20.34	(2)
8% Cum. Preference Shares of £1						
N.A.H. Fenwick	–	–	2,822,400	2,822,400	3.14	(1)
M.B. Swire	3,946,580	–	13,662,426	17,609,006	19.56	(2)

	Capacity			Total No. of Shares	Percentage of Voting Shares (comprised in the class) (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
Swire Pacific Limited						
'A' shares						
L.K.L. Cheng	10,000	–	–	10,000	0.0011	
M.B. Swire	135,000	–	–	135,000	0.0149	
'B' shares						
M.B. Swire	260,000	–	–	260,000	0.0087	

Notes:

- (1) N.A.H. Fenwick is a trustee of a trust which held 3,136,000 ordinary shares and 2,822,400 preference shares in John Swire & Sons Limited included under "Trust interest" and does not have any beneficial interest in those shares.
- (2) M.B. Swire is a trustee and/or a potential beneficiary of trusts which held 6,222,732 ordinary shares and 3,450,024 preference shares in John Swire & Sons Limited included under "Trust interest" and does not have any beneficial interest in those shares.

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

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2020 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

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

Notes:

At 30th June 2020:

- (1) Swire Pacific Limited was interested in 4,796,765,835 shares of the Company as beneficial owner.
- (2) John Swire & Sons Limited ("Swire") and its wholly-owned subsidiary John Swire & Sons (H.K.) Limited were deemed to be interested in a total of 4,796,765,835 shares of the Company, in which Swire Pacific Limited was interested, by virtue of the Swire group being interested in 55.20% of the equity of Swire Pacific Limited and controlling 64.28% of the voting rights attached to shares in Swire Pacific Limited.

Glossary

Terms

References in this document to Hong Kong are to Hong Kong SAR.

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

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

Gross borrowings Total of loans, bonds and overdrafts.

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

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

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

Ratios

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

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

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2020

Interim Report available to shareholders	8th September
Shares traded ex-dividend	9th September
Share register closed for 2020 first interim dividend entitlement	11th September
Payment of 2020 first interim dividend	6th October
Annual results announcement	March 2021
Annual General Meeting	May 2021

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Request for Feedback

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

Disclaimer

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www.format.com.hk
Printed in Hong Kong



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