SWIRE PROPERTIES

SWIRE PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1972)

2019 Final Results

CONTENTS

FINANCIAL HIGHLIGHTS

	Note	2019 HK$M	2018 HK$M	Change
Results				
For the year				
Revenue		**14,222**	14,719	-3%
Profit attributable to the Company's shareholders				
Underlying	(a),(b)	**24,130**	10,148	+138%
Recurring underlying	(b)	**7,633**	7,521	+1%
Reported		**13,423**	28,666	-53%
Cash generated from operations		**5,499**	11,619	-53%
Net cash inflow before financing		**20,217**	10,144	+99%
		HK$	HK$	
Earnings per share				
Underlying	(c)	**4.12**	1.74	+138%
Recurring underlying	(c)	**1.30**	1.29	+1%
Reported	(c)	**2.29**	4.90	-53%
Dividends per share				
First interim		**0.29**	0.27	+7%
Second interim		**0.59**	0.57	+4%
		HK$M	HK$M	
Financial Position				
At 31st December				
Total equity (including non-controlling interests)		**288,911**	281,291	+3%
Net debt		**15,292**	29,905	-49%
Gearing ratio	(a)	**5.3%**	10.6%	-5.3%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share	(a)	**49.05**	47.74	+3%

Notes:
(a) Refer to glossary on page 58 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 9 in the financial statements for the weighted average number of shares.

Underlying profit/(loss) by segment	**2019 HK$M**	2018 HK$M
Property investment	**24,218**	10,090
Property trading	**(18)**	99
Hotels	**(70)**	(41)
	24,130	10,148

CHAIRMAN'S STATEMENT

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

Dividends

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

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

Key Developments

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

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

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate gross floor area ("GFA") of approximately 1,140,000 square feet. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

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

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

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

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

Operating Performance

Underlying profit increased to HK$24,130 million in 2019 from HK$10,148 million in 2018. The increase principally reflected the profit arising from the sale of interests in two office buildings in Taikoo Shing and in other investment properties in Hong Kong.

Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK$7,633 million in 2019, compared with HK$7,521 million in 2018. The increase principally reflected higher underlying profit from property investment in Mainland China.

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

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

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

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

Finance

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

Sustainable Development

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

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

Prospects

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

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

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

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

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

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

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

Merlin Swire
Chairman
Hong Kong, 12th March 2020

REVIEW OF OPERATIONS

	2019 HK$M	2018 HK$M
Revenue		
Gross Rental Income derived from		
Offices	**6,598**	6,375
Retail	**5,107**	5,205
Residential	**566**	537
Other Revenue [(1)]	**139**	137
Property Investment	**12,410**	12,254
Property Trading	**516**	1,061
Hotels	**1,296**	1,404
Total Revenue	**14,222**	14,719
Operating Profit/(Loss) derived from		
Property investment		
From operations	**8,397**	8,597
Sale of interests in investment properties	**2,338**	1,276
Valuation gains on investment properties	**3,720**	19,452
Property trading	**4**	65
Hotels	**(62)**	(25)
Total Operating Profit	**14,397**	29,365
Share of Post-tax Profits from Joint Venture and Associated Companies	**1,430**	1,978
Profit Attributable to the Company's Shareholders	**13,423**	28,666

(1) Other revenue is mainly estate management fees.

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

Underlying Profit Reconciliation	Note	2019 HK$M	2018 HK$M
Profit attributable to the Company's shareholders per financial statements		**13,423**	28,666
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(4,563)**	(20,796)
Deferred tax on investment properties	(b)	**1,138**	935
Valuation gains realised on sale of interests in investment properties	(c)	**14,159**	1,351
Depreciation of investment properties occupied by the Group	(d)	**24**	19
Non-controlling interests' share of revaluation movements less deferred tax		**(25)**	(15)
Movements in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	(e)	**(13)**	(12)
Less amortisation of right-of-use assets reported under investment properties	(f)	**(13)**	-
Underlying Profit Attributable to the Company's Shareholders		**24,130**	10,148
Profit on sale of interests in investment properties		**(16,497)**	(2,627)
Recurring Underlying Profit Attributable to the Company's Shareholders		**7,633**	7,521

Notes:

(a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss and the Group's share of net revaluation movements of joint venture companies.

(b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and the U.S.A., and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

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

(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

(e) The value of the put option in favour of the owner of a non-controlling interest is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the non-controlling interest is interested.

(f) HKFRS 16 amends the definition of investment property under HKAS 40 to include properties held by lessees as right-of-use assets to earn rentals or for capital appreciation or both, and requires the Group to account for such right-of-use assets at their fair value. The amortisation of such right-of-use assets is charged to underlying profit.

Underlying Profit

Movement in Underlying Profit

	HK$M
Underlying profit in 2018	10,148
Increase in profit from the sale of interests in investment properties	13,870
Increase in profit from property investment	258
Decrease in profit from property trading	(117)
Increase in losses from hotels	(29)
Underlying profit in 2019	**24,130**

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

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

Portfolio Overview

The aggregate GFA attributable to the Group at 31st December 2019 was approximately 30.3 million square feet.

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 9.7 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$6,439 million in 2019. At 31st December 2019, our office properties in Hong Kong were valued at HK$180,828 million. Of this amount, Swire Properties' attributable interest was HK$170,760 million.

Hong Kong Office Portfolio

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

(1) Including PCCW Tower, of which Swire Properties owns 50%.
(2) Others comprise One Citygate (20% owned), Berkshire House (50% owned), 8 Queen's Road East (wholly-owned), 28 Hennessy Road (wholly-owned) and South Island Place (50% owned).

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

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

Office Area by Tenants' Businesses
(At 31st December 2019)

Banking/Finance/Securities/Investment	26.1%
Trading	16.1%
Professional services (Accounting/Legal/Management consulting/Corporate secretarial)	12.7%
Insurance	11.8%
Technology/Media/Telecoms	11.4%
Real estate/Construction/Property development/Architecture	7.8%
Advertising and public relations	2.8%
Others	11.3%

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

Pacific Place

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

Cityplaza

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

Taikoo Place

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

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

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

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

South Island Place

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

Hong Kong Office Market Outlook

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

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

Office Lease Expiry Profile (At 31st December 2019)

2020	14.7%
2021	14.9%
2022 and later	70.4%

Retail

Overview

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

Hong Kong Retail Portfolio

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

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

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

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

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

Retail Area by Tenants' Businesses (At 31st December 2019)	
Fashion and accessories	29.0%
Food and beverages	19.1%
Department stores	13.5%
Supermarkets	5.2%
Cinemas	4.3%
Jewellery and watches	1.8%
Ice rink	0.9%
Others	26.2%

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

The Mall at Pacific Place

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

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

Cityplaza

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

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

Citygate Outlets

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

Hong Kong Retail Market Outlook

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

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

Retail Lease Expiry Profile (At 31st December 2019)	
2020	17.0%
2021	22.6%
2022 and later	60.4%

Residential

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

Investment Properties Under Development

Taikoo Place Redevelopment

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

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

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

Others

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

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

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

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

Investment Properties – Mainland China

Retail

Overview

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

Mainland China Retail Portfolio

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

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

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

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

Retail Area by Tenants' Businesses
(At 31st December 2019)

Fashion and accessories	40.8%
Food and beverages	27.0%
Supermarkets	5.5%
Cinemas	4.8%
Jewellery and watches	2.0%
Others	19.9%

Taikoo Li Sanlitun, Beijing

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

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

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

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

Taikoo Hui, Guangzhou

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

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

INDIGO, Beijing

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

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

Sino-Ocean Taikoo Li Chengdu

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

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

HKRI Taikoo Hui, Shanghai

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

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

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

Mainland China Retail Market Outlook

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

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

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

Retail Lease Expiry Profile (At 31st December 2019)	
2020	30.3%
2021	24.9%
2022 and later	44.8%

Office

Overview

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

Mainland China Office Portfolio

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

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

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

Office Area by Tenants' Businesses (At 31st December 2019)

Banking/Finance/Securities/Investment	32.3%
Trading	27.0%
Technologies/Media/Telecom	13.9%
Professional services	11.8%
Real estate/Construction/Property Development/Architecture	5.5%
Pharmaceutical manufacturing	3.3%
Others	6.2%

Taikoo Hui, Guangzhou

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

INDIGO, Beijing

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

HKRI Taikoo Hui, Shanghai

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

Mainland China Office Market Outlook

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

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

Office Lease Expiry Profile (At 31st December 2019)

2020	13.9%
2021	24.6%
2022 and later	61.5%

Serviced Apartments

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

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

Mainland China Serviced Apartments

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

Mainland China Serviced Apartments Market Outlook

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

Investment Property Under Development

Taikoo Li Qiantan, Shanghai

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

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

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

Attributable Area of Completed Property Portfolio in Mainland China

GFA (sq. ft.)	2019	2020 and later
Taikoo Li Sanlitun, Beijing	1,465,771	1,721,502
Taikoo Hui, Guangzhou	3,724,990	3,724,990
INDIGO, Beijing	943,434	943,434
Sino-Ocean Taikoo Li Chengdu	830,864	830,864
HKRI Taikoo Hui, Shanghai	1,768,311	1,768,311
Taikoo Li Qiantan, Shanghai	-	623,503
Hui Fang, Guangzhou	90,847	90,847
Others	22,664	22,664
Total	**8,846,881**	**9,726,115**

Investment Properties – U.S.A.

Overview

Brickell City Centre, Miami

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

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

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

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

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

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

At 31st December 2019, Swire Properties owned 100% of the office, hotel and unsold residential portions and 62.93% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre was owned by Simon Property Group (25%) and Bal Harbour Shops (12.07%). Bal Harbour Shops has an option, exercisable from February 2020, to sell its interest to Swire Properties.

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

Miami Market Outlook

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

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

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2019 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK$276,791 million, compared to HK$272,927 million at 31st December 2018.

The increase in the valuation of the investment property portfolio is mainly due to modest increases in the valuation of the office properties in Hong Kong and of the investment properties in Mainland China following rental increases, partly offset by a decrease in the valuation of the retail properties in Hong Kong.

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

Property Trading

Overview

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

Property Trading Portfolio (At 31st December 2019)

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

(1) Remaining saleable area.

Hong Kong

21-31 Wing Fung Street, Wanchai

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

Chai Wan Inland Lot No. 88

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

Wong Chuk Hang Station Package Four Property Development

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

Hong Kong Residential Market Outlook

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

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total GFA (approximately 1.15 million square feet) and 350 carparking spaces at Pinnacle One were pre-sold in 2013 and the profit from the sales of approximately 52% of the pre-sold GFA was recognised in 2015. Application was made to the court to cancel the sale of the remaining pre-sold GFA and 350 carparking spaces as part of the consideration was not received on time. The application succeeded (after an unsuccessful appeal by the buyer). The profit on the sales of 122,136 square feet of the GFA and 44 carparking spaces was recognised in 2018. The profit on the sales of a further 436,988 square feet of the GFA and 163 carparking spaces was recognised in 2019. The remaining 34,015 square feet of the GFA will be retained for its own use by the joint venture company which owns the property.

U.S.A.

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

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

Miami Residential Market Outlook

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

Singapore

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

Indonesia

In July 2019, a joint venture between Swire Properties and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land will be developed into a residential development with an aggregate GFA of approximately 1,140,000 square feet. Demolition works have been completed and foundation works are expected to commence soon. The development is expected to comprise over 400 residential units and to be completed in 2023. Swire Properties has a 50% interest in the joint venture.

Singapore Residential Market Outlook

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

Estate Management

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

Hotels

Managed Hotels and Restaurants

Overview

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

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

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

Hotel Portfolio (managed by Swire Hotels)

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

(1) Headland Hotel is owned by Airline Property Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.
(2) Comprising one hotel tower and one serviced apartment tower.
(3) Including serviced apartments in a hotel tower.

The Upper House

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

EAST, Hong Kong

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

The Opposite House

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

EAST, Beijing

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

The Temple House

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

The Middle House

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

EAST, Miami

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

Swire Restaurants

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

Non-managed Hotels

Overview

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

Hotel Portfolio (not managed by the Group)

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

(1) Including serviced apartments in the hotel tower.

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

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

Hotels Market Outlook

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

Capital Commitments

Capital Expenditure and Commitments

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

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

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

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

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

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

FINANCING

Sources of Finance

Audited Financial Information

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

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

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

At 31st December 2019, 79% of the Group's gross borrowings were on fixed rate basis and 21% were on floating rate basis (2018: 75% and 25% respectively).

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

Maturity Profile and Refinancing

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

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

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

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

		Maturity Profile								
(HK$M)	**Total**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Facilities from third parties										
Term and revolving loans	18,646	3,136	6,250	7,893	1,367	-	-	-	-	-
Bonds	21,202	3,893	300	3,893	200	1,100	1,940	4,593	1,390	3,893
Total	**39,848**	**7,029**	**6,550**	**11,786**	**1,567**	**1,100**	**1,940**	**4,593**	**1,390**	**3,893**

Audited Financial Information

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

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

Currency Profile

Audited Financial Information

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

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

Gearing Ratio and Interest Cover

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

(1) Refer to Glossary on page 58 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 the end of 2019 and 2018:

	Net Debt of Joint Venture and Associated Companies		**Portion of Net Debt Attributable to the Group**		**Debt Guaranteed by the Group**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Hong Kong Entities	**5,342**	4,533	**2,184**	1,879	**1,405**	1,295
Mainland China Entities	**12,874**	12,033	**6,437**	6,017	**-**	-
U.S.A. and other Entities	**537**	458	**409**	354	**473**	476
Total	**18,753**	17,024	**9,030**	8,250	**1,878**	1,771

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 8.4%.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss
For the year ended 31st December 2019

	Note	**2019**	2018
		HK$M	HK$M
Revenue	2	**14,222**	14,719
Cost of sales	3	**(4,028)**	(4,493)
Gross profit		**10,194**	10,226
Administrative and selling expenses		**(1,674)**	(1,576)
Other operating expenses		**(203)**	(206)
Other net gains	4	**5**	246
Profit on sale of subsidiary companies		**1,361**	1,223
Profit on sale of a joint venture company		**994**	-
Change in fair value of investment properties		**3,720**	19,452
Operating profit		**14,397**	29,365
Finance charges		**(837)**	(995)
Finance income		**338**	113
Net finance charges	6	**(499)**	(882)
Share of profits less losses of joint venture companies		**1,359**	1,825
Share of profits less losses of associated companies		**71**	153
Profit before taxation		**15,328**	30,461
Taxation	7	**(1,862)**	(1,740)
Profit for the year		**13,466**	28,721
Profit for the year attributable to:			
The Company's shareholders		**13,423**	28,666
Non-controlling interests		**43**	55
		13,466	28,721
		HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	9	**2.29**	4.90

Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2019

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

Consolidated Statement of Financial Position
At 31st December 2019

	Note	2019 HK$M	2018 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,457**	7,877
Investment properties	10	**277,033**	273,186
Intangible assets		**199**	212
Right-of-use assets	11	**3,416**	-
Properties held for development	12	**1,212**	1,360
Joint venture companies		**13,575**	13,540
Loans due from joint venture companies		**16,591**	15,251
Associated companies		**409**	413
Derivative financial instruments		**222**	64
Deferred tax assets		**79**	123
Other financial assets at amortised cost		**36**	37
		317,229	312,063
Current assets			
Properties for sale	14	**3,604**	1,469
Stocks		**72**	63
Trade and other receivables	15	**1,926**	2,401
Contract assets	15	**-**	16
Amount due from immediate holding company - Swire Pacific Limited		**4**	15
Derivative financial instruments		**44**	-
Short-term deposits maturing after three months		**22**	1
Cash and cash equivalents		**14,963**	2,093
		20,635	6,058
Assets classified as held for sale	13	**-**	15,526
Total current assets		**20,635**	21,584
Current liabilities			
Trade and other payables	16	**8,146**	10,154
Contract liabilities	16	**19**	7
Tax payable		**938**	392
Derivative financial instruments		**10**	-
Bank overdrafts and short-term loans		**84**	234
Long-term loans and bonds due within one year		**6,224**	996
Lease liabilities due within one year	17	**52**	-
		15,473	11,783
Liabilities directly associated with assets classified as held for sale	13	**-**	207
Total current liabilities		**15,473**	11,990
Net current assets		**5,162**	9,594
Total assets less current liabilities		**322,391**	321,657
Non-current liabilities			
Long-term loans and bonds		**23,421**	30,769
Long-term lease liabilities	17	**496**	-
Other payables	16	**-**	601
Derivative financial instruments		**17**	70
Deferred tax liabilities		**9,381**	8,716
Retirement benefit liabilities		**165**	210
		33,480	40,366
NET ASSETS		**288,911**	281,291
EQUITY			
Share capital	18	**10,449**	10,449
Reserves	19	**276,478**	268,826
Equity attributable to the Company's shareholders		**286,927**	279,275
Non-controlling interests		**1,984**	2,016
TOTAL EQUITY		**288,911**	281,291

Consolidated Statement of Cash Flows
For the year ended 31st December 2019

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

1. Segment Information

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

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

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

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

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

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

1. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

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

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

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

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

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

1. Segment Information (continued)

(b) Information about geographical areas

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

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

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

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

2. Revenue

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

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

3. Cost of Sales

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

4. Other Net Gains

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

5. Expenses by Nature

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

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

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

6. Net Finance Charges

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

7. Taxation

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

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

8. Dividends

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

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

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

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

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

9. Earnings Per Share (Basic and Diluted)

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

10. Investment Properties

	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2019			
as originally stated	**249,666**	**23,261**	**272,927**
adjustment on adoption of HKFRS 16	**4**	**332**	**336**
as restated	**249,670**	**23,593**	**273,263**
Translation differences	**(750)**	**(15)**	**(765)**
Additions	**663**	**1,492**	**2,155**
Cost written back	**(1)**	**(49)**	**(50)**
Disposals	**(312)**	**-**	**(312)**
Transfer to properties for sale	**-**	**(1,040)**	**(1,040)**
Net transfers from/(to) property, plant and equipment and right-of-use assets	**34**	**(214)**	**(180)**
Net fair value gains	**2,956**	**764**	**3,720**
	252,260	**24,531**	**276,791**
Add: Initial leasing costs	**242**	**-**	**242**
At 31st December 2019	**252,502**	**24,531**	**277,033**
At 1st January 2018	231,295	35,997	267,292
Translation differences	(1,440)	(19)	(1,459)
Additions	725	4,018	4,743
Cost written back	(15)	(1)	(16)
Disposals	(285)	-	(285)
Transfer from properties for sale	142	-	142
Net transfers (to)/from property, plant and equipment	(32)	72	40
Transfer between categories	17,076	(17,076)	-
Transfers to assets classified as held for sale	(14,546)	(435)	(14,981)
Disposal of subsidiary companies	-	(2,001)	(2,001)
Net fair value gains	16,746	2,706	19,452
	249,666	23,261	272,927
Add: Initial leasing costs	259	-	259
At 31st December 2018	249,925	23,261	273,186

Geographical Analysis of Investment Properties

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

11. Right-Of-Use Assets

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

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

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

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

12. Properties Held for Development

	2019	2018
	HK$M	HK$M
Freehold land	**989**	1,141
Development cost	**223**	219
	1,212	1,360

13. Assets Classified as Held for Sale

In May 2019, the Company entered into a sale and purchase agreement with a third party for the sale of its entire 50% interest in a joint venture company which held 625 King's Road, a 26-storey office building in North Point, Hong Kong. The consideration for the sale of HK$2,375 million (before net asset value adjustments) resulted in a profit on sale of a joint venture company being recorded in July 2019 when the transaction was completed. Prior to completion of the transaction, the Group's interest in that joint venture company was included under assets classified as held for sale.

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

14. Properties for Sale

	2019 **HK$M**	2018 HK$M
Properties for sale		
Properties under development		
- development costs	**77**	30
- leasehold land	**1,260**	338
Completed properties		
- development costs	**1,507**	1,008
- freehold land	**759**	92
- leasehold land	**1**	1
	3,604	1,469

15. Trade and Other Receivables and Contract Assets

	2019 HK$M	2018 HK$M
Trade debtors	**205**	216
Prepayments and accrued income	**72**	240
Other receivables	**1,649**	1,945
	1,926	2,401
Contract assets	**-**	16

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

	2019 HK$M	2018 HK$M
Under 3 months	**201**	209
Between 3 and 6 months	**4**	6
Over 6 months	**-**	1
	205	216

The Group does not grant any credit terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. The Group also holds non-interest bearing rental deposits as security against trade debtors.

16. Trade and Other Payables and Contract Liabilities

	2019 HK$M	2018 HK$M
Trade and other payables – current:		
Trade creditors	**642**	419
Rental deposits from tenants	**2,905**	2,751
Deposits received on the sale of subsidiary companies	**-**	3,238
Other current payables		
Accrued capital expenditure	**1,138**	1,211
Amounts due to intermediate holding company	**100**	109
Amounts due to an associated company	**18**	15
Advances from a non-controlling interest	**187**	35
Put option in respect of a non-controlling interest	**564**	-
Others	**2,592**	2,376
	4,599	3,746
	8,146	10,154
Contract Liabilities	**19**	7
Other payables – non-current:		
Put option in respect of a non-controlling interest	**-**	601

16. Trade and Other Payables and Contract Liabilities (continued)

The analysis of the age of trade creditors at year-end is as follows:

	2019	2018
	HK$M	HK$M
Under 3 months	**642**	419

17. Lease Liabilities

	31st December 2019 HK$M
Maturity Profile:	
Within 1 year	**52**
1-2 years	**54**
2-5 years	**103**
After 5 years	**339**
	548

At 31st December 2019, the weighted average incremental borrowing rate applied to the lease liabilities is 3.4%.

18. Share Capital

	Ordinary shares	**HK$M**
Issued and fully paid:		
At 1st January 2019 and 31st December 2019	**5,850,000,000**	**10,449**
At 1st January 2018 and 31st December 2018	5,850,000,000	10,449

There was no purchase, sale or redemption by the Company of its shares during the years ended 31st December 2019 and 31st December 2018.

19. Reserves

	Revenue reserve HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2019						
as originally stated	269,010	(1,108)	1,823	(195)	(704)	268,826
adjustment on adoption of HKFRS 16	(155)	-	-	-	-	(155)
as restated	268,855	(1,108)	1,823	(195)	(704)	268,671
Profit for the year	13,423	-	-	-	-	13,423
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
- gains recognised during the year	-	-	16	-	-	16
Defined benefit plans						
- remeasurement gains recognised during the year	50	-	-	-	-	50
- deferred tax	(8)	-	-	-	-	(8)
Cash flow hedges						
- gains recognised during the year	-	-	-	358	-	358
- reclassification to profit or loss	-	-	-	(20)	-	(20)
- deferred tax	-	-	-	(56)	-	(56)
Share of other comprehensive income of joint venture and associated companies	-	-	-	(6)	(247)	(253)
Net translation differences on foreign operations	-	-	-	-	(672)	(672)
Total comprehensive income for the year	13,465	-	16	276	(919)	12,838
2018 second interim dividend (note 8)	(3,334)	-	-	-	-	(3,334)
2019 first interim dividend (note 8)	(1,697)	-	-	-	-	(1,697)
At 31st December 2019	277,289	(1,108)	1,839	81	(1,623)	276,478

19. Reserves (continued)

	Revenue reserve HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2018	245,002	(1,108)	1,812	(62)	1,288	246,932
Profit for the year	28,666	-	-	-	-	28,666
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
- gains recognised during the year	-	-	11	-	-	11
Defined benefit plans						
- remeasurement losses recognised during the year	(44)	-	-	-	-	(44)
- deferred tax	8	-	-	-	-	8
Cash flow hedges						
- losses recognised during the year	-	-	-	(137)	-	(137)
- reclassification to profit or loss	-	-	-	(21)	-	(21)
- deferred tax	-	-	-	26	-	26
Share of other comprehensive income of joint venture and associated companies	-	-	-	(1)	(631)	(632)
Net translation differences on foreign operations	-	-	-	-	(1,361)	(1,361)
Total comprehensive income for the year	28,630	-	11	(133)	(1,992)	26,516
2017 second interim dividend	(3,042)	-	-	-	-	(3,042)
2018 first interim dividend (note 8)	(1,580)	-	-	-	-	(1,580)
At 31st December 2018	269,010	(1,108)	1,823	(195)	(704)	268,826

20. Changes in Accounting Policies and Disclosures

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

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

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

HKFRS 16 Leases

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

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

Adjustment recognised on adoption of HKFRS 16

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

20. Changes in Accounting Policies and Disclosures (continued)

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

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

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

20. Changes in Accounting Policies and Disclosures (continued)

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

Assets	As originally stated HK$M	Adjustments on adoption of HKFRS 16 HK$M	As restated HK$M
Property, plant and equipment	7,877	(3,229)	4,648
Investment properties	273,186	336	273,522
Right-of-use assets	-	3,194	3,194
Joint venture companies	13,540	58	13,598
Trade and other receivables	2,401	(3)	2,398
		356	

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

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

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

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

21. Requirement in Connection with Publication of "Non-statutory Accounts" under Section 436 of the Hong Kong Companies Ordinance Cap. 622

The financial information relating to the years ended 31st December 2018 and 2019 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2018 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2019 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2018 and 2019. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

ADDITIONAL INFORMATION

Corporate Governance

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

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

The 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") contained 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 annual 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.

Details of the Company's corporate governance principles and processes will be available in the 2019 annual report.

The annual results have been reviewed by the Audit Committee of the Company.

Annual Report

The 2019 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website www.swireproperties.com. Printed copies will be available to shareholders on 7th April 2020.

List of Directors

At the date of this announcement, the Directors of the Company are:

Executive Directors: M.B. Swire (Chairman), G.M.C. Bradley and F.N.Y. Lung;
Non-Executive Directors: N.A.H. Fenwick, P. Healy, R.S.K. Lim and M.M.S. Low; and
Independent Non-Executive Directors: L.K.L. Cheng, T.T.K. Choi, S.T. Fung, J.L. Wang and M.Y. Wu.

By Order of the Board
Swire Properties Limited
Merlin Swire
Chairman
Hong Kong, 12th March 2020

GLOSSARY

Terms

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

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

Gross borrowings Total of loans, bonds and overdrafts.

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

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

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

Ratios

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

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

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

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

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

$$\text{Dividend payout ratio} = \frac{\text{Dividends paid and proposed}}{\text{Profit attributable to the Company's shareholders}}$$

FINANCIAL CALENDAR AND INFORMATION FOR INVESTORS

Financial Calendar 2020

Shares traded ex-dividend	1st April
Share register closed for 2019 second interim dividend entitlement	3rd April
Annual Report available to shareholders	7th April
Payment of 2019 second interim dividend	7th May
Share register closed for attending and voting at Annual General Meeting	7th – 12th May
Annual General Meeting	12th May
Interim results announcement	August 2020
2020 first interim dividend payable	October 2020

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Swire Properties Limited
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88 Queensway
Hong Kong

Registrars

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Website: www.computershare.com

Stock Code

Hong Kong Stock Exchange 1972

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PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

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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

This document may contain certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including changes in the economies and industries in which the Group operates (in particular in Hong Kong and Mainland China), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.