

2012

Interim Report



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Financial Highlights

Results

	Note	Six months ended 30th June		Change
		2012 HK\$M	2011 HK\$M	
Turnover		4,907	4,665	+5.2%
Operating profit		10,364	20,686	-49.9%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	2,443	2,354	+3.8%
Reported		9,862	20,023	-50.7%
Cash generated from operations		1,507	3,557	-57.6%
Net cash (outflow)/inflow before financing		(1,842)	402	-558.2%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	0.42	0.41	+2.4%
Reported	(c)	1.69	3.52	-52.0%
		HK\$	HK\$	
Dividends per share				
First interim	(d)	0.22	–	N/A

Financial Position

		30th June	31st December	Change
		2012 HK\$M	2011 HK\$M	
Total equity (including non-controlling interests)		185,194	176,575	+4.9%
Net debt		30,535	27,700	+10.2%
Gearing ratio	(a)	16.5%	15.7%	+0.8% pt
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share				
Underlying	(a), (b)	32.56	30.90	+5.4%
Reported	(a)	31.56	30.09	+4.9%

Notes:

- (a) Refer to glossary on page 55 for definition of gearing ratio, underlying profit, equity and underlying equity attributable to the Company's shareholders per share.
 (b) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 6.
 (c) Refer to note 11 in the interim accounts for the weighted average number of shares.
 (d) Special interim dividends of HK\$1.76 per share and a first interim dividend of HK\$0.18 per share (in lieu of final dividend) were paid in respect of 2011.

Chairman's Statement

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Our consolidated profit attributable to shareholders in the first half of 2012 was HK\$9,862 million, compared to HK\$20,023 million in the first half of 2011. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$89 million from HK\$2,354 million in the first half of 2011 to HK\$2,443 million in the first half of 2012.

DIVIDENDS

The Directors have declared a first interim dividend of HK¢22 per share for the period ended 30th June 2012. The first interim dividend, which totals HK\$1,287 million, will be paid on 4th October 2012 to shareholders registered at the close of business on the record date, being Friday, 7th September 2012. Shares of the Company will be traded ex-dividend as from Wednesday, 5th September 2012.

The register of members will be closed on Friday, 7th September 2012, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 6th September 2012.

KEY DEVELOPMENTS

In January 2012, our shares were listed on The Stock Exchange of Hong Kong Limited by way of introduction.

In January 2012, redevelopment works commenced at 23 Tong Chong Street in Quarry Bay. This property is being redeveloped into serviced apartments and is expected to be completed in late 2014.

In March 2012, the retail component of the INDIGO development in Beijing started to open. The Group has a 50% economic interest in this development, which has a total area of 1.9 million square feet.

In May 2012, pre-sales of units started in the ARGENTA luxury residential development in Hong Kong.

In May 2012, the Group established a US\$3 billion Medium Term Note Programme. Notes with a principal amount of US\$500 million were issued under the programme in June 2012.

In July 2012, the occupation permit for the property at 28 Hennessy Road, a 145,390 square foot office building, was issued. Handover to tenants is expected to take place in the second half of 2012.

OPERATING PERFORMANCE

Adjusted underlying profit, which excludes profits from disposal of investment properties and impairment adjustments, increased from HK\$2,283 million in the first half of 2011 to HK\$2,443 million in the first half of 2012. The increase principally reflects positive rental reversions and higher turnover rents in Hong Kong, improved rental performance at Sanlitun Village in Beijing, and a first-time contribution from the TaiKoo Hui development in Guangzhou. The operating performance of the owned and managed hotels also improved. The positive effect of these favourable factors was offset in part by the loss of net rental income (totalling HK\$416 million in the first half of 2011) following the disposal of the Festival Walk property in Hong Kong in August 2011 and increased loss from property trading, reflecting lower trading volumes and higher sales and marketing costs.

Gross rental income was HK\$4,390 million in the first half of 2012 compared to HK\$4,176 million in the first half of 2011. Positive rental reversions were recorded in the Hong Kong office portfolio, notwithstanding a slowdown in leasing activity compared to the first half of 2011. Retail sales and the demand for retail space in Hong Kong continued to be good, although demand has weakened when compared to 2011.

In Mainland China, the net rental contribution from Sanlitun Village in the first half of 2012 improved by comparison with that of the first half of 2011. This reflected active management of the tenant portfolio and physical enhancements designed to improve footfall and circulation. The TaiKoo Hui development contributed to rental income for the first time in the first half of 2012.

Property trading recorded an operating loss of HK\$18 million in the first half of 2012. Sales and marketing costs incurred in connection with the AZURA and ARGENTA luxury residential developments in Mid-Levels West in Hong Kong exceeded profits from the sale of the remaining residential units at ASIA in Miami. Two of the 126 units at AZURA were pre-sold in the first half of 2012, bringing the total number of pre-sold units to 100 at 30th June 2012. The pre-sold units will be handed over to purchasers in the second half of 2012. Four of the 30 units at ARGENTA were pre-sold in the first half of 2012.

The results of the Group's owned and managed hotels improved in the first half of 2012, with particularly good performances from The Opposite House in Beijing and The Upper House and EAST in Hong Kong. The non-managed hotels also recorded a slightly improved performance in the first half of 2012.

Net finance charges in the first half of 2012 were HK\$656 million, a 12.6% decrease from those incurred in the first half of 2011. The decrease reflected lower average debt levels in Hong Kong following the disposal of Festival Walk and a smaller increase in the fair value of a put option in relation to the non-controlling interest at Sanlitun Village, partially offset by higher finance charges in Mainland China. The higher finance charges in Mainland China reflected higher debt levels and a reduction, following the completion of projects, in the amount of interest capitalised.

On an attributable basis, net investment property valuation gains in the first half of 2012, after deferred tax relating to investment properties in Mainland China, were HK\$7,530 million, compared to net gains in the first half of 2011 of HK\$17,818 million.

FINANCE

Net debt at 30th June 2012 was HK\$30,535 million, compared with HK\$27,700 million at 31st December 2011. The increase reflects investments in properties in Mainland China and Hong Kong. Gearing increased by 0.8 percentage points from 15.7% at 31st December 2011 to 16.5%. Cash and undrawn committed facilities totalled HK\$10,999 million at 30th June 2012, compared with HK\$9,183 million at 31st December 2011. As noted above, we have established a US\$3 billion Medium Term Note Programme and have issued notes under the programme with a principal amount of US\$500 million. The proceeds of this issue were applied towards repayment of maturing inter-group funding from Swire Pacific.

PROSPECTS

Demand for the Group's office space in Hong Kong is likely to be affected by uncertain market conditions. However, office rentals at Pacific Place and Island East are expected to be relatively resilient due to high occupancy levels and limited new supply. Tenants are expected to continue to relocate to Island East in order to reduce costs. Despite slower growth in recent months, the Hong Kong retail market is expected to continue to benefit from low unemployment rates in Hong Kong and from tourist spend from Mainland China.

In Mainland China, the contribution from Sanlitun Village is expected to continue to improve following the introduction of new tenants over the last nine months. The contribution from TaiKoo Hui is also expected to improve as more shops open and more office tenants move in.

Trading conditions in the second half of 2012 for the Group's hotels are expected to be more challenging due to economic uncertainty.

Profits from property trading are expected to be significant in the second half of 2012, with the securing of the occupation permit for and the completion of the sale of pre-sold units in the AZURA development in Hong Kong. We will continue to market the remaining units for sale.

This year marks the 40th anniversary of our incorporation. Despite current uncertainties in the global economy, we are confident that our strong foundations will allow us to benefit from the continued long-term growth of the economies of Hong Kong and Mainland China.

Christopher Pratt

Chairman

Hong Kong, 10th August 2012

Review of Operations

	Six months ended 30th June		Year ended 31st December
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Turnover			
Gross rental income derived from			
Offices	2,460	2,218	4,537
Retail	1,761	1,806	3,710
Residential	169	152	310
Other revenue ⁽¹⁾	44	47	94
Property investment	4,434	4,223	8,651
Property trading	99	99	213
Hotels	374	343	717
Total turnover	4,907	4,665	9,581
Operating profit/(loss) derived from			
Property investment	3,272	3,140	6,743
Valuation gains on investment properties	7,103	17,553	20,345
Property trading	(18)	1	(50)
Hotels	7	(8)	(93)
Total operating profit	10,364	20,686	26,945
Share of post-tax profits from jointly controlled and associated companies	811	777	1,007
Attributable profit	9,862	20,023	25,126

(1) Other revenue is mainly estate management fees

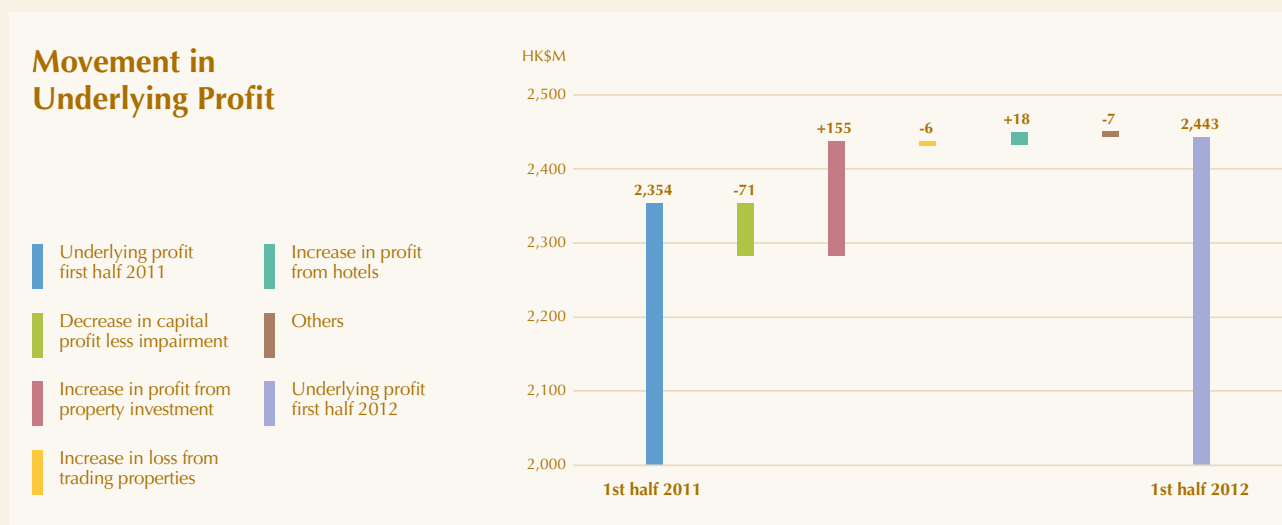
Additional information is provided on page 6 to reconcile reported and underlying profit and equity attributable to the Company's shareholders. These reconciling items principally reverse the impact of HKAS 40 on investment properties and the amended HKAS 12 on deferred tax. There is a further adjustment 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 in Sanlitun Village. Adjusted underlying profit excludes profits from the disposal of investment properties and net impairment losses from hotels and trading properties.

	Note	Six months ended 30th June		Year ended 31st December
		2012 HK\$M	2011 HK\$M	2011 HK\$M
Underlying profit				
Profit attributable to the Company's shareholders per accounts		9,862	20,023	25,126
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	(7,905)	(18,167)	(21,066)
Deferred tax on revaluation movements	(b)	357	306	526
Realised profit on sale of investment properties	(c)	–	–	8,020
Depreciation of investment properties occupied by the Group	(d)	8	10	22
Non-controlling interests' share of revaluation movements less deferred tax		18	43	45
Movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in Sanlitun Village	(e)	103	139	259
Underlying profit attributable to the Company's shareholders		2,443	2,354	12,932
Other significant items:				
Profit on sale of investment properties		–	–	(8,615)
(Reversal of impairment losses)/net impairment losses		–	(71)	55
Adjusted underlying profit		2,443	2,283	4,372
Underlying Equity				
		30th June		31st December
	Note	2012 HK\$M	2011 HK\$M	2011 HK\$M
Equity attributable to the Company's shareholders per accounts		184,640	175,943	176,043
Deferred tax on revaluation of investment properties		3,638	3,069	3,285
Unrecognised valuation gains on hotels held as part of mixed-use developments	(f)	1,565	664	912
Revaluation of investment properties occupied by the Group		585	676	476
Cumulative depreciation of investment properties occupied by the Group		41	42	33
Underlying equity attributable to the Company's shareholders		190,469	180,394	180,749
Underlying non-controlling interests		603	565	576
Underlying equity		191,072	180,959	181,325

Notes:

- (a) This represents the net revaluation movements as shown in the consolidated income statement plus the Group's share of net revaluation movements of jointly controlled and associated companies.
- (b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. As a result of the amended HKAS 12, deferred tax is no longer provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.
- (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 income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated income statement.
- (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 in Sanlitun Village is calculated principally by reference to the estimated fair value of the portions of the Sanlitun Village investment property in which the minority partner is interested.
- (f) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those wholly-owned or jointly controlled hotel properties held for the long term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated income statement.

UNDERLYING PROFIT



Underlying profit in the first half of 2012 increased by HK\$89 million, from HK\$2,354 million to HK\$2,443 million. Recurring profits from property investment increased by HK\$155 million, due to higher rental income in Hong Kong, an improvement in performance at Sanlitun Village in Mainland China and a first-time contribution from the TaiKoo Hui development in Mainland China, partly offset by loss of rental income from Festival Walk following its disposal in August 2011. Reduction in capital profit less impairment refers to a reversal of a previously recorded impairment made in the first half of 2011 but was not repeated in 2012. The hotel portfolio recorded higher profits in the first half of 2012 due to improvements in the results of the managed and non-managed hotels. The increase in loss from property trading (excluding impairment adjustments) is largely due to higher sales and marketing expenses associated with the pre-sale of the AZURA and ARGENTA luxury residential developments in Hong Kong and the absence of profit from the sale of Island Lodge in 2012, partially offset by higher profits from the sales of the remaining residential units at ASIA in Miami.

PORTFOLIO OVERVIEW

The aggregate gross floor area (“GFA”) attributable to the Group as at 30th June 2012 was approximately 29.7 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 25.1 million square feet are investment properties, comprising completed investment properties of approximately 19.9 million square feet and investment properties under development of approximately 5.2 million square feet. In Hong Kong, total 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 five major commercial mixed-use developments in prime locations in Beijing, Shanghai, Guangzhou and Chengdu, comprising completed investment properties of approximately 5.2 million square feet of GFA attributable to the Group and investment properties under development of approximately 3.2 million square feet of GFA attributable to the Group. Outside Hong Kong and Mainland China, the investment property portfolio comprises the Brickell CitiCentre project in Miami and interests in hotels in the U.S.A. and the U.K.

The tables below illustrate the GFA (attributable to the Group) of the investment portfolio as at 30th June 2012.

Completed Investment Properties (GFA attributable to the Group in million square feet)					
	Office	Retail	Hotels ⁽¹⁾	Residential and Serviced Apartments	Total
Hong Kong	10.5	2.4	0.7	0.6	14.2
Mainland China	2.0	3.0	0.2	–	5.2
U.S.A. and U.K.	–	–	0.5	–	0.5
Total	12.5	5.4	1.4	0.6	19.9

Investment Properties under Development (expected GFA attributable to the Group in million square feet)					
	Office	Retail	Hotels ⁽¹⁾	Residential and Serviced Apartments	Total
Hong Kong	0.1	–	–	0.1	0.2
Mainland China	0.9	1.1	1.1	0.1	3.2
U.S.A.	1.0	0.5	0.2	0.1	1.8
Total	2.0	1.6	1.3	0.3	5.2

Total Investment Properties (GFA (or expected GFA) attributable to the Group in million square feet)					
	Office	Retail	Hotels ⁽¹⁾	Residential and Serviced Apartments	Total
Total	14.5	7.0	2.7	0.9	25.1

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

The trading property portfolio and properties held for development comprise land, apartments and office premises under development in Hong Kong, Miami in the U.S.A. and Mainland China, together with the remaining units for sale at 5 Star Street in Hong Kong and at the ASIA residential development in Miami, U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio and properties held for development as at 30th June 2012.

Trading Properties and Properties Held for Development (GFA (or expected GFA) attributable to the Group in million square feet)				
	Completed	Under Development or Held for Development	Total	
Hong Kong	–	1.0	1.0	
Mainland China	–	0.7	0.7	
U.S.A.	0.1	2.8	2.9	
Total	0.1	4.5	4.6	

INVESTMENT PROPERTIES – HONG KONG

OFFICES

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.8 million square feet of space on a 100% basis. Total attributable gross rental income from office properties in Hong Kong was HK\$2,465 million in the first half of 2012. As at 30th June 2012, office properties in Hong Kong were valued at HK\$118,343 million on a 100% basis. Of this amount, Swire Properties' attributable interest represented HK\$114,820 million.

Hong Kong Office Portfolio			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 30th June 2012)	Attributable Interest
Pacific Place	2,186,433	99%	100%
Cityplaza	1,632,930	98%	100%
TaiKoo Place Office Towers ⁽¹⁾	3,136,541	98%	50%/100%
One Island East	1,537,011	100%	100%
Techno Centres ⁽²⁾	1,816,667	96%	100%
Others ⁽³⁾	461,587	98%	20%/50%
Total	10,771,169		

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

(2) The valuation of Somerset House reflects the fact that it is to be redeveloped.

(3) Others comprise One Citygate (20% owned by Swire Properties) and 625 King's Road (50% owned by Swire Properties).

Gross rental income from the Group's office portfolio in Hong Kong in the first half of 2012 increased by 7% over the first half of 2011 to HK\$2,372 million, reflecting positive rental reversions for office space at Pacific Place and Island East. At 30th June 2012 the overall office portfolio was 98% let.

The chart below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area attributable to the Group as at 30th June 2012.



As at 30th June 2012, the top ten office tenants (based on rental income in the six months ended 30th June 2012) together occupied approximately 21% of the total office area in Hong Kong.

Hong Kong Office Market Outlook

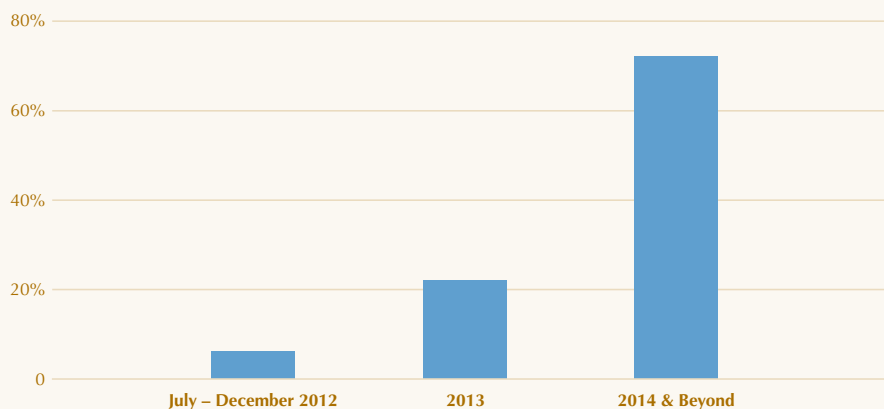
Current demand from financial services companies for office space for expansion in Central is relatively soft. However, in the Pacific Place portfolio, new tenants have been found for most of the office space which will be vacated in the second half of 2012 and some existing tenants are taking space for expansion. The result is that rentals in Pacific Place have been relatively resilient despite increasing vacancies in Central generally. At 8 Queen's Road East, Swire Properties has signed a binding offer to lease the whole of the building for a ten year term. Smaller businesses, currently based in Central, are showing interest in the development at 28 Hennessy Road.

With high occupancy, rentals at Island East have remained fairly robust, due in part to tenants wishing to reduce costs by relocating from other districts. Despite a softening of rentals in Central, it is expected that relocations will continue. However, general demand for office space in the second half of 2012 is likely to be affected by negative economic sentiment.

The following chart shows the percentage of the total rental income attributable to the Group from the office properties in Hong Kong, for the month ended 30th June 2012, derived from leases expiring in the periods indicated below. Tenancies accounting for approximately 6% of the rental income in the month of June 2012 are due to expire in the second half of 2012, with a further 22% due to expire in 2013.

Office Lease Expiry Profile

(As at 30th June 2012)



RETAIL

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis, principally at The Mall at Pacific Place, Cityplaza in Island East, and Citygate Outlets in 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 retail properties in Hong Kong was HK\$1,225 million in the first half of 2012. As at 30th June 2012, retail properties in Hong Kong were valued at HK\$47,648 million on a 100% basis. Of this amount, Swire Properties' attributable interest represented HK\$42,907 million.

Hong Kong Retail Portfolio

	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 30th June 2012)	Attributable Interest
Pacific Place Mall	711,182	100%	100%
Cityplaza Mall	1,105,227	100%	100%
Citygate Outlets	462,439	100%	20%
Others ⁽¹⁾	530,467	99%	20%/60%/100%
Total	2,809,315		

(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 retail premises (20% owned).

Gross rental income from the Group's retail portfolio in Hong Kong was HK\$1,188 million in the first half of 2012, a decrease of 25% from the same period in 2011, reflecting the absence of a contribution from Festival Walk in 2012. Excluding the contribution from Festival Walk in the first half of 2011, gross rental income increased by HK\$65 million. Occupancy levels at the Group's malls were effectively 100% during the period. Turnover rents derived from the Group's retail malls was 14% higher than in the first half of 2011, reflecting strong retail sales, particularly at the beginning of the year.

At The Mall at Pacific Place, the refurbishment of the façade is scheduled to be completed in 2013. Space previously occupied by a department store is being reconfigured. The Beauty Gallery has been created to house high quality cosmetic and skin care brands. An additional arcade has linked up the two sides of The Mall in order to improve the flow of pedestrian traffic.

The chart below shows the mix of tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area attributable to the Group as at 30th June 2012.

Retail Area Attributable to the Group by Tenants' Businesses

(As at 30th June 2012)

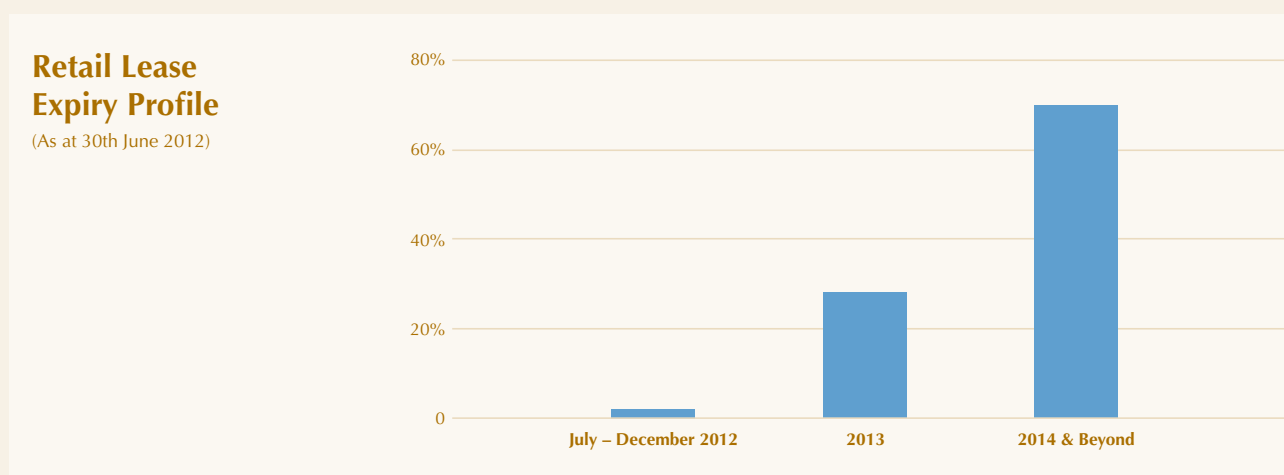


As at 30th June 2012, the top ten retail tenants (based on rental income in the six months ended 30th June 2012) together occupied approximately 29% of the total retail area in Hong Kong.

Hong Kong Retail Market Outlook

Despite slower growth in recent months, the Hong Kong retail market is expected to continue to benefit from low unemployment rates in Hong Kong and from tourists from Mainland China. Record rents paid by large U.S. and European retailers at prime locations have put upward pressure on retail rents elsewhere.

The following chart shows the percentage of the total rental income attributable to the Group from the retail properties in Hong Kong, for the month ended 30th June 2012, derived from leases expiring in the periods indicated below. Tenancies accounting for approximately 2% of the rental income in the month of June 2012 are due to expire in the second half of 2012, with a further 28% due to expire in 2013.



RESIDENTIAL

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

Occupancy at the residential portfolio was 93% at 30th June 2012.

Demand for residential properties in Hong Kong is expected to soften in the second half of 2012.

INVESTMENT PROPERTIES UNDER CONSTRUCTION

Curtain wall installation has been completed and interior fit-out works are progressing at 28 Hennessy Road. Completion is expected in the third quarter of 2012. The building will provide 145,390 square feet of office space.

Refurbishment of the 81,346 square foot office building at 8 Queen's Road East will be completed in phases during the first half of 2013. Window wall installation and interior works are in progress.

Demolition work at 23 Tong Chong Street in Quarry Bay has been completed and foundation work has started. The site will be developed into serviced apartments with an aggregate floor area of approximately 75,000 square feet. Completion is scheduled in late 2014.

INVESTMENT PROPERTIES – MAINLAND CHINA

OVERVIEW

The property portfolio in Mainland China comprises an aggregate of 13.5 million square feet of space (9.1 million square feet attributable to the Group), of which 6.3 million square feet are completed properties with another 7.2 million square feet under development. Total attributable gross rental income from investment properties in Mainland China was HK\$675 million in the first half of 2012. As at 30th June 2012, the investment portfolio in Mainland China was valued at HK\$42,589 million on a 100% basis. Of this amount, Swire Properties' attributable interest represented HK\$30,256 million.

	Gross Floor Area (sq.ft.) (100% Basis)			Year of Opening	Attributable Interest
	Total	Investment Properties	Hotels, Trading Properties and Others		
Property Portfolio ⁽¹⁾ – Mainland China					
<i>Completed</i>					
Sanlitun Village, Beijing ⁽²⁾⁽³⁾	1,465,771	1,296,308	169,463	2008	80%/100%
TaiKoo Hui, Guangzhou (Retail and Office)	3,208,167	3,208,167	–	2011	97%
INDIGO, Beijing (Office and Retail)	1,534,957	1,534,957	–	2011/2012	50%
Beaumonde Retail Podium, Guangzhou	90,847	90,847	–	2008	100%
Others ⁽⁴⁾	29,584	2,898	26,686	N/A	100%
Sub-total	6,329,326	6,133,177	196,149		
<i>Under Development</i>					
TaiKoo Hui, Guangzhou (Hotel and Serviced Apartments)	641,029	51,517	589,512	2012	97%
INDIGO, Beijing (Hotel)	358,269	–	358,269	2012	50%
Dazhongli Project, Shanghai (Retail, Office and Hotel)	3,469,398	2,872,653	596,745	2016	50%
Daci Temple Project, Chengdu (Retail, Office, Hotel and Serviced Apartments) ⁽⁵⁾	2,747,866	1,267,371	1,480,495	2014	50%
Sub-total	7,216,562	4,191,541	3,025,021		
Total	13,545,888	10,324,718	3,221,170		

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

(2) Village North was opened in 2010.

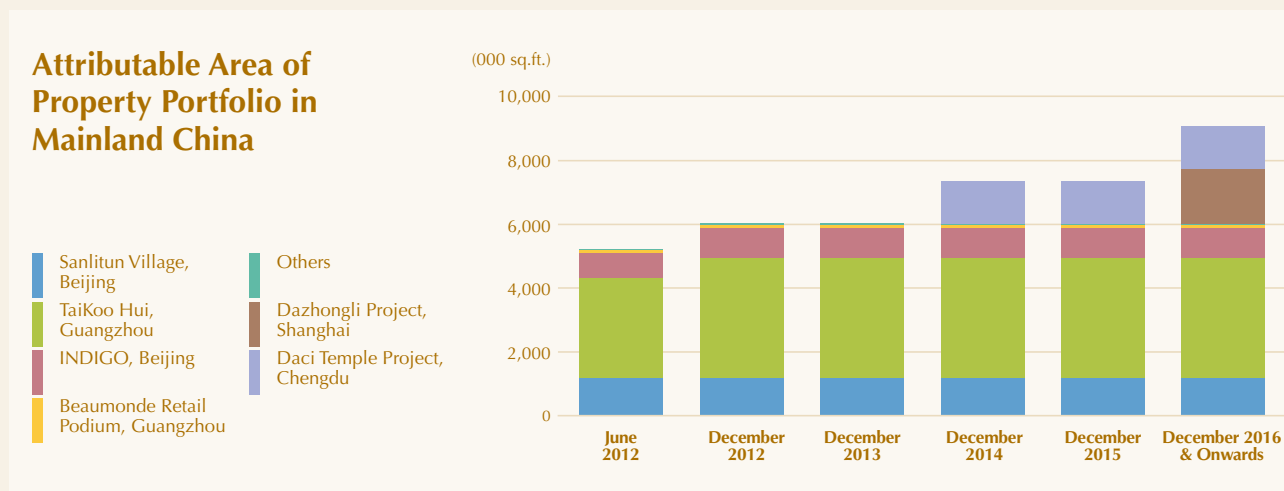
(3) Swire Properties owns 80% of the retail component of Sanlitun Village.

(4) Including Longde Building and Tianhe Xinzuo residential apartments, which were acquired in 2005 and 2006 respectively.

(5) The office portion of the Daci Temple project is intended to be developed for trading purposes.

Gross rental income from the Group's investment portfolio in Mainland China was HK\$652 million in the first half of 2012, HK\$423 million higher than the same period in 2011, reflecting first time contribution in TaiKoo Hui and improved performance at Sanlitun Village.

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



At Sanlitun Village in Beijing, the increase in gross rental income reflected improved reversionary rents from Village South and higher occupancy rates at Village North. At 30th June 2012, occupancy rates were 93% at Village South and 92% at Village North.

There is ongoing development work to increase footfall and circulation at Village South. Retail sales at Sanlitun Village are expected to be encouraging in the second half of 2012.

Retail sales at the TaiKoo Hui development in Guangzhou have been encouraging since the opening of the shopping mall in September 2011. The mall was close to 100% leased as at 30th June 2012. Retail sales in the second half of 2012 are expected to increase as more shops open and more office tenants move in.

At 30th June 2012, tenants (including those who had signed letters of intent) had committed to leases of 74% of the office space at TaiKoo Hui. HSBC, which has leased 29 floors (approximately 47% of the total office floor area), is the largest office tenant at TaiKoo Hui. In the second half of 2012, gross office rental income is expected to increase as new tenants take up the majority of the remaining vacant units.

The shopping mall at the INDIGO development in Beijing started to open in March 2012. At 30th June 2012, tenants (including those who had signed letters of intent) had committed to leases of 83% and 73% respectively of the retail and office space at INDIGO.

Retail and office rental income at INDIGO is expected to increase gradually in the second half of 2012 as more shops open and the remaining office space is handed over to tenants. INDIGO should benefit from the opening of EAST, Beijing in the second half of 2012 and from the opening of the Beijing Metro Line 14, expected in 2014.

Site clearance and resettlement works at the Dazhongli project in Shanghai have largely been completed. Upon its scheduled completion in phases from 2016 onwards, the Dazhongli development will consist of a retail mall, two office towers and three hotels.

Site preparation, excavation and piling works at the Daci Temple project in Chengdu are in progress. This mixed-use development, which has retail, hotel, serviced apartment and office components, is scheduled to open in phases from 2014 onwards. The office tower at the Daci Temple project is intended to be developed for trading purposes.

INVESTMENT PROPERTIES – U.S.A.

Brickell CitiCentre, Miami

Brickell CitiCentre is a mixed-use development project in the Brickell financial district in Miami, Florida and covers approximately four city blocks. Situated one block west of Brickell Avenue and three blocks west of Brickell Key, the project has a site area of 393,678 square feet (approximately 9.1 acres).

This development will incorporate a multi-level shopping centre with below ground parking spaces. Phase 1 of the development comprises a shopping centre, a hotel, serviced apartments, two office buildings and two residential towers. Construction work on this phase of the development began in June and is scheduled to be completed by the end of 2015.

Brickell CitiCentre, Miami	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	520,000	100%
Office	963,000	100%
Serviced Apartments	108,000	100%
Hotel ⁽¹⁾	200,000	100%
Residential ⁽¹⁾	1,100,000	100%
Carpark and Circulation	2,538,000	100%
Total	5,429,000	100%

⁽¹⁾ The residential portion of the Brickell CitiCentre development is intended to be developed for trading purposes. The hotel and residential components are not accounted for as investment properties in the accounts.

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 30th June 2012 (97% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK\$195,041 million compared to HK\$187,198 million at 31st December 2011.

The increase in the valuation of the investment property portfolio principally reflects higher rental income.

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

Financial Information Reviewed by Auditors Investment Properties

	Group		Total HK\$M
	Completed HK\$M	Under Development HK\$M	
At 1st January 2012	174,951	12,247	187,198
Translation differences	(223)	(1)	(224)
Additions	127	831	958
Other net transfers from property, plant and equipment	6	–	6
Fair value gains	6,790	313	7,103
	181,651	13,390	195,041
Add: Initial leasing costs	281	–	281
At 30th June 2012	181,932	13,390	195,322
At 31st December 2011 (including initial leasing costs)	175,241	12,247	187,488

PROPERTY TRADING

The trading portfolio comprises seven luxury residential projects in Hong Kong (five on Hong Kong Island, one in Kowloon and one on Lantau Island), a residential complex under development in Brickell CitiCentre in Miami, an office property under development at the Daci Temple project in Chengdu, and the remaining residential units at two completed developments, ASIA in Miami, Florida and 5 Star Street in Hong Kong. There is also a land bank in Miami and Fort Lauderdale, Florida.

Property Trading Portfolio	Gross Floor Area (sq.ft.) (100% Basis)	Actual or Expected Construction Completion Date	Attributable Interest
<i>Completed</i>			
Hong Kong			
– 5 Star Street (remaining unsold units)	1,996	2010	100%
U.S.A.			
– ASIA, Miami (remaining unsold units)	47,463	2008	100%
<i>Under Development</i>			
Hong Kong			
– AZURA	206,306	2012	87.5%
– ARGENTA	75,805	2013	100%
– 33 Seymour Road (Phase 1)	165,792	2014	100%
– 33 Seymour Road (Phase 2) (formerly 92-102 Caine Road)	195,531	2016	100%
– 1-9 and 2-10 Sai Wan Terrace	151,953	2013	80%
– 148 Argyle Street	88,555	2013	50%
– Cheung Sha, South Lantau	64,412	2015	100%
Mainland China			
– Daci Temple Project, Chengdu (office portion)	1,307,890	2014	50%
U.S.A.			
– Brickell CitiCentre, Miami, Florida	1,100,000	2015	100%
<i>Held for Development</i>			
U.S.A.			
– Fort Lauderdale, Florida	787,414	N/A	75%
– South Brickell Key, Miami, Florida	421,800	N/A	100%
– Brickell CitiCentre, North Squared, Miami, Florida	500,000	N/A	100%
Total	5,114,917		

HONG KONG

One hundred of the 126 units at the AZURA development on Seymour Road have been pre-sold. The property is expected to be handed over to buyers in the fourth quarter of 2012. Swire Properties holds an 87.5% interest in this development.

Superstructure work at the 75,805 square foot residential development ARGENTA is progressing on schedule, with completion expected in mid-2013. Four of the total 30 units in the development have been pre-sold.

Superstructure work at the 151,953 square foot residential development at 1-9 and 2-10 Sai Wan Terrace, in which Swire Properties has an 80% interest, is progressing on schedule, with completion expected by the end of 2013.

Construction work at the 165,792 square foot Phase 1 of the residential development at 33 Seymour Road is progressing on schedule, with completion expected in 2014. Foundation work is progressing at the adjacent Phase 2 of this residential development (which was formerly known as 92-102 Caine Road). The Phase 2 site is to be redeveloped into a 195,531 square foot residential building, with completion expected in 2016.

Superstructure work is progressing at the 88,555 square foot residential development at 148 Argyle Street. Completion of this 50% joint venture project is expected by the end of 2013.

Two sites at Cheung Sha, Lantau Island are being developed into detached houses, providing an aggregate GFA of 64,412 square feet. The development is expected to be completed in 2015.

U.S.A.

Sales of 104 of the 123 units have been closed at the ASIA residential development in Miami since the development was completed in 2008, and a further four units have been leased.

The Miami residential market is continuing to improve, with buyers from Latin America putting upward pressure on prices.

OUTLOOK

Profits from property trading are expected to be significant in the second half of 2012, with the securing of the occupation permit for and the completion of the sale of units in the AZURA development in Hong Kong in the fourth quarter of the year.

LEASING AND MANAGEMENT BUSINESS

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

ESTATE MANAGEMENT

Swire Properties manages 12 estates which it has developed. The management services include day to day assistance for occupants and cleaning, maintenance and renovation of common areas and facilities. We place great emphasis on maintaining good relationships with our occupants. We intend to provide a high quality concierge service at our new developments.

HOTELS

OVERVIEW

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

Hotel Portfolio (Managed by the Group)	No. of rooms (100% Basis)	Attributable interest
<i>Completed</i>		
Hong Kong		
– The Upper House	117	100%
– EAST, Hong Kong	344	100%
– Headland Hotel ⁽¹⁾	501	–
Mainland China		
– The Opposite House	99	100%
U.K.		
– The Montpellier Chapter, Cheltenham (formerly called Hotel Kandinsky, Cheltenham)	61	100%
– Avon Gorge Hotel, Bristol	75	100%
– The Magdalen Chapter, Exeter (formerly called Hotel Barcelona, Exeter) ⁽²⁾	59	100%
– Hotel Seattle, Brighton	71	100%
<i>Under Development</i>		
Mainland China		
– EAST, Beijing	369	50%
– Dazhongli Project (Hotel), Shanghai	124	50%
– Daci Temple Project (Hotel), Chengdu	100	50%
Total	1,920	

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

⁽²⁾ The hotel in Exeter reopened in June 2012 following a major refurbishment.

HONG KONG

Swire Properties wholly owns and manages two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place and EAST, a 344-room hotel at Cityplaza.

The wholly-owned hotels performed well in the first half of 2012, with growth in profits and revenue per available room compared with the first half of 2011.

Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. The non-managed hotels portfolio performed slightly better in the first half of 2012 than in the first half of 2011.

MAINLAND CHINA

The Opposite House, a 99-room luxury hotel at Sanlitun Village in Beijing, experienced steady growth in room rates in the first half of 2012 and continued to be competitive in the Beijing market.

U.S.A.

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami. The hotel market is improving in Miami. Total revenue and average room rates increased compared with the same period in 2011.

U.K.

Swire Properties owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. Occupancy and room rates are satisfactory although trading conditions remain challenging. The Magdalen Chapter Hotel in Exeter reopened in June 2012 following a major refurbishment.

OUTLOOK

Trading conditions in the second half of 2012 for the Group's hotels are expected to be challenging due to economic uncertainty.

CAPITAL COMMITMENTS

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure in the first half of 2012 on Hong Kong investment properties and hotels, including completed projects, amounted to HK\$852 million (first half of 2011: HK\$1,043 million). Outstanding capital commitments at 30th June 2012 were HK\$6,327 million (31st December 2011: HK\$6,740 million).

Capital expenditure in the first half of 2012 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, amounted to HK\$1,144 million (first half of 2011: HK\$945 million). Outstanding capital commitments at 30th June 2012 were HK\$7,890 million (31st December 2011: HK\$8,430 million), including the

Group's share of the capital commitments of jointly controlled companies of HK\$6,722 million (31st December 2011: HK\$7,101 million). The Group is committed to funding HK\$1,685 million (31st December 2011: HK\$1,828 million) of the capital commitments of jointly controlled companies in Mainland China.

Capital expenditure in the first half of 2012 on investment properties and hotels in the U.S.A. amounted to HK\$32 million (first half of 2011: HK\$4 million). Outstanding capital commitments at 30th June 2012 were HK\$2,431 million (31st December 2011: HK\$2,472 million).

	Expenditure		Forecast Year of Expenditure			Commitments
	Six months ended 30th June 2012 HK\$M	Six months ended 31st December 2012 HK\$M	2013 HK\$M	2014 HK\$M	2015 & beyond HK\$M	At 30th June 2012 HK\$M
Hong Kong projects	852	663	593	663	4,408	6,327
Mainland China projects	1,144	1,500	2,862	2,123	1,405	7,890
U.K. hotels	27	–	–	–	–	–
U.S.A. projects	32	396	828	1,100	107	2,431
Total	2,055	2,559	4,283	3,886	5,920	16,648*

* Capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK\$1,685 million of the capital commitments of jointly controlled companies.

SUMMARY OF CASH FLOWS

	Six months ended 30th June		Year ended 31st December
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Net cash (used by)/from businesses and investments			
Cash generated from operations	1,507	3,557	7,396
Dividends received	26	40	415
Tax paid	(176)	(106)	(485)
Net interest paid	(838)	(885)	(1,626)
Cash (used in)/generated from investing activities	(2,361)	(2,204)	11,718
	(1,842)	402	17,418
Cash received from/(paid to) shareholders and net funding by debt			
Dividends paid	(1,057)	(2,429)	(12,451)
Increase in borrowings	4,721	1,268	1,578
Capital contributions from non-controlling interests	–	–	12
Proceeds from issuance of ordinary shares	–	–	4,500
Increase/(decrease) in loans due to a fellow subsidiary company	1,650	853	(10,875)
	5,314	(308)	(17,236)
Increase in cash and cash equivalents	3,472	94	182

Cash used in investing activities during the first half of 2012 included capital expenditure on property projects by subsidiary companies and investments in jointly controlled companies.

FINANCING ARRANGEMENTS WITH THE SWIRE PACIFIC GROUP

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

Financial Information Reviewed by Auditors

On 31st March 2010, Swire Properties (Finance) Limited, the Company and Swire Finance Limited (“Swire Finance”, a wholly-owned subsidiary of Swire Pacific Limited), entered into five loan agreements (“Loan Agreements”) (as amended on 31st October 2011) to record the terms of the borrowings by the Group from Swire Finance. The Loan Agreements substantially mirror the terms and maturity profile (currently ranging, disregarding the perpetual element of the financing agreements, up to six years) of the underlying borrowings of Swire Finance from third parties. The underlying borrowings are in the form of term loans, revolving credit facilities, bonds issued under Swire Pacific group’s US\$3.5 billion Medium Term Note Programme, and perpetual capital securities. No security has been given by the Group in respect of the Loan Agreements. Upon maturity of the financing agreements provided by Swire Finance, the Group will obtain new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.

As at 30th June 2012, there was a loan facility of US\$85 million in respect of Mandarin Oriental Hotel in Miami which is guaranteed by Swire Pacific Limited. (31st December 2011: US\$85 million)

As at 30th June 2012, the Group also maintained other loan arrangements with Swire Pacific group and its jointly controlled companies for a total facility amount of RMB300 million. (31st December 2011: RMB380 million)

MEDIUM TERM NOTE PROGRAMME

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

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

CHANGES IN FINANCING

Financial Information Reviewed by Auditors Analysis of Changes in Financing

	Six months ended 30th June 2012	Year ended 31st December 2011
	HK\$M	HK\$M
Bank loans, bonds and loans from fellow subsidiary companies		
At 1st January	28,879	37,859
Bank loans drawn and refinancing	1,074	2,206
Issuance of medium-term notes	3,856	–
Repayment of bank loans	(209)	(628)
Loans drawn from/(repaid to) a fellow subsidiary company	1,650	(10,875)
Other non-cash movements	(58)	317
	35,192	28,879
Overdrafts	4	1
At 30th June/31st December	35,196	28,880

During the first half of 2012, the Group raised HK\$4,559 million. This comprised:

- an issue of medium-term notes of US\$500 million
- a revolving short-term loan of RMB50 million
- an increase of US\$80 million in a revolving credit facility to US\$140 million

Subsequent to 30th June 2012, the Group:

- obtained four term and revolving credit facilities aggregating HK\$5,750 million, with tenors ranging from three to five years
- repaid the drawn portions of HK\$5,000 million revolving credit facilities and terminated those facilities (which would in any event have expired in October 2012). The repayments were funded by the proceeds from the issue of medium-term notes of US\$500 million referred to above

NET BORROWINGS

The Group's borrowings are principally denominated in Hong Kong dollar, Renminbi and US dollar. Outstanding borrowings as at 30th June 2012 and 31st December 2011 are as follows:

Financial Information Reviewed by Auditors

	30th June 2012 HK\$M	31st December 2011 HK\$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	6,750	5,819
Medium-term notes – unsecured	3,856	–
Borrowings from Swire Finance – unsecured	12,138	14,431
Borrowings included in current liabilities		
Bank borrowings – unsecured	1,557	1,687
Borrowings from Swire Finance – unsecured	10,895	6,943
Total borrowings	35,196	28,880
Less: cash and cash equivalents	(4,661)	(1,180)
Net borrowings	30,535	27,700

SOURCES OF FINANCE

At 30th June 2012, committed loan facilities and debt securities amounted to HK\$40,132 million, of which HK\$6,338 million (15.8%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$1,162 million. Sources of funds at 30th June 2012 comprised:

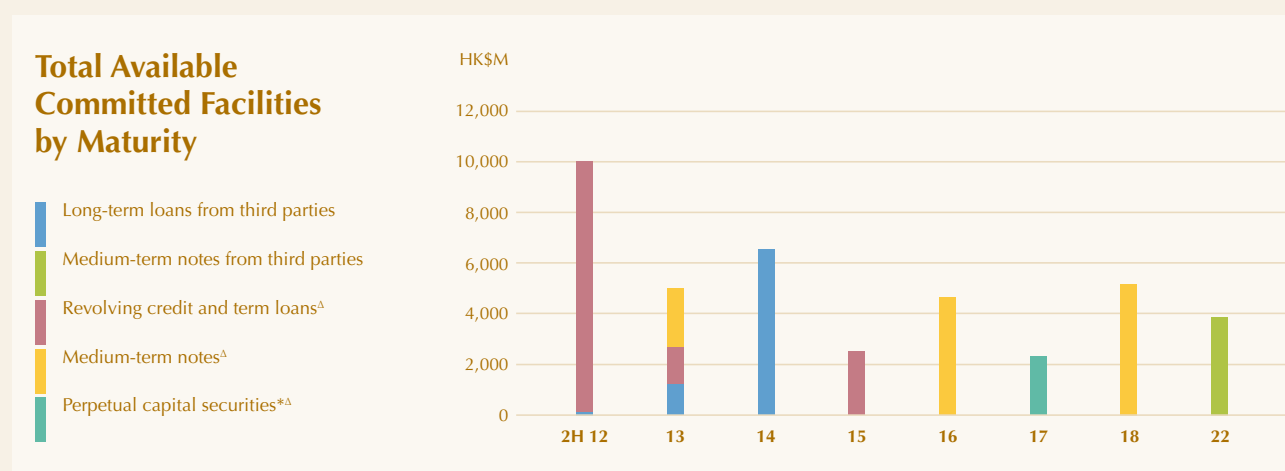
Financial Information Reviewed by Auditors

	Available HK\$M	Drawn HK\$M	Undrawn expiring within one year HK\$M	Undrawn expiring after one year HK\$M
Facilities from third parties				
Term loans	7,790	6,852	–	938
Medium-term notes	3,878	3,878	–	–
Facilities from Swire Finance				
Revolving credit and short-term loans	9,000	3,600	2,900	2,500
Term loans	5,000	5,000	–	–
Medium-term notes	12,135	12,135	–	–
Perpetual capital securities	2,329	2,329	–	–
Total committed facilities	40,132	33,794	2,900	3,438
Uncommitted facilities				
Bank loans, overdrafts and other loans	2,653	1,491	1,162	–
Total	42,785	35,285	4,062	3,438

Note: The figures above are stated before unamortised loan fees of HK\$89 million.

MATURITY PROFILE

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



^Δ Facilities from Swire Finance under the Loan Agreements.

^{*} The perpetual capital securities have no fixed maturity date. In the above graph their maturity has been presented by reference to their first call date, 13th May 2017.

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

	30th June 2012		31st December 2011	
	HK\$M		HK\$M	
Financial Information Reviewed by Auditors				
Bank and other borrowings				
Within 1 year	1,557	4%	1,687	6%
1 – 2 years	3,843	11%	93	–
2 – 5 years	2,907	8%	5,726	20%
After 5 years	3,856	11%	–	–
Borrowings from Swire Finance				
Within 1 year	10,895	31%	6,943	24%
1 – 2 years	–	–	2,296	8%
2 – 5 years	6,970	20%	4,638	16%
After 5 years	5,168	15%	7,497	26%
Total	35,196	100%	28,880	100%
Amount due within one year included under current liabilities	(12,452)		(8,630)	
Amount due after one year included under non-current liabilities	22,744		20,250	

CURRENCY PROFILE

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

	30th June 2012		31st December 2011	
	HK\$M		HK\$M	
Financial Information Reviewed by Auditors				
Currency				
Hong Kong dollar	24,571	70%	20,598	71%
United States dollar	2,813	8%	1,182	4%
Renminbi	7,751	22%	7,040	25%
Others	61	–	60	–
Total	35,196	100%	28,880	100%

FINANCE CHARGES

At 30th June 2012, 65% of the Group's gross borrowings were on a fixed rate basis and 35% were on a floating rate basis (31st December 2011: 66% and 34% respectively). Interest charged and earned were as follows:

Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Interest charged on:			
Bank loans and overdrafts	(252)	(185)	(418)
Medium-term notes	(6)	–	–
Loan from a fellow subsidiary company	(478)	(585)	(1,096)
Loans from jointly controlled companies	(6)	–	(2)
Other financing costs	(60)	(49)	(104)
Loss 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 in a subsidiary	(103)	(139)	(259)
Capitalised on:			
Investment properties	57	132	197
Properties under development and for sale	116	53	155
Hotels	20	12	23
	(712)	(761)	(1,504)
Interest income on:			
Short-term deposits and bank balances	4	4	12
Loan to a fellow subsidiary company	–	–	2
Loans to jointly controlled companies	6	4	9
Others	46	2	4
	56	10	27
Net finance charges	(656)	(751)	(1,477)

GEARING RATIOS AND INTEREST COVER

	30th June		31st December
	2012	2011	2011
Gearing ratio*			
Per accounts	16.5%	22.1%	15.7%
Underlying	16.0%	21.5%	15.3%
Interest cover – times*			
Per accounts	15.8	27.5	18.2
Underlying	5.9	5.1	12.0
Cash interest cover – times*			
Per accounts	12.2	21.8	14.5
Underlying	4.4	3.9	9.2

* Refer to Glossary on page 55 for definition.

DEBT IN JOINTLY CONTROLLED 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 jointly controlled and associated companies. These companies had the following net debt positions at 30th June 2012 and 31st December 2011:

	Net debt of jointly controlled and associated companies (100%)		Portion of net debt attributable to the Group		Debt guaranteed by Swire Properties or its subsidiaries	
	30th June 2012 HK\$M	31st December 2011 HK\$M	30th June 2012 HK\$M	31st December 2011 HK\$M	30th June 2012 HK\$M	31st December 2011 HK\$M
H.K. Entities	1,586	1,618	947	931	–	–
Mainland China Entities	858	794	429	397	–	–
U.S. Entities	596	606	447	455	–	–
	3,040	3,018	1,823	1,783	–	–

If the attributable portion of the net debt in jointly controlled and associated companies were to be added to the Group's net debt, gearing would rise to 17.5% and underlying gearing would rise to 16.9%.

Report on Review of Interim Accounts

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

INTRODUCTION

We have reviewed the condensed interim accounts set out on pages 30 to 51, which comprise the consolidated statement of financial position of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim accounts to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of these interim accounts in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim accounts based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 10th August 2012

Consolidated Income Statement

for the six months ended 30th June 2012 – unaudited

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	Note	Unaudited	Audited		
		Six months ended 30th June	Year ended 31st December	Year ended 31st December	
		2012 HK\$M	2011 HK\$M	2011 HK\$M	
Turnover	4	4,907	4,665	9,581	
Cost of sales	5	(1,133)	(1,088)	(2,334)	
Gross profit		3,774	3,577	7,247	
Administrative expenses		(450)	(407)	(1,029)	
Other operating expenses		(70)	(65)	(130)	
Profit on sale of interest in Festival Walk		–	–	595	
Other net gains/(losses)	6	7	28	(83)	
Change in fair value of investment properties		7,103	17,553	20,345	
Operating profit		10,364	20,686	26,945	
Finance charges		(712)	(761)	(1,504)	
Finance income		56	10	27	
Net finance charges	8	(656)	(751)	(1,477)	
Share of profits less losses of jointly controlled companies		739	706	851	
Share of profits less losses of associated companies		72	71	156	
Profit before taxation		10,519	20,712	26,475	
Taxation	9	(630)	(643)	(1,296)	
Profit for the period		9,889	20,069	25,179	
Profit attributable to:					
The Company's shareholders		9,862	20,023	25,126	
Non-controlling interests		27	46	53	
		9,889	20,069	25,179	
Dividends					
First special interim – paid		–	–	4,514	
Second special interim – paid		–	–	5,500	
First interim – proposed		1,287	–	1,053	
	10	1,287	–	11,067	
		HK\$	HK\$	HK\$	
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	11	1.69	3.52	4.40	
		2012	2011		
		First Interim HK\$	First Special Interim HK\$	Second Special Interim HK\$	First Interim HK\$
Dividends per share		0.22	0.79	0.97	0.18
					Total HK\$
					1.94

Consolidated Statement of Comprehensive Income

for the six months ended 30th June 2012 – unaudited

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	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Profit for the period	9,889	20,069	25,179
Other comprehensive income			
Cash flow hedges			
– losses recognised during the period	(21)	–	–
– deferred tax	4	–	–
Revaluation of property previously occupied by the Group			
– gain recognised during the period	1	34	186
Share of other comprehensive income of jointly controlled and associated companies	(50)	120	276
Net translation differences on foreign operations	(147)	315	517
Other comprehensive income for the period, net of tax	(213)	469	979
Total comprehensive income for the period	9,676	20,538	26,158
Total comprehensive income attributable to:			
The Company's shareholders	9,650	20,491	26,105
Non-controlling interests	26	47	53
	9,676	20,538	26,158

Note:

Other than cash flow hedges as disclosed above, items shown within other comprehensive income have no tax effect.

Consolidated Statement of Financial Position

at 30th June 2012 – unaudited

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	Note	Unaudited 30th June 2012 HK\$M	Audited 31st December 2011 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	6,668	6,615
Investment properties	12	195,322	187,488
Leasehold land and land use rights	12	3	3
Intangible assets	13	7	7
Properties held for development		186	124
Jointly controlled companies	14	14,542	13,000
Associated companies	15	690	639
Available-for-sale assets		9	9
Deferred tax assets	20	105	57
Retirement benefit assets		123	108
		217,655	208,050
Current assets			
Properties under development and for sale		7,287	6,848
Stocks and work in progress		65	69
Trade and other receivables	17	2,589	1,945
Amount due from immediate holding company – Swire Pacific Limited	18	101	142
Cash and cash equivalents		4,661	1,180
		14,703	10,184
Current liabilities			
Trade and other payables	19	6,778	8,088
Taxation payable		621	445
Bank overdrafts and short-term loans		1,069	1,023
Long-term loans due within one year		488	664
Loans due to a fellow subsidiary company – Swire Finance Limited		10,895	6,943
		19,851	17,163
Net current liabilities		(5,148)	(6,979)
Total assets less current liabilities		212,507	201,071
Non-current liabilities			
Long-term loans		10,606	5,819
Loans due to a fellow subsidiary company – Swire Finance Limited		12,138	14,431
Derivative financial instruments	16	21	–
Deferred tax liabilities	20	4,548	4,246
		27,313	24,496
NET ASSETS		185,194	176,575
EQUITY			
Share capital	21	5,850	5,850
Reserves	22	178,790	170,193
Equity attributable to the Company's shareholders		184,640	176,043
Non-controlling interests	23	554	532
TOTAL EQUITY		185,194	176,575

Consolidated Statement of Cash Flows

for the six months ended 30th June 2012 – unaudited

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	Unaudited Six months ended 30th June	2011 HK\$M	Audited Year ended 31st December	2011 HK\$M
Operating activities				
Cash generated from operations	1,507	3,557	7,396	
Interest paid	(850)	(906)	(1,664)	
Interest received	12	21	38	
Profits tax paid	(176)	(106)	(485)	
	493	2,566	5,285	
Dividends received from jointly controlled and associated companies and available-for-sale assets	26	40	415	
Net cash from operating activities	519	2,606	5,700	
Investing activities				
Purchase of property, plant and equipment	(151)	(276)	(548)	
Additions of investment properties	(1,314)	(1,638)	(4,717)	
Purchase of intangible assets	(1)	(3)	(5)	
Proceeds from disposals of property, plant and equipment	1	–	1	
Proceeds from disposal of Festival Walk	–	–	18,305	
Loans to jointly controlled companies	(858)	(228)	(2,294)	
Repayment of loans by jointly controlled companies	–	–	1,169	
Initial leasing costs incurred	(38)	(59)	(193)	
Net cash (used in)/generated from investing activities	(2,361)	(2,204)	11,718	
Net cash (outflow)/inflow before financing	(1,842)	402	17,418	
Financing activities				
Loans drawn and refinancing	4,930	1,508	2,206	
Repayment of bank loans	(209)	(240)	(628)	
	4,721	1,268	1,578	
Proceeds from issuance of ordinary shares	–	–	4,500	
Capital contribution from non-controlling interests	–	–	12	
Increase/(decrease) in loans due to a fellow subsidiary company	1,650	853	(10,875)	
Dividends paid to the Company's shareholders	(1,053)	(2,425)	(12,439)	
Dividends paid to non-controlling interests	(4)	(4)	(12)	
Net cash generated from/(used in) financing activities	5,314	(308)	(17,236)	
Increase in cash and cash equivalents	3,472	94	182	
Cash and cash equivalents at 1st January	1,179	1,023	1,023	
Currency adjustment	6	(8)	(26)	
Cash and cash equivalents at end of the period	4,657	1,109	1,179	
Represented by:				
Bank balances and short-term deposits maturing within three months	4,661	1,125	1,180	
Bank overdrafts	(4)	(16)	(1)	
	4,657	1,109	1,179	

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2012 – unaudited

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	Attributable to the Company's shareholders			Non-controlling interests HK\$M	Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M		
At 1st January 2012	5,850	163,004	7,189	532	176,575
Profit for the period	–	9,862	–	27	9,889
Other comprehensive income	–	–	(212)	(1)	(213)
Total comprehensive income for the period	–	9,862	(212)	26	9,676
Dividends paid	–	(1,053)	–	(4)	(1,057)
At 30th June 2012 (unaudited)	5,850	171,813	6,977	554	185,194

	Attributable to the Company's shareholder			Non-controlling interests HK\$M	Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M		
At 1st January 2011	5,690	150,317	1,870	479	158,356
Profit for the period	–	20,023	–	46	20,069
Other comprehensive income	–	–	468	1	469
Total comprehensive income for the period	–	20,023	468	47	20,538
Dividends paid	–	(2,425)	–	(4)	(2,429)
At 30th June 2011 (unaudited)	5,690	167,915	2,338	522	176,465

Notes to the Interim Accounts

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Income Statement

Six months ended 30th June 2012	External turnover HK\$M	Inter- segment turnover HK\$M	Total turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses of jointly controlled companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit before taxation HK\$M	Profit for the period HK\$M	Profit attributable to the Company's shareholders HK\$M
Property investment	4,434	4	4,438	3,272	(638)	73	–	2,707	2,309	2,300
Change in fair value of investment properties	–	–	–	7,103	–	665	–	7,768	7,549	7,530
Property trading	99	–	99	(18)	2	(7)	–	(23)	(21)	(21)
Hotels	374	1	375	7	(20)	8	72	67	52	53
Inter-segment elimination	–	(5)	(5)	–	–	–	–	–	–	–
Total	4,907	–	4,907	10,364	(656)	739	72	10,519	9,889	9,862

Six months ended 30th June 2011	External turnover HK\$M	Inter- segment turnover HK\$M	Total turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses of jointly controlled companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit before taxation HK\$M	Profit for the period HK\$M	Profit attributable to the Company's shareholders HK\$M
Property investment	4,223	3	4,226	3,140	(734)	45	–	2,451	2,110	2,106
Change in fair value of investment properties	–	–	–	17,553	–	583	1	18,137	17,860	17,818
Property trading	99	–	99	1	(1)	69	–	69	56	56
Hotels	343	1	344	(8)	(16)	9	70	55	43	43
Inter-segment elimination	–	(4)	(4)	–	–	–	–	–	–	–
Total	4,665	–	4,665	20,686	(751)	706	71	20,712	20,069	20,023

Year ended 31st December 2011	External turnover HK\$M	Inter- segment turnover HK\$M	Total turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses of jointly controlled companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit before taxation HK\$M	Profit for the period HK\$M	Profit attributable to the Company's shareholders HK\$M
Property investment	8,651	8	8,659	6,743	(1,440)	123	–	5,426	4,666	4,656
Change in fair value of investment properties	–	–	–	20,345	–	676	1	21,022	20,542	20,496
Property trading	213	–	213	(50)	(2)	59	–	7	4	7
Hotels	717	2	719	(93)	(35)	(7)	155	20	(33)	(33)
Inter-segment elimination	–	(10)	(10)	–	–	–	–	–	–	–
Total	9,581	–	9,581	26,945	(1,477)	851	156	26,475	25,179	25,126

1. SEGMENT INFORMATION (continued)

(b) Analysis of Total Assets of the Group

At 30th June 2012	Segment assets HK\$M	Jointly controlled companies HK\$M	Associated companies HK\$M	Bank deposits HK\$M	Total assets HK\$M
Property investment	199,517	12,542	54	4,470	216,583
Property trading and development	7,658	978	–	143	8,779
Hotels	5,290	1,022	636	48	6,996
Total	212,465	14,542	690	4,661	232,358

At 31st December 2011	Segment assets HK\$M	Jointly controlled companies HK\$M	Associated companies HK\$M	Bank deposits HK\$M	Total assets HK\$M
Property investment	190,771	11,303	55	1,003	203,132
Property trading and development	7,479	842	–	76	8,397
Hotels	5,165	855	584	101	6,705
Total	203,415	13,000	639	1,180	218,234

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

The reportable segments within each of the three divisions are classified according to the nature of the business.

There has been no material change in total assets from the amount disclosed in the last annual financial statements.

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

2. BASIS OF PREPARATION

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

The accounting policies, methods of computation and presentation used in the preparation of the interim accounts are consistent with those described in the 2011 annual accounts except for those noted in 2(b) below.

- (b) The Group adopted the following relevant amendments which were effective from 1st January 2012:

HKAS 12 (Amendment)	Income taxes*
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

* The Group early adopted the amendment to HKAS 12 in 2010.

HKFRS 7 (Amendment) introduces new disclosure requirements on transfers of financial assets. Disclosure is required (by class of asset) of the nature and carrying amount of, and a description of the risks and rewards of, financial assets that have been transferred to another party yet remain on the entity’s balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be disclosed. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment has had no significant effect on the Group’s interim accounts.

- (c) The preparation of the interim accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group’s consolidated accounts are detailed in the 2011 annual accounts.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

The interim accounts do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2011 annual accounts. Save for cross-currency swap contracts entered into by the Group in relation to USD medium-term notes issued in June 2012, there have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. TURNOVER

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

	Six months ended 30th June	Year ended 31st December	
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Gross rental income from investment properties	4,390	4,176	8,557
Property trading	99	99	213
Hotels	374	343	717
Rendering of other services	44	47	94
	4,907	4,665	9,581

5. COST OF SALES

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

	Six months ended 30th June		Year ended 31st December
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Direct rental outgoings in respect of investment properties	(720)	(701)	(1,517)
Property trading	(96)	(73)	(199)
Hotels	(298)	(294)	(584)
Rendering of services	(19)	(20)	(34)
	(1,133)	(1,088)	(2,334)

6. OTHER NET GAINS/(LOSSES)

	Six months ended 30th June		Year ended 31st December
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Reversal of impairment losses/(net impairment losses)	–	2	(100)
Net foreign exchange gains/(losses)	2	(3)	(6)
Provision written back	–	19	19
Reversal of income previously recognised as forfeited deposits on trading properties	–	–	(16)
Others	5	10	20
	7	28	(83)

7. EXPENSES BY TYPE

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

	Six months ended 30th June		Year ended 31st December
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Depreciation of property, plant and equipment (note 12)	102	108	224
Amortisation of			
Intangible assets (note 13)	1	1	3
Initial leasing costs on investment properties	41	26	65
Staff costs	603	556	1,137
Operating lease rental			
– properties	30	8	55

8. NET FINANCE CHARGES

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

9. TAXATION

	Six months ended 30th June		Year ended 31st December
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Current taxation			
Hong Kong profits tax	(348)	(300)	(628)
Overseas taxation	(6)	(7)	(12)
Over provisions in prior years	3	–	20
	(351)	(307)	(620)
Deferred taxation (note 20)			
Changes in fair value of investment properties	(178)	(227)	(386)
Origination and reversal of temporary differences	(101)	(109)	(290)
	(279)	(336)	(676)
	(630)	(643)	(1,296)

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable to tax.

The Group's share of jointly controlled and associated companies' tax charges for the six months ended 30th June 2012 of HK\$137 million (30th June 2011: HK\$60 million; year ended 31st December 2011: HK\$76 million) and HK\$15 million (30th June 2011: HK\$14 million; year ended 31st December 2011: HK\$31 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

10. DIVIDENDS

	Six months ended 30th June	Year ended 31st December	
	2012 HK\$M	2011 HK\$M	2011 HK\$M
Proposed first interim dividend of HK¢22 per share	1,287	–	–
First special interim dividend paid on 30th September 2011	–	–	4,514
Second special interim dividend paid on 8th November 2011	–	–	5,500
First interim dividend (in lieu of final dividend) declared on 15th March 2012 of HK¢18 per share	–	–	1,053
	1,287	–	11,067

11. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2012 of HK\$9,862 million (30th June 2011: HK\$20,023 million; 31st December 2011: HK\$25,126 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2011: 5,690,000,000 ordinary shares; 31st December 2011: 5,704,027,397 ordinary shares).

12. PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND AND LAND USE RIGHTS

	Property, plant and equipment HK\$M	Leasehold land and land use rights HK\$M	Total HK\$M
Cost			
At 1st January 2012	7,918	6	7,924
Translation differences	(13)	–	(13)
Additions	171	–	171
Disposals	(4)	–	(4)
Revaluation surplus	1	–	1
Net transfers to investment properties	(6)	–	(6)
At 30th June 2012	8,067	6	8,073
Accumulated depreciation/amortisation and impairment			
At 1st January 2012	1,303	3	1,306
Translation differences	(2)	–	(2)
Charge for the period	102	–	102
Disposals	(4)	–	(4)
At 30th June 2012	1,399	3	1,402
Net book value			
At 30th June 2012	6,668	3	6,671
At 1st January 2012	6,615	3	6,618

- (a) During the period, certain properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from its carrying amount to its fair value at the date of transfer of HK\$1 million has been recognised in other comprehensive income and the property revaluation reserve.
- (b) Property, plant and equipment and leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2012.

Refer to page 16 for details of the Group's investment properties.

13. INTANGIBLE ASSETS

	Computer software HK\$M
Cost	
At 1st January 2012	48
Additions	1
At 30th June 2012	49
Accumulated amortisation	
At 1st January 2012	41
Amortisation for the period	1
At 30th June 2012	42
Net book value	
At 30th June 2012	7
At 1st January 2012	7

14. JOINTLY CONTROLLED COMPANIES

	30th June 2012 HK\$M	31st December 2011 HK\$M
Share of net assets, unlisted	3,924	3,240
Loans due from jointly controlled companies less provisions		
Interest-free	10,069	9,174
Interest-bearing	549	586
	14,542	13,000

15. ASSOCIATED COMPANIES

	30th June 2012 HK\$M	31st December 2011 HK\$M
Share of net assets, unlisted	514	463
Loans due from associated companies		
Interest-free	176	176
	690	639

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

	30th June 2012		31st December 2011	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Cross-currency swaps – cash flow hedges	–	21	–	–

17. TRADE AND OTHER RECEIVABLES

	30th June 2012 HK\$M	31st December 2011 HK\$M
Trade debtors	205	284
Prepayments and accrued income	107	125
Other receivables	2,277	1,536
	2,589	1,945

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

	30th June 2012 HK\$M	31st December 2011 HK\$M
Under three months	177	272
Between three and six months	24	5
Over six months	4	7
	205	284

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

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

18. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY – SWIRE PACIFIC LIMITED

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

19. TRADE AND OTHER PAYABLES

	30th June 2012 HK\$M	31st December 2011 HK\$M
Trade creditors	817	1,788
Amount due to intermediate holding company	87	79
Amount due to a fellow subsidiary company	108	102
Amount due to a jointly controlled company	2	2
Amount due to an associated company	25	–
Interest-bearing advance from a jointly controlled company	295	225
Advances from non-controlling interests	281	234
Rental deposits from tenants	1,840	1,780
Put option in respect of non-controlling interest in Sanlitun Village	1,040	937
Accrued capital expenditure	802	1,215
Other payables	1,481	1,726
	6,778	8,088

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

	30th June 2012 HK\$M	31st December 2011 HK\$M
Under three months	499	1,529
Between three and six months	318	259
	817	1,788

20. DEFERRED TAXATION

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

	HK\$M
At 1st January 2012	4,189
Translation differences	(21)
Charged to income statement (note 9)	279
Credited to other comprehensive income	(4)
At 30th June 2012	4,443
Represented by:	
Deferred tax assets	(105)
Deferred tax liabilities	4,548
	4,443

21. SHARE CAPITAL

Authorised:

At 30th June 2012 and 31st December 2011

30,000,000,000 ordinary shares of HK\$1 each

Issued and fully paid:

At 30th June 2012 and 31st December 2011

5,850,000,000 ordinary shares of HK\$1 each

Company	
30th June 2012 HK\$M	31st December 2011 HK\$M
30,000	30,000
5,850	5,850

22. RESERVES

	Revenue reserve * HK\$M	Share premium account HK\$M	Merger account reserve HK\$M	Property revaluation reserve HK\$M	Cashflow hedges reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2012	163,004	4,599	(1,108)	1,634	–	2,064	170,193
Profit for the period	9,862	–	–	–	–	–	9,862
Other comprehensive income							
Revaluation of property previously occupied by the Group							
– gain recognised during the period	–	–	–	1	–	–	1
Cash flow hedges							
– fair value losses recognised during the period	–	–	–	–	(21)	–	(21)
– deferred tax	–	–	–	–	4	–	4
Share of other comprehensive income of jointly controlled and associated companies	–	–	–	–	–	(50)	(50)
Net translation differences on foreign operations	–	–	–	–	–	(146)	(146)
Total comprehensive income for the period	9,862	–	–	1	(17)	(196)	9,650
2011 first interim dividend	(1,053)	–	–	–	–	–	(1,053)
At 30th June 2012	171,813	4,599	(1,108)	1,635	(17)	1,868	178,790

* The revenue reserve includes HK\$1,287 million representing the proposed first interim dividend for the period (31st December 2011: HK\$1,053 million representing the proposed first interim dividend for 2011).

23. NON-CONTROLLING INTERESTS

	HK\$M
At 1st January 2012	532
Share of profits less losses for the period	27
Share of translation differences on foreign operations	(1)
Share of total comprehensive income for the period	26
Dividends paid and payable	(4)
At 30th June 2012	554

24. CAPITAL COMMITMENTS

	30th June 2012 HK\$M	31st December 2011 HK\$M
Outstanding capital commitments at the end of the period in respect of:		
(a) Property, plant and equipment		
Contracted for	89	88
Authorised by Directors but not contracted for	860	1,003
(b) Investment properties		
Contracted for	906	1,428
Authorised by Directors but not contracted for	8,071	8,060
The Group's share of capital commitments of jointly controlled companies*		
Contracted for	1,541	734
Authorised by Directors but not contracted for	5,181	6,367
	6,722	7,101

* of which the Group is committed to funding HK\$1,685 million (31st December 2011: HK\$1,828 million).

25. CONTINGENCIES

- (a) Bank guarantees given in lieu of utility deposits totalled HK\$89 million at the end of the period (31st December 2011: HK\$89 million).
- (b) Contingent tax liabilities

Certain wholly-owned subsidiary companies of the Company have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2005/06 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department ("IRD"). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those subsidiary companies during the periods under review.

A number of discussions have taken place between these subsidiary companies and the IRD to understand the precise nature of the IRD queries. However, at this stage there is insufficient information available to determine the ultimate outcome of the IRD's review with an acceptable degree of certainty. Consequently no provision has been recognised in these interim accounts for any amounts that may fall due in regard to these queries.

There is a contingent tax liability totalling HK\$535 million in respect of their queries for the years under review. The subsidiary companies involved have objected to these assessments. The IRD has agreed to hold over conditionally part of the tax in dispute in the sum of HK\$29 million and one of the subsidiaries involved has purchased Tax Reserve Certificates of the same amount. The IRD has agreed to hold over unconditionally the balance of the tax in dispute in the sum of HK\$506 million. In addition, the estimated interest which would be payable in respect of the Notices of Assessment totalled HK\$263 million as at 30th June 2012. It is not possible, given the lack of information available, to determine the ultimate outcome of the IRD's review of this matter and consequently to make a judgement as to its materiality. Swire Pacific has undertaken to the Company that, if any subsidiary of the Company referred to in this paragraph is required to pay to the IRD any amount of tax in response or by reference to any notice of assessment referred to in this paragraph (or to any corresponding notice of assessment issued in respect of any year of assessment from the years of assessment 2006/07 to 2010/11 inclusive), Swire Pacific will pay to the Company an amount equal to the amount of such payment. This undertaking will expire on the third anniversary of the date on which the shares in the Company were listed on The Stock Exchange of Hong Kong Limited (18th January 2012) except where a provision for a relevant payment has, with the agreement of Swire Pacific, previously been made in the accounts of any such subsidiary.

26. RELATED PARTY TRANSACTIONS

There is an agreement for services (“Services Agreement”), in respect of which John Swire & Sons (H.K.) Limited (“JSSHK”), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group’s relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement, which commenced on 1st January 2011 for a period of three years, will expire on 31st December 2013. For the period ended 30th June 2012, service fees payable amounted to HK\$70 million (2011: HK\$65 million). Expenses of HK\$23 million (2011: HK\$22 million) were reimbursed at cost; in addition, HK\$38 million (2011: HK\$22 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (“JSSHK Tenancy Framework Agreement”) between the Company and JSSHK dated 18th October 2011, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the period ended 30th June 2012, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK\$35 million (2011: HK\$37 million).

Under another tenancy framework agreement (“Swire Pacific Tenancy Framework Agreement”) between the Company and Swire Pacific Limited dated 18th October 2011, members of the Group will enter into tenancy agreements with members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Swire Pacific Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the period ended 30th June 2012, the aggregate rentals payable to the Group under the tenancies pursuant to the Swire Pacific Tenancy Framework Agreement amounted to HK\$32 million (2011: HK\$31 million).

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

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

26. RELATED PARTY TRANSACTIONS (continued)

		For the six months ended 30th June									
		Jointly controlled companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
Note		2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M	2012 HK\$M	2011 HK\$M
Purchases of services	(a)	–	–	4	4	–	–	–	–	–	–
Rental revenue	(b)	2	1	33	34	5	4	29	30	4	4
Revenue from hotels		–	–	–	–	–	1	–	–	1	1
Interest income	(c)	6	4	–	–	–	–	–	–	–	–
Interest charges	(c)	6	–	478	585	–	–	–	–	–	–

Notes:

- (a) Purchases of goods and rendering of services from and to related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.
- (b) The Group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- (c) Loans advanced to jointly controlled and associated companies are disclosed in notes 14 and 15 respectively. Advances from jointly controlled and associated companies are disclosed in note 19. There are a number of loan agreements between the Group and the Swire Pacific group. Refer to page 22 to 28 for details. The loans due to Swire Finance Limited, a fellow subsidiary company, are disclosed on page 24.

Amount due from the immediate holding company as at 30th June 2012 was HK\$101 million (31st December 2011: HK\$142 million). These balances arise in the normal course of business, are non-interest-bearing and repayable within one year.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) from 18th January 2012 (listing date) to 30th June 2012 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 both the potential Director and the Board as to suitability for the role.

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

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

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

SHARE CAPITAL

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

DIRECTORS’ PARTICULARS

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

1. H.C. Cheng resigned as an Independent Non-Executive Director of the Company with effect from 14th April 2012.

DIRECTORS' INTERESTS

At 30th June 2012, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Pacific Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
Swire Properties Limited						
S.E. Bradley	700	–	–	700	0.00001	
P.K. Etchells	–	8,400	–	8,400	0.00014	
D.C.Y. Ho	14,000	–	–	14,000	0.00024	
P.A. Kilgour	3,500	–	–	3,500	0.00006	
C.D. Pratt	49,700	–	–	49,700	0.00085	
M.B. Swire	354,961	–	551,397	906,358	0.01549	(1)

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

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
Swire Pacific Limited						
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
P.K. Etchells	–	12,000	–	12,000	0.0013	
P.A. Kilgour	5,000	–	–	5,000	0.0006	
C.D. Pratt	51,000	–	–	51,000	0.0056	
M.B. Swire	58,791	–	–	58,791	0.0065	
'B' shares						
D.C.Y. Ho	100,000	–	–	100,000	0.0033	
C.D. Pratt	100,000	–	–	100,000	0.0033	
M.B. Swire	2,241,483	–	3,938,554	6,180,037	0.2063	(1)

DIRECTORS' INTERESTS (continued)

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

Note:

(1) M.B. Swire is a trustee of trusts which held 425,295 shares in the Company, 10,766,080 ordinary shares and 3,121,716 preference shares in John Swire & Sons Limited and 3,037,822 'B' shares in Swire Pacific Limited included under "Trust interest" and does not have any beneficial interest in those shares.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER INTERESTS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30th June 2012, the Company had been notified of the following interests in the Company's shares:

	Number of Shares	Percentage of Issued Capital (%)	Type of Interest (note)
1. Swire Pacific Limited	4,796,765,835	82.00	Beneficial owner (1)
2. John Swire & Sons Limited	5,247,704,623	89.70	Beneficial owner and attributable interest (2)

Notes:

As at 30th June 2012:

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

(2) John Swire & Sons Limited was deemed to be interested in a total of 5,247,704,623 shares of the Company, comprising:

(a) 1,626,412 shares held directly;

(b) 14,106,194 shares held by its wholly-owned subsidiary Taikoo Limited;

(c) 435,206,182 shares held by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and

(d) 4,796,765,835 shares in which Swire Pacific Limited was interested, by virtue of the John Swire & Sons Limited group's interest in shares of Swire Pacific Limited representing approximately 44.16% of the issued share capital and approximately 58.98% of the voting rights.

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 jointly controlled and associated companies.

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

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

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

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

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

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

RATIOS

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

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

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

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

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

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

Financial Calendar and Information for Investors

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FINANCIAL CALENDAR 2012

Interim Report available to shareholders	24th August
Shares trade ex-dividend	5th September
Share register closed for 2012 first interim dividend entitlement	7th September
Payment of 2012 first interim dividend	4th October
Annual results announcement	March 2013
Annual General Meeting	May 2013

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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.

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