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## **SWIRE PROPERTIES LIMITED**

(Incorporated in Hong Kong with limited liability)

**(Stock Code: 1972)**

# **2015 Interim Results**

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**FINANCIAL HIGHLIGHTS**

|  | <i>Note</i>     | Six months ended 30th June          |   | Change        |
|--|-----------------|-------------------------------------|---|---------------|
|  |                 | 2015<br>HK\$M                       | 2014<br>HK\$M                           |               |
| <b>Results</b>   |                 |                                     |   |               |
| Revenue  |                 | <b>9,386</b>                        | 8,338                                   | +12.6%        |
| Operating profit   |                 | <b>9,605</b>                        | 7,103                                   | +35.2%        |
| Profit attributable to the Company's shareholders                  |                 |                                     |   |               |
| Underlying   | <i>(a), (b)</i> | <b>3,938</b>                        | 3,775                                   | +4.3%         |
| Reported   |                 | <b>8,493</b>                        | 6,461                                   | +31.5%        |
| Cash generated from operations                                     |                 | <b>5,579</b>                        | 5,618                                   | -0.7%         |
| Net cash inflow before financing                                   |                 | <b>2,220</b>                        | 1,468                                   | +51.2%        |
|  |                 | <b>HK\$</b>                         | <b>HK\$</b>                             |               |
| <b>Earnings per share</b>  |                 |                                     |   |               |
| Underlying   | <i>(c)</i>      | <b>0.67</b>                         | 0.65                                    | +3.1%         |
| Reported   | <i>(c)</i>      | <b>1.45</b>                         | 1.10                                    | +31.8%        |
| <b>Dividends per share</b>   |                 |                                     |   |               |
| First interim  |                 | <b>0.23</b>                         | 0.22                                    | +4.5%         |
|  |                 | <b>30th June<br/>2015<br/>HK\$M</b> | <b>31st December<br/>2014<br/>HK\$M</b> | <b>Change</b> |
| <b>Financial Position</b>  |                 |                                     |   |               |
| Total equity (including non-controlling interests)                 |                 | <b>215,108</b>                      | 208,547                                 | +3.1%         |
| Net debt   |                 | <b>33,773</b>                       | 34,071                                  | -0.9%         |
| Gearing ratio  | <i>(a)</i>      | <b>15.7%</b>                        | 16.3%                                   | -0.6%pt.      |
|  |                 | <b>HK\$</b>                         | <b>HK\$</b>                             |               |
| <b>Equity attributable to the Company's shareholders per share</b> |                 |                                     |   |               |
| Underlying   | <i>(a), (b)</i> | <b>38.08</b>                        | 36.95                                   | +3.1%         |
| Reported   | <i>(a)</i>      | <b>36.50</b>                        | 35.50                                   | +2.8%         |

**Notes:**

- (a) Refer to glossary on page 59 for definition.
- (b) A reconciliation between reported profit and underlying profit, and between reported equity and underlying equity attributable to the Company's shareholders is provided on page 6.
- (c) Refer to Note 11 in the financial statements for the weighted average number of shares.

## CHAIRMAN'S STATEMENT

Our consolidated profit attributable to shareholders in the first half of 2015 was HK\$8,493 million, compared to HK\$6,461 million in the first half of 2014. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$163 million from HK\$3,775 million in the first half of 2014 to HK\$3,938 million in the first half of 2015.

### Dividends

The Directors have declared a first interim dividend of HK¢23 (2014: HK¢22) per share for the period ended 30th June 2015. The first interim dividend, which totals HK\$1,346 million (2014: HK\$1,287 million), will be paid on 5th October 2015 to shareholders registered at the close of business on the record date, being Friday, 11th September 2015. Shares of the Company will be traded ex-dividend from Wednesday, 9th September 2015.

### Key Developments

In April 2015, Swire Properties started to pre-lease Taikoo Place Apartments in Quarry Bay, Hong Kong, which opened in August 2015. There are 111 serviced apartments with an aggregate gross floor area ("GFA") of approximately 63,000 square feet in this development.

In April 2015, Swire Properties and Sino-Ocean Land formally opened their joint-venture retail complex, Sino-Ocean Taikoo Li Chengdu. The development comprises an aggregate GFA of more than 1,326,000 square feet.

In April 2015, Swire Properties, Bal Harbour Shops and Simon Property Group agreed to develop the retail component of Brickell City Centre in Miami, U.S.A. jointly. Under the

agreement, Swire Properties will remain the primary developer of Brickell City Centre. As a result, the retail component is owned 61.5% by Swire Properties, 25% by Simon Property Group and 13.5% by Bal Harbour Shops.

In May 2015, Swire Properties entered into a joint venture with China Motor Bus Company, Limited ("CMB"). The joint venture was formed to acquire, subject to conditions (including the agreement of a land premium with the Hong Kong Government), a plot of land in Chai Wan, Hong Kong. The land, together with some adjoining land, is intended to be redeveloped into a residential and commercial development. The proposed development is expected to have an aggregate GFA of approximately 692,000 square feet. The joint venture is 80% held by Swire Properties and 20% held by CMB.

In July 2015, a subsidiary of Swire Properties entered into a framework agreement with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. signifying the parties' intention to jointly develop a retail project with an aggregate GFA of approximately 1,330,000 square feet in Qiantan, Pudong New District in Shanghai. Entry into the proposed joint venture and undertaking the project are subject to certain conditions precedent. If the joint venture is formed, it is expected that Swire Properties will have a 50% interest in the project.

### Operating Performance

The increase in underlying profit from HK\$3,775 million in the first half of 2014 to HK\$3,938 million in the first half of 2015 principally reflected increased income from retail and office investment properties, and higher trading profits from the sale of luxury residential properties in Hong Kong.

Underlying profit from property investment increased by 4%. Gross rental income amounted to HK\$5,368 million in the first half of 2015 compared with HK\$5,045 million in the first half of 2014. The increase principally reflected higher rents from office properties in Hong Kong and from retail properties in Mainland China.

There was an operating profit of HK\$1,025 million from property trading in the first half of 2015, compared to an operating profit of HK\$807 million in the first half of 2014. The profits in the first half of 2015 largely arose from the sales of 96 units at the AREZZO development and from sales of remaining units at the AZURA and MOUNT PARKER RESIDENCES developments in Hong Kong.

Profits from hotels were lower than in the first half of 2014. This mainly reflected weaker results in Hong Kong.

Net finance charges in the first half of 2015 were HK\$631 million, a 4% decrease from HK\$658 million in the first half of 2014. The decrease principally reflected a reduction in the amount and cost of borrowings in Mainland China and a decrease in finance charges arising from the change in the fair value of a put option in respect of a non-controlling interest.

On an attributable basis, net investment property valuation gains in the first half of 2015, after deferred tax relating to investment properties in Mainland China, were HK\$4,610 million, compared to net gains in the first half of 2014 of HK\$2,757 million.

## **Finance**

Net debt at 30th June 2015 was HK\$33,773 million, compared with HK\$34,071 million at 31st December 2014. Gearing decreased from 16.3% at 31st December 2014 to 15.7% at 30th June 2015. The decrease in borrowings was mainly due to receipt of sales proceeds from trading properties in Hong Kong and in Miami, partially offset by expenditure on investment and trading properties in Hong

Kong and on the Brickell City Centre development in Miami. Cash and undrawn committed facilities were HK\$10,046 million at 30th June 2015, compared with HK\$9,622 million at 31st December 2014.

## **Prospects**

The pick-up in demand for office space in Hong Kong experienced in the first half of 2015 is expected to continue. There is demand for space in the central district. Rents are being renewed at higher rates at Taikoo Place.

In Guangzhou, demand for Grade-A office space in the Tianhe business district is expected to be robust despite the substantial supply of new office space in the city expected in the coming years. Office rents in Beijing are expected to weaken against a background of reduced demand and increased supply.

The fall in retail sales in Hong Kong has made retailers more cautious. However, Swire Properties' retail properties in Hong Kong remain fully let.

In the second half of 2015, retail sales are expected to continue to grow at rates above the national average in Guangzhou, Beijing and Chengdu despite the fact that demand for luxury goods has weakened in those cities.

In the second half of 2015, property trading profits are expected to be recognised on the sales of residential units at the AREZZO, ARGENTA, AZURA, MOUNT PARKER RESIDENCES and WHITESANDS developments in Hong Kong. Profits are also expected to be recognised on the sale of the office portion of the Daci Temple development in Chengdu, Mainland China.

Profits from property trading in Miami are expected to be recognised commencing from late 2015, when some pre-sold units will start to be handed over to purchasers.

The performance of the hotels in Hong Kong and in Beijing is expected to remain weak in

the second half of 2015. The results of the hotels in Guangzhou and Miami are expected to improve despite difficult trading conditions.

John Slosar  
Chairman  
Hong Kong, 20th August 2015

**REVIEW OF OPERATIONS**

|  | Six months ended |              | Year ended    |
|--|------------------|--------------|---------------|
|  | 30th June        |              | 31st December |
|  | 2015             | 2014         | 2014          |
|  | HK\$M            | HK\$M        | HK\$M         |
| <b>Revenue</b>   |                  |              |               |
| <b>Gross Rental Income derived from</b>                                      |                  |              |               |
| Offices  | 2,994            | 2,790        | 5,707         |
| Retail   | 2,187            | 2,086        | 4,260         |
| Residential  | 187              | 169          | 353           |
| <b>Other Revenue <sup>(1)</sup></b>  | <b>65</b>        | <b>64</b>    | <b>136</b>    |
| <b>Property Investment</b>   | <b>5,433</b>     | <b>5,109</b> | <b>10,456</b> |
| <b>Property Trading</b>  | <b>3,403</b>     | <b>2,707</b> | <b>3,842</b>  |
| <b>Hotels</b>  | <b>550</b>       | <b>522</b>   | <b>1,089</b>  |
| <b>Total Revenue</b>   | <b>9,386</b>     | <b>8,338</b> | <b>15,387</b> |
| <b>Operating Profit/(Loss) derived from</b>                                  |                  |              |               |
| Property investment  | 4,145            | 3,947        | 7,878         |
| Valuation gains on investment properties                                     | 4,458            | 2,357        | 1,956         |
| Property trading   | 1,025            | 807          | 1,180         |
| Hotels   | (23)             | (8)          | (22)          |
| <b>Total Operating Profit</b>  | <b>9,605</b>     | <b>7,103</b> | <b>10,992</b> |
| <b>Share of Post-tax Profits from Joint Venture and Associated Companies</b> | <b>753</b>       | <b>1,104</b> | <b>1,604</b>  |
| <b>Attributable Profit</b>   | <b>8,493</b>     | <b>6,461</b> | <b>9,516</b>  |

(1) Other revenue is mainly estate management fees.

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

|  | <i>Note</i> | <b>Six months ended</b> |         | <b>Year ended</b>    |
|--|-------------|-------------------------|---------|----------------------|
|  |             | <b>30th June</b>        |         | <b>31st December</b> |
|  |             | <b>2015</b>             | 2014    | 2014                 |
|  |             | <b>HK\$M</b>            | HK\$M   | HK\$M                |
| <b><u>Underlying Profit</u></b>  |             |                         |         |                      |
| Profit attributable to the Company's shareholders per financial statements   |             | <b>8,493</b>            | 6,461   | 9,516                |
| Adjustments in respect of investment properties:   |             |                         |         |                      |
| Revaluation of investment properties   | (a)         | <b>(5,202)</b>          | (3,265) | (3,148)              |
| Deferred tax on investment properties  | (b)         | <b>565</b>              | 505     | 710                  |
| Realised profit on sale of properties  | (c)         | <b>19</b>               | 19      | 29                   |
| Depreciation of investment properties occupied by the Group  | (d)         | <b>10</b>               | 7       | 16                   |
| Non-controlling interests' share of revaluation movements less deferred tax  |             | <b>27</b>               | 3       | 1                    |
| Movements in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest | (e)         | <b>26</b>               | 45      | 28                   |
| <b>Underlying Profit Attributable to the Company's Shareholders</b>  |             | <b>3,938</b>            | 3,775   | 7,152                |

|   | <i>Note</i> | <b>30th June</b> |         | <b>31st December</b> |
|---|-------------|------------------|---------|----------------------|
|   |             | <b>2015</b>      |         | <b>2014</b>          |
|   |             | <b>HK\$M</b>     | HK\$M   | HK\$M                |
| <b><u>Underlying Equity</u></b>   |             |                  |         |                      |
| Equity attributable to the Company's shareholders per financial statements    |             | <b>213,533</b>   | 205,997 | 207,691              |
| Deferred tax on investment properties   |             | <b>5,793</b>     | 5,032   | 5,234                |
| Unrecognised valuation gains on hotels held as part of mixed-use developments | (f)         | <b>2,558</b>     | 2,358   | 2,354                |
| Revaluation of investment properties occupied by the Group                    |             | <b>825</b>       | 791     | 793                  |
| Cumulative depreciation of investment properties occupied by the Group        |             | <b>72</b>        | 57      | 65                   |
| <b>Underlying Equity Attributable to the Company's Shareholders</b>           |             | <b>222,781</b>   | 214,235 | 216,137              |
| Underlying non-controlling interests  |             | <b>1,637</b>     | 848     | 912                  |
| <b>Underlying Equity</b>  |             | <b>224,418</b>   | 215,083 | 217,049              |

**Notes:**

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



## Underlying Profit

### Movement in Underlying Profit

|  | HK\$M        |
|--|--------------|
| Underlying profit in the first half of 2014        | 3,775        |
| Increase in profit from property investment        | 129          |
| Increase in profit from property trading           | 51           |
| Decrease in profit from hotels                     | (17)         |
| <b>Underlying Profit in the first half of 2015</b> | <b>3,938</b> |

The increase in underlying profit from HK\$3,775 million in the first half of 2014 to HK\$3,938 million in the first half of 2015 principally reflected increased income from retail and office investment properties, and higher trading profits from the sale of luxury residential properties in Hong Kong. Underlying profit from property investment increased by 4%. This principally reflected higher rents from office and retail properties in Hong Kong and in Mainland China. Property trading profits arose largely from the sales of 96 units at the AREZZO development and from sales of remaining units at the AZURA and MOUNT PARKER RESIDENCES developments in Hong Kong. Profits from hotels were lower than in the first half of 2014.

## Portfolio Overview

The aggregate GFA attributable to the Group at 30th June 2015 was approximately 31.3 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 27.3 million square feet are investment properties, comprising completed investment properties of approximately 21.5 million square feet and investment properties under development or held for future development of approximately 5.8 million square feet. In Hong Kong, this investment property portfolio comprises approximately 15.9 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Guangzhou, Shanghai and Chengdu. These developments are expected to comprise approximately 8.7 million square feet of attributable GFA when they are all completed. Outside Hong Kong and Mainland China, the investment property portfolio principally comprises the Brickell City Centre project in Miami, U.S.A.

The tables below illustrate the GFA (attributable to the Group) of the investment property portfolio at 30th June 2015.

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

|                   | Office      | Retail     | Hotels <sup>(1)</sup> | Residential/<br>Serviced<br>Apartments | Under<br>Planning | Total       |
|-------------------|-------------|------------|-----------------------|--|-------------------|-------------|
| Hong Kong         | 10.2        | 2.5        | 0.7                   | 0.6                                    | -                 | <b>14.0</b> |
| Mainland China    | 2.0         | 3.8        | 1.1                   | 0.1                                    | -                 | <b>7.0</b>  |
| U.S.A. and others | -           | -          | 0.5                   | -                                      | -                 | <b>0.5</b>  |
| <b>Total</b>      | <b>12.2</b> | <b>6.3</b> | <b>2.3</b>            | <b>0.7</b>                             | -                 | <b>21.5</b> |

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

|                   | Office     | Retail     | Hotels <sup>(1)</sup> | Residential/<br>Serviced<br>Apartments | Under<br>Planning  | Total      |
|-------------------|------------|------------|-----------------------|--|--------------------|------------|
| Hong Kong         | 1.8        | -          | -                     | -                                      | 0.1                | <b>1.9</b> |
| Mainland China    | 0.9        | 0.5        | 0.3                   | -                                      | -                  | <b>1.7</b> |
| U.S.A. and others | 0.3        | 0.3        | 0.2                   | 0.1                                    | 1.3 <sup>(2)</sup> | <b>2.2</b> |
| <b>Total</b>      | <b>3.0</b> | <b>0.8</b> | <b>0.5</b>            | <b>0.1</b>                             | <b>1.4</b>         | <b>5.8</b> |

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

|              | Office      | Retail     | Hotels <sup>(1)</sup> | Residential/<br>Serviced<br>Apartments | Under<br>Planning | Total       |
|--------------|-------------|------------|-----------------------|--|-------------------|-------------|
| <b>Total</b> | <b>15.2</b> | <b>7.1</b> | <b>2.8</b>            | <b>0.8</b>                             | <b>1.4</b>        | <b>27.3</b> |

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

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

The trading portfolio comprises a luxury residential project under development on Hong Kong Island, two residential towers under development at the Brickell City Centre development in Miami, U.S.A., a completed office property (Pinnacle One) at the Daci Temple project in Chengdu in Mainland China and the remaining residential units at completed developments. The principal completed developments are the AZURA, ARGENTA, MOUNT PARKER RESIDENCES, AREZZO and WHITESANDS developments in Hong Kong and the completed ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 30th June 2015.

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

|                | Completed  | Under Development or Held for Development | Total      |
|----------------|------------|---|------------|
| Hong Kong      | 0.1        | 0.2                                       | <b>0.3</b> |
| Mainland China | 0.7        | -   | <b>0.7</b> |
| U.S.A.         | -          | 3.0                                       | <b>3.0</b> |
| <b>Total</b>   | <b>0.8</b> | <b>3.2</b>                                | <b>4.0</b> |

**Investment Properties – Hong Kong**
**Offices**
**Overview**

The completed office portfolio in Hong Kong comprises an aggregate of 10.5 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK\$2,950 million in the first half of 2015. At 30th June 2015, the office properties in Hong Kong were valued at HK\$130,480 million. Of this amount, Swire Properties' attributable interest represented HK\$124,343 million.

**Hong Kong Office Portfolio**

|   | GFA (sq. ft.)<br>(100% Basis) | Occupancy<br>(at 30th June 2015) | Attributable Interest |
|---|-------------------------------|----------------------------------|-----------------------|
| Pacific Place                             | 2,186,433                     | 98%                              | 100%                  |
| Cityplaza                                 | 1,632,930                     | 98%                              | 100%                  |
| Taikoo Place Office Towers <sup>(1)</sup> | 3,136,717                     | 100%                             | 50%/100%              |
| One Island East                           | 1,537,011                     | 99%                              | 100%                  |
| Techno Centres <sup>(2)</sup>             | 893,516                       | 100%                             | 100%                  |
| Others <sup>(3)</sup>                     | 1,077,161                     | 98%                              | 20%/50%/100%          |
| <b>Total</b>                              | <b>10,463,768</b>             |                                  |                       |

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

(2) Excluding Somerset House (the redevelopment of which into a Grade-A office building commenced in 2014) and approximately 187,000 square feet in Cornwall House owned by the Hong Kong Government.

(3) Others comprise One Citygate (20% owned), 625 King's Road (50% owned), Berkshire House (50% owned), Generali Tower (wholly-owned) and 28 Hennessy Road (wholly-owned).

Gross rental income from the Group's Hong Kong office portfolio in the first half of 2015 increased by 7% compared with the first half of 2014 to HK\$2,802 million. This reflected positive rental reversions at Taikoo Place and Cityplaza, and higher occupancy levels at Pacific Place. At 30th June 2015, the Hong Kong office portfolio was 99% let.

Demand for the Group's office space in Hong Kong improved. Mainland Chinese companies are taking more space in the central district and our existing tenants are also taking more space. The occupancy rate at Pacific Place offices was 98% at 30th June 2015. Rents at Taikoo Place and Cityplaza were robust due to high occupancy and solid demand.

The table below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 30th June 2015.

**Office Area by Tenants' Businesses  
(At 30th June 2015)**

|  |       |
|--|-------|
| Banking/Finance/Securities/Investment  | 25.7% |
| Trading  | 15.9% |
| Technology/Media/Telecoms  | 17.5% |
| Insurance  | 10.1% |
| Real estate/Construction/Property development/Architecture                           | 9.0%  |
| Professional services (Accounting/Legal/Management consulting/Corporate secretarial) | 6.5%  |
| Advertising and public relations   | 3.8%  |
| Others   | 11.5% |

At 30th June 2015, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2015) together occupied approximately 21% of the total attributable office area in Hong Kong.

**Hong Kong Office Market Outlook**

The pick-up in demand for office space in Hong Kong experienced in the first half of 2015 is expected to continue. There is demand for space in the central district. Rents are being renewed at higher rates at Taikoo Place.

The following table shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 30th June 2015, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 4.1% of the attributable gross rental income in the month of June 2015 are due to expire in the second half of 2015, with tenancies accounting for a further 16.5% of such rental income due to expire in 2016.

**Office Lease Expiry Profile (At 30th June 2015)**

|                      |       |
|----------------------|-------|
| July – December 2015 | 4.1%  |
| 2016                 | 16.5% |
| 2017 and later       | 79.4% |

## Retail

### Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis. The portfolio principally consists of The Mall at Pacific Place, Cityplaza in Taikoo Shing and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK\$1,406 million in the first half of 2015. At 30th June 2015, our retail properties in Hong Kong were valued at HK\$54,886 million. Of this amount, Swire Properties' attributable interest represented HK\$48,533 million.

Sales at the Mall at Pacific Place and Citygate Outlets fell, reflecting the weak Hong Kong retail market. Sales grew at Cityplaza, following the completion of an enhancement project and changes in the tenant mix.

#### Hong Kong Retail Portfolio

|                         | GFA (sq. ft.)<br>(100% Basis) | Occupancy<br>(at 30th June 2015) | Attributable<br>Interest |
|-------------------------|-------------------------------|----------------------------------|--------------------------|
| The Mall, Pacific Place | 711,182                       | 100%                             | 100%                     |
| Cityplaza               | 1,105,227                     | 100%                             | 100%                     |
| Citygate Outlets        | 462,428                       | 100%                             | 20%                      |
| Others <sup>(1)</sup>   | 556,818                       | 100%                             | 20%/60%/100%             |
| <b>Total</b>            | <b>2,835,655</b>              |                                  |                          |

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

Gross rental income from the Group's retail portfolio in Hong Kong was HK\$1,363 million in the first half of 2015, compared with HK\$1,344 million in the same period in 2014. Occupancy levels at the Group's malls were effectively 100% during the period.

The table below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 30th June 2015.

#### Retail Area by Tenants' Businesses (At 30th June 2015)

|                         |       |
|-------------------------|-------|
| Fashion and accessories | 28.5% |
| Department stores       | 16.9% |
| Food and beverages      | 15.6% |
| Cinemas                 | 7.0%  |
| Supermarkets            | 5.1%  |
| Jewellery and watches   | 1.7%  |
| Ice rink                | 0.9%  |
| Others                  | 24.3% |

At 30th June 2015, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2015) together occupied approximately 27% of the total attributable retail area in Hong Kong.

### **Hong Kong Retail Market Outlook**

The fall in retail sales in Hong Kong has made retailers more cautious. However, Swire Properties' retail properties in Hong Kong remain fully let.

The following table shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 30th June 2015, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 5.8% of the attributable gross rental income in the month of June 2015 are due to expire in the second half of 2015, with tenancies accounting for a further 25.9% of such rental income due to expire in 2016.

#### **Retail Lease Expiry Profile (At 30th June 2015)**

|                      |       |
|----------------------|-------|
| July – December 2015 | 5.8%  |
| 2016                 | 25.9% |
| 2017 and later       | 68.3% |

### **Residential**

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments in Taikoo Place and a small number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of approximately 546,467 square feet. Occupancy at the residential portfolio was 94% at 30 June 2015, reflecting improved demand for space at Pacific Place Apartments. Pre-leasing of the newly completed Taikoo Place Apartments commenced in April 2015, and opening took place in August 2015.

Performance at Pacific Place Apartments is expected to be stable in the second half of 2015.

### **Investment Properties Under Development**

#### **Tung Chung Town Lot No. 11**

This commercial site adjacent to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel GFA of approximately 460,000 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017. Swire Properties has a 20% interest in the development.

#### **New Kowloon Inland Lot No. 6312**

This commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate GFA of approximately 555,000 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017.

**Taikoo Place Redevelopment**

Somerset House in Taikoo Place is being redeveloped into a 50-storey office building with an aggregate GFA of approximately 1,020,000 square feet. Excavation and foundation works are proceeding. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building) is being planned. The redevelopment will include a landscaped square of approximately 69,000 square feet.

**8-10 Wong Chuk Hang Road**

This commercial site at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate GFA of approximately 382,500 square feet. Excavation and foundation works are in progress. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

## Investment Properties – Mainland China

### Overview

The property portfolio in Mainland China comprises an aggregate of 13.6 million square feet of space, 9.4 million square feet of which is attributable to the Group. Completed properties amount to 10.2 million square feet, with 3.4 million square feet under development. Total attributable gross rental income from investment properties in Mainland China was HK\$1,224 million in the first half of 2015. At 30th June 2015, the investment properties in Mainland China were valued at HK\$58,192 million. Of this amount, Swire Properties' attributable interest represented HK\$41,842 million.

#### Mainland China Property Portfolio <sup>(1)</sup>

|   | GFA (sq. ft.) (100% Basis) |                       |                                       | Attributable Interest |
|---|----------------------------|-----------------------|---------------------------------------|-----------------------|
|   | Total                      | Investment Properties | Hotels, Trading Properties and Others |                       |
| <i>Completed</i>                            |                            |                       |                                       |                       |
| Taikoo Li Sanlitun, Beijing                 | 1,465,771                  | 1,296,308             | 169,463                               | 100%                  |
| TaiKoo Hui, Guangzhou                       | 3,840,197                  | 3,256,013             | 584,184                               | 97%                   |
| INDIGO, Beijing                             | 1,893,226                  | 1,534,957             | 358,269                               | 50%                   |
| Daci Temple Project, Chengdu <sup>(2)</sup> | 2,855,566                  | 1,326,839             | 1,528,727                             | 50%                   |
| Hui Fang, Guangzhou                         | 90,847                     | 90,847                | -                                     | 100%                  |
| Others                                      | 5,825                      | 2,912                 | 2,913                                 | 100%                  |
| <b>Sub-total</b>                            | <b>10,151,432</b>          | <b>7,507,876</b>      | <b>2,643,556</b>                      |                       |
| <i>Under Development</i>                    |                            |                       |                                       |                       |
| HKRI Taikoo Hui, Shanghai <sup>(3)</sup>    | 3,457,375                  | 2,930,068             | 527,307                               | 50%                   |
| <b>Total</b>                                | <b>13,608,807</b>          | <b>10,437,944</b>     | <b>3,170,863</b>                      |                       |

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

(2) The retail portion of the Daci Temple project, Sino-Ocean Taikoo Li Chengdu, was formally opened in April 2015. The office portion of the Daci Temple project, Pinnacle One, has been developed for trading purposes. 89% of the office's total GFA (approximately 1.15 million square feet) and 350 car parking spaces were presold in August 2013. The Temple House (which is the hotel portion of the project and includes 42 serviced apartments) started to open in July 2015.

(3) HKRI Taikoo Hui (formerly known as the Dazhongli project) is expected to open in phases from 2016.

Gross rental income from the Group's investment property portfolio in Mainland China was HK\$1,010 million in the first half of 2015, HK\$111 million higher than the same period in 2014, reflecting positive rental reversions and higher retail sales.



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

| Attributable Area of Completed Property Portfolio in Mainland China | 30th June        | 31st December    |                  |
|---|------------------|------------------|------------------|
|   |                  | 2015             | 2016 and later   |
| GFA (sq. ft.)   |                  |                  |                  |
| Taikoo Li Sanlitun, Beijing   | <b>1,465,771</b> | 1,465,771        | 1,465,771        |
| TaiKoo Hui, Guangzhou   | <b>3,724,991</b> | 3,724,991        | 3,724,991        |
| INDIGO, Beijing   | <b>946,613</b>   | 946,613          | 946,613          |
| Daci Temple Project, Chengdu  | <b>1,427,784</b> | 777,525          | 777,525          |
| Hui Fang, Guangzhou   | <b>90,847</b>    | 90,847           | 90,847           |
| HKRI Taikoo Hui, Shanghai   | -                | -                | 1,728,688        |
| Others  | <b>5,825</b>     | 5,825            | 5,825            |
| <b>Total</b>  | <b>7,661,831</b> | <b>7,011,572</b> | <b>8,740,260</b> |

## Retail

The Mainland China retail portfolio's gross rental income for the first half of 2015 was HK\$824 million, an increase of 11% compared to the same period in 2014.

Gross rental income at Taikoo Li Sanlitun increased in the first half of 2015, because of growth in reversionary rents. Retail sales increased by 7%. The overall occupancy rate was 95% at 30th June 2015.

Gross rental income at TaiKoo Hui in Guangzhou increased in the first half of 2015. Retail sales grew by 21% because of changes in the tenant mix following lease expiries in 2014. The mall was 99% let at 30th June 2015.

The mall at INDIGO in Beijing was 94% occupied at 30th June 2015. Retail sales increased by 36% in the first half of 2015. More people visited the mall following the opening of Line 14 of the Beijing Metro in December 2014. The first significant renewal of leases is taking place.

Sino-Ocean Taikoo Li Chengdu was formally opened in April 2015. Retail sales and the number of visitors have grown since the soft opening in October 2014. At 30th June 2015, tenants had committed (including by way of letters of intent) to lease 87% of the space and 70% of the shops in the development were open.

In the second half of 2015, retail sales are expected to continue to grow at rates above the national average in Guangzhou, Beijing and Chengdu despite the fact that demand for luxury goods has weakened in those cities.

## Offices

The Mainland China office portfolio's gross rental income for the first half of 2015 was HK\$180 million, an increase of 18% compared to the same period in 2014.

Occupancy at TaiKoo Hui's office towers in Guangzhou was 100% at 30th June 2015, despite the substantial new supply of office space in Guangzhou over the last 12 months. In Guangzhou, demand for Grade-A office space in the Tianhe business district is expected to be robust despite the substantial supply of new office space in the city expected in the coming years.

Occupancy at ONE INDIGO in Beijing was 97% at 30th June 2015. Demand for office space in Beijing was subdued during the first half of 2015. Office rents in Beijing are expected to weaken against a background of reduced demand and increased supply.

### **Investment Properties under Development**

#### **Shanghai**

HKRI Taikoo Hui (formerly known as the Dazhongli project) in Shanghai will comprise a retail mall, two office buildings and three hotels, including serviced apartments. Work on the basement sub-structure is near completion. Above ground construction is in progress. The superstructures of one office tower and one hotel have been topped out. The development is expected to open in phases from 2016.

### **Investment Properties – U.S.A.**

#### **Brickell City Centre, Miami**

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

Phase I of the development consists of a shopping centre, EAST Miami hotel and serviced apartments (to be operated by EAST), two office buildings and two residential towers (Reach and Rise). The residential towers are being developed for sale. Construction work on Phase I commenced in 2012, with completion expected by the end of 2015. A light rail system station within the site is being renovated as part of the development.

In January 2013 and April 2015, Swire Properties entered into agreements with Bal Harbour Shops and (in the case of the latter agreement) with Bal Harbour Shops and Simon Property Group to develop the retail component of Brickell City Centre. Swire Properties will remain the primary developer of the Brickell City Centre project.

At 30th June 2015, Swire Properties owned 100% of the office, hotel and residential portions and 61.5% of the retail component of the Brickell City Centre project. The remaining interest in the retail component is held by Simon Property Group (25%) and Bal Harbour Shops (13.5%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the retail component, to sell its interest to Swire Properties.

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

At 30th June 2015, the Brickell City Centre Phase I development (excluding the hotel and residential trading components) was valued at HK\$3,489 million.

| <b>Brickell City Centre, Miami</b>      |  |                          |
|---|--|--------------------------|
|   | GFA (sq. ft.) <sup>(3)</sup><br>(100% Basis) | Attributable<br>Interest |
| <b>Phase I</b>                          |  |                          |
| Retail                                  | 490,000                                      | 61.5%                    |
| Offices                                 | 260,000                                      | 100%                     |
| Serviced apartments                     | 109,000                                      | 100%                     |
| Hotel <sup>(1)</sup>                    | 218,000                                      | 100%                     |
| Residential <sup>(2)</sup>              | 1,134,000                                    | 100%                     |
| Carpark, roof top and circulation areas | 2,713,000                                    | 100%                     |
| <b>Total Phase I</b>                    | <b>4,924,000</b>                             |                          |
| <b>Phase II</b>                         |  |                          |
| Residential <sup>(2)</sup>              | 520,000 <sup>(4)</sup>                       | 100%                     |
| Future mixed-use tower                  | 1,300,000 <sup>(4)</sup>                     | 100%                     |
| <b>Total Phase I and Phase II</b>       | <b>6,744,000</b>                             |                          |

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

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

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

(4) These developments are still being planned. The GFA is under review.

### **Miami Market Outlook**

The retail market is encouraging but remains competitive.

The office market continues to recover from the adverse effects of the 2008 recession. There is little new supply.

## Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2015 (94% 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\$224,524 million, compared to HK\$218,720 million at 31st December 2014.

The modest increase in the valuation of the investment property portfolio is mainly due to higher rental income at Taikoo Place and Cityplaza in Hong Kong and at TaiKoo Hui in Guangzhou in Mainland China.

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

### Financial Information Reviewed by Auditors Investment Properties

|   | Group              |                               |                |
|---|--------------------|-------------------------------|----------------|
|   | Completed<br>HK\$M | Under<br>Development<br>HK\$M | Total<br>HK\$M |
| At 1st January 2015                                     | 194,991            | 23,729                        | 218,720        |
| Translation differences                                 | (20)               | (11)                          | (31)           |
| Additions   | 114                | 1,431                         | 1,545          |
| Disposals   | -                  | (21)                          | (21)           |
| Transfer from properties under development              | -                  | 18                            | 18             |
| Other net transfers to property, plant and equipment    | (160)              | (5)                           | (165)          |
| Fair value gains  | 3,951              | 507                           | 4,458          |
|   | 198,876            | 25,648                        | 224,524        |
| Add: Initial leasing costs                              | 146                | -                             | 146            |
| <b>At 30th June 2015</b>                                | <b>199,022</b>     | <b>25,648</b>                 | <b>224,670</b> |
| At 31st December 2014 (including initial leasing costs) | 195,226            | 23,729                        | 218,955        |

## Property Trading

The trading portfolio comprises a luxury residential project under development on Hong Kong Island, two residential towers under development at the Brickell City Centre development in Miami, U.S.A., a completed office property (Pinnacle One) at the Daci Temple project in Chengdu in Mainland China and the remaining residential units at completed developments. The principal completed developments are the AZURA, ARGENTA, MOUNT PARKER RESIDENCES, AREZZO and WHITESANDS developments in Hong Kong and the completed ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

### Property Trading Portfolio

|  | GFA (sq. ft.)<br>(100% Basis) | Actual / Expected<br>Construction<br>Completion<br>Date | Attributable<br>Interest |
|--|-------------------------------|---|--------------------------|
| <u>Completed</u>   |                               |   |                          |
| Hong Kong  |                               |   |                          |
| - 5 Star Street <sup>(2)</sup>                                     | 408 <sup>(1)</sup>            | 2010  | 100%                     |
| - AZURA <sup>(2)</sup>   | 1,588 <sup>(1)</sup>          | 2012  | 87.5%                    |
| - ARGENTA <sup>(2)</sup>   | 5,739 <sup>(1)</sup>          | 2013  | 100%                     |
| - MOUNT PARKER RESIDENCES <sup>(2)</sup>                           | 2,748 <sup>(1)</sup>          | 2013  | 80%                      |
| - AREZZO <sup>(2)</sup>  | 42,721 <sup>(1)</sup>         | 2015  | 100%                     |
| - WHITESANDS (formerly known as 160 South Lantau Road, Cheung Sha) | 64,410                        | 2015  | 100%                     |
| Mainland China   |                               |   |                          |
| - Pinnacle One, Chengdu  | 1,300,517                     | 2014  | 50%                      |
| U.S.A.   |                               |   |                          |
| - ASIA, Miami <sup>(2)</sup>                                       | 5,359 <sup>(1)</sup>          | 2008  | 100%                     |
| <u>Under Development</u>   |                               |   |                          |
| Hong Kong  |                               |   |                          |
| - 100 Caine Road   | 195,533                       | 2016  | 100%                     |
| U.S.A.   |                               |   |                          |
| - Reach, Brickell City Centre, Miami, Florida                      | 567,000 <sup>(1)</sup>        | End of 2015   | 100%                     |
| - Rise, Brickell City Centre, Miami, Florida                       | 567,000 <sup>(1)</sup>        | End of 2015   | 100%                     |
| <u>Held for Development</u>  |                               |   |                          |
| U.S.A.   |                               |   |                          |
| - Fort Lauderdale, Florida   | 825,000                       | N/A   | 75%                      |
| - South Brickell Key, Miami, Florida                               | 550,000                       | N/A   | 100%                     |
| - Brickell City Centre, Miami, Florida - North Square site         | 520,000                       | N/A   | 100%                     |

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

(2) Remaining unsold units at 30th June 2015.

**Hong Kong**

All 126 units at the AZURA development on Seymour Road had been sold at 18th August 2015. The profit from the sale of three units was recognised in the first half of 2015. Swire Properties holds an 87.5% interest in this development. The property is managed by Swire Properties.

29 of the 30 units at the ARGENTA development, also on Seymour Road, had been sold at 18th August 2015. Profit was recognised on sale of one unit in the first half of 2015. Swire Properties holds a 100% interest in this development. The property is managed by Swire Properties.

All 53 units at DUNBAR PLACE, a residential development in Ho Man Tin, Kowloon, have been sold. The profit from the sale of the last unit was recognised in the first half of 2015. Swire Properties holds a 50% interest in this development. The property is managed by Swire Properties.

91 of the 92 units at the MOUNT PARKER RESIDENCES development in Quarry Bay had been sold at 18th August 2015. The profit from the sale of nine units was recognised in the first half of 2015. Swire Properties holds an 80% interest in this development. The property is managed by Swire Properties.

AREZZO, the residential development at 33 Seymour Road, was completed in January 2015 and handover to purchasers commenced in April 2015. 108 of the 127 units had been sold at 18th August 2015. The profit from the sale of 96 units was recognised in the first half of 2015. Profits from the sale of the remaining units sold are expected to be recognised in the second half of 2015. Swire Properties holds a 100% interest in this development. The property is managed by Swire Properties.

WHITESANDS (formerly known as 160 South Lantau Road, Cheung Sha) on Lantau Island is being developed into 28 detached houses with an aggregate GFA of 64,410 square feet. Interior, exterior finishing and soft landscaping works are in progress. The occupation permit was issued in February 2015 and the development is expected to be available for handover in the second half of 2015. Sales have not yet commenced. The development is wholly-owned by Swire Properties.

Superstructure work at 100 Caine Road is in progress, with completion expected in 2016 and the units being available for handover in 2017. The development consists of a 50-storey tower of 197 residential units. The development is wholly-owned by Swire Properties.

**Mainland China**

Construction of the Grade-A office tower, Pinnacle One, was completed in December 2014. The handover of the office tower is expected to start in the second half of 2015.

**U.S.A.**

The residential portion of Phase I of the Brickell City Centre development is being developed for trading purposes. There will be 780 units in two towers (Reach and Rise), with an aggregate saleable area of 1,134,000 square feet.

We started to sell units in Reach in June 2014 and units in Rise in November 2014. 317 units in Reach and 129 units in Rise had been sold at 18th August 2015. The development is expected to be completed and available for handover to purchasers from late 2015.

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

### **Outlook**

In the second half of 2015, property trading profits are expected to be recognised on the sales of residential units at the AREZZO, ARGENTA, AZURA, MOUNT PARKER RESIDENCES and WHITESANDS developments in Hong Kong. Profits are also expected on the sale of the office portion of the Daci Temple development in Chengdu.

Profits from property trading in Miami are expected to be recognised commencing from late 2015, when some pre-sold units will start to be handed over to purchasers.

### **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 10 whole-floor units and two double-level garden apartments. It was designed by Pritzker Prize-winning architect Frank Gehry. Four units had been leased at 30th June 2015.

### **Estate Management**

Swire Properties manages 19 residential estates which it has developed. The management services include day to day assistance for occupants, management, maintenance, cleaning, security and renovation of common areas and facilities. Swire Properties places great emphasis on maintaining good relationships with occupants.

## Hotels

### Overview

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

| <b>Hotel Portfolio (Managed by the Group)</b>             | No. of Rooms<br>(100% Basis) | Attributable<br>Interest |
|---|------------------------------|--------------------------|
| <i>Completed</i>  |                              |                          |
| Hong Kong   |                              |                          |
| - The Upper House   | 117                          | 100%                     |
| - EAST, Hong Kong   | 345                          | 100%                     |
| - Headland Hotel <sup>(1)</sup>                           | 501                          | 0%                       |
| Mainland China  |                              |                          |
| - The Opposite House                                      | 99                           | 100%                     |
| - EAST, Beijing   | 369                          | 50%                      |
| - The Temple House, Chengdu <sup>(2)</sup>                | 142                          | 50%                      |
| U.K.  |                              |                          |
| - The Montpellier Chapter, Cheltenham                     | 61                           | 100%                     |
| - Avon Gorge Hotel, Bristol                               | 75                           | 100%                     |
| - The Magdalen Chapter, Exeter                            | 59                           | 100%                     |
| - Hotel Seattle, Brighton                                 | 71                           | 100%                     |
| <i>Under Development</i>                                  |                              |                          |
| Mainland China  |                              |                          |
| - Hotels at HKRI Taikoo Hui, Shanghai <sup>(2), (3)</sup> | 275                          | 50%                      |
| U.S.A.  |                              |                          |
| - EAST, Miami <sup>(2)</sup>                              | 352                          | 100%                     |
| <b>Total</b>  | <b>2,466</b>                 |                          |

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

(2) Including serviced apartments.

(3) Number of modules.



**Hong Kong**

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

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

There were lower profits from the managed and non-managed hotels in Hong Kong in the first half of 2015. Trading conditions were difficult as there were fewer overnight visitor arrivals in Hong Kong.

**Mainland China**

Swire Properties manages three hotels in Mainland China, The Opposite House, a 99-room luxury hotel at Taikoo Li Sanlitun, EAST, Beijing, a 369-room hotel at INDIGO and The Temple House, a 142-room hotel (including serviced apartments) in Chengdu. Swire Properties owns 100% of The Opposite House, 50% of EAST, Beijing and 50% of The Temple House. Swire Properties owns 97% of, but does not manage, the Mandarin Oriental at TaiKoo Hui in Guangzhou, which has 263 rooms and 24 serviced apartments.

Trading conditions were difficult at The Opposite House and EAST, Beijing in the first half of 2015. Occupancy and average room rates at the Mandarin Oriental, Guangzhou improved in the first half of 2015 despite an over-supply of hotel rooms in the city.

The development of The Temple House in Chengdu, the hotel portion of the Daci Temple project, was completed at 30th June 2015. The hotel started to open in July 2015.

There are one non-managed and two managed hotels including serviced apartments at HKRI Taikoo Hui in Shanghai under development.

**U.S.A.**

Swire Properties has a 75% interest in the 326-room Mandarin Oriental hotel in Miami. The performance of the hotel was satisfactory in the first half of 2015. Occupancy and average room rates improved compared to same period in 2014.

EAST, Miami is under development as part of Phase I of the Brickell City Centre development. The building was topped out in December 2014. The hotel is expected to open in late 2015.

**U.K.**

Swire Properties owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. Occupancy and average room rates were satisfactory in the first half of 2015, showing some improvement compared to the same period in 2014.

**Restaurants**

Swire Hotels owns and manages restaurants in Hong Kong. Plat du Jour is a French bistro in Quarry Bay. PUBLIC is a restaurant at One Island East. Ground PUBLIC is a café in One Island East and North Point. The Continental is an all-day European style restaurant at Pacific Place. Mr & Mrs Fox is a restaurant with an international menu in Quarry Bay, which had its soft opening in August 2015.

**Outlook**

The performance of the hotels in Hong Kong and in Beijing is expected to remain weak in the second half of 2015. The results of the hotels in Guangzhou and Miami are expected to improve despite difficult trading conditions.

## Capital Commitments

### Capital Expenditure and Commitments

Capital expenditure in the first half of 2015 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$843 million (first half of 2014: HK\$3,151 million). Outstanding capital commitments at 30th June 2015 were HK\$16,824 million (31st December 2014: HK\$17,497 million), including the Group's share of the capital commitments of joint venture companies of HK\$1,402 million (31st December 2014: HK\$1,418 million). The Group is committed to funding HK\$846 million (31st December 2014: HK\$1,017 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in the first half of 2015 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$395 million (first half of 2014: HK\$1,016 million). Outstanding capital commitments at 30th June 2015 were HK\$4,255 million (31st December 2014: HK\$4,646 million), including the Group's share of the capital commitments of joint venture companies of HK\$3,664 million (31st December 2014: HK\$4,051 million). The Group is committed to funding HK\$931 million (31st December 2014: HK\$1,617 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in the first half of 2015 on investment properties and hotels in the U.S.A., Singapore and the U.K. amounted to HK\$950 million (first half of 2014: HK\$1,014 million). Outstanding capital commitments at 30th June 2015 were HK\$1,600 million (31st December 2014: HK\$1,997 million).

#### Profile of Capital Commitments

|                   | <u>Expenditure</u>                 | <u>Forecast Year of Expenditure</u> |              |              |                   | <u>Commitments*</u>  |
|-------------------|------------------------------------|-------------------------------------|--------------|--------------|-------------------|----------------------|
|                   | Six Months Ended<br>30th June 2015 | Six Months Ended<br>31st December   |              |              | 2018<br>and later | At 30th June<br>2015 |
|                   |                                    | 2015                                | 2016         | 2017         |                   |                      |
|                   | HK\$M                              | HK\$M                               | HK\$M        | HK\$M        | HK\$M             | HK\$M                |
| Hong Kong         | 843                                | 869                                 | 4,089        | 3,900        | 7,966             | 16,824               |
| Mainland China    | 395                                | 521                                 | 2,096        | 868          | 770               | 4,255                |
| U.S.A. and others | 950                                | 1,069                               | 531          | -            | -                 | 1,600                |
| <b>Total</b>      | <b>2,188</b>                       | <b>2,459</b>                        | <b>6,716</b> | <b>4,768</b> | <b>8,736</b>      | <b>22,679</b>        |

\* The capital commitments represent the Group's capital commitments of HK\$17,613 million plus the Group's share of the capital commitments of joint venture companies of HK\$5,066 million. The Group is committed to funding HK\$1,777 million of the capital commitments of joint venture companies.

**FINANCING**
**Summary of Cash Flows**

|  | Six months ended<br>30th June |               | Year ended<br>31st December |
|--|-------------------------------|---------------|-----------------------------|
|  | 2015<br>HK\$M                 | 2014<br>HK\$M | 2014<br>HK\$M               |
| <b>Net cash from/(used by) businesses and investments</b>                |                               |               |                             |
| Cash generated from operations   | 5,579                         | 5,618         | 10,724                      |
| Dividends received   | 135                           | 205           | 786                         |
| Profits tax paid   | (412)                         | (106)         | (760)                       |
| Net interest paid  | (713)                         | (740)         | (1,477)                     |
| Cash used in investing activities  | (2,369)                       | (3,509)       | (6,392)                     |
|  | <b>2,220</b>                  | <b>1,468</b>  | <b>2,881</b>                |
| <b>Cash (paid to)/received from shareholders and net funding by debt</b> |                               |               |                             |
| Net increase in borrowings   | 1,644                         | 1,609         | 1,930                       |
| (Decrease)/Increase in loans due to Swire Finance Limited                | (1,800)                       | 1,300         | 600                         |
| Purchase of shares in an existing subsidiary company                     | -                             | (1,256)       | (1,256)                     |
| Capital contribution from a non-controlling interest                     | 629                           | -             | -                           |
| Dividends paid   | (2,584)                       | (2,480)       | (3,771)                     |
|  | <b>(2,111)</b>                | <b>(827)</b>  | <b>(2,497)</b>              |
| Increase in cash and cash equivalents                                    | <b>109</b>                    | <b>641</b>    | <b>384</b>                  |

Cash used in investing activities during the first half of 2015 included capital expenditure on property projects by subsidiary companies and investments in joint venture companies.

**Financing Arrangements with the Swire Pacific Group**

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

**Financial Information Reviewed by Auditors**

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

## Medium Term Note Programme

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

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

## Changes in Financing

### Financial Information Reviewed by Auditors

#### Analysis of Changes in Financing

|   | Six months ended<br>30th June<br>2015<br>HK\$M | Year ended<br>31st December<br>2014<br>HK\$M |
|---|--|--|
| <b>Bank loans, bonds and loans from Swire Finance</b> |  |  |
| At 1st January  | 36,945   | 34,535                                       |
| Loans drawn and refinancing                           | 2,474  | 10,004                                       |
| Bonds issued  | 600  | 600  |
| Repayment of bank loans                               | (1,430)  | (8,674)                                      |
| (Decrease)/Increase in loans due to Swire Finance     | (1,800)  | 600  |
| Other non-cash movements                              | 16   | (120)  |
|   | <b>36,805</b>                                  | <b>36,945</b>                                |
| <b>Overdrafts</b>                                     |  |  |
|   | -  | -  |
| At 30th June/31st December                            | <b>36,805</b>                                  | <b>36,945</b>                                |

During the first half of 2015, the Group raised HK\$4,038 million. This comprised:

- two five-year term and revolving loan facilities aggregating HK\$1,500 million
- medium-term notes of HK\$600 million
- an increase of US\$250 million in a revolving loan facility

During the first half of 2015, the Group made various repayments including the full repayment of the drawn portions of expired HK\$2,500 million revolving loan facilities under the Loan Agreements.

## Net Borrowings

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings at 30th June 2015 and 31st December 2014 were as follows:

|   | 30th June<br>2015<br>HK\$M | 31st December<br>2014<br>HK\$M |
|---|----------------------------|--------------------------------|
| <b>Financial Information Reviewed by Auditors</b>     |                            |                                |
| <b>Borrowings included in non-current liabilities</b> |                            |                                |
| Bank borrowings – unsecured                           | 14,055                     | 11,482                         |
| Bonds – unsecured                                     | 9,702                      | 9,106                          |
| Borrowings from Swire Finance – unsecured             | 7,502                      | 12,156                         |
| <b>Borrowings included in current liabilities</b>     |                            |                                |
| Bank borrowings – unsecured                           | 890                        | 2,402                          |
| Borrowings from Swire Finance – unsecured             | 4,656                      | 1,799                          |
| <b>Total borrowings</b>                               | <b>36,805</b>              | <b>36,945</b>                  |
| Less: short-term deposits and bank balances           | 3,032                      | 2,874                          |
| <b>Net borrowings</b>                                 | <b>33,773</b>              | <b>34,071</b>                  |

## Sources of Finance

At 30th June 2015, committed loan facilities and debt securities amounted to HK\$43,346 million, of which HK\$7,014 million (16.2%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$1,598 million. Sources of funds at 30th June 2015 comprised:

|   | Available<br>HK\$M | Drawn<br>HK\$M | Undrawn<br>Expiring<br>Within<br>One Year<br>HK\$M | Undrawn<br>Expiring<br>After<br>One Year<br>HK\$M |
|---|--------------------|----------------|--|---|
| <b>Financial Information Reviewed by Auditors</b> |                    |                |  |   |
| <b>Facilities from third parties</b>              |                    |                |  |   |
| Revolving credit and short-term loans             | 8,213              | 1,449          | 500  | 6,264   |
| Term loans  | 13,217             | 12,967         | -  | 250   |
| Bonds   | 9,752              | 9,752          | -  | -   |
| <b>Facilities from Swire Finance</b>              |                    |                |  |   |
| Bonds   | 9,835              | 9,835          | -  | -   |
| Perpetual capital securities                      | 2,329              | 2,329          | -  | -   |
| <b>Total committed facilities</b>                 | <b>43,346</b>      | <b>36,332</b>  | <b>500</b>   | <b>6,514</b>                                      |
| <b>Uncommitted facilities</b>                     |                    |                |  |   |
| Bank loans and overdrafts                         | 2,212              | 614            | 1,598  | -   |
| <b>Total</b>                                      | <b>45,558</b>      | <b>36,946</b>  | <b>2,098</b>                                       | <b>6,514</b>                                      |

Note: The figures above are stated before unamortised loan fees of HK\$141 million.

## Maturity Profile and Refinancing

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

| (HK\$M)   | 2H 2015    | 2016         | 2017          | 2018         | 2019         | 2020         | 2021       | 2022         | 2023       | 2024         | 2025       | Total         |
|---|------------|--------------|---------------|--------------|--------------|--------------|------------|--------------|------------|--------------|------------|---------------|
| <b>Facilities from third parties</b>                |            |              |               |              |              |              |            |              |            |              |            |               |
| Revolving credit and term loans                     | 758        | 2,776        | 8,724         | 1,324        | 4,075        | 1,825        | 487        | 487          | 487        | 487          | -          | 21,430        |
| Bonds   | -          | -            | 500           | -            | 300          | 3,876        | -          | 3,876        | -          | 600          | 600        | 9,752         |
| <b>Facilities from Swire Finance <sup>(1)</sup></b> |            |              |               |              |              |              |            |              |            |              |            |               |
| Bonds   | -          | 4,658        | -             | 5,177        | -            | -            | -          | -            | -          | -            | -          | 9,835         |
| Perpetual capital securities <sup>(2)</sup>         | -          | -            | 2,329         | -            | -            | -            | -          | -            | -          | -            | -          | 2,329         |
| <b>Total</b>  | <b>758</b> | <b>7,434</b> | <b>11,553</b> | <b>6,501</b> | <b>4,375</b> | <b>5,701</b> | <b>487</b> | <b>4,363</b> | <b>487</b> | <b>1,087</b> | <b>600</b> | <b>43,346</b> |

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

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

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

| Financial Information Reviewed by Auditors                           | 30th June 2015 |             | 31st December 2014 |             |
|--|----------------|-------------|--------------------|-------------|
|  | HK\$M          |             | HK\$M              |             |
| <b>Bank and other borrowings due</b>                                 |                |             |                    |             |
| Within 1 year  | 890            | 2%          | 2,402              | 6%          |
| 1 – 2 years  | 8,448          | 23%         | 2,038              | 5%          |
| 2 – 5 years  | 8,148          | 22%         | 7,966              | 22%         |
| After 5 years  | 7,161          | 20%         | 10,584             | 29%         |
| <b>Borrowings from Swire Finance due</b>                             |                |             |                    |             |
| Within 1 year  | 4,656          | 13%         | 1,799              | 5%          |
| 1 – 2 years  | 2,329          | 6%          | 4,655              | 13%         |
| 2 – 5 years  | 5,173          | 14%         | 7,501              | 20%         |
| After 5 years  | -              | -           | -                  | -           |
| <b>Total</b>   | <b>36,805</b>  | <b>100%</b> | <b>36,945</b>      | <b>100%</b> |
| Less : Amount due within one year included under current liabilities | 5,546          |             | 4,201              |             |
| Amount due after one year included under non-current liabilities     | 31,259         |             | 32,744             |             |

## Currency Profile

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

| Financial Information Reviewed by Auditors | 30th June 2015 |             | 31st December 2014 |             |
|--|----------------|-------------|--------------------|-------------|
|  | HK\$M          |             | HK\$M              |             |
| <b>Currency</b>                            |                |             |                    |             |
| Hong Kong dollar                           | 25,849         | 70%         | 26,728             | 72%         |
| United States dollar                       | 5,826          | 16%         | 4,966              | 14%         |
| Renminbi                                   | 5,058          | 14%         | 5,242              | 14%         |
| Others                                     | 72             | -           | 9                  | -           |
| <b>Total</b>                               | <b>36,805</b>  | <b>100%</b> | <b>36,945</b>      | <b>100%</b> |

## Net Finance Charges

At 30th June 2015, 59% of the Group's gross borrowings were on a fixed rate basis and 41% were on a floating rate basis (31st December 2014: 57% and 43% respectively). Interest charged and interest earned were as follows:

| Financial Information Reviewed by Auditors   | Six months ended<br>30th June |               | Year ended<br>31st December |
|--|-------------------------------|---------------|-----------------------------|
|  | 2015<br>HK\$M                 | 2014<br>HK\$M | 2014<br>HK\$M               |
| Interest charged on:   |                               |               |                             |
| - Bank loans and overdrafts  | (229)                         | (276)         | (525)                       |
| - Bonds  | (164)                         | (148)         | (302)                       |
| - Loans from fellow subsidiary companies   | (349)                         | (354)         | (715)                       |
| - Loans from joint venture and related companies   | (4)                           | (7)           | (14)                        |
| Fair value loss on derivative instruments  |                               |               |                             |
| - Cash flow hedges - transferred from other comprehensive income   | -                             | -             | (1)                         |
| Other financing costs  | (74)                          | (77)          | (152)                       |
| Loss on the movement in the fair values of liabilities in respect of put option in favour of the owner of non-controlling interest in a subsidiary company | (26)                          | (45)          | (28)                        |
| Capitalised interest on:   |                               |               |                             |
| - Investment properties  | 90                            | 88            | 185                         |
| - Properties under development and for sale  | 74                            | 101           | 221                         |
| - Hotels   | 5                             | 3             | 7                           |
|  | <b>(677)</b>                  | <b>(715)</b>  | <b>(1,324)</b>              |
| Interest income on:  |                               |               |                             |
| - Short-term deposits and bank balances  | 14                            | 12            | 29                          |
| - Loans to joint venture companies   | 32                            | 20            | 42                          |
| - Others   | -                             | 25            | 26                          |
|  | <b>46</b>                     | <b>57</b>     | <b>97</b>                   |
| <b>Net finance charges</b>   | <b>(631)</b>                  | <b>(658)</b>  | <b>(1,227)</b>              |



**Gearing Ratio and Interest Cover**

|                              | <b>30th June</b> |       | <b>31st December</b> |
|------------------------------|------------------|-------|----------------------|
|                              | <b>2015</b>      | 2014  | 2014                 |
| Gearing ratio*               |                  |       |                      |
| Per financial statements     | <b>15.7%</b>     | 16.4% | 16.3%                |
| Underlying                   | <b>15.0%</b>     | 15.8% | 15.7%                |
| Interest cover – times*      |                  |       |                      |
| Per financial statements     | <b>15.2</b>      | 10.8  | 9.0                  |
| Underlying                   | <b>8.6</b>       | 7.8   | 7.6                  |
| Cash interest cover – times* |                  |       |                      |
| Per financial statements     | <b>12.0</b>      | 8.4   | 6.7                  |
| Underlying                   | <b>6.7</b>       | 5.9   | 5.6                  |

\* Refer to Glossary on page 59 for definition

**Debt in Joint Venture and Associated Companies**

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2015 and 31st December 2014:

|                         | <b>Net Debt of<br/>Joint Venture and<br/>Associated Companies</b> |               | <b>Portion of Net Debt<br/>Attributable to the Group</b> |               | <b>Debt Guaranteed by<br/>Swire Properties</b> |               |
|-------------------------|---|---------------|--|---------------|--|---------------|
|                         | <b>30th June</b>  | 31st December | <b>30th June</b>   | 31st December | <b>30th June</b>                               | 31st December |
|                         | <b>2015</b>   | 2014          | <b>2015</b>  | 2014          | <b>2015</b>                                    | 2014          |
|                         | <b>HK\$M</b>  | HK\$M         | <b>HK\$M</b>   | HK\$M         | <b>HK\$M</b>                                   | HK\$M         |
| Hong Kong Entities      | <b>3,060</b>  | 3,367         | <b>1,627</b>   | 1,714         | <b>975</b>                                     | 975           |
| Mainland China Entities | <b>8,179</b>  | 7,363         | <b>4,090</b>   | 3,682         | -  | -             |
| U.S.A. Entities         | <b>564</b>  | 597           | <b>423</b>   | 448           | <b>498</b>                                     | 502           |
|                         | <b>11,803</b>   | 11,327        | <b>6,140</b>   | 5,844         | <b>1,473</b>                                   | 1,477         |

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 18.6% and underlying gearing would rise to 17.8%.

## REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

### Introduction

We have reviewed the condensed interim financial statements set out on pages 33 to 54, which comprise the consolidated statement of financial position of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) at 30th June 2015 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended and a summary of significant accounting policies and other explanatory notes.

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

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

### Scope of Review

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

### Conclusion

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

### PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20th August 2015

**INTERIM FINANCIAL STATEMENTS**
**Consolidated Statement of Profit or Loss**
**For the six months ended 30th June 2015 – unaudited**

|   | Note | Unaudited<br>Six months ended<br>30th June |                          | Audited<br>Year ended<br>31st December |               |
|---|------|--|--------------------------|--|---------------|
|   |      | 2015<br>HK\$M                              | 2014<br>HK\$M            | 2014<br>HK\$M                          |               |
| Revenue   | 4    | 9,386                                      | 8,338                    | 15,387                                 |               |
| Cost of sales   | 5    | (3,587)                                    | (3,012)                  | (5,176)                                |               |
| Gross profit  |      | 5,799                                      | 5,326                    | 10,211                                 |               |
| Administrative and selling expenses   |      | (558)                                      | (503)                    | (1,010)                                |               |
| Other operating expenses  |      | (119)                                      | (111)                    | (221)                                  |               |
| Other net gains   | 6    | 25   | 34                       | 56                                     |               |
| Change in fair value of investment properties   |      | 4,458                                      | 2,357                    | 1,956                                  |               |
| Operating profit  |      | 9,605                                      | 7,103                    | 10,992                                 |               |
| Finance charges   |      | (677)                                      | (715)                    | (1,324)                                |               |
| Finance income  |      | 46   | 57                       | 97                                     |               |
| Net finance charges   | 8    | (631)                                      | (658)                    | (1,227)                                |               |
| Share of profits less losses of joint venture companies   |      | 686  | 1,021                    | 1,444                                  |               |
| Share of profits less losses of associated companies  |      | 67   | 83                       | 160                                    |               |
| Profit before taxation  |      | 9,727                                      | 7,549                    | 11,369                                 |               |
| Taxation  | 9    | (1,134)                                    | (948)                    | (1,646)                                |               |
| Profit for the period   |      | 8,593                                      | 6,601                    | 9,723                                  |               |
| Profit attributable to:   |      |  |                          |  |               |
| The Company's shareholders  |      | 8,493                                      | 6,461                    | 9,516                                  |               |
| Non-controlling interests   |      | 100  | 140                      | 207                                    |               |
|   |      | 8,593                                      | 6,601                    | 9,723                                  |               |
| Dividends   |      |  |                          |  |               |
| First interim – declared/paid   |      | 1,346                                      | 1,287                    | 1,287                                  |               |
| Second interim – declared on 19th March 2015  |      | -  | -                        | 2,574                                  |               |
|   | 10   | 1,346                                      | 1,287                    | 3,861                                  |               |
|   |      | HK\$                                       | HK\$                     | HK\$                                   |               |
| Earnings per share for profit attributable to the<br>Company's shareholders (basic and diluted) | 11   | 1.45                                       | 1.10                     | 1.63                                   |               |
|   |      | 2015                                       | 2014                     |  |               |
|   |      | First<br>Interim<br>HK\$                   | First<br>Interim<br>HK\$ | Second<br>Interim<br>HK\$              | Total<br>HK\$ |
| Dividends per share   |      | 0.23                                       | 0.22                     | 0.44                                   | 0.66          |

The notes on pages 38 to 54 form part of these financial statements.

**Consolidated Statement of Other Comprehensive Income  
For the six months ended 30th June 2015 – unaudited**

|   | Unaudited<br>Six months ended<br>30th June |               | Audited<br>Year ended<br>31st December |
|---|--|---------------|--|
|   | 2015<br>HK\$M                              | 2014<br>HK\$M | 2014<br>HK\$M                          |
| <b>Profit for the period</b>  | <b>8,593</b>                               | <b>6,601</b>  | <b>9,723</b>                           |
| <b>Other comprehensive income</b>   |  |               |  |
| <b>Items that will not be reclassified to profit or loss</b>                              |  |               |  |
| Revaluation of properties previously occupied by the Group                                |  |               |  |
| - gains recognised during the period  | 13   | 1             | 5                                      |
| - deferred tax  | -  | -             | (1)                                    |
| Defined benefit plans   |  |               |  |
| - remeasurement losses recognised during the period                                       | -  | -             | (94)                                   |
| - deferred tax  | -  | -             | 16                                     |
|   | <b>13</b>                                  | <b>1</b>      | <b>(74)</b>                            |
| <b>Items that may be reclassified subsequently to profit or loss</b>                      |  |               |  |
| Cash flow hedges  |  |               |  |
| - (losses)/gains recognised during the period   | (103)                                      | 61            | 105                                    |
| - transferred to net finance charges  | -  | -             | 1                                      |
| - deferred tax  | 17   | (11)          | (17)                                   |
| Share of other comprehensive income/(losses) of joint venture<br>and associated companies | 8  | (113)         | (84)                                   |
| Net translation differences on foreign operations   | (12)                                       | (419)         | (486)                                  |
|   | <b>(90)</b>                                | <b>(482)</b>  | <b>(481)</b>                           |
| <b>Other comprehensive losses for the period, net of tax</b>                              | <b>(77)</b>                                | <b>(481)</b>  | <b>(555)</b>                           |
| <b>Total comprehensive income for the period</b>  | <b>8,516</b>                               | <b>6,120</b>  | <b>9,168</b>                           |
| Total comprehensive income attributable to:   |  |               |  |
| The Company's shareholders  | 8,416                                      | 5,987         | 8,968                                  |
| Non-controlling interests   | 100  | 133           | 200                                    |
|   | <b>8,516</b>                               | <b>6,120</b>  | <b>9,168</b>                           |

The notes on pages 38 to 54 form part of these financial statements.

**Consolidated Statement of Financial Position**  
**At 30th June 2015 – unaudited**

|   | <i>Note</i> | <b>Unaudited<br/>30th June<br/>2015<br/>HK\$M</b> | <b>Audited<br/>31st December<br/>2014<br/>HK\$M</b> |
|---|-------------|---|---|
| <b>ASSETS AND LIABILITIES</b>                                     |             |   |   |
| <b>Non-current assets</b>   |             |   |   |
| Property, plant and equipment                                     | 12          | 7,965   | 7,703   |
| Investment properties   | 12          | 224,670   | 218,955   |
| Intangible assets   | 13          | 121   | 82  |
| Properties held for development                                   |             | 902   | 920   |
| Joint venture companies   | 14          | 19,396  | 18,207  |
| Associated companies  | 15          | 508   | 535   |
| Available-for-sale assets   |             | 102   | 98  |
| Derivative financial instruments                                  | 17          | -   | 33  |
| Deferred tax assets   | 21          | 71  | 63  |
|   |             | <b>253,735</b>                                    | 246,596   |
| <b>Current assets</b>   |             |   |   |
| Properties under development and for sale                         |             | 7,212   | 7,979   |
| Stocks and work in progress                                       |             | 76  | 77  |
| Trade and other receivables                                       | 18          | 3,596   | 2,821   |
| Amount due from immediate holding company - Swire Pacific Limited | 19          | 18  | 8   |
| Cash and cash equivalents   |             | 2,982   | 2,874   |
| Short-term deposits maturing after three months                   |             | 50  | -   |
|   |             | <b>13,934</b>                                     | 13,759  |
| <b>Current liabilities</b>  |             |   |   |
| Trade and other payables  | 20          | 7,751   | 7,674   |
| Tax payable   |             | 853   | 519   |
| Bank overdrafts and short-term loans                              |             | 614   | 551   |
| Long-term loans due within one year                               |             | 276   | 1,851   |
| Loans due to a fellow subsidiary company - Swire Finance Limited  |             | 4,656   | 1,799   |
|   |             | <b>14,150</b>                                     | 12,394  |
| <b>Net current (liabilities)/assets</b>                           |             | <b>(216)</b>                                      | 1,365   |
| <b>Total assets less current liabilities</b>                      |             | <b>253,519</b>                                    | 247,961   |
| <b>Non-current liabilities</b>                                    |             |   |   |
| Long-term loans and bonds   |             | 23,757  | 20,588  |
| Loans due to a fellow subsidiary company - Swire Finance Limited  |             | 7,502   | 12,156  |
| Other payables  | 20          | 505   | 470   |
| Derivative financial instruments                                  | 17          | 76  | 4   |
| Deferred tax liabilities  | 21          | 6,476   | 6,105   |
| Retirement benefit liabilities                                    |             | 95  | 91  |
|   |             | <b>38,411</b>                                     | 39,414  |
| <b>NET ASSETS</b>   |             | <b>215,108</b>                                    | 208,547   |
| <b>EQUITY</b>   |             |   |   |
| Share capital   | 22          | 10,449  | 10,449  |
| Reserves  | 23          | 203,084   | 197,242   |
| <b>Equity attributable to the Company's shareholders</b>          |             | <b>213,533</b>                                    | 207,691   |
| <b>Non-controlling interests</b>                                  | 24          | 1,575   | 856   |
| <b>TOTAL EQUITY</b>   |             | <b>215,108</b>                                    | 208,547   |

The notes on pages 38 to 54 form part of these financial statements.

**Consolidated Statement of Cash Flows**  
**For the six months ended 30th June 2015 – unaudited**

|  | Unaudited                     |                | Audited                     |
|--|-------------------------------|----------------|-----------------------------|
|  | Six months ended<br>30th June |                | Year ended<br>31st December |
|  | 2015                          | 2014           | 2014                        |
|  | HK\$M                         | HK\$M          | HK\$M                       |
| <b>Operating activities</b>  |                               |                |                             |
| Cash generated from operations                                     | 5,579                         | 5,618          | 10,724                      |
| Interest paid  | (760)                         | (797)          | (1,575)                     |
| Interest received  | 47                            | 57             | 98                          |
| Profits tax paid   | (412)                         | (106)          | (760)                       |
|  | <b>4,454</b>                  | <b>4,772</b>   | <b>8,487</b>                |
| Dividends received from joint venture and associated companies     | 135                           | 205            | 786                         |
| <b>Net cash from operating activities</b>                          | <b>4,589</b>                  | <b>4,977</b>   | <b>9,273</b>                |
| <b>Investing activities</b>  |                               |                |                             |
| Purchase of property, plant and equipment                          | (210)                         | (371)          | (615)                       |
| Additions to investment properties                                 | (1,560)                       | (1,329)        | (4,336)                     |
| Purchase of intangible assets                                      | (5)                           | (5)            | (15)                        |
| Purchase of available-for-sale assets                              | (4)                           | -              | (23)                        |
| Proceeds from disposals of property, plant and equipment           | -                             | -              | 1                           |
| Proceeds from disposals of investment properties                   | 4                             | 7              | 7                           |
| Proceeds from disposal of a joint venture company                  | -                             | -              | 32                          |
| Loans to joint venture companies                                   | (593)                         | (1,672)        | (1,934)                     |
| Repayment of loans by joint venture companies                      | 57                            | 122            | 535                         |
| Repayment of loans by associated companies                         | -                             | -              | 21                          |
| Increase in deposits maturing after three months                   | (50)                          | (250)          | -                           |
| Initial leasing costs incurred                                     | (8)                           | (11)           | (65)                        |
| <b>Net cash used in investing activities</b>                       | <b>(2,369)</b>                | <b>(3,509)</b> | <b>(6,392)</b>              |
| <b>Net cash inflow before financing</b>                            | <b>2,220</b>                  | <b>1,468</b>   | <b>2,881</b>                |
| <b>Financing activities</b>  |                               |                |                             |
| Loans drawn and refinancing  | 2,474                         | 5,212          | 10,004                      |
| Bonds issued   | 600                           | -              | 600                         |
| Repayment of loans   | (1,430)                       | (3,603)        | (8,674)                     |
|  | <b>1,644</b>                  | <b>1,609</b>   | <b>1,930</b>                |
| Capital contribution from a non-controlling interest               | 629                           | -              | -                           |
| (Decrease)/Increase in loans due to a fellow subsidiary company    | (1,800)                       | 1,300          | 600                         |
| Purchase of shares in an existing subsidiary company               | -                             | (1,256)        | (1,256)                     |
| Dividends paid to the Company's shareholders                       | (2,574)                       | (2,340)        | (3,627)                     |
| Dividends paid to non-controlling interests                        | (10)                          | (140)          | (144)                       |
| <b>Net cash used in financing activities</b>                       | <b>(2,111)</b>                | <b>(827)</b>   | <b>(2,497)</b>              |
| <b>Increase in cash and cash equivalents</b>                       | <b>109</b>                    | <b>641</b>     | <b>384</b>                  |
| Cash and cash equivalents at 1st January                           | 2,874                         | 2,521          | 2,521                       |
| Currency adjustment  | (1)                           | (31)           | (31)                        |
| <b>Cash and cash equivalents at end of the period</b>              | <b>2,982</b>                  | <b>3,131</b>   | <b>2,874</b>                |
| <b>Represented by:</b>   |                               |                |                             |
| Bank balances and short-term deposits maturing within three months | 2,982                         | 3,131          | 2,874                       |

The notes on pages 38 to 54 form part of these financial statements.

**Consolidated Statement of Changes in Equity**  
**For the six months ended 30th June 2015 – unaudited**

|  | Attributable to the Company's shareholders |                 |                |                | Non-controlling interests | Total equity   |
|--|--|-----------------|----------------|----------------|---------------------------|----------------|
|  | Share capital                              | Revenue reserve | Other reserves | Total          |                           |                |
|  | HK\$M                                      | HK\$M           | HK\$M          | HK\$M          | HK\$M                     | HK\$M          |
| At 1st January 2015                                  | 10,449                                     | 194,278         | 2,964          | 207,691        | 856                       | 208,547        |
| Profit for the period                                | -  | 8,493           | -              | 8,493          | 100                       | 8,593          |
| Other comprehensive losses                           | -  | -               | (77)           | (77)           | -                         | (77)           |
| Total comprehensive income for the period            | -  | 8,493           | (77)           | 8,416          | 100                       | 8,516          |
| Dividends paid                                       | -  | (2,574)         | -              | (2,574)        | (10)                      | (2,584)        |
| Capital contribution from a non-controlling interest | -  | -               | -              | -              | 629                       | 629            |
| <b>At 30th June 2015 (unaudited)</b>                 | <b>10,449</b>                              | <b>200,197</b>  | <b>2,887</b>   | <b>213,533</b> | <b>1,575</b>              | <b>215,108</b> |

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

The notes on pages 38 to 54 form part of these financial statements.

**Notes to the Interim Financial Statements**
**1. Segment Information**
**(a) Analysis of Consolidated Statement of Profit or Loss**

|   | External revenue | Inter-segment revenue | Operating profit/(loss) after depreciation and amortisation | Net finance charges | Share of profits less losses of joint venture companies | Share of profits less losses of associated companies | Profit before taxation | Profit for the period | Profit attributable to the Company's shareholders |
|---|------------------|-----------------------|---|---------------------|---|--|------------------------|-----------------------|---|
|   | HK\$M            | HK\$M                 | HK\$M   | HK\$M               | HK\$M   | HK\$M  | HK\$M                  | HK\$M                 | HK\$M   |
| Six months ended 30th June 2015               |                  |                       |   |                     |   |  |                        |                       |   |
| Property investment                           | 5,433            | 9                     | 4,145   | (610)               | 109   | -  | 3,644                  | 3,102                 | 3,086   |
| Property trading                              | 3,403            | -                     | 1,025   | 1                   | (2)   | -  | 1,024                  | 846                   | 788   |
| Hotels  | 550              | 1                     | (23)  | (22)                | (8)   | 67   | 14                     | 8                     | 9   |
| Change in fair value of investment properties | -                | -                     | 4,458   | -                   | 587   | -  | 5,045                  | 4,637                 | 4,610   |
| Inter-segment elimination                     | -                | (10)                  | -   | -                   | -   | -  | -                      | -                     | -   |
| <b>Total</b>                                  | <b>9,386</b>     | <b>-</b>              | <b>9,605</b>  | <b>(631)</b>        | <b>686</b>  | <b>67</b>  | <b>9,727</b>           | <b>8,593</b>          | <b>8,493</b>                                      |

|   | External revenue | Inter-segment revenue | Operating profit/(loss) after depreciation and amortisation | Net finance charges | Share of profits less losses of joint venture companies | Share of profits less losses of associated companies | Profit before taxation | Profit for the period | Profit attributable to the Company's shareholders |
|---|------------------|-----------------------|---|---------------------|---|--|------------------------|-----------------------|---|
|   | HK\$M            | HK\$M                 | HK\$M   | HK\$M               | HK\$M   | HK\$M  | HK\$M                  | HK\$M                 | HK\$M   |
| Six months ended 30th June 2014               |                  |                       |   |                     |   |  |                        |                       |   |
| Property investment                           | 5,109            | 7                     | 3,947   | (636)               | 117   | -  | 3,428                  | 2,964                 | 2,951   |
| Property trading                              | 2,707            | -                     | 807   | 2                   | 175   | -  | 984                    | 851                   | 727   |
| Hotels  | 522              | 1                     | (8)   | (24)                | (10)  | 83   | 41                     | 26                    | 26  |
| Change in fair value of investment properties | -                | -                     | 2,357   | -                   | 739   | -  | 3,096                  | 2,760                 | 2,757   |
| Inter-segment elimination                     | -                | (8)                   | -   | -                   | -   | -  | -                      | -                     | -   |
| <b>Total</b>                                  | <b>8,338</b>     | <b>-</b>              | <b>7,103</b>  | <b>(658)</b>        | <b>1,021</b>  | <b>83</b>  | <b>7,549</b>           | <b>6,601</b>          | <b>6,461</b>                                      |

|   | External revenue | Inter-segment revenue | Operating profit/(loss) after depreciation and amortisation | Net finance charges | Share of profits less losses of joint venture companies | Share of profits less losses of associated companies | Profit before taxation | Profit for the period | Profit attributable to the Company's shareholders |
|---|------------------|-----------------------|---|---------------------|---|--|------------------------|-----------------------|---|
|   | HK\$M            | HK\$M                 | HK\$M   | HK\$M               | HK\$M   | HK\$M  | HK\$M                  | HK\$M                 | HK\$M   |
| Year ended 31st December 2014                 |                  |                       |   |                     |   |  |                        |                       |   |
| Property investment                           | 10,456           | 11                    | 7,878   | (1,186)             | 308   | -  | 7,000                  | 6,055                 | 6,029   |
| Property trading                              | 3,842            | -                     | 1,180   | 5                   | 226   | -  | 1,411                  | 1,200                 | 1,020   |
| Hotels  | 1,089            | 2                     | (22)  | (46)                | (46)  | 160  | 46                     | 30                    | 30  |
| Change in fair value of investment properties | -                | -                     | 1,956   | -                   | 956   | -  | 2,912                  | 2,438                 | 2,437   |
| Inter-segment elimination                     | -                | (13)                  | -   | -                   | -   | -  | -                      | -                     | -   |
| <b>Total</b>                                  | <b>15,387</b>    | <b>-</b>              | <b>10,992</b>   | <b>(1,227)</b>      | <b>1,444</b>  | <b>160</b>   | <b>11,369</b>          | <b>9,723</b>          | <b>9,516</b>                                      |



**1. Segment Information (continued)**
**(b) Analysis of Total Assets of the Group**

|                                  | Segment<br>assets<br>HK\$M | Joint<br>venture<br>companies<br>HK\$M | Associated<br>companies<br>HK\$M | Bank<br>deposits<br>HK\$M | Total<br>assets<br>HK\$M |
|----------------------------------|----------------------------|--|----------------------------------|---------------------------|--------------------------|
| <b>At 30th June 2015</b>         |                            |  |                                  |                           |                          |
| Property investment              | 228,966                    | 17,029                                 | 29                               | 2,229                     | 248,253                  |
| Property trading and development | 9,317                      | 1,057                                  | -                                | 644                       | 11,018                   |
| Hotels                           | 6,450                      | 1,310                                  | 479                              | 159                       | 8,398                    |
| <b>Total</b>                     | <b>244,733</b>             | <b>19,396</b>                          | <b>508</b>                       | <b>3,032</b>              | <b>267,669</b>           |
| <b>At 31st December 2014</b>     |                            |  |                                  |                           |                          |
| Property investment              | 223,021                    | 16,046                                 | 28                               | 2,092                     | 241,187                  |
| Property trading and development | 9,417                      | 891                                    | -                                | 612                       | 10,920                   |
| Hotels                           | 6,301                      | 1,270                                  | 507                              | 170                       | 8,248                    |
| <b>Total</b>                     | <b>238,739</b>             | <b>18,207</b>                          | <b>535</b>                       | <b>2,874</b>              | <b>260,355</b>           |

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

|                                  | Segment<br>liabilities<br>HK\$M | Current and<br>deferred tax<br>liabilities<br>HK\$M | Gross<br>borrowings<br>HK\$M | Total<br>liabilities<br>HK\$M | Non-<br>controlling<br>interests<br>HK\$M |
|----------------------------------|---------------------------------|---|------------------------------|-------------------------------|---|
| <b>At 30th June 2015</b>         |                                 |   |                              |                               |   |
| Property investment              | 6,115                           | 6,941   | 31,317                       | 44,373                        | 1,271                                     |
| Property trading and development | 2,082                           | 388   | 4,874                        | 7,344                         | 283                                       |
| Hotels                           | 230                             | -   | 614                          | 844                           | 21  |
| <b>Total</b>                     | <b>8,427</b>                    | <b>7,329</b>  | <b>36,805</b>                | <b>52,561</b>                 | <b>1,575</b>                              |
| <b>At 31st December 2014</b>     |                                 |   |                              |                               |   |
| Property investment              | 6,147                           | 6,341   | 30,344                       | 42,832                        | 612                                       |
| Property trading and development | 1,815                           | 283   | 6,056                        | 8,154                         | 224                                       |
| Hotels                           | 277                             | -   | 545                          | 822                           | 20  |
| <b>Total</b>                     | <b>8,239</b>                    | <b>6,624</b>  | <b>36,945</b>                | <b>51,808</b>                 | <b>856</b>                                |

## 1. Segment Information (continued)

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

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

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

## 2. Basis of Preparation

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

The accounting policies, methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2014 annual financial statements except for those noted in 2(b) below.

- (b) The following amendments were required to be adopted by the Group effective from 1st January 2015:

|                     |  |
|---------------------|--|
| HKFRSs (Amendment)  | Annual Improvements to HKFRSs 2010-2012 Cycle<br>Annual Improvements to HKFRSs 2011-2013 Cycle |
| HKAS 19 (Amendment) | Defined Benefit Plans – Employee Contributions   |

The improvements to HKFRSs cycles consist of amendments to existing standards. The amendments have had no significant impact on the Group's financial statements.

The amendment to HKAS 19 applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment permits (but does not require) contributions from employees or third parties that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, rather than being attributed to periods of service as a negative benefit. The amendment has had no significant impact on the Group's financial statements.

- (c) The preparation of the interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the Group's consolidated financial statements are detailed in the 2014 annual financial statements.

### 3. Financial Risk Management

Financial risk factors

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

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2014 annual financial statements. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

### 4. Revenue

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

|  | Six months ended<br>30th June |               | Year ended<br>31st December |
|--|-------------------------------|---------------|-----------------------------|
|  | 2015<br>HK\$M                 | 2014<br>HK\$M | 2014<br>HK\$M               |
| Gross rental income from investment properties | 5,368                         | 5,045         | 10,320                      |
| Property trading                               | 3,403                         | 2,707         | 3,842                       |
| Hotels   | 550                           | 522           | 1,089                       |
| Rendering of other services                    | 65                            | 64            | 136                         |
|  | <b>9,386</b>                  | <b>8,338</b>  | <b>15,387</b>               |

### 5. Cost of Sales

|   | Six months ended<br>30th June |               | Year ended<br>31st December |
|---|-------------------------------|---------------|-----------------------------|
|   | 2015<br>HK\$M                 | 2014<br>HK\$M | 2014<br>HK\$M               |
| Direct rental outgoings in respect of investment properties | 896                           | 803           | 1,786                       |
| Property trading  | 2,187                         | 1,760         | 2,439                       |
| Hotels  | 485                           | 437           | 924                         |
| Rendering of other services                                 | 19                            | 12            | 27                          |
|   | <b>3,587</b>                  | <b>3,012</b>  | <b>5,176</b>                |

## 6. Other Net Gains

|   | Six months ended<br>30th June |               | Year ended<br>31st December |
|---|-------------------------------|---------------|-----------------------------|
|   | 2015<br>HK\$M                 | 2014<br>HK\$M | 2014<br>HK\$M               |
| Profit on sale of investment properties                           | 13                            | 6             | 6                           |
| Loss on sale of property, plant and equipment                     | -                             | -             | (1)                         |
| Impairment reversals on trading properties                        | -                             | 24            | 45                          |
| Net foreign exchange (losses)/gains                               | (1)                           | 3             | (2)                         |
| Recognition of income on forfeited deposits on trading properties | 10                            | -             | 2                           |
| Others  | 3                             | 1             | 6                           |
|   | <b>25</b>                     | <b>34</b>     | <b>56</b>                   |

## 7. Expenses by Nature

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

|   | Six months ended<br>30th June |               | Year ended<br>31st December |
|---|-------------------------------|---------------|-----------------------------|
|   | 2015<br>HK\$M                 | 2014<br>HK\$M | 2014<br>HK\$M               |
| Depreciation of property, plant and equipment (note 12) | 134                           | 131           | 263                         |
| Amortisation of   |                               |               |                             |
| - Intangible assets (note 13)                           | 4                             | 3             | 8                           |
| - Initial leasing costs on investment properties        | 37                            | 46            | 89                          |
| Staff costs   | 761                           | 733           | 1,397                       |
| Operating lease rental                                  |                               |               |                             |
| - properties  | 39                            | 33            | 65                          |
| - plant and equipment                                   | 2                             | 1             | 3                           |

## 8. Net Finance Charges

Refer to page 30 for details of the Group's net finance charges.

**9. Taxation**

|   | Six months ended<br>30th June |               | Year ended<br>31st December |
|---|-------------------------------|---------------|-----------------------------|
|   | 2015<br>HK\$M                 | 2014<br>HK\$M | 2014<br>HK\$M               |
| Current taxation                                  |                               |               |                             |
| Hong Kong profits tax                             | (644)                         | (541)         | (988)                       |
| Overseas taxation                                 | (100)                         | (6)           | (74)                        |
| Under provisions in prior years                   | (1)                           | -             | (6)                         |
|   | <b>(745)</b>                  | (547)         | (1,068)                     |
| Deferred taxation (note 21)                       |                               |               |                             |
| Changes in fair value of investment properties    | (290)                         | (219)         | (265)                       |
| Origination and reversal of temporary differences | (99)                          | (182)         | (313)                       |
|   | <b>(389)</b>                  | (401)         | (578)                       |
|   | <b>(1,134)</b>                | (948)         | (1,646)                     |

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group's share of joint venture and associated companies' tax charges for the six months ended 30th June 2015 of HK\$187 million (30th June 2014: HK\$212 million; year ended 31st December 2014: HK\$320 million) and HK\$14 million (30th June 2014: HK\$17 million; year ended 31st December 2014: HK\$33 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

**10. Dividends**

|  | Six months ended<br>30th June |               | Year ended<br>31st December |
|--|-------------------------------|---------------|-----------------------------|
|  | 2015<br>HK\$M                 | 2014<br>HK\$M | 2014<br>HK\$M               |
| First interim dividend declared on 20th August 2015 of HK\$0.23 per share (2014 first interim dividend paid on 6th October 2014: HK\$0.22) | 1,346                         | 1,287         | 1,287                       |
| Second interim dividend paid on 7th May 2015 of HK\$0.44 per share   | -                             | -             | 2,574                       |
|  | <b>1,346</b>                  | 1,287         | 3,861                       |

The Directors have declared a first interim dividend of HK¢23 (2014: HK¢22) per share for the period ended 30th June 2015. The first interim dividend, which totals HK\$1,346 million (2014: HK\$1,287 million), will be paid on 5th October 2015 to shareholders registered at the close of business on the record date, being Friday, 11th September 2015. Shares of the Company will be traded ex-dividend as from Wednesday, 9th September 2015.

## 10. Dividends (Continued)

The register of members will be closed on Friday, 11th September 2015, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10th September 2015.

## 11. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2015 of HK\$8,493 million (30th June 2014: HK\$6,461 million; 31st December 2014: HK\$9,516 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2014 and 31st December 2014: 5,850,000,000 ordinary shares).

**12. Property, Plant and Equipment/Investment Properties**

|   | Property,<br>plant<br>and<br>equipment<br>HK\$M |
|---|---|
| <b>Cost:</b>                                    |   |
| At 1st January 2015                             | 9,650   |
| Translation differences                         | 7   |
| Additions                                       | 214   |
| Disposals                                       | (9)   |
| Net transfers from investment properties        | 164   |
| Revaluation surplus                             | 13  |
| <b>At 30th June 2015</b>                        | <b>10,039</b>                                   |
| <b>Accumulated depreciation and impairment:</b> |   |
| At 1st January 2015                             | 1,947   |
| Translation differences                         | 2   |
| Charge for the period                           | 134   |
| Disposals                                       | (8)   |
| Net transfers to investment properties          | (1)   |
| <b>At 30th June 2015</b>                        | <b>2,074</b>                                    |
| <b>Net book value:</b>                          |   |
| <b>At 30th June 2015</b>                        | <b>7,965</b>                                    |
| At 1st January 2015                             | 7,703   |

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 carrying amount to fair value for the period ended 30th June 2015 was HK\$13 million and has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2015.

Refer to page 18 for details of the Group's investment properties.

**13. Intangible Assets**

|                                    | Computer<br>Software<br>HK\$M | Others<br>HK\$M | Total<br>HK\$M |
|------------------------------------|-------------------------------|-----------------|----------------|
| <b>Cost:</b>                       |                               |                 |                |
| At 1st January 2015                | 82                            | 58              | 140            |
| Additions                          | 5                             | -               | 5              |
| Transfer from deferred expenditure | -                             | 38              | 38             |
| <b>At 30th June 2015</b>           | <b>87</b>                     | <b>96</b>       | <b>183</b>     |
| <b>Accumulated amortisation:</b>   |                               |                 |                |
| At 1st January 2015                | 58                            | -               | 58             |
| Amortisation for the period        | 4                             | -               | 4              |
| <b>At 30th June 2015</b>           | <b>62</b>                     | <b>-</b>        | <b>62</b>      |
| <b>Net book value:</b>             |                               |                 |                |
| <b>At 30th June 2015</b>           | <b>25</b>                     | <b>96</b>       | <b>121</b>     |
| At 1st January 2015                | 24                            | 58              | 82             |

**14. Joint Venture Companies**

|  | <b>30th June<br/>2015<br/>HK\$M</b> | 31st December<br>2014<br>HK\$M |
|--|-------------------------------------|--------------------------------|
| Share of net assets, unlisted                          | <b>5,959</b>                        | 5,305                          |
| Loans due from joint venture companies less provisions |                                     |                                |
| - Interest-free  | <b>12,159</b>                       | 12,060                         |
| - Interest-bearing                                     | <b>1,278</b>                        | 842                            |
|  | <b>19,396</b>                       | 18,207                         |

**15. Associated Companies**

|                                     | <b>30th June<br/>2015<br/>HK\$M</b> | 31st December<br>2014<br>HK\$M |
|-------------------------------------|-------------------------------------|--------------------------------|
| Share of net assets, unlisted       | <b>477</b>                          | 504                            |
| Loans due from associated companies |                                     |                                |
| - Interest-free                     | <b>31</b>                           | 31                             |
|                                     | <b>508</b>                          | 535                            |



**16. Fair Value Measurement of Financial Instruments**

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

|  | Level 2<br>HK\$M | Level 3<br>HK\$M | Total<br>HK\$M |
|--|------------------|------------------|----------------|
| <b>Assets as per consolidated statement of financial position</b>      |                  |                  |                |
| <b>At 30th June 2015</b>   |                  |                  |                |
| Derivatives used for hedging (note 17)                                 | -                | -                | -              |
| Available-for-sale assets – Unlisted investments                       | -                | <b>102</b>       | <b>102</b>     |
| <b>Total</b>   | <b>-</b>         | <b>102</b>       | <b>102</b>     |
| At 31st December 2014  |                  |                  |                |
| Derivatives used for hedging (note 17)                                 | 33               | -                | 33             |
| Available-for-sale assets – Unlisted investments                       | -                | 98               | 98             |
| <b>Total</b>   | <b>33</b>        | <b>98</b>        | <b>131</b>     |
| <b>Liabilities as per consolidated statement of financial position</b> |                  |                  |                |
| <b>At 30th June 2015</b>   |                  |                  |                |
| Derivatives used for hedging (note 17)                                 | <b>76</b>        | -                | <b>76</b>      |
| Put option in favour of a non-controlling interest (note 20)           | -                | <b>505</b>       | <b>505</b>     |
| <b>Total</b>   | <b>76</b>        | <b>505</b>       | <b>581</b>     |
| At 31st December 2014  |                  |                  |                |
| Derivatives used for hedging (note 17)                                 | 4                | -                | 4              |
| Put option in favour of a non-controlling interest (note 20)           | -                | 470              | 470            |
| <b>Total</b>   | <b>4</b>         | <b>470</b>       | <b>474</b>     |

## Notes:

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

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

There were no transfers of financial instruments between level 2 and level 3 fair value classifications and there were no transfers into or out of level 3 fair value hierarchy classifications. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels at the date of the event or change in circumstances that causes the transfer.

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

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

The fair value of the put option over non-controlling interest in subsidiary company classified as Level 3 is determined using discounted cash flow valuations.

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

**16. Fair Value Measurement of Financial Instruments (continued)**

The investment property's fair value at the expected exercise date is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's already complete investment properties, including expected fair market rent and the capitalisation rate. If the investment property's expected fair value at the exercise date is higher, the fair value of the put option would also be higher at 30th June 2015. If the expected exercise date is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise date or a lower discount rate.

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

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30th June 2015 and 31st December 2014 except for the following financial liabilities, the carrying amounts and fair value of which are disclosed below:

|                           | 30th June 2015  |            | 31st December 2014 |            |
|---------------------------|-----------------|------------|--------------------|------------|
|                           | Carrying amount | Fair value | Carrying amount    | Fair value |
|                           | HK\$M           | HK\$M      | HK\$M              | HK\$M      |
| Long-term loans and bonds | 24,033          | 24,306     | 22,439             | 22,714     |

**17. Derivative Financial Instruments**

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

|   | 30th June 2015 |             | 31st December 2014 |             |
|---|----------------|-------------|--------------------|-------------|
|   | Assets         | Liabilities | Assets             | Liabilities |
|   | HK\$M          | HK\$M       | HK\$M              | HK\$M       |
| Cross-currency swaps - cash flow hedges |                |             |                    |             |
| - due after one year                    | -              | 76          | 33                 | 4           |

**18. Trade and Other Receivables**

|                                | <b>30th June</b> | 31st December |
|--------------------------------|------------------|---------------|
|                                | <b>2015</b>      | 2014          |
|                                | <b>HK\$M</b>     | HK\$M         |
| Trade debtors                  | <b>962</b>       | 275           |
| Prepayments and accrued income | <b>433</b>       | 253           |
| Other receivables              | <b>2,201</b>     | 2,293         |
|                                | <b>3,596</b>     | 2,821         |

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

|                              | <b>30th June</b> | 31st December |
|------------------------------|------------------|---------------|
|                              | <b>2015</b>      | 2014          |
|                              | <b>HK\$M</b>     | HK\$M         |
| Under three months           | <b>958</b>       | 271           |
| Between three and six months | <b>3</b>         | 2             |
| Over six months              | <b>1</b>         | 2             |
|                              | <b>962</b>       | 275           |

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

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

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

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

**20. Trade and Other Payables**

|  | <b>30th June</b> | 31st December |
|--|------------------|---------------|
|  | <b>2015</b>      | 2014          |
|  | <b>HK\$M</b>     | HK\$M         |
| Trade creditors  | <b>1,054</b>     | 1,337         |
| Amount due to intermediate holding company                         | <b>119</b>       | 110           |
| Amount due to a fellow subsidiary company                          | <b>81</b>        | 77            |
| Amount due to an associated company                                | <b>76</b>        | 106           |
| Interest-bearing advances from fellow subsidiary companies         | <b>400</b>       | 400           |
| Interest-bearing advances from joint venture and related companies | <b>250</b>       | 250           |
| Rental deposits from tenants                                       | <b>2,295</b>     | 2,295         |
| Put option in favour of a non-controlling interest - non-current   | <b>505</b>       | 470           |
| Accrued capital expenditure  | <b>392</b>       | 497           |
| Other payables   | <b>3,084</b>     | 2,602         |
|  | <b>8,256</b>     | 8,144         |
| Amount due after one year included under non-current liabilities   | <b>(505)</b>     | (470)         |
|  | <b>7,751</b>     | 7,674         |

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

|                    | <b>30th June</b> | 31st December |
|--------------------|------------------|---------------|
|                    | <b>2015</b>      | 2014          |
|                    | <b>HK\$M</b>     | HK\$M         |
| Under three months | <b>1,054</b>     | 1,337         |

**21. Deferred Taxation**

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

|   | HK\$M        |
|---|--------------|
| At 1st January 2015                             | 6,042        |
| Translation differences                         | (9)          |
| Charged to statement of profit or loss (note 9) | 389          |
| Credited to other comprehensive income          | (17)         |
| <b>At 30th June 2015</b>                        | <b>6,405</b> |
| Represented by:                                 |              |
| Deferred tax assets                             | (71)         |
| Deferred tax liabilities                        | 6,476        |
|   | 6,405        |

**22. Share Capital**

|  | Company                    |                                |
|--|----------------------------|--------------------------------|
|  | 30th June<br>2015<br>HK\$M | 31st December<br>2014<br>HK\$M |
| <b>Issued and fully paid:</b>            |                            |                                |
| At 30th June 2015 and 31st December 2014 |                            |                                |
| 5,850,000,000 ordinary shares            | <b>10,449</b>              | 10,449                         |

**23. Reserves**

|   | Revenue<br>reserve*<br>HK\$M | Merger<br>reserve<br>HK\$M | Property<br>revaluation<br>reserve<br>HK\$M | Cash flow<br>hedge<br>reserve<br>HK\$M | Translation<br>reserve<br>HK\$M | Total<br>HK\$M |
|---|------------------------------|----------------------------|---|--|---------------------------------|----------------|
| At 1st January 2015   | 194,278                      | (1,108)                    | 1,676                                       | 24                                     | 2,372                           | 197,242        |
| Profit for the period   | 8,493                        | -                          | -   | -                                      | -                               | 8,493          |
| <i>Other comprehensive income</i>   |                              |                            |   |  |                                 |                |
| Revaluation of property previously<br>occupied by the Group                         |                              |                            |   |  |                                 |                |
| - gain recognised during the<br>period  | -                            | -                          | 13  | -                                      | -                               | 13             |
| Cash flow hedges  |                              |                            |   |  |                                 |                |
| - losses recognised during the<br>period  | -                            | -                          | -   | (103)                                  | -                               | (103)          |
| - deferred tax  | -                            | -                          | -   | 17                                     | -                               | 17             |
| Share of other comprehensive<br>income of joint venture<br>and associated companies | -                            | -                          | -   | (1)                                    | 9                               | 8              |
| Net translation differences on<br>foreign operations                                | -                            | -                          | -   | -                                      | (12)                            | (12)           |
| Total comprehensive income<br>for the period  | 8,493                        | -                          | 13  | (87)                                   | (3)                             | 8,416          |
| 2014 second interim dividend  | (2,574)                      | -                          | -   | -                                      | -                               | (2,574)        |
| <b>At 30th June 2015</b>  | <b>200,197</b>               | <b>(1,108)</b>             | <b>1,689</b>                                | <b>(63)</b>                            | <b>2,369</b>                    | <b>203,084</b> |

\* The revenue reserve includes HK\$1,346 million representing the proposed first interim dividend for the period (31st December 2014: HK\$2,574 million representing the proposed second interim dividend for 2014).

## 24. Non-controlling Interests

|  | HK\$M        |
|--|--------------|
| At 1st January 2015                                    | 856          |
| Share of profits less losses for the period            | 100          |
| Share of translation differences on foreign operations | -            |
| Share of total comprehensive income for the period     | 100          |
| Dividends paid and payable                             | (10)         |
| Capital contribution from a non-controlling interest   | 629          |
| <b>At 30th June 2015</b>                               | <b>1,575</b> |

The capital contribution from a non-controlling interest relates to the 25% interest in the retail component of the Brickell City Centre Project, held by Simon Property Group.

## 25. Capital Commitments

|  | 30th June<br>2015<br>HK\$M | 31st December<br>2014<br>HK\$M |
|--|----------------------------|--------------------------------|
| Outstanding capital commitments at the end of the period in respect of:                        |                            |                                |
| Property, plant and equipment  |                            |                                |
| Contracted for   | 374                        | 315                            |
| Authorised by Directors but not contracted for   | 104                        | 166                            |
| Investment properties  |                            |                                |
| Contracted for   | 2,557                      | 2,417                          |
| Authorised by Directors but not contracted for   | 14,578                     | 15,773                         |
|  | <b>17,613</b>              | <b>18,671</b>                  |
| The Group's share of capital commitments of joint venture companies at the end of the period * |                            |                                |
| Contracted for   | 2,130                      | 2,134                          |
| Authorised by Directors but not contracted for   | 2,936                      | 3,335                          |
|  | <b>5,066</b>               | <b>5,469</b>                   |

\* of which the Group is committed to funding HK\$1,777 million (31st December 2014: HK\$2,634 million).

## 26. Contingencies

Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK\$1,473 million (31st December 2014: HK\$1,477 million). Bank guarantees given in lieu of utility deposits and other liabilities totalled HK\$88 million at the end of the period (31st December 2014: HK\$146 million).

## 27. Related Party Transactions

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group's relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement, which commenced on 1st January 2014 for a period of three years, will expire on 31st December 2016. For the period ended 30th June 2015, service fees payable amounted to HK\$119 million (2014: HK\$111 million). Expenses of HK\$29 million (2014: HK\$30 million) were reimbursed at cost; in addition, HK\$32 million (2014: HK\$40 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (the "Tenancy Framework Agreement") between JSSHK, Swire Pacific Limited and the Company dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group and members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement is for a term of two years ending 31st December 2015 and will be renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the six months ended 30th June 2015, the aggregate rentals payable to the Group by members of the JSSHK group and members of the Swire Pacific group under the tenancies subject to the Tenancy Framework Agreement amounted to HK\$49 million (2014: HK\$45 million) and HK\$44 million (2014: HK\$44 million) respectively.

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

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

**27. Related Party Transactions (continued)**

|                       |     | For the six months ended 30th June |       |                             |       |                           |       |                              |       |                       |       |
|-----------------------|-----|------------------------------------|-------|-----------------------------|-------|---------------------------|-------|------------------------------|-------|-----------------------|-------|
|                       |     | Joint venture companies            |       | Fellow subsidiary companies |       | Immediate holding company |       | Intermediate holding company |       | Other related parties |       |
|                       |     | 2015                               | 2014  | 2015                        | 2014  | 2015                      | 2014  | 2015                         | 2014  | 2015                  | 2014  |
| Note                  |     | HK\$M                              | HK\$M | HK\$M                       | HK\$M | HK\$M                     | HK\$M | HK\$M                        | HK\$M | HK\$M                 | HK\$M |
| Purchases of services | (a) | -                                  | -     | 10                          | 10    | -                         | -     | -                            | -     | -                     | -     |
| Rental revenue        | (b) | 2                                  | 2     | 46                          | 45    | 6                         | 6     | 41                           | 38    | 5                     | 4     |
| Revenue from hotels   |     | -                                  | -     | -                           | 1     | -                         | -     | -                            | -     | 1                     | 1     |
| Other revenue         | (a) | -                                  | -     | 3                           | 5     | 1                         | -     | 1                            | 1     | -                     | -     |
| Interest income       | (c) | 32                                 | 20    | -                           | -     | -                         | -     | -                            | -     | -                     | -     |
| Interest charges      | (c) | -                                  | 3     | 349                         | 354   | -                         | -     | -                            | -     | 4                     | 4     |

## Notes:

- Purchases of goods and rendering of services from and to related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged by/to and contracted with other suppliers/customers of the Group.
- 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.
- Loans advanced to joint venture and associated companies at 30th June 2015 are disclosed in notes 14 and 15 respectively. Advances from fellow subsidiary, joint venture, associated and related companies are disclosed in note 20. There are a number of loan agreements between the Group and the Swire Pacific group, details of which are disclosed on page 26. The loans due to Swire Finance Limited, a fellow subsidiary company, are disclosed on page 28.

Amount due from the immediate holding company at 30th June 2015 was HK\$18 million (31st December 2014: HK\$8 million). These balances arise in the normal course of business, are non-interest-bearing and repayable within one year.

**28. Event After the Reporting Period**

In July 2015, a subsidiary of Swire Properties entered into a framework agreement with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. signifying the parties' intention to jointly develop a retail project with an aggregate gross floor area of approximately 1,330,000 square feet in Qiantan, Pudong New District in Shanghai. Entry into the proposed joint venture and undertaking the project are subject to certain conditions precedent. If the joint venture is formed, it is expected that Swire Properties will have a 50% interest in the project.



## SUPPLEMENTARY INFORMATION

### Corporate Governance

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

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

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

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

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

### Share Capital

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

### Directors’ Particulars

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

1. J.R. Slosar was appointed as a Vice-President of The Real Estate Developers Association of Hong Kong with effect from 19th March 2015.
2. G.J. Ongley ceased to be Director, Development and was appointed Senior Advisor with effect from 1st July 2015.
3. D.C.Y. Ho was appointed Senior Advisor (Mainland China) with effect from 1st August 2015.

**Directors' Interests**

At 30th June 2015, 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.<br>of shares | Percentage<br>of voting<br>shares (%) | Note |
|---------------------------------|---------------------|--------|-------------------|------------------------|---------------------------------------|------|
|                                 | Beneficial interest |        | Trust<br>interest |                        |                                       |      |
|                                 | Personal            | Family |                   |                        |                                       |      |
| <b>Swire Properties Limited</b> |                     |        |                   |                        |                                       |      |
| 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                               |      |

|  | Capacity            |        |                   | Total no.<br>of shares | Percentage<br>of issued<br>capital (%) | Note |
|--|---------------------|--------|-------------------|------------------------|--|------|
|  | Beneficial interest |        | Trust<br>interest |                        |  |      |
|  | Personal            | Family |                   |                        |  |      |
| <b>John Swire &amp; Sons Limited</b>   |                     |        |                   |                        |  |      |
| <u>Ordinary Shares of £1</u>           |                     |        |                   |                        |  |      |
| M.B. Swire                             | 3,150,523           | -      | 19,222,920        | 22,373,443             | 22.37                                  | (1)  |
| <u>8% Cum. Preference Shares of £1</u> |                     |        |                   |                        |  |      |
| M.B. Swire                             | 846,476             | -      | 5,655,441         | 6,501,917              | 21.67                                  | (1)  |

|                              | Capacity            |        |                   | Total no.<br>of shares | Percentage<br>of voting<br>shares in the<br>class (%) |
|------------------------------|---------------------|--------|-------------------|------------------------|---|
|                              | Beneficial interest |        | Trust<br>interest |                        |   |
|                              | Personal            | Family |                   |                        |   |
| <b>Swire Pacific Limited</b> |                     |        |                   |                        |   |
| 'A' shares                   |                     |        |                   |                        |   |
| S.E. Bradley                 | 1,000               | -      | -                 | 1,000                  | 0.0001  |
| P.K. Etchells                | -                   | 12,000 | -                 | 12,000                 | 0.0013  |
| 'B' shares                   |                     |        |                   |                        |   |
| D.C.Y. Ho                    | 100,000             | -      | -                 | 100,000                | 0.0033  |

|   | Capacity            |        |                   | Total no.<br>of shares | Percentage<br>of voting<br>shares (%) |
|---|---------------------|--------|-------------------|------------------------|---------------------------------------|
|   | Beneficial interest |        | Trust<br>interest |                        |                                       |
|   | Personal            | Family |                   |                        |                                       |
| <b>Hong Kong Aircraft<br/>Engineering Company<br/>Limited</b> |                     |        |                   |                        |                                       |
| D.C.Y. Ho   | 6,400               | -      | -                 | 6,400                  | 0.0038                                |

Note:

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

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

### Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2015 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

| Long position                   | Number of<br>shares | Percentage of<br>voting<br>shares (%) | Type of interest      | Note |
|---------------------------------|---------------------|---------------------------------------|-----------------------|------|
| 1. Swire Pacific Limited        | 4,796,765,835       | 82.00                                 | Beneficial owner      | (1)  |
| 2. John Swire & Sons<br>Limited | 4,796,765,835       | 82.00                                 | Attributable interest | (2)  |

Notes:

At 30th June 2015:

- (1) Swire Pacific Limited was interested in 4,796,765,835 shares of the Company as beneficial owner.  
 (2) John Swire & Sons Limited was deemed to be interested in a total of 4,796,765,835 shares in which Swire Pacific Limited was interested, by virtue of the John Swire & Sons Limited group's interests in shares of Swire Pacific Limited representing approximately 49.75% of the equity and approximately 61.26% of the voting rights.

**Interim Report**

The 2015 Interim Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Group website [www.swireproperties.com](http://www.swireproperties.com) on or before 4th September 2015. Printed copies will be sent to shareholders who have elected to receive printed copies on 7th September 2015.

**Directors**

The Directors of the Company at the date of this announcement are:

Executive Directors: J.R. Slosar (Chairman), G.M.C. Bradley, M.M.S. Low, D.C.Y. Ho, G.J. Ongley;

Non-Executive Directors: M. Cubbon, P. Healy, R.S.K. Lim, M.B. Swire; and

Independent Non-Executive Directors: S.E. Bradley, J.C.C. Chan, P.K. Etchells, S.T. Fung and S.C. Liu.

By Order of the Board

**Swire Properties Limited**

John Slosar

*Chairman*

Hong Kong, 20th August 2015

Website: [www.swireproperties.com](http://www.swireproperties.com)

**GLOSSARY**
**Terms**

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

**Equity attributable to the Company's shareholders**

Equity before non-controlling interests.

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

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

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

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

**Ratios**

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

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

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

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

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

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

**FINANCIAL CALENDAR AND INFORMATION FOR INVESTORS****Financial Calendar 2015**

|   |                |
|---|----------------|
| Interim Report available to shareholders                          | 7th September  |
| Shares trade ex-dividend  | 9th September  |
| Share register closed for 2015 first interim dividend entitlement | 11th September |
| Payment of 2015 first interim dividend                            | 5th October    |
| Annual results announcement                                       | March 2016     |
| Annual General Meeting  | May 2016       |

**Registered Office**

Swire Properties Limited  
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88 Queensway  
Hong Kong

**Registrars**

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Website: [www.computershare.com](http://www.computershare.com)

**Depository**

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BNY Mellon Shareowner Services  
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1-201-680-6825

**Stock Code**

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ADR                                      SWROY

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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](mailto:ir@swireproperties.com).