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## **SWIRE PROPERTIES LIMITED**

(Incorporated in Hong Kong with limited liability)

**(Stock Code: 1972)**

## **2020 Interim Results**

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**FINANCIAL HIGHLIGHTS**

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

**Notes:**

- (a) Refer to glossary on page 58 for definition.  
 (b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 5.  
 (c) Refer to note 11 in the financial statements for the weighted average number of shares.

## CHAIRMAN'S STATEMENT

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

### Dividend

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

### Key Development

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

### Operating Performance

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

Recurring underlying profit (which excludes the profit on sale of interests in investment

properties) was HK\$3,702 million in the first half of 2020, compared with HK\$4,049 million in the first half of 2019.

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

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

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

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

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

## Finance

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

## Prospects

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

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

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

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

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

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

Merlin Swire  
Chairman  
Hong Kong, 13th August 2020

**REVIEW OF OPERATIONS**

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

(1) Other revenue is mainly estate management fees.

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

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

## Notes:

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

## Underlying Profit

### Movement in Underlying Profit

|                                                                        | HK\$M        |
|------------------------------------------------------------------------|--------------|
| Underlying profit in the first half of 2019                            | 18,606       |
| Decrease in profit from the sale of interests in investment properties | (14,506)     |
| Increase in profit from property investment                            | 65           |
| Increase in losses from property trading                               | (47)         |
| Increase in losses from hotels                                         | (365)        |
| <b>Underlying Profit in the First Half of 2020</b>                     | <b>3,753</b> |

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

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

## Portfolio Overview

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

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



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

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

|                  | Office      | Retail     | Hotels <sup>(1)</sup> | Residential/<br>Serviced<br>Apartments | Under<br>Planning | Total       |
|------------------|-------------|------------|-----------------------|----------------------------------------|-------------------|-------------|
| Hong Kong        | 9.3         | 2.5        | 0.8                   | 0.6                                    | -                 | <b>13.2</b> |
| Chinese mainland | 2.9         | 4.5        | 1.2                   | 0.2                                    | -                 | <b>8.8</b>  |
| U.S.A.           | -           | 0.3        | 0.5                   | 0.1                                    | -                 | <b>0.9</b>  |
| <b>Total</b>     | <b>12.2</b> | <b>7.3</b> | <b>2.5</b>            | <b>0.9</b>                             | -                 | <b>22.9</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        | 1.2        | -          | -                     | -                                      | -                  | <b>1.2</b> |
| Chinese mainland | -          | 0.9        | -                     | -                                      | -                  | <b>0.9</b> |
| U.S.A.           | -          | -          | -                     | -                                      | 1.5 <sup>(2)</sup> | <b>1.5</b> |
| <b>Total</b>     | <b>1.2</b> | <b>0.9</b> | -                     | -                                      | <b>1.5</b>         | <b>3.6</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>13.4</b> | <b>8.2</b> | <b>2.5</b>            | <b>0.9</b>                             | <b>1.5</b>        | <b>26.5</b> |

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

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

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

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

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

|                      | Completed  | Under<br>Development<br>or Held for<br>Development | Total      |
|----------------------|------------|----------------------------------------------------|------------|
| Hong Kong            | -          | 0.7                                                | <b>0.7</b> |
| U.S.A. and elsewhere | 0.3        | 2.5                                                | <b>2.8</b> |
| <b>Total</b>         | <b>0.3</b> | <b>3.2</b>                                         | <b>3.5</b> |

## Investment Properties – Hong Kong

### Offices

#### Overview

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

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

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

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

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

The 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 2020.

**Office Area by Tenants' Businesses  
(At 30th June 2020)**

|                                                                                      |       |
|--------------------------------------------------------------------------------------|-------|
| Banking/Finance/Securities/Investment                                                | 26.5% |
| Trading                                                                              | 16.4% |
| Professional services (Accounting/Legal/Management consulting/Corporate secretarial) | 12.6% |
| Technology/Media/Telecoms                                                            | 11.8% |
| Insurance                                                                            | 11.4% |
| Real estate/Construction/Property development/Architecture                           | 7.9%  |
| Advertising and public relations                                                     | 2.4%  |
| Others                                                                               | 11.0% |

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

**Hong Kong Office Market Outlook**

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

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

**Office Lease Expiry Profile (At 30th June 2020)**

|                      |       |
|----------------------|-------|
| July – December 2020 | 2.3%  |
| 2021                 | 16.3% |
| 2022 and later       | 81.4% |

## Retail

### Overview

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

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

#### Hong Kong Retail Portfolio

|                         | GFA (sq. ft.)<br>(100% Basis) | Occupancy<br>(at 30th June 2020) | Attributable<br>Interest |
|-------------------------|-------------------------------|----------------------------------|--------------------------|
| The Mall, Pacific Place | 711,182                       | 100%                             | 100%                     |
| Cityplaza               | 1,105,227                     | 100%                             | 100%                     |
| Citygate Outlets        | 803,582                       | 99%                              | 20%                      |
| Others <sup>(1)</sup>   | 542,779                       | 100%                             | 20%/60%/100%             |
| <b>Total</b>            | <b>3,162,770</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\$1,269 million in the first half of 2020, representing a decrease of 10% compared to the same period in 2019. The decreases reflected lower turnover rents and rental concessions. Disregarding amortised rental concessions, gross rental income decreased by 8%. Rental income from The Mall at Pacific Place and Cityplaza decreased by 13% and 9% respectively. Occupancy levels at the Group's malls were almost 100% during the period.

The 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 2020.

#### Retail Area by Tenants' Businesses (At 30th June 2020)

|                         |       |
|-------------------------|-------|
| Fashion and accessories | 30.1% |
| Food and beverages      | 18.9% |
| Department stores       | 13.4% |
| Supermarkets            | 5.5%  |
| Cinemas                 | 4.2%  |
| Jewellery and watches   | 1.7%  |
| Ice rink                | 0.9%  |
| Others                  | 25.3% |

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

### Hong Kong Retail Market Outlook

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

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

**Retail Lease Expiry Profile (At 30th June 2020)**

|                      |       |
|----------------------|-------|
| July – December 2020 | 4.5%  |
| 2021                 | 23.5% |
| 2022 and later       | 72.0% |

### Residential

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

### Investment Properties Under Development

#### Taikoo Place Redevelopment

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

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

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

### Others

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

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

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

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

## Investment Properties – Chinese mainland

### Overview

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

#### Chinese mainland Property Portfolio <sup>(1)</sup>

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

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

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

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

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

**Retail**

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

The 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 2020.

**Retail Area by Tenants' Businesses  
(At 30th June 2020)**

|                         |       |
|-------------------------|-------|
| Fashion and accessories | 40.4% |
| Food and beverages      | 26.6% |
| Supermarkets            | 5.6%  |
| Cinemas                 | 4.9%  |
| Jewellery and watches   | 2.1%  |
| Others                  | 20.4% |

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

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

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

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

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

**Chinese mainland Retail Market Outlook**

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



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

**Retail Lease Expiry Profile (At 30th June 2020)**

|                      |       |
|----------------------|-------|
| July – December 2020 | 14.4% |
| 2021                 | 29.8% |
| 2022 and later       | 55.8% |

**Offices**

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

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

**Office Area by Tenants' Businesses  
(At 30th June 2020)**

|                                                            |       |
|------------------------------------------------------------|-------|
| Banking/Finance/Securities/Investment                      | 32.4% |
| Trading                                                    | 27.3% |
| Technologies/Media/Telecom                                 | 13.5% |
| Professional services                                      | 11.1% |
| Real estate/Construction/Property Development/Architecture | 5.3%  |
| Pharmaceutical manufacturing                               | 3.4%  |
| Others                                                     | 7.0%  |

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

**Chinese mainland Office Market Outlook**

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

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

**Office Lease Expiry Profile (At 30th June 2020)**

|                      |       |
|----------------------|-------|
| July – December 2020 | 8.2%  |
| 2021                 | 24.4% |
| 2022 and later       | 67.4% |

**Investment Property Under Development**
**Taikoo Li Qiantan, Shanghai**

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

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

**Attributable Area of Completed Property Portfolio in the Chinese mainland**

| GFA (sq. ft.)                | 30th June<br>2020 | 31st December    |                   |
|------------------------------|-------------------|------------------|-------------------|
|                              |                   | 2020             | 2021<br>and later |
| Taikoo Li Sanlitun, Beijing  | 1,465,771         | 1,465,771        | 1,721,502         |
| Taikoo Hui, Guangzhou        | 3,724,990         | 3,724,990        | 3,724,990         |
| INDIGO, Beijing              | 943,434           | 943,434          | 943,434           |
| Sino-Ocean Taikoo Li Chengdu | 830,864           | 830,864          | 830,864           |
| HKRI Taikoo Hui, Shanghai    | 1,768,311         | 1,768,311        | 1,768,311         |
| Taikoo Li Qiantan, Shanghai  | -                 | 623,503          | 623,503           |
| Hui Fang, Guangzhou          | 90,847            | 90,847           | 90,847            |
| Others                       | 22,664            | 22,664           | 22,664            |
| <b>Total</b>                 | <b>8,846,881</b>  | <b>9,470,384</b> | <b>9,726,115</b>  |

**Serviced Apartments**

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

The serviced apartments were adversely affected by COVID-19 in the first half of 2020. Occupancy at the Mandarin Oriental in Guangzhou, The Temple House in Chengdu and The Middle House Residences in Shanghai was 91%, 40% and 64% respectively at 30th June 2020.

**Chinese mainland Serviced Apartments Market Outlook**

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

## **Investment Properties – U.S.A.**

### **Overview**

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

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

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

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

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

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

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

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

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

**Brickell City Centre, Miami**

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

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

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

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

**Miami Market Outlook**

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

**Valuation of Investment Properties**

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

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

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

## Property Trading

### Overview

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

#### Property Trading Portfolio (At 30th June 2020)

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

(1) Remaining saleable area.

### Hong Kong

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

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

**Wong Chuk Hang Station Package Four Property Development**

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

**Chai Wan Inland Lot No. 88**

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

**U.S.A.**

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

**Singapore**

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

**Indonesia**

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

**Outlook**

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

underpin demand for residential accommodation. In Jakarta, urbanisation and a growing middle class are expected to support a stable residential property market.

### **Estate Management**

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

## Hotels

### Overview

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

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

#### **Hotel Portfolio (Managed by Swire Hotels)**

|                                   | No. of Rooms<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%                       |
| Chinese mainland                  |                              |                          |
| - The Opposite House              | 99                           | 100%                     |
| - EAST, Beijing                   | 369                          | 50%                      |
| - The Temple House <sup>(2)</sup> | 142                          | 50%                      |
| - The Middle House <sup>(2)</sup> | 213                          | 50%                      |
| U.S.A.                            |                              |                          |
| - EAST, Miami <sup>(3)</sup>      | 352                          | 100%                     |
| <b>Total</b>                      | <b>2,138</b>                 |                          |

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

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

(3) Including serviced apartments in a hotel tower.

### Hong Kong

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

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

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



**Chinese mainland**

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

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

**U.S.A.**

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

**Swire Restaurants**

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

**Outlook**

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

## Capital Commitments

### Capital Expenditure and Commitments

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

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

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

#### Profile of Capital Commitments for Investment Properties and Hotels

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

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

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

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

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

**Medium Term Note Programme**

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

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

**Changes in Financing**

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

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

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

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

**Net Debt**

| <b>Financial Information Reviewed by Auditors</b>                                                                                                                        |                  |                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------|
| The Group's borrowings are principally denominated in Hong Kong dollars and US dollars. Outstanding borrowings at 30th June 2020 and 31st December 2019 were as follows: |                  |                      |
|                                                                                                                                                                          | <b>30th June</b> | <b>31st December</b> |
|                                                                                                                                                                          | <b>2020</b>      | <b>2019</b>          |
|                                                                                                                                                                          | <b>HK\$M</b>     | <b>HK\$M</b>         |
| <b>Borrowings included in non-current liabilities</b>                                                                                                                    |                  |                      |
| Bank borrowings – unsecured                                                                                                                                              | <b>5,305</b>     | 6,170                |
| Bonds – unsecured                                                                                                                                                        | <b>19,123</b>    | 17,251               |
| <b>Borrowings included in current liabilities</b>                                                                                                                        |                  |                      |
| Bank borrowings – unsecured                                                                                                                                              | <b>3,276</b>     | 2,416                |
| Bonds – unsecured                                                                                                                                                        | -                | 3,892                |
| <b>Total borrowings</b>                                                                                                                                                  | <b>27,704</b>    | 29,729               |
| <b>Lease liabilities</b>                                                                                                                                                 |                  |                      |
| Included in non-current liabilities                                                                                                                                      | <b>462</b>       | 496                  |
| Included in current liabilities                                                                                                                                          | <b>57</b>        | 52                   |
| Less: short-term deposits and bank balances                                                                                                                              | <b>11,237</b>    | 14,985               |
| <b>Net debt</b>                                                                                                                                                          | <b>16,986</b>    | 15,292               |

**Sources of Finance**
**Financial Information Reviewed by Auditors**

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

|                                      | Available<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>Facilities from third parties</b> |                    |                |                                                    |                                                   |
| Term loans                           | 6,106              | 6,106          | -                                                  | -                                                 |
| Revolving loans                      | 11,678             | 2,436          | 2,875                                              | 6,367                                             |
| Bonds                                | 19,189             | 19,189         | -                                                  | -                                                 |
| <b>Total committed facilities</b>    | <b>36,973</b>      | <b>27,731</b>  | <b>2,875</b>                                       | <b>6,367</b>                                      |
| <b>Uncommitted facilities</b>        |                    |                |                                                    |                                                   |
| Bank loans and overdrafts            | 820                | 83             | 737                                                | -                                                 |
| <b>Total</b>                         | <b>37,793</b>      | <b>27,814</b>  | <b>3,612</b>                                       | <b>6,367</b>                                      |

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

**Maturity Profile and Refinancing**

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

| (HK\$M)                              | 2H 2020      | 2021         | 2022          | 2023         | 2024         | 2025         | 2026         | 2027         | 2028         | 2029     | 2030       | Total         |
|--------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|------------|---------------|
| <b>Facilities from third parties</b> |              |              |               |              |              |              |              |              |              |          |            |               |
| Term and revolving loans             | 2,325        | 6,250        | 7,876         | 1,333        | -            | -            | -            | -            | -            | -        | -          | 17,784        |
| Bonds                                | -            | 300          | 3,875         | 200          | 1,100        | 1,940        | 4,575        | 2,140        | 4,255        | -        | 804        | 19,189        |
| <b>Total</b>                         | <b>2,325</b> | <b>6,550</b> | <b>11,751</b> | <b>1,533</b> | <b>1,100</b> | <b>1,940</b> | <b>4,575</b> | <b>2,140</b> | <b>4,255</b> | <b>-</b> | <b>804</b> | <b>36,973</b> |

**Financial Information Reviewed by Auditors**

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

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

**Currency Profile**
**Financial Information Reviewed by Auditors**

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

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

**Finance Charges**
**Financial Information Reviewed by Auditors**

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

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

**Gearing Ratio and Interest Cover**

|                                     | <b>30th June</b> |      | <b>31st December</b> |
|-------------------------------------|------------------|------|----------------------|
|                                     | <b>2020</b>      | 2019 | 2019                 |
| <b>Gearing ratio <sup>(1)</sup></b> | <b>5.9%</b>      | 5.5% | 5.3%                 |

  

|                                                   | <b>Six months ended<br/>30th June</b> |      | <b>Year ended<br/>31st December</b> |
|---------------------------------------------------|---------------------------------------|------|-------------------------------------|
|                                                   | <b>2020</b>                           | 2019 | 2019                                |
| <b>Interest cover – times <sup>(1)</sup></b>      |                                       |      |                                     |
| Per financial statements                          | <b>11.1</b>                           | 30.1 | 28.9                                |
| Underlying                                        | <b>22.6</b>                           | 59.6 | 48.2                                |
| <b>Cash interest cover – times <sup>(1)</sup></b> |                                       |      |                                     |
| Per financial statements                          | <b>5.5</b>                            | 21.1 | 18.6                                |
| Underlying                                        | <b>13.0</b>                           | 41.8 | 31.5                                |

(1) Refer to Glossary on page 58 for definitions.

**Debt in Joint Venture and Associated Companies**

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

|                              | <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/>the Group</b> |               |
|------------------------------|-------------------------------------------------------------------|---------------|----------------------------------------------------------|---------------|-----------------------------------------|---------------|
|                              | <b>30th June</b>                                                  | 31st December | <b>30th June</b>                                         | 31st December | <b>30th June</b>                        | 31st December |
|                              | <b>2020</b>                                                       | 2019          | <b>2020</b>                                              | 2019          | <b>2020</b>                             | 2019          |
|                              | <b>HK\$M</b>                                                      | HK\$M         | <b>HK\$M</b>                                             | HK\$M         | <b>HK\$M</b>                            | HK\$M         |
| Hong Kong Entities           | <b>7,569</b>                                                      | 5,342         | <b>2,697</b>                                             | 2,184         | <b>1,835</b>                            | 1,405         |
| Chinese mainland<br>Entities | <b>12,638</b>                                                     | 12,874        | <b>6,319</b>                                             | 6,437         | -                                       | -             |
| U.S.A. and other Entities    | <b>599</b>                                                        | 537           | <b>449</b>                                               | 409           | <b>471</b>                              | 473           |
| <b>Total</b>                 | <b>20,806</b>                                                     | 18,753        | <b>9,465</b>                                             | 9,030         | <b>2,306</b>                            | 1,878         |

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 9.3%.

## **REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

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

### **Introduction**

We have reviewed the condensed interim financial statements set out on pages 31 to 53, which comprise the consolidated statement of financial position of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2020 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of these condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

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

### **Conclusion**

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

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 13th August 2020



**CONDENSED INTERIM FINANCIAL STATEMENTS**
**Consolidated Statement of Profit or Loss**
**For the six months ended 30th June 2020 – unaudited**

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

The notes on pages 36 to 53 form part of these financial statements.

**Consolidated Statement of Other Comprehensive Income  
For the six months ended 30th June 2020 – unaudited**

|                                                                               | Unaudited        |              | Audited       |
|-------------------------------------------------------------------------------|------------------|--------------|---------------|
|                                                                               | Six months ended |              | Year ended    |
|                                                                               | 30th June        |              | 31st December |
|                                                                               | 2020             | 2019         | 2019          |
|                                                                               | HK\$M            | HK\$M        | HK\$M         |
| <b>Profit for the period</b>                                                  | <b>955</b>       | <b>9,027</b> | <b>13,466</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                                          | 92               | -            | 16            |
| Defined benefit plans                                                         |                  |              |               |
| - remeasurement gains recognised during the period                            | -                | -            | 50            |
| - deferred tax                                                                | -                | -            | (8)           |
|                                                                               | <b>92</b>        | <b>-</b>     | <b>58</b>     |
| <b>Items that may be reclassified subsequently to profit or loss</b>          |                  |              |               |
| Cash flow hedges                                                              |                  |              |               |
| - gains recognised during the period                                          | 68               | 165          | 358           |
| - reclassification to profit or loss                                          | 7                | (15)         | (20)          |
| - deferred tax                                                                | (12)             | (25)         | (56)          |
| Share of other comprehensive income of joint venture and associated companies | (245)            | (56)         | (253)         |
| Net translation differences on foreign operations                             | (568)            | (154)        | (689)         |
|                                                                               | <b>(750)</b>     | <b>(85)</b>  | <b>(660)</b>  |
| <b>Other comprehensive income for the period, net of tax</b>                  | <b>(658)</b>     | <b>(85)</b>  | <b>(602)</b>  |
| <b>Total comprehensive income for the period</b>                              | <b>297</b>       | <b>8,942</b> | <b>12,864</b> |
| Total comprehensive income attributable to:                                   |                  |              |               |
| The Company's shareholders                                                    | 384              | 8,894        | 12,838        |
| Non-controlling interests                                                     | (87)             | 48           | 26            |
|                                                                               | <b>297</b>       | <b>8,942</b> | <b>12,864</b> |

The notes on pages 36 to 53 form part of these financial statements.

**Consolidated Statement of Financial Position**  
**At 30th June 2020 – unaudited**

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

The notes on pages 36 to 53 form part of these financial statements.

**Consolidated Statement of Cash Flows**  
**For the six months ended 30th June 2020 – unaudited**

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

The notes on pages 36 to 53 form part of these financial statements.

**Consolidated Statement of Changes in Equity**  
**For the six months ended 30th June 2020 – unaudited**

|                                                  | Attributable to the Company's shareholders |                 |                |                | Non-controlling interests | Total equity   |
|--------------------------------------------------|--------------------------------------------|-----------------|----------------|----------------|---------------------------|----------------|
|                                                  | Share capital                              | Revenue reserve | Other reserves | Total          |                           |                |
|                                                  | HK\$M                                      | HK\$M           | HK\$M          | HK\$M          |                           |                |
| <b>At 1st January 2020</b>                       | <b>10,449</b>                              | <b>277,289</b>  | <b>(811)</b>   | <b>286,927</b> | <b>1,984</b>              | <b>288,911</b> |
| Profit for the period                            | -                                          | 1,029           | -              | 1,029          | (74)                      | 955            |
| Other comprehensive income                       | -                                          | -               | (645)          | (645)          | (13)                      | (658)          |
| <b>Total comprehensive income for the period</b> | <b>-</b>                                   | <b>1,029</b>    | <b>(645)</b>   | <b>384</b>     | <b>(87)</b>               | <b>297</b>     |
| Dividends paid                                   | -                                          | (3,451)         | -              | (3,451)        | (26)                      | (3,477)        |
| <b>At 30th June 2020 (unaudited)</b>             | <b>10,449</b>                              | <b>274,867</b>  | <b>(1,456)</b> | <b>283,860</b> | <b>1,871</b>              | <b>285,731</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          |                           |                |
| <b>At 1st January 2019</b>                       |                                            |                 |                |                |                           |                |
| as originally stated                             | 10,449                                     | 269,010         | (184)          | 279,275        | 2,016                     | 281,291        |
| adjustment on adoption of HKFRS 16               | -                                          | (155)           | -              | (155)          | -                         | (155)          |
| as restated                                      | 10,449                                     | 268,855         | (184)          | 279,120        | 2,016                     | 281,136        |
| Profit for the period                            | -                                          | 8,973           | -              | 8,973          | 54                        | 9,027          |
| Other comprehensive income                       | -                                          | -               | (79)           | (79)           | (6)                       | (85)           |
| <b>Total comprehensive income for the period</b> | <b>-</b>                                   | <b>8,973</b>    | <b>(79)</b>    | <b>8,894</b>   | <b>48</b>                 | <b>8,942</b>   |
| Dividends paid                                   | -                                          | (3,334)         | -              | (3,334)        | (30)                      | (3,364)        |
| <b>At 30th June 2019 (unaudited)</b>             | <b>10,449</b>                              | <b>274,494</b>  | <b>(263)</b>   | <b>284,680</b> | <b>2,034</b>              | <b>286,714</b> |

The notes on pages 36 to 53 form part of these financial statements.

## Notes to the Condensed Interim Financial Statements

### 1. Segment Information

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

#### (a) Analysis of consolidated statement of profit or loss

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

**Note:**

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

**1. Segment Information (continued)**
**(b) Analysis of total assets of the Group**

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

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

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

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

**1. Segment Information (continued)**

## (d) Analysis of external revenue of the Group - Timing of revenue recognition

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

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

**2. Basis of Preparation**

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

The unaudited condensed interim financial statements are set out on pages 31 to 53 and also include the “Financial Information Reviewed by Auditors” in the Financing section on pages 25 to 29.

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

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



## 2. Basis of Preparation (continued)

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

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

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

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

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

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

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

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

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

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

## 2. Basis of Preparation (continued)

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

## 3. Financial Risk Management

Financial risk factors

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

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

## 4. Revenue

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

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

## 5. Cost of Sales

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

**6. Other Net (Losses)/Gains**

|                                                                              | Six months ended<br>30th June |            | Year ended<br>31st December |
|------------------------------------------------------------------------------|-------------------------------|------------|-----------------------------|
|                                                                              | 2020                          | 2019       | 2019                        |
|                                                                              | HK\$M                         | HK\$M      | HK\$M                       |
| Losses on sale of investment properties                                      | (8)                           | (11)       | (17)                        |
| Losses on sale of property, plant and equipment                              | (2)                           | -          | (6)                         |
| Net foreign exchange losses                                                  | (38)                          | (14)       | (27)                        |
| Recognition of income on forfeited deposits in respect of trading properties | 1                             | -          | 6                           |
| Others                                                                       | 24                            | 20         | 49                          |
|                                                                              | <b>(23)</b>                   | <b>(5)</b> | <b>5</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 |
|-------------------------------------------------------------|-------------------------------|-------|-----------------------------|
|                                                             | 2020                          | 2019  | 2019                        |
|                                                             | HK\$M                         | HK\$M | HK\$M                       |
| Depreciation of property, plant and equipment (note 12)     | 139                           | 143   | 288                         |
| Depreciation of right-of-use assets                         |                               |       |                             |
| - leasehold land held for own use                           | 14                            | 13    | 26                          |
| - property                                                  | 15                            | 6     | 20                          |
| Amortisation of                                             |                               |       |                             |
| - intangible assets (note 14)                               | 19                            | 18    | 36                          |
| - initial leasing costs in respect of investment properties | 17                            | 17    | 35                          |
| Staff costs                                                 | 966                           | 1,004 | 1,975                       |
| Other lease expenses*                                       | 16                            | 25    | 33                          |

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

**8. Net Finance Charges**

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 28 for details of the Group's net finance charges.

**9. Taxation**

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

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

The Group's share of joint venture and associated companies' tax credits for the six months ended 30th June 2020 of HK\$44 million (30th June 2019: tax charges of HK\$254 million; year ended 31st December 2019: tax charges of HK\$469 million) and HK\$4 million (30th June 2019: tax charges of HK\$14 million; year ended 31st December 2019: tax charges of HK\$18 million) respectively are included in the share of profit less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

**10. Dividends**

|                                                                                                                                            | Six months ended<br>30th June |       | Year ended<br>31st December |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------|-----------------------------|
|                                                                                                                                            | 2020                          | 2019  | 2019                        |
|                                                                                                                                            | HK\$M                         | HK\$M | HK\$M                       |
| First interim dividend declared on 13th August 2020 of HK\$0.30 per share (2019 first interim dividend paid on 3rd October 2019: HK\$0.29) | 1,755                         | 1,697 | 1,697                       |
| Second interim dividend paid on 7th May 2020 of HK\$0.59 per share                                                                         | -                             | -     | 3,451                       |
|                                                                                                                                            | 1,755                         | 1,697 | 5,148                       |

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

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

## 10. Dividends (continued)

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

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

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2020 of HK\$1,029 million (30th June 2019: HK\$8,973 million; year ended 31st December 2019: HK\$13,423 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2019 and 31st December 2019: 5,850,000,000 ordinary shares).

## 12. Property, Plant and Equipment

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

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

**13. Investment Properties**

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

**14. Intangible Assets**

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

## 15. Right-Of-Use Assets

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

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

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

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

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

## 16. Joint Venture Companies

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

## 17. Associated Companies

|                               | <b>30th June<br/>2020<br/>HK\$M</b> | 31st December<br>2019<br>HK\$M |
|-------------------------------|-------------------------------------|--------------------------------|
| Share of net assets, unlisted | <b>359</b>                          | 409                            |

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

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

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

Notes:

The levels in the hierarchy represent the following:

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

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

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

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

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

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



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

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

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

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

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

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

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

**19. Derivative Financial Instruments**

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

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

**20. Trade and Other Receivables**

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

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

|                        | <b>30th June</b> | 31st December |
|------------------------|------------------|---------------|
|                        | <b>2020</b>      | 2019          |
|                        | <b>HK\$M</b>     | HK\$M         |
| Under 3 months         | <b>324</b>       | 201           |
| Between 3 and 6 months | <b>17</b>        | 4             |
| Over 6 months          | -                | -             |
|                        | <b>341</b>       | 205           |

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

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

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

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

**22. Trade and Other Payables and Contract Liabilities**

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

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

|                | 30th June<br>2020<br>HK\$M | 31st December<br>2019<br>HK\$M |
|----------------|----------------------------|--------------------------------|
| Under 3 months | 557                        | 642                            |

**23. Lease Liabilities**

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

## 24. Deferred Taxation

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

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

## 25. Assets Classified as Held for Sale

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

## 26. Share Capital

|                                          | Company                    |                                |
|------------------------------------------|----------------------------|--------------------------------|
|                                          | 30th June<br>2020<br>HK\$M | 31st December<br>2019<br>HK\$M |
| <b>Issued and fully paid:</b>            |                            |                                |
| At 30th June 2020 and 31st December 2019 |                            |                                |
| 5,850,000,000 ordinary shares            | <b>10,449</b>              | 10,449                         |

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

**27. Reserves**

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

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

**28. Non-controlling Interests**

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

## 29. Capital Commitments

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

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

## 30. Contingencies

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

## 31. Related Party Transactions

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

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

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

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

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

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

**Notes:**

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

The amount due from the immediate holding company at 30th June 2020 was HK\$4 million (31st December 2019: HK\$4 million). The balance arises in the normal course of business, is non interest-bearing and repayable within one year.

## **SUPPLEMENTARY INFORMATION**

### **Corporate Governance**

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

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

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

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

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

### **Share Capital**

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

### **Directors’ Particulars**

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

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



**Directors' Interests**

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

|                                        | Capacity            |         |                   | Total No.<br>of Shares | Percentage<br>of Voting<br>Shares (%) | Note |
|----------------------------------------|---------------------|---------|-------------------|------------------------|---------------------------------------|------|
|                                        | Beneficial Interest |         | Trust<br>Interest |                        |                                       |      |
|                                        | Personal            | Family  |                   |                        |                                       |      |
| <b>Swire Properties Limited</b>        |                     |         |                   |                        |                                       |      |
| L.K.L. Cheng                           | 1,000               | -       | -                 | 1,000                  | 0.00002                               |      |
| <b>John Swire &amp; Sons Limited</b>   |                     |         |                   |                        |                                       |      |
| <b>Ordinary Shares of £1</b>           |                     |         |                   |                        |                                       |      |
| N.A.H. Fenwick                         | -                   | -       | 3,136,000         | 3,136,000              | 3.14                                  | (1)  |
| M.B. Swire                             | 2,671,599           | 130,000 | 17,546,068        | 20,347,667             | 20.34                                 | (2)  |
| <b>8% Cum. Preference Shares of £1</b> |                     |         |                   |                        |                                       |      |
| N.A.H. Fenwick                         | -                   | -       | 2,822,400         | 2,822,400              | 3.14                                  | (1)  |
| M.B. Swire                             | 3,946,580           | -       | 13,662,426        | 17,609,006             | 19.56                                 | (2)  |
| <b>Swire Pacific Limited</b>           |                     |         |                   |                        |                                       |      |
| <b>'A' shares</b>                      |                     |         |                   |                        |                                       |      |
| L.K.L. Cheng                           | 10,000              | -       | -                 | 10,000                 | 0.0011                                |      |
| M.B. Swire                             | 135,000             | -       | -                 | 135,000                | 0.0149                                |      |
| <b>'B' shares</b>                      |                     |         |                   |                        |                                       |      |
| M.B. Swire                             | 260,000             | -       | -                 | 260,000                | 0.0087                                |      |

## Notes:

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

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

### Substantial Shareholders' and Other Interests

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

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

## Notes:

At 30th June 2020:

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

**Interim Report**

The 2020 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 7th September 2020. Printed copies will be sent to shareholders who have elected to receive printed copies on 8th September 2020.

**Directors**

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

Executive Directors: M.B. Swire (Chairman), G.M.C. Bradley and F.N.Y. Lung;

Non-Executive Directors: N.A.H. Fenwick, P. Healy, R.S.K. Lim and M.M.S. Low; and

Independent Non-Executive Directors: L.K.L. Cheng, T.T.K. Choi, S.T. Fung, J.L. Wang and M.Y. Wu.

By Order of the Board

**Swire Properties Limited**

Merlin Swire

*Chairman*

Hong Kong, 13th August 2020

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

## GLOSSARY

### Terms

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

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

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

**Gross borrowings** Total of loans, bonds and overdrafts.

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

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

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

### Ratios

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

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

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

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

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

**FINANCIAL CALENDAR AND INFORMATION FOR INVESTORS****Financial Calendar 2020**

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

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

**Stock Code**

Hong Kong Stock Exchange 1972

**Auditors**

PricewaterhouseCoopers  
Certified Public Accountants and Registered PIE Auditor

**Investor Relations**

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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).

**Disclaimer**

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