SWIRE PROPERTIES

Swire Properties Limited

Stock Code: 1972

Interim Report 2017

Contents

Financial Highlights

	Note	Six months ended 30th June 2017 HK$M	2016 HK$M	Change
Results				
Revenue		**11,525**	7,886	+46%
Operating profit		**15,537**	6,730	+131%
Profit attributable to the Company's shareholders				
Underlying	*(a), (b)*	**4,628**	3,559	+30%
Reported		**14,763**	5,334	+177%
Cash generated from operations		**8,870**	3,964	+124%
Net cash inflow before financing		**4,578**	1,083	+323%
		HK$	HK$	
Earnings per share				
Underlying	*(c)*	**0.79**	0.61	+30%
Reported	*(c)*	**2.52**	0.91	+177%
Dividends per share				
First interim		**0.25**	0.23	+9%

	Note	30th June 2017 HK$M	31st December 2016 HK$M	Change
Financial Position				
Total equity (including non-controlling interests)		**240,260**	227,225	+6%
Net debt		**33,841**	35,377	-4%
Gearing ratio	*(a)*	**14.1%**	15.6%	-1.5%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share	*(a)*	**40.71**	38.52	+6%

Notes:

(a) Refer to glossary on page 55 for definition.

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

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

Chairman's Statement

Our consolidated profit attributable to shareholders in the first half of 2017 was HK$14,763 million, compared to HK$5,334 million in the first half of 2016. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$1,069 million from HK$3,559 million in the first half of 2016 to HK$4,628 million in the first half of 2017.

Dividends

The Directors have declared a first interim dividend of HK$0.25 (2016: HK$0.23) per share for the year ending 31st December 2017. The first interim dividend, which totals HK$1,463 million (2016: HK$1,346 million), will be paid on 11th October 2017 to shareholders registered at the close of business on the record date, being Friday, 8th September 2017. Shares of the Company will be traded ex-dividend from Wednesday, 6th September 2017.

Key Development

In May 2017, Swire Properties and HKR International Limited opened the retail mall at their joint venture development in Shanghai, HKRI Taikoo Hui. The mall has an aggregate gross floor area ("GFA") of 1,102,535 square feet.

Operating Performance

The increase in underlying profit from HK$3,559 million in the first half of 2016 to HK$4,628 million in the first half of 2017 principally reflected higher trading profits from the sale of luxury residential properties in Hong Kong.

Operating profit from property investment increased by 5%. This principally reflects higher contributions from office and residential properties in Hong Kong, from properties in the U.S.A. and from retail properties in Mainland China. Gross rental income amounted to HK$5,555 million in the first half of 2017, compared with HK$5,367 million in the first half of 2016. In Hong Kong, gross rental income from office and retail properties was stable and that from residential properties increased. In Mainland China, gross rental income increased, reflecting positive rental reversions and higher retail sales. In the U.S.A., gross rental income increased following the opening of most of the Brickell City Centre development in 2016.

There was an operating profit of HK$1,447 million from property trading in the first half of 2017, compared to an operating profit of HK$525 million in the first half of 2016. Profits in the first half of 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong.

Operating losses from hotels in the first half of 2017 were lower than in the first half of 2016, reflecting better results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.

Net finance charges in the first half of 2017 were HK$476 million, a 23% reduction from HK$621 million in the first half of 2016. The reduction principally reflected a decrease in the amount and cost of borrowings in Hong Kong and Mainland China and a reduced change in the fair value of a put option in favour of the owner of a non-controlling interest in Brickell City Centre. This was partially offset by an increase in finance charges as a result of interest ceasing to be capitalised in respect of Brickell City Centre as it was completed.

On an attributable basis, net investment property valuation gains in the first half of 2017, after deferred tax relating to investment properties in Mainland China and the U.S.A., were HK$10,193 million, compared to net gains of HK$1,850 million in the first half of 2016.

Finance

Net debt at 30th June 2017 was HK$33,841 million, compared with HK$35,377 million at 31st December 2016. Gearing decreased from 15.6% at 31st December 2016 to 14.1% at 30th June 2017. The decrease in net debt was mainly due to the receipt of sales proceeds from the ALASSIO development in Hong Kong, partially offset by expenditure on investment properties in Hong Kong. Cash and undrawn committed facilities were HK$13,078 million at 30th June 2017, compared with HK$10,178 million at 31st December 2016.

Prospects

In the central district of Hong Kong, high occupancy and limited supply will continue to exert upward pressure on office rents. High occupancy is expected to result in office rents in our Taikoo Place and Cityplaza developments being resilient despite increased supply in Kowloon East and other districts. Office rents in Guangzhou and Shanghai are expected to be stable in the second half of 2017, reflecting stable demand for Grade-A office space in Guangzhou and in the Jing'an District of Shanghai. Office rents in Beijing are expected to be weak in the second half of 2017, with reduced demand and increased supply. In Miami, there is limited new supply of Grade-A office space and office rents are expected to be stable.

Retail sales started to improve in Hong Kong in the first half of 2017. This has benefited our malls. We will continue to adjust the tenant mix in order to attract more shoppers. Retail rental income in the second half of 2017 is expected to be affected by the continued adjustments to the tenant mix. In Mainland China, retail sales are expected to grow satisfactorily in the second half of 2017 in cities where the Group has shopping malls. Demand for retail space in our malls is expected to be solid. In the U.S.A., retail sales of apparel continue to be weak and have made fashion retailers cautious about expansion.

In Hong Kong, rental demand for our residential investment properties is expected to be stable in the second half of 2017.

In Hong Kong, notwithstanding government measures to cool the market and the expectation of a gradual increase in interest rates, demand for residential property remains resilient. In Miami, the strength of the US dollar against other major currencies has adversely affected demand, in particular from South America. As a result, condominium sales have slowed in Miami. In the second half of 2017, property trading profits are expected to be recognised on further sales of units at the WHITESANDS development in Hong Kong and at the Reach and Rise developments in Miami.

Trading conditions for our existing hotels are expected to be stable in the second half of 2017. Our hotels in Shanghai are expected to open by the end of 2017.

John Slosar
Chairman
Hong Kong, 17th August 2017

Review of Operations

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Revenue			
Gross Rental Income derived from			
Offices	**3,042**	3,028	6,053
Retail	**2,274**	2,148	4,304
Residential	**239**	191	416
Other Revenue [1]	**61**	61	129
Property Investment	**5,616**	5,428	10,902
Property Trading	**5,258**	1,954	4,760
Hotels	**651**	504	1,130
Total Revenue	**11,525**	7,886	16,792
Operating Profit/(Loss) derived from			
Property investment	**4,194**	3,987	7,752
Valuation gains on investment properties	**9,946**	2,307	8,418
Property trading	**1,447**	525	1,332
Hotels	**(50)**	(89)	(182)
Total Operating Profit	**15,537**	6,730	17,320
Share of Post-tax Profits from Joint Venture and Associated Companies	**719**	499	1,419
Profit Attributable to the Company's Shareholders	**14,763**	5,334	15,050

(1) Other revenue is mainly estate management fees.

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

	Note	Six months ended 30th June 2017 HK$M	Six months ended 30th June 2016 HK$M	Year ended 31st December 2016 HK$M
Underlying Profit				
Profit attributable to the Company's shareholders per financial statements		**14,763**	5,334	15,050
Adjustments in respect of investment properties:				
Revaluation of investment properties	*(a)*	**(10,471)**	(2,617)	(9,610)
Deferred tax on investment properties	*(b)*	**306**	660	1,459
Realised profit on sale of properties	*(c)*	**47**	–	3
Depreciation of investment properties occupied by the Group	*(d)*	**10**	9	20
Non-controlling interests' share of revaluation movements less deferred tax		**(28)**	107	121
Movements in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	*(e)*	**1**	66	69
Underlying Profit Attributable to the Company's Shareholders		**4,628**	3,559	7,112

Notes:

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

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

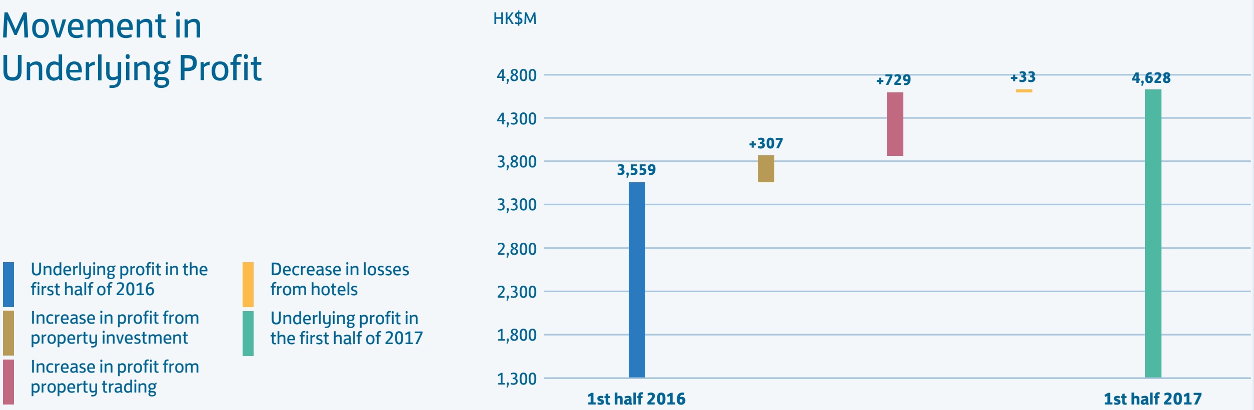
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement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

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

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

Underlying Profit

Movement in Underlying Profit



The increase in underlying profit from HK$3,559 million in the first half of 2016 to HK$4,628 million in the first half of 2017 principally reflected higher trading profits from the sale of luxury residential properties in Hong Kong. Underlying profit from property investment increased by 10%. This principally reflects higher contributions from office and residential properties in Hong Kong, from properties in the U.S.A. and from retail properties in Mainland China, and lower net finance charges. Gross rental income amounted to HK$5,555 million in the first half of 2017 compared with HK$5,367 million in the first half of 2016. In Hong Kong, gross rental income from office and retail properties was stable and that from residential properties increased. In Mainland China, gross rental income increased, reflecting positive rental reversions and higher retail sales. In the U.S.A., gross rental income increased following the opening of most of the Brickell City Centre development in 2016. Underlying profit from property trading in the first half of 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong. Losses from hotels were lower than in the first half of 2016, reflecting better results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.

Portfolio Overview

The aggregate GFA attributable to the Group at 30th June 2017 was approximately 29.3 million square feet.

Of the aggregate GFA attributable to the Group, approximately 26.6 million square feet are investment properties, comprising completed investment properties of approximately 22.5 million square feet and investment properties under development or held for future development of approximately 4.1 million square feet. In Hong Kong, this investment property portfolio comprises approximately 15.1 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Guangzhou, Chengdu and Shanghai. These developments are expected to comprise approximately 8.8 million square feet of attributable GFA when they are all completed. Outside Hong Kong and Mainland China, the investment property portfolio principally comprises the Brickell City Centre 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 2017.

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

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	9.0	2.5	0.7	0.6	–	**12.8**
Mainland China	2.9	4.5	1.0	0.1	–	**8.5**
U.S.A.	0.3	0.3	0.5	0.1	–	**1.2**
Total	**12.2**	**7.3**	**2.2**	**0.8**	**–**	**22.5**

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

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	2.2	0.1	–	–	–	**2.3**
Mainland China	–	–	0.2	0.1	–	**0.3**
U.S.A. and elsewhere	–	–	–	0.1	1.4 (2)	**1.5**
Total	**2.2**	**0.1**	**0.2**	**0.2**	**1.4**	**4.1**

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

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	Under Planning	**Total**
Total	**14.4**	**7.4**	**2.4**	**1.0**	**1.4**	**26.6**

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

(2) The site is accounted for under properties held for development in the financial statements.

(3) The above excludes an uncompleted office building in Kowloon Bay, which was conditionally agreed to be sold in October 2016. This site is accounted for under other non-current assets in the financial statements.

The trading portfolio comprises completed developments available for sale in Hong Kong, Mainland China and Miami, U.S.A. The principal completed developments available for sale are the WHITESANDS development in Hong Kong, the remaining portion of the office property at Sino-Ocean Taikoo Li Chengdu (Pinnacle One) in Mainland China and the Reach and Rise developments at Brickell City Centre in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 30th June 2017.

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

	Completed	Under Development or Held for Development	**Total**
Hong Kong	0.1	–	**0.1**
Mainland China	0.3	–	**0.3**
U.S.A.	0.4	1.9	**2.3**
Total	**0.8**	**1.9**	**2.7**

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 9.3 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$2,985 million in the first half of 2017. At 30th June 2017, the office properties in Hong Kong were valued at HK$144,533 million. Of this amount, Swire Properties' attributable interest represented HK$137,672 million.

Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2017)	Attributable Interest
Pacific Place	2,186,433	100%	100%
Cityplaza [(1)]	1,398,361	99%	100%
Taikoo Place Office Towers [(2)]	3,136,717	100%	50%/100%
One Island East	1,537,011	98%	100%
Others [(3)]	1,077,161	98%	20%/50%/100%
Total	**9,335,683**		

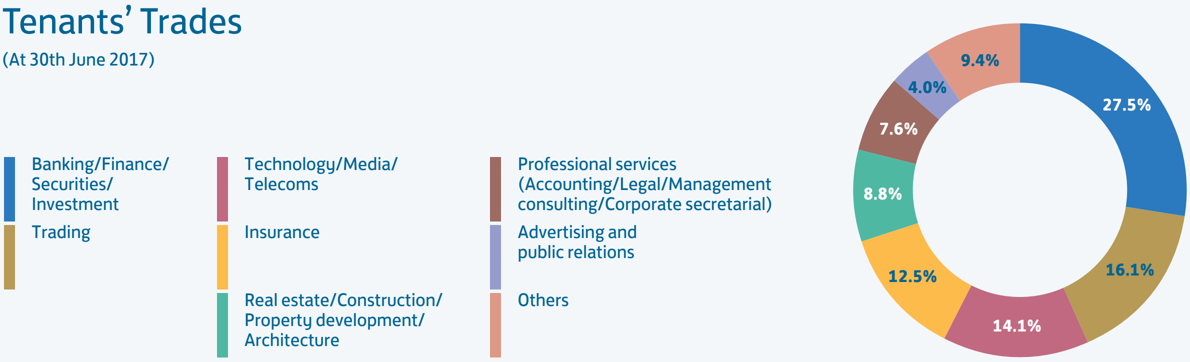
(1) Excluding 10 floors in Cityplaza Three owned by the Hong Kong Government.
(2) Including PCCW Tower, of which Swire Properties owns 50%.
(3) Others comprise One Citygate (20% owned), 625 King's Road (50% owned), Berkshire House (50% owned), Generali Tower (wholly-owned) and 28 Hennessy Road (wholly-owned).

Gross rental income from the Hong Kong office portfolio in the first half of 2017 was HK$2,820 million, HK$5 million higher than the same period in 2016. This is despite a loss in gross rental income at Warwick House and Cornwall House due to the Taikoo Place redevelopment, and lower rental income at Cityplaza as 10 floors in Cityplaza Three were disposed of at the end of 2016. Demand for the Group's office space in Hong Kong was strong. This was reflected in positive rental reversions. At 30th June 2017, the office portfolio was 99% let.

The chart below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 30th June 2017.

Office Area by Tenants' Trades

(At 30th June 2017)



At 30th June 2017, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2017) together occupied approximately 21% of the Group's total attributable office area in Hong Kong.

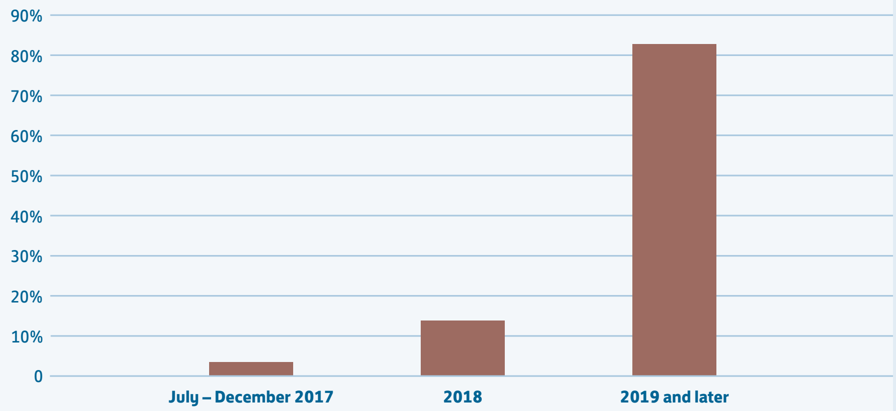
Hong Kong Office Market Outlook

In the central district of Hong Kong, high occupancy and limited supply will continue to exert upward pressure on office rents. High occupancy is expected to result in office rents in our Taikoo Place and Cityplaza developments being resilient despite increased supply in Kowloon East and other districts.

The following chart shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 30th June 2017, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 3.5% of the attributable gross rental income in the month of June 2017 are due to expire in the second half of 2017, with tenancies accounting for a further 13.8% of such rental income due to expire in 2018.

Office Lease Expiry Profile

(At 30th June 2017)



Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis. The portfolio principally consists of The Mall at Pacific Place, Cityplaza in Taikoo Shing and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK$1,348 million in the first half of 2017. At 30th June 2017, our retail properties in Hong Kong were valued at HK$53,258 million. Of this amount, Swire Properties' attributable interest represented HK$46,541 million.

The Hong Kong retail market started to improve in the first half of 2017. Retail sales at The Mall at Pacific Place and at Citygate Outlets grew modestly compared with those in the first half of 2016. Retail sales at Cityplaza were lower due to void periods occurring as a result of changes to the tenant mix.

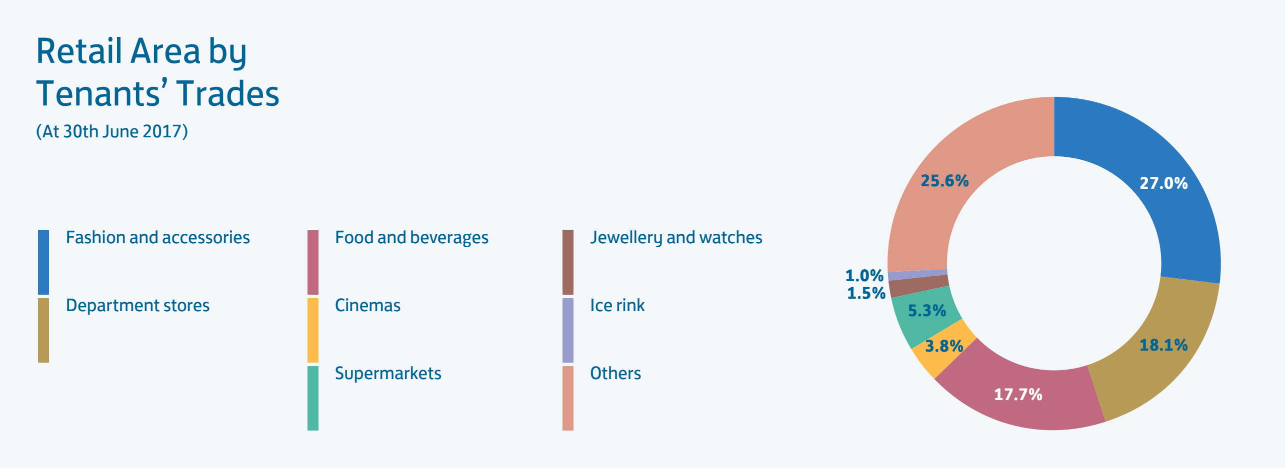
Hong Kong Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2017)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others (1)	556,818	100%	20%/60%/100%
Total	**2,835,655**		

(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$1,314 million in the first half of 2017, in line with that in the first half of 2016. Rental income from The Mall at Pacific Place and from Cityplaza was stable. Occupancy levels at the Group's malls were effectively 100% during the period.

The chart below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 30th June 2017.

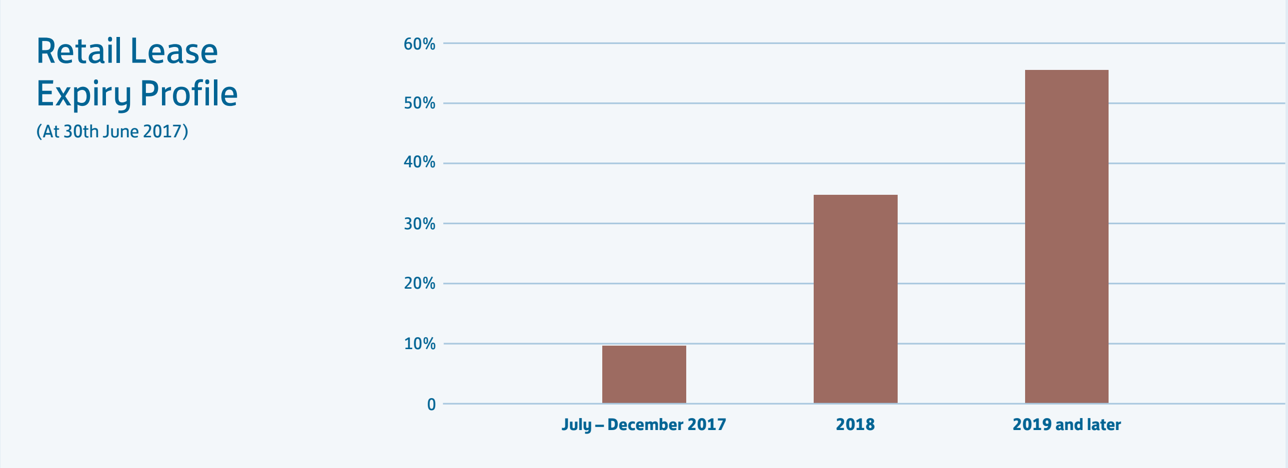


At 30th June 2017, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2017) together occupied approximately 26% of the Group's total attributable retail area in Hong Kong.

Hong Kong Retail Market Outlook

Retail sales started to improve in Hong Kong in the first half of 2017. This has benefited our malls. We will continue to adjust the tenant mix in order to attract more shoppers. Retail rental income in the second half of 2017 is expected to be affected by the continued adjustments to the tenant mix.

The following chart shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 30th June 2017, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 9.7% of the attributable gross rental income in the month of June 2017 are due to expire in the second half of 2017, with tenancies accounting for a further 34.8% of such rental income due to expire in 2018.



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments at Taikoo Place, STAR STUDIOS in Wanchai and a small number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of 593,543 square feet. Gross rental income increased compared with that in the first half of 2016 due to improved occupancy at Pacific Place Apartments and Taikoo Place Apartments, and rental income earned from STAR STUDIOS after its opening in October 2016. Occupancy in the residential portfolio was approximately 82% at 30th June 2017. Demand for furnished accommodation at Pacific Place Apartments, Taikoo Place Apartments and the apartments at STAR STUDIOS is expected to be stable in the second half of 2017.

Investment Properties Under Development

Tung Chung Town Lot No. 11

This commercial site next to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel GFA of approximately 475,000 square feet. Superstructure works are in progress. The development is expected to be completed in 2018. Swire Properties has a 20% interest in the development.

Taikoo Place Redevelopment

The first phase of the Taikoo Place redevelopment (the redevelopment of Somerset House) is the construction of a 48-storey (above 2-storey basement) Grade-A office building with an aggregate GFA of approximately 1,020,000 square feet, to be called One Taikoo Place. Superstructure works are in progress. The redevelopment is expected to be completed in 2018.

The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House) is the construction of an office building with an aggregate GFA of approximately 1,000,000 square feet, to be called Two Taikoo Place. Demolition of Warwick House has started. Demolition of Cornwall House will start later in the third quarter of 2017. Completion of the redevelopment is expected in 2021 or 2022.

8-10 Wong Chuk Hang Road

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

Other

This commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate GFA of approximately 555,000 square feet. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this uncompleted investment property development. The property was transferred to other non-current assets at fair value in the financial statements at the same time. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

Investment Properties – Mainland China

Overview

The property portfolio in Mainland China comprises an aggregate of 13.0 million square feet of space, 9.1 million square feet of which is attributable to the Group. Completed properties amount to 12.4 million square feet, with 0.6 million square feet under development. Total attributable gross rental income from investment properties in Mainland China was HK$1,531 million in the first half of 2017. At 30th June 2017, the investment properties in Mainland China were valued at HK$64,095 million. Of this amount, Swire Properties' attributable interest represented HK$45,137 million.

Mainland China Property Portfolio [(1)]

	GFA (sq. ft.) (100% Basis)			
	Total	Investment Properties	Hotels, Trading Properties and Others	Attributable Interest
Completed				
Taikoo Li Sanlitun, Beijing	1,465,771	1,296,308	169,463	100%
TaiKoo Hui, Guangzhou	3,840,197	3,256,013	584,184	97%
INDIGO, Beijing	1,893,226	1,534,957	358,269	50%
Sino-Ocean Taikoo Li Chengdu [(2)]	2,195,410	1,374,061	821,349	50%
HKRI Taikoo Hui, Shanghai [(3)]	2,930,595	2,930,595	–	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	2,917	–	2,917	100%
Sub-Total	**12,418,963**	**10,482,781**	**1,936,182**	
Under Development				
HKRI Taikoo Hui, Shanghai [(3)]	538,799	149,088	389,711	50%
Total	**12,957,762**	**10,631,869**	**2,325,893**	

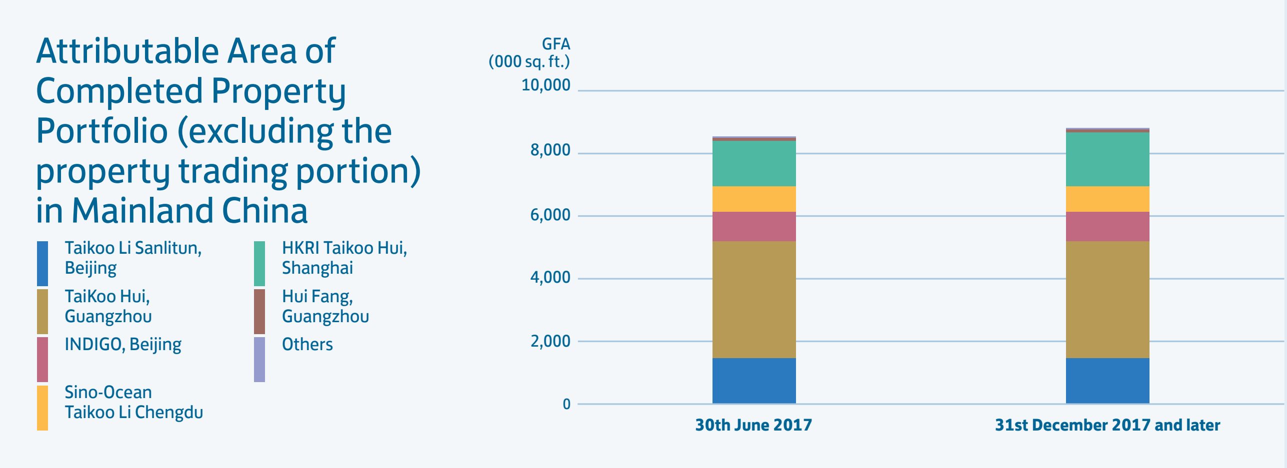
(1) Including the hotel and property trading portions of these developments.

(2) The office portion of Sino-Ocean Taikoo Li Chengdu, Pinnacle One, was developed for trading purposes.

(3) Construction of the shopping mall and the office towers at HKRI Taikoo Hui has been completed. Construction of the remainder of the development is expected to be completed by the end of 2017.

Gross rental income from the Group's investment property portfolio in Mainland China was HK$1,090 million in the first half of 2017, HK$65 million higher than the same period in 2016, reflecting positive rental reversions and higher retail sales.

The chart below illustrates the expected attributable area of the completed property portfolio (excluding the property trading portion) in Mainland China.



Retail

The Mainland China retail portfolio's gross rental income for the first half of 2017 was HK$906 million. In Renminbi terms, this represents an increase of 13% compared to the same period in 2016.

Gross rental income at Taikoo Li Sanlitun in Beijing increased in the first half of 2017. Retail sales increased by 7%. The overall occupancy rate was 95% at 30th June 2017. Demand for retail space in Taikoo Li Sanlitun remains solid as it reinforces its position as a fashionable retail destination in Beijing. This is expected to continue to have a positive impact on occupancy and rents.

Gross rental income at TaiKoo Hui in Guangzhou increased in the first half of 2017, reflecting in part improvements to the tenant mix and a customer loyalty programme. Retail sales grew by 30%. The mall was 99% let at 30th June 2017.

The mall at INDIGO in Beijing was 99% occupied at 30th June 2017. Improvements to the tenant mix were made. Retail sales increased by 69% in the first half of 2017. The mall is becoming a significant quality family shopping centre in north-east Beijing.

Gross rental income at Sino-Ocean Taikoo Li Chengdu increased in the first half of 2017. Retail sales increased by 47%. The development is gaining popularity as a downtown shopping destination in Chengdu. At 30th June 2017, the overall occupancy rate was 94%.

The mall at HKRI Taikoo Hui in Shanghai opened in May 2017. At 30th June 2017, tenants had committed (including by way of letters of intent) to lease 91% of the space and 40% of the shops were open. Occupancy will increase as more shops open.

Retail sales are expected to grow satisfactorily in the second half of 2017 in the Mainland China cities where the Group has shopping malls. Demand for retail space in our malls is expected to be solid.

Offices

The Mainland China office portfolio's gross rental income for the first half of 2017 was HK$179 million. In Renminbi terms, this represents an increase of 3% compared to the same period in 2016.

TaiKoo Hui's office towers in Guangzhou were fully let at 30th June 2017.

Occupancy at ONE INDIGO in Beijing was 86% at 30th June 2017. Demand for office space in Beijing was weak during the first half of 2017.

The two office towers at HKRI Taikoo Hui in Shanghai opened in phases from the second half of 2016. The occupancy rate was 75% at 30th June 2017.

Office rents in Guangzhou and Shanghai are expected to be stable in the second half of 2017, reflecting stable demand for Grade-A office space in Guangzhou and in the Jing'an District of Shanghai. Office rents in Beijing are expected to be weak in the second half of 2017, with reduced demand and increased supply.

Other

In January 2014, Swire Properties China Holdings Limited (a wholly-owned subsidiary of the Company) entered into a framework agreement with CITIC Real Estate Co., Ltd. (a subsidiary of CITIC Limited) and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian through a joint venture. The proposed joint venture and development were subject to certain conditions precedent, which have not been satisfied to date. Accordingly, the proposed joint venture and development will not proceed.

Investment Properties – U.S.A.

Brickell City Centre, Miami

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

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

The development was completed in 2016. Three Brickell City Centre, EAST, Miami (including the serviced apartments) and the shopping centre opened in 2016. Two Brickell City Centre opened in February 2017. At 30th June 2017, occupancy rates at Two Brickell City Centre, Three Brickell City Centre and the shopping centre were 75%, 100% and 88% (in each case including space which is the subject of letters of intent) respectively.

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 2017, Swire Properties owned 100% of the office, hotel and unsold residential elements, and 60.25% 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 (14.75%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the shopping centre, 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 the 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.

At 30th June 2017, the Brickell City Centre completed development (excluding the hotel and residential trading portions) was valued at HK$6,609 million.

Brickell City Centre, Miami	GFA (sq. ft.)[3] (100% Basis)	Attributable Interest
Completed		
Shopping centre	496,508	60.3%
Two and Three Brickell City Centres	260,000	100%
EAST, Miami – hotel [1]	218,000	100%
EAST, Miami – serviced apartments	109,000	100%
Reach and Rise [2]	353,774	100%
Sub-Total	**1,437,282**	
Future Development		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
Total	**3,404,282**	

(1) The hotel is accounted for under property, plant and equipment in the financial statements.
(2) Remaining unsold units at 30th June 2017.
(3) Represents leasable/saleable area except for the carpark, roof top and circulation areas.

Miami Market Outlook

In Miami, there is limited new supply of Grade-A office space and office rents are expected to be stable.

In the U.S.A., retail sales of apparel continue to be weak and have made fashion retailers cautious about expansion.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2017 on the basis of open market value (93% by value having been valued by DTZ Cushman & Wakefield Limited and 3% by value having been valued by another independent valuer). The amount of this valuation was HK$248,338 million, compared to HK$235,101 million at 31st December 2016.

The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong following rental increases and a reduction of 12.5 basis points in the capitalisation rate.

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

Property Trading

The trading portfolio comprises completed developments available for sale in Hong Kong, Mainland China and Miami, U.S.A. The principal completed developments available for sale are the WHITESANDS development in Hong Kong, the remaining portion of the office property at Sino-Ocean Taikoo Li Chengdu (Pinnacle One) in Mainland China and the Reach and Rise developments at Brickell City Centre in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

Property Trading Portfolio (At 30th June 2017)

	GFA (sq. ft.) (100% Basis)	Actual Construction Completion Date	Attributable Interest
Completed [1]			
Hong Kong			
– 5 Star Street	408 [2]	2010	100%
– WHITESANDS	49,212 [2]	2015	100%
Mainland China			
– Pinnacle One, Chengdu	593,139 [3]	2014	50%
U.S.A.			
– ASIA, Miami	5,359 [2]	2008	100%
– Reach, Miami	63,158 [2]	2016	100%
– Rise, Miami	290,616 [2]	2016	100%
Held for Development			
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 unsold portion.
(2) Remaining saleable area.
(3) Including portion which is subject to the outcome of court proceedings.

Hong Kong

All 197 units at the ALASSIO development at 100 Caine Road were sold before 2017 and handover of units commenced in April 2017. The profit from the sales of all units was recognised in the first half of 2017. The property is managed by Swire Properties.

Nine of the 28 detached houses at the WHITESANDS development in Cheung Sha, Lantau Island had been sold at 15th August 2017. The profit from the sales of five houses was recognised in the first half of 2017. The property is managed by Swire Properties.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total GFA (approximately 1.15 million square feet) and 350 carparking spaces were pre-sold in 2013. The profit from the sales of approximately 52% of the pre-sold GFA was recognised in 2015. Application has been made to the court to cancel the sale of the remaining pre-sold GFA and 350 carparking spaces as part of the consideration was not received on time. The result of the court proceedings is awaited.

U.S.A.

The residential portion of the Brickell City Centre development was developed for trading purposes.

360 of 390 units at Reach and 197 of 390 units at Rise had been sold at 15th August 2017. The profits from the sales of six units at Reach and 15 units at Rise were recognised in the first half of 2017.

Since the ASIA development was completed in 2008, 122 out of the 123 units have been sold. One penthouse unit remains unsold.

Outlook

In Hong Kong, notwithstanding government measures to cool the market and the expectation of a gradual increase in interest rates, demand for residential property remains resilient. In Miami, the strength of the US dollar against other major currencies has adversely affected demand, in particular from South America. As a result, condominium sales have slowed in Miami. In the second half of 2017, property trading profits are expected to be recognised on further sales of units at the WHITESANDS development in Hong Kong and at the Reach and Rise developments in Miami.

Estate Management

Swire Properties manages 20 residential estates which it has developed. It also manages OPUS, a residential property in Hong Kong which Swire Properties redeveloped for Swire Pacific. 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, Mainland China and the U.S.A. The House Collective, comprising The Upper House in Hong Kong, The Opposite House in Beijing and The Temple House in Chengdu, is a group of small and distinctive hotels. EAST hotels are business hotels. The Group also has interests in non-managed hotels in Hong Kong, Guangzhou, Shanghai and Miami, Florida.

Hotel Portfolio (Managed by Swire Hotels)

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

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

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

There were lower operating profits from the managed hotels in Hong Kong in the first half of 2017. Occupancy was stable but the food and beverage business was difficult at both managed hotels.

Mainland China

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

Occupancy increased at EAST, Beijing and The Temple House and was stable at The Opposite House.

The performance of the Mandarin Oriental, Guangzhou was steady.

Two hotels (one managed and called The Middle House, the other non-managed) and a serviced apartment tower (The Middle House Residences) at HKRI Taikoo Hui in Shanghai are expected to open by the end of 2017.

U.S.A.

Swire Properties wholly-owns and manages (through Swire Hotels) EAST, Miami at the Brickell City Centre development. The hotel consists of 263 rooms and 89 serviced apartments. It opened in June 2016 and is building up its occupancy levels. Revenue per available room is improving.

Swire Properties has a 75% interest in the 326-room Mandarin Oriental hotel in Miami. The results of the hotel were slightly worse than in the first half of 2016 due to lower revenue per available room.

Swire Restaurants

Swire Hotels operates restaurants in Hong Kong. PUBLIC is a restaurant at One Island East. Ground PUBLICs are cafés at One Island East and in 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. Tong Bar Cafe is a café in blueprint, our co-working space at Taikoo Place.

Outlook

Trading conditions for our existing hotels are expected to be stable in the second half of 2017. Our hotels in Shanghai are expected to open by the end of 2017.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in the first half of 2017 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$2,060 million (first half of 2016: HK$979 million). Outstanding capital commitments at 30th June 2017 were HK$14,125 million (31st December 2016: HK$15,711 million), including the Group's share of the capital commitments of joint venture companies of HK$1,099 million (31st December 2016: HK$1,214 million). The Group is committed to funding HK$530 million (31st December 2016: HK$588 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in the first half of 2017 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$331 million (first half of 2016: HK$285 million). Outstanding capital commitments at 30th June 2017 were HK$1,654 million (31st December 2016: HK$1,882 million), including the Group's share of the capital commitments of joint venture companies of HK$1,031 million (31st December 2016: HK$1,279 million). The Group is committed to funding HK$103 million (31st December 2016: HK$226 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in the first half of 2017 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK$725 million (first half of 2016: HK$651 million). Outstanding capital commitments at 30th June 2017 were HK$522 million (31st December 2016: HK$735 million).

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast Year of Expenditure				**Commitments** [1]
	Six months ended 30th June 2017 HK$M	Six months ended 31st December 2017 HK$M	2018 HK$M	2019 HK$M	2020 and later HK$M	**At 30th June 2017 HK$M**
Hong Kong	**2,060**	2,978	3,558	1,700	5,889	**14,125**
Mainland China	**331**	658	960	36	–	**1,654**
U.S.A. and elsewhere	**725**	139	182	67	134	**522**
Total	**3,116**	3,775	4,700	1,803	6,023	**16,301**

(1) The capital commitments represent the Group's capital commitments of HK$14,171 million plus the Group's share of the capital commitments of joint venture companies of HK$2,130 million. The Group is committed to funding HK$633 million of the capital commitments of joint venture companies.

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Net cash from/(used by) businesses and investments			
Cash generated from operations	**8,870**	3,964	10,767
Dividends received	**179**	169	499
Tax paid	**(352)**	(367)	(1,413)
Net interest paid	**(568)**	(613)	(1,228)
Cash used in investing activities	**(3,551)**	(2,070)	(6,627)
	4,578	1,083	1,998
Cash (paid to) shareholders and net funding by debt			
Net increase in borrowings	**449**	5,032	4,190
Decrease in loans due to Swire Finance	**(2,329)**	(4,658)	(4,658)
Capital contribution from a non-controlling interest	**–**	79	90
Dividends paid	**(2,818)**	(2,880)	(4,226)
	(4,698)	(2,427)	(4,604)
Decrease in cash and cash equivalents	**(120)**	(1,344)	(2,606)

Cash used in investing activities during the first half of 2017 included capital expenditure and investments in joint venture companies.

Financing Arrangement with the Swire Pacific Group

Financial Information Reviewed by Auditors

A loan agreement entered into in 2010 between Swire Properties (Finance) Limited, the Company and Swire Finance Limited ("Swire Finance", a wholly-owned subsidiary of Swire Pacific Limited) recorded the terms on which the Group borrowed from Swire Finance amounts equivalent to amounts borrowed by Swire Finance under the Swire Pacific Group's medium term note programme. Those terms substantially mirrored the terms of the bonds issued under that medium term note programme. Those bonds mature on various dates in 2018. No security has been given by the Group in respect of its obligations under that loan agreement. Upon maturity of the bonds to which that loan agreement relates, the Group will obtain new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.

Medium Term Note Programme

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

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

Changes in Financing

Financial Information Reviewed by Auditors
Analysis of Changes in Financing

	Six months ended 30th June 2017 HK$M	Year ended 31st December 2016 HK$M
Bank loans, bonds and loans from Swire Finance		
At 1st January	**37,058**	37,734
Loans drawn and refinancing	**4,546**	5,470
Bonds issued	**1,390**	5,078
Repayment of loans	**(5,487)**	(6,358)
Decrease in loans due to Swire Finance	**(2,329)**	(4,658)
Other non-cash movements	**252**	(208)
At 30th June/31st December	**35,430**	37,058

During the first half of 2017, the Group raised approximately HK$8,793 million. This comprised:
- three five-year term and revolving loan facilities aggregating HK$3,500 million
- medium-term notes of HK$1,390 million
- refinancing of a term loan facility of US$500 million

During the first half of 2017, the Group made various repayments of debt including of amounts due under a loan agreement with Swire Finance corresponding to US$300 million perpetual capital securities which were redeemed at par on 13th May 2017 by Swire Finance.

Subsequent to 30th June 2017, the Group has issued medium-term notes of HK$200 million.

Net Debt

Financial Information Reviewed by Auditors

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings at 30th June 2017 and 31st December 2016 were as follows:

	30th June 2017 HK$M	31st December 2016 HK$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	**12,067**	8,984
Bonds – unsecured	**16,863**	15,400
Borrowings from Swire Finance – unsecured	**944**	5,175
Borrowings included in current liabilities		
Bank borrowings – unsecured	**825**	4,670
Bonds – unsecured	**500**	500
Borrowings from Swire Finance – unsecured	**4,231**	2,329
Total borrowings	**35,430**	37,058
Less: short-term deposits and bank balances	**1,589**	1,681
Net debt	**33,841**	35,377

Sources of Finance

Financial Information Reviewed by Auditors

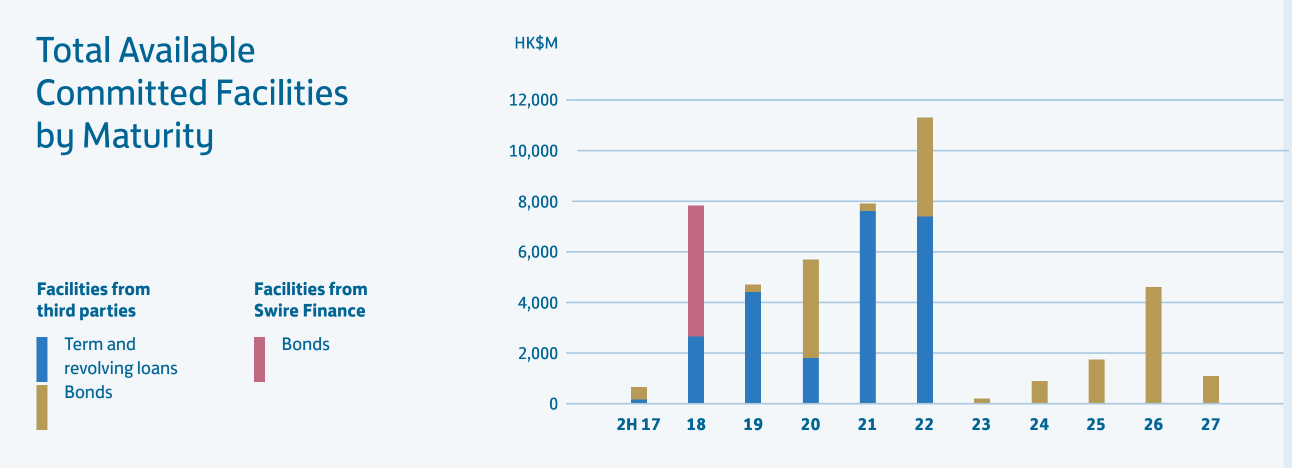
At 30th June 2017, committed loan facilities and debt securities amounted to HK$46,627 million, of which HK$11,489 million (25%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$865 million. Sources of funds at 30th June 2017 comprised:

	Available HK$M	**Drawn HK$M**	**Undrawn Expiring Within One Year HK$M**	**Undrawn Expiring After One Year HK$M**
Facilities from third parties				
Term loans	**10,228**	**9,878**	**–**	**350**
Revolving loans	**13,783**	**2,644**	**–**	**11,139**
Bonds	**17,439**	**17,439**	**–**	**–**
Facilities from Swire Finance				
Bonds	**5,177**	**5,177**	**–**	**–**
Total committed facilities	**46,627**	**35,138**	**–**	**11,489**
Uncommitted facilities				
Bank loans and overdrafts	**1,382**	**517**	**865**	**–**
Total	**48,009**	**35,655**	**865**	**11,489**

Note: The figures above are stated before unamortised loan fees of HK$225 million.

Maturity Profile and Refinancing

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



Financial Information Reviewed by Auditors

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

	30th June 2017		31st December 2016	
	HK$M		HK$M	
Bank borrowings and bonds from third parties due				
Within 1 year	**1,325**	**4%**	5,170	14%
1-2 years	**3,262**	**9%**	2,423	7%
2-5 years	**17,184**	**48%**	11,021	30%
After 5 years	**8,484**	**24%**	10,940	29%
Borrowings from Swire Finance due				
Within 1 year	**4,231**	**12%**	2,329	6%
1-2 years	**944**	**3%**	5,175	14%
Total	**35,430**	**100%**	37,058	100%
Less: Amount due within one year included under current liabilities	**5,556**		7,499	
Amount due after one year included under non-current liabilities	**29,874**		29,559	

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 2017		31st December 2016	
	HK$M		HK$M	
Currency				
Hong Kong dollars	**26,511**	**75%**	27,315	74%
United States dollars	**6,200**	**17%**	6,775	18%
Renminbi	**2,392**	**7%**	2,689	7%
Singapore dollars	**327**	**1%**	279	1%
Total	**35,430**	**100%**	37,058	100%

Finance Charges

Financial Information Reviewed by Auditors

At 30th June 2017, 68% of the Group's gross borrowings (after interest rate swaps) were on a fixed rate basis and 32% were on a floating rate basis (31st December 2016: 63% and 37% respectively). Interest charged and earned was as follows:

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Interest charged on:			
Bank loans and overdrafts	**143**	186	349
Bonds	**279**	251	516
Loans from fellow subsidiary companies	**196**	283	507
Loans from joint venture and related companies	**3**	3	7
Net fair value gain on derivative instruments			
Cash flow hedges – transferred from other comprehensive income	**(1)**	(4)	(5)
Other financing costs	**75**	72	146
	695	791	1,520
Loss on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	**1**	108	114
Capitalised on:			
Investment properties	**(102)**	(138)	(248)
Properties under development and for sale	**–**	(83)	(140)
Hotels	**–**	(5)	(5)
Other non-current assets	**(79)**	–	(25)
	515	673	1,216
Interest income on:			
Short-term deposits and bank balances	**(5)**	(17)	(26)
Loans to joint venture companies	**(34)**	(35)	(69)
Others	**–**	–	(2)
	(39)	(52)	(97)
Net finance charges	**476**	621	1,119

Gearing Ratio and Interest Cover

	30th June 2017	30th June 2016	31st December 2016
Gearing ratio [1]	**14.1%**	15.9%	15.6%

	Six months ended 30th June 2017	Six months ended 30th June 2016	Year ended 31st December 2016
Interest cover – times [1]			
Per financial statements	**32.6**	10.8	15.5
Underlying	**11.9**	8.6	8.9
Cash interest cover – times [1]			
Per financial statements	**23.6**	7.9	11.3
Underlying	**8.6**	6.0	6.3

(1) Refer to Glossary on page 55 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 2017 and 31st December 2016:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	30th June 2017 HK$M	31st December 2016 HK$M	**30th June 2017 HK$M**	31st December 2016 HK$M	**30th June 2017 HK$M**	31st December 2016 HK$M
Hong Kong Entities	**4,192**	3,826	**1,934**	1,841	**975**	975
Mainland China Entities	**11,731**	11,506	**5,865**	5,753	**–**	–
U.S.A. Entities	**549**	555	**411**	416	**482**	484
	16,472	15,887	**8,210**	8,010	**1,457**	1,459

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 17.5%.

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 30 to 51, which comprise the consolidated statement of financial position of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") at 30th June 2017 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended and a summary of significant accounting policies and other explanatory notes.

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

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

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 17th August 2017

Interim Financial Statements

Consolidated Statement of Profit or Loss

For the six months ended 30th June 2017 – unaudited

	Note	**Unaudited Six months ended 30th June**		Audited Year ended 31st December
		2017 HK$M	2016 HK$M	2016 HK$M
Revenue	4	**11,525**	7,886	16,792
Cost of sales	5	**(5,125)**	(2,781)	(6,486)
Gross profit		**6,400**	5,105	10,306
Administrative and selling expenses		**(694)**	(653)	(1,294)
Other operating expenses		**(137)**	(102)	(213)
Other net gains	6	**22**	73	103
Change in fair value of investment properties	13	**9,946**	2,307	8,418
Operating profit		**15,537**	6,730	17,320
Finance charges		**(515)**	(673)	(1,216)
Finance income		**39**	52	97
Net finance charges	8	**(476)**	(621)	(1,119)
Share of profits less losses of joint venture companies		**649**	426	1,280
Share of profits of associated companies		**70**	73	139
Profit before taxation		**15,780**	6,608	17,620
Taxation	9	**(1,036)**	(1,163)	(2,411)
Profit for the period		**14,744**	5,445	15,209
Profit attributable to:				
The Company's shareholders		**14,763**	5,334	15,050
Non-controlling interests		**(19)**	111	159
		14,744	5,445	15,209
		HK$	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11	**2.52**	0.91	2.57

The notes on pages 35 to 51 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the six months ended 30th June 2017 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Profit for the period	**14,744**	5,445	15,209
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of properties previously occupied by the Group			
– gains recognised during the period	**120**	–	–
– deferred tax charge	**(2)**	–	–
Defined benefit plans			
– remeasurement gains recognised during the period	**–**	–	50
– deferred tax charge	**–**	–	(8)
	118	–	42
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
– (losses)/gains recognised during the period	**(368)**	252	300
– gains transferred to net finance charges	**(1)**	(4)	(5)
– deferred tax credit/(charge)	**61**	(41)	(49)
Share of other comprehensive income/(losses) of joint venture and associated companies	**285**	(199)	(591)
Net translation differences on foreign operations	**773**	(472)	(1,494)
	750	(464)	(1,839)
Other comprehensive income/(losses) for the period, net of tax	**868**	(464)	(1,797)
Total comprehensive income for the period	**15,612**	4,981	13,412
Total comprehensive income attributable to:			
The Company's shareholders	**15,614**	4,877	13,276
Non-controlling interests	**(2)**	104	136
	15,612	4,981	13,412

The notes on pages 35 to 51 form part of these financial statements.

Consolidated Statement of Financial Position

At 30th June 2017 – unaudited

	Note	**Unaudited 30th June 2017 HK$M**	Audited 31st December 2016 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**8,365**	8,471
Investment properties	*13*	**248,583**	235,368
Intangible assets	*14*	**174**	154
Properties held for development		**1,335**	1,279
Joint venture companies	*15*	**21,094**	19,985
Associated companies	*16*	**338**	361
Derivative financial instruments	*18*	**17**	219
Deferred tax assets	*22*	**92**	73
Other non-current assets	*23*	**6,052**	5,479
		286,050	271,389
Current assets			
Properties under development and for sale		**2,482**	5,669
Stocks and work in progress		**78**	79
Trade and other receivables	*19*	**3,078**	2,881
Amount due from immediate holding company – Swire Pacific Limited	*20*	**8**	9
Cash and cash equivalents		**1,589**	1,681
		7,235	10,319
Current liabilities			
Trade and other payables	*21*	**6,456**	7,845
Tax payable		**779**	279
Bank overdrafts and short-term loans		**517**	500
Long-term loans and bonds due within one year		**808**	4,670
Loans due to a fellow subsidiary company – Swire Finance Limited		**4,231**	2,329
		12,791	15,623
Net current liabilities		**(5,556)**	(5,304)
Total assets less current liabilities		**280,494**	266,085
Non-current liabilities			
Long-term loans and bonds		**28,930**	24,384
Loans due to a fellow subsidiary company – Swire Finance Limited		**944**	5,175
Other payables	*21*	**2,014**	1,323
Derivative financial instruments	*18*	**93**	–
Deferred tax liabilities	*22*	**8,114**	7,840
Retirement benefit liabilities		**139**	138
		40,234	38,860
NET ASSETS		**240,260**	227,225
EQUITY			
Share capital	*24*	**10,449**	10,449
Reserves	*25*	**227,726**	214,920
Equity attributable to the Company's shareholders		**238,175**	225,369
Non-controlling interests	*26*	**2,085**	1,856
TOTAL EQUITY		**240,260**	227,225

The notes on pages 35 to 51 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30th June 2017 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Operating activities			
Cash generated from operations	**8,870**	3,964	10,767
Interest paid	**(609)**	(663)	(1,324)
Interest received	**41**	50	96
Tax paid	**(352)**	(367)	(1,413)
	7,950	2,984	8,126
Dividends received from joint venture and associated companies and available-for-sale assets	**179**	169	499
Net cash from operating activities	**8,129**	3,153	8,625
Investing activities			
Purchase of property, plant and equipment	**(102)**	(201)	(349)
Additions to investment properties	**(2,693)**	(1,939)	(5,883)
Additions to other non-current assets	**(494)**	–	(254)
Purchase of intangible assets	**(3)**	(8)	(17)
Proceeds from disposals of property, plant and equipment	**–**	1	1
Proceeds from disposals of investment properties	**11**	40	55
Purchase of shares in joint venture companies	**(3)**	–	–
Loans to joint venture companies	**(353)**	(124)	(246)
Repayment of loans by joint venture companies	**95**	175	174
Decrease in deposits maturing after three months	**–**	24	26
Initial leasing costs incurred	**(9)**	(38)	(134)
Net cash used in investing activities	**(3,551)**	(2,070)	(6,627)
Net cash inflow before financing	**4,578**	1,083	1,998
Financing activities			
Loans drawn and refinancing	**4,546**	1,369	5,470
Bonds issued	**1,390**	4,279	5,078
Repayment of loans	**(5,487)**	(616)	(6,358)
	449	5,032	4,190
Capital contribution from a non-controlling interest	**–**	79	90
Decrease in loans due to a fellow subsidiary company	**(2,329)**	(4,658)	(4,658)
Dividends paid to the Company's shareholders	**(2,808)**	(2,808)	(4,154)
Dividends paid to non-controlling interests	**(10)**	(72)	(72)
Net cash used in financing activities	**(4,698)**	(2,427)	(4,604)
Decrease in cash and cash equivalents	**(120)**	(1,344)	(2,606)
Cash and cash equivalents at 1st January	**1,681**	4,358	4,358
Currency adjustment	**28**	(23)	(71)
Cash and cash equivalents at end of the period	**1,589**	2,991	1,681
Represented by:			
Bank balances and short-term deposits maturing within three months	**1,589**	2,991	1,681

The notes on pages 35 to 51 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30th June 2017 – unaudited

	Attributable to the Company's shareholders					
	Share capital HK$M	**Revenue reserve HK$M**	**Other reserves HK$M**	**Total HK$M**	**Non-controlling interests HK$M**	**Total equity HK$M**
At 1st January 2017	**10,449**	**215,318**	**(398)**	**225,369**	**1,856**	**227,225**
Profit/(loss) for the period	**–**	**14,763**	**–**	**14,763**	**(19)**	**14,744**
Other comprehensive income	**–**	**–**	**851**	**851**	**17**	**868**
Total comprehensive income/(loss) for the period	**–**	**14,763**	**851**	**15,614**	**(2)**	**15,612**
Dividends paid	**–**	**(2,808)**	**–**	**(2,808)**	**(10)**	**(2,818)**
Capital contribution from a non-controlling interest accrued	**–**	**–**	**–**	**–**	**241**	**241**
At 30th June 2017 (unaudited)	**10,449**	**227,273**	**453**	**238,175**	**2,085**	**240,260**

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2016	10,449	204,380	1,418	216,247	1,702	217,949
Profit for the period	–	5,334	–	5,334	111	5,445
Other comprehensive losses	–	–	(457)	(457)	(7)	(464)
Total comprehensive income for the period	–	5,334	(457)	4,877	104	4,981
Dividends paid	–	(2,808)	–	(2,808)	(72)	(2,880)
Capital contribution from a non-controlling interest paid	–	–	–	–	79	79
At 30th June 2016 (unaudited)	10,449	206,906	961	218,316	1,813	220,129

The notes on pages 35 to 51 form part of these financial statements.

1. Segment Information

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

(a) Analysis of consolidated statement of profit or loss

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Net finance charges HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits of associated companies HK$M	Profit/(Loss) before taxation HK$M	Profit/(Loss) for the period HK$M	Profit/(Loss) attributable to the Company's shareholders HK$M
Six months ended 30th June 2017									
Property investment	**5,616**	**17**	**4,194**	**(439)**	**228**	**–**	**3,983**	**3,411**	**3,401**
Property trading	**5,258**	**–**	**1,447**	**(18)**	**(3)**	**–**	**1,426**	**1,180**	**1,180**
Hotels	**651**	**2**	**(50)**	**(19)**	**(11)**	**70**	**(10)**	**(12)**	**(11)**
Change in fair value of investment properties	**–**	**–**	**9,946**	**–**	**435**	**–**	**10,381**	**10,165**	**10,193**
Inter-segment elimination	**–**	**(19)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**11,525**	**–**	**15,537**	**(476)**	**649**	**70**	**15,780**	**14,744**	**14,763**
Six months ended 30th June 2016									
Property investment	5,428	17	3,987	(601)	188	–	3,574	3,040	3,035
Property trading	1,954	–	525	(4)	(1)	–	520	493	493
Hotels	504	1	(89)	(16)	(10)	73	(42)	(45)	(44)
Change in fair value of investment properties	–	–	2,307	–	249	–	2,556	1,957	1,850
Inter-segment elimination	–	(18)	–	–	–	–	–	–	–
Total	7,886	–	6,730	(621)	426	73	6,608	5,445	5,334

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Net finance charges HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits of associated companies HK$M	Profit/(Loss) before taxation HK$M	Profit/(Loss) for the year HK$M	Profit/(Loss) attributable to the Company's shareholders HK$M
Year ended 31st December 2016									
Property investment	10,902	38	7,752	(1,064)	339	–	7,027	5,940	5,938
Property trading	4,760	–	1,332	(19)	(6)	–	1,307	1,237	1,199
Hotels	1,130	3	(182)	(36)	(35)	139	(114)	(119)	(117)
Change in fair value of investment properties	–	–	8,418	–	982	–	9,400	8,151	8,030
Inter-segment elimination	–	(41)	–	–	–	–	–	–	–
Total	16,792	–	17,320	(1,119)	1,280	139	17,620	15,209	15,050

Note:

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

1. Segment Information (continued)

(b) Analysis of total assets of the Group

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and cash HK$M	Total assets HK$M
At 30th June 2017					
Property investment	**259,678**	**19,411**	**–**	**1,332**	**280,421**
Property trading and development	**4,235**	**510**	**–**	**115**	**4,860**
Hotels	**6,351**	**1,173**	**338**	**142**	**8,004**
Total	**270,264**	**21,094**	**338**	**1,589**	**293,285**
At 31st December 2016					
Property investment	245,670	18,476	–	1,399	265,545
Property trading and development	7,656	493	–	161	8,310
Hotels	6,355	1,016	361	121	7,853
Total	259,681	19,985	361	1,681	281,708

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

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Gross borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
At 30th June 2017					
Property investment	**7,903**	**8,569**	**31,711**	**48,183**	**1,796**
Property trading and development	**623**	**324**	**2,617**	**3,564**	**265**
Hotels	**176**	**–**	**1,102**	**1,278**	**24**
Total	**8,702**	**8,893**	**35,430**	**53,025**	**2,085**
At 31st December 2016					
Property investment	7,584	8,096	31,573	47,253	1,569
Property trading and development	1,510	23	4,452	5,985	265
Hotels	212	–	1,033	1,245	22
Total	9,306	8,119	37,058	54,483	1,856

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

2. Basis of Preparation

(a) The unaudited condensed interim 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 unaudited condensed interim financial statements are set out on pages 30 to 51 and also include the "Financial Information Reviewed by Auditors" in the Financing section on pages 23 to 28.

The financial information relating to the year ended 31st December 2016 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 2016 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor's report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies, methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2016 annual financial statements except for those noted in 2(b) below.

(b) The following amendments were required to be adopted by the Group effective from 1st January 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments has had no significant impact on the Group's financial statements.

(c) The Group has not early adopted the following relevant new and revised standards or amendments that have been issued but are effective for annual periods beginning on or after 1st January 2018.

HKFRS 15	Revenue from Contracts with Customers [1]
HKFRS 9	Financial Instruments [1]
HKFRS 16	Leases [2]
HKAS 40 (Amendment)	Transfers of Investment Property [1]

1 To be applied by the Group from 1st January 2018

2 To be applied by the Group from 1st January 2019

HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The new standard replaces HKAS 18 and HKAS 11 and related interpretations and provides a comprehensive revenue recognition model that can be applied to a wide range of transactions and industries. The model uses a five-step analysis of transactions to determine whether, how much and when revenue is recognised. The adoption of HKFRS 15 is not expected to have a significant impact on the Group's revenue recognition.

The amendment to HKAS 40 clarifies that a property is transferred to, or from, investment property when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendment is not expected to have a significant impact on the Group's financial statements.

The Group has yet to finalise the assessment of the full impact of HKFRS 9 and HKFRS 16.

2. Basis of Preparation (continued)

(d) The preparation of the interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the Group's consolidated financial statements are detailed in the 2016 annual financial statements.

3. Financial Risk Management

Financial risk factors

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

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2016 annual financial statements. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. Revenue

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

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Gross rental income from investment properties	**5,555**	5,367	10,773
Property trading	**5,258**	1,954	4,760
Hotels	**651**	504	1,130
Rendering of other services	**61**	61	129
	11,525	7,886	16,792

5. Cost of Sales

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Direct rental outgoings in respect of investment properties	**997**	936	2,128
Property trading	**3,534**	1,336	3,236
Hotels	**578**	493	1,091
Rendering of other services	**16**	16	31
	5,125	2,781	6,486

6. Other Net Gains

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
(Loss)/Profit on disposal of investment properties	**(2)**	51	76
Loss on disposal of property, plant and equipment	**(1)**	–	(4)
Net foreign exchange gains/(losses)	**20**	15	(8)
Recognition of income on forfeited deposits on trading properties	**–**	4	5
Others	**5**	3	34
	22	73	103

7. Expenses by Nature

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

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Depreciation of property, plant and equipment (note 12)	**166**	140	300
Amortisation of			
– intangible assets (note 14)	**14**	5	14
– initial leasing costs in respect of investment properties	**28**	34	60
Staff costs	**940**	861	1,687
Operating lease rental			
– properties	**27**	25	52
– plant and equipment	**3**	2	6

8. Net Finance Charges

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 27 for details of the Group's net finance charges.

9. Taxation

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Current taxation			
Hong Kong profits tax	**704**	438	843
Overseas taxation	**127**	122	240
Under-provisions in prior years	**19**	26	72
	850	586	1,155
Deferred taxation (note 22)			
Changes in fair value of investment properties	**76**	494	902
Origination and reversal of temporary differences	**110**	83	354
	186	577	1,256
	1,036	1,163	2,411

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group's share of joint venture and associated companies' tax charges for the six months ended 30th June 2017 of HK$103 million (30th June 2016: HK$79 million; year ended 31st December 2016: HK$223 million) and HK$13 million (30th June 2016: HK$15 million; year ended 31st December 2016: HK$29 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

10. Dividends

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
First interim dividend declared on 17th August 2017 of HK$0.25 per share (2016 first interim dividend paid on 5th October 2016: HK$0.23)	**1,463**	1,346	1,346
Second interim dividend paid on 11th May 2017 of HK$0.48 per share	**–**	–	2,808
	1,463	1,346	4,154

The Directors have declared a first interim dividend of HK$0.25 (2016: HK$0.23) per share for the year ending 31st December 2017. The first interim dividend, which totals HK$1,463 million (2016: HK$1,346 million), will be paid on 11th October 2017 to shareholders registered at the close of business on the record date, being Friday, 8th September 2017. Shares of the Company will be traded ex-dividend as from Wednesday, 6th September 2017.

The register of members will be closed on Friday, 8th September 2017, 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, 7th September 2017.

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 2017 of HK$14,763 million (30th June 2016: HK$5,334 million; 31st December 2016: HK$15,050 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2016 and 31st December 2016: 5,850,000,000 ordinary shares).

12. Property, Plant and Equipment

	Property, plant and equipment HK$M
Cost:	
At 1st January 2017	10,561
Translation differences	83
Additions	100
Disposals	(31)
Transfer from other assets	5
Transfers to investment properties	(231)
Revaluation surplus	120
At 30th June 2017	**10,607**
Accumulated depreciation and impairment:	
At 1st January 2017	2,090
Translation differences	26
Charge for the period	166
Disposals	(30)
Transfers to investment properties	(10)
At 30th June 2017	**2,242**
Net book value:	
At 30th June 2017	**8,365**
At 1st January 2017	8,471

Properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from carrying amount to fair value for the period ended 30th June 2017 was HK$120 million and has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2017.

13. Investment Properties

	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2017	205,605	29,496	235,101
Translation differences	859	55	914
Additions	913	1,253	2,166
Cost written back	(2)	–	(2)
Disposals	(8)	–	(8)
Transfers from property, plant and equipment	24	197	221
Net fair value gains	9,325	621	9,946
	216,716	31,622	248,338
Add: Initial leasing costs	245	–	245
At 30th June 2017	**216,961**	**31,622**	**248,583**
At 1st January 2017 (including initial leasing costs)	205,872	29,496	235,368

14. Intangible Assets

	Computer Software HK$M	Others HK$M	Total HK$M
Cost:			
At 1st January 2017	114	124	238
Translation differences	–	1	1
Additions	2	31	33
At 30th June 2017	**116**	**156**	**272**
Accumulated amortisation:			
At 1st January 2017	81	3	84
Amortisation for the period	7	7	14
At 30th June 2017	**88**	**10**	**98**
Net book value:			
At 30th June 2017	**28**	**146**	**174**
At 1st January 2017	33	121	154

15. Joint Venture Companies

	30th June 2017 HK$M	31st December 2016 HK$M
Share of net assets, unlisted	**7,202**	6,351
Loans due from joint venture companies less provisions		
– Interest-free	**12,593**	12,376
– Interest-bearing	**1,299**	1,258
	21,094	19,985

16. Associated Companies

	30th June 2017 HK$M	31st December 2016 HK$M
Share of net assets, unlisted	**338**	361

17. Fair Value Measurement of Financial Instruments

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

	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per consolidated statement of financial position			
At 30th June 2017			
Derivatives used for hedging (note 18)	**17**	**–**	**17**
At 31st December 2016			
Derivatives used for hedging (note 18)	219	–	219
Liabilities as per consolidated statement of financial position			
At 30th June 2017			
Derivatives used for hedging (note 18)	**93**	**–**	**93**
Put option in respect of a non-controlling interest (note 21)	**–**	**708**	**708**
Total	**93**	**708**	**801**
At 31st December 2016			
Put option in respect of a non-controlling interest (note 21)	–	670	670

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.

17. Fair Value Measurement of Financial Instruments (continued)

The following table presents the changes in Level 3 financial instruments for the period ended 30th June 2017:

	Put option over non-controlling interest HK$M
At 1st January 2017	670
Translation differences	4
Additions	33
Change in fair value recognised as net finance charges	1
At 30th June 2017	708
Total losses for the period included in profit or loss in respect of financial instruments held at 30th June 2017	1

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

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

The fair value estimate of the put option in respect of a non-controlling interest in the retail portion of Brickell City Centre classified as Level 3 is determined using a discounted cash flow valuation technique and contains a number of unobservable inputs, including the expected fair value of the investment property at the expected exercise date, the expected exercise date itself and the discount rate used. Changing these unobservable inputs to unobservable inputs based on reasonable alternative assumptions would change the valuation of the put option.

The investment property's fair value at the expected exercise date is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's other already completed investment properties, including the expected fair market rent and the expected capitalisation rate. If the investment property's expected fair value at the exercise date is higher, the fair value of the put option would also be higher at 30th June 2017. If the expected exercise date is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise date or a lower discount rate.

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

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30th June 2017 and 31st December 2016 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	30th June 2017		31st December 2016	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Long-term loans and bonds	**29,738**	**30,334**	29,054	29,280

18. 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 2017		31st December 2016	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	**17**	**78**	219	–
Interest rate swaps – cash flow hedges	**–**	**15**	–	–
Total	**17**	**93**	219	–
Analysed as:				
Current	**–**	**–**	–	–
Non-current	**17**	**93**	219	–
	17	**93**	219	–

19. Trade and Other Receivables

	30th June 2017 HK$M	31st December 2016 HK$M
Trade debtors	**396**	471
Prepayments and accrued income	**241**	309
Other receivables	**2,441**	2,101
	3,078	2,881

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

	30th June 2017 HK$M	31st December 2016 HK$M
Under three months	**392**	465
Between three and six months	**2**	4
Over six months	**2**	2
	396	471

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.

20. 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.

21. Trade and Other Payables

	30th June 2017 HK$M	31st December 2016 HK$M
Trade and other payables – current:		
Trade creditors	**579**	565
Rental deposits from tenants	**2,698**	2,494
Other current payables		
Accrued capital expenditure	**557**	1,190
Deposits received on the sale of trading properties	**41**	806
Amount due to intermediate holding company	**141**	112
Amount due to a fellow subsidiary company	**56**	75
Amount due to an associated company	**8**	50
Interest-bearing advances from fellow subsidiary companies	**104**	100
Interest-bearing advances from joint venture and related companies	**230**	223
Advances from a non-controlling interest	**34**	34
Others	**2,008**	2,196
	3,179	4,786
	6,456	7,845
Other payables – non-current:		
Put option in respect of a non-controlling interest	**708**	670
Deposit received on the sale of a subsidiary company	**1,306**	653
	2,014	1,323

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

	30th June 2017 HK$M	31st December 2016 HK$M
Under three months	**579**	565

22. Deferred Taxation

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

	HK$M
At 1st January 2017	7,767
Translation differences	128
Charged to statement of profit or loss (note 9)	186
Credited to other comprehensive income	(59)
At 30th June 2017	**8,022**
Represented by:	
Deferred tax assets	(92)
Deferred tax liabilities	8,114
	8,022

23. Other Non-current Assets

Other non-current assets comprise an uncompleted property in Kowloon Bay, Hong Kong transferred from investment properties under development at fair value on 28th October 2016. The carrying value of the property at 30th June 2017 and 31st December 2016 represents its fair value at the date of transfer plus the development costs incurred subsequently. The transfer to other non-current assets occurred on the signing of an agreement dated 28th October 2016 between the Company and a third party for the sale of the Company's 100% interest in a subsidiary company owning the property. The consideration for the sale is HK$6,528 million, subject to adjustment. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

24. Share Capital

	Company	
	30th June 2017 HK$M	31st December 2016 HK$M
Issued and fully paid:		
At 30th June 2017 and 31st December 2016		
5,850,000,000 ordinary shares	**10,449**	10,449

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

25. Reserves

	Revenue reserve* HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2017	215,318	(1,108)	1,689	181	(1,160)	214,920
Profit for the period	14,763	–	–	–	–	14,763
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
– gains recognised during the period	–	–	120	–	–	120
– deferred tax charge	–	–	(2)	–	–	(2)
Cash flow hedges						
– losses recognised during the period	–	–	–	(368)	–	(368)
– gains transferred to net finance charges	–	–	–	(1)	–	(1)
– deferred tax credit	–	–	–	61	–	61
Share of other comprehensive income of joint venture and associated companies	–	–	–	–	285	285
Net translation differences on foreign operations	–	–	–	–	756	756
Total comprehensive income for the period	14,763	–	118	(308)	1,041	15,614
2016 second interim dividend	(2,808)	–	–	–	–	(2,808)
At 30th June 2017	**227,273**	**(1,108)**	**1,807**	**(127)**	**(119)**	**227,726**

* The revenue reserve at 30th June 2017 has not yet deducted HK$1,463 million representing the first interim dividend for the year ending 31st December 2017 declared on 17th August 2017 (31st December 2016: HK$2,808 million representing the second interim dividend for 2016 declared on 16th March 2017).

26. Non-controlling Interests

	HK$M
At 1st January 2017	1,856
Share of losses less profits for the period	(19)
Share of translation differences on foreign operations	17
Share of total comprehensive loss for the period	(2)
Dividends paid and payable	(10)
Capital contribution from a non-controlling interest accrued	241
At 30th June 2017	**2,085**

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

27. Capital Commitments

	30th June 2017 HK$M	31st December 2016 HK$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	**3**	3
Authorised by Directors but not contracted for	**20**	103
Investment properties		
Contracted for	**4,622**	5,577
Authorised by Directors but not contracted for	**9,526**	10,152
	14,171	15,835
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted for	**1,288**	1,540
Authorised by Directors but not contracted for	**842**	953
	2,130	2,493

* of which the Group is committed to funding HK$633 million (31st December 2016: HK$814 million).

28. Contingencies

Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK$1,457 million (31st December 2016: HK$1,459 million). Bank guarantees given in lieu of utility deposits and other liabilities totalled HK$183 million at the end of the period (31st December 2016: HK$175 million).

29. Related Party Transactions

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group's relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement commenced on 1st January 2017 and will last for three years until 31st December 2019. For the six months ended 30th June 2017, service fees payable amounted to HK$137 million (2016: HK$102 million). Expenses of HK$33 million (2016: HK$34 million) were reimbursed at cost; in addition, HK$39 million (2016: HK$36 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (the "Tenancy Framework Agreement") between JSSHK, Swire Pacific Limited and the Company dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group and members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the six months ended 30th June 2017, the aggregate rentals payable to the Group by members of the JSSHK group and members of the Swire Pacific group under tenancies to which the Tenancy Framework Agreement applies amounted to HK$50 million (2016: HK$52 million) and HK$59 million (2016: HK$46 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.

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

29. Related Party Transactions (continued)

		For the six months ended 30th June									
		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
	Note	**2017 HK$M**	2016 HK$M	**2017 HK$M**	2016 HK$M	**2017 HK$M**	2016 HK$M	**2017 HK$M**	2016 HK$M	**2017 HK$M**	2016 HK$M
Purchases of services	*(a)*	**–**	–	**9**	10	**–**	–	**–**	–	**–**	–
Rendering of services	*(a)*	**–**	–	**1**	3	**–**	–	**1**	1	**–**	–
Rental revenue	*(b)*	**–**	–	**53**	48	**6**	6	**50**	44	**3**	6
Revenue from hotels		**–**	–	**1**	–	**–**	–	**1**	–	**–**	1
Interest income	*(c)*	**34**	35	**–**	–	**–**	–	**–**	–	**–**	–
Interest charges	*(c)*	**–**	–	**196**	283	**–**	–	**–**	–	**3**	3

Notes:

(a) Purchases of services from and rendering of services to related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged by/to and contracted with other suppliers/customers of the Group.

(b) The Group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.

(c) Loans advanced to joint venture companies at 30th June 2017 are disclosed in note 15. Advances from fellow subsidiary, joint venture, associated and related companies are disclosed in note 21. There is a loan agreement between the Group and the Swire Pacific group, details of which are disclosed on page 23. The loans due to Swire Finance Limited, a fellow subsidiary company, are disclosed on page 25.

Amount due from the immediate holding company at 30th June 2017 was HK$8 million (31st December 2016: HK$9 million). These balances arise in the normal course of business, are 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the interim report with the following exceptions which it believes do not benefit shareholders:

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

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

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

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

Share Capital

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

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

1. J.C.C. Chan resigned as an Independent Non-Executive Director of the Company with effect from 17th March 2017.
2. L.K.L. Cheng and M.Y. Wu were appointed as Independent Non-Executive Directors of the Company with effect from 17th March 2017 and 15th May 2017 respectively.
3. G.M.C. Bradley resigned as an Executive Director of Swire Pacific Limited with effect from 5th May 2017.
4. P.K. Etchells resigned as an Independent Non-Executive Director of the Company with effect from the conclusion of the Company's 2017 Annual General Meeting held on 16th May 2017.
5. R.S.K. Lim retired as a Director of GIC Pte Ltd on 31st May 2017.
6. M.M.S. Low was appointed as an Executive Director of Swire Pacific Limited with effect from 1st July 2017.
7. J.R. Slosar was appointed as an Independent Non-Executive Director of PureCircle Limited with effect from 1st July 2017.

Directors' Interests

At 30th June 2017, 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					
	Beneficial Interest					
Swire Properties Limited	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Voting Shares (%)	Note
S.E. Bradley	700	–	–	700	0.00001	
L.K.L. Cheng	1,000	–	–	1,000	0.00002	

	Capacity					
	Beneficial Interest					
John Swire & Sons Limited	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
Ordinary Shares of £1						
M.B. Swire	2,075,023	130,000	17,546,068	19,751,091	19.75	(1)
8% Cum. Preference Shares of £1						
M.B. Swire	2,769,489	–	12,175,623	14,945,112	16.61	(1)

	Capacity					
	Beneficial Interest					
Swire Pacific Limited	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Voting Shares (comprised in the class) (%)	Note
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
L.K.L. Cheng	10,000	–	–	10,000	0.0011	

Note:

(1) M.B. Swire is a trustee and/or a potential beneficiary of trusts which held 6,222,732 ordinary shares and 1,963,221 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 2017 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 2017:

(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 the 4,796,765,835 shares of the Company, in which Swire Pacific Limited was interested, by virtue of the Swire group being interested in 55.03% of the equity of Swire Pacific Limited and controlling 63.81% of the voting rights attached to shares in Swire Pacific Limited.

Glossary

Terms

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

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

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

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

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

Ratios

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

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

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2017

Interim Report available to shareholders	4th September
Shares trade ex-dividend	6th September
Share register closed for 2017 first interim dividend entitlement	8th September
Payment of 2017 first interim dividend	11th October
Annual results announcement	March 2018
Annual General Meeting	May 2018

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