# Annual Report 2020

SWIRE PROPERTIES

Stock Code: 1972

# Contents

# CREATIVE TRANSFORMATION

Captures what we do and how we do it. It underlines the creative mindset and long-term approach that enables us to seek out new perspectives, and original thinking that goes beyond the conventional. It also encapsulates our ability to unlock the potential of places and create vibrant destinations that can engender further growth and create sustainable value for our stakeholders.

# 2020 Highlights

Published first-ever **"Places Impact Report" on Island East and Taikoo Place**
Hong Kong
MAR

Completed the sale of **Two and Three Brickell City Centre** office towers
Miami
JUL

Formed a partnership with City Garden JSC to develop **"The River"**, a residential development in Ho Chi Minh City
Vietnam
SEP

Artist's impression


JUL
Named **"Hong Kong's Most Attractive Employer"** by the Randstad Employer Brand Research 2020
Hong Kong

AUG
Secured **HK$1 billion green loan** from OCBC Bank
Hong Kong

SEP
**Taikoo Place** named winner at the **Urban Land Institute (ULI) 2020 Asia Pacific Awards for Excellence**
Hong Kong

Named "Global Sector Leader" in the **Global Real Estate Sustainability Benchmark;** ranked among the top 5% in global real estate industry in the **2020 Dow Jones Sustainability Index;** and ranked as the top company in the **Hang Seng Corporate Sustainability Index**

Hong Kong

OCT-NOV

Completed the sale of **Cityplaza One** office tower

Hong Kong

DEC

Offered first batch of units for sale, by tender, for new residential project **"EIGHT STAR STREET"**

Hong Kong

JAN 2021

Artist's impression

Artist's impression

DEC

Completed construction of **Taikoo Li Qiantan**

Shanghai

DEC

Announced the development of **Phase Two extension for INDIGO, Beijing** with Sino-Ocean Group

Beijing

MAR 2021

Invested in a new **residential-led mixed-use development in Ho Chi Minh City**

Vietnam


MOKA
BROS
UG

SD2030

"Our vision is to be the leading sustainable development performer in our industry globally by 2030."

— GUY BRADLEY, CHIEF EXECUTIVE

## 2020 Highlight Achievements

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Ranked among the top 5% in global real estate industry

GRESB REAL ESTATE Sector Leader 2020

Named Global Sector Leader and Global Development Sector Leader for Mixed Use developments

RICS

HKRI Taikoo Hui, Shanghai – Commercial Project of the Year 2020

BUSINESS AMBITION FOR 1.5°C

SCIENCE BASED TARGETS

1st developer in Hong Kong and the Chinese mainland to commit to Business Ambition for 1.5°C to support net-zero emissions economy

First Place Winner, Commercial Buildings – Existing Building Commissioning, ASHRAE Technology Award

Hang Seng Corporate Sustainability Index Series Member 2020-2021

No. 1 for 3rd consecutive year and "AAA" rating

FTSE4Good

A constituent of the FTSE4Good Index

2020 MSCI ESG Leaders Indexes Constituent

MSCI ESG RATINGS AAA [1]

A constituent of MSCI World ESG Leaders Indexes and AAA rating

randstad

Hong Kong's Most Attractive Employer

2020 WINNER
ULI ASIA PACIFIC
AWARDS FOR EXCELLENCE

Taikoo Place – Winner, 2020 ULI Asia Pacific Awards for Excellence

Sustainable Development Report 2019 – Winner, Sustainability and Social Responsibility Reporting Award, HKICPA Best Corporate Governance Awards

[1] Disclaimer:
https://www.swireproperties.com/sd/awards/mscidisclaimer.html

# COMPANY PROFILE

**Swire Properties Limited (the "Company") is a leading developer, owner and operator of mixed-use, principally commercial, properties in Hong Kong and the Chinese mainland, with a record of creating long-term value by transforming urban areas. Our business comprises three main elements: property investment, property trading and hotel investment.**

Founded in Hong Kong in 1972, the Company is listed on The Stock Exchange of Hong Kong Limited and, with its subsidiaries, employs around 5,000 people. The Company's shopping malls are home to more than 2,000 retail outlets. Its offices house a working population estimated to exceed 70,000.

In Hong Kong, we have spent over 40 years developing an industrial area into what is now Taikoo Place and Cityplaza, one of Hong Kong's largest business districts comprising office space, the largest shopping mall on Hong Kong Island and a hotel. Pacific Place, built on the former Victoria Barracks site, is one of Hong Kong's premier retail and business addresses. In the Chinese mainland, the Company has six major commercial projects in operation or under development in Beijing, Guangzhou, Chengdu and Shanghai. Similar in scale to our developments in Hong Kong, our Chinese mainland properties are in commercial districts with excellent transport connections.

The Company has interests in the luxury and high quality residential markets in Hong Kong, Singapore, Jakarta, Vietnam and Miami in the U.S.A. Swire Hotels develops and manages hotels in Hong Kong and the Chinese mainland and in Miami in the U.S.A.

The Company has a presence in the Brickell financial district in Miami, U.S.A., where it has investment and residential trading properties. The Company has offices in Vietnam and Thailand to explore opportunities in the property markets in Southeast Asia.

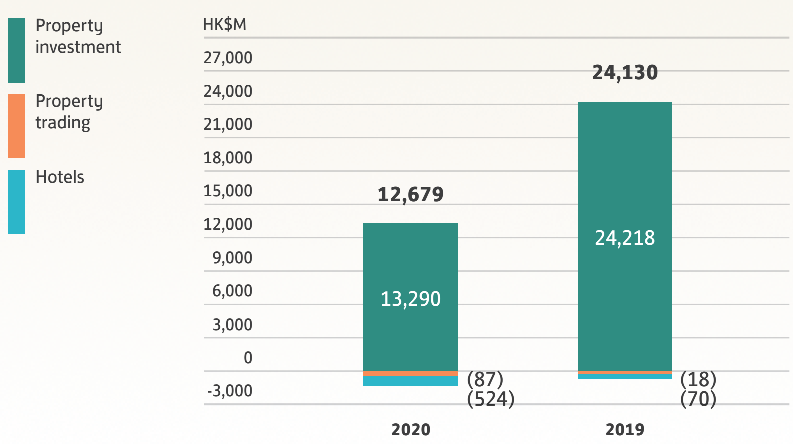
# Financial Highlights

| Results<br>For the year | Note | 2020<br>HK$M | 2019<br>HK$M | Change |
|---|---|---|---|---|
| Revenue | | **13,308** | 14,222 | -6% |
| Profit attributable to the Company's shareholders | | | | |
| Underlying | *(a), (b)* | **12,679** | 24,130 | -47% |
| Recurring underlying | *(b)* | **7,089** | 7,633 | -7% |
| Reported | | **4,096** | 13,423 | -69% |
| Cash generated from operations | | **7,550** | 5,499 | +37% |
| Net cash inflow before financing | | **13,885** | 20,217 | -31% |
| | | **HK$** | HK$ | |
| Earnings per share | | | | |
| Underlying | *(c)* | **2.17** | 4.12 | -47% |
| Recurring underlying | *(c)* | **1.21** | 1.30 | -7% |
| Reported | *(c)* | **0.70** | 2.29 | -69% |
| Dividend per share | | | | |
| First interim | | **0.30** | 0.29 | +3% |
| Second interim | | **0.61** | 0.59 | +3% |

| Financial Position<br>At 31st December | | HK$M | HK$M | |
|---|---|---|---|---|
| Total equity (including non-controlling interests) | | **290,680** | 288,911 | +1% |
| Net debt | | **6,605** | 15,292 | -57% |
| Gearing ratio | *(a)* | **2.3%** | 5.3% | -3.0%pt. |
| | | **HK$** | HK$ | |
| Equity attributable to the Company's shareholders per share | *(a)* | **49.36** | 49.05 | +1% |

Notes:
(a) Refer to glossary on page 203 for definition.
(b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 23.
(c) Refer to note 14 in the financial statements for the weighted average number of shares.

## Underlying profit/(losses) by segment



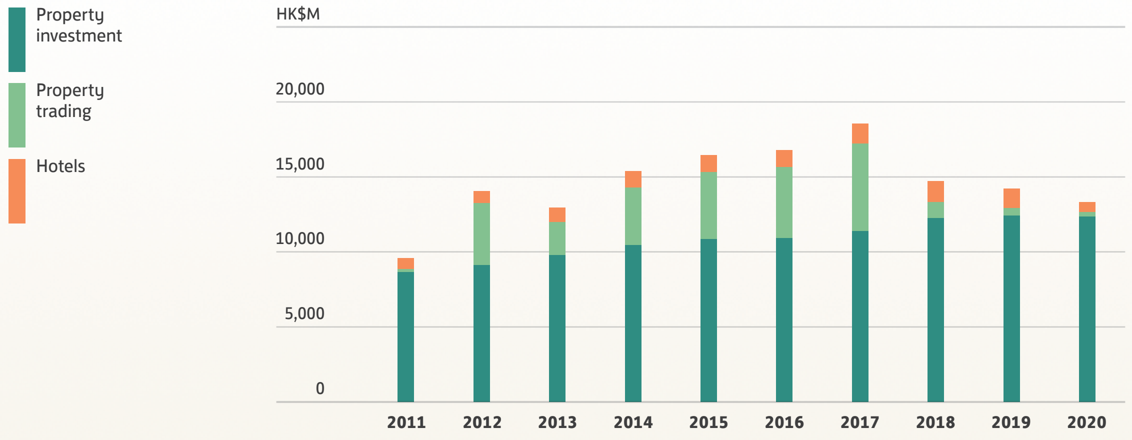
# Ten-Year Financial Summary

| | 2011 HK$M | 2012 HK$M | 2013 HK$M | 2014 HK$M | 2015 HK$M | 2016 HK$M | 2017 HK$M | 2018 HK$M | 2019 HK$M | **2020 HK$M** |
|---|---|---|---|---|---|---|---|---|---|---|
| **STATEMENT OF PROFIT OR LOSS** | | | | | | | | | | |
| **Revenue** | | | | | | | | | | |
| Property investment | 8,651 | 9,123 | 9,786 | 10,456 | 10,857 | 10,902 | 11,380 | 12,254 | 12,410 | **12,355** |
| Property trading | 213 | 4,147 | 2,207 | 3,842 | 4,463 | 4,760 | 5,833 | 1,061 | 516 | **312** |
| Hotels | 717 | 782 | 942 | 1,089 | 1,127 | 1,130 | 1,345 | 1,404 | 1,296 | **641** |
| | 9,581 | 14,052 | 12,935 | 15,387 | 16,447 | 16,792 | 18,558 | 14,719 | 14,222 | **13,308** |
| **Profit Attributable to the Company's Shareholders** | | | | | | | | | | |
| Property investment | 4,638 | 4,896 | 5,426 | 6,029 | 6,231 | 5,938 | 6,671 | 8,732 | 10,061 | **9,352** |
| Property trading | 7 | 1,659 | 720 | 1,020 | 1,089 | 1,199 | 1,111 | 99 | (18) | **(87)** |
| Hotels | (33) | 14 | (46) | 30 | (303) | (117) | (43) | (41) | (70) | **(524)** |
| Change in fair value of investment properties | 20,496 | 12,184 | 6,425 | 2,437 | 7,055 | 8,030 | 26,218 | 19,876 | 3,450 | **(4,645)** |
| | 25,108 | 18,753 | 12,525 | 9,516 | 14,072 | 15,050 | 33,957 | 28,666 | 13,423 | **4,096** |
| Dividends for the year | 11,067 | 3,510 | 3,510 | 3,861 | 4,154 | 4,154 | 4,505 | 4,914 | 5,148 | **5,324** |
| Retained profit | 14,041 | 15,243 | 9,015 | 5,655 | 9,918 | 10,896 | 29,452 | 23,752 | 8,275 | **(1,228)** |
| **STATEMENT OF FINANCIAL POSITION** | | | | | | | | | | |
| **Net Assets Employed** | | | | | | | | | | |
| Property investment | 191,116 | 207,577 | 218,556 | 226,607 | 235,917 | 248,466 | 283,045 | 299,659 | 289,185 | **282,793** |
| Property trading | 6,581 | 7,309 | 9,408 | 8,210 | 7,452 | 6,616 | 3,942 | 4,143 | 7,789 | **7,249** |
| Hotels | 6,421 | 7,111 | 7,200 | 7,801 | 7,928 | 7,520 | 7,738 | 7,394 | 7,229 | **7,243** |
| | 204,118 | 221,997 | 235,164 | 242,618 | 251,297 | 262,602 | 294,725 | 311,196 | 304,203 | **297,285** |
| **Financed by** | | | | | | | | | | |
| Equity attributable to the Company's shareholders | 175,886 | 192,434 | 202,350 | 207,691 | 216,247 | 225,369 | 257,381 | 279,275 | 286,927 | **288,736** |
| Non-controlling interests | 532 | 642 | 800 | 856 | 1,702 | 1,856 | 1,997 | 2,016 | 1,984 | **1,944** |
| Net debt | 27,700 | 28,921 | 32,014 | 34,071 | 33,348 | 35,377 | 35,347 | 29,905 | 15,292 | **6,605** |
| | 204,118 | 221,997 | 235,164 | 242,618 | 251,297 | 262,602 | 294,725 | 311,196 | 304,203 | **297,285** |
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | **HK$** |
| Earnings per share | 4.40 | 3.21 | 2.14 | 1.63 | 2.41 | 2.57 | 5.80 | 4.90 | 2.29 | **0.70** |
| Dividends per share | 1.94 | 0.60 | 0.60 | 0.66 | 0.71 | 0.71 | 0.77 | 0.84 | 0.88 | **0.91** |
| Equity attributable to shareholders per share | 30.07 | 32.89 | 34.59 | 35.50 | 36.97 | 38.52 | 44.00 | 47.74 | 49.05 | **49.36** |
| **RATIOS** | | | | | | | | | | |
| Return on average equity attributable to the Company's shareholders | 15.0% | 10.2% | 6.3% | 4.6% | 6.6% | 6.8% | 14.1% | 10.7% | 4.7% | **1.4%** |
| Gearing ratio | 15.7% | 15.0% | 15.8% | 16.3% | 15.3% | 15.6% | 13.6% | 10.6% | 5.3% | **2.3%** |
| Interest cover – times | 18.23 | 15.72 | 10.02 | 8.96 | 13.56 | 15.48 | 38.81 | 33.29 | 28.85 | **14.41** |
| Dividend payout ratio | 44.1% | 18.7% | 28.0% | 40.6% | 29.5% | 27.6% | 13.3% | 17.1% | 38.4% | **130.0%** |
| **UNDERLYING** | | | | | | | | | | |
| Profit (HK$M) | 12,914 | 6,935 | 6,348 | 7,152 | 7,078 | 7,112 | 7,834 | 10,148 | 24,130 | **12,679** |
| Return on average equity attributable to the Company's shareholders | 7.7% | 3.8% | 3.2% | 3.5% | 3.3% | 3.2% | 3.2% | 3.8% | 8.5% | **4.4%** |
| Earnings per share (HK$) | 2.26 | 1.19 | 1.09 | 1.22 | 1.21 | 1.22 | 1.34 | 1.74 | 4.12 | **2.17** |
| Interest cover – times | 12.01 | 7.90 | 6.43 | 7.58 | 7.75 | 8.89 | 10.68 | 12.58 | 48.16 | **33.47** |
| Dividend payout ratio | 85.7% | 50.6% | 55.3% | 54.0% | 58.7% | 58.4% | 57.5% | 48.4% | 21.3% | **42.0%** |

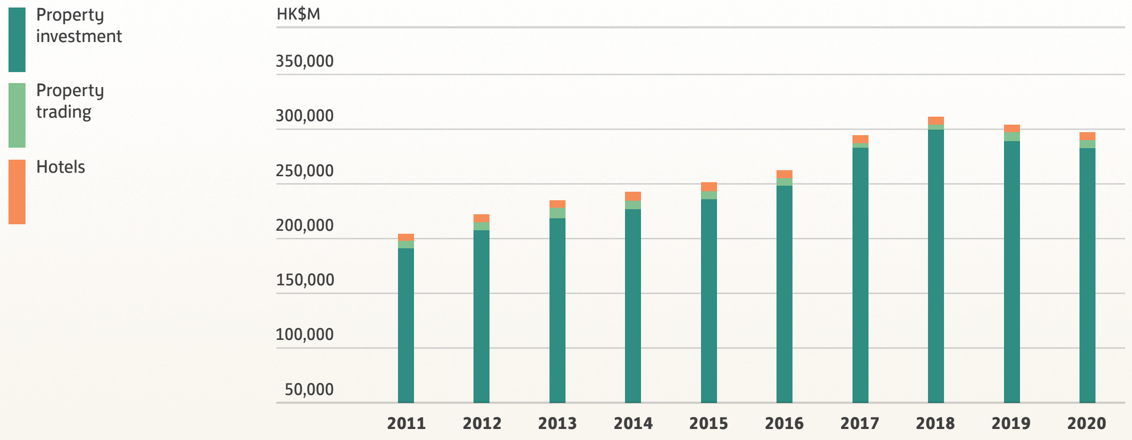
Notes:

1. The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2020 may be different from those originally presented.
2. The equity attributable to the Company's shareholders and the returns by segment for 2020 and 2019 are shown in the Financial Review – Investment Appraisal and Performance Review on page 64.
3. Underlying profit is discussed on pages 23 to 25.
4. Refer to Glossary on page 203 for definitions and ratios.

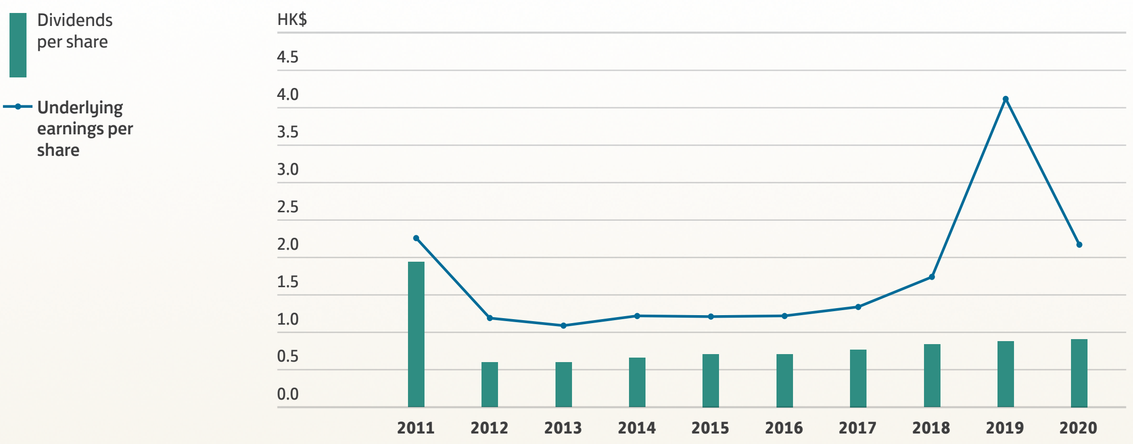
## Revenue




## Net Assets Employed

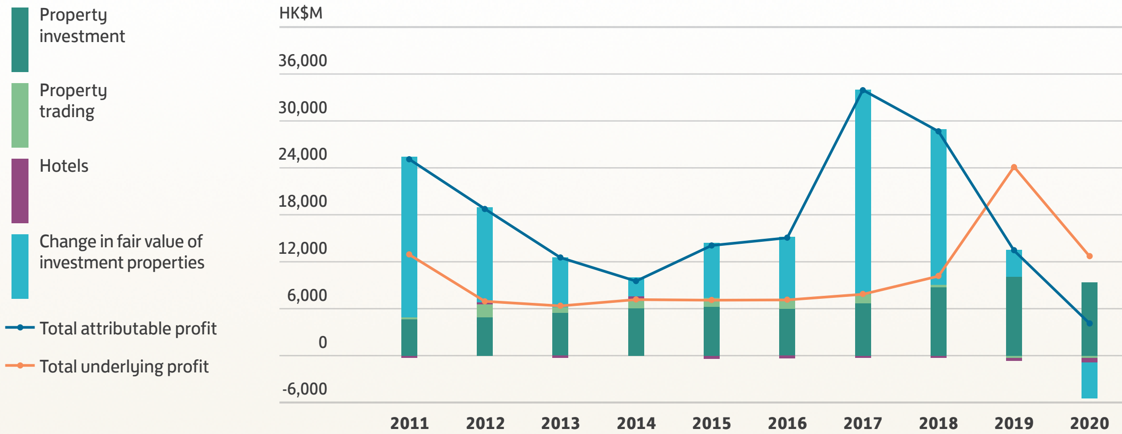



## Dividends and Underlying Earnings Per Share

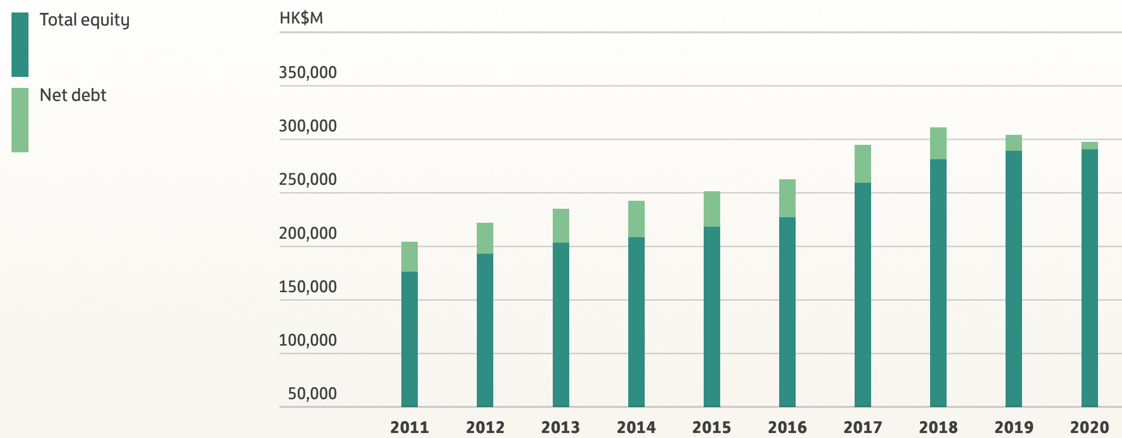


# Ten-Year Financial Summary

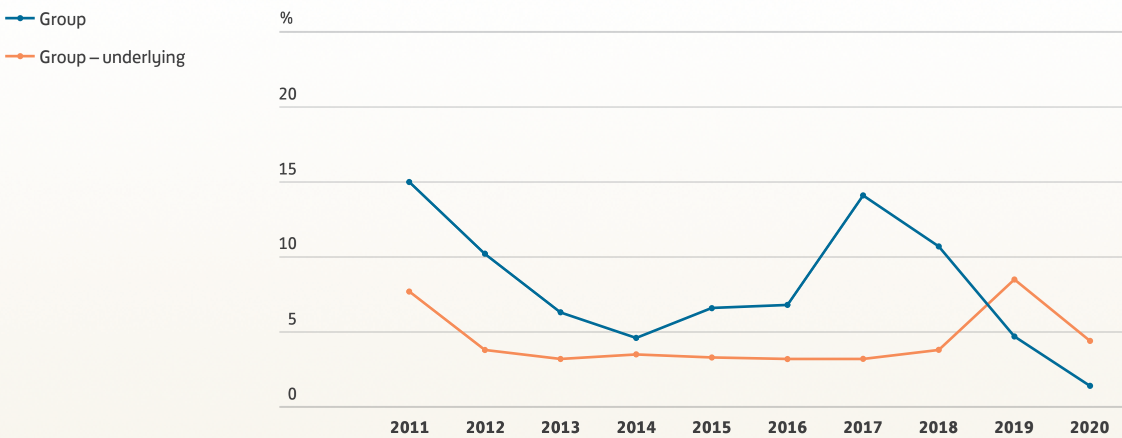
## Profit Attributable to the Company's Shareholders




## Total Equity and Net Debt




## Returns on Average Equity



# CHAIRMAN'S STATEMENT

**Dear shareholders,**

**2020 was a challenging year, with the impact of COVID-19 felt across multiple fronts of our business – retail, office, residential and hotels. However, our business remains on a sound financial footing, reinforced by a long-term outlook, a focus on quality and innovation, and a robust approach to capital management.**

**Placemaking is at the core of our business – our best-in-class developments have put us on the map, as we continue to bring long-term value to our local communities. Our commitment to our core markets in Hong Kong and the Chinese mainland remains as strong as ever and, with our solid fundamentals, we remain confident in our future prospects.**

## Strong Fundamentals Delivering Increased Dividends

We recorded a decrease in underlying profit from HK$24,130 million in 2019 to HK$12,679 million in 2020, primarily due to a reduction in profit arising from the sale of interests in investment properties in Hong Kong, as well as losses from our hotel business and lower rental income from our Hong Kong retail portfolio, in the wake of travel bans and social distancing regulations. Our Hong Kong office portfolio continued to deliver a solid performance. The rental income drop at our Hong Kong malls was more than offset by the recovery in the Chinese mainland. Our five malls in the Chinese mainland continue to strengthen our retail portfolio, being well established as top lifestyle destinations in their cities, and proving the merits of our long-term placemaking strategy.

We had to make some tough decisions this year. We were one of the first major landlords in Hong Kong to offer rental subsidies to our retail tenants, as we recognised how important it was for their businesses to stay afloat. It is also owing to our tenant partnerships that we were able to maintain a very robust occupancy rate throughout these difficult times. When conditions eventually improve, this will contribute to a stronger recovery for our business.

We also made the decision that our core operations in Hong Kong would not apply for the HKSAR Government's Employment Support Scheme (ESS), as we believed that these resources should be left for companies with jobs most at risk. We did however apply for the scheme for our hotel business, which like others in the industry, has been severely impacted by COVID-19.

Despite the challenges, we ended the year on a stable financial footing. We continued our policy of not paying out special dividends despite our asset disposals this year, in order to recycle capital into new projects to drive long-term income growth. We declared a second interim dividend of HK$0.61 per share which, together with the first interim dividend of HK$0.30 per share paid in October 2020, amounts to full year dividends of HK$0.91 per share, representing a 3% increase over dividends for 2019.

Our policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profit in ordinary dividends over time. Over the past five years ending with 2020, our dividends have represented 39% of our underlying profits.

## Capital Recycling Fueling Future Growth

We continued to dispose of non-core assets in 2020. We sold our entire interest in the office tower Cityplaza One; two office towers in Miami, U.S.A.; and launched car parking spaces at our residential development Taikoo Shing for sale to owners.

The cash generated will go towards reinforcing our core investments. In Hong Kong, the ongoing redevelopment of Taikoo Place continues. Our latest Grade A office tower, Two Taikoo Place, is scheduled to be completed by 2022. We are also continuing with the eastward expansion of our flagship Pacific Place portfolio.

In the Chinese mainland, we have an exciting pipeline of investment opportunities, and we are keen to pursue further projects and to continue scaling up our investment in the region. We recently announced an exciting extension of our INDIGO development in Beijing with our long-term partner Sino-Ocean, which will allow us to build on INDIGO as a major lifestyle destination. Opening soon is our third Taikoo Li project, Taikoo Li Qiantan in Shanghai, which will be the most digitally advanced mall we have ever designed, with a focus on wellness. Also in the pipeline is the launch of a new retail extension to Taikoo Li Sanlitun in Beijing, which will be named "Taikoo Li Sanlitun West".

We are also currently building a robust residential pipeline in Hong Kong with several new developments, including EIGHT STAR STREET, a project in Chai Wan, and a development in Wong Chuk Hang.

Elsewhere, we are exploring new opportunities in emerging markets in Southeast Asia, with luxury residential projects in Singapore, Jakarta and Ho Chi Minh City.

## Leadership in Sustainable Development – 2030 and Beyond

I am pleased to report that the Company has made great strides since we reset our long-term Sustainable Development 2030 vision in 2016 – to be the leading sustainable development performer in our industry globally by 2030. We retained our high rankings in sustainability indices and benchmarks in 2020, and stood out as the only Hong Kong company to be included in the Dow Jones Sustainability World Index. In December, we became the first company in our industry across Hong Kong and the Chinese mainland to commit to the Science Based Targets initiative's Business Ambition for 1.5°C campaign, with the goal of reaching net zero emissions by no later than 2050. On this front, I'm proud to say that in 2020, Sino-Ocean Taikoo Li Chengdu became our first development to be powered by 100% renewable electricity.

With an integrated approach to Sustainable Development, we have also made great progress in green financing, with approximately 30% of our current facilities coming from green bonds, sustainability-linked loans, and our first green loan. With new targets in place, we intend to become an industry leader in the transition to greener capital markets.

Meanwhile, our signature Community Ambassador programme continues to contribute thousands of hours of volunteer work to help those in need in Hong Kong, and across our operating cities in the Chinese mainland.

## Looking to the Future

These are uncertain times, but we have risen to the occasion and will continue to do so. Much of that has to do with our people – I would like to take this opportunity to thank our incredible team at Swire Properties. Our frontline and office colleagues across Hong Kong, the Chinese mainland, Miami and Southeast Asia have gone above and beyond to keep our places safe, and to support our tenants and local communities. I salute our staff's resilience and dedication amidst a difficult year. It has been truly inspiring to witness.

Merlin Swire
*Chairman*
*Hong Kong, 11th March 2021*

# CHIEF EXECUTIVE'S STATEMENT

**Dear shareholders,**

**The difficulties we faced in 2020 proved to be a crucial learning experience for our business. The onset of the global pandemic meant that we entered a period of significant change in our industry, which highlighted both challenges and opportunities.**

**First and foremost, 2020 showed us that our long-term investment and capital management strategy are putting us in a strong position for the future – we were able to raise capital from the sale of non-core assets in 2020, channel funds towards reinforcing our core investments in Hong Kong and the Chinese mainland, and open up new pathways for investment in various markets.**

**As we look forward, our focus remains on our prudent long-term investment strategy, maintaining and accelerating our sustainable leadership, and the digital transformation of our business – all factors which we believe will set out a strong path for our future growth in the face of the uncertainties ahead.**

## 2020 Financial Results at a Glance

The effects of the pandemic were felt across our key markets, and overall, we recorded a decrease in underlying profit. This was due in large part to the reduction in profit arising from the sale of interests in investment properties in Hong Kong, as part of our ongoing strategy of recycling capital.

Our recurring underlying profit was HK$7,089 million in 2020, compared with HK$7,633 million in 2019, this reflected higher losses from our hotels due to COVID-19, as well as lower rental income from our residential and retail businesses in Hong Kong.

Our office portfolio did however deliver solid returns, with a slight increase in rental income due to positive rental reversions and firm occupancy at Taikoo Place. We also had a positive showing for our projects in the Chinese mainland, with a slight increase in gross rental income in our malls due to increased domestic spending.

In the U.S.A., we recorded a decrease in gross rental income, mainly due to the loss of office rental income following the disposal of Two and Three Brickell City Centre in July 2020.

As expected, our hotels continued to be heavily impacted by COVID-19, in the wake of travel bans and social distancing regulations, with higher losses recorded.

Despite these setbacks, we continue to maintain a strong balance sheet, anchored by our core investments in Hong Kong and the Chinese mainland, which we expect to contribute to our recovery and long-term growth efforts.

## Our Future Prospects

Despite the gravity of the challenges the world continues to face with COVID-19, we are optimistic about the future – the tide will eventually turn, and we are well placed to thrive and continue our growth strategy.

In the office sector, demand for office space in Hong Kong remains weak, reflecting the state of the economy and rising unemployment rates. Increasing vacancies in Central and new supply in East Kowloon are also exerting downward pressure on rents. However, we have a resilient office portfolio, with Taikoo Place in particular continuing to record high occupancy rates. We anticipate that our ongoing transformation of the district into a global business hub will continue to fortify our portfolio, with the upcoming launch of Two Taikoo Place in 2022 expected to attract more multinationals across different sectors to the district.

In Guangzhou, Shanghai and Beijing, we expect the office market to recover modestly in 2021. But, with continued new supply and weak demand, office rents will likely remain under pressure.

The retail industry as a whole in Hong Kong continues to be hit hard by the pandemic, and we are no exception. We made the decision to continue offering rental concessions to our tenant partners. This will likely have an adverse impact on our 2021 financial results, but we feel this is a necessary step to supporting our partners and aiding in the sustainable recovery of our business as a whole.

There is also the need to evolve in the face of digital disruptors in the retail industry. The shift towards online spending means that we must remain agile and responsive; the digital transformation of our business is a key priority for us, and we continue to explore new technologies and customer-centric engagement, including innovative CRM programmes, to remain ahead of the curve.

We are definitely seeing brighter days ahead for our shopping malls in the Chinese mainland, which continues its strong rebound from the pandemic. We expect strong demand for retail space from luxury brands in 2021 in Guangzhou and Chengdu, and stable demand across fashion, lifestyle and F&B sectors in Shanghai. The recovery in Beijing is expected to be more gradual but still stable in 2021.

On the residential front in Hong Kong, we are still seeing cautious sentiment from buyers due to COVID-19, but we anticipate that demand will remain resilient in the medium to long term, particularly due to low interest rates and the limited housing supply. We intend to ride on demand with the sale of our first batch of units at EIGHT STAR STREET, which launched early in 2021.

Whilst our newer residential markets in Southeast Asia continue to be adversely impacted by the pandemic, our prospects there remain very positive. In Singapore, low interest rates and the long-term prospects of the market are expected to underpin demand for residential accommodation. In Jakarta, urbanisation and a growing middle class are expected to support a stable residential property market. And in Vietnam, COVID-19 has been largely contained; there is limited supply of luxury residential properties, the economy is strong and there is rapid urbanisation. All this has led to strong demand for luxury residential properties, which we are well-placed to benefit from with our upcoming developments in Ho Chi Minh City.

The hospitality industry has been one of the worst hit sectors amidst the global travel ban, and the outlook for our hotels in Hong Kong is difficult. Recovery depends on the reopening of borders and the pace of COVID-19 vaccinations. However, domestic travel is strong in the Chinese mainland, and we expect that our hotels there will do well if the pandemic stabilises in major cities. Looking ahead, we will be preparing to launch a non-managed hotel, The Silveri Hong Kong – MGallery, within our Citygate extension later in 2021.

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

On behalf of my fellow Directors, I wish to express our appreciation to all our employees, whose commitment and hard work have been central to our continuing success. In particular, I would like to commend our staff for their tremendous professionalism and resilience in the face of operational challenges arising from the pandemic.

Guy Bradley
*Chief Executive*
*Hong Kong, 11th March 2021*

# KEY BUSINESS STRATEGIES

**As a leading developer, owner and operator of mixed-use, principally commercial, properties in Hong Kong and the Chinese mainland, our strategic objective is sustainable growth in shareholder value in the long term. To achieve this objective, we employ five strategies.**

## 1. Continue to create long-term value by conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas

We will continue to design projects which we believe will have the necessary scale, mix of uses and transport links to become key commercial destinations and to transform the areas in which they are situated.

## 2. Maximise the earnings and value of our completed properties through active asset management and by reinforcing our assets through enhancement, redevelopment and new additions

We manage our completed properties actively (including by optimising the mix of retail tenants and early renewal negotiations with office tenants) and with a view to the long term, to maintain consistently high levels of service and to enhance and reinforce our assets. By doing so, we believe that we will maximise the occupancy and earnings potential of our properties.

Tenants increasingly scrutinise the sustainable development credentials of landlords and buildings. We aim to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology, and by engagement with tenants and others with whom we do business.

## 3. Continue with our luxury and high quality residential property activities

We will look to acquire appropriate sites for development of luxury and high quality residential projects for trading and investment in the markets in which we operate.

## 4. Remain focused principally on Hong Kong and the Chinese mainland

In Hong Kong, we will continue to focus on reinforcing our existing investment property assets and on seeking new sites suitable for transformational developments and for residential projects.

We aim to replicate in the Chinese mainland our success in Hong Kong. We intend to take a measured approach to land purchases in the Chinese mainland and will focus on developments where we can secure sites through early engagement with local governments who recognise our strengths in developing large-scale mixed-use projects.

We will seek residential development opportunities in the Chinese mainland. These are likely to be ancillary to our mixed-use developments. However, in the right locations and cities we may also consider standalone residential development opportunities. Our residential developments will be aimed at buyers of luxury and high quality properties, where we believe we have a competitive advantage.

While we will continue to concentrate on Hong Kong and the Chinese mainland, we intend to expand selectively elsewhere.

## 5. Manage our capital base conservatively

We intend to maintain a strong balance sheet with a view to investing in and financing our projects in a disciplined and targeted manner.

We aim to maintain exposure to a range of debt maturities and a range of debt types and lenders. Our current debt profile reflects a mix of revolving and term bank loans and medium term notes.

In implementing the above strategies, the principal risks and uncertainties facing the Group are that the economies in which it operates (in particular Hong Kong and the Chinese mainland) will not perform as well in the future as they have in the past and the uncertainties as to whether this will happen.

# MANAGEMENT DISCUSSION & ANALYSIS

Taikoo Hui, Guangzhou

# REVIEW OF OPERATIONS

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| **Revenue** | | |
| **Gross Rental Income derived from** | | |
| Offices | **6,555** | 6,598 |
| Retail | **5,245** | 5,107 |
| Residential | **454** | 566 |
| **Other Revenue** [(1)] | **101** | 139 |
| **Property Investment** | **12,355** | 12,410 |
| **Property Trading** | **312** | 516 |
| **Hotels** | **641** | 1,296 |
| **Total Revenue** | **13,308** | 14,222 |
| **Operating Profit/(Losses) derived from** | | |
| Property investment | | |
| From operations | **8,504** | 8,397 |
| Sale of interests in investment properties | **1,826** | 2,338 |
| Valuation (losses)/gains on investment properties | **(4,465)** | 3,720 |
| Property trading | **(49)** | 4 |
| Hotels | **(310)** | (62) |
| **Total Operating Profit** | **5,506** | 14,397 |
| **Share of Post-tax Profit from Joint Venture and Associated Companies** | **732** | 1,430 |
| **Profit Attributable to the Company's Shareholders** | **4,096** | 13,423 |

(1) Other revenue is mainly estate management fees.

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

| **Underlying Profit Reconciliation** | *Note* | **2020 HK$M** | 2019 HK$M |
|---|---|---|---|
| **Profit Attributable to the Company's Shareholders per Financial Statements** | | **4,096** | 13,423 |
| Adjustments in respect of investment properties: | | | |
| Valuation losses/(gains) of investment properties | *(a)* | **4,307** | (4,563) |
| Deferred tax on investment properties | *(b)* | **446** | 1,138 |
| Valuation gains realised on sale of interests in investment properties | *(c)* | **3,990** | 14,159 |
| Depreciation of investment properties occupied by the Group | *(d)* | **23** | 24 |
| Non-controlling interests' share of valuation movements less deferred tax | | **(108)** | (25) |
| Movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest | *(e)* | **(26)** | (13) |
| Less amortisation of right-of-use assets reported under investment properties | *(f)* | **(49)** | (13) |
| **Underlying Profit Attributable to the Company's Shareholders** | | **12,679** | 24,130 |
| Profit on sale of interests in investment properties | | **(5,590)** | (16,497) |
| **Recurring Underlying Profit Attributable to the Company's Shareholders** | | **7,089** | 7,633 |

Notes:

(a) This represents the net valuation movements as shown in the Group's consolidated statement of profit or loss and the Group's share of net valuation 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 valuation movements on investment properties in the Chinese mainland and the U.S.A., and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

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

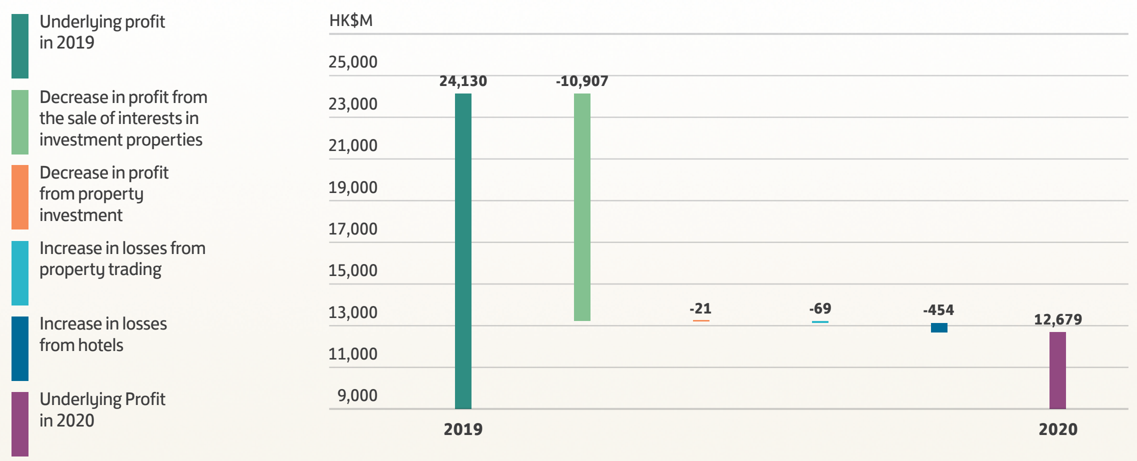
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

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

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

# Underlying Profit

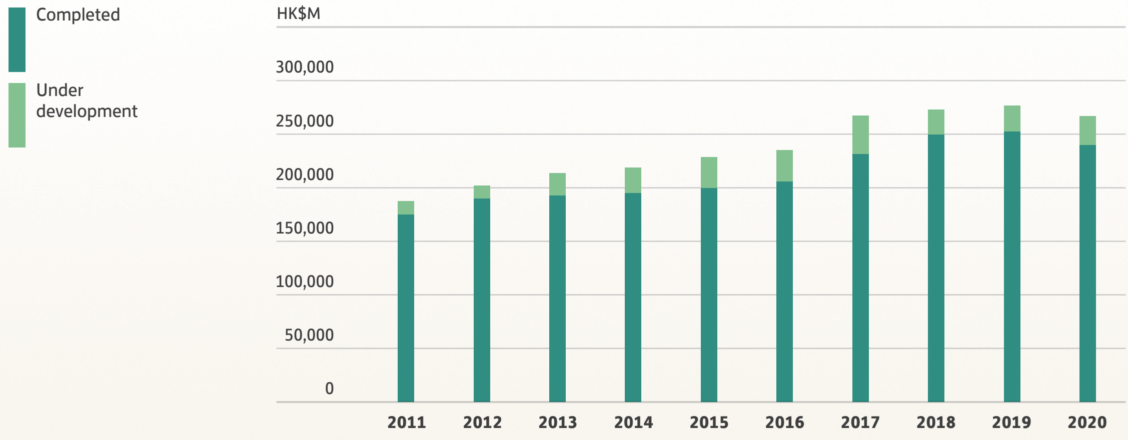
## Movement in Underlying Profit



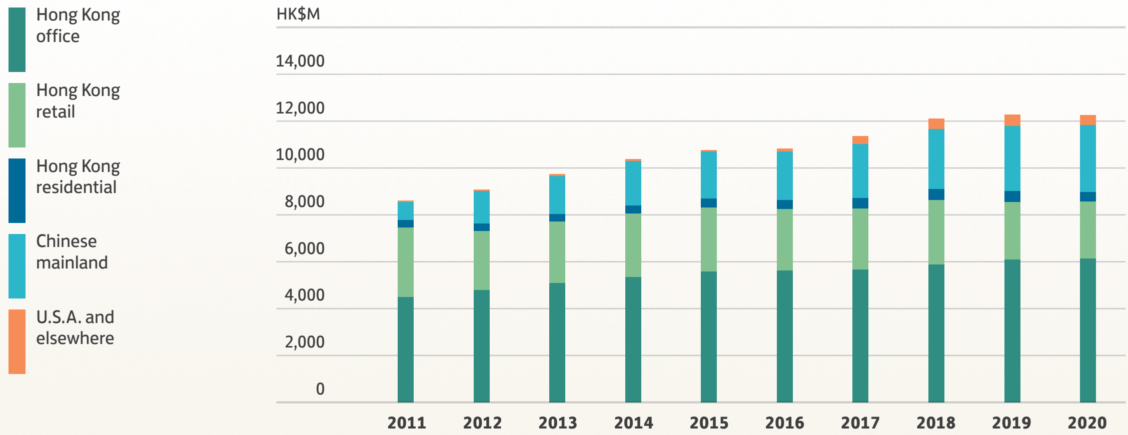

The decrease in underlying profit (from HK$24,130 million in 2019 to HK$12,679 million in 2020) principally reflected the reduction in profit arising from the sale of interests in investment properties in Hong Kong. Recurring underlying profit (which excludes the profit on sale of interests in investment properties) was HK$7,089 million in 2020, compared with HK$7,633 million in 2019. The decrease principally reflected higher losses from hotels due to COVID-19.

Recurring underlying profit from property investment was approximately the same as in 2019, despite the adverse effects of COVID-19. This principally reflected lower rental income from Hong Kong, largely offset by lower finance charges. In Hong Kong, lower rental income was principally due to lower residential and retail income, both being adversely affected by COVID-19. Hong Kong office rental income increased slightly. This was principally due to positive rental reversions and firm occupancy at Taikoo Place, partly offset by a loss of rental income from the Cityplaza Three and Four office towers (the sale of which was completed in April 2019). In the Chinese mainland, gross rental income increased slightly because of higher retail sales, partly offset by rental concessions due to COVID-19 and by lower office rental income. In the U.S.A., gross rental income decreased, mainly due to the loss of office rental income following the disposal of two office towers in July 2020. The underlying loss from property trading in 2020 related to residential units in the U.S.A. and marketing expenses at the developments in Hong Kong and Southeast Asia. All hotels, managed and non-managed, were badly affected by COVID-19. Higher losses were recorded.

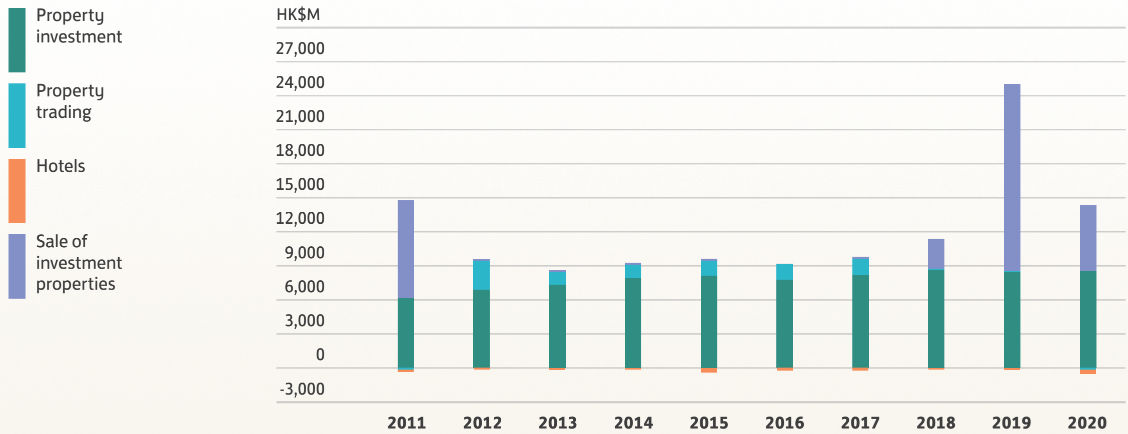
## Valuation of Investment Properties



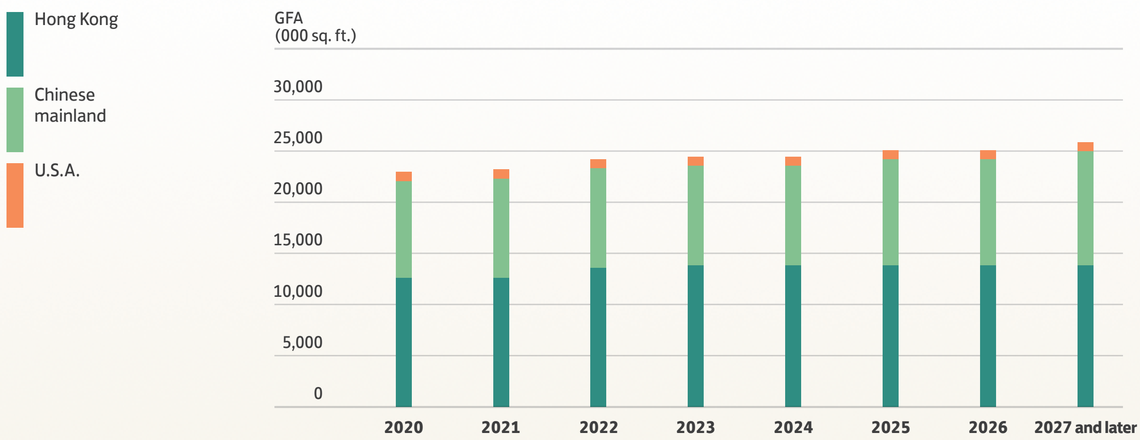

## Gross Rental Income



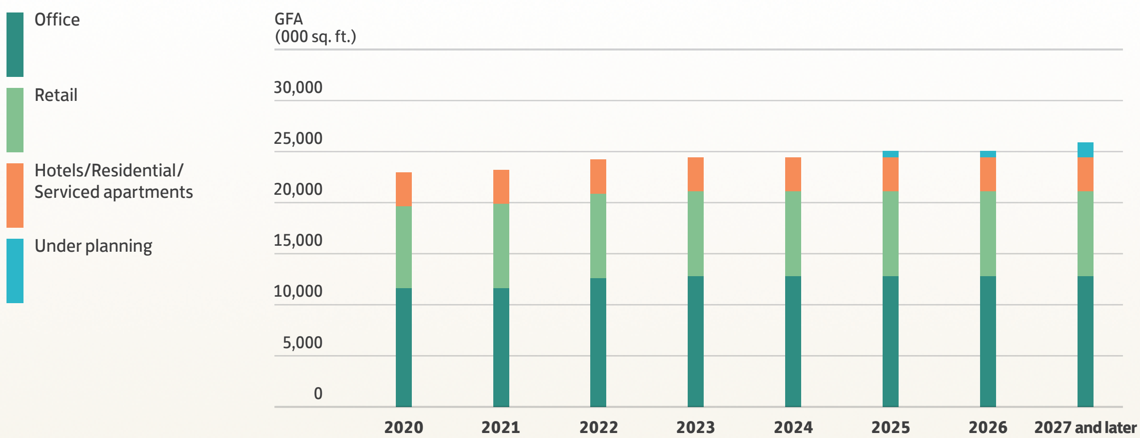

## Underlying Operating Profit



## Attributable Completed Investment Property and Hotel Portfolio by Location




## Attributable Completed Investment Property and Hotel Portfolio by Type




## Portfolio Overview

The aggregate gross floor area ("GFA") attributable to the Group at 31st December 2020 was approximately 30.9 million square feet.

Of the aggregate GFA attributable to the Group, approximately 27.3 million square feet are investment properties and hotels, comprising completed investment properties and hotels of approximately 22.9 million square feet and investment properties under development or held for future development of approximately 4.4 million square feet. In Hong Kong, the investment property and hotel portfolio comprises approximately 13.8 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In the Chinese mainland, the Company has interests in six major commercial developments in prime locations in Beijing, Guangzhou, Chengdu and Shanghai. These developments are expected to comprise approximately 11.1 million square feet of attributable GFA when they are all completed. Of this, 9.4 million square feet has already been completed. Outside Hong Kong and the Chinese mainland, the investment property and hotel portfolio comprises the Brickell City Centre development in Miami, U.S.A.

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property and hotel portfolio at 31st December 2020.

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

| | Office | Retail | Hotels[1] | Residential/ Serviced Apartments | Under Planning | Total |
|---|---|---|---|---|---|---|
| Hong Kong | 8.7 | 2.5 | 0.8 | 0.6 | – | **12.6** |
| Chinese mainland | 2.9 | 5.1 | 1.2 | 0.2 | – | **9.4** |
| U.S.A. | – | 0.3 | 0.5 | 0.1 | – | **0.9** |
| **Total** | **11.6** | **7.9** | **2.5** | **0.9** | **–** | **22.9** |

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

| | Office | Retail | Hotels[1] | Residential/ Serviced Apartments | Under Planning | Total |
|---|---|---|---|---|---|---|
| Hong Kong | 1.2 | – | – | – | – | **1.2** |
| Chinese mainland | – | 0.3 | – | – | 1.4 | **1.7** |
| U.S.A. | – | – | – | – | 1.5[2] | **1.5** |
| **Total** | **1.2** | **0.3** | **–** | **–** | **2.9** | **4.4** |

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

| | Office | Retail | Hotels[1] | Residential/ Serviced Apartments | Under Planning | Total |
|---|---|---|---|---|---|---|
| **Total** | **12.8** | **8.2** | **2.5** | **0.9** | **2.9** | **27.3** |

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

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

The trading portfolio comprises completed developments available for sale at the Reach and Rise developments at Brickell City Centre in Miami, U.S.A. and EDEN in Singapore. There are six residential projects under development, three in Hong Kong, one in Indonesia and two new investments (made in September 2020 and March 2021 respectively) in Vietnam. There are also land banks in Miami, U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 31st December 2020.

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

| | Completed | Under Development or Held for Development | Total |
|---|---|---|---|
| Hong Kong | – | 0.7 | **0.7** |
| U.S.A. and elsewhere | 0.3 | 2.6 | **2.9** |
| **Total** | **0.3** | **3.3** | **3.6** |

# Investment Properties – Hong Kong

## Offices

### Overview

The completed office portfolio in Hong Kong comprises an aggregate of 9.0 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$6,468 million in 2020. At 31st December 2020, our office properties, completed and under development, in Hong Kong were valued at HK$182,967 million. Of this amount, the Company's attributable interest was HK$173,026 million.

#### Hong Kong Office Portfolio

| | GFA (sq. ft.) (100% Basis) | Occupancy (at 31st December 2020) | Attributable Interest |
|---|---|---|---|
| Pacific Place | 2,186,433 | 95% | 100% |
| Taikoo Place Office Towers [1] | 3,136,717 | 98% | 50%/100% |
| One Island East and One Taikoo Place | 2,550,379 | 100% | 100% |
| Others [2] | 1,158,595 | 83% | 20%/50%/100% |
| **Total** | **9,032,124** | | |

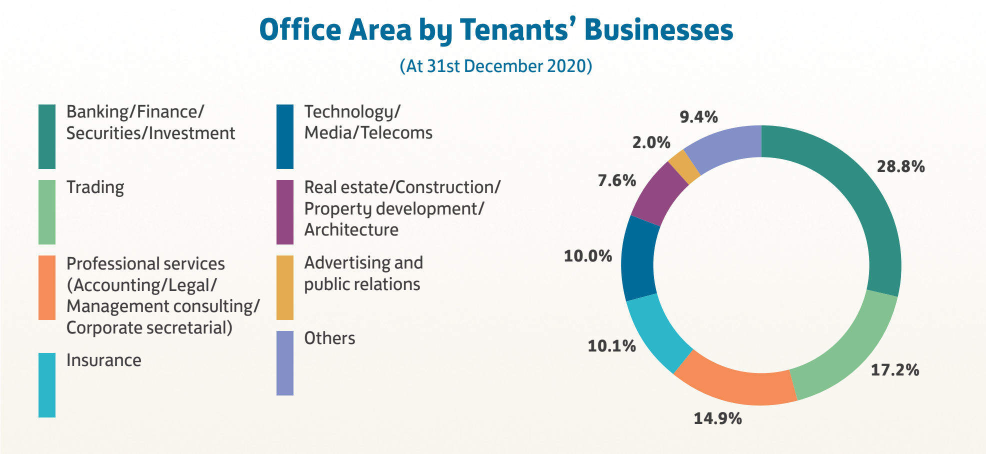
(1) Including PCCW Tower, of which the Company owns 50%.

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

Office leasing decisions have been put on hold, affected by COVID-19 related economic uncertainty.

Gross rental income from the Hong Kong office portfolio in 2020 was HK$6,131 million, a slight increase from 2019. There were positive rental reversions and occupancy was firm, particularly at Taikoo Place. This was partly offset by the loss of rental income from the Cityplaza Three and Four office towers. The sale of these towers was completed in April 2019. Disregarding this disposal, gross rental income increased by 3%. At 31st December 2020, the office portfolio was 96% 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 31st December 2020.




At 31st December 2020, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2020) together occupied approximately 20% of the Group's total attributable office area in Hong Kong.

# ONE TAIKOO PLACE

HONG KONG

**Pacific Place**

The performance of the offices at One, Two and Three Pacific Place was mixed in 2020. The occupancy rate was 95% at 31st December 2020. Guosen Securities, Huarong Overseas, CBRE, Ninety One, Heidrick & Struggles, Weihong Investment, Fuin Properties, Ganglong Development, Volant Trading, FNZ, Richard Mille and Lighthouse Financial became tenants. PAG, British American Tobacco and China Great Bay Area Fund leased more space. Tencent, FIL, Sotheby's, Poly Auction, CTI Capital, CPE Advisors, Chiba Bank, Mackenzie, Temple Chambers, Parkside Chambers, Jason Pow SC's Chambers, Industrial Bank of Korea, CDB Aviation, Old Peak Group and Sylebra Capital renewed their leases.

**Taikoo Place**

There are six office towers at Taikoo Place (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 98% at 31st December 2020. Amway Hong Kong, JobsDB, Kennedys, Mox, Priority Pass and Yahoo! Hong Kong became tenants. Berkshire Hathaway Specialty Insurance, China CITIC Bank and The Executive Centre leased more space. ANZ, Bio-Rad, Canali, China Airlines, Coty, Crestron, Dairy Farm, Dell, Dr. Steven Chung Dental Surgery, Extrawell Pharmaceutical, Galderma, Government Property Agency, Grifols, HKEX, IMG, JCDecaux Cityscape, Langtech/Hoermann (Hong Kong), MUFG Bank, NetApp, Orbotech, Prudential, Quality Healthcare, Sompo Insurance, Snow Breweries (Hong Kong), The Executive Centre, The Walt Disney Company and ZTE renewed their leases.

One Taikoo Place and One Island East had occupancy rates of 100% at 31st December 2020. In One Island East, Aon Hong Kong, Appleby, Cushman & Wakefield and the Securities and Futures Commission became tenants. Airwallex, Citrix Systems, Neo Derm, Pfizer Upjohn Hong Kong Limited, Taubman Asia and The Executive Centre renewed their leases.

**South Island Place**

The occupancy rate was 87% at 31st December 2020. Tenants include KPMG, Fleet Management, the Competition Commission and SCMP. The Company has a 50% interest in the development.

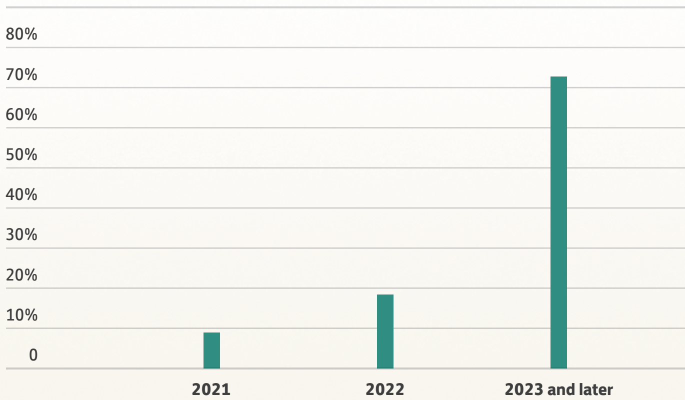
### Hong Kong Office Market Outlook

Demand for office space in Hong Kong is weak, reflecting the state of the economy and rising unemployment. Increasing vacancies in Central are exerting downward pressure on rents. Occupancy is high at our Taikoo Place developments. Rents there are generally resilient compared with those at offices in other areas. But increasing vacancies and new supply in Kowloon East are exerting downward pressure on rents in our older curtain wall buildings.

The following chart shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 31st December 2020, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 8.9% of the attributable gross rental income in the month of December 2020 are due to expire in 2021, with tenancies accounting for a further 18.4% of such rental income due to expire in 2022.

**Office Lease Expiry Profile**

(At 31st December 2020)




## Retail

### Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 3.2 million square feet of space on a 100% basis. Total attributable gross rental income from our retail properties in Hong Kong was HK$2,569 million in 2020. At 31st December 2020, our retail properties in Hong Kong were valued at HK$56,585 million. Of this amount, the Company's attributable interest was HK$46,645 million.

The portfolio principally consists of The Mall at Pacific Place, Cityplaza at Taikoo Shing and Citygate Outlets at Tung Chung. The malls are wholly-owned by the Company (except for Citygate Outlets, in which the Company has a 20% interest) and are managed by the Company.

**Hong Kong Retail Portfolio**

| | GFA (sq. ft.) (100% Basis) | Occupancy (at 31st December 2020) | Attributable Interest |
|---|---|---|---|
| The Mall, Pacific Place | 711,182 | 96% | 100% |
| Cityplaza | 1,096,898 | 100% | 100% |
| Citygate Outlets | 803,582 | 99% | 20% |
| Others [1] | 547,976 | 100% | 20%/60%/100% |
| **Total** | **3,159,638** | | |

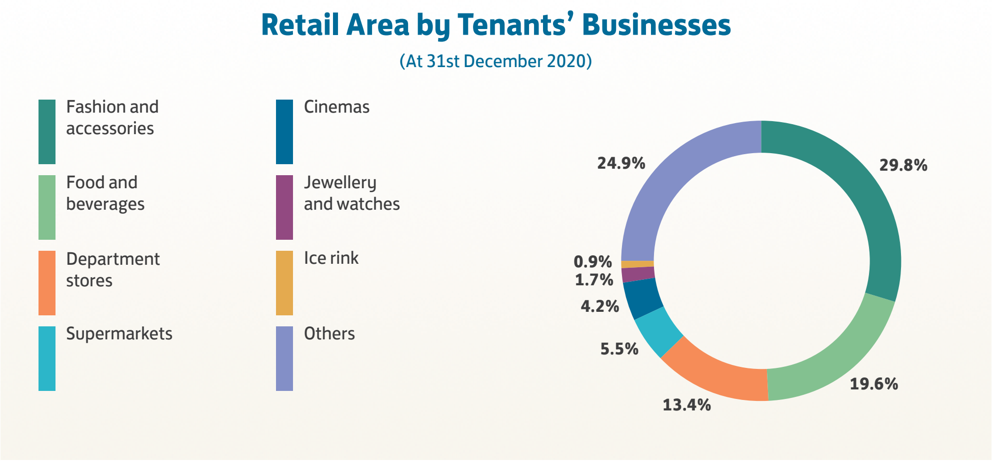
(1) Others largely comprise Taikoo Shing neighbourhood shops and StarCrest retail premises (which are wholly-owned), Island Place retail premises (60% owned) and Tung Chung Crescent neighbourhood shops (20% owned).

The Hong Kong retail portfolio's gross rental income was HK$2,441 million in 2020, approximately the same as in 2019.

Retail sales in 2020 decreased by 31% at The Mall, Pacific Place, by 18% at Cityplaza and by 16% at Citygate Outlets. These decreases compare with a 24% decrease in retail sales in Hong Kong as a whole. The decreases reflected increasingly difficult market conditions due to COVID-19, the related absence of tourists and changes in the spending patterns of local consumers. Rental concessions were given for specific periods on a case by case basis to support tenants and to maintain high occupancy. There was a slight improvement in retail sales in our Hong Kong malls starting from the last quarter of the year despite difficult market conditions, with fitness centres and cinemas being closed. The malls remained almost fully let throughout the year.

Rental concessions granted in 2020 were amortised over the remaining lease terms. Those granted in 2019 were fully accounted for in 2019. Disregarding rental concessions in both years, gross rental income was 5% less in 2020 than in 2019.

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 31st December 2020.




At 31st December 2020, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2020) together occupied approximately 26% of the Group's total attributable retail area in Hong Kong.

### The Mall at Pacific Place

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

The Mall was almost fully let during the year. Despite difficult market conditions, planned tenancy changes were completed. Saint Laurent and Shiro became tenants. Celine and Dior took more space. I.T, Loro Piana, Loewe, Emporio Armani and Sportmax were relocated within The Mall. The premises occupied by Peking Garden and Emphasis Jewellery were refitted.

# CITYPLAZA

HONG KONG

### Cityplaza

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

Cityplaza was fully let in 2020, except for void periods during tenancy changes and reconfiguration works. &btR, anagram, Apivita, Aveda, Banchan & Cook, Brooks Brothers, Calzedonia & Intimissimi, Chun Shui Tang, CK Performance & CK Underwear, Cocktail, COS, Cova Pasticceria & Confetteria, Florsheim, Global Timepieces, M Conzept Select, mì kaku dō, Tasty Congee & Noodle Wantun Shop and Theory became tenants.

### Citygate Outlets

Citygate Outlets is the largest premium outlet mall in Hong Kong with approximately 200 shops and restaurants. Its second phase was opened in 2019. It is near tourist attractions and transportation links (Hong Kong International Airport and the Hong Kong-Zhuhai-Macao Bridge). It appeals to local shoppers and tourists. It was almost fully let in 2020. adidas, Burberry, Calvin Klein, cdf Beauty, Coach, Fortress, I.T/i.t, Nike, Polo Ralph Lauren, TaSTe and Uniqlo are major tenants. American Eagle, American Vintage, Cinnabon, CR Care, Dickies, ellesse, FILA KIDS, FILA FUSION, Imperial Patisserie, Kinji, Kolon Sport, Marc Jacobs, MLB, Nautica and Palladium became tenants. Club CG, a membership programme, was introduced in 2020.

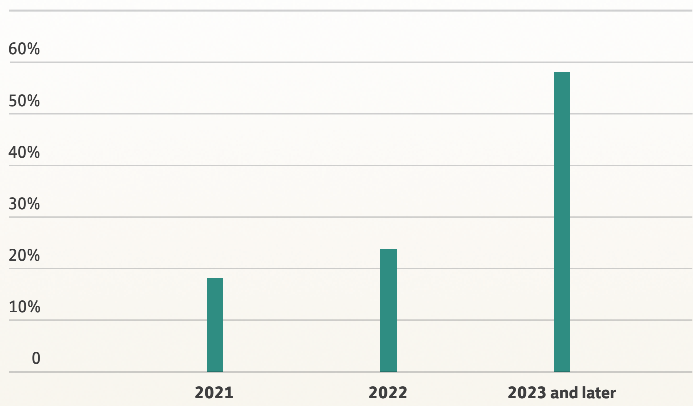
### Hong Kong Retail Market Outlook

Retail rents in Hong Kong will continue to be under pressure so long as the adverse effects of COVID-19 persist. Rental concessions may continue to be offered to affected tenants. Amortised rental concessions (including those relating to concessions granted in 2020) are likely to have an adverse effect on our 2021 financial results.

The following chart shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 31st December 2020, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 18.2% of the attributable gross rental income in the month of December 2020 are due to expire in 2021, with tenancies accounting for a further 23.7% of such rental income due to expire in 2022.

**Retail Lease Expiry Profile**

(At 31st December 2020)




## Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wanchai and a number of luxury houses on Hong Kong Island and Lantau Island, with an aggregate GFA of approximately 0.6 million square feet. The occupancy rate at the residential portfolio was approximately 69% at 31st December 2020. Rental demand for our residential investment properties has been affected by COVID-19.

## Investment Properties Under Development

### Taikoo Place Redevelopment

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

### 46-56 Queen's Road East

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

## Others

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

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

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

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

### Taikoo Shing Car Parking Spaces

In November 2020, the Company offered 227 car parking spaces in the Taikoo Shing residential estate in Hong Kong for sale. 164 of the car parking spaces had been sold at 9th March 2021. Profits are expected to be recognised later this year.

# Investment Properties – Chinese mainland

## Overview

The property portfolio in the Chinese mainland comprises an aggregate of 18.1 million square feet of space, 11.1 million square feet of which is attributable to the Group. Completed properties amount to 13.8 million square feet, with 4.3 million square feet under development.

### Chinese mainland Property Portfolio [1]

| | GFA (sq. ft.) (100% Basis) | | | | |
|---|---|---|---|---|---|
| | Total | Investment Properties | Hotels and Others | Under Planning | 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 | 1,886,865 | 1,528,564 | 358,301 | – | 50% |
| Sino-Ocean Taikoo Li Chengdu | 1,661,725 | 1,465,217 | 196,508 | – | 50% |
| HKRI Taikoo Hui, Shanghai | 3,536,619 | 3,148,792 | 387,827 | – | 50% |
| Taikoo Li Qiantan, Shanghai [2] | 1,238,037 | 1,238,037 | – | – | 50% |
| Hui Fang, Guangzhou | 90,847 | 90,847 | – | – | 100% |
| Others | 22,664 | 21,205 | 1,459 | – | 100% |
| **Sub-Total** | **13,742,725** | **12,044,983** | **1,697,742** | **–** | |
| *Under Development/Refurbishment* | | | | | |
| Taikoo Li Sanlitun, Beijing [3] | 255,731 | 255,731 | – | – | 100% |
| Phase Two extension of INDIGO, Beijing [4] | 4,083,732 | – | – | 4,083,732 | 35% |
| **Sub-Total** | **4,339,463** | **255,731** | **–** | **4,083,732** | |
| **Total** | **18,082,188** | **12,300,714** | **1,697,742** | **4,083,732** | |

(1) Including hotels and properties leased for investment.

(2) Construction was completed in December 2020. A soft opening is scheduled for the second half of 2021. Pre-leasing is in progress.

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

(4) This is an office-led mixed-use development. The development scheme is being planned. The total GFA is subject to change. The development is planned to be completed in two phases, in late 2025 and 2027.

Gross rental income from the Group's investment property portfolio in the Chinese mainland increased by 3%, to HK$2,862 million, in 2020. This reflected higher retail sales, partly offset by rental concessions due to COVID-19 and lower office rental income.

## Retail

The completed retail portfolio in the Chinese mainland comprises an aggregate of 7.6 million square feet of space, 5.1 million square feet of which is attributable to the Group. Total attributable gross rental income from our retail properties in the Chinese mainland grew by 2%, to HK$3,420 million, in 2020. Disregarding amortised rental concessions and Renminbi depreciation, total attributable gross rental income increased by 8%. At 31st December 2020, our retail properties, completed and under development, in the Chinese mainland were valued at HK$62,367 million. Of this amount, the Company's attributable interest was HK$45,501 million.

The portfolio consists of Taikoo Li Sanlitun in Beijing and Hui Fang in Guangzhou, which are wholly owned by the Company, Taikoo Hui in Guangzhou, which is 97% owned, and INDIGO in Beijing, Sino-Ocean Taikoo Li Chengdu, HKRI Taikoo Hui and Taikoo Li Qiantan in Shanghai, each of which is 50% owned.

### Chinese mainland completed Retail Portfolio

| | GFA (sq. ft.) (100% Basis) | Occupancy (at 31st December 2020) | Attributable Interest |
|---|---|---|---|
| Taikoo Li Sanlitun, Beijing | 1,296,308 | 99% | 100% |
| Taikoo Hui, Guangzhou | 1,472,730 | 100% | 97% |
| INDIGO, Beijing | 939,493 | 98% | 50% |
| Sino-Ocean Taikoo Li Chengdu | 1,355,360 | 95% | 50% |
| HKRI Taikoo Hui, Shanghai | 1,173,459 | 95% | 50% |
| Taikoo Li Qiantan, Shanghai | 1,238,037 | N/A | 50% |
| Hui Fang, Guangzhou | 90,847 | 100% | 100% |
| **Total** | **7,566,234** | | |

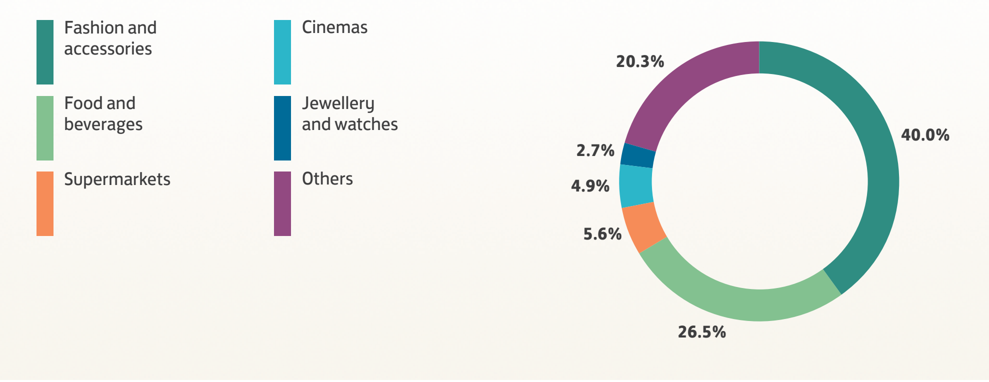
COVID-19 adversely affected our retail investment properties in the Chinese mainland in the early part of 2020. Rental concessions were provided to retail tenants on a case by case basis. From March 2020, there was a strong recovery of footfall and of retail sales, particularly of watches, jewellery and other luxury items. Our overall retail sales on an attributable basis in the Chinese mainland in 2020 increased by 10%, and by 29% in the second half. This reflected successful containment of COVID-19 and restrictions on overseas travel. Retail sales in Taikoo Hui in Guangzhou, Sino-Ocean Taikoo Li Chengdu and HKRI Taikoo Hui in Shanghai increased by 36%, 6% and 15% respectively in 2020. The increases in the second half were 65%, 26% and 25% respectively. Retail sales decreased by 18% at Taikoo Li Sanlitun and by 12% at INDIGO in Beijing in 2020. The decreases in the second half were 1% and 17% respectively. These decreases reflected COVID-19. National retail sales decreased by 4% in 2020.

The Group's gross rental income from retail properties in the Chinese mainland increased by 5%, to HK$2,491 million, in 2020 (despite a 1% depreciation of the Renminbi against the Hong Kong dollar). Disregarding amortised rental concessions and Renminbi depreciation, gross rental income increased by 10%.

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 31st December 2020.

### Retail Area by Tenants' Businesses

(At 31st December 2020)



At 31st December 2020, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2020) together occupied approximately 18% of the Group's total attributable retail area in the Chinese mainland.

### Taikoo Li Sanlitun, Beijing

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

Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands. adidas, Apple, H&M, Starbucks, Uniqlo, and a 1,597-seat Megabox cinema are tenants. In 2020, Apple reopened its flagship store. BYREDO, Fusalp, IRO, New Balance, Phenix, Public Tokyo, Stance, Self Portrait, Shake Shack, Tom Dixon, United Tokyo, Gang Ji by Xin Rong Ji, LeTao and Taste of Dadong became tenants. Tenants in Taikoo Li Sanlitun North are principally retailers of luxury, designer fashion and lifestyle brands. Canada Goose, Dover Street Market Beijing, Moncler and Valentino are tenants. Bvlgari, and Stone Island became tenants in 2020.

Gross rental income at Taikoo Li Sanlitun was adversely affected by COVID-19 in 2020. Retail sales decreased by 18%. The occupancy rate was 99% at 31st December 2020. Demand for retail space at Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination.

### Taikoo Hui, Guangzhou

Taikoo Hui is in the Tianhe district of Guangzhou. Its mall is a popular shopping centre in Guangzhou. Bottega Veneta, Cartier, Chanel, DIOR, Gucci, Hermes, I.T, Louis Vuitton, Saint Laurent, Van Cleef & Arpels, Uniqlo, Fangsuo bookstore, Victoria's Secret and Olé Supermarket are tenants. ARC'TERYX, Bonpoint, ba&sh, CHAUMET, Chopard, Chloe, DJI, Elephant Grounds, FILA FUSION, GENTSPACE, GIVENCHY Beauty, Gontran Cherrier, HUBLOT, Jimmy Choo, MAIA ACTIVE, PINKO, POLA, POP MART and Shiseido became tenants in 2020.

Gross rental income at Taikoo Hui grew strongly in 2020. Retail sales increased by 36%, reflecting strong demand for luxury brands from local shoppers, improvements to the tenant mix and strong marketing and promotion. At 31st December 2020, the occupancy rate at the shopping mall was 100%.

### INDIGO, Beijing

INDIGO mall is in the Jiangtai area in the Chaoyang district of Beijing. It is directly linked to the Beijing Metro Line 14 and is near the airport expressway. H&M, Massimo Dutti, Muji, Page One bookstore, BHG supermarket and a seven-house, 1,000-seat CGV cinema are tenants. Brooks Brothers, Chanel Beauty, Club Monaco, ICICLE, Juicy Couture, maje, Polo Ralph Lauren, Sandro, Chow Sang Sang, Polestar and UENO Eyewear became tenants in 2020. The mall is becoming a significant fashion and lifestyle shopping centre in north-east Beijing.

Occupancy at the shopping mall was 98% at 31st December 2020. Retail sales were adversely affected by COVID-19. They decreased by 12% in 2020.

### Sino-Ocean Taikoo Li Chengdu

Sino-Ocean Taikoo Li Chengdu is in the Jinjiang district of Chengdu and is part of the Chunxi Road/Daci Temple shopping district. It is our second Taikoo Li project in the Chinese mainland. adidas, Apple, Cartier, Gucci, Hermes, I.T/i.t, Muji, ZARA, Fangsuo bookstore, Olé Supermarket and a 1,720-seat Palace-j'aime cinema are tenants. Harry Winston, Chanel Shoes Boutique, Yohji Yamamoto and SHANG XIA opened their first stores in the south-west of the Chinese mainland at the development in 2020.

Retail sales increased by 6% in 2020, reflecting an improved mix of brands and more sales to young people. The development continues to gain popularity as a shopping destination in Chengdu. At 31st December 2020, the occupancy rate was 95%.


# SINO-OCEAN TAIKOO LI CHENGDU

CHENGDU

**HKRI Taikoo Hui, Shanghai**

HKRI Taikoo Hui is on Nanjing West Road in the Jing'an district of Puxi, Shanghai. It has excellent transport connections, being adjacent to the Nanjing West Road metro station (which serves three metro lines) and near the Yan'an Expressway.

HKRI Taikoo Hui is our second Taikoo Hui development in the Chinese mainland. Starbucks Reserve Roastery, Atelier Cologne, CHA LING, Champion, COS, diptyque, The Disney Store, G Givenchy, Guerlain, i.t, Kenzo, Lululemon, McQ, Nike Kicks Lounge, Nio, Puma, SpaceCycle, Tesla, ZWILLING HOME, Shanghai Club, Ho Hung Kee and a city'super supermarket are tenants. Acqua di Parma, BURTON, DOLCE & GABBANA, Harrods, HOMME PLISSÉ ISSEY MIYAKE, Nike, Polo Ralph Lauren, POP MART, TAG Heuer and The Cheesecake Factory became tenants in 2020.

Retail sales increased by 15% in 2020. At 31st December 2020, the occupancy rate was 95%.

**Taikoo Li Qiantan, Shanghai**

Jointly developed with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd., Taikoo Li Qiantan is a retail development in Qiantan, Pudong New District in Shanghai. It has an aggregate GFA of 1,238,037 square feet and space for over 200 shops. It is our second development in Shanghai and the third Taikoo Li project in the Chinese mainland. Qiantan International Business Zone is envisaged as a new international business district of Shanghai and as a commercial, residential and culture centre. The development will be connected to a three-line metro interchange station.

Construction was completed in December 2020. A soft opening is scheduled for the second half of 2021. Pre-leasing is in progress. The response from the market is encouraging.

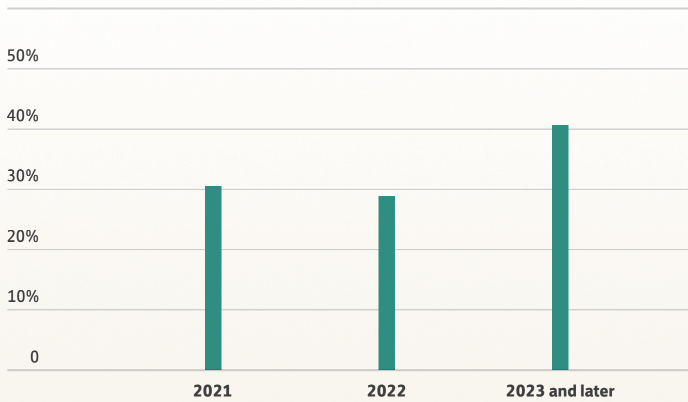
**Chinese mainland Retail Market Outlook**

In Guangzhou and Chengdu, demand for retail space from retailers of luxury international brands is expected to be strong in 2021. In Shanghai, demand for retail space from fashion, cosmetics, lifestyle and food and beverages outlets is expected to be stable. In Beijing, retail sales and demand for retail space from the owners of lifestyle and apparel brands are expected to recover steadily in 2021.

The following chart shows the percentage of attributable gross rental income from the retail properties in the Chinese mainland, for the month ended 31st December 2020, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 30.5% of the attributable gross rental income in the month of December 2020 are due to expire in 2021, with tenancies accounting for a further 28.9% of such rental income due to expire in 2022.

**Retail Lease Expiry Profile**

(At 31st December 2020)




## Offices

The completed office portfolio in the Chinese mainland comprises an aggregate of 4.2 million square feet of space, 2.9 million square feet of which is attributable to the Group. Total attributable gross rental income from our office properties in the Chinese mainland decreased by 4% to HK$794 million in 2020. At 31st December 2020, our completed office properties in the Chinese mainland were valued at HK$22,529 million. Of this amount, the Company's attributable interest was HK$14,193 million.

The portfolio principally consists of Taikoo Hui in Guangzhou, which is 97% owned, and INDIGO in Beijing and HKRI Taikoo Hui in Shanghai, each of which is 50% owned.

### Chinese mainland completed Office Portfolio

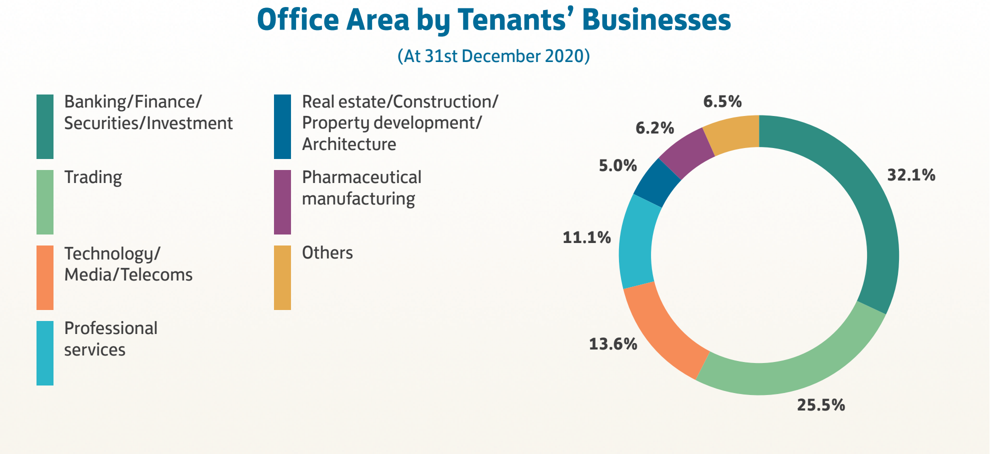
| | GFA (sq. ft.) (100% Basis) | Occupancy (at 31st December 2020) | Attributable Interest |
|---|---|---|---|
| Taikoo Hui, Guangzhou | 1,731,766 | 95% | 97% |
| INDIGO, Beijing | 589,071 | 70% | 50% |
| HKRI Taikoo Hui, Shanghai | 1,828,060 | 97% | 50% |
| Others | 19,747 | 93% | 100% |
| **Total** | **4,168,644** | | |

The Group's gross rental income from office properties in the Chinese mainland decreased by 6% to HK$358 million in 2020 (after taking into account a 1% depreciation of the Renminbi against the Hong Kong dollar). The decrease reflected weak demand for office space because of COVID-19 and economic uncertainty as well as significant new supply in Guangzhou and Beijing.

# TAIKOO HUI

GUANGZHOU

The chart below shows the mix of the tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 31st December 2020.




At 31st December 2020, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2020) together occupied approximately 48% of the Group's total attributable office area in the Chinese mainland.

### Taikoo Hui, Guangzhou

There are two office towers in Taikoo Hui, Guangzhou. Demand for office space in 2020 was weak and rents were under pressure. Occupancy at 31st December 2020 was 95%. Canon, HSBC, Microsoft and Toyota are tenants. Everwin leased more space in 2020. Alpine Electronics, SIG, Fesco Adecco and Credit Agricole became tenants in 2020.

### INDIGO, Beijing

Occupancy at ONE INDIGO was 70% at 31st December 2020. Demand for office space in 2020 was weak and office rents were under pressure because of COVID-19. The main tenants are technology, media and telecoms and logistics companies. Alcon, Eli Lilly, Kuehne & Nagel, Mitsubishi, Rolls Royce and 20th Century Fox are tenants. Coupand leased more office space in 2020. Goodman became a tenant in 2020.

**HKRI Taikoo Hui, Shanghai**

There are two office towers at HKRI Taikoo Hui in Shanghai. The occupancy rate was 97% at 31st December 2020. Demand was adversely affected by COVID-19, but there was an improvement from the third quarter. The main tenants are financial services companies, domestic pharmaceutical companies, law firms, gaming companies and retailers. Abbvie, Advent Capital, Alibaba, Alliance Bernstein, Amore Pacific, Audemars Piguet, Bally, Bank of China, Blackstone, Clifford Chance, China Media Capital, Citic Capital, CVC Capital Partners, EA, Eli Lilly, Fangda Partners, Fidelity, FountainVest Partners, Grosvenor, H&M, Harry Winston, Heinz, Han Kun Law Offices, KKR, Jimmy Choo, JLL, Jun He Law Offices, Rothschild, Towers Research Capital and Warner Brothers are tenants. Epic Games, Neuberger Berman, Supercell and Warburg Pincus leased more space in 2020. Auster Fund (Rothschild), Bio Track Capital, Canali, Cgnus Equity, Citibank, EQT Partners, M31 Capital, Newalue Capital, Vivo Capital and White & Case became tenants in 2020.

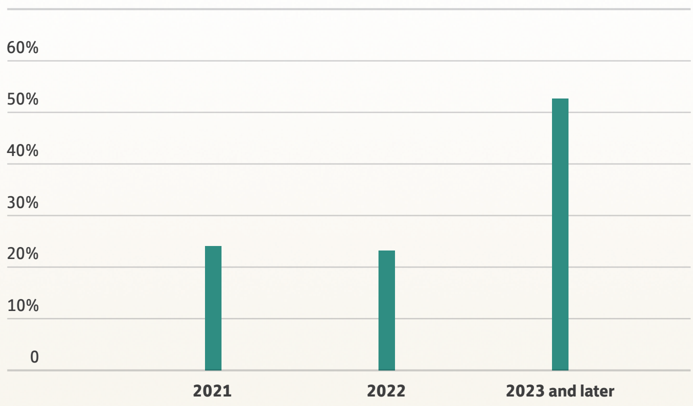
**Chinese mainland Office Market Outlook**

In Guangzhou, Shanghai and Beijing, the office market is expected to recover modestly in 2021. But, with continued new supply and weak demand, office rents are expected to be under pressure.

The following chart shows the percentage of attributable gross rental income from the office properties in the Chinese mainland, for the month ended 31st December 2020, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 24.1% of the attributable gross rental income in the month of December 2020 are due to expire in 2021, with tenancies accounting for a further 23.2% of such rental income due to expire in 2022.

**Office Lease Expiry Profile**

(At 31st December 2020)




## Serviced Apartments

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

The performance of the serviced apartments in 2020 was affected by COVID-19.

### Chinese mainland Serviced Apartments

| | GFA (sq. ft.) (100% Basis) | Occupancy (at 31st December 2020) | Attributable Interest |
|---|---|---|---|
| Mandarin Oriental, Guangzhou | 51,517 | 88% | 97% |
| The Temple House, Chengdu | 109,857 | 40% | 50% |
| The Middle House Residences, Shanghai | 147,273 | 92% | 50% |
| Others | 1,458 | 100% | 100% |
| **Total** | **310,105** | | |

**Chinese mainland Serviced Apartments Market Outlook**

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

## Investment Properties Under Development

**Taikoo Li Sanlitun West, Beijing**

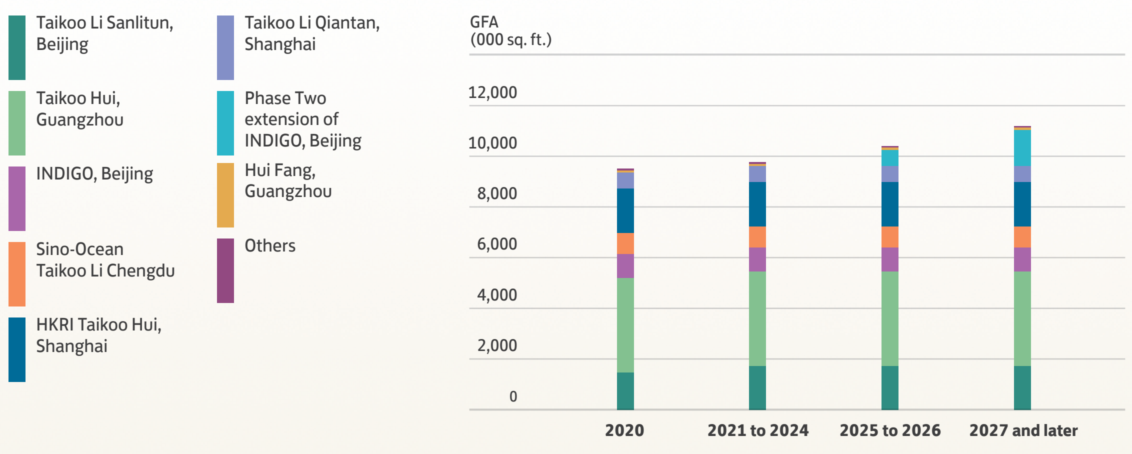
Taikoo Li Sanlitun West, an extension to Taikoo Li Sanlitun, is next to Taikoo Li Sanlitun South. It has an aggregate GFA of approximately 256,000 square feet. Its refurbishment is expected to be completed later in the first half of 2021.

**Phase Two extension of INDIGO, Beijing**

In December 2020, in joint venture with the Sino-Ocean group, the Company agreed to develop two plots of land next to the existing INDIGO development in Beijing into an office-led mixed-use Phase Two extension of INDIGO with a GFA of 4,083,732 square feet. The Phase Two extension of INDIGO is planned to be completed in two phases, in late 2025 and 2027. The Company has a 35% interest in the Phase Two extension of INDIGO.

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

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



BRICKELL CITY CENTRE

MIAMI

# Investment Properties – U.S.A.

## Overview

### Brickell City Centre, Miami

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

The first phase of the Brickell City Centre development consists of a shopping centre, two office towers (Two and Three Brickell City Centre, which have been sold), 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.

In July 2020, the Company completed the sale of two office towers (Two and Three Brickell City Centre) at the development.

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

The shopping centre was 95% leased (including by way of letters of intent) at 31st December 2020. Retail sales in 2020 decreased by 43%. The mall was closed from the second half of March to the end of May because of COVID-19.

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

**Miami Market Outlook**

In Miami, retail sales continue to be affected by COVID-19. But there is a gradual recovery.

**Brickell City Centre, Miami**

| | GFA (sq. ft.)[1] (100% Basis) | Attributable Interest |
|---|---|---|
| *Completed* | | |
| Shopping centre | 496,508 | 62.9% |
| EAST Miami[2] | 218,000 | 100% |
| EAST Residences | 109,000 | 100% |
| Reach and Rise[3] | 170,806 | 100% |
| **Sub-Total** | **994,314** | |
| *Future Development* | | |
| Residential | 523,000 | 100% |
| One Brickell City Centre | 1,444,000 | 100% |
| **Total** | **2,961,314** | |

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

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

(3) Remaining unsold units at 31st December 2020.

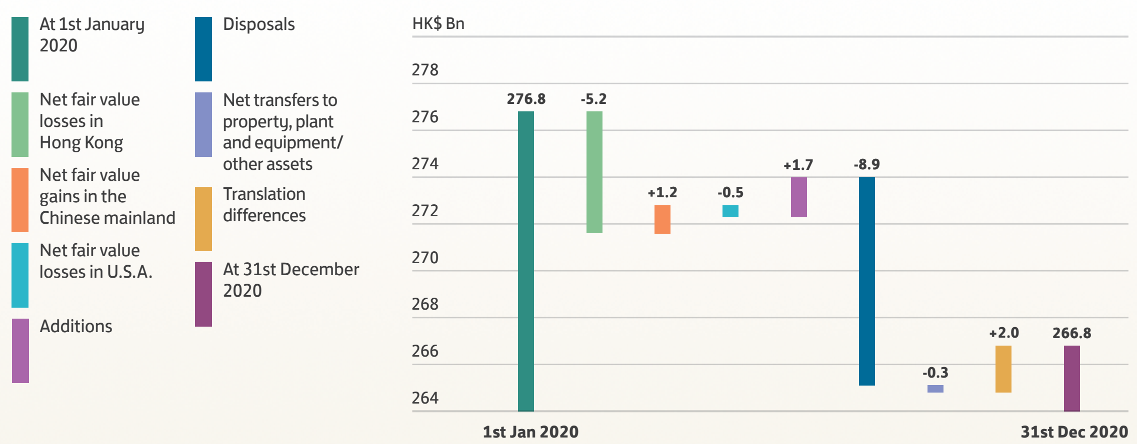
## Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2020 on the basis of market value (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK$266,831 million, compared to HK$276,791 million at 31st December 2019.

The decrease in the valuation in the investment property portfolio was mainly due to removal from the valuation of the Cityplaza One office tower in Hong Kong and the two office towers in Miami, U.S.A. (because of their disposal in 2020) and a decrease in the valuation of the retail and office properties in Hong Kong (reflecting rental decreases). There were increases in the valuations of car parking spaces in Hong Kong and of the retail properties in the Chinese mainland. The latter increases reflected rental increases and a reduction of 25 basis points in the capitalisation rate applicable to some properties.

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

### Movement in Investment Properties



# Property Trading

## Overview

The trading portfolio comprises completed developments available for sale at the Reach and Rise developments at Brickell City Centre in Miami, U.S.A. and EDEN in Singapore. There are six residential projects under development, three in Hong Kong, one in Indonesia and two new investments (made in September 2020 and March 2021 respectively) in Vietnam. There are also land banks in Miami, U.S.A.

### Property Trading Portfolio (At 31st December 2020)

| | GFA (sq. ft.) (100% Basis) | Actual/Expected Construction Completion Date | Attributable Interest |
|---|---|---|---|
| *Completed* | | | |
| U.S.A. | | | |
| – Reach, Miami | 50,005[1] | 2016 | 100% |
| – Rise, Miami | 120,801[1] | 2016 | 100% |
| Singapore | | | |
| – EDEN, 2 Draycott Park | 77,212 | 2019 | 100% |
| *Under Development* | | | |
| Hong Kong | | | |
| – EIGHT STAR STREET, Wanchai | 30,856 | 2022 | 100% |
| – Wong Chuk Hang Station Package Four Property Development | 638,305 | 2024 | 25% |
| – Chai Wan Inland Lot No. 88 | 694,000 | – | 80% |
| Indonesia | | | |
| – South Jakarta Project | 1,122,728 | 2024 | 50% |
| Vietnam | | | |
| – The River | 846,201 | 2022 | 20% |
| *Held for Development/for sale* | | | |
| U.S.A. | | | |
| – Fort Lauderdale, Florida | 825,000 | N/A | 75% |
| – South Brickell Key, Miami, Florida | 550,000 | N/A | 100% |
| – Brickell City Centre, Miami, Florida – North Squared site | 523,000 | N/A | 100% |

(1) Remaining saleable area.

## Hong Kong

### EIGHT STAR STREET, Wanchai

The site at 8 Star Street, Wanchai is to be redeveloped into an approximately 34,000 square feet residential building with retail outlets on the lowest two levels. Superstructure works are in progress. The development is expected to be completed in 2022. Two of 37 units had been pre-sold at 9th March 2021.

### Wong Chuk Hang Station Package Four Property Development

A joint venture formed by the Company, Kerry Properties Limited and Sino Land Company Limited is undertaking a residential development in Wong Chuk Hang in Hong Kong. The development will comprise two residential towers with an aggregate GFA of approximately 638,000 square feet and about 800 residential units. Foundation works are in progress. The development is expected to be completed in 2024. The Company has a 25% interest in the joint venture.

### Chai Wan Inland Lot No. 88

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

### Hong Kong Residential Market Outlook

In Hong Kong, buyers of residential property are cautious because of COVID-19 and the contracting economy. Demand for residential accommodation is expected to be resilient in the medium and long term. It is supported by low interest rates and a limited supply of housing due to a shortage of land.

## U.S.A.

The residential portion of the first phase of the Brickell City Centre development was developed for trading purposes. 367 of 390 units at Reach and 327 of 390 units at Rise had been sold at 9th March 2021. Sales of two units at Reach and 29 units at Rise were recognised in 2020.

### Miami Residential Market Outlook

In Miami, sales of Reach and Rise units are expected to be slow. Despite new supply being low, the market is weak and COVID-19 is restricting travel to and from South America.

## Singapore

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

### Indonesia

In 2019, a joint venture between the Company and Jakarta Setiabudi Internasional Group completed the acquisition of a plot of land in south Jakarta, Indonesia. The land is being developed into a residential development with an aggregate GFA of approximately 1,123,000 square feet. Demolition works have been completed and foundation works have commenced. The development is expected to comprise over 400 residential units and to be completed in 2024. The Company has a 50% interest in the joint venture.

### Vietnam

In September 2020, the Company agreed with City Garden Joint Stock Company to develop The River, a luxury residential property in Ho Chi Minh City, Vietnam. The development comprises 525 luxury apartments in three towers. The Company has an effective 20% interest in the development. 447 units had been pre-sold at 9th March 2021.

In March 2021, the Company made a minority investment in a residential-led mixed-use development (with residential, retail, office, hotel and serviced apartment components) in Ho Chi Minh City, Vietnam. The development is under construction and is expected to be completed in phases over 2021 to 2026.

#### Singapore, Indonesia and Vietnam Residential Market Outlook

The markets for the sale of residential properties in Singapore and Jakarta, Indonesia have been adversely affected by COVID-19. However, in Singapore, low interest rates and the long-term prospects of the property market are expected to underpin demand for residential accommodation. In Jakarta, urbanisation and a growing middle class are expected to support a stable residential property market. In Vietnam, COVID-19 has been largely contained, there is limited supply of luxury residential properties, the economy is strong and there is rapid urbanisation. All this has led to strong demand for luxury residential properties.

## Estate Management

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

## Hotels

### Managed Hotels and Restaurants

#### Overview

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

The performance of our managed hotels in 2020 was adversely affected by COVID-19 associated travel restrictions.

The operating loss before depreciation of our managed hotels in 2020 was HK$134 million.

# THE OPPOSITE HOUSE

BEIJING

### The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place in Hong Kong, revenue per available room and occupancy declined significantly in 2020 because of COVID-19 related restrictions on international travel. TripAdvisor named the hotel number seven in its Top 25 Luxury Hotels in the World category and number one in its Top 25 Hotels in China and Top 25 Luxury Hotels in China categories. The hotel received an award from Condé Nast Traveler.

### EAST Hong Kong

At EAST Hong Kong, a 345-room hotel in Taikoo Shing, revenue per available room and occupancy were severely affected by COVID-19 associated travel restrictions. The hotel received awards from Condé Nast Traveler, Booking.com and Agoda.

### The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Its occupancy and revenue per available room decreased because of COVID-19 associated travel restrictions. The hotel received awards from Condé Nast Traveler, TripAdvisor's Travellers' Choice Awards and Time Out Food Awards. The hotel's Jing Yaa Tang restaurant was awarded a Michelin star in the Michelin Guide Beijing for the second consecutive year.

### EAST Beijing

EAST Beijing is a 369-room business hotel at INDIGO in Beijing, in which the Company has a 50% interest. Occupancy and revenue per available room decreased in 2020 due to COVID-19. The hotel received awards from TripAdvisor and Ctrip. The hotel's FEAST restaurant received awards from Time Out Beijing and BANG Media.

### The Temple House

The Temple House (in which the Company has a 50% interest) has 100 hotel rooms and 42 serviced apartments at Sino-Ocean Taikoo Li Chengdu. Revenue per available room and occupancy decreased in 2020 because of COVID-19, but business recovered strongly in the second half of the year. The hotel received awards from Condé Nast Traveler, Travel + Leisure and Ctrip. TripAdvisor named the hotel number three in its Top 25 Luxury Hotels in China category. The property's Mi Xun Spa was named China's Best Wellness Retreat 2020 in the World Spa Awards and received an award from Harpers BAZAAR Spa Awards 2020. The hotel's TIVANO restaurant and Jing bar received awards from China's Wine List of the Year Awards 2020.

### The Middle House

The Middle House (in which the Company has 50% interest) has 111 hotel rooms and 102 serviced apartments at HKRI Taikoo Hui, Shanghai. Revenue per available room and occupancy decreased in 2020 because of COVID-19, but business improved gradually in the second half of the year. The hotel received awards from Condé Nast Traveler and Travel + Leisure. TripAdvisor named the hotel number five in its Top 25 Luxury Hotels in China category. The hotel's restaurants Frasca and Sui Tang Li received 2020 Michelin Plate awards in the Michelin Guide. The hotel's Mi Xun Spa was named in SpaChina's Best Wellness/Spa Design of the Year.

### EAST Miami

EAST Miami at the Brickell City Centre development in Miami has 263 hotel rooms and 89 serviced apartments. Its occupancy and revenue per available room decreased significantly because of COVID-19 associated travel restrictions. But there is a gradual recovery. The hotel received an award from AFAR's Travelers' Choice Awards and was named as one of Miami's Top 10 Most Popular wedding venues.

### Swire Restaurants

Swire Hotels operates restaurants in Hong Kong. There is a PUBLIC café at One Island East. The Continental is a European restaurant at Pacific Place. Mr & Mrs Fox is a restaurant with an international menu in Quarry Bay.

#### 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% |
| Chinese mainland | | |
| – The Opposite House | 99 | 100% |
| – EAST Beijing | 369 | 50% |
| – The Temple House [(2)] | 142 | 50% |
| – The Middle House [(2)] | 213 | 50% |
| U.S.A. | | |
| – EAST Miami [(3)] | 352 | 100% |
| **Total** | **2,138** | |

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

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

(3) Including serviced apartments in a hotel tower.

## Non-managed Hotels

### Overview

The Company has ownership interests in (but does not manage) hotels with 3,142 rooms in aggregate.

### Hotel Portfolio (not managed by the Group)

| | No. of Rooms (100% Basis) | Attributable Interest |
|---|---|---|
| *Completed* | | |
| Hong Kong | | |
| – Island Shangri-La Hong Kong | 561 | 20% |
| – JW Marriott Hotel Hong Kong | 608 | 20% |
| – Conrad Hong Kong | 513 | 20% |
| – Novotel Citygate Hong Kong | 440 | 20% |
| – The Silveri Hong Kong – MGallery | 206 | 20% |
| Chinese mainland | | |
| – Mandarin Oriental, Guangzhou [1] | 287 | 97% |
| – The Sukhothai Shanghai | 201 | 50% |
| U.S.A. | | |
| – Mandarin Oriental, Miami | 326 | 75% |
| **Total** | **3,142** | |

(1) Including serviced apartments in the hotel tower.

The performance of the non-managed hotels in Hong Kong and the Chinese mainland was adversely affected by COVID-19. The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. The Chinese Restaurant at the hotel, Jiang by Chef Fei, obtained a 2-star Michelin award. The Sukhothai Shanghai is a luxury hotel in Shanghai.

### Hotels Market Outlook

The outlook for our hotels in Hong Kong is difficult. Recovery depends on opening the borders and COVID-19 vaccination. Business at our Miami hotels is gradually recovering. Domestic travel is strong in the Chinese mainland. If COVID-19 is stabilised in major cities, our Chinese mainland hotels should do well. A non-managed hotel (The Silveri Hong Kong – MGallery) which is part of the Citygate extension in Hong Kong is expected to open later this year.

# Capital Commitments

## Capital Expenditure and Commitments

Capital expenditure in 2020 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$1,452 million (2019: HK$2,460 million). Outstanding capital commitments at 31st December 2020 were HK$13,327 million (2019: HK$14,735 million), including the Group's share of the capital commitments of joint venture companies of HK$76 million (2019: HK$66 million). The Group was not committed to any funding (2019: HK$18 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2020 on Chinese mainland investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, was HK$5,770 million (2019: HK$643 million). Outstanding capital commitments at 31st December 2020 were HK$5,337 million (2019: HK$1,865 million), including the Group's share of the capital commitments of joint venture companies of HK$4,300 million (2019: HK$821 million). The Group was committed to funding HK$1,330 million (2019: HK$465 million) of the capital commitments of joint venture companies. In addition to this, the Group was committed to make a capital injection into a joint venture company of HK$3,946 million (2019: Nil) in the Chinese mainland.

Capital expenditure in 2020 on investment properties and hotels in the U.S.A. amounted to HK$65 million (2019: HK$168 million). Outstanding capital commitments at 31st December 2020 were HK$6 million (2019: HK$3 million).

### Profile of Capital Commitments at 31st December 2020 for Investment Properties and Hotels

| | Expenditure | Forecast expenditure | | | | Commitments[1] |
|---|---|---|---|---|---|---|
| | **2020 HK$M** | 2021 HK$M | 2022 HK$M | 2023 HK$M | 2024 and later HK$M | **At 31st December 2020 HK$M** |
| Hong Kong | **1,452** | 3,778 | 3,775 | 1,590 | 4,184 | **13,327** |
| Chinese mainland | **5,770** | 1,468 | 502 | 1,011 | 2,356 | **5,337** |
| U.S.A. | **65** | 6 | – | – | – | **6** |
| **Total** | **7,287** | 5,252 | 4,277 | 2,601 | 6,540 | **18,670** |

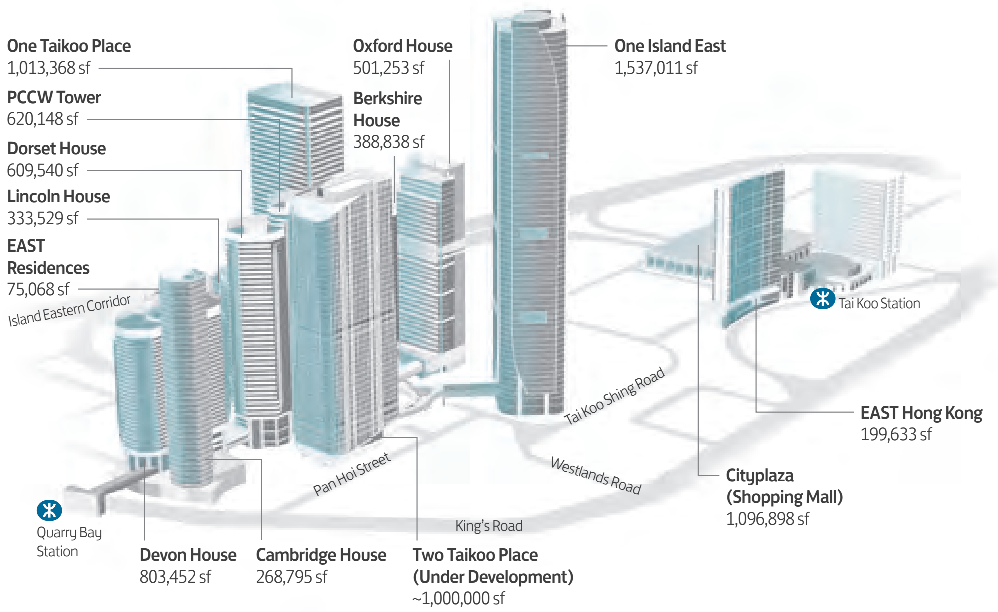
(1) The capital commitments represent the Group's capital commitments of HK$14,294 million plus the Group's share of the capital commitments of joint venture companies of HK$4,376 million. The Group was committed to funding HK$1,330 million of the capital commitments of joint venture companies.


KING & COUNTRY
EMPHASIS

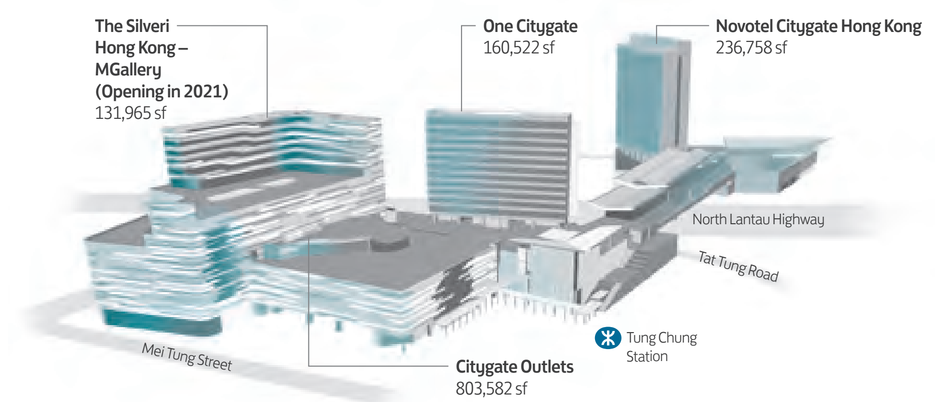
Pacific Place, Hong Kong

# HONG KONG

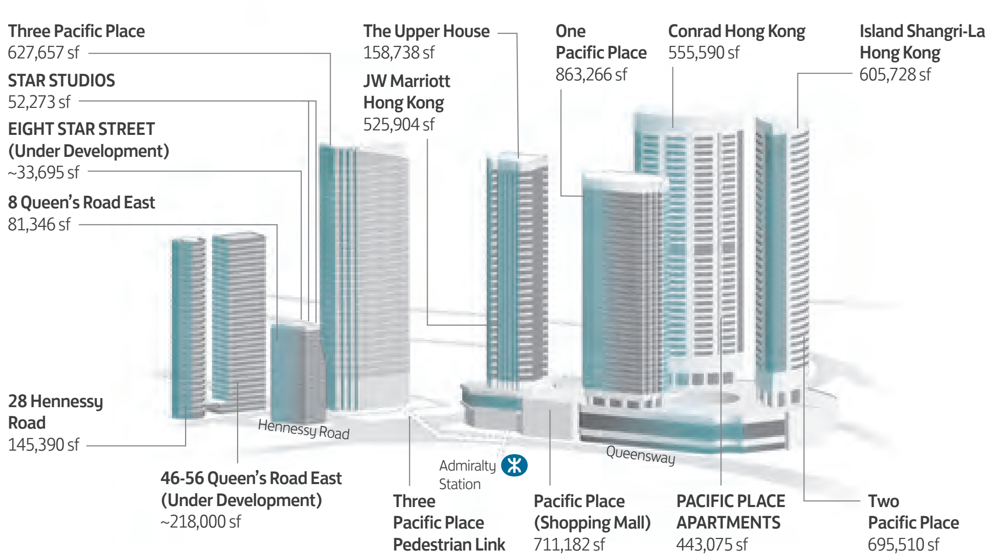
## TAIKOO PLACE AND CITYPLAZA




## CITYGATE

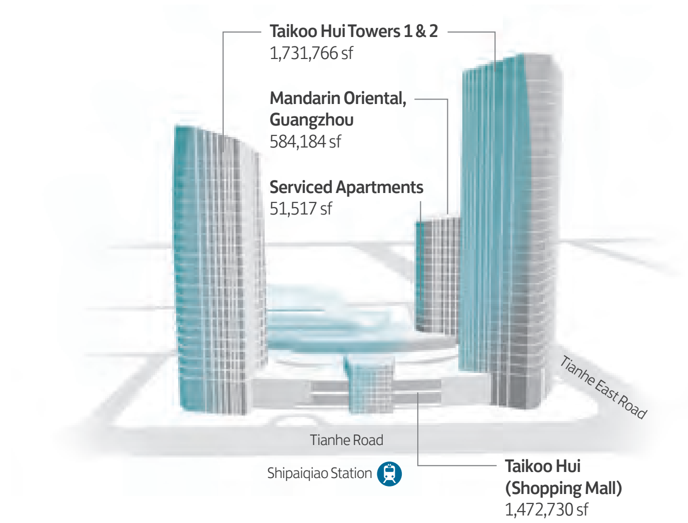



## PACIFIC PLACE

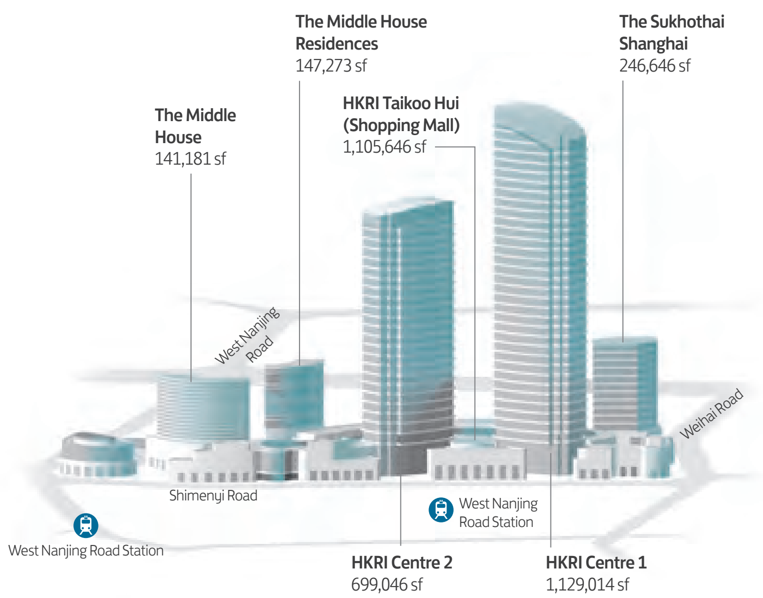


# CHINESE MAINLAND

## TAIKOO HUI
GUANGZHOU

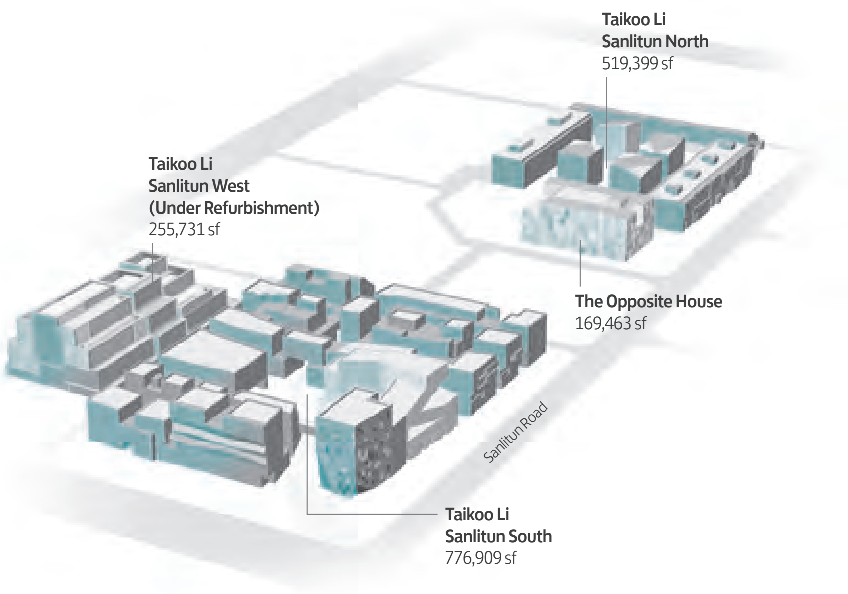



## HKRI TAIKOO HUI
SHANGHAI

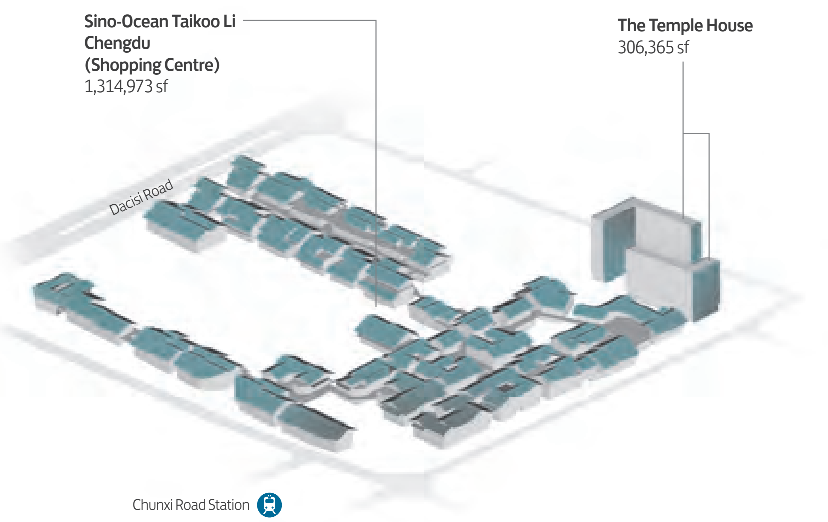



## INDIGO
BEIJING

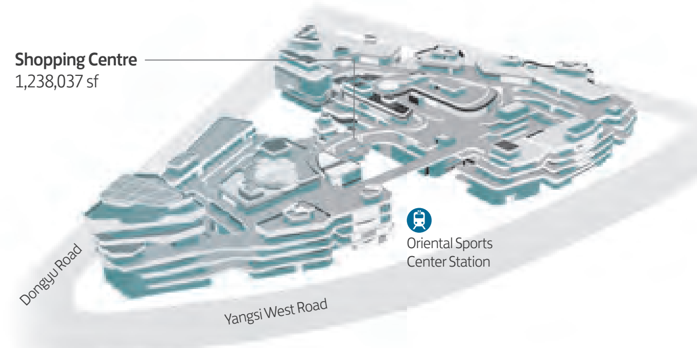
## TAIKOO LI SANLITUN
BEIJING




## SINO-OCEAN TAIKOO LI CHENGDU
CHENGDU



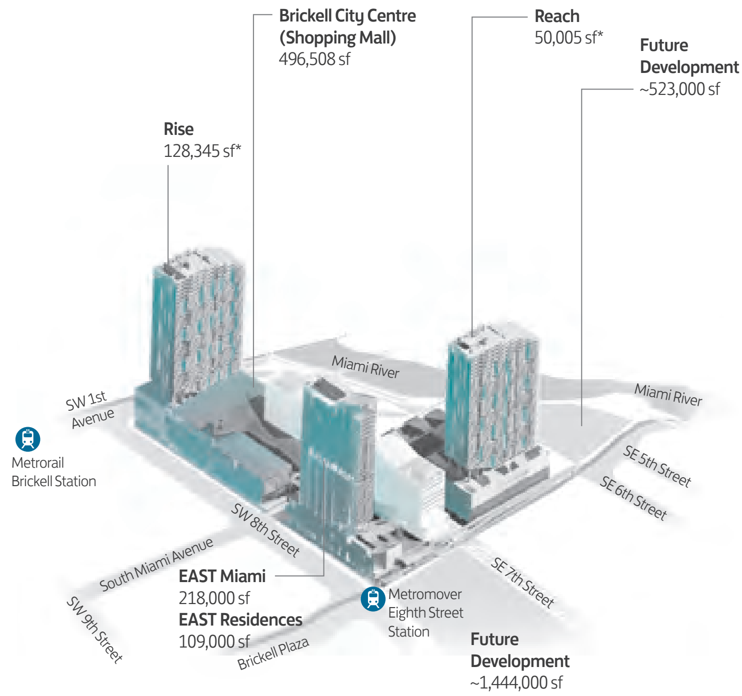

## TAIKOO LI QIANTAN
SHANGHAI



# U.S.A.

## BRICKELL CITY CENTRE

MIAMI, FLORIDA




* Rise and Reach are developed for trading purposes.
Floor area shown represents the unclosed portion.

Note:
These diagrams are not to scale and are for illustration purposes only.
These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 192 to 202.

# FINANCIAL REVIEW

References are to "Notes to the Financial Statements" on pages 125 to 185.

## Consolidated Statement of Profit or Loss

| | **2020 HK$M** | 2019 HK$M | Reference |
|---|---|---|---|
| **Revenue** | **13,308** | 14,222 | Note 4 |

The decrease in revenue of HK$914 million compared to 2019 was principally due to lower revenue from hotels and property trading and lower gross rental income from investment properties.

Revenue from hotels decreased by HK$655 million, as all hotels, managed and non-managed, were badly affected by COVID-19.

Revenue from property trading decreased by HK$204 million from 2019. In 2020, revenue was recognised from the sale of two Reach units and 29 Rise units in Miami, U.S.A. In 2019, revenue was recognised from the sale of car parking spaces at the ALASSIO development in Hong Kong and from the sale of two Reach units, 38 Rise units and the last unit in the ASIA development in Miami, U.S.A.

Gross rental income from investment properties decreased by HK$17 million. In Hong Kong, gross rental income decreased by HK$59 million, reflecting a reduction in residential rental income, partly offset by an increase in office rental income attributable to positive rental reversions and firm occupancy at Taikoo Place. The increase in office rental income more than offset the loss of rental income from the Cityplaza Three and Four office towers. The sale of these buildings was completed in April 2019. In the Chinese mainland, gross rental income increased by HK$94 million, reflecting higher retail sales, largely offset by rental concessions due to COVID-19 and by lower office rental income. In the U.S.A., gross rental income decreased, mainly due to the loss of office rental income following the disposal of two office towers in July 2020.

## Consolidated Statement of Profit or Loss *(continued)*

| | **2020 HK$M** | 2019 HK$M | Reference |
|---|---|---|---|
| **Gross Profit**<br>Gross profit decreased by HK$282 million. Gross profit from hotels and property trading decreased by HK$318 million and HK$57 million respectively. These decreases were partly offset by higher gross profit from investment properties. Gross profit from hotels decreased due to low occupancy, as business was badly affected by COVID-19. Lower gross profit from property trading reflected absence of profit in Hong Kong partly offset by higher profit on the sale of units at the Reach and Rise developments in the U.S.A. Gross profit from investment properties increased by HK$93 million, principally reflecting better performances from the retail properties in the Chinese mainland and the office properties in Hong Kong, partly offset by lower profits from the residential and retail properties in Hong Kong. | **9,912** | 10,194 | |
| **Operating Profit**<br>The decrease in operating profit of HK$8,891 million was principally due to net valuation losses on investment properties in 2020 (compared with net valuation gains in 2019) and a reduction in the profit on sale of interests in investment properties in Hong Kong.<br><br>Net valuation losses on investment properties of HK$4,465 million were recorded in 2020, compared with net valuation gains of HK$3,720 million in 2019. Investment properties in Hong Kong recorded a net valuation loss of HK$5,186 million, principally due to rental decreases, partly offset by a higher valuation of car parking spaces. Investment properties in the Chinese mainland recorded valuation gains of HK$1,231 million, principally due to rental increases and a reduction of 25 basis points in the capitalisation rate applicable to the Taikoo Hui, Guangzhou and Taikoo Li Sanlitun, Beijing retail properties. The investment properties at Brickell City Centre in Miami, U.S.A. recorded a valuation loss of HK$510 million, mainly due to rental decreases and an increase of 25 basis points in the discount and terminal capitalisation rates applicable to the retail properties.<br><br>Administrative and selling expenses increased by HK$20 million compared to 2019. The increase principally reflected increased staff costs, partly offset by savings in other costs. | **5,506** | 14,397 | Notes 6 and 8(a) |
| **Net Finance Charges**<br>The reduction of HK$117 million principally reflected a decrease in the amount of net borrowings in Hong Kong and a decrease in the cost of borrowings in Hong Kong and the U.S.A. | **382** | 499 | Note 10 |

## Consolidated Statement of Profit or Loss *(continued)*

| | 2020 HK$M | 2019 HK$M | Reference |
|---|---|---|---|
| **Share of Profit Less Losses of Joint Venture Companies**<br>The decrease of HK$541 million principally reflected net valuation losses of HK$53 million, compared with net valuation gains of HK$433 million in 2019. There were higher operating losses from hotels. | **818** | 1,359 | Note 8(a) |
| **Taxation**<br>The decrease of HK$75 million was principally due to a decrease in fair value gains in respect of investment properties in the Chinese mainland. | **1,787** | 1,862 | Note 11 |
| **Profit Attributable to the Company's Shareholders**<br>The decrease of HK$9,327 million principally reflected net valuation losses from investment properties and lower profit on sales of interests in investment properties. | **4,096** | 13,423 | Note 8(a) |

## Consolidated Statement of Financial Position

| | 2020 HK$M | 2019 HK$M | Reference |
|---|---|---|---|
| **Property, Plant and Equipment**<br>The decrease in property, plant and equipment was principally due to depreciation, partly offset by additions to plant and equipment and foreign exchange translation gains (principally in respect of leasehold buildings in the Chinese mainland). | **4,322** | 4,457 | Note 15 |
| **Investment Properties**<br>The decrease in investment properties of HK$10,030 million reflected the disposal of investment properties amounting to HK$8,924 million (principally the Cityplaza One office tower in Hong Kong and two office towers in Miami, U.S.A.) and a valuation loss of HK$4,465 million, partly offset by additions during the year of HK$1,941 million and foreign exchange translation gains of HK$1,990 million. The additions included capital expenditure on the Taikoo Place redevelopment and on other projects in Hong Kong and the Chinese mainland. The foreign exchange translation gains were principally in respect of investment properties in the Chinese mainland. | **267,003** | 277,033 | Note 16 |

## Consolidated Statement of Financial Position *(continued)*

| | 2020 HK$M | 2019 HK$M | Reference |
|---|---|---|---|
| **Joint Venture Companies and Loans Due from Joint Venture Companies**<br>The increase of HK$997 million principally reflected (i) the Company's share of profit of joint venture companies (including valuation gains), (ii) the Company's share of foreign exchange translation gains in respect of joint venture companies in the Chinese mainland, partly offset by (iii) reductions in loans due from joint venture companies. | **31,163** | 30,166 | Note 20 |
| **Right-of-use Assets**<br>The decrease of HK$115 million reflected amortisation of right-of-use assets. | **3,301** | 3,416 | Note 18 |
| **Financial Assets at Fair Value through Profit or Loss**<br>This principally represents a 22% interest in the holding company of the purchaser of the Cityplaza One office tower in Hong Kong. | **985** | – | Note 32 |
| **Other Financial Assets at Amortised Cost**<br>The increase of HK$472 million principally reflected an entitlement to a deferred receipt in respect of the sale of the Cityplaza One office tower in Hong Kong. | **508** | 36 | Note 33 |
| **Properties For Sale**<br>The decrease of HK$66 million principally reflected sales of units at the Reach and Rise developments at Brickell City Centre in the U.S.A., partly offset by development expenditure at EIGHT STAR STREET and Chai Wan Inland Lot No. 88 in Hong Kong. | **3,538** | 3,604 | Note 23 |
| **Trade and Other Receivables**<br>The increase of HK$778 million principally reflected unamortised rental concessions and increase in trade receivables reflecting the extended settlement period to tenants with businesses severely affected by COVID-19. | **2,704** | 1,926 | Note 24 |
| **Assets Classified as Held For Sale**<br>This represents a 100% interest in 227 car parking spaces and 62 motorcycle parking spaces at Stage VI, Taikoo Shing, Hong Kong. | **384** | – | Note 34 |
| **Trade and Other Payables and Contract Liabilities**<br>The decrease of HK$142 million principally reflected a reduction in tenancy deposits, a reduction in the fair value of a put option in respect of a non-controlling interest and a reduction in other current payables, partly offset by an increase in accrued capital expenditure. | **8,023** | 8,165 | Note 27 |

## Consolidated Statement of Financial Position *(continued)*

| | 2020 HK$M | 2019 HK$M | Reference |
|---|---|---|---|
| **Long-Term Loans and Bonds (including the component due within one year)**<br>The decrease of HK$2,482 million was principally due to repayment of medium term notes of US$500 million, partly offset by the issue of medium term notes of HK$1,934 million during the year. | **27,163** | 29,645 | Note 29 |
| **Deferred Tax Liabilities**<br>The increase of HK$713 million principally reflected exchange translation gains and deferred tax in respect of valuation gains on investment properties in the Chinese mainland. | **10,094** | 9,381 | Note 31 |
| **Equity Attributable to the Company's Shareholders**<br>The increase in equity attributable to the Company's shareholders represented the total comprehensive income for the year attributable to the Company's shareholders (HK$7,015 million), as reduced by dividends paid to the Company's shareholders. | **288,736** | 286,927 | Notes 36 and 37 |
| **Non-Controlling Interests**<br>The decrease in non-controlling interests of HK$40 million reflected dividends paid to the owners of non-controlling interests and losses by companies in which there are non-controlling interests, partly offset by foreign exchange translation gains in respect of companies in the Chinese mainland. | **1,944** | 1,984 | Note 39 |

## Consolidated Statement of Cash Flows

| | 2020 HK$M | 2019 HK$M | Reference |
|---|---|---|---|
| **Cash Generated from Operations**<br>Cash generated from operations of HK$7,550 million principally comprised cash inflows from investment properties of approximately HK$8,935 million and from property trading of approximately HK$160 million, partly offset by operating expenses of approximately HK$1,362 million and expenditure on properties for sale of approximately HK$102 million. | **7,550** | 5,499 | Note 44(a) |

## Consolidated Statement of Cash Flows *(continued)*

| | 2020 HK$M | 2019 HK$M | Reference |
|---|---|---|---|
| **Tax Paid**<br>The increase principally reflected a delay in settlement of 2019 tax payments due in Hong Kong (in accordance with an extension of the deadline for payments permitted by the Inland Revenue Department). | **1,589** | 586 | |
| **Purchase of Property, Plant and Equipment**<br>The amount in 2020 principally reflected additions of plant and equipment and other capital expenditure. | **121** | 120 | Note 44(b) |
| **Additions of Investment Properties**<br>The amount in 2020 principally reflected capital expenditure on the Taikoo Place redevelopment and on other projects in Hong Kong and the Chinese mainland. | **1,383** | 1,962 | |
| **Proceeds from Sale of Subsidiary and Joint Venture Companies**<br>The amount in 2020 reflected the proceeds of sale of the Cityplaza One office tower in Hong Kong. | **8,219** | 19,337 | Note 44(c) |
| **Equity and Loans (Net of Repayment) to Joint Venture Companies**<br>The amount in 2020 principally reflected repayment of loans from joint venture companies. | **(637)** | 1,646 | |
| **Repayment of Loans, Bonds and Lease Liabilities (Net of Loans Drawn and Refinancing)**<br>The amount in 2020 principally reflected the repayment of medium term notes of US$500 million, partly offset by the issue of medium term notes of HK$1,934 million during the year. | **2,488** | 2,235 | |

## Investment Appraisal and Performance Review

| | Net Assets Employed | | Capital Commitments[1] | |
|---|---|---|---|---|
| | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M |
| Property investment | **282,793** | 289,185 | **18,389** | 16,340 |
| Property trading | **7,249** | 7,789 | **–** | – |
| Hotels | **7,243** | 7,229 | **281** | 263 |
| Total net assets employed | **297,285** | 304,203 | **18,670** | 16,603 |
| Less: net debt | **(6,605)** | (15,292) | | |
| Less: non-controlling interests | **(1,944)** | (1,984) | | |
| Equity attributable to the Company's shareholders | **288,736** | 286,927 | | |

| | Equity Attributable to the Company's Shareholders[2] | | Return on Average Equity Attributable to the Company's Shareholders[2] | |
|---|---|---|---|---|
| | **2020 HK$M** | 2019 HK$M | **2020** | 2019 |
| Property investment | **278,373** | 276,208 | **1.7%** | 4.9% |
| Property trading | **4,269** | 4,633 | **-2.0%** | -0.5% |
| Hotels | **6,094** | 6,086 | **-8.6%** | -1.1% |
| Total | **288,736** | 286,927 | **1.4%** | 4.7% |

(1) The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of joint venture companies.

(2) Refer to Glossary on page 203 for definitions.

# FINANCING

- Capital Structure
- Medium Term Note Programme
- Changes in Financing
- Net Debt
- Sources of Finance
  – Loans and Bonds
  – Bank Balances and Short-term Deposits
- Maturity Profile and Refinancing
- Currency Profile
- Finance Charges
- Gearing Ratio and Interest Cover
- Capital Management
- Attributable Net Debt
- Debt in Joint Venture and Associated Companies

## Capital Structure

The Group aims to maintain a capital structure which enables it to invest in and finance projects in a disciplined and targeted manner.

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as a going concern, so that it can continue to provide returns for shareholders, and to secure access to finance at a reasonable cost.

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its investments.

## Medium Term Note Programme

In 2012, Swire Properties MTN Financing Limited, a wholly-owned subsidiary of the Company, established a US$3 billion Medium Term Note ("MTN") Programme. The aggregate nominal amount of the MTN Programme was increased to US$4 billion in 2017. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. At 31st December 2020, the MTN Programme was rated A by Fitch and (P)A2 by Moody's, in each case in respect of notes with a maturity of more than one year.

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

# Changes in Financing

### Audited Financial Information

During the year, the Group raised approximately HK$6,260 million. This comprised:

- term and revolving loan facilities aggregating HK$2,000 million
- medium term notes of HK$1,934 million
- refinancing of a term loan facility of US$300 million

During the year, medium term notes of US$500 million were repaid.

| | Loans and bonds | | Lease liabilities | | | |
|---|---|---|---|---|---|---|
| | due within one year HK$M | due after one year HK$M | due within one year HK$M | due after one year HK$M | 2020 HK$M | 2019 HK$M |
| At 1st January | 6,308 | 23,421 | 52 | 496 | 30,277 | 31,999 |
| Loans drawn and refinanced | 9 | 1,838 | – | – | 1,847 | 657 |
| Bonds issued | – | 1,920 | – | – | 1,920 | – |
| Bonds matured | (3,875) | – | – | – | (3,875) | (300) |
| Repayment of loans | (2,326) | – | – | – | (2,326) | (2,544) |
| Lease liabilities recognised under HKFRS 16* | – | – | – | – | – | 538 |
| New leases arranged during the year | – | – | 11 | 43 | 54 | 68 |
| Principal elements of lease payments | – | – | (54) | – | (54) | (48) |
| Reclassification | 1,807 | (1,807) | 57 | (57) | – | – |
| Currency adjustment | (27) | (58) | 1 | 28 | (56) | (152) |
| Other non-cash movements | 18 | 29 | 3 | – | 50 | 59 |
| At 31st December | 1,914 | 25,343 | 70 | 510 | 27,837 | 30,277 |

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

# Net Debt

### Audited Financial Information

The Group's borrowings are principally denominated in Hong Kong dollars and US dollars. Outstanding borrowings at 31st December 2020 and 2019 were as follows:

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| **Borrowings included in non-current liabilities** | | |
| Bank borrowings – unsecured | 6,511 | 6,170 |
| Bonds – unsecured | 18,832 | 17,251 |
| **Borrowings included in current liabilities** | | |
| Bank borrowings – unsecured | 1,614 | 2,416 |
| Bonds – unsecured | 300 | 3,892 |
| **Total borrowings** | 27,257 | 29,729 |
| **Lease liabilities** | | |
| Included in non-current liabilities | 510 | 496 |
| Included in current liabilities | 70 | 52 |
| Less: short-term deposits and bank balances | 21,232 | 14,985 |
| **Net debt** | 6,605 | 15,292 |

# Sources of Finance

### Audited Financial Information

At 31st December 2020, committed loan facilities and debt securities amounted to HK$39,024 million, of which HK$11,751 million (30%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$758 million. Sources of funds at 31st December 2020 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 | 8,763 | 7,649 | – | 1,114 |
| Revolving loans | 11,069 | 432 | 4,725 | 5,912 |
| Bonds | 19,192 | 19,192 | – | – |
| **Total committed facilities** | 39,024 | 27,273 | 4,725 | 7,026 |
| **Uncommitted facilities** | | | | |
| Bank loans and overdrafts | 852 | 94 | 758 | – |
| **Total** | 39,876 | 27,367 | 5,483 | 7,026 |

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

## i) Loans and Bonds

### Audited Financial Information

For accounting purposes, loans and bonds are classified as follows:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Drawn, Before Unamortised Loan Fees HK$M | Unamortised Loan Fees HK$M | Carrying Value HK$M | Drawn, Before Unamortised Loan Fees HK$M | Unamortised Loan Fees HK$M | Carrying Value HK$M |
| **Group** | | | | | | |
| Uncommitted bank loans and overdrafts | | | | | | |
| – unsecured | 94 | – | 94 | 84 | – | 84 |
| Long-term loans and bonds at amortised cost | | | | | | |
| – unsecured | 27,273 | (110) | 27,163 | 29,765 | (120) | 29,645 |
| Less: amount due within one year included under current liabilities | 1,825 | (5) | 1,820 | 6,229 | (5) | 6,224 |
| | 25,448 | (105) | 25,343 | 23,536 | (115) | 23,421 |

## ii) Bank Balances and Short-term Deposits

The Group had bank balances and short-term deposits of HK$21,232 million at 31st December 2020, compared to HK$14,985 million at 31st December 2019.

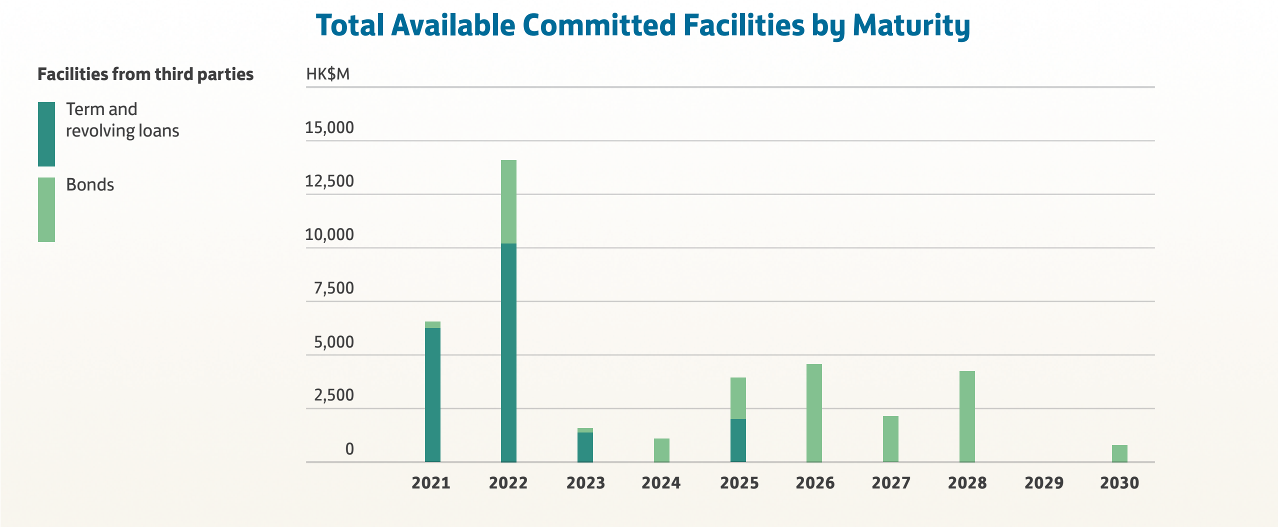
## Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2030 (2019: up to 2028). The weighted average term and cost of the Group's debt are:

| | 2020 | 2019 |
|---|---|---|
| Weighted average term of debt | **3.2 years** | 3.3 years |
| Weighted average cost of debt | **3.1%** | 3.4% |

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

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




### Audited Financial Information

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | HK$M | | HK$M | |
| **Bank borrowings and bonds from third parties due** | | | | |
| Within 1 year | **1,914** | **7%** | 6,308 | 21% |
| 1-2 years | **9,385** | **34%** | 1,807 | 6% |
| 2-5 years | **4,224** | **16%** | 9,846 | 33% |
| After 5 years | **11,734** | **43%** | 11,768 | 40% |
| **Total** | **27,257** | **100%** | 29,729 | 100% |
| Less: Amount due within one year included under current liabilities | **1,914** | | 6,308 | |
| Amount due after one year included under non-current liabilities | **25,343** | | 23,421 | |

# Currency Profile

### Audited Financial Information

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

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **HK$M** | | HK$M | |
| **Currency** | | | | |
| Hong Kong dollars | **21,077** | **77%** | 22,783 | 77% |
| United States dollars | **5,371** | **20%** | 6,208 | 21% |
| Singapore dollars | **809** | **3%** | 738 | 2% |
| **Total** | **27,257** | **100%** | 29,729 | 100% |

# Finance Charges

### Audited Financial Information

An analysis of outstanding borrowings by reference to whether they bear interest at fixed or floating rates is shown below:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **HK$M** | | HK$M | |
| Fixed | **20,743** | **76%** | 23,694 | 79% |
| Floating | **6,624** | **24%** | 6,155 | 21% |
| Sub-total | **27,367** | **100%** | 29,849 | 100% |
| Less: Unamortised loan fee | **110** | | 120 | |
| **Total** | **27,257** | | 29,729 | |

The exposure of the Group's borrowings to fixed and floating interest rates can be illustrated as follows:

| | | **Fixed Interest Rates Maturing in:** | | | |
|---|---|---|---|---|---|
| | **Floating Interest Rates HK$M** | **1 Year or Less HK$M** | **1 to 5 Years HK$M** | **Over 5 Years HK$M** | **Total HK$M** |
| **At 31st December 2020** | **6,579** | **300** | **8,644** | **11,734** | **27,257** |
| At 31st December 2019 | 6,103 | 4,825 | 7,033 | 11,768 | 29,729 |

## Audited Financial Information *(continued)*

Interest charged and earned during the year was as follows:

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| **Interest charged on:** | | |
| Bank loans and overdrafts | **121** | 254 |
| Bonds | **654** | 722 |
| Lease liabilities | **18** | 10 |
| Net fair value losses/(gains) on derivative instruments | | |
| Cash flow hedges – transferred from other comprehensive income | **24** | (20) |
| Cross-currency swaps not qualifying as hedges | **(1)** | (1) |
| Other financing costs | **144** | 163 |
| | **960** | 1,128 |
| Gains 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 | **(35)** | (17) |
| Capitalised on: | | |
| Investment properties | **(240)** | (242) |
| Properties for sale | **(39)** | (32) |
| | **646** | 837 |
| **Interest income on:** | | |
| Short-term deposits and bank balances | **(194)** | (268) |
| Loans to joint venture companies | **(68)** | (69) |
| Others | **(2)** | (1) |
| | **(264)** | (338) |
| **Net finance charges** | **382** | 499 |

The capitalised interest rates on funds both borrowed generally and used for the development of investment properties and properties for sale were between 3.3% and 3.6% per annum (2019: 2.6% and 3.7% per annum).

The amount transferred from other comprehensive income in respect of cash flow hedges in 2020 includes HK$4 million (2019: HK$1 million) relating to currency basis.

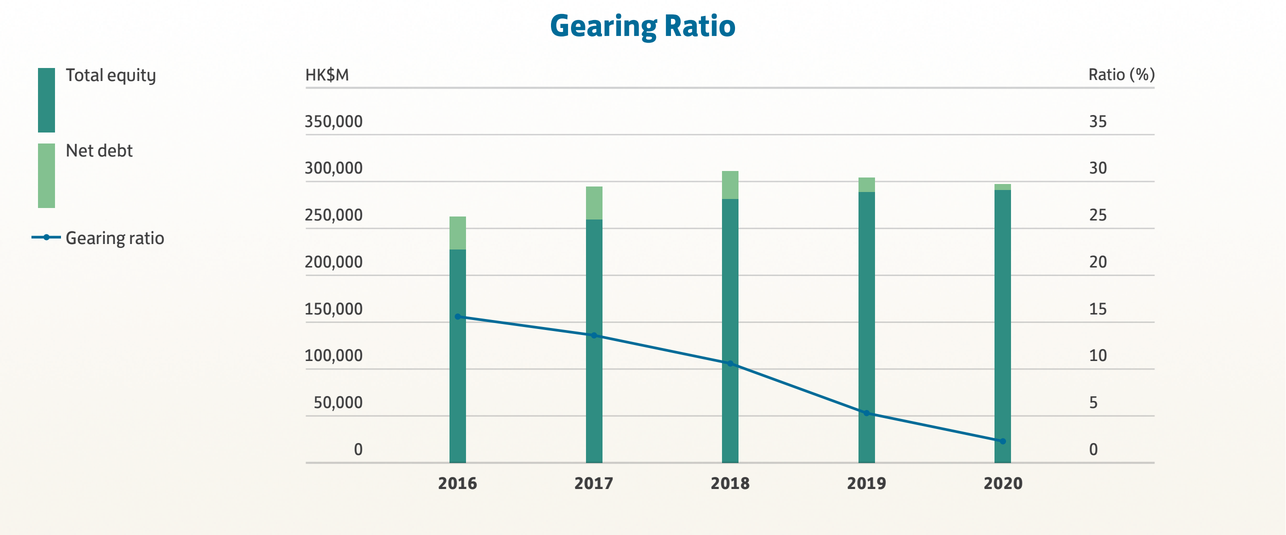
The interest rates per annum (after interest rate and cross-currency swaps) at 31st December were as follows:

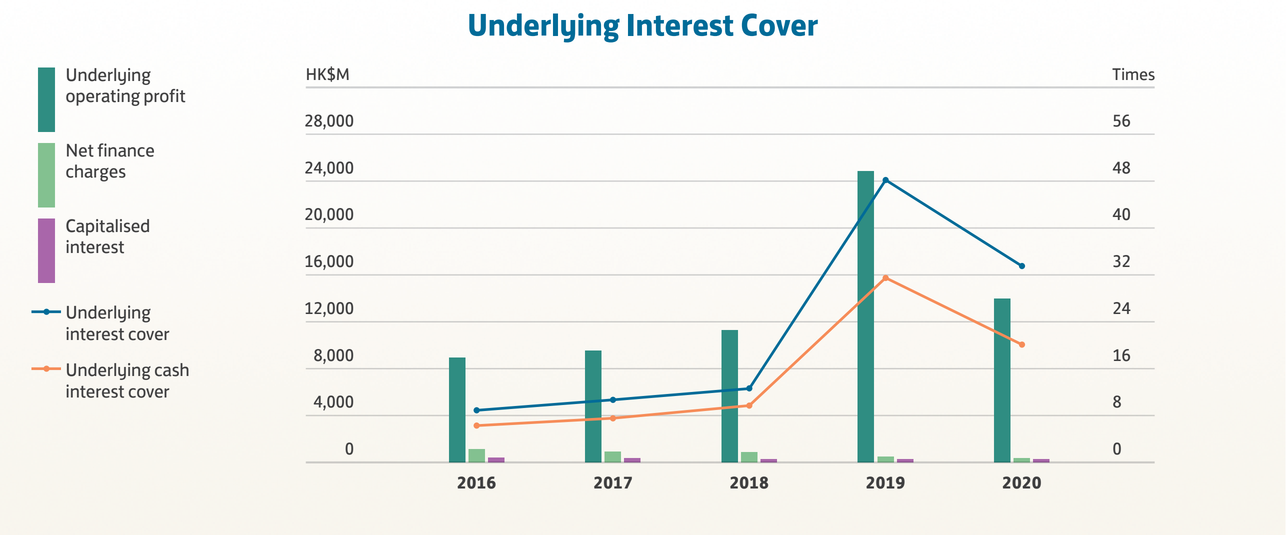
| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | HK$ % | US$ % | SGD % | HK$ % | US$ % | SGD % |
| Uncommitted bank loans and overdrafts | **–** | **–** | **1.1** | – | – | 2.5 |
| Long-term loans and bonds | **0.8-4.4** | **0.8-2.9** | **0.9** | 1.8-4.4 | 2.4-3.4 | 2.4 |

The replacement of benchmark interest rates such as London interbank offered rate (LIBOR) and other interbank offered rates (IBOR) is a priority for global regulators and is expected to be completed in 2021. The cash flows in the Company and its subsidiaries primarily impacted are USD and SGD denominated variable interest rate facilities and interest rate swaps which reference USD LIBOR and SGD SIBOR with notional principal amounts equivalent to HK$7,752 million and HK$997 million respectively at 31st December 2020. The majority of the uncertainty arising from the Group's exposure to IBOR reform will cease when the facilities expire in 2023. Other variable interest rate facilities and interest rate swaps held by the Company and its subsidiaries were not referenced to rates that will be affected by IBOR reforms.

## Gearing Ratio and Interest Cover

The following graphs illustrate the gearing ratio and underlying interest cover for each of the last five years:



| | 2020 | 2019 |
|---|---|---|
| **Gearing ratio** [1] | **2.3%** | 5.3% |
| **Interest cover – times** [1] | | |
| Per financial statements | **14.4** | 28.9 |
| Underlying | **33.5** | 48.2 |
| **Cash interest cover – times** [1] | | |
| Per financial statements | **8.3** | 18.6 |
| Underlying | **20.1** | 31.5 |

(1) Refer to Glossary on page 203 for definitions.

# Capital Management

### Audited Financial Information

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as a going concern, so that it can continue to provide returns for shareholders, and to secure access to finance at a reasonable cost.

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings and lease liabilities less short-term deposits and bank balances. Capital comprises total equity, as shown in the consolidated statement of financial position.

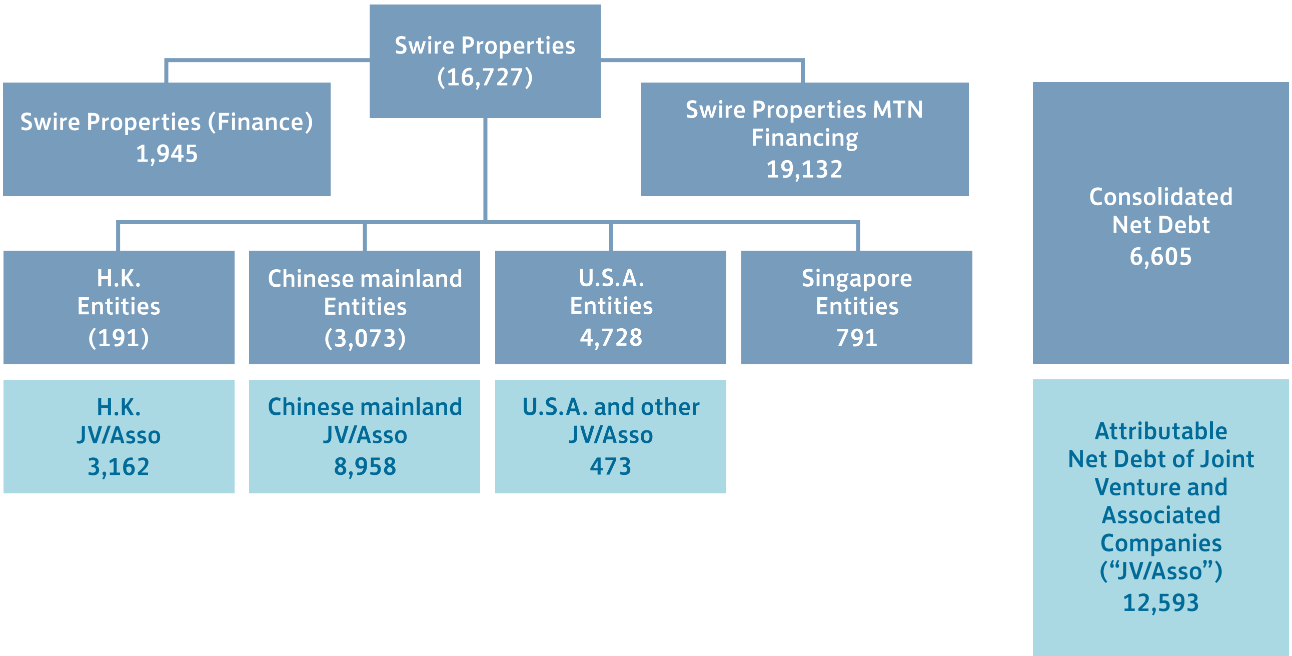
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2020 and 31st December 2019 were as follows:

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| Total borrowings | **27,257** | 29,729 |
| Lease liabilities | **580** | 548 |
| Less: Short-term deposits and bank balances | **21,232** | 14,985 |
| Net debt | **6,605** | 15,292 |
| Total equity | **290,680** | 288,911 |
| Gearing ratio | **2.3%** | 5.3% |

The Group has given certain covenants under facilities from third-parties, including maintenance of a minimum amount of tangible net worth. The Group has significant headroom on all covenants, and does not expect any breach in the foreseeable future.

## Attributable Net Debt

The chart below illustrates, by entity, the Group's attributable net debt (in HK$ million):




## Debt in Joint Venture and Associated Companies

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

| | Net Debt of Joint Venture and Associated Companies | | Portion of Net Debt Attributable to the Group | | Debt Guaranteed by the Group | |
|---|---|---|---|---|---|---|
| | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M |
| Hong Kong Entities | **9,434** | 5,342 | **3,162** | 2,184 | **2,265** | 1,405 |
| Chinese mainland Entities | **20,042** | 12,874 | **8,958** | 6,437 | **–** | – |
| U.S.A. and other Entities | **614** | 537 | **473** | 409 | **471** | 473 |
| **Total** | **30,090** | 18,753 | **12,593** | 9,030 | **2,736** | 1,878 |

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 6.6%.

# CORPORATE GOVERNANCE & SUSTAINABILITY

EAST Hong Kong

# CORPORATE GOVERNANCE

## Governance Culture

Swire Properties is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Swire Properties believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders
- that the interests of those who deal with the Company are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers and
- that high standards of ethics are maintained

## Corporate Governance Statement

The Corporate Governance Code (the "CG Code") as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

- code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only

The Company supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Swire Properties has adopted its own corporate governance code which is available on its website www.swireproperties.com. Corporate governance does not stand still; it evolves with each business and operating environment. The Company is always ready to learn and adopt best practices.

The Company complied with all the code provisions set out in 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 year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

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

# The Board of Directors

## Role of the Board

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the interests of those with whom the Group does business and others.

Responsibility for achieving the Company's objectives and running the business on a day-to-day basis is delegated to management. The Board exercises a number of reserved powers which include:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including financial statements
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of the Group's risk management and internal control systems
- ensuring the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions
- overseeing sustainable development matters

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see pages 84 to 85) and the Remuneration Committee (see pages 82).

## Chairman and Chief Executive

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

M.B. Swire, the Chairman, is responsible for:

- leadership of the Board
- setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
- facilitating effective contributions from and dialogue with all Directors and constructive relations between them
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information
- obtaining consensus amongst the Directors
- ensuring, through the Board, that good corporate governance practices and procedures are followed

G.M.C. Bradley, the Chief Executive, is responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's business.

Throughout the year, there was a clear division of responsibilities between the Chairman and the Chief Executive.

## Board Composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board comprises the Chairman, two other Executive Directors and nine Non-Executive Directors. Their biographical details are set out in the section of this annual report headed Directors and Officers and are posted on the Company's website. On 1st April 2021, M.M.S. Low will cease to be a director on her retirement from the Swire group and M.J. Murray will become a director.

G.M.C. Bradley, N.A.H. Fenwick, P. Healy, M.M.S. Low, F.N.Y. Lung and M.J. Murray are directors and/or employees of the John Swire & Sons Limited ("Swire") group. M.B. Swire is a shareholder, director and employee of and R.S.K. Lim is an adviser to the Swire group.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit and Remuneration Committees of the Board comprise only Non-Executive Directors.

The Board considers that five of the nine Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules. None of the Independent Non-Executive Directors holds cross-directorships or has significant links with other Directors through involvements in other companies or bodies.

The Independent Non-Executive Directors:

- provide open and objective challenge to management and other Board members
- raise intelligent questions and challenge constructively and with vigour
- bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management

The number of Independent Non-Executive Directors represents at least one-third of the Board of Directors.

## Appointment and Re-election

Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his or her appointment, and all Executive and Non-Executive Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

On 9th March 2021, the Board, having reviewed the Board's composition, nominated P. Healy, F.N.Y. Lung and M.J. Murray for recommendation to shareholders for election/ re-election at the 2021 Annual General Meeting. The nominations were made in accordance with objective criteria (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders), with due regard for the benefits of diversity, as set out in the board diversity policy. The Board also took into account the respective contributions of P. Healy and F.N.Y. Lung to the Board and their firm commitment to their roles. The particulars of the Directors standing for election/re-election are set out in the section of this annual report headed Directors and Officers and will also be set out in the circular to shareholders to be distributed with this annual report and posted on the Company's website.

Full details of changes in the Board during the year and to the date of this report are provided in the section of this annual report headed Directors' Report.

## Board Diversity

The Board has adopted a board diversity policy, which is available on the Company's website. The Board's composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness. A summary is set out in the table below:

| Age | Gender | Ethnicity | Years of service as Director | Skills, expertise and experience |
|---|---|---|---|---|
| 39-47 years (25%) | Male (67%) | British (33%) | 1-5 years (50%) | company executive (67%) |
| 48-56 years (33%) | Female (33%) | Chinese (59%) | 6-10 years (25%) | accounting, banking and finance (25%) |
| 57-65 years (42%) | | Singaporean (8%) | over 10 years (25%) | e-commerce (8%) |

In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders.

## Responsibilities of Directors

On appointment, the Directors receive information about the Group including:

- the role of the Board and the matters reserved for its attention
- the role and terms of reference of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management and
- the latest financial information

Directors update their skills, knowledge and familiarity with the Group through their participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training and advice.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly.

Details of Directors' other appointments are shown in their biographies in the section of this annual report headed Directors and Officers.

## Board Processes

All committees of the Board follow the same processes as the full Board.

The dates of the 2020 Board meetings were determined in 2019 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met five times in 2020. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 80. Average attendance at Board meetings was 98%. All Directors attended Board meetings in person or through electronic means of communication during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings.

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting papers, are made available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and records respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:

- review of the health and safety performance
- review of the operating environment for the business and of the most recent financial results and outlook
- review and discussion of longer term financial plans, including a discussion of capital allocation and investment plans
- discussion of strategy, including in relation to major investments and divestments
- the raising of new initiatives and ideas
- the presentation of papers to support decisions requiring Board approval
- an update on sustainability matters
- an update of legal and compliance matters for the Board's consideration
- any declarations of interest

The executive management provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility.

The Chairman meets at least annually with the Independent Non-Executive Directors without the presence of other Directors.

| | Meetings Attended/Held | | | |
|---|---|---|---|---|
| **Directors** | **Board** | **Audit Committee** | **Remuneration Committee** | **2020 Annual General Meeting** |
| **Executive Directors** | | | | |
| M.B. Swire – Chairman | 5/5 | | | √ |
| G.M.C. Bradley | 5/5 | | | √ |
| F.N.Y. Lung | 5/5 | | | √ |
| **Non-Executive Directors** | | | | |
| N.A.H. Fenwick | 5/5 | | 3/3 | |
| P. Healy | 5/5 | | | √ |
| R.S.K. Lim | 5/5 | | | √ |
| M.M.S. Low | 5/5 | 4/4 | | √ |
| **Independent Non-Executive Directors** | | | | |
| L.K.L. Cheng | 5/5 | 4/4 | | √ |
| T.T.K. Choi | 5/5 | | 3/3 | |
| S.T. Fung | 4/5 | | 3/3 | √ |
| J.L. Wang | 5/5 | | | √ |
| M.Y. Wu | 5/5 | 4/4 | | √ |
| Average attendance | 98% | 100% | 100% | 83% |

## Continuous Professional Development

Continuous professional development for directors was conducted through the following:

- Directors were provided with training materials about matters relevant to their duties as directors;
- Directors were invited to attend seminars and conferences about financial, commercial, economic, legal, regulatory and/or business affairs; and
- Directors attended training from external legal advisers about applicable laws and regulations and topics pertinent to the business of the Company.

The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

## Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

## Conflicts of Interest

If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

## Delegation by the Board

Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the Chief Executive. The Chief Executive has been given clear guidelines and directions as to his powers and, in particular, the circumstances under which he should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

- detailed monthly management accounts consisting of statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
- internal and external audit reports
- feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers

## Securities Transactions

The Company has adopted a code of conduct (the "Securities Code") regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are available on the Company's website.

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director twice annually, immediately before the two financial period ends, with a reminder that the Director cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors and senior executives of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests at 31st December 2020 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the section of this annual report headed Directors' Report.

## Remuneration Committee

Full details of the remuneration of the Directors are provided in note 9 to the financial statements.

The Remuneration Committee comprises three Non-Executive Directors, S.T. Fung, T.T.K. Choi and N.A.H. Fenwick. Two of the Committee Members are Independent Non-Executive Directors, one of whom, S.T. Fung, is Chairman. All the members served for the whole of 2020.

The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee exercises the powers of the Board to determine the remuneration packages of individual Executive Directors (including salaries, bonuses, benefits in kind and the terms on which they participate in any provident fund or other retirement benefit scheme), taking into consideration salaries paid by comparable companies, time commitments and responsibilities and employment conditions elsewhere in the group.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Company's website.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire Pacific group. Although the remuneration of these executives is not directly linked to the profit of the Company, it is considered that these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in October 2020. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 9 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following fee levels have been approved by the Board:

| Fee | 2020 HK$ | 2021 HK$ |
|---|---|---|
| Director's Fee | **575,000** | 575,000 |
| Fee for Audit Committee Chairman | **268,000** | 268,000 |
| Fee for Audit Committee Member | **186,000** | 186,000 |
| Fee for Remuneration Committee Chairman | **83,000** | 83,000 |
| Fee for Remuneration Committee Member | **60,000** | 60,000 |

# Accountability and Audit

## Financial Reporting

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim financial statements and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate

## Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 84 to 85.

The foundation of strong risk management and internal control systems is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

Since profits are, in part, the reward for successful risk taking in business, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key components of the Group's control structure are as follows:

**Culture:** The Board believes that good governance reflects the culture of an organisation. This is more significant than any written procedures.

The Company aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by example from the Board down. The Company has a Code of Conduct, which is posted on its internal intranet site.

The Company is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's ways of thinking and acting.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Company's Code of Conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

**Risk assessment:** The Board of Directors and the management each have a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated.

**Management structure:** The Group has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and monitoring of risk. Individuals appreciate where they will be held accountable in this process.

A control self-assessment process requires management to assess, through the use of detailed questionnaires, the adequacy and effectiveness of risk management and internal controls over the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This process and its results are reviewed by internal auditors and form part of the Audit Committee's annual assessment of control effectiveness.

**Controls and review:** The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities include:

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports
- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse

The Company has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

**Internal audit:** Independent of management, the Internal Audit department reports directly to the Audit Committee and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 85 to 86.

## Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, M.Y. Wu, L.K.L. Cheng and M.M.S. Low, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, M.Y. Wu, is Chairman. All the members served for the whole of 2020.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website.

The Audit Committee met four times in 2020. Regular attendees at the meetings are the Finance Director, the Head of Internal Audit of the Swire group and the external auditors. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the external auditors and Internal Audit. The valuer (Cushman & Wakefield Limited) also attended two of the meetings.

The work of the Committee during 2020 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2019 annual and 2020 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's risk management and internal control systems
- the Group's risk management processes
- the Group's cybersecurity
- the approval of the 2021 annual Internal Audit programme and review of progress on the 2020 programme
- periodic reports from Internal Audit and progress in resolving any matters identified in them
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 86
- the Company's compliance with the CG Code

In 2021, the Committee has reviewed, and recommended to the Board for approval, the 2020 financial statements.

### Assessing the Effectiveness of Risk Management and Internal Control Systems

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems, the work and effectiveness of Internal Audit and the assurances provided by the Finance Director
- the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Internal Audit
- work programmes proposed by both Internal Audit and the external auditors
- significant issues arising from internal and external audit reports
- the results of management's control self assessment exercise

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the CG Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

## Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update his skills and knowledge.

## Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 25 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 24 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 24 professionals include a team based in the Chinese mainland which reports to IA in Hong Kong.

IA reports directly to the Audit Committee without the need to consult with management, and via the Audit Committee to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

### Scope of Work

Business unit audits are designed to provide assurance that the risk management and internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Swire Pacific Group Risk Management Committee and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 9 assignments were conducted for Swire Properties in 2020.

IA specifically assists the Audit Committee in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad-hoc projects and investigative work as may be required by management or the Audit Committee.

### Audit Conclusion and Response

Copies of IA reports are sent to the Chairman of the Board, the Chief Executive, the Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations, including those aimed at resolving material internal control defects. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

## External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the "auditors"). The auditors have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity are not, and are not seen to be, compromised
- approval of audit and non-audit fees

### Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of Section 290 of the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work and the nature of the non-audit work) at a meeting of the Audit Committee.

### Provision of Non-audit Services

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

Fees paid to the auditors are disclosed in note 7 to the financial statements.

## Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information

## Shareholders

### Communication with Shareholders and Investors

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The methods used to communicate with shareholders include the following:

- The Chief Executive and Finance Director make themselves available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In addition, they attended regular meetings with analysts and investors in Hong Kong, analyst briefings, investor group briefings, overseas roadshows and investor conferences during the year
- through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
- through publication of interim and annual reports
- through the Annual General Meeting as discussed below

Shareholders may send their enquiries and concerns to the Board by post or email at ir@swireproperties.com. The relevant contact details are set out in the Financial Calendar and Information for Investors section of this Annual Report.

## The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 22nd June 2020. The meeting was open to shareholders. The Directors who attended the meeting are shown in the table on page 80.

At the Annual General Meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited financial statements for the year ended 31st December 2019
- electing/re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share buy-backs
- a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares then in issue, provided that the aggregate number of the shares so allotted wholly for cash would not exceed 5% of the number of the shares then in issue

Minutes of the meeting together with voting results are available on the Company's website.

## Dividend Policy

The Company has a policy on the payment of dividends, which is set out in the section of this annual report headed Directors' Report.

## Shareholder Engagement

Pursuant to Article 95 of the Company's Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination at the registered office of the Company within the 7-day period commencing on and including the day after the despatch of the notice of the meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in the Corporate Governance Section of the Company's website.

If they wish to propose a resolution relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Corporate Governance Section of the Company's website.

Shareholder(s) representing at least 5% of the total voting rights of all members may request the Board to convene a general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

## Other Information for Shareholders

Key shareholder dates for 2021 are set out in the section of this annual report headed Financial Calendar and Information for Investors and in the Financial Calendar on the Company's website.

No amendment has been made to the Company's Articles of Association during the year.

From information publicly available to the Company and within the knowledge of its Directors, at least 10.28% (being the minimum public float percentage which the Company is required to maintain) of the Company's total number of issued shares are held by the public. Details of substantial shareholders' and other interests are included in the section of this annual report headed Directors' Report.

# RISK MANAGEMENT

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems.

The Board and management are responsible for identifying and analysing the risks underlying the achievement of business objectives, and for determining how such risks should be managed and mitigated. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management provides confirmations to the Board on the effectiveness of these systems.

The management of risks is subject to audit by IA, with support from specialist external consultants where necessary.

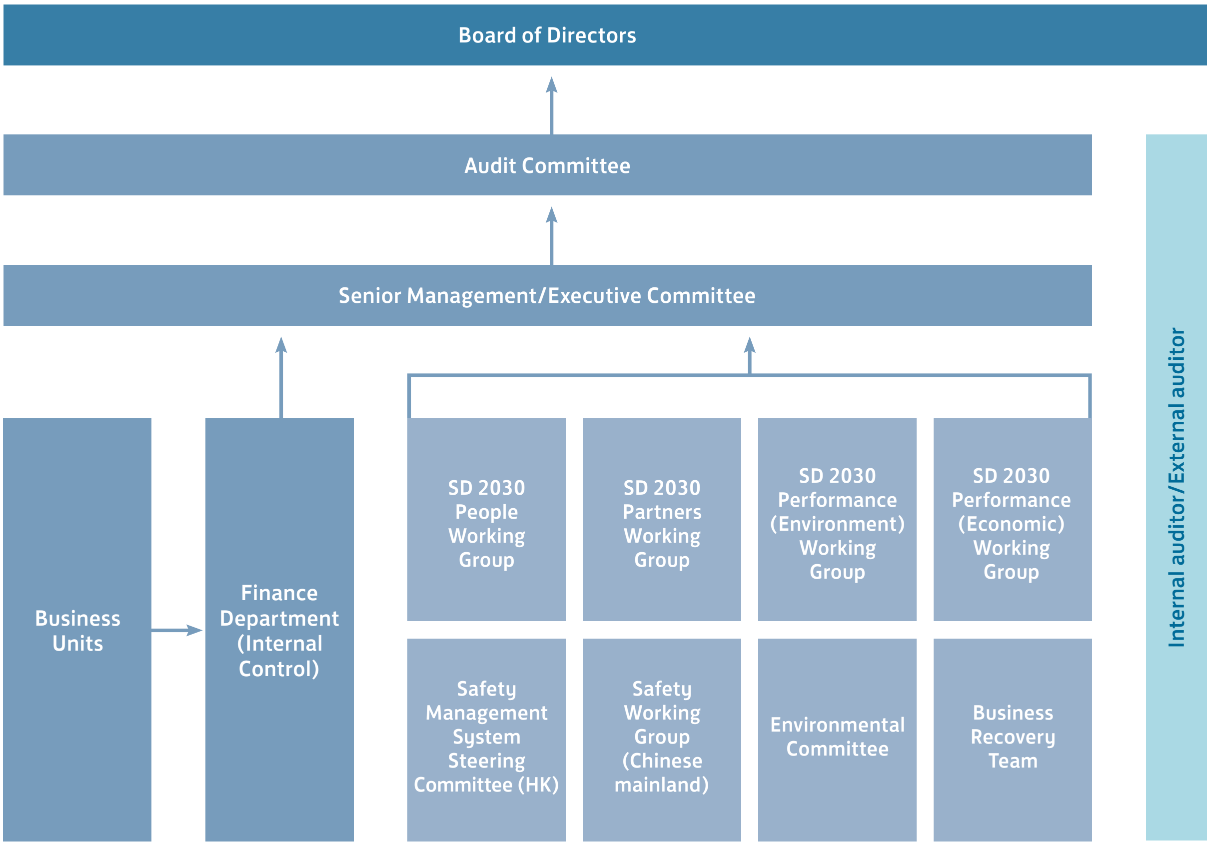
Further discussion of risk management is set out in the sections of the Corporate Governance Report headed "Accountability and Audit – Risk Management and Internal Control", "Audit Committee – Assessing the Effectiveness of Risk Management and Internal Control Systems" and "Internal Audit Department – Scope of Work" on pages 83 to 84, pages 84 to 85 and page 85 respectively.

## Executive Committee

The Executive Committee meets twice a month and is responsible for overseeing the day-to-day operations of the Company. It comprises two Executive Directors and 11 members of senior management. The Chief Executive chairs the Executive Committee.

The Executive Committee provides oversight of all the risks to which the Group is subject and is responsible for the design, implementation and monitoring of the relevant risk management and internal control systems of the Group. Matters of significance that arise are reported as appropriate via the Audit Committee to the Board of Directors.

## Risk Governance Framework



# Financial Risk Management

The Group's approach to financial risk management is discussed in note 2 to the financial statements.

# Risk Profile

The following table provides an overview of our risk profile, including what we consider to be Swire Properties' principal existing and emerging risks, possible associated impacts and mitigation measures that are in place or under development.

| Existing Risks and Possible Impacts | Mitigation Measures |
| --- | --- |
| **Business disruption**<br>Severe disruption to the business caused by acts of man or acts of nature may lead to adverse financial impacts. | • The Business Recovery Plan ("BRP") for major incidents and other business compliance measures for specific scenarios, operational emergencies, health and safety are in place.<br>• Ensure properties in earthquake and hurricane zones are built to meet the relevant building codes and safety standards.<br>• Purchase insurance to the extent practicable to cover financial loss due to property damages, business interruption and third-party liability. |
| **Political risks**<br>Changes in global and local political landscape and priorities may have significant impact on the business environment. | • Closely monitor social media and government public affairs.<br>• Ensure compliance with the applicable laws and regulations, including internal guidelines and policies.<br>• Maintain robust corporate governance practice through various oversight functions, including audit, risk management, company secretary, legal counsel, independent non-executive directors and Sustainable Development 2030 (SD 2030) working groups. |
| **Business risks**<br>The lack of compelling development projects and any business disruption may lead to a slowdown in business pipeline affecting the financial performance. | • Continue to obtain suitable land reserves, reinforce existing portfolios, and to actively explore opportunities in emerging location.<br>• Closely monitor market development of disruptive business models and embed into our operation as appropriate.<br>• Maintain competitiveness by enhancing efficiency and automation with the appropriate technology for customer proposition and operational procedures. |

| Existing Risks and Possible Impacts | Mitigation Measures |
|---|---|
| **Brand and image**<br>The failure to maintain brand position and perception may lead to a reduced business profile and less competitive proposition. | • Ensure consistent, responsible and responsive communication in handling major incidents to safeguard the Company's reputation, drawing reference from the BRP.<br>• Closely monitor social media to evaluate and provide responses to any negative social media content as appropriate.<br>• Conduct regular materiality analyses to identify and anticipate current and future economic, political, social or environmental issues that may lead to group wide negative reputational impact. |
| **Development risks**<br>Delay in the completion of developments may cause substantial financial impact on property sales and leasing. | • Closely monitor and manage construction progress and contractors in order to avoid delays in project development.<br>• Implement stringent prequalification assessments of contractors and approval mechanisms for design changes.<br>• Build in additional time during development planning to obtain statutory approvals and communicate with government authorities on a timely basis. |

| Emerging Risks and Possible Impacts | Mitigation Measures |
|---|---|
| **Climate change**<br>Extreme weather conditions and climate changes may increase the risks of physical damage to properties and adversely affect their valuations. | • A climate change policy is in place.<br>• Conduct climate risk assessments for all portfolios.<br>• Science-based targets that aim to achieve long-term decarbonisation have been established.<br>• Monitor and reduce carbon emissions from construction activities and embodied carbon from major building and construction materials. |

# DIRECTORS AND OFFICERS

## Executive Directors

**SWIRE, Merlin Bingham,** aged 47, has been a Director of the Company since January 2009 and its Chairman since July 2018. He is also Chairman of John Swire & Sons (H.K.) Limited and Swire Pacific Limited. He is also Deputy Chairman and a shareholder of John Swire & Sons Limited and a Director of Cathay Pacific Airways Limited. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, the Chinese mainland and London.

**BRADLEY, Guy Martin Coutts,** aged 55, has been a Director of the Company since January 2008 and Chief Executive since January 2015. He is also a Director of John Swire & Sons (H.K.) Limited. He joined the Swire group in 1987 and has worked with the group in Hong Kong, Papua New Guinea, Japan, the United States, Vietnam, the Chinese mainland, Taiwan and the Middle East. He is a chartered surveyor and a Fellow of The Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors.

**LUNG, Ngan Yee Fanny,** aged 54, has been Finance Director of the Company since October 2017. She was previously Group Director Finance of Hong Kong Aircraft Engineering Company Limited. She joined the Swire group in 1992.

## Non-Executive Directors

**FENWICK, Nicholas Adam Hodnett,** aged 60, has been a Director of the Company since May 2018. He is also a Director of John Swire & Sons Limited. He was employed by the Swire group from 1985 to 1995 and worked for the group in Hong Kong, Singapore, Taiwan, the Philippines and the United States.

**HEALY, Patrick,** aged 55, has been a Director of the Company since January 2015. He is also Chairman of Cathay Pacific Airways Limited and Swire Coca-Cola Limited and a Director of John Swire & Sons (H.K.) Limited and Air China Limited. He joined the Swire group in 1988 and has worked with the group in Hong Kong, Germany and the Chinese mainland.

**LIM, Siang Keat Raymond,** aged 61, has been a Director of the Company since July 2013. He is also Senior Adviser to John Swire & Sons (H.K.) Limited. He is Executive Chairman of APS Asset Management Pte Ltd and a Director of Hong Leong Finance Limited and Raffles Medical Group Ltd. He was a Member of the Singapore Parliament from 2001 to 2015.

**LOW, Mei Shuen Michelle,** aged 60, has been a Director of the Company since September 2010. She is also Finance Director of Swire Pacific Limited and a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited. She joined the Swire group in 1987. She has resigned as a Director of the Company and from these other positions with effect from 1st April 2021.

**MURRAY, Martin James,** aged 54, has been appointed a Director of the Company with effect from 1st April 2021. He will also be appointed Finance Director of Swire Pacific Limited and a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited with effect from that date. He was previously Chief Financial Officer of Cathay Pacific Airways Limited and before that deputy Finance Director of Swire Pacific Limited. He joined the Swire group in 1995 and has worked with the group in Hong Kong, the United States, Singapore and Australia.

## Independent Non-Executive Directors

**CHENG, Lily Ka Lai,** aged 42, has been a Director of the Company since March 2017. She is an Independent Non-Executive Director of Chow Tai Fook Jewellery Group Limited, Octopus Cards Limited, SUNeVision Holdings Ltd. as well as an Adviser to Mars Inc. and HotelBeds Group. She is an Executive Director of Hubel Labs Limited and was the former President of TripAdvisor Asia Pacific and Senior Director at Expedia Inc. She has more than ten years of experience as a corporate executive of technology companies providing consumer-facing software and internet services, including implementation of cybersecurity protocols.

**CHOI, Tak Kwan Thomas,** aged 65, has been a Director of the Company since May 2019. He is a Fellow of the Royal Institution of Chartered Surveyors in the U.K. and of The Hong Kong Institute of Surveyors. He is also an Authorized Person (Surveyor). He was a member of the Appeal Tribunal Panel (Buildings) from December 2000 to November 2013. He was employed by the Company in Hong Kong from 1981 to 2002. He was employed by China Resources (Holdings) Company Limited and worked in the Chinese mainland from 2002 until his retirement in 2016.

**FUNG, Spencer Theodore,** aged 47, has been a Director of the Company since December 2012. He is Group Executive Chairman of Li & Fung. He is also the Alternate Representative of Hong Kong, China to APEC Business Advisory Council and a member of the General Committee of The Hong Kong Exporters' Association, Young Presidents' Organization and the Board of Trustees at Northeastern University.

**WANG, Jinlong,** aged 63, has been a Director of the Company since September 2019. He is an Independent Non-Executive Director of Kerry Group plc. He is also a Director of Sonova Holding AG. He was previously an Operating Partner of Hony Capital Limited, Chairman and Chief Executive Officer of PizzaExpress Group Holdings Limited, President of Starbucks Asia Pacific, and Chairman and President of Starbucks Greater China.

**WU, May Yihong,** aged 53, has been a Director of the Company since May 2017. She is Board Advisor of Homeinns Hotel Group and an Independent Director of Noah Holdings Limited.

## Company Secretary

**FLAHERTY, St.John Andrew,** aged 74, has been Company Secretary since January 2020. He is a solicitor qualified to practise in Hong Kong and England and Wales. He retired as a partner in Slaughter and May and joined the Swire group as Senior Adviser in 2007.

Notes:

1. The Audit Committee comprises M.Y. Wu (committee chairman), L.K.L. Cheng and M.M.S. Low.
2. The Remuneration Committee comprises S.T. Fung (committee chairman), T.T.K. Choi and N.A.H. Fenwick.
3. G.M.C. Bradley, P. Healy, M.M.S. Low, F.N.Y. Lung, M.J. Murray and M.B. Swire are employees of the John Swire & Sons Limited group.

# DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31st December 2020, which are set out on pages 120 to 191.

## Principal Activities

The principal activities of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") are: (i) property investment, that is the development, leasing and management of commercial, retail and some residential properties; (ii) property trading, that is the development and construction of properties, principally residential apartments, for sale; and (iii) investment in and operation of hotels.

The principal activities of the Company's principal subsidiary, joint venture and associated companies are shown on pages 189 to 191. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 8 to the financial statements.

## Consolidated Financial Statements

The consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") together with the Group's interests in joint venture and associated companies. Details of the joint venture and associated companies are provided in notes 20 and 21 to the financial statements.

## Dividends

The Directors have declared a second interim dividend of HK$0.61 per share for the year ended 31st December 2020. Together with the first interim dividend of HK$0.30 per share paid on 6th October 2020, this makes a total dividend for the year of HK$0.91 (2019: HK$0.88) per share. This represents a total distribution for the year of HK$5,324 million. The second interim dividend, which totals HK$3,569 million (2019: HK$3,451 million), will be paid on 6th May 2021 to shareholders registered at the close of business on the record date, being Thursday, 1st April 2021. Shares of the Company will be traded ex-dividend as from Tuesday, 30th March 2021.

The Company's dividend policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profit in ordinary dividend over time.

## Closure of Register of Members

The register of members will be closed on Thursday, 1st April 2021, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 31st March 2021.

To facilitate the processing of proxy voting for the annual general meeting to be held on 11th May 2021, the register of members will be closed from 6th May 2021 to 11th May 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 5th May 2021.

## Business Review

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chairman's Statement, Key Business Strategies, Review of Operations, Financial Review and Financing and in the notes to the financial statements. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Sustainable Development. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group is provided in the sections of this annual report headed Sustainable Development, Corporate Governance and Directors' Report.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 37 and 38 to the financial statements.

## Share Capital

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year and the Group has not adopted any share option scheme.

At 31st December 2020, 5,850,000,000 shares were in issue (31st December 2019: 5,850,000,000 shares). Details of the movement of share capital are set out in note 36 to the financial statements.

## Accounting Policies

The principal accounting policies of the Group are set out in the section of this annual report headed Principal Accounting Policies.

## Auditors

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

## Financial Review

A review of the consolidated results, financial position and cash flows is shown in the section of this annual report headed Financial Review. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown in the section of this annual report headed Ten-Year Financial Summary.

## Corporate Governance

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

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

Details of the Company's corporate governance practices are set out in the section of this annual report headed Corporate Governance.

## Environmental, Social and Governance

The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report.

## Donations

During the year, the Group made donations for charitable purposes of HK$35 million and donations towards various scholarships of HK$0.2 million.

## Fixed Assets

For details of movements in fixed assets refer to notes 15 and 16 to the financial statements.

The annual valuation of the Group's investment property portfolio, whether completed or in the course of development, was carried out by professionally qualified valuers (95% by value having been valued by Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer) on the basis of market value at 31st December 2020. This valuation resulted in a decrease of HK$4,465 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given in the section of this annual report headed Schedule of Principal Group Properties.

## Borrowings

For details of the Group's borrowings refer to the section of this annual report headed Financing.

## Interest

For details of the amount of interest capitalised by the Group refer to page 70.

## Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and suppliers respectively.

## Directors

M.J. Murray has been appointed as a Director with effect from 1st April 2021. All the other Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the calendar year 2020. M.M.S. Low resigned as a Director with effect from 1st April 2021.

### Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (listed in the section of this annual report headed Directors and Officers) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

### Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, P. Healy and F.N.Y. Lung retire this year and, being eligible, offer themselves for re-election. M.J. Murray, having been appointed to the Board under Article 91 since the last annual general meeting, also retires this year and offers himself for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

### Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 9 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$3.5 million. They received no other emoluments from the Group.

## Directors' Interests

At 31st December 2020, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited and Swire Pacific Limited:

| | Capacity | | | | | |
|---|---|---|---|---|---|---|
| | Beneficial Interest | | | | | |
| | Personal | Family | Trust Interest | Total No. of Shares | Percentage of Voting Shares (%) | Note |
| **Swire Properties Limited** | | | | | | |
| L.K.L. Cheng | 1,000 | – | – | 1,000 | 0.00002 | |
| M.B. Swire | – | – | 1,148,812 | 1,148,812 | 0.01964 | (3) |

| | Capacity | | | | | |
|---|---|---|---|---|---|---|
| | Beneficial Interest | | | | | |
| | Personal | Family | Trust Interest | Total No. of Shares | Percentage of Issued Share Capital (comprised in the class) (%) | Note |
| **John Swire & Sons Limited** | | | | | | |
| **Ordinary Shares of £1** | | | | | | |
| N.A.H. Fenwick | – | – | 3,136,000 | 3,136,000 | 3.14 | (1) |
| M.B. Swire | 2,671,599 | 130,000 | 17,425,674 | 20,227,273 | 20.23 | (2) |
| **8% Cum. Preference Shares of £1** | | | | | | |
| N.A.H. Fenwick | – | – | 2,822,400 | 2,822,400 | 3.14 | (1) |
| M.B. Swire | 3,946,580 | – | 12,782,055 | 16,728,635 | 18.59 | (2) |

| | Capacity | | | | | |
|---|---|---|---|---|---|---|
| | Beneficial Interest | | | | | |
| | Personal | Family | Trust Interest | Total No. of Shares | Percentage of Voting Shares (comprised in the class) (%) | Note |
| **Swire Pacific Limited** | | | | | | |
| **'A' shares** | | | | | | |
| L.K.L. Cheng | 10,000 | – | – | 10,000 | 0.0011 | |
| M.B. Swire | 180,000 | – | 301,000 | 481,000 | 0.0531 | (3) |
| **'B' shares** | | | | | | |
| M.B. Swire | 390,000 | – | 1,799,222 | 2,189,222 | 0.0734 | (3) |

Notes:

(1) N.A.H. Fenwick was a trustee of a trust which held 3,136,000 ordinary shares and 2,822,400 preference shares in John Swire & Sons Limited included under Trust interest and did not have any beneficial interest in those shares.

(2) M.B. Swire was a trustee and/or a potential beneficiary of trusts which held 5,970,631 ordinary shares and 2,452,378 preference shares in John Swire & Sons Limited included under Trust interest and did not have any beneficial interest in those shares. M.B. Swire was one of the executors of a will which held 131,707 ordinary shares and 117,275 preference shares in John Swire and Sons Limited included under Trust interest and did not have any beneficial interest in those shares.

(3) All shares held by M.B. Swire under Trust interest were held by him as one of the executors of a will and he did 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).

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.

Other than as stated in this report, no transaction, arrangement or contract of significance to which the Group was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Directors' Interests in Competing Businesses

None of the Directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2020 or during the period from 1st January 2021 to the date of this Report are kept at the Company's registered office and made available for inspection by the members of the Company in accordance with Section 390(6) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

## Permitted Indemnity

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), every Director is entitled under the Company's Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by such Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

## Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2020 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

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

Notes:

At 31st December 2020:

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

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

## Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total number of issued shares must at all times be held by the public. The Company has been granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a waiver from strict compliance with Listing Rule 8.08(1) so as to allow a lower public float percentage of 10% (or such higher percentage as was held by the public upon completion of the listing of the shares of the Company on the Stock Exchange). On such completion on 18th January 2012, the public float percentage was approximately 10.28%. From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 10.28% of the Company's total number of issued shares are held by the public.

## Continuing Connected Transactions

During the year ended 31st December 2020, the Group had the following continuing connected transactions, details of which are set out below:

### (a) Services Agreement

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and its subsidiaries advice and expertise of the directors and senior officers of the Swire group, including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, certain staff services (including full or part time services of members of the staff of the Swire group), certain central services and such other services as may be agreed from time to time, and procured for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. The procuration obligation would fall away if the Services Agreement were terminated or not renewed.

In return for these services, JSSHK receives annual service fees calculated as 2.5% of the Company's consolidated profit before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in arrear in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The Services Agreement, which was entered into between JSSHK and the Company on 1st December 2004, took effect from 1st January 2005, was renewed on 1st October 2007, was amended and restated with effect from 1st January 2010, was renewed again on 1st October 2010, 14th November 2013 and 1st October 2016, was amended and restated on 9th August 2019 and was renewed again on 1st October 2019. The current term of the Services Agreement is from 1st January 2020 to 31st December 2022 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2020 are given in note 43 to the financial statements.

### (b) Tenancy Framework Agreement

The Company, JSSHK and Swire Pacific entered into a tenancy framework agreement ("Tenancy Framework Agreement") on 14th August 2014 to govern existing and future tenancy agreements between members of the Group, members of the JSSHK group and members of the Swire Pacific group. The Tenancy Framework Agreement, which took effect from 1st January 2014 and was renewed on 1st October 2015, was renewed again on 1st October 2018 for a term of three years from 1st January 2019 to 31st December 2021. It is renewable for successive periods of three years thereafter unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JSSHK group and members of the Swire Pacific group enter into tenancy agreements from time to time on normal commercial terms based on prevailing market rentals.

For the year ended 31st December 2020, the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement totalled HK$153 million.

At 31st December 2020, the Swire group was interested in 55.20% of the equity of Swire Pacific and controlled 64.28% of the voting rights attached to shares in Swire Pacific and Swire Pacific owned 82.00% of the Company's total number of issued shares. JSSHK, as a wholly-owned subsidiary of Swire, and Swire Pacific are therefore connected persons of the Company under the Listing Rules. The transactions under the Services Agreement and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 9th August 2019 and 10th May 2018 respectively were published.

As directors and/or employees of (or in one case as an adviser to) the Swire group, G.M.C. Bradley, N.A.H. Fenwick, P. Healy, R.S.K. Lim, M.M.S. Low, F.N.Y. Lung and M.B. Swire are interested in the Services Agreement and the Tenancy Framework Agreement. N.A.H. Fenwick and M.B. Swire are so interested as shareholders of Swire.

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that the relevant annual caps have been exceeded.

## Discloseable Transactions

On 9th November 2020, the Company entered into a sale and purchase agreement for the sale of its 100% interest in Actuate Too Limited (Actuate Too) for a total consideration of HK$9,845,436,000, subject to certain adjustments. Actuate Too wholly owned the property holding subsidiaries which together owned the office tower known as Cityplaza One located at No.1111 King's Road, Taikoo Shing, Hong Kong. The transaction constituted a discloseable transaction for the Company under the Listing Rules, in respect of which announcement dated 9th November 2020 was published. The transaction was completed on 30th December 2020.

On 18th December 2020, the Company formed a joint venture with Sino-Ocean Group Holding Limited to invest in a company (the target company) which will develop two plots of land next to the existing INDIGO development in Beijing into an office-led mixed use Phase Two extension of INDIGO. The Company has a 35% interest in the target company and is obliged to contribute RMB3.325 billion to its capital. The Company's share of the total investment amount of the target company is estimated to be RMB8.050 billion. The formation of the joint venture constituted a discloseable transaction for the Company under the Listing Rules, in respect of which an announcement dated 18th December 2020 was published.

On behalf of the Board

Merlin Swire
*Chairman*
*Hong Kong, 11th March 2021*

# SUSTAINABLE DEVELOPMENT

**We believe that long-term value creation depends on the sustainable development of our business and the communities in which we operate.**

**In 2020, Swire Properties continued its SD 2030 Strategy. The SD 2030 Strategy incorporates specific commitments and, through working closely with all relevant parties, is designed to integrate sustainable development ("SD") into every aspect of our business. Our SD 2030 Strategy has five pillars:**

SD2030

**Places | People | Partners | Performance (Environment) | Performance (Economic)**

**We have established new targets for 2025 and 2030, the details of which will be set out in our Sustainable Development Report 2020.**

# Sustainable Development (SD) 2030 Strategy: 2020 Highlights

## PLACES

**Through effective placemaking and long-term placekeeping, we aim to continue to transform the places in which we invest so as to create value, whilst retaining their character, supporting communities and enhancing people's lives.**

### Impact Reporting

Published our first **"Places Impact Report"** on Island East and Taikoo Place

Developed a methodology for assessing, measuring and reporting on the impacts of our developments

## PEOPLE

We aim to create an environment where our employees will be healthier, happier and more productive, to invest in our employees and to provide rewarding career paths so as to develop a diverse and industry-leading team.

### Talent Attraction

**2020 Progress**

Named **"Most Attractive Employer"** in Hong Kong by Randstad Employer Brand Research 2020

### Talent Retention

**2020 Progress**

**>126,000** training hours delivered

**20** training hours/employee/year

### Safety, Health and Wellbeing

| 2020 KPI | 2020 Progress |
| --- | --- |
| Maintain Lost Time Injury Rate ("LTIR") below 2.0 | LTIR: **1.25** |

### Diversity and Inclusion ("D&I")

| 2020 KPI | 2020 Progress |
| --- | --- |
| Public disclosure of data on gender, age, job level, pay, and ethnicity | Gender pay ratio (female to male): **1 to 1.05**<br><br>Women hold **51%** of management positions |

### Volunteering

**2020 Progress**

Community Ambassador Programme contributed **>2,000** volunteer service hours, supporting **43** activities

## PARTNERS

We aim to continue to develop long-term, mutually beneficial relationships with our business partners and other key parties so as to improve our environmental, social and economic performance.

### Suppliers

| 2020 KPI | 2020 Progress |
| --- | --- |
| Develop programmes for supply chain improvements | Organised our first **sustainability engagement events** for suppliers and business partners in Hong Kong and the Chinese mainland |

**HK$1,196 million** of Sustainable Procurement spending[1]

Developed **low carbon specifications** for building materials for Hong Kong projects under development

### Tenants

Recognised **27** F&B tenants in Hong Kong and the Chinese mainland with Green Kitchen Awards

**9 million kWh** potential annual energy savings from free energy audits for Hong Kong and Chinese mainland tenants (since 2008)

Updated **"Green Pledge"** framework, renaming it the **"Green Performance Pledge"**, to continue working with tenants to jointly improve environmental performance

1 Products that meet specific sustainability criteria such as green certification or accreditation by reputable, independent third parties.
2 Carbon intensity reduction targets reference the business-as-usual ("BAU") baseline year of 2008 for our Hong Kong portfolio and the first BAU baseline year for which a complete calendar year of data was available for projects in our Chinese mainland portfolio.
3 Hong Kong portfolio and Chinese mainland portfolio refer to our office and retail portfolios in Hong Kong and the Chinese mainland respectively, excluding hotels.
4 Task Force on Climate-related Financial Disclosures.
5 Energy consumption refers to purchased electricity for the provision of shared services for and in the common parts of our buildings, with reference to the BAU baseline year of 2008 for our Hong Kong portfolio and the first BAU baseline year for which a complete calendar year of data was available for projects in our Chinese mainland portfolio.
6 Hong Kong portfolio refers to our office and retail portfolios and hotels in Hong Kong.
7 For Chinese mainland portfolio, this figure refers to the commercial waste recycling rate.
8 Hong Kong portfolio and Chinese mainland portfolio refer to our office and retail portfolios and hotels in Hong Kong and Chinese mainland respectively.
9 BEAM Plus/LEED/China Green Building Design Label/WELL certification.
10 Projects under development refers to projects that are under construction or at the pre-certification stage. This includes non-joint venture projects only.
11 Measured as the percentage of total gross floor area.
12 Disclaimer: www.swireproperties.com/sd/awards/mscidisclaimer.html

## PERFORMANCE (ENVIRONMENT)

**We aim to continue to design, construct and manage high quality developments that contribute positively to the communities in which we operate and the environment.**

### Climate Change

| 2020 KPI | 2020 Progress |
|---|---|
| Carbon intensity[2] | |
| Hong Kong Portfolio[3] ↓27% | Hong Kong Portfolio[3] ↓44.1% |
| Chinese Mainland Portfolio[3] ↓21% | Chinese Mainland Portfolio[3] ↓42.2% |

Achieved procurement of **100% renewable electricity** at Sino-Ocean Taikoo Li Chengdu

Continued to publish **climate-related financial disclosures** as per TCFD[4] recommendations

### Energy

| 2020 KPI | 2020 Progress |
|---|---|
| Energy consumption[5] | |
| Hong Kong Portfolio[6] ↓64 million kWh/year ↓26% | Hong Kong Portfolio[6] ↓77.8 million kWh/year ↓31.3% |
| Chinese Mainland Portfolio[3] ↓23 million kWh/year ↓20% | Chinese Mainland Portfolio[3] ↓28.1 million kWh/year ↓23.4% |

### Resource and Circularity

| 2020 KPI | 2020 Progress |
|---|---|
| Commercial waste diversion rate[7] 25% | Hong Kong Portfolio[8] 25% |
| | Chinese Mainland Portfolio[8] 34.6% |

### Building/Asset Investment

| 2020 KPI | 2020 Progress |
|---|---|
| Target the highest environmental building assessment scheme[9] rating for all projects under development[10] | **100%** of projects under development achieved the highest ratings<br>**97%** of all existing buildings[11] are certified green buildings, of which **85%** achieved the highest ratings |

## PERFORMANCE (ECONOMIC)

**We aim to deliver sustainable economic performance coupled with good corporate governance and high ethical standards.**

### Financial Performance

| 2020 KPI | 2020 Progress |
|---|---|
| Long-term sustainable growth in shareholder value | **HK$12,679 million** underlying profit attributable to shareholders |

### Green Financing

| 2020 KPI | 2020 Progress |
|---|---|
| Review, develop and issue green bond | Issued four green bonds totalling **HK$1,934 million** and secured a five-year **HK$1 billion** green loan facility<br>**~30%** of current bond and loan facilities are from green financing |

### Disclosure and Reporting

**2020 KPI**

Disclose SD information in accordance with the requirements of relevant major global sustainability benchmarks

**2020 Progress**

Swire Properties is listed on these major global and local sustainability indices

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

Top 5% in global real estate industry;
Member of the World Index

GRESB REAL ESTATE Sector Leader 2020

Global Sector Leader and Global Development Sector Leader for mixed use developments

Hang Seng Corporate Sustainability Index Series Member 2020-2021 AAA HKQAA

No. 1 for 3rd consecutive year; "AAA" rating

MSCI ESG RATINGS AAA[12]

"AAA" rating

Sustainability Yearbook Member 2021 S&P Global

FTSE4Good


Launched "Sustainability We All Count" campaign to promote the Company's sustainable development efforts

Hong Kong

Kicked off tour for art installation "Please Be Seated"

Chinese mainland

## Sustainability We All Count

In July 2020, we launched the "Sustainability We All Count" campaign to raise awareness about our SD efforts and encourage stakeholders to work together to achieve our SD 2030 vision. This campaign, conducted offline and on digital media channels, encouraged our staff, tenants, residents, customers and the general public to do their part to make our communities more sustainable.

## Places

*Places are at the heart of, and central to, the achievement of our SD 2030 Strategy.*

### Swire Properties' Placemaking Academy

In 2020, we hosted our second youth empowerment programme, the Swire Properties Placemaking Academy. 21 students took the lead in designing, planning and executing our community celebration, the White Christmas Express 2020, across online and offline channels. Students were mentored by senior management, industry experts and thought leaders.

The students hosted and recorded six music programmes featuring storytelling, wellness activities and musical performances by artists and local musicians, which were broadcast on KKBOX and Swire Properties' Facebook pages. The Company donated HK$10 to Operation Santa Claus for every "Like" received. The students also reached out to various community groups and handed out gifts to those in need, amounting to over HK$400,000.

### Art Installation in Hong Kong and the Chinese mainland

In 2020, Pacific Place unveiled the permanent art installations *Parade.* and *Running 3.* (2020) by artist Julian Opie. *Parade.* features 62 unique and colourful characters throughout the Three Pacific Place Pedestrian Link, whilst *Running 3.*, located along the walkway between the Island Shangri-La, Hong Kong and Conrad Hong Kong, depicts 13 life-sized figures in black vinyl.

In October 2020, we kicked off a tour of the art installation *Please Be Seated* across the Chinese mainland, in collaboration with British design firm Paul Cocksedge Studio. The installation debuted at Sino-Ocean Taikoo Li Chengdu and will tour across four of our retail projects in the Chinese mainland.

### Beijing Music Festival

In October 2020, we supported the Beijing Music Festival for the eleventh year and hosted "Swire Night" in collaboration with the Suzhou Chinese Orchestra. Two lunchtime piano concerts were hosted for the first time at ONE INDIGO.


### Held White Christmas Express 2020 community celebration

Hong Kong


### Organised Canton Culture Workshops to promote traditional Chinese heritage

Chinese mainland

### Tong Chong Street Market

This weekday market in Taikoo Place has grown to become the go-to place for gourmet street food with a strong focus on sustainability. The Coffee Festival was a key highlight of the event, attracting over 150,000 visitors. All tenants and visitors were encouraged to bring their own containers or borrow containers and utensils at the market's sustainability corner.

### Canton Culture Workshops 2020

During the Mid-Autumn Festival, Community Ambassadors from Taikoo Hui in Guangzhou hosted an event to invite the public to experience the making of traditional Cantonese-style palace lanterns.

### The Upper House Christmas Tree

In December, The Upper House presented "Doodle Tree" – a Christmas tree that embraces heritage sustainability inspired by Hong Kong's iconic illuminating street signs. The tree has been placed up for auction, with all proceeds benefiting ImpactHK, a local charity dedicated to helping the homeless in the city.

## People

*The contributions of our employees are critical to our success.*

### Employees – Talent

Swire Properties employs around 5,000 people in Hong Kong, the Chinese mainland and the U.S.A. Attracting and developing talented employees is central to our success. We are an equal opportunities employer and aim to provide an environment at work that is respectful, challenging, rewarding and safe.

In 2020, we provided more than 126,000 hours of training and development in leadership and management, technology, IT, language, health and safety and employee wellness.

### Health and Safety

In 2020, our lost time injury rate decreased by 23.3% and our lost day rate increased by 12.8% compared to 2019.

We initiated a compulsory health and safety e-learning programme for all employees including those at our hotels starting from 2019. The programme consists of three modules for (i) Senior Management, (ii) Line Management, and (iii) General Staff. The first module for Senior Management launched in 2019, with a completion rate of 100%, and in 2020 the modules for Line Management and


### Visited community facilities to donate face masks to frontline workers

Chinese mainland

### Produced 30,000 reusable masks for the community via "SEWomen" initiative

Hong Kong

General Staff were launched. The programme aims to provide employees with insight into key aspects of health and safety in the workplace, and helps them understand more about the Company's existing health and safety practices.

Our Sustainable Development Report 2019 won a Silver Award of Occupational Safety and Health Annual Report at the 19th Hong Kong Occupational Safety & Health Award Scheme, organised by the Hong Kong Occupational Safety and Health Council.

## Volunteering

In spite of COVID-19, in 2020 we continued to organise corporate social responsibility campaigns, with the participation of 744 of our Community Ambassadors.

In March, colleagues from Taikoo Li Sanlitun visited community facilities to donate 700 face masks to frontline workers.

In April, the Swire Properties Community Caring Fund partnered with seven Hong Kong-based social welfare organisations to produce approximately 30,000 reusable masks which were sold for charity or donated to people in need under the "SEWomen" initiative. The campaign offered over 80 local women job opportunities.

In May, as part of the "A Spoonful of Love" campaign, we delivered 5,900 soup packs to healthcare workers at Pamela Youde Nethersole Eastern Hospital.

In August, the Sichuan Community Centre received an Excellence Award in the Sustainability Achievement of the Year category at the Royal Institution of Chartered Surveyors (RICS) Awards China 2020.

In October, we partnered with the Swire Group Charitable Trust to launch the "Noodles for Love" matching donation campaign, which matched a total of 4,281 noodle packs, which were distributed to the community via three charity partners.

## Home Grown

This initiative was launched by the Swire Properties U.S.A. team to inspire meaningful action across the Brickell and Downtown Miami community. It featured three programmes with local partners: "Home Grown at The Village" provided kitchen training and meals with chefs for the residents of the Lotus House Village; the "Gift-a-Connection" initiative provided funding for free internet and wi-fi access to children and families through the Overtown Youth Center; and the "Christmas Tree Recycling Program" which contributed 6,700 lbs. of mulch, from the recycled trees, for a city beautification project.


### Organised "Home Grown" initiative to support Brickell and Downtown Miami community

Miami

### Ramped up Green Kitchen Initiative to encourage F&B tenants to make their daily operations "greener"

Hong Kong & Chinese mainland

## Partners

*Our business partners play a critical part in the success of our SD 2030 Strategy.*

### Suppliers

We include our suppliers in our approach to sustainable development. We address sustainability and manage risks related to regulatory compliance, environmental protection, health and safety, labour practices, human rights and product responsibility in our supply chain through our supplier monitoring and evaluation system and our supplier code of conduct.

We monitor our sustainable purchasing with a sustainable procurement tracking system. In 2020, a total of HK$1,196 million worth of sustainable products and services were procured.

### Tenants

We aim to work closely with our commercial tenants to integrate sustainability practices into their operations. We offer our office and retail tenants in Hong Kong, Beijing, Guangzhou, Shanghai and Chengdu free energy audits to help them identify energy saving opportunities. By 31st December 2020, our energy audits covered approximately five and a half million square feet of tenanted area.

27 food and beverages tenants have joined our Green Kitchen Initiative and have been recognised with our Green Kitchen Award. By upgrading ventilation systems, installing efficient lighting and eco-friendly waste management practices, these tenants have helped save energy, enhance their workplace environment and ensure the best health and safety practices in their establishments.

### Discover Taikoo Place

ArtisTree launched "Art Unchained", an exhibition which comprised a two-week media art installation and lunchtime forums on art, technology and consumerism, attracting more than 200,000 online views. Guest speakers included representatives from Taikoo Place tenants Baker McKenzie and Gianni & Origoni.

PROJECT AFTER 6: THE PITCH 2020 aimed to support the office community through challenging times with the power of music. 40 musical groups were formed from online auditions, showcasing office executives across 17 tenants. In partnership with key tenants including MOOV and Bupa, eight free virtual music concerts were hosted, attracting close to 400,000 online views.


## Unveiled Green Common lifestyle pop-up store at ArtisTree

Hong Kong

## Achieved 100% renewable electricity at Sino-Ocean Taikoo Li Chengdu

Chinese mainland

In November 2020, Green Common hosted a pop-up store at ArtisTree, offering the office community an innovative food and lifestyle experience. The store attracted more than 6,000 office workers within the first month. Discover Taikoo Place also teamed up with tenant partners including H-Kore and Adventist Medical Center-Taikoo Place to introduce wellness workshops to the office community.

### Annual Shopper Research

This research programme was conducted in our malls in Hong Kong and the Chinese mainland, with the aim of identifying shopper profiles, determining the predisposition of mall brands, and understanding customer needs. Shoppers from peer malls were also interviewed, with 9,015 shoppers in total participating.

## Performance (Environment)

*As a leading property developer, we are committed to building and managing our developments sustainably.*

### Climate Change

We recognise that climate change poses risks to and opportunities for our business. In 2020, we completed our climate risk assessment for our properties, with a view to protecting them from the impact of climate change and to building climate resilience into our business.

In 2020, our Sino-Ocean Taikoo Li Chengdu development became powered by 100% renewable electricity, making Swire Properties one of the first companies in Sichuan Province to achieve "net zero carbon" in its annual electricity consumption for landlord and tenant operations.

In December 2020, Swire Properties pledged its commitment to the Science Based Targets initiative's Business Ambition for 1.5°C campaign, and we are aligning our science-based targets with the 1.5°C trajectory, in order to contribute to the transition to a net-zero emissions economy.

### Energy

In 2020, our energy intensity* decreased by 7.3% compared to 2019 in our Hong Kong and Chinese mainland properties. The reduction reflected better monitoring of heating, ventilation and air conditioning systems, the introduction of electrically-commutated motor plug fans, the retrofitting of air conditioning systems and the use of more energy efficient lighting.

We have achieved our target of reducing our energy consumption* in our Hong Kong properties by 64 million kWh per year by 2020, as compared to the baseline year of 2008. We have also achieved our target of reducing the energy consumption* in our Chinese mainland properties by 23 million kWh per year by 2020 from its amount in the first complete calendar year for which electricity consumption data was collected.

## Signed the "Business Ambition for 1.5°C" pledge to support a net-zero emissions economy

Hong Kong, Chinese mainland & U.S.A.

## Launched HK's first smart reusable cup concept and network at Taikoo Place

Hong Kong

* *Energy intensity and energy consumption are measured using the consumption of electricity for the provision of shared services and in the common parts of our buildings.*

### Waste

We aim to reduce waste as much as we can. In 2020, we continued to provide guidelines and training for our tenants on how to handle and separate food waste. Over 70% of food and beverages tenants participated in our food waste recycling programme at Citygate, Cityplaza, Taikoo Place, Pacific Place and Island Place. We launched a smart reusable cup system at Taikoo Place, which prevented the disposal of more than 2,000 disposable coffee cups over two months.

### Green Building

In 2020, an investment property under development at 46-56 Queen's Road East in Hong Kong achieved Precertification Platinum rating under WELL Core and Shell Version 1 and LEED for Building Design and Construction: Core and Shell Development Version 4. The project also achieved Provisional Platinum rating under the BEAM Plus New Buildings Version 2.0. The residential development EIGHT STAR STREET achieved Provisional Platinum rating under the BEAM Plus New Buildings Version 2.0. Taikoo Li Qiantan in Shanghai achieved China Green Building Design Label 2-Star.

Taikoo Place was a winner in the Urban Land Institute 2020 Asia Pacific Awards for Excellence. The awards recognise the full development process of a project, honouring projects in the region that have demonstrated excellence in land use as well as the highest standards of sustainable development and resilience.

## Performance (Economic)

*We believe that long-term value creation depends on the sustainable development of our business.*

Details of our financial performance in 2020 are set out in the rest of this report.

In 2020, the Company was named a "Global Sector Leader" in the Global Real Estate Sustainability Benchmark. It was ranked among the top 5% in global real estate industry in the 2020 Dow Jones Sustainability Index and the top company in the Hang Seng Corporate Sustainability Index. It was included in the FTSE4Good Index and the MSCI World ESG Leaders Indexes.

In 2020, the Company issued four green bonds (totalling HK$1,934 million), converted two loans into sustainability-linked loans and arranged a HK$1 billion sustainability-linked loan facility and a HK$1 billion green loan facility.

Further details of our sustainable development performance, including details of our SD 2030 Strategy, will be set out in our Sustainable Development Report 2020.

# Standing Together

**In 2020, the COVID-19 pandemic brought unprecedented challenges to all of our business divisions. Our immediate response focused on ensuring the health, safety and well-being of our staff, tenants and our local communities across our operating portfolios.**

**In Hong Kong, the Chinese mainland and the U.S.A., we rolled out a series of support measures, which ranged from creating reusable masks and holders, donating safety care packs and masks to high-risk workers at our properties and people in need, and sending soup packs to frontline hospital workers. These efforts exemplify Swire Properties' commitment to supporting our local communities and standing united with our partners in overcoming the challenges of the global pandemic.**

Safety Care Packs for Frontline Staff

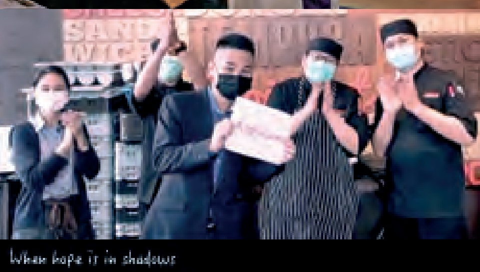


"A Spoonful of Love" charity initiative gives out 2,261 soup packets to those in need

Students from the Swire Properties Placemaking Academy give out community gifts as part of the "White Christmas Express 2020 campaign"

"SEWomen" Reusable Mask + Holder Programme

Citygate Outlets donates 4,500 Christmas light bottles and Christmas tree DIY kits to Caritas Youth and Community Service





"YOU ARE HEROES" Support for Hong Kong's Medical Carers – sent 5,900 soup packs and a video to Pamela Youde Nethersole Eastern Hospital

## Standing Together

INDIGO staff in Beijing give away food and safety care products to the community

“Care Station” campaign in Taikoo Hui in Guangzhou



Free online classes and children’s summer camp at Sichuan Community Centre

40,000 face masks donated
to local communities
in Chengdu





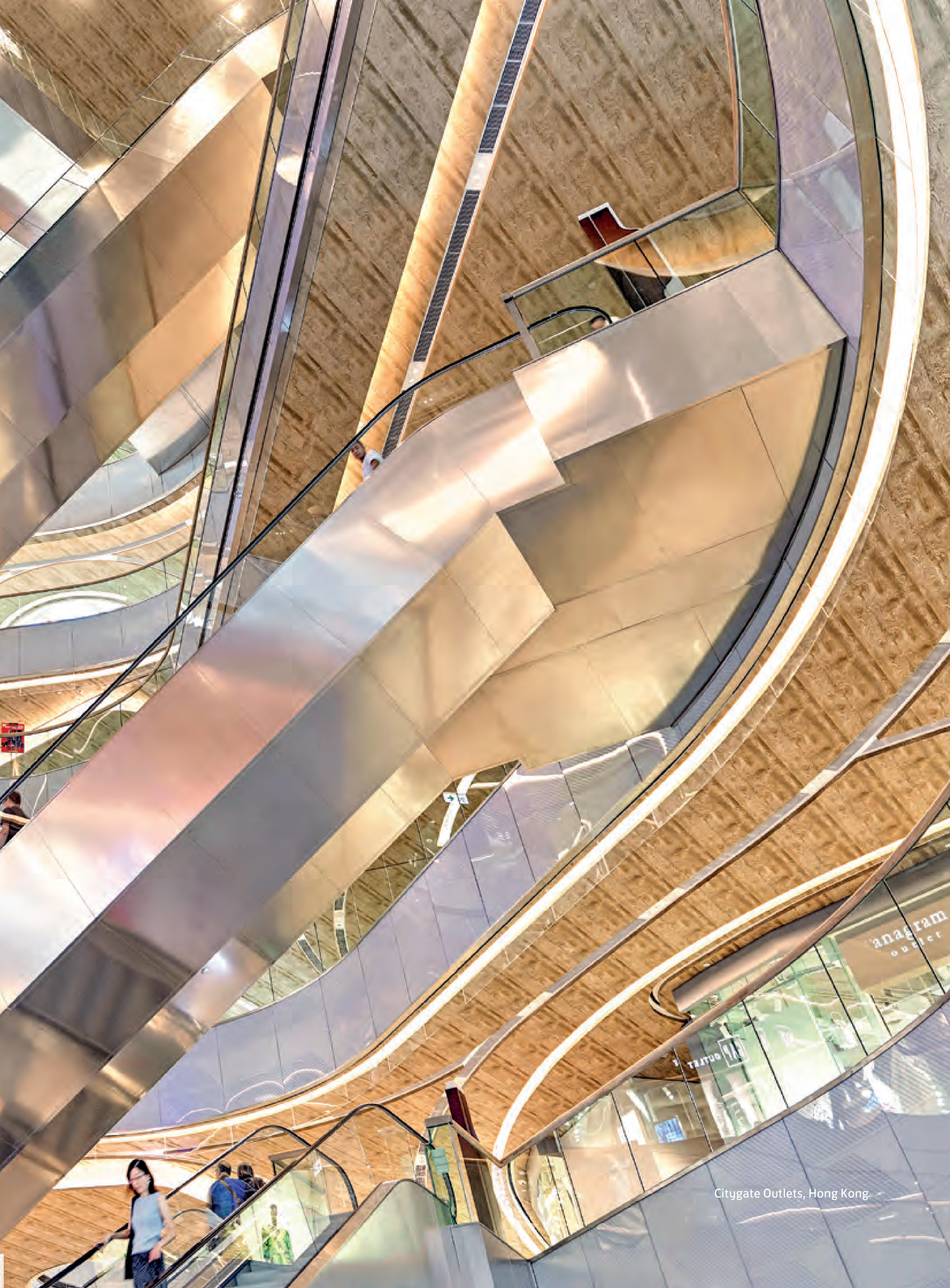
Enhanced
precautionary measures
at our portfolios

# FINANCIAL CONTENTS

## AUDITOR'S REPORT AND ACCOUNTS



## SUPPLEMENTARY INFORMATION




Citygate Outlets, Hong Kong.

# Independent Auditor's Report

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

## Opinion

***What we have audited***

The consolidated financial statements of Swire Properties Limited ("the Group financial statements") and its subsidiaries ("the Group") set out on pages 120 to 191, which comprise:

- The consolidated statement of financial position as at 31st December 2020;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of other comprehensive income for the year then ended;
- The consolidated statement of cash flows for the year then ended;
- The consolidated statement of changes in equity for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

***Our opinion***

In our opinion, the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements as at and for the year ended 31st December 2020. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | |
|---|---|
| **Valuation of investment properties**<br>*Refer to note 16 in the Group financial statements*<br><br>The fair value of the Group's investment properties amounted to HK$267,003 million at 31st December 2020, with a fair value loss of HK$4,465 million recorded in the consolidated statement of profit or loss for the year.<br><br>Valuations were obtained from third party valuers (the 'valuers') in respect of 97% of the investment properties as at 31st December 2020. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and market rents. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin. | **How our audit addressed the Key Audit Matter**<br><br>Our procedures in relation to the valuation of investment properties included:<br><br>• Evaluation of the valuers' competence, capabilities, independence and objectivity;<br>• Meeting the valuers to discuss the valuations and key assumptions used;<br>• Review of the external valuation reports to assess the appropriateness of methodologies used;<br>• Comparison of the capitalisation rates, market rents and expected developer's profit margin used by the valuers to an estimated range, determined by reference to publicly available information by our in-house valuation experts;<br>• Checking the accuracy of the rental data provided by management to the valuers by agreeing them on a sample basis to the Group's records; and<br>• For investment properties under development, comparing the estimated construction costs to complete with the Group's budgets.<br><br>We found the key assumptions were supported by the available evidence. We found the disclosures in note 16 to be appropriate. |

## Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Swire Properties 2020 annual report other than the Group financial statements and our auditor's report thereon ("the Other Information").

Our opinion on the Group financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the Group Financial Statements

The directors are responsible for the preparation of Group financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Group Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the Group financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John J. Ryan.

**PricewaterhouseCoopers**
Certified Public Accountants

*Hong Kong, 11th March 2021*

# Consolidated Statement of Profit or Loss

For the year ended 31st December 2020

| | Note | 2020 HK$M | 2019 HK$M |
|---|---|---|---|
| Revenue | 4 | **13,308** | 14,222 |
| Cost of sales | 5 | **(3,396)** | (4,028) |
| Gross profit | | **9,912** | 10,194 |
| Administrative and selling expenses | | **(1,694)** | (1,674) |
| Other operating expenses | | **(201)** | (203) |
| Other net (losses)/gains | 6 | **(19)** | 5 |
| Profit on sale of subsidiary companies | 44(c) | **1,973** | 1,361 |
| Profit on sale of a joint venture company | | **–** | 994 |
| Change in fair value of investment properties | | **(4,465)** | 3,720 |
| Operating profit | | **5,506** | 14,397 |
| Finance charges | | **(646)** | (837) |
| Finance income | | **264** | 338 |
| Net finance charges | 10 | **(382)** | (499) |
| Share of profit less losses of joint venture companies | | **818** | 1,359 |
| Share of profit less losses of associated companies | | **(86)** | 71 |
| Profit before taxation | | **5,856** | 15,328 |
| Taxation | 11 | **(1,787)** | (1,862) |
| Profit for the year | | **4,069** | 13,466 |
| Profit for the year attributable to: | | | |
| The Company's shareholders | 37 | **4,096** | 13,423 |
| Non-controlling interests | 39 | **(27)** | 43 |
| | | **4,069** | 13,466 |
| | | **HK$** | HK$ |
| Earnings per share from profit attributable to the Company's shareholders (basic and diluted) | 14 | **0.70** | 2.29 |

The notes on pages 125 to 191 form part of these financial statements.

# Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2020

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| **Profit for the year** | **4,069** | 13,466 |
| | | |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Revaluation of properties previously occupied by the Group | | |
| – gains recognised during the year | **100** | 16 |
| Defined benefit plans | | |
| – remeasurement gains recognised during the year | **50** | 50 |
| – deferred tax | **(8)** | (8) |
| | **142** | 58 |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Cash flow hedges | | |
| – (losses)/gains recognised during the year | **(70)** | 358 |
| – transferred to net finance charge | **24** | (20) |
| – transferred to operating profit | **3** | – |
| – deferred tax | **7** | (56) |
| Share of other comprehensive income of joint venture and associated companies | **861** | (253) |
| Net translation differences on foreign operations recognised during the year | **1,979** | (689) |
| | **2,804** | (660) |
| **Other comprehensive income for the year, net of tax** | **2,946** | (602) |
| | | |
| **Total comprehensive income for the year** | **7,015** | 12,864 |
| | | |
| Total comprehensive income attributable to: | | |
| The Company's shareholders | **7,015** | 12,838 |
| Non-controlling interests | **–** | 26 |
| | **7,015** | 12,864 |

The notes on pages 125 to 191 form part of these financial statements.

# Consolidated Statement of Financial Position

At 31st December 2020

| | Note | 2020 HK$M | 2019 HK$M |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *15* | **4,322** | 4,457 |
| Investment properties | *16* | **267,003** | 277,033 |
| Intangible assets | *17* | **198** | 199 |
| Right-of-use assets | *18* | **3,301** | 3,416 |
| Properties held for development | *19* | **1,200** | 1,212 |
| Joint venture companies | *20* | **15,806** | 13,575 |
| Loans due from joint venture companies | *20* | **15,357** | 16,591 |
| Associated companies | *21* | **543** | 409 |
| Derivative financial instruments | *30* | **145** | 222 |
| Deferred tax assets | *31* | **73** | 79 |
| Financial assets at fair value through profit or loss | *32* | **985** | – |
| Other financial assets at amortised cost | *33* | **508** | 36 |
| | | **309,441** | 317,229 |
| **Current assets** | | | |
| Properties for sale | *23* | **3,538** | 3,604 |
| Stocks | | **72** | 72 |
| Trade and other receivables | *24* | **2,704** | 1,926 |
| Amount due from immediate holding company – Swire Pacific Limited | *25* | **16** | 4 |
| Derivative financial instruments | *30* | **–** | 44 |
| Short-term deposits maturing after three months | | **30** | 22 |
| Cash and cash equivalents | *26* | **21,202** | 14,963 |
| | | **27,562** | 20,635 |
| Assets classified as held for sale | *34* | **384** | – |
| | | **27,946** | 20,635 |
| **Current liabilities** | | | |
| Trade and other payables | *27* | **8,001** | 8,146 |
| Contract liabilities | *27* | **22** | 19 |
| Taxation payable | | **576** | 938 |
| Derivative financial instruments | *30* | **–** | 10 |
| Bank overdrafts and short-term loans | *29* | **94** | 84 |
| Long-term loans and bonds due within one year | *29* | **1,820** | 6,224 |
| Lease liabilities due within one year | *28* | **70** | 52 |
| | | **10,583** | 15,473 |
| **Net current assets** | | **17,363** | 5,162 |
| **Total assets less current liabilities** | | **326,804** | 322,391 |
| **Non-current liabilities** | | | |
| Long-term loans and bonds | *29* | **25,343** | 23,421 |
| Long-term lease liabilities | *28* | **510** | 496 |
| Derivative financial instruments | *30* | **42** | 17 |
| Deferred tax liabilities | *31* | **10,094** | 9,381 |
| Retirement benefit liabilities | *35* | **135** | 165 |
| | | **36,124** | 33,480 |
| **NET ASSETS** | | **290,680** | 288,911 |
| **EQUITY** | | | |
| Share capital | *36* | **10,449** | 10,449 |
| Reserves | *37* | **278,287** | 276,478 |
| **Equity attributable to the Company's shareholders** | | **288,736** | 286,927 |
| **Non-controlling interests** | *39* | **1,944** | 1,984 |
| **TOTAL EQUITY** | | **290,680** | 288,911 |

**Merlin B. Swire**
**May Y. Wu**
Directors

*Hong Kong, 11th March 2021*

The notes on pages 125 to 191 form part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31st December 2020

| | Note | 2020 HK$M | 2019 HK$M |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | *44(a)* | **7,550** | 5,499 |
| Interest paid | | **(845)** | (990) |
| Interest received | | **273** | 276 |
| Tax paid | | **(1,589)** | (586) |
| | | **5,389** | 4,199 |
| Dividends received from joint venture and associated companies | | **80** | 176 |
| **Net cash from operating activities** | | **5,469** | 4,375 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | *44(b)* | **(121)** | (120) |
| Additions of investment properties | | **(1,383)** | (1,962) |
| Purchase of intangible assets | | **(39)** | (23) |
| Proceeds from sale of property, plant and equipment | | **92** | 1 |
| Proceeds from sale of investment properties | | **1,302** | 295 |
| Proceeds from sale of subsidiary companies, net of cash disposed of | *44(c)* | **8,219** | 16,985 |
| Proceeds from sale of a joint venture company | | **–** | 2,352 |
| Purchase of shares in associated companies | | **(219)** | – |
| Purchase of financial assets at fair value through profit or loss | | **(61)** | – |
| Equity to joint venture companies | | **(1)** | (214) |
| Loans to joint venture companies | | **(298)** | (2,452) |
| Repayment of loans by joint venture companies | | **936** | 1,020 |
| Increase in deposits maturing after three months | | **(8)** | (21) |
| Initial leasing costs incurred | | **(3)** | (19) |
| **Net cash from investing activities** | | **8,416** | 15,842 |
| **Net cash inflow before financing activities** | | **13,885** | 20,217 |
| **Financing activities** | | | |
| Loans drawn and refinanced | | **1,847** | 657 |
| Bonds issued | | **1,920** | – |
| Repayment of loans and bonds | | **(6,201)** | (2,844) |
| Principal elements of lease payments | | **(54)** | (48) |
| | | **(2,488)** | (2,235) |
| Dividends paid to the Company's shareholders | *37* | **(5,206)** | (5,031) |
| Dividends paid to non-controlling interests | *39* | **(119)** | (58) |
| **Net cash used in financing activities** | | **(7,813)** | (7,324) |
| **Increase in cash and cash equivalents** | | **6,072** | 12,893 |
| Cash and cash equivalents at 1st January | | **14,963** | 2,093 |
| Effect of exchange differences | | **167** | (23) |
| **Cash and cash equivalents at 31st December** | | **21,202** | 14,963 |
| **Represented by:** | | | |
| Bank balances and short-term deposits maturing within three months | *26* | **21,202** | 14,963 |

The notes on pages 125 to 191 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31st December 2020

| | Note | Attributable to the Company's shareholders | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Share capital HK$M | Revenue reserve HK$M | Other reserves HK$M | Total HK$M | HK$M | HK$M |
| **At 1st January 2020** | | **10,449** | **277,289** | **(811)** | **286,927** | **1,984** | **288,911** |
| **Profit for the year** | | **–** | **4,096** | **–** | **4,096** | **(27)** | **4,069** |
| **Other comprehensive income** | | **–** | **42** | **2,877** | **2,919** | **27** | **2,946** |
| **Total comprehensive income for the year** | *37, 39* | **–** | **4,138** | **2,877** | **7,015** | **–** | **7,015** |
| **Transfer** | | **–** | **24** | **(24)** | **–** | **–** | **–** |
| **Dividends paid** | | **–** | **(5,206)** | **–** | **(5,206)** | **(119)** | **(5,325)** |
| **Others** | | **–** | **–** | **–** | **–** | **79** | **79** |
| **At 31st December 2020** | | **10,449** | **276,245** | **2,042** | **288,736** | **1,944** | **290,680** |

| | Note | Attributable to the Company's shareholders | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Share capital HK$M | Revenue reserve HK$M | Other reserves HK$M | Total HK$M | HK$M | HK$M |
| At 1st January 2019 | | 10,449 | 268,855 | (184) | 279,120 | 2,016 | 281,136 |
| Profit for the year | | – | 13,423 | – | 13,423 | 43 | 13,466 |
| Other comprehensive income | | – | 42 | (627) | (585) | (17) | (602) |
| Total comprehensive income for the year | *37, 39* | – | 13,465 | (627) | 12,838 | 26 | 12,864 |
| Dividends paid | | – | (5,031) | – | (5,031) | (58) | (5,089) |
| At 31st December 2019 | | 10,449 | 277,289 | (811) | 286,927 | 1,984 | 288,911 |

The notes on pages 125 to 191 form part of these financial statements.

# Notes to the Financial Statements

## General Information

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 189 to 191.

## 1. Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

The Group has early adopted this amendment to the existing standard retrospectively from 1st January 2020 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The adoption of this amendment has no impact on the opening consolidated statement of financial position on 1st January 2020 and the amount recognised in the consolidated statement of profit or loss (as a reduction of other lease expenses) for the year ended 31st December 2020 is not material.

(c) The Group has not early adopted the following relevant new and revised standards and interpretation that have been issued but are effective for annual periods beginning on or after 1st January 2021 and such standards have not been applied in preparing these consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[1] |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combinations[2] |
| Annual improvements project | Annual Improvements to HKFRSs 2018-2020[2] |
| Amendments to HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope Amendments[2] |
| HKFRS 17 | Insurance Contracts[3] |
| HKFRS 17 | Amendments to HKFRS 17[3] |
| Amendments to HKAS 1 | Classification of liabilities as Current or Non-current[3] |
| HK-Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |

[1] To be applied by the Group from 1st January 2021.
[2] To be applied by the Group from 1st January 2022.
[3] To be applied by the Group from 1st January 2023.
[4] The effective date is to be determined.

None of these new and revised standards and interpretation is expected to have a significant effect on the Group's financial statements.

## 2. Financial Risk Management

### Financial risk factors

The Group is exposed to financial risks attributable to interest rates, currencies, credit and liquidity. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

***(i) Interest rate exposure***

The Group's interest rate risk arises primarily from borrowings from banks and issuance of bonds. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits and some loans due from joint venture companies.

The Group has entered into interest rate swaps to manage its long-term interest rate exposure.

The impact on the Group's consolidated statements of profit or loss and other comprehensive income of a 100 basis-points increase or decrease in market interest rates from the rates applicable at 31st December, with all other variables held constant, would have been:

| | 100 basis-points increase in interest rates HK$M | 100 basis-points decrease in interest rates HK$M |
|---|---|---|
| **At 31st December 2020** | | |
| **Impact on profit or loss: gains/(losses)** | **146** | **(95)** |
| **Impact on other comprehensive income: gains/(losses)** | **14** | **(12)** |
| At 31st December 2019 | | |
| Impact on profit or loss: gains/(losses) | 89 | (89) |
| Impact on other comprehensive income: gains/(losses) | 35 | (34) |

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profit or losses. The analysis assumes the following:

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments
- Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
- Changes in market interest rates affect the fair value of derivative financial instruments
- All other variable financial assets and liabilities are held constant

## 2. Financial Risk Management *(continued)*

### *(ii) Currency exposure*

The Group operates internationally and the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in Renminbi and US dollars.

The Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currencies of those operations. However, the Group is exposed to insignificant foreign exchange risk on US dollar medium-term notes and the Group managed this exposure by hedging through cross-currency swap contracts entered by the Group.

Foreign currency funding and deposit exposure is monitored on a continuous basis. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

The impact on the Group's consolidated statements of profit or loss and other comprehensive income of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.7521 (2019: 7.786), with all other variables held constant, would have been:

| | Strengthening in HK$ to lower peg limit (7.75) HK$M | Weakening in HK$ to upper peg limit (7.85) HK$M |
|---|---|---|
| **At 31st December 2020** | | |
| **Impact on profit or loss** | **–** | **–** |
| **Impact on other comprehensive income: gains** | **–** | **22** |
| At 31st December 2019 | | |
| Impact on profit or loss | – | – |
| Impact on other comprehensive income: (losses)/gains | (6) | 11 |

The analysis is based on a hypothetical situation, as in practice market exchange rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- All foreign currency cash flow hedges are expected to be highly effective
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies
- Currency risk does not arise from financial instruments that are non-monetary items

## 2. Financial Risk Management *(continued)*

### *(iii) Credit exposure*

The Group's credit risk is mainly attributable to trade and other receivables, cash and deposits with banks and financial institutions and receivables from joint venture companies.

*Risk management*
The exposure to these credit risks is closely monitored on a continuous basis by reference to established credit policies. For banks and financial institutions, only independently rated parties with investment grade credit ratings are accepted. Tenants are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. The Group does not grant credit terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. The Group also holds non-interest bearing rental deposits as security against trade debtors. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries and joint venture companies through exercising control over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

The Group has two types of financial assets that are subject to the expected credit loss model:

– Trade receivables
– Other financial assets at amortised cost

*Trade receivables*
The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. As the Group's historical credit loss experience does not indicate different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The expected loss rates are based on historical payment profiles. These rates are adjusted to reflect current and forward-looking information about economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

*Other financial assets at amortised cost*
Other financial assets at amortised cost include other receivables and loans due from related parties. Loans due from joint venture companies are considered to have low credit risk as the financial positions and performances of these companies are regularly monitored and reviewed by management of the Group.

## 2. Financial Risk Management *(continued)*

### *(iv) Liquidity exposure*

The Group takes liquidity risk into consideration when deciding its sources of funds and their tenors, so as to avoid over reliance on funds from any one source and to prevent substantial refinancing in any one period. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the head office. The head office monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

The tables below analyse the contractual undiscounted cash flows of the Group's financial liabilities by relevant maturity groupings based on the remaining period at the year-end date to the earliest contractual maturity date.

**At 31st December 2020**

| | *Note* | **Carrying amount HK$M** | **Total contractual undiscounted cash flow HK$M** | **Within 1 year or on demand HK$M** | **More than 1 year but less than 2 years HK$M** | **More than 2 years but less than 5 years HK$M** | **More than 5 years HK$M** |
|---|---|---|---|---|---|---|---|
| **Trade creditors** | *27* | **655** | **655** | **655** | **–** | **–** | **–** |
| **Rental deposits from tenants** | *27* | **2,745** | **2,745** | **692** | **570** | **1,057** | **426** |
| **Other current payables** | *27* | **4,029** | **4,029** | **4,029** | **–** | **–** | **–** |
| **Put option in respect of a non-controlling interest** | *27* | **513** | **513** | **513** | **–** | **–** | **–** |
| **Lease liabilities** | *28* | **580** | **695** | **87** | **66** | **155** | **387** |
| **Borrowings (including interest obligations)** | *29* | **27,257** | **30,418** | **2,646** | **9,984** | **5,554** | **12,234** |
| **Derivative financial instruments** | *30* | **42** | **42** | **–** | **42** | **–** | **–** |
| **Financial guarantee contracts** | *41* | **–** | **2,903** | **167** | **–** | **2,736** | **–** |
| | | **35,821** | **42,000** | **8,789** | **10,662** | **9,502** | **13,047** |

At 31st December 2019

| | *Note* | Carrying amount HK$M | Total contractual undiscounted cash flow HK$M | Within 1 year or on demand HK$M | More than 1 year but less than 2 years HK$M | More than 2 years but less than 5 years HK$M | More than 5 years HK$M |
|---|---|---|---|---|---|---|---|
| Trade creditors | *27* | 642 | 642 | 642 | – | – | – |
| Rental deposits from tenants | *27* | 2,905 | 2,905 | 795 | 546 | 1,094 | 470 |
| Other current payables | *27* | 4,035 | 4,035 | 4,035 | – | – | – |
| Put option in respect of a non-controlling interest | *27* | 564 | 564 | 564 | – | – | – |
| Lease liabilities | *28* | 548 | 673 | 70 | 70 | 142 | 391 |
| Borrowings (including interest obligations) | *29* | 29,729 | 33,404 | 7,026 | 2,648 | 11,242 | 12,488 |
| Derivative financial instruments | *30* | 27 | 27 | 10 | – | 17 | – |
| Financial guarantee contracts | *41* | – | 2,048 | 170 | 430 | 1,448 | – |
| | | 38,450 | 44,298 | 13,312 | 3,694 | 13,943 | 13,349 |

## 3. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed in the relevant notes as follows:

Impairment of property, plant and equipment (note 15)
Fair value of investment properties (note 16)
Retirement benefits (note 35)

## 4. Revenue

**Accounting Policy**

Revenue is recognised when a customer obtains control of a good or service and thus has ability to direct the use and obtain benefits from the good or service. Provided the collectability of the related receivable is probable, revenue is recognised as follows:

Rental income is recognised when a lease commences. According to the contractual terms, leased properties do not have alternative uses to the Group after the leasing period stipulated in the signed tenancy agreements commence. Rental income is recognised on a straight-line basis over the shortest of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when the lessee's revenue transaction is recognised.

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the buyers. According to the contractual terms, the properties generally do not have alternative uses to the Group after the signing of sales contracts with the buyers. However, in Hong Kong and the U.S.A., an enforceable right to payment does not arise until legal title of the property has been transferred to the buyer. Therefore, revenue is recognised upon completion of the transfer of legal title to the buyer. Revenue from sales of properties in Singapore is recognised over time because after the signing of a sales contract with the buyer, the Group has an enforceable right to payment for performance completed to date. Revenue from sales of these properties is recognised based on the stage of completion of the contract using the input method.

Sales of services, including services provided by hotel operations and estate management, are recognised when the customers receive and consume the benefits provided by the Group. Hence, revenues are recognised as the Group renders its services over time.

Sale of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership. Sales of food and beverages happen at a point in time and do not include any significant separate performance obligations.

***Definition of terms***

Contract asset: An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditional on something other than the passage of time (for example, the entity's future performance).

Contract liability: An entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

When the Group enters into sale and purchase contracts for properties or sale contracts for services other than tenancy agreements, if the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognised; if the total payments to date exceed the performance obligation fulfilled, a contract liability is recognised. Deposits received upon signing of sale and purchase contracts, or sale contracts are recognised as contract liabilities.

Direct costs incurred to obtain a contract are capitalised if the Group expects to recover those costs. Costs of obtaining a contract are amortised on a straight line basis over the expected life of the contract. The Group has elected to adopt the practical expedient to expense such direct costs to profit or loss since the period of amortisation is generally one year or less with no material impact to the Group.

## 4. Revenue *(continued)*

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

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Gross rental income from investment properties | **12,254** | 12,271 |
| Property trading | **312** | 516 |
| Hotels | **641** | 1,296 |
| Rendering of other services | **101** | 139 |
| | **13,308** | 14,222 |

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Revenue recognised in the current reporting period that was related to the contract liability balance at the beginning of the year | **7** | 6 |

Of the contract liabilities of HK$22 million (2019: HK$19 million) outstanding at 31st December 2020, HK$22 million (2019: HK$7 million) is expected to be recognised as revenue within one year (2019: the remaining balance of HK$12 million after one year).

The following table shows unsatisfied performance obligations resulting from contracts with customers.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Aggregate amount of the transaction price allocated to revenue contracts that are partially or fully unsatisfied at the end of the year | **421** | 471 |

Of the amount disclosed above at 31st December 2020, HK$421 million (2019: HK$89 million) is expected to be recognised as revenue within one year.

## 5. Cost of Sales

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Direct rental outgoings in respect of investment properties that | | |
| – generated rental income | **2,173** | 2,300 |
| – did not generate rental income | **177** | 158 |
| | **2,350** | 2,458 |
| Property trading | **245** | 392 |
| Hotels | **801** | 1,138 |
| Rendering of other services | **–** | 40 |
| | **3,396** | 4,028 |

## 6. Other Net (Losses)/Gains

**Accounting Policy**

**Government Grants**

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

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Losses on sale of investment properties | **(147)** | (17) |
| Losses on sale of property, plant and equipment | **(3)** | (6) |
| Net foreign exchange gains/(losses) | **23** | (27) |
| Receipt of government subsidies | **61** | 9 |
| Others | **47** | 46 |
| | **(19)** | 5 |

## 7. Expenses by Nature

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

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Depreciation of property, plant and equipment (note 15) | **279** | 288 |
| Depreciation of right-of-use assets | | |
| – leasehold land held for own use | **27** | 26 |
| – property | **34** | 20 |
| Amortisation of | | |
| – intangible assets (note 17) | **40** | 36 |
| – initial leasing costs in respect of investment properties | **33** | 35 |
| Staff costs | **1,965** | 1,975 |
| Other lease expenses* | **31** | 33 |
| Auditors' remuneration | | |
| – audit services | **12** | 13 |
| – tax services | **3** | 4 |
| – other services | **4** | 1 |

* These expenses relate to short-term leases or leases of low-value assets, net of rent concessions received of HK$1 million. They are directly charged to the consolidated statement of profit or loss and are not included in the measurement of lease liabilities under HKFRS 16.

## 8. Segment Information

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

**Accounting Policy**

Segment information is reported in a manner consistent with the Group's internal financial reporting provided to the executive directors for making strategic decisions. A reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are discloseable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

(a) Information about reportable segments

### Analysis of Consolidated Statement of Profit or Loss

| | External revenue HK$M | Inter-segment revenue HK$M | Operating profit/(losses) after depreciation and amortisation HK$M | Finance charges HK$M | Finance income HK$M | Share of profit less losses of joint venture companies HK$M | Share of profit less losses of associated companies HK$M | Profit/ (Losses) before taxation HK$M | Taxation HK$M | Profit/ (Losses) for the year HK$M | Profit/ (Losses) attributable to the Company's shareholders HK$M | Depreciation and amortisation charged to operating profit HK$M |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31st December 2020** | | | | | | | | | | | | |
| **Property investment** | **12,355** | **20** | **10,330** | **(600)** | **263** | **1,024** | **–** | **11,017** | **(1,584)** | **9,433** | **9,352** | **(192)** |
| **Property trading** | **312** | **–** | **(49)** | **(29)** | **1** | **1** | **–** | **(76)** | **(11)** | **(87)** | **(87)** | **–** |
| **Hotels** | **641** | **2** | **(310)** | **(17)** | **–** | **(154)** | **(86)** | **(567)** | **43** | **(524)** | **(524)** | **(221)** |
| **Change in fair value of investment properties** | **–** | **–** | **(4,465)** | **–** | **–** | **(53)** | **–** | **(4,518)** | **(235)** | **(4,753)** | **(4,645)** | **–** |
| **Inter-segment elimination** | **–** | **(22)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | **13,308** | **–** | **5,506** | **(646)** | **264** | **818** | **(86)** | **5,856** | **(1,787)** | **4,069** | **4,096** | **(413)** |
| Year ended 31st December 2019 | | | | | | | | | | | | |
| Property investment | 12,410 | 35 | 10,735 | (760) | 335 | 942 | – | 11,252 | (1,123) | 10,129 | 10,061 | (179) |
| Property trading | 516 | – | 4 | (41) | 3 | 30 | – | (4) | (14) | (18) | (18) | – |
| Hotels | 1,296 | 3 | (62) | (36) | – | (46) | 71 | (73) | 3 | (70) | (70) | (226) |
| Change in fair value of investment properties | – | – | 3,720 | – | – | 433 | – | 4,153 | (728) | 3,425 | 3,450 | – |
| Inter-segment elimination | – | (38) | – | – | – | – | – | – | – | – | – | – |
| | 14,222 | – | 14,397 | (837) | 338 | 1,359 | 71 | 15,328 | (1,862) | 13,466 | 13,423 | (405) |

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

## Notes to the Financial Statements

# 8. Segment Information *(continued)*

(a) Information about reportable segments *(continued)*

### Analysis of external revenue of the Group – Timing of revenue recognition

| | At a point in time HK$M | Over time HK$M | Rental income on leases HK$M | Total HK$M |
|---|---|---|---|---|
| **Year ended 31st December 2020** | | | | |
| **Property investment** | **–** | **101** | **12,254** | **12,355** |
| **Property trading** | **312** | **–** | **–** | **312** |
| **Hotels** | **380** | **261** | **–** | **641** |
| | **692** | **362** | **12,254** | **13,308** |
| Year ended 31st December 2019 | | | | |
| Property investment | 1 | 138 | 12,271 | 12,410 |
| Property trading | 516 | – | – | 516 |
| Hotels | 649 | 647 | – | 1,296 |
| | 1,166 | 785 | 12,271 | 14,222 |

### Analysis of total assets of the Group

| | Segment assets HK$M | Joint venture companies* HK$M | Associated companies HK$M | Bank deposits and cash HK$M | Total assets HK$M | Additions to non-current assets (Note) HK$M |
|---|---|---|---|---|---|---|
| **At 31st December 2020** | | | | | | |
| **Property investment** | **273,863** | **27,328** | **–** | **20,996** | **322,187** | **1,893** |
| **Property trading** | **4,885** | **2,451** | **219** | **96** | **7,651** | **(6)** |
| **Hotels** | **5,701** | **1,384** | **324** | **140** | **7,549** | **110** |
| | **284,449** | **31,163** | **543** | **21,232** | **337,387** | **1,997** |
| At 31st December 2019 | | | | | | |
| Property investment | 281,646 | 25,609 | – | 14,703 | 321,958 | 2,282 |
| Property trading | 4,876 | 3,281 | – | 130 | 8,287 | 8 |
| Hotels | 5,782 | 1,276 | 409 | 152 | 7,619 | 80 |
| | 292,304 | 30,166 | 409 | 14,985 | 337,864 | 2,370 |

* The assets relating to joint venture companies include the loans due from these companies.

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

## 8. Segment Information *(continued)*

(a) Information about reportable segments *(continued)*

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

| | Segment liabilities HK$M | Current and deferred tax liabilities HK$M | External borrowings HK$M | Lease liabilities HK$M | Total liabilities HK$M | Non-controlling interests HK$M |
|---|---|---|---|---|---|---|
| **At 31st December 2020** | | | | | | |
| **Property investment** | **7,729** | **10,669** | **22,955** | **580** | **41,933** | **1,881** |
| **Property trading** | **305** | **1** | **3,043** | **–** | **3,349** | **33** |
| **Hotels** | **166** | **–** | **1,259** | **–** | **1,425** | **30** |
| | **8,200** | **10,670** | **27,257** | **580** | **46,707** | **1,944** |
| At 31st December 2019 | | | | | | |
| Property investment | 7,792 | 10,278 | 25,269 | 548 | 43,887 | 1,863 |
| Property trading | 327 | 41 | 3,194 | – | 3,562 | 92 |
| Hotels | 238 | – | 1,266 | – | 1,504 | 29 |
| | 8,357 | 10,319 | 29,729 | 548 | 48,953 | 1,984 |

(b) Information about geographical areas

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

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

| | Revenue | | Non-current assets (Note) | |
|---|---|---|---|---|
| | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M |
| Hong Kong | **9,309** | 9,909 | **231,522** | 243,538 |
| Chinese mainland | **3,082** | 3,096 | **37,280** | 33,740 |
| U.S.A. | **917** | 1,217 | **7,222** | 9,039 |
| | **13,308** | 14,222 | **276,024** | 286,317 |

Note:
In this analysis, the total of non-current assets exclude joint venture and associated companies, financial assets at fair value through profit or loss and other comprehensive income, financial instruments, deferred tax assets, retirement benefit assets and other financial assets at amortised cost.

## 9. Directors' and Executive Officers' Emoluments

(a) The total emoluments of Directors of the Company disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| | Cash | | | | Non-cash | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary HK$'000 | Fees HK$'000 | Discretionary bonus (note (i)) HK$'000 | Allowance and benefits HK$'000 | Retirement scheme contributions HK$'000 | Discretionary bonus paid into retirement scheme HK$'000 | Housing and other benefits (note (ii)) HK$'000 | Total 2020 HK$'000 | Total 2019 HK$'000 |
| **For the year ended 31st December 2020** | | | | | | | | | |
| **Executive Directors** | | | | | | | | | |
| M.B. Swire (Chairman) | 453 | – | – | – | 2 | – | 1,167 | 1,622 | 1,900 |
| J.R. Slosar (note (iii)) | – | – | – | – | – | – | – | – | 365 |
| G.M.C. Bradley | 4,851 | – | 4,045 | 329 | 1,217 | 1,257 | 3,711 | 15,410 | 16,463 |
| F.N.Y. Lung | 3,528 | – | 1,946 | 1,179 | 694 | – | – | 7,347 | 6,875 |
| **Non-Executive Directors** | | | | | | | | | |
| M.M.S. Low | – | – | – | – | – | – | – | – | – |
| P. Healy | – | – | – | – | – | – | – | – | – |
| R.S.K. Lim | – | 575 | – | – | – | – | – | 575 | 575 |
| N.A.H. Fenwick | – | – | – | – | – | – | – | – | – |
| **Independent Non-Executive Directors** | | | | | | | | | |
| L.K.L. Cheng | – | 761 | – | – | – | – | – | 761 | 761 |
| S.T. Fung | – | 658 | – | – | – | – | – | 658 | 650 |
| S.C. Liu (note (iv)) | – | – | – | – | – | – | – | – | 242 |
| M.Y. Wu | – | 843 | – | – | – | – | – | 843 | 843 |
| T.T.K. Choi (note (v)) | – | 635 | – | – | – | – | – | 635 | 404 |
| J.L. Wang (note (vi)) | – | 575 | – | – | – | – | – | 575 | 175 |
| **Total 2020** | 8,832 | 4,047 | 5,991 | 1,508 | 1,913 | 1,257 | 4,878 | 28,426 | N/A |
| Total 2019 | 8,935 | 3,650 | 4,660 | 1,597 | 4,382 | 984 | 5,045 | N/A | 29,253 |

Notes:
(i) The bonuses disclosed above are related to services as executive directors for the previous year.
(ii) Other benefits include medical and insurance benefits and overseas tax subsidies.
(iii) J.R. Slosar retired as Chairman and an executive director on 30th June 2018.
(iv) S.C. Liu retired as an independent non-executive director on 14th May 2019.
(v) T.T.K. Choi was appointed as an independent non-executive director on 14th May 2019.
(vi) J.L. Wang was appointed as an independent non-executive director on 12th September 2019.
(vii) The salary of M.B. Swire was reduced by 30% for the period from and including 1st April 2020 to and including 31st December 2020. M.B. Swire took unpaid leave of one week in March 2020. The salary of G.M.C. Bradley was reduced by 25% for the period from and including 1st April 2020 to and including 31st July 2020. All this was in recognition of the adverse effect of COVID-19.

## 9. Directors' and Executive Officers' Emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

| | Year ended 31st December | |
|---|---|---|
| | **2020** | 2019 |
| Number of individuals: | | |
| Executive director (note (i)) | **2** | 1 |
| Executive officers (note (ii)) | **3** | 4 |
| | **5** | 5 |

Notes:
(i) Details of the emoluments paid to this director were included in the disclosure as set out in note 9(a) above.
(ii) Details of emoluments paid to the above executive officers are as follows:

| | Year ended 31st December | |
|---|---|---|
| | **2020 HK$'000** | 2019 HK$'000 |
| Cash: | | |
| Salary | **7,212** | 10,431 |
| Discretionary bonus (Note) | **5,442** | 6,257 |
| Allowance and benefits | **2,182** | 2,776 |
| Non-cash: | | |
| Retirement scheme contributions | **1,233** | 8,661 |
| Bonus paid into retirement scheme | **719** | 578 |
| Housing and other benefits | **11,498** | 10,697 |
| | **28,286** | 39,400 |

Note:
The bonuses disclosed above are related to services for the previous year.

The number of the above executive officers whose emoluments fell within the following bands:

| | Year ended 31st December | |
|---|---|---|
| | **2020** | 2019 |
| HK$13,500,001 – HK$14,000,000 | **–** | 1 |
| HK$11,000,001 – HK$11,500,000 | **1** | – |
| HK$9,500,001 – HK$10,000,000 | **–** | 1 |
| HK$8,500,001 – HK$9,000,000 | **1** | 1 |
| HK$8,000,001 – HK$8,500,000 | **1** | – |
| HK$6,500,001 – HK$7,000,000 | **–** | 1 |
| | **3** | 4 |

## 10. Net Finance Charges

**Accounting Policy**

Interest costs incurred are charged to the consolidated statement of profit or loss except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Interest income on financial assets at fair value through profit or loss ("FVPL") is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income ("FVOCI") calculated using the effective interest method is recognised on a time proportion basis in the consolidated statement of profit or loss as part of finance income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other net gains/(losses). Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Refer to the table with heading "Audited Financial Information" on page 70 for details of the Group's net finance charges.

## 11. Taxation

**Accounting Policy**

The tax charge comprises current and deferred tax. The tax charge is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in the consolidated statement of other comprehensive income or directly to equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **HK$M** | **HK$M** | HK$M | HK$M |
| Current taxation | | | | |
| Hong Kong profits tax | **836** | | 678 | |
| Overseas tax | **477** | | 434 | |
| Under/(Over)-provisions in prior years | **8** | | (11) | |
| | | **1,321** | | 1,101 |
| Deferred taxation (note 31) | | | | |
| Changes in fair value of investment properties | **215** | | 366 | |
| Origination and reversal of temporary differences | **251** | | 406 | |
| Effect of change in tax rate in the U.S.A. | **–** | | (11) | |
| | | **466** | | 761 |
| | | **1,787** | | 1,862 |

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

## 11. Taxation *(continued)*

The tax charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Profit before taxation | **5,856** | 15,328 |
| Calculated at a tax rate of 16.5% (2019: 16.5%) | **966** | 2,529 |
| Share of results of joint venture and associated companies | **(121)** | (236) |
| Effect of different tax rates in other countries | **222** | 276 |
| Effect of change in tax rate in the U.S.A. | **–** | (11) |
| Fair value losses/(gains) on investment properties | **857** | (417) |
| Income not subject to tax | **(427)** | (455) |
| Expenses not deductible for tax purposes | **55** | 94 |
| Unused tax losses not recognised | **44** | 74 |
| Utilisation of previously unrecognised tax losses | **(3)** | (5) |
| Recognition of previously unrecognised tax losses | **(25)** | (3) |
| Withholding tax | **211** | 27 |
| Under/(Over)-provisions in prior years | **8** | (11) |
| Tax charge | **1,787** | 1,862 |

The Group's share of joint venture and associated companies' tax charges of HK$197 million (2019: HK$469 million) and tax credits of HK$12 million (2019: tax charges of HK$18 million) respectively are included in the share of profit less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

## 12. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$12,814 million (2019: HK$8,567 million) is dealt with in the financial statements of the Company.

## 13. Dividends

**Accounting Policy**

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or declared by the Company's directors, where appropriate.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| First interim dividend paid on 6th October 2020 of HK$0.30 per share (2019: HK$0.29) | **1,755** | 1,697 |
| Second interim dividend declared on 11th March 2021 of HK$0.61 per share (2019: HK$0.59) | **3,569** | 3,451 |
| | **5,324** | 5,148 |

The second interim dividend is not accounted for in 2020 because it had not been declared or approved at the year-end date. The actual amount payable in respect of 2020 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2021 when declared.

The Directors have declared a second interim dividend of HK$0.61 (2019: HK$0.59) per share which, together with the first interim dividend of HK$0.30 per share paid in October 2020, amounts to full year dividends of HK$0.91 (2019: HK$0.88) per share. The second interim dividend, which totals HK$3,569 million (2019: HK$3,451 million), will be paid on Thursday, 6th May 2021 to shareholders registered at the close of business on the record date, being Thursday, 1st April 2021. Shares of the Company will be traded ex-dividend from Tuesday, 30th March 2021.

The register of members will be closed on Thursday, 1st April 2021, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 31st March 2021.

To facilitate the processing of proxy voting for the annual general meeting to be held on 11th May 2021, the register of members will be closed from 6th May 2021 to 11th May 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 5th May 2021.

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

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$4,096 million (2019: HK$13,423 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2020 (2019: 5,850,000,000 ordinary shares).

## 15. Property, Plant and Equipment

### Accounting Policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

With the exception of freehold land, all other items of property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

| | |
|---|---|
| Buildings | 2% to 5% per annum |
| Plant and equipment | 10% to 33 ⅓% per annum |

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at the end of each reporting date to take into account operational experience and changing circumstances.

On the transfer of owner-occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to the consolidated statement of other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in the consolidated statement of other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within other net gains/(losses) in the consolidated statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

### Critical Accounting Estimates and Judgements

At each reporting date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs of disposal and/or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment loss is recognised in the consolidated statement of profit or loss within other net gains/(losses).

## 15. Property, Plant and Equipment *(continued)*

| | Land and buildings HK$M | Plant and equipment HK$M | Total HK$M |
|---|---|---|---|
| *Cost:* | | | |
| At 1st January 2020 | 5,475 | 1,695 | 7,170 |
| Translation differences | 116 | 31 | 147 |
| Additions | 7 | 165 | 172 |
| Disposals | (99) | (73) | (172) |
| Disposal of subsidiary companies | (20) | – | (20) |
| At 31st December 2020 | 5,479 | 1,818 | 7,297 |
| *Accumulated depreciation and impairment:* | | | |
| At 1st January 2020 | 1,329 | 1,384 | 2,713 |
| Translation differences | 40 | 25 | 65 |
| Charge for the year (note 7) | 164 | 115 | 279 |
| Disposals | (7) | (70) | (77) |
| Disposal of subsidiary companies | (5) | – | (5) |
| At 31st December 2020 | 1,521 | 1,454 | 2,975 |
| *Net book value:* | | | |
| At 31st December 2020 | 3,958 | 364 | 4,322 |

At 31st December 2020 and 2019, none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

Refer to the table with heading "Audited Financial Information" on page 70 for details of the Group's capitalised interest rates and the amount of interest capitalised.

## 15. Property, Plant and Equipment *(continued)*

| | Land and buildings HK$M | Plant and equipment HK$M | Total HK$M |
|---|---|---|---|
| *Cost:* | | | |
| At 1st January 2019 | 5,524 | 1,608 | 7,132 |
| Translation differences | (51) | (10) | (61) |
| Additions | 9 | 137 | 146 |
| Disposals | – | (34) | (34) |
| Net transfers to investment properties | (7) | – | (7) |
| Disposal of a subsidiary company | – | (6) | (6) |
| At 31st December 2019 | 5,475 | 1,695 | 7,170 |
| *Accumulated depreciation and impairment:* | | | |
| At 1st January 2019 | 1,178 | 1,306 | 2,484 |
| Translation differences | (15) | (9) | (24) |
| Charge for the year (note 7) | 168 | 120 | 288 |
| Disposals | – | (27) | (27) |
| Net transfers to investment properties | (2) | – | (2) |
| Disposal of a subsidiary company | – | (6) | (6) |
| At 31st December 2019 | 1,329 | 1,384 | 2,713 |
| *Net book value:* | | | |
| At 31st December 2019 | 4,146 | 311 | 4,457 |

## 16. Investment Properties

### Accounting Policy

Investment property comprises freehold land, leasehold land and buildings held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Leasehold land is classified and accounted for as an investment property when the rest of the definition of investment property is met.

Investment properties (including those under development) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and are on the basis of market value related to individual properties, and separate values are not attributed to land and buildings. These values represent their fair values in accordance with HKFRS 13. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as investment properties under development. Changes in fair values are recognised in the consolidated statement of profit or loss.

Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with that expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs in respect of an investment property are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment or leasehold land under right-of-use assets, and its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

Expenditure incurred in leasing out the Group's investment properties during development is deferred and amortised on a straight-line basis to the consolidated statement of profit or loss upon occupation of the property over a period not exceeding the term of the leases.

### Critical Accounting Estimates and Judgements

Cushman & Wakefield Limited, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2020. This valuation was carried out in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of market rents and yields.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

## 16. Investment Properties *(continued)*

| | Completed HK$M | Under Development HK$M | Total HK$M |
|---|---|---|---|
| **At 1st January 2020** | **252,260** | **24,531** | **276,791** |
| **Translation differences** | **1,946** | **44** | **1,990** |
| **Additions** | **568** | **1,373** | **1,941** |
| **Cost written back** | **–** | **(206)** | **(206)** |
| **Disposals** | **(1,239)** | **–** | **(1,239)** |
| **Transfer between categories** | **(883)** | **883** | **–** |
| **Transfer to properties for sale** | **–** | **(2)** | **(2)** |
| **Net transfers from right-of-use assets** | **–** | **90** | **90** |
| **Transfer to assets classified as held for sale** | **(384)** | **–** | **(384)** |
| **Disposal of subsidiary companies** | **(7,685)** | **–** | **(7,685)** |
| **Net fair value (losses)/gains** | **(5,090)** | **625** | **(4,465)** |
| | **239,493** | **27,338** | **266,831** |
| **Add: Initial leasing costs** | **172** | **–** | **172** |
| **At 31st December 2020** | **239,665** | **27,338** | **267,003** |
| At 1st January 2019 | 249,670 | 23,593 | 273,263 |
| Translation differences | (750) | (15) | (765) |
| Additions | 663 | 1,492 | 2,155 |
| Cost written back | (1) | (49) | (50) |
| Disposals | (312) | – | (312) |
| Transfer to properties for sale | – | (1,040) | (1,040) |
| Net transfers from/(to) property, plant and equipment and right-of-use assets | 34 | (214) | (180) |
| Net fair value gains | 2,956 | 764 | 3,720 |
| | 252,260 | 24,531 | 276,791 |
| Add: Initial leasing costs | 242 | – | 242 |
| At 31st December 2019 | 252,502 | 24,531 | 277,033 |

## 16. Investment Properties *(continued)*

### Geographical Analysis of Investment Properties

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| Held in Hong Kong | | |
| On medium-term leases (10 to 50 years) | **33,202** | 34,777 |
| On long-term leases (over 50 years) | **193,142** | 203,421 |
| | **226,344** | 238,198 |
| Held in the Chinese mainland | | |
| On short-term leases (less than 10 years) | **7** | 11 |
| On medium-term leases (10 to 50 years) | **35,681** | 32,165 |
| | **35,688** | 32,176 |
| Held in U.S.A. | | |
| Freehold | **4,799** | 6,417 |
| | **266,831** | 276,791 |

Refer to the table with heading "Audited Financial Information" on page 70 for details of the Group's capitalised interest rates and the amount of interest capitalised.

### Valuation processes and techniques underlying management's estimate of fair value

The Group's investment properties were valued at their fair values at 31st December 2020. 95% by value were valued by Cushman & Wakefield Limited and 2% by value were valued by another independent valuer, in each case on the basis of market value. The independent professionally qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

The valuation of the Group's investment properties under development is derived by making reference to market capitalisation rates and recent comparable sales transactions in the relevant property market (on the assumption that the property had already been completed at the valuation date). It also takes into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rates increase, the fair values decrease. If market rents increase, the fair values increase. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair values decrease. The opposite is true for decreases in these inputs.

There are inter-relationships between observable and unobservable inputs. Expected vacancy rates may have an impact on yields, with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the properties' features may result in an increase in future rental values. An increase in future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuers at least once every half year, in line with the Group's half year reporting dates.

## 16. Investment Properties *(continued)*

### Fair value hierarchy

The Group's investment properties are measured at fair value and categorised within the fair value hierarchy as follows:

| | Completed | | | | Under Development | | | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong HK$M | Chinese mainland HK$M | U.S.A. HK$M | Total HK$M | Hong Kong HK$M | Chinese mainland HK$M | Total HK$M | 2020 Total HK$M |
| **Fair value hierarchy** | | | | | | | | |
| **Level 2** | **3,394** | **184** | **–** | **3,578** | **11,919** | **–** | **11,919** | **15,497** |
| **Level 3** | **196,498** | **34,618** | **4,799** | **235,915** | **14,533** | **886** | **15,419** | **251,334** |
| **Total** | **199,892** | **34,802** | **4,799** | **239,493** | **26,452** | **886** | **27,338** | **266,831** |
| **Add: initial leasing costs** | | | | | | | | **172** |
| **At 31st December 2020** | | | | | | | | **267,003** |

| | Completed | | | | Under Development | | | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong HK$M | Chinese mainland HK$M | U.S.A. HK$M | Total HK$M | Hong Kong HK$M | Chinese mainland HK$M | Total HK$M | 2019 Total HK$M |
| Fair value hierarchy | | | | | | | | |
| Level 2 | 3,432 | 184 | – | 3,616 | 11,678 | – | 11,678 | 15,294 |
| Level 3 | 211,003 | 31,224 | 6,417 | 248,644 | 12,085 | 768 | 12,853 | 261,497 |
| Total | 214,435 | 31,408 | 6,417 | 252,260 | 23,763 | 768 | 24,531 | 276,791 |
| Add: initial leasing costs | | | | | | | | 242 |
| At 31st December 2019 | | | | | | | | 277,033 |

Notes:
The levels in the hierarchy represent the following:
Level 2 – Investment properties measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Investment properties measured at fair value using inputs not based on observable market data.

The above investment properties principally comprise completed commercial and residential properties in Hong Kong and the Chinese mainland and commercial and residential properties under development in Hong Kong. The Group has other investment property projects, principally comprising a mixed-use development, the first phase of Brickell City Centre, in Miami which was completed in 2016. Because of the unique nature of the Group's investment properties, most of them are valued by reference to a Level 3 fair value measurement.

## 16. Investment Properties *(continued)*

### Fair value hierarchy *(continued)*

The change in Level 3 fair value of investment properties during the year is as follows:

| | Completed | | | | Under Development | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Hong Kong HK$M | Chinese mainland HK$M | U.S.A. HK$M | Total HK$M | Hong Kong HK$M | Chinese mainland HK$M | Others HK$M | Total HK$M | 2020 Total HK$M |
| ***Fair value – Level 3:*** | | | | | | | | | |
| **At 1st January 2020** | **211,003** | **31,224** | **6,417** | **248,644** | **12,085** | **768** | **–** | **12,853** | **261,497** |
| **Translation differences** | **–** | **1,960** | **(25)** | **1,935** | **–** | **44** | **–** | **44** | **1,979** |
| **Additions** | **361** | **150** | **56** | **567** | **1,204** | **118** | **–** | **1,322** | **1,889** |
| **Cost written back** | **–** | **–** | **–** | **–** | **(205)** | **–** | **–** | **(205)** | **(205)** |
| **Disposals** | **–** | **–** | **(1,139)** | **(1,139)** | **–** | **–** | **–** | **–** | **(1,139)** |
| **Transfer between categories** | **–** | **–** | **–** | **–** | **883** | **–** | **–** | **883** | **883** |
| **Transfer to properties for sale** | **–** | **–** | **–** | **–** | **(2)** | **–** | **–** | **(2)** | **(2)** |
| **Disposal of subsidiary companies** | **(7,685)** | **–** | **–** | **(7,685)** | **–** | **–** | **–** | **–** | **(7,685)** |
| **Net fair value (losses)/gains** | **(7,181)** | **1,284** | **(510)** | **(6,407)** | **568** | **(44)** | **–** | **524** | **(5,883)** |
| **At 31st December 2020** | **196,498** | **34,618** | **4,799** | **235,915** | **14,533** | **886** | **–** | **15,419** | **251,334** |

| | Completed | | | | Under Development | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Hong Kong HK$M | Chinese mainland HK$M | U.S.A. HK$M | Total HK$M | Hong Kong HK$M | Chinese mainland HK$M | Others HK$M | Total HK$M | 2019 Total HK$M |
| *Fair value – Level 3:* | | | | | | | | | |
| At 1st January 2019 | 208,973 | 30,392 | 6,594 | 245,959 | 11,021 | 332 | 1,149 | 12,502 | 258,461 |
| Translation differences | – | (707) | (40) | (747) | – | (8) | (7) | (15) | (762) |
| Additions | 517 | 96 | 48 | 661 | 716 | 6 | 110 | 832 | 1,493 |
| Cost written back | (1) | – | – | (1) | (48) | – | – | (48) | (49) |
| Transfer to properties for sale | – | – | – | – | (1) | – | (1,039) | (1,040) | (1,040) |
| Net transfers from property, plant and equipment and right-of-use assets | 34 | – | – | 34 | – | – | – | – | 34 |
| Net fair value gains/(losses) | 1,480 | 1,443 | (185) | 2,738 | 397 | 438 | (213) | 622 | 3,360 |
| At 31st December 2019 | 211,003 | 31,224 | 6,417 | 248,644 | 12,085 | 768 | – | 12,853 | 261,497 |

## 16. Investment Properties *(continued)*

### Information about Level 3 fair value measurements using significant unobservable inputs

| | Fair value HK$M | Valuation technique | Market rent per month[1] HK$ per sq. ft. (lettable) | Capitalisation rate |
|---|---|---|---|---|
| **At 31st December 2020** | | | | |
| **Completed** | | | | |
| **Hong Kong** | **196,498** | **Income capitalisation** | **Less than 10 – Low 500's** | **2.50% – 4.88%** |
| **Chinese mainland** | **34,618** | **Income capitalisation** | **Less than 10 – Mid 200's** | **6.25% – 7.50%** |
| **U.S.A.** | **4,346** | **Income capitalisation** | **Less than 10 – Mid 60's** | **5.00% – 5.50%** |
| **U.S.A.** | **453** | **Sales comparison** | **–** | **–** |
| **Sub-total** | **235,915** | | | |
| **Under development** | | | | |
| **Hong Kong** | **14,533** | **Residual[2]** | **Low 60's – Low 80's** | **3.63% – 3.75%** |
| **Chinese mainland** | **886** | **Residual[2]** | **High 20's – High 100's** | **6.75%** |
| **Sub-total** | **15,419** | | | |
| **Total (Level 3)** | **251,334** | | | |
| At 31st December 2019 | | | | |
| Completed | | | | |
| Hong Kong | 211,003 | Income capitalisation | Less than 10 – Low 500's | 2.50% – 4.88% |
| Chinese mainland | 31,224 | Income capitalisation | Less than 10 – Low 200's | 6.25% – 7.50% |
| U.S.A. | 5,934 | Income capitalisation | Less than 10 – High 70's | 4.75% – 5.75% |
| U.S.A. | 483 | Sales comparison | – | – |
| Sub-total | 248,644 | | | |
| Under development | | | | |
| Hong Kong | 12,085 | Residual[2] | Low 60's – Mid 80's | 3.63% – 3.75% |
| Chinese mainland | 768 | Residual[2] | High 20's – High 100's | 6.75% |
| Sub-total | 12,853 | | | |
| Total (Level 3) | 261,497 | | | |

1 Market rent is determined in accordance with the definition of that term in the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors, which is "the estimated amount for which all interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion". It is in effect the rental income (exclusive of usual outgoings) which a property would be expected to earn if it were vacant and available to let. It is not necessarily the same as the rent which a tenant is actually committed to pay.

2 In using the residual method to make fair value measurements of investment properties, two additional unobservable inputs have been used. These are the estimated costs to complete the development and the developer's estimated profit and margin for risk.

## 17. Intangible Assets

**Accounting Policy**

**Computer software**

Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

| | **Computer Software HK$M** | **Others HK$M** | **Total HK$M** |
|---|---|---|---|
| ***Cost:*** | | | |
| **At 1st January 2020** | **172** | **205** | **377** |
| **Additions** | **39** | **–** | **39** |
| **At 31st December 2020** | **211** | **205** | **416** |
| ***Accumulated amortisation:*** | | | |
| **At 1st January 2020** | **120** | **58** | **178** |
| **Amortisation for the year (note 7)** | **18** | **22** | **40** |
| **At 31st December 2020** | **138** | **80** | **218** |
| ***Net book value:*** | | | |
| **At 31st December 2020** | **73** | **125** | **198** |

| | Computer Software HK$M | Others HK$M | Total HK$M |
|---|---|---|---|
| *Cost:* | | | |
| At 1st January 2019 | 149 | 205 | 354 |
| Additions | 23 | – | 23 |
| At 31st December 2019 | 172 | 205 | 377 |
| *Accumulated amortisation:* | | | |
| At 1st January 2019 | 106 | 36 | 142 |
| Amortisation for the year (note 7) | 14 | 22 | 36 |
| At 31st December 2019 | 120 | 58 | 178 |
| *Net book value:* | | | |
| At 31st December 2019 | 52 | 147 | 199 |

Amortisation of HK$40 million (2019: HK$36 million) is included in cost of sales and administrative expenses in the consolidated statement of profit or loss.

## 18. Right-of-use Assets

### Accounting Policy

The Group (acting as lessee) leases various land, offices, warehouses and equipment. Except for certain long-term leasehold land in Hong Kong, rental contracts are typically made for fixed periods of 1 to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for other borrowing purposes.

Leases are recognised by lessees as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each financial period.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term used in the computation assumes the lessee exercises an option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. However, if the ownership of the underlying asset is expected to be transferred to the Group by the end of the lease term and if the cost of the right-of-use asset has already included the exercise price of a purchase option, depreciation is calculated on a straight-line basis to write off cost over the anticipated useful life of the underlying asset to its estimated residual value.

Payments by lessees associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as expenses in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise information technology equipment and small items of office furniture.

## Notes to the Financial Statements

## 18. Right-of-use Assets *(continued)*

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

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Leasehold land held for own use | **3,191** | 3,327 |
| Property | **110** | 89 |
| | **3,301** | 3,416 |

For leasehold land, the Group is the registered owner of these property interests. Upfront payments were made to acquire these land interests and there are no ongoing payments to be made under the terms of the land lease (i.e. no lease liabilities are recognised), other than government rents and rates and other payments to the relevant government authorities, which may vary from time to time. Their remaining lease periods are as follows:

| | **Leasehold land held for own use** | |
|---|---|---|
| | **2020 HK$M** | 2019 HK$M |
| Held in Hong Kong | | |
| On medium-term leases (10-50 years) | **369** | 379 |
| On long-term leases (over 50 years) | **2,822** | 2,948 |
| | **3,191** | 3,327 |

Lease arrangements for other types of assets are negotiated on an individual asset basis and contain a wide range of different terms and conditions including lease payments and lease terms.

Properties occupied by the Group were transferred to investment properties following the end of occupation by the Group. The valuation increase from carrying amount to fair value in respect of such transfers during the year ended 31st December 2020 was HK$100 million (2019: HK$16 million).

Additions to right-of-use assets during the year ended 31st December 2020 were HK$54 million (2019: HK$69 million).

During the year ended 31st December 2020, total cash outflow for leases was included in the consolidated statement of cash flows as (a) interest paid of HK$18 million (2019: HK$9 million) under “operating activities”, (b) payment for short-term and low-value assets leases of HK$31 million (2019: HK$33 million) under “operating activities” and (c) principal elements of lease payments of HK$54 million (2019: HK$48 million) under “financing activities”.

## 19. Properties Held for Development

**Accounting Policy**

Properties held for development comprise freehold land at cost, less provisions for possible losses. Properties held for development are not expected to be sold or developed within the Group's normal operating cycle and are classified as non-current assets.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Properties held for development | | |
| Freehold land | **981** | 989 |
| Development cost | **219** | 223 |
| | **1,200** | 1,212 |

## 20. Joint Venture Companies

**Accounting Policy**

Joint venture companies are those companies held for the long term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where the Group has rights to the net assets of those companies. The use of the equity method by the Group to account for the investment in joint venture companies is disclosed in the "Basis of Consolidation" of the Principal Accounting Policies on pages 186 to 188.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Share of net assets, unlisted | **15,806** | 13,575 |
| Loans due from joint venture companies less provisions | | |
| – Interest-free | **13,230** | 13,647 |
| – Interest-bearing at 0.85% to 7.5% (2019: 1.7% to 7.5%) | **2,127** | 2,944 |
| | **15,357** | 16,591 |

The loans due from joint venture companies are unsecured and have no fixed terms of repayment. These loans are considered to have low credit risk. The financial positions and performances of these companies are regularly monitored and reviewed by the management of the Group.

In December 2020, a wholly-owned subsidiary of the Group entered into a joint venture arrangement with Sino-Ocean Holding Group (China) Limited ("SOG China") to invest in a new joint venture company, Beijing Xingtaitonggang Properties Company Limited ("BJTG"). In accordance with a shareholders' agreement and memorandum of understanding:

(i) the Group has a call option to acquire from SOG China a 14.895% equity interest in BJTG (together with the corresponding shareholder loan) (the "Call Option") at an exercise price determined by reference to the average of the valuations of BJTG by two valuers. The Call Option may be exercised when certain criteria are fulfilled; and

(ii) each of the Group and SOG China as grantor (the "Grantor") has granted a call option (the "Linlian Call Option") to the other as grantee (the "Grantee") which gives the Grantee the right to acquire the Grantor's entire 50% interest in Beijing Linlian Real Estate Company Limited ("BJLL") (comprising an equity interest and loans) at an exercise price of RMB2,700 million. The Linlian Call Option may be exercised when certain criteria are fulfilled.

At 31st December 2020, the Group's interest in BJLL amounted to HK$2,615 million. The Group has not recognised any asset or liability in the consolidated financial statements in relation to the call options as their fair values are considered not to be significant.

## 20. Joint Venture Companies *(continued)*

The Group's share of assets and liabilities and results of joint venture companies is summarised below:

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| Non-current assets | **49,031** | 41,789 |
| Current assets | **3,545** | 3,103 |
| Current liabilities | **(4,386)** | (2,681) |
| Non-current liabilities | **(32,384)** | (28,636) |
| **Net assets** | **15,806** | 13,575 |
| Revenue | **2,332** | 3,137 |
| Change in fair value of investment properties | **158** | 843 |
| Expenses | **(1,475)** | (2,152) |
| Profit before taxation | **1,015** | 1,828 |
| Taxation | **(197)** | (469) |
| **Profit for the year** | **818** | 1,359 |
| Other comprehensive income | **861** | (253) |
| **Total comprehensive income for the year** | **1,679** | 1,106 |

Capital commitments and contingencies in respect of joint venture companies are disclosed in notes 40 and 41.

The principal joint venture companies of Swire Properties Limited are shown on pages 189 to 191. There are no joint venture companies that are considered individually material to the Group.

## 21. Associated Companies

**Accounting Policy**

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in financial and operating policy decisions, generally accompanying a shareholding representing between 20% and 50% of the voting rights. The use of the equity method by the Group to account for the investment in associated companies is disclosed in the "Basis of Consolidation" of the Principal Accounting Policies on pages 186 to 188.

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| Share of net assets, unlisted | **543** | 409 |

The Group's share of assets and liabilities and results of associated companies is summarised below:

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| Non-current assets | **596** | 560 |
| Current assets | **562** | 213 |
| Current liabilities | **(319)** | (124) |
| Non-current liabilities | **(296)** | (240) |
| **Net assets** | **543** | 409 |
| Revenue | **149** | 500 |
| **Profit and total comprehensive income for the year** | **(86)** | 71 |

The principal associated companies of Swire Properties Limited are shown on pages 189 to 191. There are no associated companies that are considered individually material to the Group.

## 22. Financial Instruments by Category

**Accounting Policy**

**Financial Assets**

***(a) Classification***

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in the consolidated statement of profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

***(b) Recognition and derecognition***

Purchases and sales of financial assets are recognised on their trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

***(c) Measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- Debt instruments:

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other net gains/(losses) together with foreign exchange gains and losses.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other net gains/(losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other net gains/(losses).

## 22. Financial Instruments by Category *(continued)*

**Accounting Policy *(continued)***

Financial Assets *(continued)*

*(c) Measurement (continued)*

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of profit or loss and presented net within other net gains/(losses) in the period in which it arises.

– Equity instruments:

The Group subsequently measures all equity investments at fair value. Dividends from such investments are recognised in the consolidated statement of profit or loss as other net gains/(losses) when the Group's right to receive payments is established. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit or loss following the derecognition of the investment.

Changes in the fair value of equity investments at FVPL are recognised in other net gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*(d) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by HKFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

*(e) Significant increases in credit risk*

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse to actions such as realising security. The Group considers information that is reasonable and supportable, including historical experience and forward looking information that is available.

*(f) Write-off policy*

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

Financial liabilities

Non-derivative financial liabilities with fixed or determinable payments and fixed maturities are measured at amortised cost. They are included in non-current liabilities, except for maturities less than twelve months after the period-end date where these are classified as current liabilities.

Put options in respect of non-controlling interests in subsidiary companies included in trade and other payables are measured at fair value through profit or loss.

## 22. Financial Instruments by Category *(continued)*

The accounting policies applied to financial instruments are shown below by line item:

| | Note | At fair value through profit or loss HK$M | Derivatives used for hedging HK$M | Amortised cost HK$M | Total carrying amount HK$M | Fair value HK$M |
|---|---|---|---|---|---|---|
| **Assets as per consolidated statement of financial position** | | | | | | |
| **At 31st December 2020** | | | | | | |
| **Loans due from joint venture companies** | *20* | **–** | **–** | **15,357** | **15,357** | **15,357** |
| **Amount due from immediate holding company** | *25* | **–** | **–** | **16** | **16** | **16** |
| **Trade and other receivables excluding prepayments** | *24* | **–** | **–** | **2,625** | **2,625** | **2,625** |
| **Short-term deposits maturing after three months** | | **–** | **–** | **30** | **30** | **30** |
| **Cash and cash equivalents** | *26* | **–** | **–** | **21,202** | **21,202** | **21,202** |
| **Derivative financial assets** | *30* | **–** | **145** | **–** | **145** | **145** |
| **Financial assets at fair value through profit or loss** | *32* | **985** | **–** | **–** | **985** | **985** |
| **Other financial assets at amortised cost** | *33* | **–** | **–** | **508** | **508** | **508** |
| **Total** | | **985** | **145** | **39,738** | **40,868** | **40,868** |
| At 31st December 2019 | | | | | | |
| Loans due from joint venture companies | *20* | – | – | 16,591 | 16,591 | 16,591 |
| Amount due from immediate holding company | *25* | – | – | 4 | 4 | 4 |
| Trade and other receivables excluding prepayments | *24* | – | – | 1,857 | 1,857 | 1,857 |
| Short-term deposits maturing after three months | | – | – | 22 | 22 | 22 |
| Cash and cash equivalents | *26* | – | – | 14,963 | 14,963 | 14,963 |
| Derivative financial assets | *30* | – | 266 | – | 266 | 266 |
| Other financial assets at amortised cost | *33* | – | – | 36 | 36 | 36 |
| Total | | – | 266 | 33,473 | 33,739 | 33,739 |
| **Liabilities as per consolidated statement of financial position** | | | | | | |
| **At 31st December 2020** | | | | | | |
| **Trade and other payables excluding non-financial liabilities** | *27* | **513** | **–** | **7,418** | **7,931** | **7,931** |
| **Bank overdrafts and short-term loans** | *29* | **–** | **–** | **94** | **94** | **94** |
| **Long-term loans and bonds** | *29* | **–** | **–** | **27,163** | **27,163** | **28,749** |
| **Lease liabilities** | *28* | **–** | **–** | **580** | **580** | **580** |
| **Derivative financial liabilities** | *30* | **–** | **42** | **–** | **42** | **42** |
| **Total** | | **513** | **42** | **35,255** | **35,810** | **37,396** |
| At 31st December 2019 | | | | | | |
| Trade and other payables excluding non-financial liabilities | *27* | 564 | – | 7,571 | 8,135 | 8,135 |
| Bank overdrafts and short-term loans | *29* | – | – | 84 | 84 | 84 |
| Long-term loans and bonds | *29* | – | – | 29,645 | 29,645 | 30,155 |
| Lease liabilities | *28* | – | – | 548 | 548 | 548 |
| Derivative financial liabilities | *30* | – | 27 | – | 27 | 27 |
| Total | | 564 | 27 | 37,848 | 38,439 | 38,949 |

## 22. Financial Instruments by Category *(continued)*

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows, which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings is not equal to their carrying value but is based on cash flows discounted using assumptions sourced from the relevant financial institutions or quotes from market makers or alternative market participants supported by observable inputs, such as interest rates. Non-current borrowings would be categorised within Level 2 of the fair value hierarchy if they were accounted for at fair value.

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 31st December 2020** | | | |
| **Derivatives used for hedging (note 30)** | **145** | **–** | **145** |
| **Financial assets at fair value through profit or loss (note 32)** | **–** | **985** | **985** |
| | **145** | **985** | **1,130** |
| At 31st December 2019 | | | |
| Derivatives used for hedging (note 30) | 266 | – | 266 |
| **Liabilities as per consolidated statement of financial position** | | | |
| **At 31st December 2020** | | | |
| **Derivatives used for hedging (note 30)** | **42** | **–** | **42** |
| **Put option in respect of a non-controlling interest (note 27)** | **–** | **513** | **513** |
| | **42** | **513** | **555** |
| At 31st December 2019 | | | |
| Derivatives used for hedging (note 30) | 27 | – | 27 |
| Put option in respect of a non-controlling interest (note 27) | – | 564 | 564 |
| | 27 | 564 | 591 |

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.

## 22. Financial Instruments by Category *(continued)*

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

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

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

The Group's finance department performs the valuations of financial instruments required for reporting purposes, including Level 3 fair values. The valuations are reviewed and approved by the Finance Director.

The following table presents the changes in Level 3 financial instruments for the year ended 31st December 2020:

| | Financial assets at fair value through profit or loss HK$M | Put option in respect of a non-controlling interest HK$M |
|---|---|---|
| **At 1st January 2020** | **–** | **564** |
| **Translation differences** | **–** | **(2)** |
| **Addition during the year** | **985** | **–** |
| **Distribution during the year** | **–** | **(14)** |
| **Change in fair value recognised as net finance charges** | **–** | **(35)** |
| **At 31st December 2020** | **985** | **513** |
| **Total gains for the year included in profit or loss in respect of financial instruments held at 31st December 2020** | **–** | **(35)** |
| At 1st January 2019 | – | 601 |
| Translation differences | – | (4) |
| Distribution during the year | – | (16) |
| Change in fair value recognised as net finance charges | – | (17) |
| At 31st December 2019 | – | 564 |
| Total gains for the year included in profit or loss in respect of financial instruments held at 31st December 2019 | – | (17) |

The fair value of unlisted investments classified within Level 3 is determined using discounted cash flow valuations technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs based on reasonable alternative assumptions would not significantly change the valuation of the investments.

The fair value estimate of the put option over a non-controlling interest in the U.S.A. classified within 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 associated investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is in 2021 and the discount rate used is 6.3% (2019: 6.3%).

The investment property's fair value at the expected time of exercise is itself subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected fair market rent and the expected capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 31st December 2020. If the expected time of exercise is later or if the discount rate is higher, the fair value of the put option would be lower. The opposite is true for an earlier time of exercise or a lower discount rate.

## 23. Properties for Sale

**Accounting Policy**

Properties for sale comprise freehold and leasehold land at cost, construction costs and interest costs capitalised, less provisions for possible losses. Properties under development are active construction projects which are expected to be sold within the Group's normal operating cycle and are classified as current assets. Properties for sale are available for immediate sale and are classified as current assets.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Properties for sale | | |
| Properties under development | | |
| – development costs | **188** | 77 |
| – leasehold land | **1,255** | 1,260 |
| Completed properties | | |
| – development costs | **1,344** | 1,507 |
| – freehold land | **750** | 759 |
| – leasehold land | **1** | 1 |
| | **3,538** | 3,604 |

Refer to the table with heading "Audited Financial Information" on page 70 for details of the Group's capitalised interest rates and the amount of interest capitalised.

## 24. Trade and Other Receivables

**Accounting Policy**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for loss allowance. Trade and other receivables in the consolidated statement of financial position are stated net of such provisions.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Trade debtors | **411** | 205 |
| Prepayments and accrued income | **93** | 72 |
| Deposit paid for financial assets at fair value through profit or loss | **46** | – |
| Other receivables | **2,154** | 1,649 |
| | **2,704** | 1,926 |

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

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Up to 3 months | **357** | 201 |
| Between 3 and 6 months | **45** | 4 |
| Over 6 months | **9** | – |
| | **411** | 205 |

Other receivables include rent free and other lease incentives to tenants of HK$1,802 million (2019: HK$1,152 million), which are amortised over the relevant lease terms.

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. The Group also holds non interest-bearing rental deposits as security against trade debtors. At 31st December 2020, trade debtors of HK$339 million (2019: HK$147 million) were past due. The majority of the amount past due is under three months. These relate to a number of independent customers for whom there is no recent history of default. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at 31st December 2020 and 31st December 2019 is the carrying value of trade debtors and other receivables disclosed above. The carrying value of rental deposits from tenants held as security against trade debtors at 31st December 2020 was HK$2,745 million (2019: HK$2,905 million).

## 25. 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.

## 26. Cash and Cash Equivalents

**Accounting Policy**

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts. In the consolidated statement of financial position, cash and cash equivalents exclude bank overdrafts which are shown within borrowings in current liabilities.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Short-term deposits maturing within three months | **14,496** | 11,993 |
| Bank balances | **6,706** | 2,970 |
| | **21,202** | 14,963 |

The effective interest rates on short-term deposits of the Group ranged from 0.3% to 2.4% (2019: 2.0% to 3.2%) per annum; these deposits have maturities from 14 to 92 days (2019: 2 to 72 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2020 and 31st December 2019 is the carrying value of the bank balances and short-term deposits disclosed above.

## 27. Trade and Other Payables and Contract Liabilities

**Accounting Policy**

Trade and other payables (except put options over non-controlling interests in subsidiary companies) and contract liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Put options in respect of non-controlling interests in subsidiary companies are measured at the fair value of the expected redemption amounts, and are designated at fair value through profit or loss.

## 27. Trade and Other Payables and Contract Liabilities *(continued)*

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| Trade creditors | **655** | 642 |
| Rental deposits from tenants | **2,745** | 2,905 |
| Deposits received on sale of investment properties | **59** | – |
| Put option in respect of a non-controlling interest | **513** | 564 |
| Other current payables | | |
| Accrued capital expenditure | **1,305** | 1,138 |
| Amounts due to intermediate holding company | **99** | 100 |
| Amounts due to an associated company | **20** | 18 |
| Advances from a non-controlling interest | **188** | 187 |
| Others | **2,417** | 2,592 |
| | **4,029** | 4,035 |
| | **8,001** | 8,146 |
| Contract Liabilities | **22** | 19 |

Amounts due to intermediate holding company, an associated company and a non-controlling interest are interest-free, unsecured and have no fixed term of repayment.

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

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| Up to 3 months | **655** | 642 |

## 28. Lease Liabilities

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| Maturity profile at the year end is as follows: | | |
| Within 1 year | **70** | 52 |
| Between 1 and 2 years | **50** | 54 |
| Between 2 and 5 years | **117** | 103 |
| Over 5 years | **343** | 339 |
| | **580** | 548 |

At 31st December 2020, the weighted average incremental borrowing rate applied in measuring the lease liabilities is 3.2% (2019: 3.4%).

For the accounting policy in respect of lease liabilities, please refer to right-of-use assets (note 18).

## 29. Borrowings

### Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included in respect of those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Refer to the tables with the headings "Audited Financial Information" on pages 66 to 69 for details of the Group's borrowings.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Bank overdrafts and short-term loans – unsecured | **94** | 84 |
| Long-term bank loans – unsecured | | |
| Repayable within 1 year | **1,520** | 2,332 |
| Repayable between 1 and 2 years | **5,513** | 1,507 |
| Repayable between 2 and 5 years | **998** | 4,663 |
| | **8,031** | 8,502 |
| Other borrowings – unsecured | | |
| Repayable within 1 year | **300** | 3,892 |
| Repayable between 1 and 2 years | **3,872** | 300 |
| Repayable between 2 and 5 years | **3,226** | 5,183 |
| Repayable after 5 years | **11,734** | 11,768 |
| | **19,132** | 21,143 |
| Amount due within one year included under current liabilities | **(1,820)** | (6,224) |
| | **25,343** | 23,421 |

## 29. Borrowings *(continued)*

(a) The effective interest rates per annum (before interest rate and cross-currency swaps) at 31st December were as follows:

| | **2020** | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | **HK$ %** | **US$ %** | **RMB %** | **SGD %** | HK$ % | US$ % | RMB % | SGD % |
| Uncommitted bank loans and overdrafts | **–** | **–** | **–** | **1.1** | – | – | – | 2.5 |
| Long-term loans and bonds | **0.8-3.6** | **0.8-4.4** | **–** | **0.9** | 1.8-3.7 | 2.4-4.4 | – | 2.4 |

Bank loans and other borrowings are repayable on various dates up to 2030 (2019: up to 2028).

(b) The carrying amounts of these long-term bank loans and other borrowings (before cross-currency swaps) are denominated in the following currencies:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Hong Kong dollars | **9,474** | 7,243 |
| United States dollars | **16,974** | 21,748 |
| Singapore dollars | **715** | 654 |
| | **27,163** | 29,645 |

## 30. Derivative Financial Instruments

**Accounting Policy**

Derivatives are initially recognised at fair value on the dates derivative contracts are entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group documents at the inception of the transactions the economic relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

All of the Group's derivatives relate to cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to ineffective portion is recognised immediately in the consolidated statement of profit or loss.

When cross-currency swap contracts are used to hedge future cash flows, the Group designates only the change in fair value of the swap contract after exclusion of the foreign currency basis spread component as the hedging instrument. Gains or losses relating to the effective portion of the swap contract after exclusion of the foreign currency basis spread component are recognised in the cash flow hedge reserve within equity. The change in fair value of the foreign currency basis spread of the swap contract, to the extent it relates to the hedged item, is recognised separately as a cost of hedging on a systematic and rational basis over the period of the hedging relationship within OCI in equity. Hedge ineffectiveness is recognised in the consolidated statement of profit or loss within finance costs.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The gains or losses relating to the effective portion of (a) the interest rate swaps hedging variable rate borrowings and (b) cross-currency swap contracts hedging borrowings in foreign currency are recognised in the consolidated statement of profit or loss within finance costs at the same time as the interest expense on the hedged borrowings.

If the hedge ratio for risk management purpose is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in the consolidated statement of profit or loss at the time of the hedge relationship rebalancing.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss.

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Assets HK$M** | **Liabilities HK$M** | Assets HK$M | Liabilities HK$M |
| Interest rate and cross-currency swaps – cash flow hedges | | | | |
| – due within one year | **–** | **–** | 44 | 10 |
| – due after one year | **145** | **42** | 222 | 17 |

The interest rate swaps hedge long-term interest rate exposure. The cross-currency swaps hedge the foreign currency risk relating to US dollar note issues. Gains and losses recognised in the consolidated statement of other comprehensive income on interest rate and cross-currency swaps at 31st December 2020 are expected to affect the consolidated statement of profit or loss in the years to redemption of the notes and expiry of loans (up to and including 2028).

## 30. Derivative Financial Instruments *(continued)*

The notional principal amounts of the outstanding derivative financial instruments are as follows:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Cross-currency swaps | **11,628** | 15,572 |
| Interest rate swaps | **1,550** | 2,492 |

In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged terms.

For the years ended 31st December 2020 and 31st December 2019 all cash flow hedges qualifying for hedge accounting were highly effective.

## 31. Deferred Taxation

**Accounting Policy**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable or accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to investment properties in Hong Kong and the U.S.A. is calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in the Chinese mainland, because the business model applicable to them is to consume substantially all the economic benefits embodied in them over time rather than through sale. Accordingly, deferred tax relating to investment properties in the Chinese mainland is determined on the basis of recovery through use.

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

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| At 1st January | **9,302** | 8,593 |
| Translation differences | **359** | (112) |
| Charged to profit or loss (note 11) | **466** | 761 |
| Charged to other comprehensive income | **1** | 64 |
| Transfers to assets classified as held for sale | **–** | (4) |
| Disposal of subsidiary companies | **(28)** | – |
| Others | **(79)** | – |
| At 31st December | **10,021** | 9,302 |

## 31. Deferred Taxation *(continued)*

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. These were recognised as these entities are expected to generate sufficient taxable profits in the future. The Group has unrecognised tax losses of HK$2,814 million (2019: HK$2,346 million) to carry forward against future taxable income. These amounts are analysed as follows:

| | Unrecognised tax losses | |
|---|---|---|
| | **2020 HK$M** | 2019 HK$M |
| No expiry date | **1,586** | 1,336 |
| Expiring within 1 year | **37** | 28 |
| Expiring between 1 and 5 years | **350** | 284 |
| Expiring between 5 and 10 years | **–** | – |
| Expiring between 10 and 20 years | **841** | 698 |
| | **2,814** | 2,346 |

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year was as follows:

***Deferred tax liabilities***

| | Accelerated tax depreciation | | Valuation of investment properties | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M |
| At 1st January | **4,251** | 3,867 | **5,084** | 4,831 | **533** | 454 | **9,868** | 9,152 |
| Translation differences | **97** | 1 | **239** | (113) | **17** | (3) | **353** | (115) |
| (Credited)/Charged to profit or loss | **(42)** | 387 | **215** | 366 | **200** | 64 | **373** | 817 |
| (Credited)/Charged to other comprehensive income | **–** | – | **–** | – | **(7)** | 18 | **(7)** | 18 |
| Transfers to assets classified as held for sale | **–** | (4) | **–** | – | **–** | – | **–** | (4) |
| Disposal of subsidiary companies | **(28)** | – | **–** | – | **–** | – | **(28)** | – |
| Others | **(50)** | – | **(35)** | – | **6** | – | **(79)** | – |
| At 31st December | **4,228** | 4,251 | **5,503** | 5,084 | **749** | 533 | **10,480** | 9,868 |

## 31. Deferred Taxation *(continued)*

***Deferred tax assets***

| | Tax losses | | Others | | Total | |
|---|---|---|---|---|---|---|
| | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M |
| At 1st January | **264** | 292 | **302** | 267 | **566** | 559 |
| Translation differences | **–** | (4) | **(6)** | 1 | **(6)** | (3) |
| (Charged)/Credited to profit or loss | **(54)** | (24) | **(39)** | 80 | **(93)** | 56 |
| Charged to other comprehensive income | **–** | – | **(8)** | (46) | **(8)** | (46) |
| At 31st December | **210** | 264 | **249** | 302 | **459** | 566 |

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately in the consolidated statement of financial position:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Deferred tax assets | | |
| – to be recovered after more than 12 months | **(73)** | (79) |
| – to be recovered within 12 months | **–** | – |
| | **(73)** | (79) |
| Deferred tax liabilities | | |
| – to be settled after more than 12 months | **10,094** | 9,381 |
| – to be settled within 12 months | **–** | – |
| | **10,094** | 9,381 |
| | **10,021** | 9,302 |

## 32. Financial Assets at Fair Value Through Profit or Loss

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Unlisted equity investments | **985** | – |

## 33. Other Financial Assets at Amortised Cost

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Mortgage receivables | **18** | 36 |
| Other receivable | **490** | – |
| | **508** | 36 |

Mortgage receivables consist of mortgage financing offered to certain buyers of trading properties in the U.S.A. Mortgages are offered at up to a 80% loan-to-value ratio and at a fixed interest rate of 5.5%. Loan repayments for the first four years are at a rate that would repay the loan over 30 years, but there is a balloon payment in the fifth year upon maturity. The non-current other receivables are due and payable within two to four years from the end of the reporting period.

The other receivable represents a deferred payment for the sale of the Group's interest in the Cityplaza One office tower in Hong Kong. In accordance with the sale and purchase agreement, the deferred payment is to be received on the third anniversary of the completion of the disposal. The deferred payment is recognised at amortised cost using an effective interest rate of 3% per annum.

The Group holds the mortgage and other receivables to collect contractual cash flows and its contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amounts outstanding.

The Group applies the expected credit loss model to measure the impairment of other financial assets at amortised cost.

## 34. Assets Classified as Held for Sale

**Accounting Policy**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value.

Assets classified as held for sale represent the Group's 100% interest in 227 car parking spaces and 62 motorcycle parking spaces at Stage VI, Taikoo Shing in Hong Kong. The Group started to sell the car parking spaces to registered owners of Taikoo Shing in the fourth quarter of 2020.

## 35. Retirement Benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are held in separate trustee administered funds.

A defined benefit scheme is a retirement plan that defines the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has an obligation to provide participating employees with these benefits.

A defined contribution scheme is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

### Accounting Policy

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the consolidated statement of profit or loss so as to spread the regular cost over the service lives of employees.

The asset or liability recognised in the consolidated statement of financial position is the present value of the cost of providing these benefits (the defined benefit obligation) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries and is determined by discounting the estimated future cash outflows using interest rates payable in respect of high quality corporate bonds. The plan assets are valued on a bid price basis.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the consolidated statement of other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the consolidated statement of profit or loss. Any differences between the implicit and actual return on assets are charged as remeasurements to the consolidated statement of other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to the consolidated statement of profit or loss in the periods to which the contributions relate.

### Critical Accounting Estimates and Judgements

The Group's obligations and expenses in respect of defined benefit schemes are dependent on a number of factors that are determined using a number of actuarial assumptions. The details of the actuarial assumptions used, including applicable sensitivities are disclosed in this note.

## 35. Retirement Benefits *(continued)*

For the year ended 31st December 2020 and 2019, disclosures in respect of defined benefit schemes are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2018, which were updated to reflect the position at 31st December 2020 and 2019 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes.

The majority of the Group's schemes are final salary guaranteed lump sum defined benefit plans.

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an ongoing basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued by qualified actuaries for funding purposes under the provisions of Hong Kong's Occupational Retirement Schemes Ordinance. The latest actuarial valuations indicate that the funding level for the year was 108% (2019: 97%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$81 million to its defined benefit schemes in 2021.

Most new employees in Hong Kong are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and the staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$30,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Total retirement benefit costs charged to the consolidated statement of profit or loss for the year ended 31st December 2020 amounted to HK$122 million (2019: HK$142 million), including HK$23 million (2019: HK$41 million) in respect of defined contribution schemes.

(a) The amounts recognised in the consolidated statement of financial position are as follows:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Present value of funded obligations | **1,361** | 1,243 |
| Fair value of plan assets | **(1,226)** | (1,078) |
| Net retirement benefit liabilities | **135** | 165 |
| Represented by: | | |
| Retirement benefit liabilities | **135** | 165 |

## 35. Retirement Benefits *(continued)*

(b) Changes in the present value of the defined benefit obligations are as follows:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| At 1st January | **1,243** | 1,101 |
| Current service cost | **95** | 88 |
| Past service cost | **–** | 7 |
| Interest expense | **36** | 36 |
| Actuarial losses from changes in: | | |
| – financial assumptions | **183** | 54 |
| Experience losses | **(115)** | 12 |
| Transfer | **2** | 1 |
| Benefits paid | **(83)** | (56) |
| At 31st December | **1,361** | 1,243 |

The weighted average duration of the defined benefit obligations is 10.73 years (2019: 10.73 years).

(c) Changes in the fair value of plan assets are as follows:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| At 1st January | **1,078** | 891 |
| Interest income | **32** | 30 |
| Return on plan assets, excluding interest income | **118** | 116 |
| Contributions by employers | **79** | 96 |
| Transfer | **2** | 1 |
| Benefits paid | **(83)** | (56) |
| At 31st December | **1,226** | 1,078 |

There were no plan amendments, curtailments or settlements during the year.

(d) Net expenses recognised in the consolidated statement of profit or loss are as follows:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Current service cost | **95** | 88 |
| Past service cost | **–** | 7 |
| Net interest cost | **4** | 6 |
| | **99** | 101 |

The above net expenses were included in cost of sales and administrative expenses in the consolidated statement of profit or loss.

The actual return on defined benefit plan assets was a gain of HK$150 million (2019: HK$147 million).

## 35. Retirement Benefits *(continued)*

(e) The plan assets are invested in the Swire Group Unitised Trust ("the Trust"). The Trust has three sub-funds in which the assets may be invested in accordance with separate and distinct investment policies and objectives. The Trust and sub-funds are overseen by an investment committee, which meets four times a year.

The make-up of the Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities, and absolute return funds.

The management of the assets within the sub-funds is delegated by the investment committee to a number of reputable investment managers. The plan assets comprise:

| | Defined benefit plans | |
|---|---|---|
| | **2020 HK$M** | 2019 HK$M |
| Equities | | |
| Asia Pacific | **97** | 116 |
| Europe | **123** | 112 |
| North America | **194** | 179 |
| Emerging markets | **377** | 299 |
| Bonds | | |
| Global | **99** | 94 |
| Emerging markets | **13** | 8 |
| Absolute return funds | **284** | 247 |
| Cash | **39** | 23 |
| | **1,226** | 1,078 |

At 31st December 2020, the prices of 95% of equities and 13% of bonds were quoted on active markets (2019: 96% and 28% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the appointed investment managers. Investment managers enter into agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark. The investment committee monitors the overall market risk position on a quarterly basis.

## 35. Retirement Benefits *(continued)*

(f) The significant actuarial assumptions used are as follows:

| | **2020** | 2019 |
|---|---|---|
| Discount rate | **1.64%** | 2.93% |
| Expected rate of future salary increases | **3.30% to 3.70% p.a. for 2021; 3.00% p.a. thereafter** | 4.50% p.a. for 2020; 4.00% p.a. thereafter |

The sensitivity of the defined benefit obligations to changes in actuarial assumptions is:

| | **2020 Increase/(Decrease) in defined benefit obligation** | | | 2019 Increase/(Decrease) in defined benefit obligation | | |
|---|---|---|---|---|---|---|
| | **Change in assumption** | **Increase in assumption HK$M** | **Decrease in assumption HK$M** | Change in assumption | Increase in assumption HK$M | Decrease in assumption HK$M |
| Discount rate | **0.5%** | **(74)** | **78** | 0.5% | (72) | 62 |
| Expected rate of future salary increases | **0.5%** | **77** | **(73)** | 0.5% | 60 | (72) |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the consolidated statement of financial position.

## 36. Share Capital

| | **Ordinary shares** | **HK$M** |
|---|---|---|
| ***Issued and fully paid with no par value:*** | | |
| **At 1st January 2020 and 31st December 2020** | **5,850,000,000** | **10,449** |
| At 1st January 2019 and 31st December 2019 | 5,850,000,000 | 10,449 |

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the years ended 31st December 2020 and 31st December 2019.

## 37. 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 2020 | 277,289 | (1,108) | 1,839 | 81 | (1,623) | 276,478 |
| Profit for the year | 4,096 | – | – | – | – | 4,096 |
| Other comprehensive income | | | | | | |
| Revaluation of properties previously occupied by the Group | | | | | | |
| – gains recognised during the year | – | – | 100 | – | – | 100 |
| Defined benefit plans | | | | | | |
| – remeasurement gains recognised during the year | 50 | – | – | – | – | 50 |
| – deferred tax | (8) | – | – | – | – | (8) |
| Cash flow hedges | | | | | | |
| – losses recognised during the year | – | – | – | (70) | – | (70) |
| – transferred to net finance charges | – | – | – | 24 | – | 24 |
| – transferred to operating profit | – | – | – | 3 | – | 3 |
| – deferred tax | – | – | – | 7 | – | 7 |
| Share of other comprehensive income of joint venture and associated companies | – | – | – | (4) | 865 | 861 |
| Net translation differences on foreign operations | – | – | – | – | 1,952 | 1,952 |
| Total comprehensive income for the year | 4,138 | – | 100 | (40) | 2,817 | 7,015 |
| Transfer | 24 | – | (24) | – | – | – |
| 2019 second interim dividend (note 13) | (3,451) | – | – | – | – | (3,451) |
| 2020 first interim dividend (note 13) | (1,755) | – | – | – | – | (1,755) |
| At 31st December 2020 | 276,245 | (1,108) | 1,915 | 41 | 1,194 | 278,287 |

## 37. Reserves *(continued)*

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

(a) The Group's revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$10,857 million (2019: HK$10,119 million) and retained revenue reserves from associated companies amounting to HK$230 million (2019: HK$315 million).

(b) The Group's revenue reserve includes HK$3,569 million (2019: HK$3,451 million) representing the declared second interim dividend for the year (note 13).

(c) The Group adopted merger accounting in accordance with Accounting Guideline 5, Merger Accounting for Common Control Combinations (issued by the HKICPA) to account for the acquisition of all the shares of Swire Properties US Inc and Swire Properties One LLC in January 2010. These companies were wholly-owned subsidiaries of the immediate holding company of Swire Properties Limited.

(d) At 31st December 2020, the Group's cash flow hedge reserve includes a credit of HK$41 million (net of tax) (2019: charge of HK$57 million) relating to the currency basis element of the Group's derivatives which is recognised separately as a cost of hedging.

## 38. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

| At 31st December 2020 | Note | 2020 HK$M | 2019 HK$M |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **33** | 39 |
| Intangible assets | | **73** | 52 |
| Right-of-use assets | | **19** | 31 |
| Subsidiary companies | | **85,236** | 84,234 |
| Loans due from joint venture companies | | **2,678** | 3,567 |
| Associated companies | | **3** | 3 |
| Deferred tax assets | | **7** | 15 |
| Other financial assets at amortised cost | | **490** | – |
| | | **88,539** | 87,941 |
| **Current assets** | | | |
| Trade and other receivables | | **134** | 85 |
| Cash and cash equivalents | | **16,727** | 11,982 |
| | | **16,861** | 12,067 |
| **Current liabilities** | | | |
| Trade and other payables | | **17,890** | 20,083 |
| Taxation payable | | **3** | 27 |
| Lease liabilities due within one year | | **12** | 11 |
| | | **17,905** | 20,121 |
| **Net current liabilities** | | **(1,044)** | (8,054) |
| **Total assets less current liabilities** | | **87,495** | 79,887 |
| **Non-current liabilities** | | | |
| Long-term lease liabilities | | **8** | 19 |
| Retirement benefit liabilities | | **115** | 139 |
| | | **123** | 158 |
| **NET ASSETS** | | **87,372** | 79,729 |
| **EQUITY** | | | |
| **Equity attributable to the Company's shareholders** | | | |
| Share capital | *36* | **10,449** | 10,449 |
| Reserves | *38(b)* | **76,923** | 69,280 |
| **TOTAL EQUITY** | | **87,372** | 79,729 |

**Merlin B. Swire**
**May Y. Wu**
Directors

*Hong Kong, 11th March 2021*

## 38. Company Statement of Financial Position and Reserves *(continued)*

(b) The movement of the Company reserves during the year are as follows:

| | Revenue reserve HK$M |
|---|---|
| **Company** | |
| **At 1st January 2020** | **69,280** |
| **Profit for the year (note 12)** | **12,814** |
| **Other comprehensive income** | |
| **Defined benefit plans** | |
| **– remeasurement gains recognised during the year** | **42** |
| **– deferred tax** | **(7)** |
| **Total comprehensive income for the year** | **12,849** |
| **2019 second interim dividend (note 13)** | **(3,451)** |
| **2020 first interim dividend (note 13)** | **(1,755)** |
| **At 31st December 2020** | **76,923** |
| Company | |
| At 1st January 2019 | 65,708 |
| Profit for the year (note 12) | 8,567 |
| Other comprehensive income | |
| Defined benefit plans | |
| – remeasurement gains recognised during the year | 43 |
| – deferred tax | (7) |
| Total comprehensive income for the year | 8,603 |
| 2018 second interim dividend | (3,334) |
| 2019 first interim dividend (note 13) | (1,697) |
| At 31st December 2019 | 69,280 |

(i) Distributable reserves of the Company at 31st December 2020 amounted to HK$76,923 million (2019: HK$69,280 million).

(ii) The Company's revenue reserve includes HK$3,569 million (2019: HK$3,451 million) representing the declared second interim dividend for the year (note 13).

## 39. Non-controlling Interests

The movement of non-controlling interests during the year is as follows:

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| At 1st January | **1,984** | 2,016 |
| Share of profit less losses for the year | **(27)** | 43 |
| Share of translation differences on foreign operations | **27** | (17) |
| Share of total comprehensive income | **–** | 26 |
| Dividends paid and payable | **(119)** | (58) |
| Others | **79** | – |
| At 31st December | **1,944** | 1,984 |

## 40. Capital Commitments

| | 2020 HK$M | 2019 HK$M |
|---|---|---|
| The Group's outstanding capital commitments at the year end in respect of: | | |
| Property, plant and equipment | | |
| Contracted but not provided for | **–** | – |
| Authorised by Directors but not contracted for | **225** | 212 |
| Investment properties | | |
| Contracted but not provided for | **4,022** | 5,293 |
| Authorised by Directors but not contracted for | **10,047** | 10,211 |
| | **14,294** | 15,716 |
| The Group's share of capital commitments of joint venture companies at the year end* | | |
| Contracted but not provided for | **23** | 270 |
| Authorised by Directors but not contracted for | **4,353** | 617 |
| | **4,376** | 887 |

* of which the Group is committed to funding HK$1,330 million (2019: HK$483 million).

At 31st December 2020, the Group was committed to inject capital of HK$3,946 million (2019: Nil) into a joint venture company.

At 31st December 2020, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$270 million (2019: HK$256 million).

## 41. Contingencies

### Accounting Policy

Contingent liabilities are possible obligations that arise from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments" and
– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Guarantees provided in respect of bank loans and other liabilities of joint venture companies | **2,736** | 1,878 |
| Bank guarantees given in lieu of utility deposits and others | **167** | 170 |
| | **2,903** | 2,048 |

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

## 42. Lease Commitments

**Accounting Policy**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts by the Group as a lessor under operating leases (net of any incentives paid to lessees) are recognised as income in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

For commenced leases (which are not identified as low-value or short-term leases) undertaken by the Group as a lessee, right-of-use assets and the corresponding lease liabilities are recognised in the financial statements when the leased assets become available for use by the Group. Commitments in respect of leases payable by the Group as a lessee represent the total future lease payments for (i) committed leases which have not yet commenced at the year-end date and (ii) short-term leases.

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

### (a) Lessor – lease receivables

The Group leases out investment properties under operating leases. The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received from investment properties during the year amounted to HK$642 million (2019: HK$547 million).

The future aggregate minimum lease receipts under non-cancellable operating leases were receivable by the Group at the year end as follows:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Investment properties | | |
| Within 1 year | **8,798** | 9,449 |
| Between 1 and 2 years | **7,266** | 8,048 |
| Between 2 and 3 years | **5,289** | 6,220 |
| Between 3 and 4 years | **3,760** | 4,454 |
| Between 4 and 5 years | **2,658** | 3,307 |
| Later than 5 years | **4,771** | 7,153 |
| | **32,542** | 38,631 |

Assets held for deployment on operating leases at 31st December were as follows:

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Investment properties at fair value | **239,493** | 252,260 |

### (b) Lessee

At 31st December 2020, there are no future lease payments under leases committed but not yet commenced by the Group and no short-term leases commitments which are significantly dissimilar to the portfolio of short-term leases for which expenses were recognised for the year ended 31st December 2020 (2019: None).

## 43. Related Party Transactions

**Accounting Policy**

Related parties of the Group are individuals and companies, including subsidiary, fellow subsidiary, joint venture and associated companies and key management of the Group or the parent of the Group (including close members of their families), where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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 2020 for a period of three years expiring on 31st December 2022. For the year ended 31st December 2020, service fees payable amounted to HK$201 million (2019: HK$203 million). Expenses of HK$90 million (2019: HK$84 million) were reimbursed at cost; in addition, HK$69 million (2019: HK$72 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 2018 for a term of three years expiring on 31st December 2021. For the year ended 31st December 2020, 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$106 million (2019: HK$109 million) and HK$47 million (2019: HK$87 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.

| | | Joint venture companies | | Fellow subsidiary companies | | Immediate holding company | | Intermediate holding company | | Other related parties | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Notes* | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M | **2020 HK$M** | 2019 HK$M |
| Purchase of services | *(a)* | **–** | – | **26** | 19 | **–** | – | **–** | – | **–** | – |
| Rendering of services | *(a)* | **53** | 50 | **–** | – | **–** | – | **2** | 2 | **2** | – |
| Rental revenue | *(b)* | **–** | – | **35** | 75 | **12** | 12 | **106** | 109 | **1** | 3 |
| Rental expenses | *(b)* | **8** | 9 | **–** | – | **–** | – | **–** | – | **–** | – |
| Revenue from hotels | | **12** | 18 | **–** | 1 | **–** | – | **–** | 1 | **3** | 3 |
| Interest income | *(c)* | **68** | 69 | **–** | – | **–** | – | **–** | – | **–** | – |
| Interest charges | *(c)* | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |

Notes:

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

(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 eight years. The leases were entered into on normal commercial terms.

(c) Loans advanced to joint venture companies at 31st December 2020 are disclosed in note 20. Advances from joint venture and associated companies are disclosed in note 27.

The amount due from the immediate holding company at 31st December 2020 is disclosed in note 25. The balance arises in the normal course of business, is non-interest-bearing and repayable within one year. Remuneration of key management, which includes executive and non-executive directors and executive officers, is disclosed in note 9.

## 44. Notes to the Consolidated Statement of Cash Flows

### (a) Reconciliation of operating profit to cash generated from operations

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Operating profit | **5,506** | 14,397 |
| Change in fair value of investment properties | **4,465** | (3,720) |
| Depreciation | **340** | 334 |
| Amortisation of initial leasing costs on investment properties | **33** | 35 |
| Amortisation of intangible assets | **40** | 36 |
| Profit on sale of subsidiary companies | **(1,973)** | (1,361) |
| Profit on sale of a joint venture company | **–** | (994) |
| Losses on sale of investment properties | **147** | 17 |
| Losses on sale of property, plant and equipment | **3** | 6 |
| Other items | **107** | (52) |
| **Operating profit before working capital changes** | **8,668** | 8,698 |
| (Increase)/Decrease in amount due from immediate holding company | **(12)** | 11 |
| Decrease/(Increase) in properties for sale | **119** | (915) |
| Increase in stocks | **(1)** | (9) |
| (Increase)/Decrease in trade and other receivables | **(855)** | 519 |
| Increase in contract assets | **–** | (4) |
| Decrease in trade and other payables | **(392)** | (2,817) |
| Increase in contract liabilities | **3** | 12 |
| Increase in retirement benefit liabilities | **20** | 4 |
| **Cash generated from operations** | **7,550** | 5,499 |

### (b) Purchase of property, plant and equipment

| | **2020 HK$M** | 2019 HK$M |
|---|---|---|
| Land and buildings | **10** | 14 |
| Plant and equipment | **111** | 106 |
| Total | **121** | 120 |

The above purchase amounts do not include interest capitalised on property, plant and equipment.

## 44. Notes to the Consolidated Statement of Cash Flows *(continued)*

### (c) Disposal of subsidiary companies

| | 2020<br>HK$M |
|---|---|
| Net assets disposed of: | |
| Investment properties | **7,685** |
| Property, plant and equipment | **15** |
| Right-of-use assets | **119** |
| Trade and other receivables | **30** |
| Stocks | **1** |
| Trade and other payables | **(89)** |
| Taxation payable | **(99)** |
| Deferred tax liabilities | **(28)** |
| | **7,634** |
| Gain on disposal | **1,973** |
| | **9,607** |
| Satisfied by: | |
| Cash received (net of transaction costs) | **8,219** |
| Financial assets at fair value through profit or loss | **970** |
| Deferred consideration | **490** |
| Other consideration | **(72)** |
| | **9,607** |
| Analysis of net inflow of cash and cash equivalents from disposal: | |
| Net cash proceeds | **8,219** |
| Less: cash and cash equivalents disposed of | **–** |
| | **8,219** |

The disposal of subsidiary companies consists of the sale of the Group's interests in the Cityplaza One office tower in Hong Kong.

Refer to the tables with the headings "Audited Financial Information" on page 66 for details of the changes in financing during the year.

## 45. Immediate and Ultimate Holding Company

The immediate holding company is Swire Pacific Limited, a company incorporated and listed in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England and Wales.

## 46. Event After the Reporting Period

In December 2020, the Group completed the sale of its interest in a wholly-owned subsidiary company which indirectly held a 100% interest in the Cityplaza One office tower in Hong Kong. In accordance with the sale and purchase agreement ("SPA"), part of the consideration was satisfied by the issue of the consideration shares which represent a 22% shareholding in the holding company of the purchaser. A call option was granted to the purchaser's guarantor to acquire some or all of these consideration shares during the period from the date of the SPA completion to the first anniversary of such date. In February 2021, the purchaser's guarantor exercised the call option to acquire the Group's consideration shares at an exercise price of HK$973 million.

# Principal Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, the other principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

## 1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements include "Audited Financial Information" in the Financing section on pages 65 to 73. The consolidated financial statements have been prepared under the historical cost convention as modified in relation to the revaluation of investment properties, put options in respect of non-controlling interests, financial assets at fair value through profit or loss and other comprehensive income, defined benefits assets/liabilities and derivative financial instruments, each of which are carried at fair value.

## 2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Swire Properties Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in joint venture and associated companies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are generally expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquired subsidiary either at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired subsidiary and the acquisition-date fair value of any previous equity interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the owner of the non-controlling interest, which is not part of a business combination, the Group records a financial liability in respect of the present value of the redemption amount with a corresponding charge directly to equity. Changes to the value of the financial liability are recognised in the consolidated statement of profit or loss within net finance charges.

## 2. Basis of Consolidation *(continued)*

In the Group's consolidated statement of financial position, its interests in joint venture and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in joint venture and associated companies over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition represents goodwill. The Group's interests in joint venture and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

The Group's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the joint venture or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associated company.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in joint venture and associated companies are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associated company is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in the consolidated statement of profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs of disposal or value-in-use. Any reversal of such impairment loss in subsequent periods is credited to the consolidated statement of profit or loss.

The Group recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint venture and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its joint venture and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in respect of investments in associated companies are recognised in the consolidated statement of profit or loss.

## 3. Subsidiary Companies

Subsidiary companies are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiary companies in the Company's standalone financial statements are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for on the basis of dividends received and receivable. Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there is no defined repayment terms and no expectation of repayment.

## 4. Joint Venture and Associated Companies

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company on the basis of dividends received and receivable. Long-term loans to joint venture and associated companies are subject to expected credit losses assessment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

## 5. Foreign Currency Translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss, except when deferred in the consolidated statement of other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in the consolidated statement of other comprehensive income, any associated translation difference is also recognised directly in the consolidated statement of other comprehensive income. When a gain or loss on a non-monetary item is recognised in the consolidated statement of profit or loss, any associated translation difference is also recognised in the consolidated statement of profit or loss.

### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the statement of other comprehensive income and accumulated in a separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to the consolidated statement of other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified in the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 6. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

# Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2020

| | Attributable to the Group % | Owned directly % | Owned by subsidiaries % | Issued and fully paid up shares/Registered capital | Principal activities |
|---|---|---|---|---|---|
| *Subsidiary companies:* | | | | | |
| **Incorporated in Hong Kong with limited liability and operating in Hong Kong:** | | | | | |
| Citiluck Development Limited | 100 | – | 100 | 1,000 shares (HK$1,000) | Property investment |
| Cityplaza Holdings Limited | 100 | 100 | – | 100 shares (HK$1,000) | Property investment |
| Coventry Estates Limited | 100 | – | 100 | 4 shares (HK$40) | Property investment |
| Joyful Sincere Limited (d) | 80 | – | 100 | 1 share (HK$1) | Property trading |
| Keen Well Holdings Limited | 80 | – | 100 | 1 share (HK$1) | Property trading |
| One Queen's Road East Limited | 100 | 100 | – | 2 shares (HK$2) | Property investment |
| Pacific Place Holdings Limited | 100 | 100 | – | 2 shares (HK$2) | Property investment |
| Redhill Properties Limited | 100 | 100 | – | 250,000 shares (HK$7,300,000) | Property investment |
| Super Gear Investment Limited | 100 | 100 | – | 2 shares (HK$2) | Property investment |
| Swire Properties (Finance) Limited | 100 | 100 | – | 1,000,000 shares (HK$1,000,000) | Financial services |
| Swire Properties Management Limited | 100 | 100 | – | 2 shares (HK$20) | Property management |
| Swire Properties MTN Financing Limited | 100 | 100 | – | 1 share (HK$1) | Financial services |
| Swire Properties Real Estate Agency Limited | 100 | 100 | – | 2 shares (HK$20) | Real estate agency |
| Taikoo Place Holdings Limited | 100 | 100 | – | 2 shares (HK$2) | Property investment |
| **Incorporated in the Chinese mainland with limited liability and operating in the Chinese mainland:** | | | | | |
| *(Sino-foreign joint venture)* | | | | | |
| Taikoo Hui (Guangzhou) Development Company Limited (b) | 97 | – | 97 | Registered capital of RMB3,050,000,000 | Property investment |
| *(Wholly foreign owned enterprises)* | | | | | |
| Beijing Anye Property Management Company Limited (b)(d) | 100 | – | 100 | Registered capital of RMB209,500,000 | Property Investment |
| Beijing Sanlitun Hotel Management Company Limited (b) | 100 | – | 100 | Registered capital of RMB800,000,000 | Hotel investment |
| Beijing Sanlitun North Property Management Company Limited (b) | 100 | – | 100 | Registered capital of RMB2,784,000,000 | Property investment |
| Beijing Sanlitun South Property Management Company Limited (b) | 100 | – | 100 | Registered capital of RMB1,598,000,000 | Property investment |
| Sunshine Melody (Guangzhou) Properties Management Limited | 100 | – | 100 | Registered capital of RMB295,000,000 | Property investment |
| Swire Properties (China) Investment Company Limited (b) | 100 | – | 100 | Registered capital of US$30,000,000 | Holding company |
| *(Domestic company)* | | | | | |
| Beijing Tianlian Real Estate Company Limited (b)(d) | 100 | – | 100 | Registered capital of RMB865,000,000 | Holding company |

Notes:

(a) This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.

(b) Translated name.

(c) Group interest held through joint venture and associated companies.

(d) Companies the accounts of which are not audited by PricewaterhouseCoopers. These companies accounted for approximately 2.0% of attributable net assets at 31st December 2020.

## Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2020

| | Attributable to the Group % | Owned directly % | Owned by subsidiaries % | Issued and fully paid up shares/Registered capital | Principal activities |
|---|---|---|---|---|---|
| *Subsidiary companies (continued):* | | | | | |
| **Incorporated in the United States with limited liability and operating in the United States:** | | | | | |
| 700 Brickell City Centre LLC | 100 | – | 100 | Limited Liability Company | Property trading |
| Brickell City Centre Plaza LLC | 100 | – | 100 | Limited Liability Company | Property investment |
| Brickell City Centre Project LLC | 100 | – | 100 | Limited Liability Company | Property trading and investment |
| Brickell City Centre Retail LLC | 62.93 | – | 87.93 | Limited Liability Company | Property investment |
| FTL/AD LTD | 75 | – | 75 | Florida Partnership | Property trading |
| Swire Jadeco LLC | 100 | – | 100 | Limited Liability Company | Property trading |
| Swire Pacific Holdings Asia LLC | 100 | – | 100 | Limited Liability Company | Property trading |
| Swire Properties Inc | 100 | – | 100 | 1,000 shares of US$0.01 each | Holding company |
| Swire Properties One LLC | 100 | – | 100 | Limited Liability Company | Property trading and investment |
| Swire Properties US Inc | 100 | – | 100 | 1,000 shares of US$0.01 each | Holding company |
| Swire Realty LLC | 100 | – | 100 | Limited Liability Company | Real estate agency |
| **Incorporated in the British Virgin Islands with limited liability and operating in Hong Kong:** | | | | | |
| Boom View Holdings Limited | 100 | 100 | – | 2 shares of US$1 each | Property investment |
| Endeavour Technology Limited | 87.5 | – | 87.5 | 1,000 shares of US$1 each | Holding company |
| High Grade Ventures Limited | 100 | 100 | – | 1 share of US$1 | Property trading and investment |
| Novel Ray Limited | 100 | 100 | – | 1 share of US$1 | Property investment |
| Peragore Limited | 80 | – | 80 | 1,000 shares of US$1 each | Holding company |
| Sino Flagship Investments Limited | 100 | 100 | – | 1 share of US$1 | Property investment |
| Swire and Island Communication Developments Limited (d) | 60 | 60 | – | 100 shares of HK$10 each and 1 non-voting dividend share of HK$10 | Property investment |
| Swire Properties China Holdings Limited | 100 | 100 | – | 1 share of US$1 | Holding company |
| Wonder Cruise Group Limited | 100 | 100 | – | 1 share of US$1 | Property trading |
| *Joint venture companies:* | | | | | |
| **Incorporated in Hong Kong with limited liability and operating in Hong Kong:** | | | | | |
| Hareton Limited (d) | 50 | – | 50 | 100 shares (HK$1,000) | Property investment |
| Pacific Grace Limited | 50 | – | (c) | 2 shares (HK$2) | Property investment |
| Richly Leader Limited | 50 | – | 50 | 1,000,000,000 shares (HK$700,000,000) | Property investment |
| **Incorporated in the United States with limited liability and operating in the United States:** | | | | | |
| Swire Brickell Key Hotel, Ltd. | 75 | – | 75 | Florida Partnership | Hotel investment |

| | Attributable to the Group % | Owned directly % | Owned by subsidiaries % | Issued and fully paid up shares/Registered capital | Principal activities |
|---|---|---|---|---|---|
| *Joint venture companies (continued):* | | | | | |
| **Incorporated in the British Virgin Islands with limited liability:** | | | | | |
| Dazhongli Properties Limited (operating in the Chinese mainland) | 50 | – | 50 | 1,000 shares of US$1 each | Holding company |
| Fortune Access Holdings Limited | 25 | – | 25 | 100 shares of US$1 each | Holding company |
| Great City China Holdings Limited (operating in the Chinese mainland) | 50 | – | 50 | 100 shares of US$1 each | Holding company |
| Honster Investment Limited | 50 | – | 50 | 2 shares of US$1 each | Holding company |
| Newfoundworld Investment Holdings Limited (operating in Hong Kong) | 20 | – | 20 | 5 shares of US$1 each | Holding company |
| **Incorporated in the Chinese mainland with limited liability and operating in the Chinese mainland:** | | | | | |
| *(Domestic company)* | | | | | |
| Beijing Linlian Real Estate Company Limited (b) | 50 | – | 50 | Registered capital of RMB400,000,000 | Property investment |
| Beijing Xingtaitonggang Properties Company Limited (b) | 35 | – | 35 | Registered capital of RMB9,500,000,000 | Property investment |
| *(Wholly foreign owned enterprises)* | | | | | |
| Chengdu Qianhao Real Estate Company Limited | 50 | – | (c) | Registered capital of US$329,000,000 | Property investment |
| Guan Feng (Shanghai) Real Estate Development Company Limited (b) | 50 | – | (c) | Registered capital of US$1,136,530,000 | Property investment |
| *(Sino-foreign owned enterprise)* | | | | | |
| Shanghai Qianxiu Company Limited (b) | 50 | – | 50 | Registered capital of RMB1,549,777,000 | Property investment |
| **Incorporated in Indonesia with limited liability and operating in Indonesia:** | | | | | |
| PT Jantra Swarna Dipta | 50 | – | 50 | 1,202,044 shares of Rp1,000,000 each | Property trading |
| *Associated companies:* | | | | | |
| **Incorporated in Hong Kong with limited liability and operating in Hong Kong:** | | | | | |
| Greenroll Limited (d) | 20 | 20 | – | 45,441,000 shares (HK$454,410,000) | Hotel investment |
| Queensway Hotel Limited (d) | 20 | – | (c) | 100,000 shares (HK$1,000,000) | Hotel investment |
| Shangri-La International Hotels (Pacific Place) Limited | 20 | 20 | – | 10,005,000 shares (HK$10,005,000) | Hotel investment |
| **Incorporated in Vietnam with limited liability and operating in Vietnam:** | | | | | |
| City Garden Thu Thiem Limited Liability Company (d) | 20 | – | (c) | Charter capital of VND969,797,500,000 | Property trading |

# Schedule of Principal Group Properties

At 31st December 2020

| | Gross floor areas in square feet | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong | | Chinese Mainland | | U.S.A. and Elsewhere | | Totals | |
| | Held through subsidiaries | Held through other companies | Held through subsidiaries | Held through other companies | Held through subsidiaries | Held through other companies | Held through subsidiaries | Held through subsidiaries and other companies |
| **Completed properties for investment** | | | | | | | | |
| Retail | 2,320,003 | 167,927 | 2,859,885 | 2,353,175 | 496,508 | – | 5,676,396 | 8,197,498 |
| Office | 7,480,117 | 727,847 | 1,751,513 | 1,208,566 | – | – | 9,231,630 | 11,168,043 |
| Residential/serviced apartment | 555,551 | – | 51,517 | 128,565 | 109,000 | – | 716,068 | 844,633 |
| Hotels | 358,371 | 411,189 | 753,647 | 471,318 | 218,000 | 258,750 | 1,330,018 | 2,471,275 |
| | 10,714,042 | 1,306,963 | 5,416,562 | 4,161,624 | 823,508 | 258,750 | 16,954,112 | 22,681,449 |
| **Property developments for investment** | | | | | | | | |
| Retail | 2,839 | – | 255,731 | – | – | – | 258,570 | 258,570 |
| Office | 1,218,000 | – | – | – | – | – | 1,218,000 | 1,218,000 |
| Residential/serviced apartment | 14,500 | – | – | – | – | – | 14,500 | 14,500 |
| Hotels | – | – | – | – | – | – | – | – |
| Under planning | – | – | – | 1,429,306 | 1,444,000* | – | 1,444,000 | 2,873,306 |
| | 1,235,339 | – | 255,731 | 1,429,306 | 1,444,000 | – | 2,935,070 | 4,364,376 |
| **Completed properties for sale** | | | | | | | | |
| Retail | – | – | – | – | – | – | – | – |
| Residential | – | – | – | – | 255,562 | – | 255,562 | 255,562 |
| Office | – | – | – | – | – | – | – | – |
| | – | – | – | – | 255,562 | – | 255,562 | 255,562 |
| **Property developments for sale** | | | | | | | | |
| Retail | 2,000 | – | – | – | – | – | 2,000 | 2,000 |
| Residential | 722,856 | 159,576 | – | – | 1,073,000 | 730,604 | 1,795,856 | 2,686,036 |
| Under planning | – | – | – | – | 825,000 | – | 825,000 | 825,000 |
| | 724,856 | 159,576 | – | – | 1,898,000 | 730,604 | 2,622,856 | 3,513,036 |
| | 12,674,237 | 1,466,539 | 5,672,293 | 5,590,930 | 4,421,070 | 989,354 | 22,767,600 | 30,814,423 |

* One Brickell City Centre is currently under planning. The site is included under "Properties held for development" in the financial statements.

Notes:

1. All properties held through subsidiary companies are wholly-owned except for Island Place (60% owned), Chai Wan Inland Lot No. 88 (80% owned), Taikoo Hui, Guangzhou (97% owned), Brickell City Centre (Retail: 62.93% owned) and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these five properties in 100%.
2. "Other companies" comprise joint venture or associated companies. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas in Hong Kong and the Chinese mainland exclude carparking spaces; there are about 10,400 completed carparking spaces in Hong Kong and the Chinese mainland, which are held by subsidiaries and other companies for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the U.S.A. are freehold.
6. Gross floor areas for all properties in the U.S.A. represent saleable or leasable areas for completed and nearly completed properties, which exclude carparking spaces; there are about 1,976 completed carparking spaces held by subsidiaries and other companies for investment.

| Completed properties for investment in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Office** | | | | | | | |
| 1. Pacific Place, 88 Queensway, Central | | | | | | | |
| One Pacific Place | IL 8571 (part) | 2135 | 115,066 (part) | 863,266 | – | 1988 | |
| Two Pacific Place | IL 8582 & Ext. (part) | 2047 | 203,223 (part) | 695,510 | – | 1990 | |
| 2. Three Pacific Place, One Queen's Road East | IL 47A sA RP<br>IL 47A sB RP<br>IL 47A sC RP<br>IL 47B sC RP<br>IL 47A RP<br>IL 47C sA ss1 RP<br>IL 47C sA RP<br>IL 47B sA RP<br>IL 47B sB RP<br>IL 47B RP<br>IL 47A sB ss2<br>IL 47A sD<br>IL 47B sD<br>IL 47C RP<br>IL 47D RP<br>IL 47D sA RP<br>IL 47 sA ss1<br>IL 47 sA RP<br>IL 47 sB ss1 & RP<br>IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP<br>IL 47 sP<br>IL 47 RP<br>IL 47 sC ss5 Ext.<br>IL 47 sC ss1 Ext. | 2050-2852 | 40,236 | 627,657 | 111 | 2004/07 | Linked to The Mall at Pacific Place and Admiralty MTR station. |
| 3. Devon House, Taikoo Place | QBML 1 sE ss2 (part)<br>QBML 1 sF ss1 (part)<br>QBML 1 sF RP (part)<br>ML 703 sN (part) | 2881 | 70,414 (part) | 803,452 | 311 | 1993 | Linked to Dorset House and Cambridge House. |
| 4. Dorset House, Taikoo Place | QBML 1 sQ (part)<br>QBML 1 sR ss1 (part)<br>QBML 1 sR RP (part)<br>QBML 1 sS (part)<br>QBML 1 sT ss1 (part)<br>QBML 1 sT ss2 (part)<br>QBML 1 sT RP (part)<br>QBML 1 sU (part)<br>QBML 1 sW (part)<br>QBML 1 RP (part) | 2881 | 238,582 (part) | 609,540 | 215 | 1994 | Linked to Devon House. |
| 5. Lincoln House, Taikoo Place | QBML 1 sQ (part)<br>QBML 1 sR ss1 (part)<br>QBML 1 sR RP (part)<br>QBML 1 sS (part)<br>QBML 1 sT ss1 (part)<br>QBML 1 sT ss2 (part)<br>QBML 1 sT RP (part)<br>QBML 1 sU (part)<br>QBML 1 sW (part)<br>QBML 1 RP (part) | 2881 | 238,582 (part) | 333,529 | 164 | 1998 | Linked to PCCW Tower and One Taikoo Place. |
| 6. Oxford House, Taikoo Place | QBML 1 sC ss4<br>QBML 1 sC ss7 (part)<br>QBML 2 & Ext. sD | 2881/2899 | 33,434 | 501,253 | 182 | 1999 | Linked to One Taikoo Place. |

## Schedule of Principal Group Properties

At 31st December 2020

| Completed properties for investment in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Office** *(continued)* | | | | | | | |
| 7. Cambridge House, Taikoo Place | QBML 1 sE ss2 (part)<br>QBML 1 sF ss1 (part)<br>QBML 1 sF RP (part)<br>ML 703 sN (part) | 2881 | 70,414 (part) | 268,795 | – | 2003 | Linked to Devon House. |
| 8. One Island East, Taikoo Place | QBML 1 sC ss5<br>QBML 1 sC ss6<br>QBML 2 & Ext. sF<br>QBML 2 & Ext. sG<br>QBML 2 & Ext. sH ss6 sB RP<br>QBML 2 & Ext. sH RP<br>QBML 2 & Ext. RP<br>QBIL 15 sD | 2881/2899 | 109,929 | 1,537,011 | – | 2008 | |
| 9. One Taikoo Place, Taikoo Place | QBML 1 sQ (part)<br>QBML 1 sR ss1 (part)<br>QBML 1 sR RP (part)<br>QBML 1 sS (part)<br>QBML 1 sT ss1 (part)<br>QBML 1 sT ss2 (part)<br>QBML 1 sT RP (part)<br>QBML 1 sU (part)<br>QBML 1 sW (part)<br>QBML 1 RP (part) | 2881 | 238,582 (part) | 1,013,368 | 82 | 2018 | Linked to Lincoln House and Oxford House. |
| 10. 8 Queen's Road East, Wanchai | IL 5250<br>IL 7948<br>IL 7950 | 2089/ 2103/2113 | 4,612 | 81,346 | – | 2013 (Refurbishment) | With ground floor retail. |
| 11. 28 Hennessy Road, Wanchai | ML 23<br>IL 2244 RP<br>IL 2245 RP | 2843 | 9,622 | 145,390 | – | 2012 | |
| | Total held through subsidiaries | | | **7,480,117** | **1,065** | | |
| 12. PCCW Tower, Taikoo Place | QBML 1 sQ (part)<br>QBML 1 sR ss1 (part)<br>QBML 1 sR RP (part)<br>QBML 1 sS (part)<br>QBML 1 sT ss1 (part)<br>QBML 1 sT ss2 (part)<br>QBML 1 sT RP (part)<br>QBML 1 sU (part)<br>QBML 1 sW (part)<br>QBML 1 RP (part) | 2881 | 238,582 (part) | 620,148 | 217 | 1994 | Linked to Dorset House. Floor area shown represents the whole development, in which the Group owns a 50% interest. |
| 13. Berkshire House, Taikoo Place | IL 8854 | 2047 | 25,926 | 388,838 | 84 | 1998 | Floor area shown represents the whole development, in which the Group owns a 50% interest. |
| 14. One Citygate, Tung Chung, Lantau | TCTL 2 (part) | 2047 | 358,557 (part) | 160,522 | 63 | 1999/ 2000 | Above Citygate shopping centre. Floor area shown represents the whole of the office area of the development, in which the Group owns a 20% interest. Citygate also comprises a hotel, details of which are given in the Hotel Category below. |
| 15. South Island Place, Wong Chuk Hang | AIL 461 RP | 2064 | 25,260 | 382,499 | 137 | 2018 | Floor area shown represents the whole development, in which the Group owns a 50% interest. |
| | Total held through joint venture companies | | | **1,552,007** | **501** | | |
| | – of which attributable to the Group | | | **727,847** | | | |

| Completed properties for investment in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Retail** | | | | | | | |
| 1. Pacific Place, 88 Queensway, Central | | | | | | | |
| The Mall at Pacific Place | IL 8571 (part)<br>IL 8582 & Ext. (part) | 2135/2047 | 318,289 (part) | 711,182 | 426 | 1988/90 | Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below. |
| 2. Cityplaza, Taikoo Shing | QBML 2 & Ext. sK ss5 (part)<br>QBML 2 & Ext. sR RP (part)<br>QBML 2 & Ext. sR ss1 sA (part)<br>QBML 2 & Ext. sR ss2 (part)<br>QBML 2 & Ext. sQ RP (part)<br>QBML 2 & Ext. sQ ss7 sA (part)<br>QBML 2 & Ext. sQ ss7 RP (part)<br>QBML 2 & Ext. sQ ss2 sB (part)<br>QBML 2 & Ext. sQ ss2 sA ss1 (part)<br>QBML 2 & Ext. sQ ss2 sA RP (part)<br>QBML 2 & Ext. sJ RP (part) | 2899 | 334,475 (part) | 1,096,898 | 834 | 1983/87/ 97/2000 | Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station. |
| 3. Commercial areas in Stages I - X of Taikoo Shing | SML 1 sA ss1, SML 1 sA RP<br>SML 1 sB, SML 2 sC RP<br>SML 2 sC ss2<br>SML 2 sD, SML 2 RP<br>QBML 2 & Ext. sJ ss1<br>QBML 2 & Ext. sJ ss3<br>QBML 2 & Ext. sL<br>QBML 2 & Ext. sN<br>QBML 2 & Ext. sQ ss4 & ss5<br>QBML 2 & Ext. sQ ss2 sC<br>QBML 2 & Ext. sS ss1<br>QBML 2 & Ext. sH ss1<br>QBML 2 & Ext. sH ss3 sA<br>QBML 2 & Ext. sK ss3 sA<br>QBML 2 & Ext. sU ss1<br>QBML 2 & Ext. sK ss3 RP<br>QBML 2 & Ext. sK ss4 sA & RP<br>QBML 2 & Ext. sT ss1 & RP<br>QBML 2 & Ext. sU RP<br>QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part) | 2081/ 2889/2899 | – | 331,079 | 3,410 | 1977-85 | Neighbourhood shops, schools and carparking spaces. |
| 4. Island Place 500 King's Road, North Point | IL 8849 (part) | 2047 | 106,498 (part) | 150,223 | 288 | 1996 | Floor area shown represents the whole shopping centre podium, in which the Group owns a 60% interest. |
| 5. StarCrest, 9 Star Street, Wanchai | IL 8853 (part) | 2047 | 40,871 (part) | 13,112 | 83 | 1999 | Floor area shown represents the whole of the retail podium. |
| 6. EAST Residences, 23 Tong Chong Street, Taikoo Place | ML 703 sI (part) | 2881 | 8,664 (part) | 12,312 | – | 2014 | Floor area shown represents the whole of a 3-storey retail podium (excluding serviced-suites above). |
| 7. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street | IL 47 sF (part)<br>IL 47 sG (part)<br>IL 47 sH (part)<br>IL 47 sI (part)<br>IL 8464 (part) | 2056/2852 | 6,775 (part) | 5,197 | – | 2016 (Refurbishment) | Floor area shown represents the retail area (excluding residential apartments). |
| | Total held through subsidiaries | | | **2,320,003** | **5,041** | | |

## Schedule of Principal Group Properties

At 31st December 2020

| Completed properties for investment in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Retail** *(continued)* | | | | | | | |
| 8. Tung Chung Crescent, Tung Chung, Lantau | TCTL 1 (part) | 2047 | 331,658 (part) | 36,053 | 75 | 1998/ 1999 | Floor area shown represents the retail space, in which the Group owns a 20% interest. |
| 9. Citygate Outlets, Tung Chung, Lantau | TCTL 2 (part)<br>TCTL 11 (part) | 2047/ 2063 | 466,476 (part) | 803,582 | 1,197 | 1999/ 2000/ 2019 | Floor area shown represents the whole of the retail area of the development, in which the Group owns a 20% interest. |
| | Total held through joint venture companies | | | **839,635** | **1,272** | | |
| | – of which attributable to the Group | | | **167,927** | | | |
| **Residential** | | | | | | | |
| 1. Pacific Place Apartments, 88 Queensway | IL 8582 & Ext. (part) | 2047 | 203,223 (part) | 443,075 | – | 1990 | 270 serviced suites within the Conrad Hong Kong Hotel tower. |
| 2. EAST Residences, 23 Tong Chong Street, Taikoo Place | ML 703 sI (part) | 2881 | 8,664 (part) | 62,756 | – | 2014 | 106 serviced suites above a 3-storey retail podium. Floor area shown excludes retail portion. |
| 3. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street | IL 47 sF (part)<br>IL 47 sG (part)<br>IL 47 sH (part)<br>IL 47 sI (part)<br>IL 8464 (part) | 2056/2852 | 6,775 (part) | 47,076 | – | 2016 (Refurbishment) | 120 apartments above ground floor shops. Floor area shown excludes retail area (5,197 square feet). |
| 4. House B, 36 Island Road, Deep Water Bay | RBL 507 & Ext. (part) | 2097 | 20,733 (part) | 2,644 | – | 1980 | One detached house. |
| | Total held through subsidiaries | | | **555,551** | **–** | | |
| **Hotel** | | | | | | | |
| 1. EAST Hong Kong, Taikoo Shing | QBML 2 & Ext. sR RP (part)<br>QBML 2 & Ext. sR ss1 sA (part)<br>QBML 2 & Ext. sR ss2 (part)<br>QBML 2 & Ext. sQ RP (part)<br>QBML 2 & Ext. sQ ss7 sA (part)<br>QBML 2 & Ext. sQ ss7 RP (part)<br>QBML 2 & Ext. sQ ss2 sB (part)<br>QBML 2 & Ext. sQ ss2 sA ss1 (part)<br>QBML 2 & Ext. sQ ss2 sA RP (part)<br>QBML 2 & Ext. sJ RP (part) | 2899 | 146,184 (part) | 199,633 | – | 2009 | 345-room hotel. |
| 2. The Upper House, Pacific Place | IL 8571 (part) | 2135 | 115,066 (part) | 158,738 | – | 2009 (Refurbishment) | 117-room hotel above the JW Marriott Hotel. |
| | Total held through subsidiaries | | | **358,371** | **–** | | |
| 3. JW Marriott Hotel, Pacific Place | IL 8571 (part) | 2135 | 115,066 (part) | 525,904 | – | 1988 | 608-room hotel, in which the Group owns a 20% interest. |
| 4. Conrad Hong Kong Hotel, Pacific Place | IL 8582 & Ext. (part) | 2047 | 203,223 (part) | 555,590 | – | 1990 | 513-room hotel, in which the Group owns a 20% interest. |
| 5. Island Shangri-La Hotel, Pacific Place | IL 8582 & Ext. (part) | 2047 | 203,223 (part) | 605,728 | – | 1991 | 561-room hotel, in which the Group owns a 20% interest. |
| | Total held through associated companies | | | **1,687,222** | **–** | | |
| | – of which attributable to the Group | | | **337,444** | | | |

| Completed properties for investment in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Hotel** *(continued)* | | | | | | | |
| 6. Novotel Citygate Hong Kong, Citygate | TCTL 2 (part) | 2047 | 358,557 (part) | 236,758 | 25 | 2005 | 440-room hotel, in which the Group owns a 20% interest. |
| 7. The Silveri Hong Kong – MGallery, Citygate | TCTL 11 (part) | 2063 | 107,919 (part) | 131,965 | 5 | 2019 | 206-room hotel, in which the Group owns a 20% interest. |
| | Total held through joint venture companies | | | **368,723** | **30** | | |
| | – of which attributable to the Group | | | **73,745** | | | |

| Completed properties for investment in the Chinese mainland | Address | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Retail** | | | | | | | |
| 1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South) | 19 Sanlitun Road, Chaoyang District, Beijing | 2044 (2054 for Carpark) | 566,332 (part) | 776,909 | 417 | 2007 | Shopping centre with restaurants and cinema. |
| 2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North) | 11 Sanlitun Road, Chaoyang District, Beijing | 2044 (2054 for Carpark) | 566,332 (part) | 519,399 | 340 | 2007 | Shopping centre with restaurants. |
| 3. Hui Fang | 75 Tianhe East Road, Tianhe District, Guangzhou | 2044 | 174,377 (part) | 90,847 | 100 | 2008 | Shopping centre with restaurants. |
| 4. Taikoo Hui | 381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou | 2051 | 526,941 (part) | 1,472,730 | 718 | 2011 | Shopping centre with restaurants. Floor area shown represents the retail portion, in which the Group owns a 97% interest. |
| | Total held through subsidiaries | | | **2,859,885** | **1,575** | | |
| 5. INDIGO | 18 Jiuxianqiao Road, Chaoyang District, Beijing | 2044 (2054 for Carpark) | 631,072 (part) | 939,493 | 617 | 2012 | Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Group owns a 50% interest. |
| 6. Sino-Ocean Taikoo Li Chengdu | Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu | 2051 | 814,604 (part) | 1,314,973 | 1,051 | 2014 | Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Group owns a 50% interest. |
| 7. Heritage Buildings in Sino-Ocean Taikoo Li Chengdu | Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu | 2034 | N/A (part) | 40,387 | – | 2014 | Heritage buildings leased from the local government as part of the retail operation of Sino-Ocean Taikoo Li Chengdu, in which the Group owns a 50% interest. |
| 8. HKRI Taikoo Hui | South of West Nanjing Road and east of Shi Men Yi Road, Jing'an District, Shanghai | 2049 | 676,091 (part) | 1,105,646 | 240 | 2016 | Floor area shown represents the retail portion, in which the Group owns a 50% interest. |

## Schedule of Principal Group Properties

At 31st December 2020

| Completed properties for investment in the Chinese mainland | Address | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Retail** *(continued)* | | | | | | | |
| 9. Metrolink in HKRI Taikoo Hui | South of West Nanjing Road and underneath Shi Men Yi Road, Jing'an District, Shanghai | 2028 | N/A (part) | 67,813 | – | 2018 | Shopping corridor leased from Shanghai Shentong Metro and operated by HKRI Taikoo Hui, in which the Group owns a 50% interest. |
| 10. Taikoo Li Qiantan | East of Yangsi West Road, West of Dongyu Road, North of Haiyang West Road, Pudong New District, Shanghai | 2053 | 638,125 (part) | 1,238,037 | 907 | 2020 | Group owns a 50% interest. |
| | Total held through joint venture companies | | | **4,706,349** | **2,815** | | |
| | – of which attributable to the Group | | | **2,353,175** | | | |
| **Office** | | | | | | | |
| 1. Taikoo Hui Towers 1 & 2 | North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou | 2051 | 526,941 (part) | 1,731,766 | – | 2011 | Floor area shown represents the office portion, in which the Group owns a 97% interest. |
| 2. No. 15 Building | 15 Sanlitun North, Chaoyang District, Beijing | 2022 | N/A | 19,747 | – | 2000s | Commercial building leased by the Group mainly for office letting. |
| | Total held through subsidiaries | | | **1,751,513** | **–** | | |
| 3. ONE INDIGO | 20 Jiuxianqiao Road, Chaoyang District, Beijing | 2054 | 631,072 (part) | 589,071 | 390 | 2011 | Floor area shown represents the office portion, in which the Group owns a 50% interest. |
| 4. HKRI Centre 1 and HKRI Centre 2 | South of West Nanjing Road and east of Shi Men Yi Road, Jing'an District, Shanghai | 2059 | 676,091 (part) | 1,828,060 | 798 | 2016 | Floor area shown represents the office portion, in which the Group owns a 50% interest. |
| | Total held through joint venture companies | | | **2,417,131** | **1,188** | | |
| | – of which attributable to the Group | | | **1,208,566** | | | |
| **Hotel** | | | | | | | |
| 1. The Opposite House | 11 Sanlitun Road, Chaoyang District, Beijing | 2044 (2054 for Carpark) | 566,332 (part) | 169,463 | 32 | 2007 | 99-room hotel. |
| 2. Mandarin Oriental, Guangzhou | North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou | 2051 | 526,941 (part) | Hotel: 584,184<br>Serviced apartment: 51,517<br>635,701 | –<br>– | 2012 | 263-room hotel and 24 serviced apartments, in which the Group owns a 97% interest. |
| | Total held through subsidiaries | | | **805,164** | **32** | | |
| 3. EAST Beijing | 22 Jiuxianqiao Road, Chaoyang District, Beijing | 2044 (2054 for Office and Carpark) | 631,072 (part) | 358,301 | 240 | 2012 | 369-room hotel, in which the Group owns a 50% interest. |
| 4. The Temple House | Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu | 2051 | 814,604 (part) | Hotel: 196,508<br>Serviced apartment: 109,857<br>306,365 | –<br>– | 2015 | 100-room hotel and 42 serviced apartments, in which the Group owns a 50% interest. |

| Completed properties for investment in the Chinese mainland | Address | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Hotel** *(continued)* | | | | | | | |
| 5. The Sukhothai Shanghai Hotel | 380 Weihai Road, Jing'an District, Shanghai | 2049 | 676,091 (part) | Hotel: 246,646 | 79 | 2018 | 201-room hotel, in which the Group owns a 50% interest. |
| The Middle House | 366 Shi Men Yi Road, Jing'an District, Shanghai | | | Hotel: 141,181 | 43 | 2018 | 111-room hotel, in which the Group owns a 50% interest. |
| The Middle House Residences | 366 Shi Men Yi Road, Jing'an District, Shanghai | | | Serviced apartment: 147,273 | 40 | 2018 | 102 serviced apartments, in which the Group owns a 50% interest. |
| | | | | 535,100 | | | |
| | Total held through joint venture companies | | | **1,199,766** | **402** | | |
| | – of which attributable to the Group | | | **599,883** | | | |

| Completed properties for investment in the United States | Address | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|
| **Retail** | | | | | | |
| 1. Brickell City Centre – retail portion | 701 S Miami Avenue, Miami, Florida | 380,670 (part) | 496,508 | 1,137 | 2016 | Floor area shown represents the whole shopping centre, in which the Group owns a 62.93% interest. |
| | Total held through subsidiaries | | **496,508** | **1,137** | | |
| **Office** | | | | | | |
| 1. Two Brickell City Centre and Three Brickell City Centre Car Parking Spaces | 78 SW 7th Street, Miami, Florida | 380,670 (part) | – | 289 | 2016 | The property was sold without parking. The Group owns the remaining 289 parking spaces. |
| | Total held through subsidiaries | | **–** | **289** | | |
| **Serviced apartments** | | | | | | |
| 1. EAST Residences | 788 Brickell Plaza, Miami, Florida | 380,670 (part) | 109,000 | 20 | 2016 | 89 serviced suites within the EAST Miami Hotel tower. |
| | Total held through subsidiaries | | **109,000** | **20** | | |
| **Hotel** | | | | | | |
| 1. Mandarin Oriental, Miami | South Brickell Key, Miami, Florida | 120,233 | 345,000 | 600 | 2000 | 326-room luxury hotel in central Miami, in which the Group owns a 75% interest. |
| | Total held through joint venture companies | | **345,000** | **600** | | |
| | – of which attributable to the Group | | **258,750** | | | |
| 2. EAST Miami | 788 Brickell Plaza, Miami, Florida | 380,670 (part) | 218,000 | 80 | 2016 | 263-room hotel. |
| | Total held through subsidiaries | | **218,000** | **80** | | |

| Property developments for investment in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Stage of completion | Expected completion date | Remarks |
|---|---|---|---|---|---|---|---|---|
| **Residential** | | | | | | | | |
| 1. Rocky Bank 6 Deep Water Bay Road | RBL 613 RP | 2099 | 28,197 | 14,500 | – | Demolition in progress | 2023 | Floor area shown is an approximation. |
| | Total held through subsidiaries | | | **14,500** | **–** | | | |

## Schedule of Principal Group Properties

At 31st December 2020

| Property developments for investment in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Stage of completion | Expected completion date | Remarks |
|---|---|---|---|---|---|---|---|---|
| **Office** | | | | | | | | |
| 1. Two Taikoo Place, Taikoo Place | QBML 1 sQ (part)<br>QBML 1 sR ss1 (part)<br>QBML 1 sR RP (part)<br>QBML 1 sS (part)<br>QBML 1 sT ss1 (part)<br>QBML 1 sT ss2 (part)<br>QBML 1 sT RP (part)<br>QBML 1 sU (part)<br>QBML 1 sW (part)<br>QBML 1 RP (part) | 2881 | 238,582 (part) | 1,000,000 | 346 | Superstructure works in progress | 2022 | Floor area shown is an approximation. |
| 2. 46-56 Queen's Road East | IL 2242<br>IL 2244 sA<br>IL 2244 sB<br>IL 2244 sC<br>IL 2245 sA<br>IL 2245 sB<br>IL 2245 sC<br>IL 2245 sD<br>IL 2245 sE<br>IL 2245 sF | 2843 | 14,433 | 218,000 | 88 | Foundation works in progress | 2023 | Floor area shown is an approximation. |
| | Total held through subsidiaries | | | **1,218,000** | **434** | | | |
| **Retail** | | | | | | | | |
| 1. EIGHT STAR STREET | IL 526 sA ss1 sC<br>IL 526 sA ss1 sB ss1<br>IL 526 sA ss1 sB RP<br>IL 526 sA ss2<br>IL 526 sA ss3<br>IL 526 sA RP | 2856 | 3,609 (part) | 2,839 | – | Superstructure in progress | 2022 | Residential block over retail podium. Floor area shown represents the retail portion of the development. The area shown is subject to change. |
| | Total held through subsidiaries | | | **2,839** | **–** | | | |

| Property developments for investment in the Chinese mainland | Address | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Stage of completion | Expected completion date | Remarks |
|---|---|---|---|---|---|---|---|---|
| 1. Taikoo Li Sanlitun (Taikoo Li Sanlitun West) | 58 Gongti North Road, Chaoyang District, Beijing | 2033 | 40,102 | 255,731 | 50 | In Refurbishment | 2021 | Shopping centre with restaurants. |
| | Total held through subsidiaries | | | **255,731** | **50** | | | |
| 2. Phase Two extension of INDIGO, Beijing | Next to and on the east of current INDIGO, Beijing | 2060 for retail and hotel, 2070 for office | 842,807 (part) | Under planning: 4,083,732 | To be determined | Foundation works in progress | Phase 1: 2025<br>Phase 2: 2027 | An office-led, mixed-use extension of the existing INDIGO project comprising a shopping mall, office towers, and a hotel. Group owns a 35% interest. |
| | Total held through joint venture companies | | | **4,083,732** | **–** | | | |
| | – of which attributable to the Group | | | **1,429,306** | | | | |

| Property developments for investment in the United States | Site area in square feet | Gross floor area in square feet | Number of car parks | Expected completion date | Remarks |
|---|---|---|---|---|---|
| 1. One Brickell City Centre, Miami, Florida | 123,347 | Under planning: 1,444,000 | To be determined | To be determined | One Brickell City Centre is being planned as a future mixed-use development comprised of retail, Grade A office space, condominiums and a hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre (comprising approximately 1.4 million square feet) is planned as an 80-storey luxury high rise tower. |
| | Total held through subsidiaries | **1,444,000** | **–** | | |

| Completed properties for sale in the Chinese mainland | Address | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Office** | | | | | | | |
| 1. Pinnacle One | Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu | 2051 | 702,243 (part) | – | 207 | 2014 | Pinnacle One has been completed; the remaining one-and-half floors will be retained for its own use by the joint venture company which owns the property. The tradable assets outstanding are the 207 carparks. |
| | Total held through joint venture companies | | | **–** | **207** | | |
| | – of which attributable to the Group | | | **–** | | | |

| Completed properties for sale in the United States | Address | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|
| **Residential** | | | | | | |
| 1. Reach, Brickell City Centre, Miami, Florida | 68 SE 6th Street, Miami, Florida | 380,670 (part) | 50,005 | 37 | 2016 | 43-storey residential condominium tower comprising 390 units. At 31st December 2020, sales of 365 units had been closed. |
| 2. Rise, Brickell City Centre, Miami, Florida | 1 SW 8 Street, Miami, Florida | 380,670 (part) | 128,345 | 147 | 2016 | 43-storey residential condominium tower comprising 390 units. At 31st December 2020, sales of 301 units had been closed. |
| | Total held through subsidiaries | | **178,350** | **184** | | |

| Completed properties for sale in Singapore | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Year of completion | Remarks |
|---|---|---|---|---|---|---|---|
| **Residential** | | | | | | | |
| 1. EDEN | LOT 01316N TS 25 | Freehold | 33,425 | 77,212 | 40 | 2019 | Floor area shown represents a residential tower with 20 units. |
| | Total held through subsidiaries | | | **77,212** | **40** | | |

| Property developments for sale in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Expected completion date | Remarks |
|---|---|---|---|---|---|---|---|
| **Residential** | | | | | | | |
| 1. EIGHT STAR STREET | IL 526 sA ss1 sC<br>IL 526 sA ss1 sB ss1<br>IL 526 sA ss1 sB RP<br>IL 526 sA ss2<br>IL 526 sA ss3<br>IL 526 sA RP | 2856 | 3,609 (part) | 30,856 | – | 2022 | Residential block over retail podium. Floor area shown represents the residential portion of the development. The area shown is subject to change. |
| 2. Chai Wan Inland Lot No. 88 | Subject to Land Exchange with the Government | 2118 (To be revised upon successful Land Exchange with the Government) | To be determined | 692,000 | To be determined | To be determined | Land exchange under negotiation with the Government. Floor area shown is subject to execution of land exchange and represents the residential portion of the whole development, in which the Group owns a 80% interest. |
| | Total held through subsidiaries | | | **722,856** | **–** | | |

## Schedule of Principal Group Properties

At 31st December 2020

| Property developments for sale in Hong Kong | Lot number | Leasehold expiry | Site area in square feet | Gross floor area in square feet | Number of car parks | Expected completion date | Remarks |
|---|---|---|---|---|---|---|---|
| **Residential** *(continued)* | | | | | | | |
| 3. Wong Chuk Hang Station Package Four Property Development | AIL 467 | 2067 | 738,199 (part) | 638,305 | To be determined | 2024 | Floor area shown represents the whole Package Four development, in which the Group owns a 25% interest. |
| | Total held through joint venture companies | | | **638,305** | **–** | | |
| | – of which attributable to the Group | | | **159,576** | | | |
| **Retail** | | | | | | | |
| 1. Chai Wan Inland Lot No. 88 | Subject to Land Exchange with the Government | 2118 (To be revised upon successful Land Exchange with the Government) | To be determined | 2,000 | To be determined | To be determined | Land exchange under negotiation with the Government. Floor area shown is subject to execution of land exchange and represents the retail portion of the whole development, in which the Group owns a 80% interest. |
| | Total held through subsidiaries | | | **2,000** | **–** | | |

| Property developments for sale in the United States | Site area in square feet | Gross floor area in square feet | Number of car parks | Expected completion date | Remarks |
|---|---|---|---|---|---|
| 1. South Brickell Key, Miami, Florida | 105,372 | Residential: 550,000 | 395 | – | Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold. |
| 2. Development Site, Fort Lauderdale, Florida | 203,941 | Under contract: 825,000 | 1,050 | – | Development site in Fort Lauderdale acquired in October 2006, in which the Group owns 100%, with 75% defined profits. The site is under contract estimated to be closed by July 2021. |
| 3. North Squared, Miami, Florida | 380,670 (part) | Residential: 523,000 | 544 | – | The development on the North Squared site is currently on hold. |
| | Total held through subsidiaries | **1,898,000** | **1,989** | | |

| Property developments for sale in Indonesia | Lot number/Address | Site area in square feet | Gross floor area in square feet | Number of car parks | Expected completion date | Remarks |
|---|---|---|---|---|---|---|
| 1. South Jakarta Project | Jalan Wijaya II No.37A Kebayoran Baru, South Jakarta | 227,982 | Residential: 1,122,728 | 1,079 | 2024 | Residential tower with 431 units, in which the Group owns a 50% interest. |
| | Total held through joint venture companies | | **1,122,728** | **1,079** | | |
| | – of which attributable to the Group | | **561,364** | | | |

| Property developments for sale in Vietnam | Lot number/Address | Site area in square feet | Gross floor area in square feet | Number of car parks | Expected completion date | Remarks |
|---|---|---|---|---|---|---|
| 1. The River | Thu Thiem, Lot 3.15 | 165,518 | Residential: 846,201 | 819 | 2022 | 3 residential towers with 525 units, in which the Group effectively owns a 20% interest. GFA excludes 6,886 sqm of parking and 4,500 sqm of retail which is not included in SPL's investment. |
| | Total held through associated companies | | **846,201** | **819** | | |
| | – of which attributable to the Group | | **169,240** | | | |

# Glossary

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

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

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

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

**Net assets employed** Total equity plus net debt.

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

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

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

## Ratios

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

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

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

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

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

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

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

# Financial Calendar and Information for Investors

## Financial Calendar 2021

| | |
|---|---|
| Shares traded ex-dividend | 30th March |
| Share register closed for 2020 second interim dividend entitlement | 1st April |
| Annual Report available to shareholders | 12th April |
| Payment of 2020 second interim dividend | 6th May |
| Share register closed for attending and voting at Annual General Meeting | 6th – 11th May |
| Annual General Meeting | 11th May |
| Interim results announcement | August |
| 2021 first interim dividend payable | October |

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## Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swireproperties.com.

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