

Interim Report  
**2022**

**ORIGINAL.  
ALWAYS.**

**50** YEARS OF  
SWIRE PROPERTIES

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# 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 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 2,200 retail outlets. Its offices house a working population estimated to exceed 75,000.

Our investment portfolio in Hong Kong comprises Taikoo Place, Pacific Place and Cityplaza. In the Chinese Mainland, the Company has six major commercial projects in operation in Beijing, Guangzhou, Chengdu and Shanghai. The Company has interests in the luxury and high quality residential markets in Hong Kong, Indonesia and Vietnam. There are also land banks in Miami, U.S.A. Swire Hotels develops and manages hotels in Hong Kong, the Chinese Mainland and the U.S.A.







## 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.



The logo consists of a white outline of a house with a gabled roof above the text "SD2030" in a bold, white, sans-serif font.

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

— GUY BRADLEY, CHAIRMAN



# 2022 HIGHLIGHT ACHIEVEMENTS



Won Pioneer Award in Green Building Leadership Category (Facilities Management)

Two Taikoo Place won Grand Award in New Building Category (Projects Under Construction and/or Design – Commercial)



Taikoo Li Sanlitun achieved Platinum under LEED Operations and Maintenance Version 4.1

Taikoo Hui, Guangzhou achieved Platinum under LEED Operations and Maintenance Version 4



Once again recognised as Hong Kong's Most Attractive Employer at the Randstad Employer Brand Awards 2022



36 office tenants committed to the Green Performance Pledge in ten months from its launch, covering over 1.8 million sq ft of occupied lettable floor area across the Company's Hong Kong office portfolio

Launched a pioneering circular office furniture solution for Taikoo Place and Pacific Place tenants, a Hong Kong-and-industry first

60 F&B tenants participated in the Green Kitchen Initiative

Secured three more sustainability-linked loan facilities, totalling HK\$3.5 billion

Approximately 45% of current bond and loan facilities sourced from green financing



# FINANCIAL HIGHLIGHTS

	Note	Six months ended 30th June		Change
		2022 HK\$M	2021 HK\$M	
<b>Results</b>				
Revenue		<b>6,698</b>	9,068	-26%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	<b>4,140</b>	4,513	-8%
Recurring underlying	(b)	<b>3,643</b>	3,716	-2%
Reported		<b>4,319</b>	1,984	+118%
Cash generated from operations		<b>3,933</b>	6,673	-41%
Net cash (outflow)/inflow before financing		<b>(1,939)</b>	1,231	n.a.
		<b>HK\$</b>	<b>HK\$</b>	
Earnings per share				
Underlying	(c), (d)	<b>0.71</b>	0.77	-8%
Recurring underlying	(c), (d)	<b>0.62</b>	0.64	-2%
Reported	(c), (d)	<b>0.74</b>	0.34	+118%
Dividend per share				
First interim		<b>0.32</b>	0.31	+3%
		<b>30th June 2022 HK\$M</b>	<b>31st December 2021 HK\$M</b>	<b>Change</b>
<b>Financial Position</b>				
Total equity (including non-controlling interests)		<b>293,236</b>	294,158	0%
Net debt		<b>15,499</b>	10,334	+50%
Gearing ratio	(a)	<b>5.3%</b>	3.5%	+1.8%pt.
		<b>HK\$</b>	<b>HK\$</b>	
Equity attributable to the Company's shareholders per share	(a)	<b>49.61</b>	49.94	-1%

Notes:

(a) Refer to glossary on page 75 for definition.

(b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 17.

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

(d) The percentage change is the same as the corresponding percentage change in profit attributable to the Company's shareholders.

	Six months ended 30th June	
	2022 HK\$M	2021 HK\$M
<b>Underlying profit/(losses) by segment</b>		
Property investment	<b>3,843</b>	3,908
Property trading	<b>(22)</b>	(28)
Hotels	<b>(178)</b>	(164)
<b>Recurring underlying profit</b>	<b>3,643</b>	3,716
Divestment	<b>497</b>	797
	<b>4,140</b>	4,513

## Dear shareholders,

The first six months of 2022 were challenging, with the continuing impact of COVID-19 on our business. However, 2022 is also proving to be a year of exciting expansion for Swire Properties. We have focused on realising opportunities from the HK\$100 billion investment plan which we announced in March.

2022 is a significant year, as we celebrate our 50th anniversary under the banner of "ORIGINAL. ALWAYS.". This year is a celebration of our people, our commitment to creativity, the communities which we serve and the places which we have helped to transform.

Reflecting on our history, to the period when Swire first set down roots in Quarry Bay with the Taikoo Dockyard and the Taikoo Sugar Refinery, it gives me great pride to see how far we have come in establishing Taikoo Place as a global business district. And our vision continues. Our investment pipeline represents an ambitious growth plan for Swire Properties in Hong Kong, the Chinese Mainland and South East Asia.

This year we also celebrated the 25th anniversary of the establishment of the Hong Kong Special Administrative Region. Hong Kong is our home city, and we remain fully committed to supporting the city in maintaining its global competitiveness. With the expansion of our business and planned future investments, we are keen to play our part in reinforcing Hong Kong's status as an international financial centre.

## Profits and Sustained Dividend Growth

Our reported profit attributable to shareholders in the first half of 2022 was HK\$4,319 million, compared with HK\$1,984 million in the first half of 2021.

Underlying profit attributable to shareholders decreased by HK\$373 million from HK\$4,513 million in the first half of 2021 to HK\$4,140 million in the first half of 2022, primarily due to the reduction in profit from the sale of car parking spaces at the Taikoo Shing residential development in Hong Kong.

We declared a first interim dividend for 2022 of HK\$0.32 per share. This represents an increase of 3% from the first interim dividend paid in 2021. The first interim dividend for 2022 will be paid on Thursday, 6th October 2022 to shareholders registered at the close of business on the record date, being Friday, 9th September 2022. Shares of the Company will be traded ex-dividend from Wednesday, 7th September 2022.

Our policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profit in ordinary dividends over time.

## Strategic Placemaking Masterplan

We have allocated HK\$30 billion of our HK\$100 billion investment fund to Hong Kong, specifically to continue to build out our investments in Taikoo Place and Pacific Place. I am pleased to report that we continue to make good progress with the redevelopment of Taikoo Place, with our newest Grade A office tower, Two Taikoo Place, set to be completed later this year.

Whilst the overall office market has remained soft due to the effects of COVID-19, there has been a trend for prospective tenants to upgrade their premises and prioritise sustainability and wellness. Taikoo Place, particularly with the two newest office towers, One Taikoo Place and Two Taikoo Place, is well-positioned to benefit from this flight-to-quality. Our focus on designing advanced, flexible spaces integrated with top-tier amenities and green features has put Taikoo Place firmly on the map as a premium business address.

To that end, we remain committed to building on our investment in Taikoo Place. While the current phase of the HK\$15 billion Taikoo Place redevelopment is at its final stage, the acquisition of the Zung Fu Industrial Building and the submission of compulsory sale applications for a number of buildings in Quarry Bay have put us in a favourable position to continue our placemaking strategy and to strengthen Taikoo Place's position as a global business district.

Our office portfolio in Hong Kong continues to demonstrate its resilience. In accordance with our masterplan for Pacific Place, we intend to expand the portfolio over the next few years, leveraging Admiralty's growing connectivity and importance as a major transportation hub. We are making good progress on our new Grade A office tower opposite Three Pacific Place, and will add approximately 218,000 square feet of additional office space to our wider Pacific Place portfolio.

Whilst there was a recovery in the Hong Kong's retail market in late 2021, this was halted by the fifth COVID-19 wave in January 2022. However, we continued to maintain almost full occupancy in our malls, and the market has been showing signs of recovery, boosted by the HKSAR Government's consumption voucher scheme and the release of pent-up local demand. We will continue to invest in our malls and launch innovative initiatives to keep up the positive momentum.

The residential market in Hong Kong has remained stable, with resilient demand. Our latest project, EIGHT STAR STREET, has been achieving satisfactory pre-sales, and we have embarked on an ambitious pipeline of new developments to be completed over the next four years. We were also pleased to win the tender for a residential site at 269 Queen's Road East in Wan Chai recently, one

of the few residential sites on Hong Kong Island to be included in the HKSAR Government's land sale programme this year.

In South East Asia, we broke ground on our Savyavasa development in Jakarta earlier this year. We are also making good progress on our two minority investments, The River and Empire City, in Ho Chi Minh City. With HK\$20 billion allocated for strategic investments, including residential trading, we remain opportunistic and keen to leverage our premium residential brand in Hong Kong and South East Asia. We are looking to build a presence in four core cities in South East Asia – Singapore, Bangkok, Jakarta and Ho Chi Minh City, all of which feature a middle-class looking for higher-end residential properties. We have teams on the ground who are looking for the right partners and prime sites for future investment and development.

Whilst our hotel business is still being adversely affected by COVID-19, we are making good progress on the expansion of our hotel management business within non-owned developments in new cities. We have plans for two new, third party owned hotels under The House Collective brand in Shenzhen and Tokyo.

## Future Growth in the Chinese Mainland

The first six months of 2022 have been challenging for some of our developments in the Chinese Mainland, amidst tightened restrictions due to the resurgence of COVID-19. Despite this, we recorded an increase in rental income for the first half of 2022, reflecting contributions from the newly opened Taikoo Li Sanlitun West and Taikoo Li Qiantan, as well as strong local demand and retail sales earlier in the year.

Thanks to our established Taikoo Hui and Taikoo Li brands, our rate of growth in the Chinese Mainland has been exciting, with six projects now in operation and our seventh mixed-use development, Taikoo Li Xi'an, announced earlier this year. We have allocated 50% of our HK\$100 billion investment fund to investment in the Chinese Mainland over the next 10 years.

We are very excited to be bringing a Taikoo Li development to the ancient city of Xi'an. This marks our first investment in the city, and the large-scale project is in a very rare location adjacent to a UNESCO World Heritage Site. Securing this investment speaks volumes for the trust we have built up in the Chinese Mainland in a very short time, and local respect for the Swire Properties brand.

Looking at the broader region, a key focus for our future investment is the Greater Bay Area, given its rapid pace of growth and its strategic importance to Hong Kong. Last year, we announced our plans to develop a potential commercial project in the Julong Bay Area of Guangzhou, in a stunning natural location on the riverfront. More recently, we announced a new, luxury (third party owned) hotel in Shenzhen Bay which will be managed by Swire Hotels. This will be our fifth House under the award-winning House Collective brand.

Last year, we formed a joint venture with Shanghai Jing'an Real Estate group, the owner of Zhangyuan, to revitalise the historic shikumen compound in Shanghai, which is close to HKRI Taikoo Hui. Despite the resurgence of COVID-19 in Shanghai, we have been actively pushing ahead with the project, and we target to launch the first phase of Zhangyuan in the fourth quarter of 2022. In Beijing, we are making headway on INDIGO Phase Two, which is part of our masterplan to transform INDIGO into one of the best performing office locations in the capital.

Our success story in the Chinese Mainland has rested in large part on the trust we have built up with our local government partners and the communities in which we operate. Swire Properties' brand continues to grow in the region, as we demonstrate a strong track record of delivering exceptional projects and transforming places which are a source of local pride in their home cities.

## Conclusion

Despite the continued challenges posed by COVID-19, we are bullish about our outlook over the medium to long-term. Inevitably COVID-19 will continue to affect our business, but this is a short-term issue which we are well able to withstand, thanks to a healthy balance sheet and strong fundamentals.

As we look to the future, we will continue to use our HK\$100 billion investment fund to reinforce our core assets and pursue new investment opportunities. It remains our goal to deliver mid-single-digit annual dividend growth.

This is an exciting time for our business, and I would like to thank our shareholders, tenants, business partners and the communities in which we operate for your ongoing support. Most of all, I wish to thank the team at Swire Properties for their passion and commitment to our long-term vision and growth. The Company's five decades of success are a testament to their creativity and hard work.

**Guy Bradley**

Chairman

Hong Kong, 11th August 2022

## Dear shareholders,

We continue to operate in a difficult environment, with significant challenges posed by COVID-19 in the first half of 2022. However, our business remained resilient, and we recorded a solid performance from our investment portfolio in Hong Kong and the Chinese Mainland.

Despite short-term setbacks, the Company remains on a sound financial footing. Our asset management strategy over the last five years has strengthened our balance sheet, and with our HK\$100 billion investment plan, we are actively managing a pipeline of new projects in our core markets, which we intend to implement over a 10-year period.

2022 is a landmark year for Swire Properties, as we celebrate 50 years of transformative placemaking and investment. As a homegrown Hong Kong company, we are proud to celebrate this milestone in the same year that Hong Kong marks the 25th anniversary of its return to China.

Looking ahead, we remain fully committed to scaling up our investment in Hong Kong and the Chinese Mainland, as well as in South East Asia. Our leadership in sustainable development and the digital transformation of our business also remain priorities as we focus on our long-term growth.

## 2022 Interim Results at a Glance

Our underlying profit decreased by HK\$373 million to HK\$4,140 million in the first half of 2022, principally reflecting the reduction in profit from the sale of non-core assets in Hong Kong. Recurring underlying profit in the first half of 2022 was HK\$3,643 million, compared with HK\$3,716 million in the first half of 2021.

Recurring underlying profit from property investment decreased slightly in the first half of 2022. This mainly reflected lower retail rental income from Hong Kong and higher operating costs, partly offset by higher retail rental income from the Chinese Mainland.

In Hong Kong, a weaker office market reflected subdued demand and a decline in business activity, particularly during the fifth COVID-19 wave in the first quarter of 2022. However, leasing activity has recovered with the gradual easing of COVID-19 restrictions. Positive reversions were achieved at some of our Taikoo Place properties, and our overall office portfolio remained resilient, with high occupancy.

During the first quarter of 2022, Hong Kong's retail market was severely disrupted by COVID-19 related social distancing measures including dining restrictions and mandatory closures of certain outlets and premises. Tenants' sales and footfall at our malls decreased significantly during this period. However, we began to see some recovery starting from mid-April, following the gradual relaxation of restrictions and the introduction of the HKSAR Government's consumption voucher scheme.

In the Chinese Mainland, retail sales began the year strongly. However, our malls were affected to varying degrees by the resurgence of COVID-19 cases and related preventive measures, particularly in Shanghai and Beijing, in the second quarter of 2022. Our office portfolio in the Chinese Mainland proved resilient despite COVID-19 related controls in the cities where we operate.

We recorded a small recurring underlying loss from our property trading activities in the first half of 2022, as a result of the sales and marketing expenses at our residential project, EIGHT STAR STREET, in Hong Kong. Our hotel business in Hong Kong and the Chinese Mainland continued to suffer from COVID-19 and its associated travel restrictions.

## Our Future Prospects

In Hong Kong, demand for office space is expected to be weak in the second half of 2022, reflecting increased vacancy rates and new supply. However, the flight-to-quality is expected to continue. Assuming a gradual reopening of the international border and the border with the Chinese Mainland and improvements in the financial markets, the demand for Grade-A office space, particularly from financial institutions and professional services companies, should increase.

Taikoo Place is ever evolving, and with projects like Two Taikoo Place, we are developing new office buildings of high specifications which represent the future of work. The pre-leasing of Two Taikoo Place is making steady progress, with a commitment rate approaching 50%. As our first anchor tenant, Julius Baer, a Swiss private bank, will lease 92,000 square feet of office space. Additional strategic tenants have been secured, including one of the biggest office lease transactions on Hong Kong Island in recent years, with an anchor tenant for over 150,000 square feet of office space.

We are also continuing the eastward expansion of our Pacific Place portfolio in Hong Kong. We are making good progress on our new office tower opposite Three Pacific Place, which will add approximately 218,000 square feet of additional office space to our portfolio.

In June, we were delighted to win a land tender for a residential site at 269 Queen's Road East in Wan Chai. This is a prime location with excellent potential for a new premium residential product in the district.

On the retail side, we anticipate that overall traffic and retail sales will continue to improve in our Hong Kong malls, assuming the progressive relaxation of social distancing measures continues. The second phase of the HKSAR Government's consumption voucher scheme will

also help to boost retail sales. We continue to offer shopping incentives in our retail malls to maintain positive momentum. Nevertheless, a full recovery of the retail market depends on full reopening of the border with the Chinese Mainland.

Despite the resurgence of COVID-19 in some of the cities in which we operate in the Chinese Mainland, we expect demand for retail space to be stable and to recover steadily over the second half of this year. We also expect strong demand for space from retailers of luxury brands in Guangzhou and Chengdu, and stable demand for space in Shanghai from retailers of luxury fashion, cosmetics and lifestyle brands, and from operators of food and beverage outlets. In Beijing, retail sales and demand for retail space are expected to recover steadily in the second half of 2022.

In Beijing, Shanghai and Guangzhou, office demand and market sentiment are expected to recover in the second half of 2022 assuming COVID-19 restrictions continue to be relaxed. However, the continued new supply of office space in Shanghai and Guangzhou, particularly in emerging decentralised submarkets, is exerting downward pressure on rents.

With our new investments, we have accelerated the pace of our growth in the Chinese Mainland. We secured our first major investment in Xi'an earlier this year, a Taikoo Li concept which will be retail-led and specially designed for the Small Wild Goose Pagoda historical and cultural zone. The Greater Bay Area holds enormous development potential, and we are exploring opportunities to bring our Taikoo Li and Taikoo Hui brands to Shenzhen.

The outlook for our hotels remains challenging, with recovery dependent on the full reopening of the border with the Chinese Mainland combined with the relaxation of travel restrictions. However, we have embarked on an active expansion strategy for our hotel management

business, with a focus on extending our two distinctive hotel brands into other cities through hotel management agreements. We will be expanding in Shenzhen with our new House hotel in the Shenzhen Bay Area, which is targeted to open in 2025. The hotel will be within a key commercial hub, and will help meet the growing demand for luxury accommodation in Shenzhen.

We are also excited to be bringing a new House hotel to Tokyo, marking the debut of The House Collective brand outside China. The hotel will be located within the iconic Shibuya district and will introduce the brand's distinctive design and exceptional service to a new market.

Our premium residential brand has opened the door for new opportunities in Hong Kong and South East Asia. We are making good headway on a pipeline of new projects in Hong Kong, including developments in Wong Chuk Hang, Wan Chai and Chai Wan. Our investments in Jakarta and Ho Chi Minh City are also on track, whilst we continue to explore new opportunities in South East Asia.

In Miami, retail sales continue to grow, thanks to strong domestic demand.

## Leadership in Sustainability and Digital Innovation

Since launching our Sustainable Development 2030 Strategy in 2016, we have demonstrated a deep level of commitment and ambition to be a sustainable development leader in our industry. We ranked number one in Asia and seventh in our industry globally in the Dow Jones Sustainability World Index last year, and we are building on these accomplishments with very aggressive targets intended to help reach the global 1.5°C decarbonisation goal.

These targets are widespread across our portfolios, and we see this as the right time to fully engage with our tenants about sustainability. Tenants increasingly have their own ESG commitments, and we are providing tools and support to help them achieve their goals.

We launched the Green Performance Pledge (GPP) earlier this year, a tenant-landlord collaboration where we will work with tenants to optimise their fit-out and renovations, gather data and identify opportunities in their operations to help them continuously improve their sustainability performance. The GPP will also feature a sustainable office furniture service, where tenants can access premium and re-used furniture products, with an aim to contribute to Hong Kong's circular economy. This is in addition to our Green Kitchen Initiative, where our teams work closely with our retail food and beverage tenants during the pre-fit out process, to reduce their energy and water usage and improve their waste management practices.

Our leadership work in sustainability is also reflected in our digital transformation. Since 2020, our new ventures department has helped to accelerate the adoption of emerging technologies for our business, and manages a US\$50 million corporate venture capital fund to invest in promising technology start-ups around the world. By engaging with thought leaders and scouting innovative new technology, we aim to make prudent financial and strategic investments with a view to helping our business grow.

## Celebrating 50 Years of Success

The festivities for our "ORIGINAL. ALWAYS." 50th anniversary campaign will continue throughout 2022. We are very proud to be celebrating this milestone with our teams and the many stakeholders who have played a crucial role in our success.

We wanted to celebrate arts and culture in its varied forms this year, and worked closely with long-term partner Art Basel, as well as the Victoria & Albert Museum, on a special roving exhibition around our Hong Kong and Chinese Mainland malls.

We also commissioned a 50th Anniversary Art NFT Collection, working with 10 international artists on a series inspired by our “Originality” theme, which will be available later this year as free art drops.

We recognise the importance of supporting younger generations. As part of our anniversary celebrations, we joined with the Hong Kong Palace Museum to sponsor the two-year Bi-city Youth Cultural Leadership Programme. The programme will enable young people in Hong Kong and Beijing to connect and exchange cultural ideas and innovative thinking, with the purpose of nurturing a new generation of exceptional leaders.

We also launched the 2022 edition of the Swire Properties Placemaking Academy, where a team of students is again participating in a six-month apprenticeship to make our White Christmas Street Fair a more sustainable event for the wider community. Our previous Academy alumni have already gone on to win awards, and we expect this next cohort to benefit greatly from our masterclasses and mentorship over the next six months.

We are very proud to continue our wide-ranging volunteer work under our community ambassador programme. A new community space called “Quarryside” on the Quarry Bay harbourfront area is on track to open in early 2023, and we are providing consultancy support for the design, construction and operational stages. The project is managed by St. James’ Settlement with sponsorship of HK\$15 million from Swire Trust. Once completed, Quarryside will be an exciting new venue for activities and events, which we envision will create closer community ties within our home district.

## Conclusion

We continue to experience significant challenges to our business as COVID-19 develops, particularly in the retail and hospitality sectors. However, we have gained ground in all areas of our business, and our financial strength has ensured that we can continue to develop our existing portfolios over the long term while investing in new opportunities.

We are very proud to mark 50 years of creating transformational places, and we are grateful for the support that we have received from our shareholders, our business partners and the community at large. We were also honoured to be recognised by Randstad again this year, who named Swire Properties as the most attractive company to work for in Hong Kong in 2022.

Our biggest source of pride is our people, who have weathered the storm over recent years. They are our biggest asset and I thank them for their dedication and commitment over the past 50 years.

### **Tim Blackburn**

Chief Executive

Hong Kong, 11th August 2022



# REVIEW OF OPERATIONS

	Six months ended 30th June		Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
<b>Revenue</b>			
<b>Gross Rental Income derived from</b>			
Offices	3,039	3,075	6,193
Retail	2,781	2,875	5,785
Residential	183	247	474
<b>Other Revenue <sup>(1)</sup></b>	<b>50</b>	50	102
<b>Property Investment</b>	<b>6,053</b>	6,247	12,554
<b>Property Trading</b>	<b>383</b>	2,394	2,443
<b>Hotels</b>	<b>262</b>	427	894
<b>Total Revenue</b>	<b>6,698</b>	9,068	15,891
<b>Operating Profit/(Losses) derived from</b>			
Property investment			
From operations	4,047	4,303	8,283
Sale of interests in investment properties	31	302	1,185
Valuation gains/(losses) on investment properties	701	(2,525)	(1,947)
Property trading	218	496	492
Hotels	(137)	(109)	(174)
<b>Total Operating Profit</b>	<b>4,860</b>	2,467	7,839
<b>Share of Post-tax Profit from Joint Venture and Associated Companies</b>	<b>473</b>	817	1,788
<b>Profit Attributable to the Company's Shareholders</b>	<b>4,319</b>	1,984	7,121

(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. In Hong Kong and the U.S.A., the Group's investment properties recorded net property valuation gains of HK\$810 million and HK\$182 million respectively in the first half of 2022. In the Chinese Mainland, investment properties recorded net property valuation losses of HK\$237 million. There is a further adjustment to remove the effect of the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit.

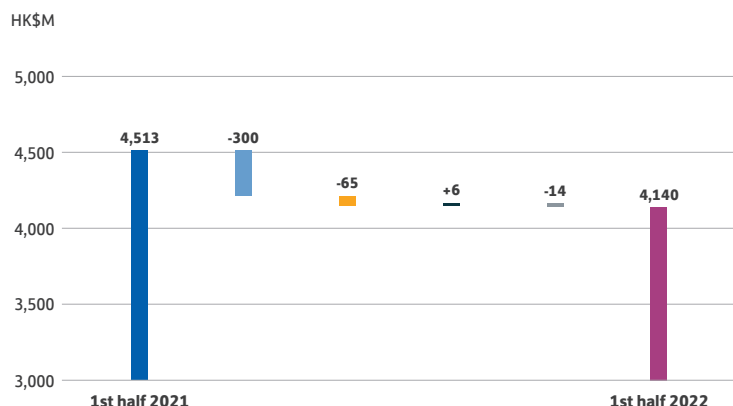
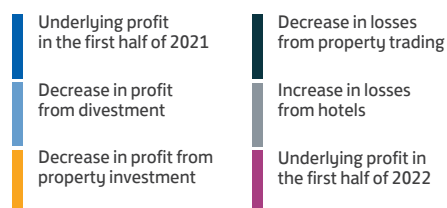
	Note	Six months ended 30th June		Year ended 31st December
		2022 HK\$M	2021 HK\$M	2021 HK\$M
<b>Underlying Profit Reconciliation</b>				
<b>Profit Attributable to the Company's Shareholders per Financial Statements</b>		<b>4,319</b>	1,984	7,121
Adjustments in respect of investment properties:				
Valuation (gains)/losses in respect of investment properties	(a)	<b>(755)</b>	2,058	708
Deferred tax on investment properties	(b)	<b>213</b>	521	1,027
Valuation gains/(losses) realised on sale of interests in investment properties	(c)	<b>299</b>	(134)	585
Depreciation of investment properties occupied by the Group	(d)	<b>11</b>	11	23
Non-controlling interests' share of valuation movements less deferred tax		<b>75</b>	44	59
Movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	(e)	<b>20</b>	23	49
Impairment loss on a hotel held as part of a mixed-use development	(f)	<b>–</b>	22	22
Less amortisation of right-of-use assets reported under investment properties	(g)	<b>(42)</b>	(16)	(53)
<b>Underlying Profit Attributable to the Company's Shareholders</b>		<b>4,140</b>	4,513	9,541
Profit from divestment		<b>(497)</b>	(797)	(2,389)
<b>Recurring Underlying Profit Attributable to the Company's Shareholders</b>		<b>3,643</b>	3,716	7,152

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. It also includes certain tax adjustments arising from transfers of investment properties within the Group.
- (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/(losses) were transferred from the revaluation reserve to the consolidated statement of profit or loss.
- (d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
- (e) The value of the put option in favour of the owner of a non-controlling interest is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the non-controlling interest is interested.
- (f) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, wholly-owned and joint venture hotel properties held for the long term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or decrease in their values would be recorded in the revaluation reserve rather than in the consolidated statement of profit or loss.
- (g) 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



Our reported profit attributable to shareholders in the first half of 2022 was HK\$4,319 million, compared to a profit of HK\$1,984 million in the first half of 2021.

Underlying profit attributable to shareholders (which principally adjusts for changes in valuation of investment properties) decreased by HK\$373 million from HK\$4,513 million in the first half of 2021 to HK\$4,140 million in the first half of 2022. The decrease principally reflected the reduction in profit from the sale of car parking spaces in Hong Kong.

Recurring underlying profit in the first half of 2022 (which excludes the profit from divestment) was HK\$3,643 million, compared with HK\$3,716 million in the first half of 2021.

Recurring underlying profit from property investment decreased slightly in the first half of 2022. This mainly reflected lower retail rental income from Hong Kong (the reduction reflecting in part the amortisation of rental concessions granted in previous years) and higher operating costs, partly offset by higher retail rental income from the Chinese Mainland. In Hong Kong, despite a weak market due to the effects of COVID-19, the office portfolio was resilient, with high occupancy. The retail portfolio was adversely affected by the fifth wave of COVID-19 particularly during the first quarter of 2022. However, footfall and tenants' sales recovered in May and June, following the gradual relaxation of social distancing measures and the introduction of the HKSAR Government's consumption voucher scheme. In the Chinese Mainland, our six shopping malls were affected to varying degrees by COVID-19 resurgences. Shopping malls in Shanghai were closed in April and May, and gradually reopened thereafter. Retail sales in Beijing were also adversely affected by COVID-19 resurgences in May and June. The small underlying loss from property trading in the first half of 2022 primarily resulted from sales and marketing expenses at EIGHT STAR STREET in Hong Kong. Losses at hotels increased as hotels in Hong Kong and the Chinese Mainland continued to suffer from COVID-19 and associated travel restrictions.

## Key Developments

In January 2022, the sale of the property located at Fort Lauderdale, Florida was completed.

In March 2022, a consortium in which the Group has a 70% interest successfully acquired (via a government land tender) the land use rights in respect of land located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an for a consideration of approximately RMB2,575 million. The land is expected to be developed into a retail-led mixed-use development comprising retail and cultural facilities in addition to a hotel, serviced residences and business apartments.

In March 2022, the Group obtained full ownership of Zung Fu Industrial Building in Quarry Bay, Hong Kong. Subject to the Group having successfully bid in the compulsory sale of the adjacent Wah Ha Factory Building, the two sites are intended to be redeveloped for office and other commercial uses.

In March 2022, the Group acquired an additional 6.67% interest in the Citygate development. As a result, the Group's interest in the Citygate development has increased from 20% to 26.67%.

In June 2022, the Group acquired (via a government land tender) a plot of land located at 269 Queen's Road East in Wan Chai, Hong Kong for a consideration of approximately HK\$1,962 million. The plot of land is expected to be developed primarily for residential use with an aggregate gross floor area of approximately 116,200 square feet.

In July and August 2022, Swire Hotels announced plans for two new, third party owned hotels under The House Collective brand in Tokyo and Shenzhen. The two hotels will be managed by Swire Hotels.

## Portfolio Overview

The aggregate gross floor area ("GFA") attributable to the Group at 30th June 2022 was approximately 32.8 million square feet.

Of the aggregate GFA attributable to the Group, approximately 29.1 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 6.2 million square feet. In Hong Kong, the investment property and hotel portfolio comprises approximately 13.9 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 Group has interests in seven major commercial developments in prime locations in Beijing, Guangzhou, Chengdu, Shanghai and Xi'an. These developments are expected to comprise approximately 13.1 million square feet of attributable GFA when they are all completed. Of this, 9.6 million square feet has already been completed. Outside Hong Kong and the Chinese Mainland, the investment property portfolio comprises the Brickell City Centre development in Miami, U.S.A.

## REVIEW OF OPERATIONS

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property and hotel portfolio at 30th June 2022.

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

	Office	Retail	Hotels <sup>(1)</sup>	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	8.7	2.6	0.8	0.6	–	<b>12.7</b>
Chinese Mainland	2.9	5.4	1.1	0.2	–	<b>9.6</b>
U.S.A.	–	0.3	0.3	–	–	<b>0.6</b>
<b>Total</b>	<b>11.6</b>	<b>8.3</b>	<b>2.2</b>	<b>0.8</b>	<b>–</b>	<b>22.9</b>

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

	Office	Retail	Hotels <sup>(1)</sup>	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	1.2	–	–	–	–	<b>1.2</b>
Chinese Mainland	–	–	–	–	3.5	<b>3.5</b>
U.S.A.	–	–	–	–	1.5 <sup>(2)</sup>	<b>1.5</b>
<b>Total</b>	<b>1.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5.0</b>	<b>6.2</b>

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

	Office	Retail	Hotels <sup>(1)</sup>	Residential/ Serviced Apartments	Under Planning	Total
<b>Total</b>	<b>12.8</b>	<b>8.3</b>	<b>2.2</b>	<b>0.8</b>	<b>5.0</b>	<b>29.1</b>

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

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

The trading portfolio comprises completed units available for sale at EIGHT STAR STREET in Hong Kong. There are six residential projects under development, three in Hong Kong, one in Indonesia and two 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 30th June 2022.

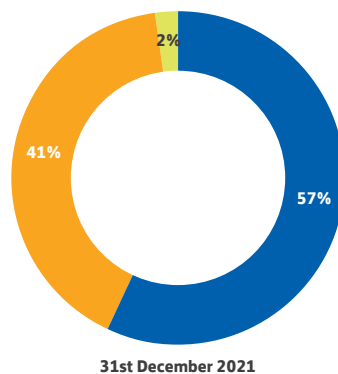
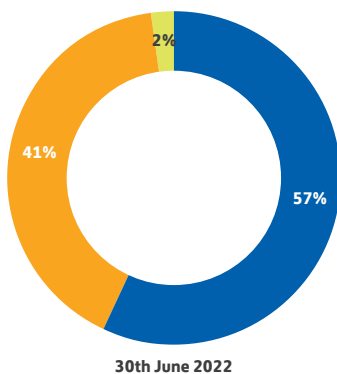
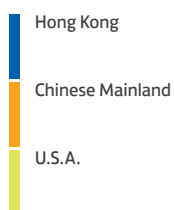
### Trading Properties (GFA (or expected GFA) attributable to the Group in million square feet)

	Completed Development <sup>(1)</sup>	Under Development or Held for Development	Total
Hong Kong	0.0	0.7	<b>0.7</b>
U.S.A. and elsewhere	–	3.0	<b>3.0</b>
<b>Total</b>	<b>0.0</b>	<b>3.7</b>	<b>3.7</b>

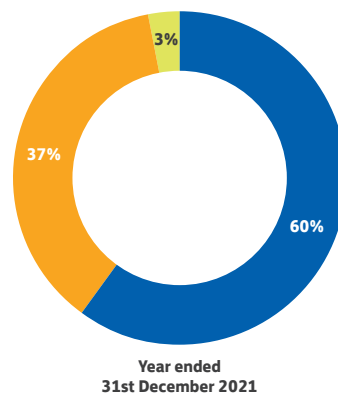
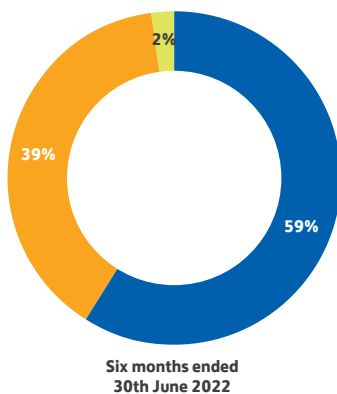
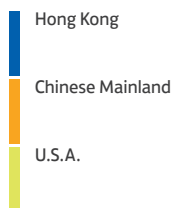
(1) Completed development comprises EIGHT STAR STREET in Hong Kong.

The charts below show the analysis of the Group's completed investment properties GFA (excluding hotels), gross rental income and net assets employed by region on an attributable basis.

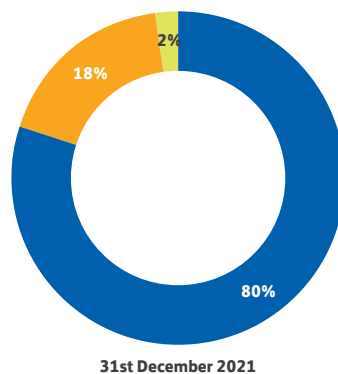
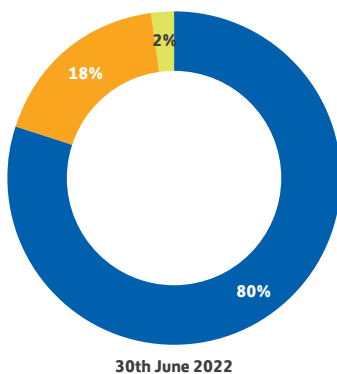
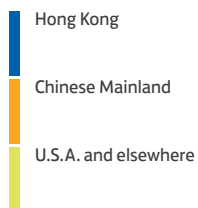
### Completed Investment Properties GFA (excl. Hotels)



### Attributable Gross Rental Income



### Net Assets Employed



## 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\$3,011 million in the first half of 2022. At 30th June 2022, our office properties, completed and under development, in Hong Kong were valued at HK\$181,139 million. Of this amount, the Group's attributable interest was HK\$171,406 million.

#### Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2022)	Attributable Interest
Pacific Place	2,186,433	97%	100%
Taikoo Place – One Island East and One Taikoo Place	2,550,379	98%	100%
Taikoo Place – Other Office Towers <sup>(1)</sup>	3,136,717	94%	50%/100%
Others <sup>(2), (3)</sup>	1,158,595	88%	26.67%/50%/100%
<b>Total</b>	<b>9,032,124</b>		

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

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

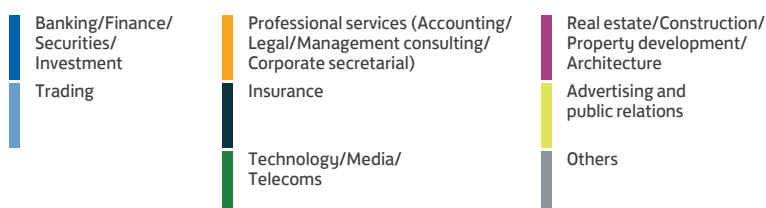
(3) In March 2022, the Group acquired an additional 6.67% interest in the Citygate development. The Group's interest in One Citygate has increased from 20% to 26.67% as a result of the transaction.

Gross rental income from the Hong Kong office portfolio in the first half of 2022 was HK\$2,843 million, a decrease of 1% from the same period in 2021. The office market was weak, with eight consecutive quarters of negative net absorption, reflecting subdued demand and a decline in business activity, particularly during the fifth wave of COVID-19 in the first quarter of 2022. However, leasing activity started to pick up following the gradual easing of COVID-19 restrictions in mid-April. Despite downward pressure on rents, positive reversions were achieved at some Taikoo Place properties for tenants seeking quality office space. Our overall office portfolio was resilient, with high occupancy. At 30th June 2022, 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 30th June 2022.

### Office Area by Tenants' Businesses

(At 30th June 2022)



At 30th June 2022, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2022) together occupied approximately 24% of the Group's total attributable office area in Hong Kong.

### Hong Kong Office Market Outlook

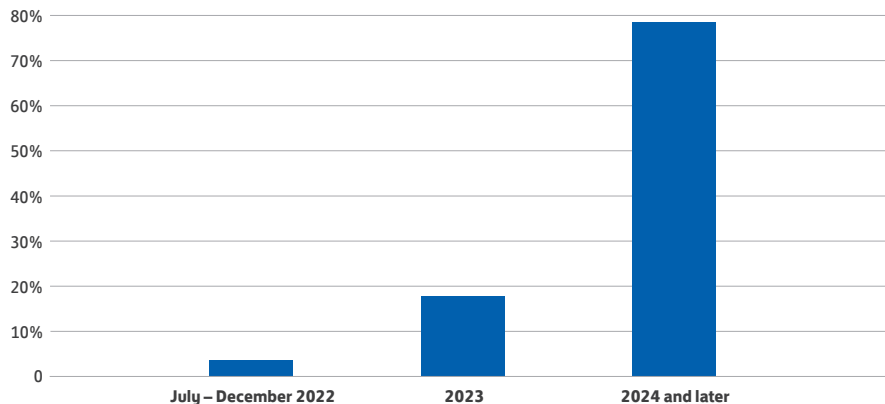
The office market in Hong Kong is expected to be weak in the second half of 2022, reflecting increased vacancy rates and new supply. Increasing competition from Central and Kowloon East will also exert downward pressure on rents. However, it is expected that the flight-to-quality will benefit us as prospective tenants upgrade their premises and place a higher value on sustainability and wellness in the workplace. Assuming a gradual reopening of the international border and the border with the Chinese Mainland and improvements in the financial markets, the demand for Grade-A office space, particularly from financial institutions and professional services companies, should increase.

The pre-leasing of Two Taikoo Place has been making steady progress, with a commitment rate approaching 50%. In addition to Julius Baer, more strategic tenants have been secured, including one of the biggest office lease transactions on Hong Kong Island in recent years, with an anchor tenant for over 150,000 square feet of office space.

The following chart shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 30th June 2022, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 3.7% of the attributable gross rental income in the month of June 2022 are due to expire in the second half of 2022, with tenancies accounting for a further 17.8% of such rental income due to expire in 2023.

### Office Lease Expiry Profile

(At 30th June 2022)





## 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\$1,058 million in the first half of 2022. At 30th June 2022, our retail properties in Hong Kong were valued at HK\$54,926 million. Of this amount, the Group's attributable interest was HK\$46,053 million.

The portfolio principally consists of The Mall at Pacific Place, Cityplaza at Taikoo Shing and Citygate Outlets at Tung Chung. The Mall and Cityplaza are wholly-owned by the Group. During the period, the Group increased its interest in the Citygate development (comprising Citygate Outlets) from 20% to 26.67%. The malls are managed by the Group.

Hong Kong retail market recovered in late 2021, but the recovery was halted when the fifth wave of COVID-19 hit in January this year. During the first quarter of 2022, the retail market was severely disrupted by social distancing measures including dining restrictions and mandatory closures of certain outlets and premises. Both tenants' sales and footfall at our malls decreased significantly during this period. There was very little inbound tourism. Leasing activity was low. However, local consumption started to show signs of recovery in the middle of the second quarter of 2022 due to pent-up demand, following the gradual relaxation of social distancing measures, and the introduction of the HKSAR Government's consumption voucher scheme. During the first half as a whole, retail sales decreased by 2%, 5% and 2% respectively at The Mall, Pacific Place, Cityplaza and Citygate Outlets.

### Hong Kong Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2022)	Attributable Interest
The Mall, Pacific Place	711,182	96%	100%
Cityplaza	1,096,898	100%	100%
Citygate Outlets <sup>(1)</sup>	803,582	100%	26.67%
Others <sup>(1), (2)</sup>	549,558	100%	26.67%/60%/100%
<b>Total</b>	<b>3,161,220</b>		

<sup>(1)</sup> In March 2022, the Group acquired an additional 6.67% interest in the Citygate development. The Group's interest in Citygate Outlets and Tung Chung Crescent neighbourhood shops increased from 20% to 26.67% as a result of the transaction.

<sup>(2)</sup> 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.

Gross rental income from the retail portfolio in Hong Kong was HK\$1,002 million in the first half of 2022, a decrease of 10% compared to the same period in 2021. The decrease reflected the impact of the fifth wave of COVID-19 and, in part, the amortisation of rental concessions given in previous years.

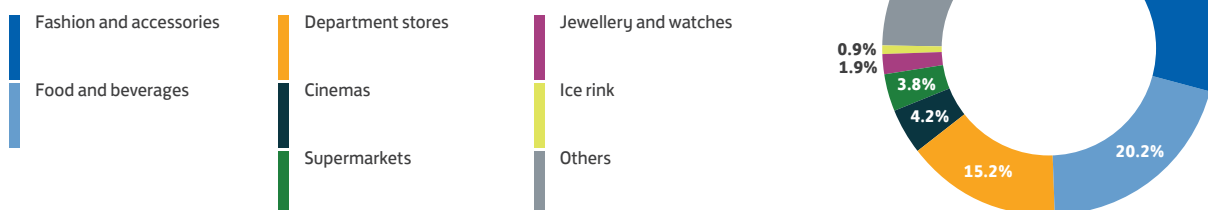
Rental concessions (which were amortised over the remaining lease terms) were given for specific periods on a case-by-case basis to support tenants. In the first half of 2022, rental concessions (on a cash basis) reduced as compared to the same period in 2021. On a cash concession basis, attributable gross rental income decreased by 2% during the period.

The malls were almost fully let throughout the period.

The chart below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 30th June 2022.

## Retail Area by Tenants' Businesses

(At 30th June 2022)



At 30th June 2022, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2022) together occupied approximately 26% of the Group's total attributable retail area in Hong Kong.

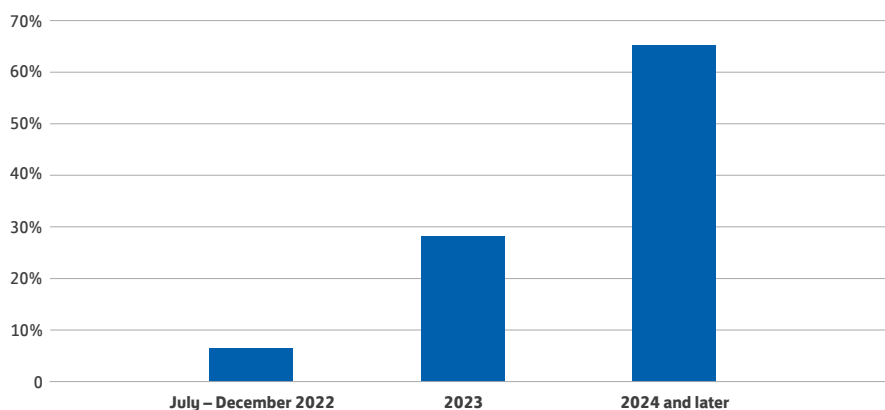
### Hong Kong Retail Market Outlook

It is expected that overall footfall and tenants' sales will continue to improve assuming progressive relaxation of COVID-19 related social distancing measures. The second phase of the HKSAR Government's consumption voucher distribution will help to boost retail sales. We are also offering shopping incentives at our malls to support local consumption and maintain positive momentum. Nevertheless, a full recovery of the retail market depends on the full reopening of the border.

The following chart shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 30th June 2022, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 6.5% of the attributable gross rental income in the month of June 2022 are due to expire in the second half of 2022, with tenancies accounting for a further 28.3% of such rental income due to expire in 2023.

## Retail Lease Expiry Profile

(At 30th June 2022)



## Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, EAST Residences in Quarry Bay, STAR STUDIOS in Wan Chai 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 70% at 30th June 2022. Demand for our residential investment properties was primarily local, and was affected by COVID-19.

## Investment Properties Under Development

### Two Taikoo Place

Two Taikoo Place, the second phase of the Taikoo Place redevelopment, is an office tower with an aggregate GFA of approximately one million square feet. The development has been built to the highest sustainability standards, achieving pre-certified platinum ratings for LEED, WELL and BEAM Plus. Interior fit out works are in progress. Completion is expected later this year.

### 46-56 Queen's Road East

Planning permission to develop this site in Wan Chai 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. Superstructure 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 Group submitted compulsory sale applications in respect of these two sites in Quarry Bay. In March 2022, the Group acquired the remaining interests in Zung Fu Industrial Building and obtained full ownership of the site. Subject to the Group having successfully bid in the compulsory sale of the Wah Ha Factory Building site, the two 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

In 2018, a joint venture company in which the Group holds a 50% interest submitted a compulsory sale application in respect of this site in Quarry Bay. 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 440,000 square feet.

### 9-39 Hoi Wan Street and 33-41 Tong Chong Street

In June 2022, the Group submitted a compulsory sale application in respect of this site in Quarry Bay. The gross site area is approximately 20,060 square feet. The development plan is under review, and is subject to the Group having successfully bid in the compulsory sale.

### Taikoo Shing Car Parking Spaces

Since November 2020, the Group has offered 2,530 car parking spaces in the Taikoo Shing residential development in Hong Kong for sale. 1,405 of these car parking spaces had been sold at 9th August 2022. Sales of 1,366 car parking spaces have been recognised, 164 of them in the first half of 2022. Sales of 39 car parking spaces are expected to be recognised in the second half of 2022.

## Investment Properties – Chinese Mainland

### Overview

The property portfolio in the Chinese Mainland comprises an aggregate of 21.0 million square feet of space, 13.1 million square feet of which is attributable to the Group. Completed properties amount to approximately 14.0 million square feet, with 7.0 million square feet under development. Total attributable gross rental income from investment properties in the Chinese Mainland was HK\$2,785 million in the first half of 2022. At 30th June 2022, the investment properties in the Chinese Mainland were valued at HK\$107,530 million. Of this amount, the Group's attributable interest was HK\$70,469 million.

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

	GFA (sq. ft.) (100% Basis)				Attributable Interest
	Total	Investment Properties	Hotels and Others	Under Planning	
<i>Completed</i>					
Taikoo Li Sanlitun, Beijing	1,789,000	1,619,537	169,463	–	100%
Taikoo Hui, Guangzhou	3,782,327	3,272,893	509,434	–	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	1,188,727	1,188,727	–	–	50%
Hui Fang, Guangzhou	90,847	90,847	–	–	100%
Others	2,917	1,458	1,459	–	100%
<b>Sub-Total</b>	<b>13,939,027</b>	<b>12,316,035</b>	<b>1,622,992</b>	<b>–</b>	
<i>Under Development</i>					
INDIGO Phase Two, Beijing <sup>(2)</sup>	4,045,514	–	–	4,045,514	35%
Taikoo Li Xi'an <sup>(3)</sup>	2,971,607	–	–	2,971,607	70%
<b>Sub-Total</b>	<b>7,017,121</b>	<b>–</b>	<b>–</b>	<b>7,017,121</b>	
<b>Total</b>	<b>20,956,148</b>	<b>12,316,035</b>	<b>1,622,992</b>	<b>7,017,121</b>	

(1) Including hotels and properties leased for investment.

(2) This is an office-led mixed-use development. The development scheme is being planned. The development is planned to be completed in two phases, in mid-2025 and 2026.

(3) This is a retail-led mixed-use development. The development scheme is being planned. The development is planned to be completed in 2025.

Gross rental income from the Group's investment property portfolio in the Chinese Mainland was HK\$1,784 million in the first half of 2022, 3% higher than in the same period in 2021, reflecting the contribution from the newly opened Taikoo Li Sanlitun West and the strong performance of the retail market in the first quarter of the year before COVID-19 resurgences in the Chinese Mainland.

## Retail

The completed retail portfolio in the Chinese Mainland comprises an aggregate of 7.9 million square feet of space, 5.4 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 9%, to HK\$2,305 million, in the first half of 2022. Disregarding amortised rental concessions and changes in the value of the Renminbi, total attributable gross rental income increased by 7%. At 30th June 2022, our completed retail properties in the Chinese Mainland were valued at HK\$66,857 million. Of this amount, the Group's attributable interest was HK\$48,881 million.

The portfolio consists of Taikoo Li Sanlitun in Beijing and Hui Fang in Guangzhou, which are wholly-owned by the Group, 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 30th June 2022)	Attributable Interest
Taikoo Li Sanlitun, Beijing <sup>(1)</sup>	1,619,537	98%	100%
Taikoo Hui, Guangzhou	1,529,392	99%	97%
INDIGO, Beijing	939,493	100%	50%
Sino-Ocean Taikoo Li Chengdu	1,355,360	96%	50%
HKRI Taikoo Hui, Shanghai	1,173,459	98%	50%
Taikoo Li Qiantan, Shanghai <sup>(2)</sup>	1,188,727	91%	50%
Hui Fang, Guangzhou	90,847	100%	100%
<b>Total</b>	<b>7,896,815</b>		

(1) Including Taikoo Li Sanlitun West, which officially opened in December 2021.

(2) Including space allocated to prospective tenants who have signed letters of intent.

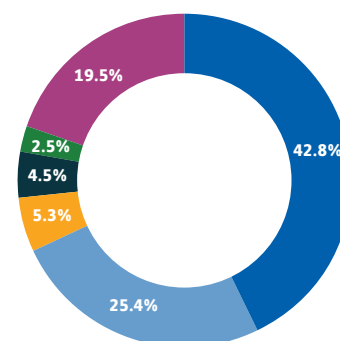
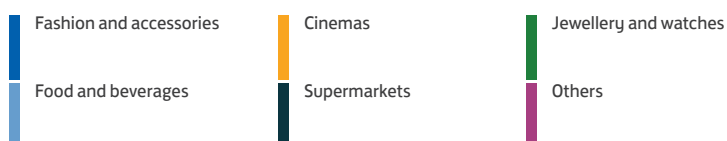
In the Chinese Mainland, retail sales began the year strongly. There were also contributions from the newly opened Taikoo Li Sanlitun West and Taikoo Li Qiantan. However, our six shopping malls were affected to varying degrees in the second quarter of 2022 by the resurgence of COVID-19 and related preventive measures in cities where we operate, particularly in Shanghai and Beijing. In Shanghai, retail shops were closed in April and May, and gradually reopened thereafter. Retail sales in Beijing were adversely affected by COVID-19 resurgences in May and June. Our retail sales (excluding Taikoo Li Sanlitun West and Taikoo Li Qiantan) on an attributable basis in the Chinese Mainland in the first half of 2022 decreased by 19%. Retail sales at Taikoo Li Sanlitun in Beijing, Taikoo Hui in Guangzhou, INDIGO in Beijing, Sino-Ocean Taikoo Li Chengdu and HKRI Taikoo Hui in Shanghai decreased by 26%, 7%, 25%, 8% and 53% respectively in the first half of 2022. National retail sales decreased by 1% in the first half of 2022 compared to the same period in 2021.

The Group's gross rental income from retail properties in the Chinese Mainland increased by 3%, to HK\$1,586 million, in the first half of 2022. Rental concessions (which were amortised over the remaining lease terms) were given for specific periods on a case-by-case basis to support tenants. Disregarding amortised rental concessions and changes in the value of the Renminbi, gross rental income increased by 1%.

The chart below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 30th June 2022.

## Retail Area by Tenants' Businesses

(At 30th June 2022)



At 30th June 2022, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2022) together occupied approximately 18% of the Group's total attributable retail area in the Chinese Mainland.

Gross rental income at Taikoo Li Sanlitun in Beijing increased in the first half of 2022, despite the disruption arising from the closure of retail shops and suspension of dine-in services during May and certain days in June. This reflected the contribution from the newly opened Taikoo Li Sanlitun West and improvements to the tenant mix. Retail sales decreased by 26%. The occupancy rate including Taikoo Li Sanlitun West was 98% at 30th June 2022.

In the first half of 2022, gross rental income and retail sales at Taikoo Hui in Guangzhou decreased by 2% and 7% respectively as compared with the first half of 2021, reflecting the impact of COVID-19. The mall was 99% occupied at 30th June 2022. Improvements to the tenant mix were made.

The mall at INDIGO in Beijing was 100% occupied at 30th June 2022. Retail sales decreased by 25% in the first half of 2022. Improvements were made to the tenant mix.

Gross rental income at Sino-Ocean Taikoo Li Chengdu was approximately the same in the first half of 2022 as in the same period in 2021. Retail sales decreased by 8%. At 30th June 2022, the occupancy rate was 96%.

Gross rental income at HKRI Taikoo Hui in Shanghai was approximately the same in the first half of 2022 as in the same period in 2021. Retail sales increased in the first two months of 2022, benefitting from improvements to the tenant mix and increased footfall until a COVID-19 resurgence in March. Retail shops were closed in April and May, and gradually reopened thereafter. Retail sales decreased by 53%. The occupancy rate was 98% at 30th June 2022.

Taikoo Li Qiantan in Shanghai opened on 30th September 2021. Retail sales and footfall were strong until a COVID-19 resurgence in March. Operations were gradually resumed from late May. As at 30th June 2022, tenants had committed (including by way of letters of intent) to take up 91% of the retail space. 68% of the lettable retail space was open.

**Chinese Mainland Retail Market Outlook**

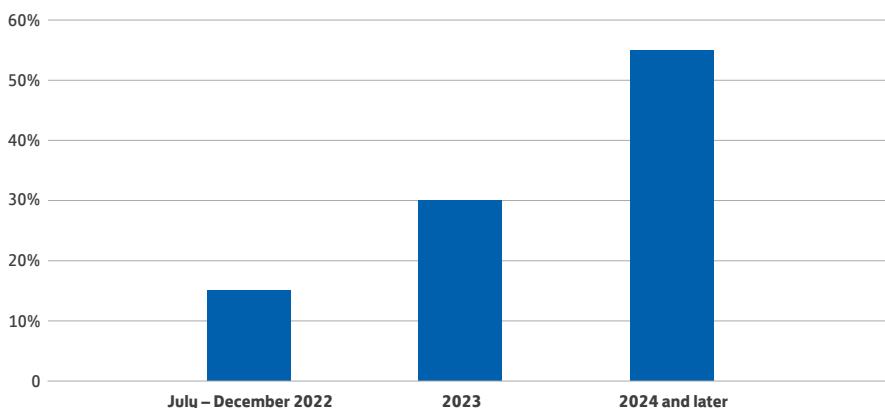
Demand for retail space is expected to be stable and to recover steadily in the second half of 2022. In Guangzhou and Chengdu, demand for retail space from retailers of luxury brands is expected to be strong. In Shanghai, demand for retail space from retailers of luxury fashion,

cosmetics and lifestyle brands, and from operators of food and beverage outlets, is expected to be stable. In Beijing, retail sales and demand for retail space are expected to recover steadily.

The following chart shows the percentage of attributable gross rental income from the retail properties in the Chinese Mainland, for the month ended 30th June 2022, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 15.1% of the attributable gross rental income in the month of June 2022 are due to expire in the second half of 2022, with tenancies accounting for a further 30% of such rental income due to expire in 2023.

**Retail Lease Expiry Profile**

(At 30th June 2022)



## Offices

The completed office portfolio in the Chinese Mainland comprises an aggregate of 4.1 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 increased by 5% to HK\$451 million in the first half of 2022. At 30th June 2022, our completed office properties in the Chinese Mainland were valued at HK\$21,845 million. Of this amount, the Group's attributable interest was HK\$13,628 million.

The portfolio comprises 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 30th June 2022)	Attributable Interest
Taikoo Hui, Guangzhou	1,693,125	94%	97%
INDIGO, Beijing	589,071	95%	50%
HKRI Taikoo Hui, Shanghai	1,828,060	100%	50%
<b>Total</b>	<b>4,110,256</b>		

The Group's gross rental income from office properties in the Chinese Mainland increased by 1% to HK\$191 million in the first half of 2022. Office demand in Shanghai in the first half of 2022 was adversely affected by the COVID-19 resurgence. Demand for office space in Beijing in the first half of 2022 was stable as supply was limited in the core areas. Demand for office space in Guangzhou was weak and new supply adversely affected rents.

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 30th June 2022.

## Office Area by Tenants' Businesses

(At 30th June 2022)





At 30th June 2022, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2022) together occupied approximately 47% of the Group's total attributable office area in the Chinese Mainland.

The occupancy rates at the office towers of Taikoo Hui in Guangzhou, ONE INDIGO in Beijing and the office towers of HKRI Taikoo Hui in Shanghai were 94%, 95% and 100% respectively at 30th June 2022.

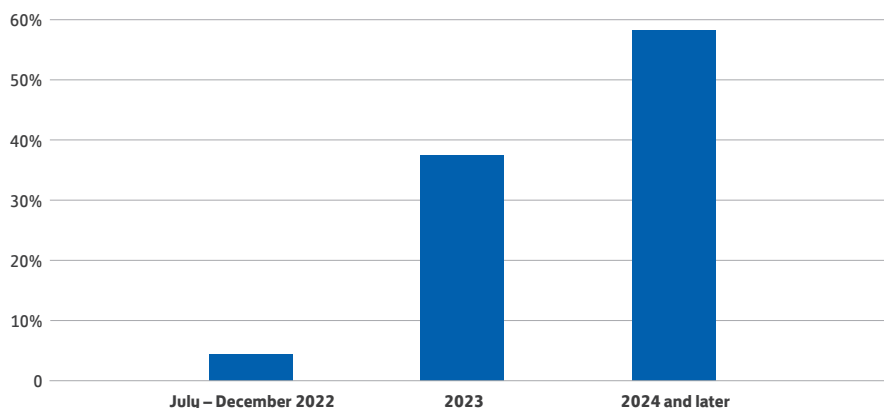
### Chinese Mainland Office Market Outlook

In Beijing, Shanghai and Guangzhou, office demand and market sentiment are expected to recover in the second half of 2022 assuming COVID-19 restrictions continue to be relaxed. However, the continued new supply of office space in Shanghai and Guangzhou, particularly in emerging decentralised submarkets, is exerting downward pressure on rents.

The following chart shows the percentage of attributable gross rental income from the office properties in the Chinese Mainland, for the month ended 30th June 2022, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 4.4% of the attributable gross rental income in the month of June 2022 are due to expire in the second half of 2022, with tenancies accounting for a further 37.4% of such rental income due to expire in 2023.

### Office Lease Expiry Profile

(At 30th June 2022)



### 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 the first half of 2022 was adversely affected by COVID-19. Occupancy at the Mandarin Oriental in Guangzhou, The Temple House in Chengdu and The Middle House Residences in Shanghai was 92%, 90% and 66% respectively at 30th June 2022.

## Chinese Mainland Serviced Apartments Market Outlook

The performance of the serviced apartments is expected to recover gradually in the second half of 2022, subject to COVID-19 conditions.

## Investment Properties Under Development

### INDIGO Phase Two, Beijing

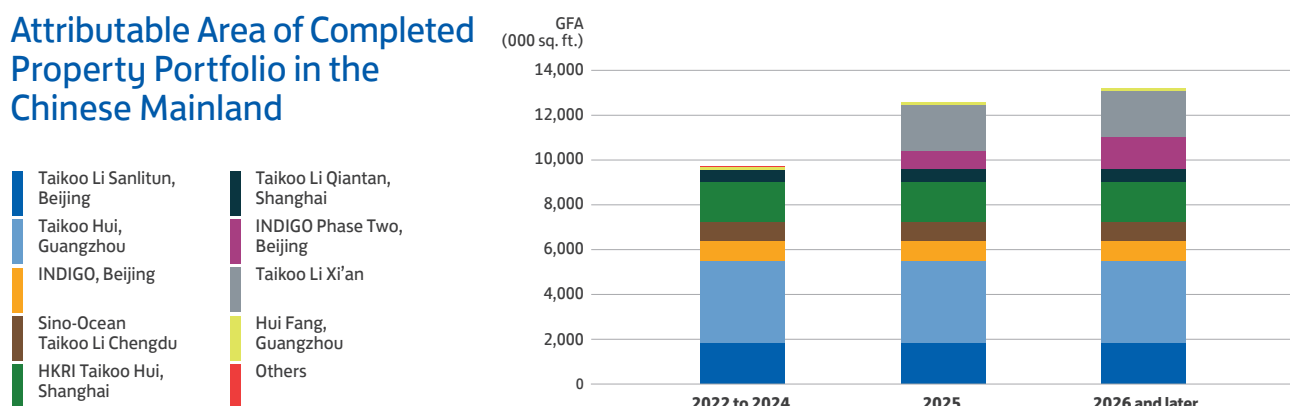
INDIGO Phase Two is an extension of the existing INDIGO development with a GFA of approximately four million square feet. Jointly developed with the Sino-Ocean group, INDIGO Phase Two will be an office-led mixed-use development and is planned to be completed in two phases, in 2025 and 2026, respectively. Piling works have been completed. Foundation works are in progress. The Group has a 35% interest in INDIGO Phase Two.

### Taikoo Li Xi'an

In March 2022, a consortium in which the Group has a 70% interest acquired (via a government land tender) the land use rights in respect of land located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an. With a site area of approximately 1.3 million square feet, the land is expected to be developed as Taikoo Li Xi'an, a retail-led mixed-use development comprising retail and cultural facilities in addition to a hotel, serviced residences and business apartments. The estimated GFA is approximately three million square feet (above ground and underground), subject to further planning. The project is expected to be completed in 2025. The consortium is a collaboration with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd.

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



## Others

### Zhangyuan, Shanghai

In 2021, the Group formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd. This company, which the Group has a 60% interest, is engaged in the revitalisation and management of the Zhangyuan shikumen compound in the Jing'an district of Shanghai. When the revitalisation is completed, the compound will have a GFA of 645,840 square feet above ground and 753,480 square feet underground, of which an underground area of 197,000 square feet will be for commercial use. There are 43 shikumen blocks with about 170 two or three-storey houses. There are connections to three metro lines and to HKRI Taikoo Hui. Construction and renovation were in progress at 30th June 2022. The revitalisation is planned to be completed and opened in two phases, in the fourth quarter of 2022 and in 2025. The Group does not have an ownership interest in the compound.

## 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 comprises a shopping centre, two office towers (Two and Three Brickell City Centre, which were sold in 2020), a hotel with serviced apartments (EAST Miami, which was sold in 2021) managed by Swire Hotels and two residential towers (Reach and Rise) developed for sale. All the residential units at Reach and Rise have been sold.

The Group owns 62.93% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre is 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 Group.

The shopping centre was 93% leased (including by way of letters of intent) at 30th June 2022. Retail sales in the first half of 2022 increased by 36%.

The second phase of the Brickell City Centre development, to be known as One Brickell City Centre, is being planned. It will be a commercial development connecting to the first phase of Brickell City Centre.

### Brickell City Centre, Miami

	GFA (sq. ft.) <sup>(1)</sup> (100% Basis)	Attributable Interest
<i>Completed</i>		
Shopping centre	496,508	62.9%
<i>Future Development</i>		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
<b>Total</b>	<b>2,463,508</b>	

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

### Miami Market Outlook

In Miami, retail sales are expected to grow, thanks to strong domestic demand.

## Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2022 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\$271,009 million, compared to HK\$267,815 million at 31st December 2021.

The increase in the valuation of the investment property portfolio primarily reflected new investment in the Chinese Mainland and an increase in the valuation of the car parking spaces and properties held for development in Hong Kong, partly offset by a decrease in the valuation of the office investment properties in Hong Kong and foreign exchange translation losses in respect of the investment properties in the Chinese Mainland.

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

## Property Trading

### Overview

The trading portfolio comprises completed units available for sale at EIGHT STAR STREET in Hong Kong. There are six residential projects under development, three in Hong Kong, one in Indonesia and two in Vietnam. There are also land banks in Miami, U.S.A.

### Property Trading Portfolio (At 30th June 2022)

	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<u>Completed</u>			
Hong Kong			
– EIGHT STAR STREET, Wan Chai <sup>(1)</sup>	30,855 <sup>(2)</sup>	2022	100%
<u>Under Development</u>			
Hong Kong			
– Wong Chuk Hang Station Package Four Property Development	638,305	2024	25%
– Chai Wan Inland Lot No. 178	694,278	2025	80%
– 269 Queen's Road East, Wan Chai <sup>(3)</sup>	102,990 <sup>(4)</sup>	2025	100%
Indonesia			
– Savyavasa, South Jakarta	1,122,728	2024	50%
Vietnam			
– The River	846,201	2022	20%
– Empire City	7,131,624	2027	15.73%
<u>Held for Development or sale</u>			
U.S.A.			
– South Brickell Key, Miami, Florida	550,000	n.a.	100%
– Brickell City Centre, Miami, Florida – North Squared site	523,000	n.a.	100%

(1) The occupation permit for EIGHT STAR STREET was issued in May 2022.

(2) Excluding a retail podium of approximately 2,851 sq. ft.

(3) In June 2022, the Group successfully acquired this site (via a government land tender). Transfer of the land title is expected to be completed in the second half of 2022.

(4) Excluding a retail podium of approximately 13,197 sq. ft.

## Hong Kong

### **EIGHT STAR STREET, Wan Chai**

EIGHT STAR STREET at 8 Star Street, Wan Chai is a residential building (with retail outlets on the lowest two levels) of approximately 34,000 square feet. The occupation permit has been obtained and the units will be handed over to the purchasers later this year. 28 out of 37 units had been pre-sold at 9th August 2022.

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

A joint venture formed by the Group, 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. Superstructure works are in progress. Subject to getting necessary approvals, pre-sales are expected to start by the end of 2022. The development is expected to be completed in 2024. The Group has a 25% interest in the joint venture.

### **Chai Wan Inland Lot No. 178**

In 2021, a project company held as to 80% by the Group and as to 20% by China Motor Bus Company, Limited completed a land exchange with the HKSAR Government in respect of a plot of land in Chai Wan, Hong Kong. The plot of land is expected to be redeveloped into a residential complex with an aggregate GFA of approximately 694,000 square feet. Foundation works are in progress. The development is expected to be completed in 2025.

### **269 Queen's Road East, Wan Chai**

In June 2022, the Group successfully acquired (via a government land tender) a plot of land located at 269 Queen's Road East in Wan Chai. The plot of land is expected to be developed for residential use with an aggregate gross floor area of approximately 116,200 square feet.

## Indonesia

In 2019, a joint venture between the Group 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. Basement works are under construction. The development is expected to comprise over 400 residential units and to be completed in 2024. The Group has a 50% interest in the joint venture. Pre-sale is in progress.

## Vietnam

In 2020, the Group 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 Group has an effective 20% interest in the development. Approximately 90% of the units had been pre-sold at 9th August 2022.

In 2021, the Group made a minority investment in Empire City, 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 up to 2027. The Group invested in the development through an agreement with Gaw Capital Partners, an existing participant in the development. Over 45% of the residential units had been pre-sold at 9th August 2022.

## Outlook

In Hong Kong, demand for residential accommodation is expected to be resilient in the medium and long term.

With urbanisation, a growing middle class and a limited supply of luxury residential properties, the residential markets in Jakarta, Indonesia and Ho Chi Minh City, Vietnam are expected to be stable.

## Estate Management

The Group manages 19 residential estates which it has developed. It also manages OPUS HONG KONG, a residential property in Hong Kong which the Group 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 Group places great emphasis on maintaining good relationships with occupants.

## Hotels

### Overview

The Group 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. There are EAST hotels in Hong Kong, Beijing and Miami. In October 2021, EAST Miami ceased to be owned by the Group. It continues to be managed by Swire Hotels. The Group also has interests in non-managed hotels in Hong Kong, Guangzhou, Shanghai and Miami.

Our managed hotels in Hong Kong and Chinese Mainland continued to be affected by COVID-19. The hotels in the U.S.A. performed well. Our managed hotels (including restaurants and taking account of central costs) recorded an operating loss before depreciation of HK\$74 million in the first half of 2022, compared with an operating profit before depreciation of HK\$4 million in the first half of 2021.

### Hotel Portfolio (Managed by Swire Hotels)

	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
Hong Kong		
– The Upper House	117	100%
– EAST Hong Kong	331	100%
– Headland Hotel <sup>(1)</sup>	501	0%
Chinese Mainland		
– The Opposite House	99	100%
– EAST Beijing	369	50%
– The Temple House <sup>(2)</sup>	142	50%
– The Middle House <sup>(2)</sup>	213	50%
U.S.A.		
– EAST Miami <sup>(3)</sup>	352	0%
<b>Total</b>	<b>2,124</b>	

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

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

(3) EAST Miami (including serviced apartments in the hotel tower) is owned by a third party.

## Hong Kong

The Group wholly-owns and manages (through Swire Hotels) two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place, and EAST Hong Kong, a 331-room hotel in Taikoo Shing.

The Group has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and a 26.67% interest in the Novotel Citygate and The Silveri Hong Kong – MGallery in Tung Chung.

Trading conditions for the managed and non-managed hotels in Hong Kong were adversely affected by travel restrictions and the fifth wave of COVID-19. Business recovered gradually following the relaxation of COVID-19 related measures in mid-April.

## Chinese Mainland

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

The performance of our managed and non-managed hotels in the Chinese Mainland was adversely affected by the resurgence of COVID-19 cases, with lower revenue per available room and occupancy recorded in the first half of 2022.

## U.S.A.

EAST Miami at the Brickell City Centre development in Miami was sold to a third party in October 2021. It continues to be managed by Swire Hotels.

EAST Miami and Mandarin Oriental, Miami performed well as COVID-19 stabilised, with improved revenue per available room and occupancy.

## Swire Restaurants

Swire Hotels operates restaurants in Hong Kong through its hotels. It also operates a standalone restaurant. The Upper House operates The Continental, a European restaurant, at Pacific Place. EAST Hong Kong operates Mr & Mrs Fox, a restaurant with an international menu, at Taikoo Place. PUBLIC café is a standalone restaurant at Taikoo Place.

## Outlook

The outlook for our hotels in Hong Kong remains challenging due to COVID-19 and its associated travel restrictions. Recovery of the hotel businesses depends on the full reopening of the border with the Chinese Mainland. Our Chinese Mainland hotels are expected to recover with the gradual relaxation of COVID-19 restrictions. The U.S.A. hotels continue to perform well. The Silveri Hong Kong – MGallery in Hong Kong is being opened in phases.

We are expanding our hotel management business, with a focus on extending our hotel brands outside Hong Kong through hotel management agreements.





## Development Highlight

### Taikoo Li Xi'an

Swire Properties announced a partnership with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd., a state-owned subsidiary of Xi'an Qujiang New District Management Committee, to develop Taikoo Li Xi'an, the Company's seventh development in the Chinese Mainland.

Taikoo Li Xi'an sits on a site in the heart of downtown Xi'an – at the south of Youyi Road, west of Chang'an Road, north of Stadium North Road and east of Zhuque Street in Beilin district, with a total site area of approximately 1.3 million square feet. The site is located within the Small Wild Goose Pagoda historical and cultural zone, a scenic area that has historical and

cultural significance to Xi'an. It is located adjacent to the Small Wild Goose Pagoda, a UNESCO World Heritage site, as well as the Jianfu Temple, which was built in 684 AD during the Tang Dynasty. The site enjoys a good transportation network and is conveniently located at the intersection of two metro lines (Line 2 and Line 5).

The site will be developed into a retail-led project featuring an innovative low-rise, open-plan architectural design that exemplifies the brand DNA of Taikoo Li, and will comprise retail and cultural facilities in addition to a luxury hotel, serviced residences and business apartments. The estimated gross floor area is approximately 3.0 million square feet (above ground and underground), subject to further planning. The project is expected to be completed in 2025.



Artist's impression

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## Capital Commitments

### Capital Expenditure and Commitments

Capital expenditure in the first half of 2022 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$1,287 million (first half of 2021: HK\$1,245 million). Outstanding capital commitments at 30th June 2022 were HK\$13,041 million (31st December 2021: HK\$14,500 million), including the Group's share of the capital commitments of joint venture companies of HK\$76 million (31st December 2021: HK\$73 million).

Capital expenditure in the first half of 2022 on Chinese Mainland investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, was HK\$3,547 million (first half of 2021: HK\$313 million). Outstanding capital commitments at 30th June 2022 were HK\$12,568 million (31st December 2021: HK\$6,184 million), including the Group's share of the capital commitments of joint venture companies of HK\$4,486 million (31st December 2021: HK\$4,777 million). The Group was committed to funding HK\$147 million (31st December 2021: HK\$1,146 million) of the capital commitments of joint venture companies.

Capital expenditure in the first half of 2022 on investment properties and hotels in the U.S.A. amounted to HK\$18 million (first half of 2021: HK\$6 million). Outstanding capital commitments at 30th June 2022 were HK\$2 million (31st December 2021: Nil).

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

	Expenditure Six months ended 30th June 2022 HK\$M	Forecast Expenditure				Total Commitments <sup>(1)</sup> At 30th June 2022 HK\$M	Commitments relating to Joint Venture Companies <sup>(2)</sup> At 30th June 2022 HK\$M
		Six months ending 31st December 2022 HK\$M	2023 HK\$M	2024 HK\$M	2025 and later HK\$M		
Hong Kong	1,287	4,260	1,629	755	6,397	13,041	76
Chinese Mainland	3,547	1,847	2,287	3,315	5,119	12,568	4,486
U.S.A.	18	2	–	–	–	2	–
<b>Total</b>	<b>4,852</b>	<b>6,109</b>	<b>3,916</b>	<b>4,070</b>	<b>11,516</b>	<b>25,611</b>	<b>4,562</b>

(1) The capital commitments represent the Group's capital commitments of HK\$21,049 million plus the Group's share of the capital commitments of joint venture companies of HK\$4,562 million.

(2) The Group was committed to funding HK\$147 million of the capital commitments of joint venture companies in the Chinese Mainland.

# FINANCING

## Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
<b>Net cash from/(used in) businesses and investments</b>			
Cash generated from operations	<b>3,933</b>	6,673	7,028
Dividends received	<b>94</b>	50	217
Tax paid	<b>(547)</b>	(681)	(1,635)
Net interest paid	<b>(301)</b>	(289)	(565)
Net cash used in investing activities	<b>(5,118)</b>	(4,522)	(3,196)
	<b>(1,939)</b>	1,231	1,849
<b>Cash paid to shareholders and net repayment of external debt</b>			
Net decrease in borrowings	<b>(3,876)</b>	(1,918)	(2,784)
Capital contribution from a non-controlling interest	<b>986</b>	–	–
Principal elements of lease payments	<b>(33)</b>	(35)	(72)
Dividends paid	<b>(3,779)</b>	(3,630)	(5,515)
	<b>(6,702)</b>	(5,583)	(8,371)
Decrease in cash and cash equivalents	<b>(8,641)</b>	(4,352)	(6,522)

During the first half of 2022, net cash used in investing activities principally comprised capital expenditure on investment properties and investments in joint venture companies.

## Medium Term Note Programme

In 2012, Swire Properties MTN Financing Limited, a wholly-owned subsidiary of the Company, established a US\$3 billion Medium Term Note (“MTN”) Programme. The aggregate nominal amount of the MTN Programme was increased to US\$4 billion in 2017. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. At 30th June 2022, 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

### Financial Information Reviewed by Auditors Analysis of Changes in Financing

	Six months ended 30th June 2022		Year ended 31st December 2021	
	Loans and bonds HK\$M	Lease liabilities HK\$M	Loans and bonds HK\$M	Lease liabilities HK\$M
At 1st January	<b>24,601</b>	<b>566</b>	27,257	580
Loans drawn and refinanced	<b>3,254</b>	–	1,400	–
Bonds matured	<b>(3,923)</b>	–	(300)	–
Repayment of loans	<b>(3,207)</b>	–	(3,884)	–
New leases arranged during the period	–	<b>61</b>	–	51
Principal elements of lease payments	–	<b>(33)</b>	–	(72)
Currency adjustment	<b>98</b>	<b>(22)</b>	85	14
Other non-cash movements	<b>16</b>	<b>1</b>	43	(7)
At 30th June/31st December	<b>20,839</b>	<b>573</b>	24,601	566

## Net Debt

### Financial Information Reviewed by Auditors

Net debt at 30th June 2022 was HK\$15,499 million, compared with HK\$10,334 million at 31st December 2021. The increase in net debt principally reflected capital and development expenditure in Hong Kong and the Chinese Mainland.

The Group's borrowings are principally denominated in Hong Kong dollars and US dollars. Outstanding borrowings at 30th June 2022 and 31st December 2021 were as follows:

	30th June 2022 HK\$M	31st December 2021 HK\$M
<b>Borrowings included in non-current liabilities</b>		
Bank borrowings – unsecured	3,146	588
Bonds – unsecured	14,868	15,013
<b>Borrowings included in current liabilities</b>		
Bank borrowings – unsecured	2,625	5,102
Bonds – unsecured	200	3,898
<b>Total borrowings</b>	<b>20,839</b>	<b>24,601</b>
<b>Lease liabilities</b>		
Included in non-current liabilities	522	517
Included in current liabilities	51	49
Less: short-term deposits and bank balances	5,913	14,833
<b>Net debt</b>	<b>15,499</b>	<b>10,334</b>

## Sources of Finance

### Financial Information Reviewed by Auditors

At 30th June 2022, committed loan facilities and debt securities amounted to HK\$27,440 million, of which HK\$6,500 million (24%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$400 million. Sources of funds at 30th June 2022 comprised:

	Available HK\$M	Drawn HK\$M	Undrawn Expiring Within One Year HK\$M	Undrawn Expiring After One Year HK\$M
<b>Facilities from third parties</b>				
Term loans	4,180	3,980	–	200
Revolving loans	8,150	1,850	1,850	4,450
Bonds	15,110	15,110	–	–
<b>Total committed facilities</b>	<b>27,440</b>	<b>20,940</b>	<b>1,850</b>	<b>4,650</b>
<b>Uncommitted facilities</b>				
Bank loans and overdrafts	400	–	400	–
<b>Total</b>	<b>27,840</b>	<b>20,940</b>	<b>2,250</b>	<b>4,650</b>

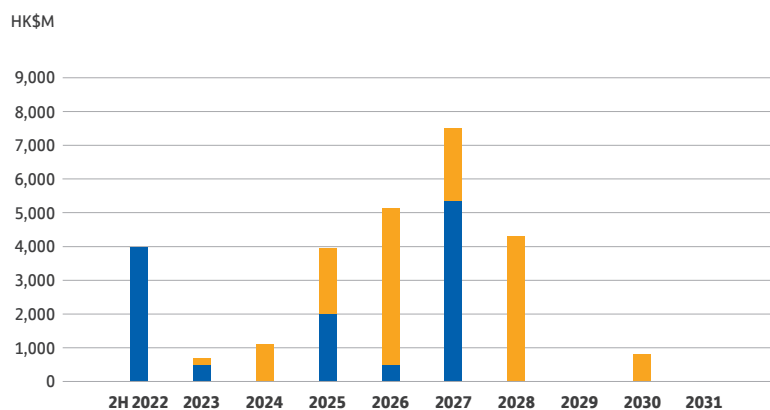
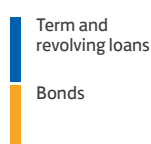
Note: The figures above are stated before unamortised loan fees of HK\$101 million.

## Maturity Profile and Refinancing

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

### Total Available Committed Facilities by Maturity

#### Facilities from third parties



### Financial Information Reviewed by Auditors

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

	30th June 2022		31st December 2021	
	HK\$M		HK\$M	
<b>Bank borrowings from and bonds issued to third parties due</b>				
Within 1 year	2,825	14%	9,000	37%
1-2 years	300	1%	199	1%
2-5 years	12,326	59%	8,207	33%
After 5 years	5,388	26%	7,195	29%
<b>Total</b>	<b>20,839</b>	<b>100%</b>	24,601	100%
Less: Amount due within one year included under current liabilities	2,825		9,000	
Amount due after one year included under non-current liabilities	18,014		15,601	

## Currency Profile

### Financial Information Reviewed by Auditors

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

Currency	30th June 2022		31st December 2021	
	HK\$M		HK\$M	
Hong Kong dollars	17,333	83%	20,747	84%
United States dollars	3,506	17%	3,854	16%
<b>Total</b>	<b>20,839</b>	<b>100%</b>	<b>24,601</b>	<b>100%</b>

## Finance Charges

### Financial Information Reviewed by Auditors

At 30th June 2022, 72% of the Group's gross borrowings were on a fixed rate basis and 28% were on a floating rate basis (31st December 2021: 83% and 17% respectively). Interest charged and earned was as follows:

	Six months ended 30th June		Year ended 31st December	
	2022 HK\$M	2021 HK\$M	2021 HK\$M	2021 HK\$M
<b>Interest charged on:</b>				
Bank loans and overdrafts	27	35		61
Bonds	319	325		651
Interest-bearing advances from joint venture companies	7	2		9
Lease liabilities	9	9		18
Net fair value (gains)/losses on derivative instruments				
Cash flow hedges – transferred (to)/from other comprehensive income	(4)	5		14
Cross-currency swaps not qualifying as hedges	1	1		1
Other financing costs	56	71		131
	<b>415</b>	448		885
Losses on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	27	31		64
<b>Capitalised on:</b>				
Investment properties	(191)	(135)		(293)
Properties for sale	(83)	(17)		(49)
	<b>168</b>	327		607
<b>Interest income on:</b>				
Short-term deposits and bank balances	(66)	(66)		(135)
Loans to joint venture and associated companies	(16)	(38)		(79)
Others	(7)	(8)		(16)
	<b>(89)</b>	(112)		(230)
<b>Net finance charges</b>	<b>79</b>	215		377



## Gearing Ratio and Interest Cover

	30th June		31st December	
	2022	2021	2021	
<b>Gearing ratio <sup>(1)</sup></b>	<b>5.3%</b>	3.1%	3.5%	
	Six months ended 30th June		Year ended 31st December	
	2022	2021	2021	
<b>Interest cover – times <sup>(1)</sup></b>				
Per financial statements	<b>61.5</b>	11.5	20.8	
Underlying	<b>84.4</b>	26.4	33.0	
<b>Cash interest cover – times <sup>(1)</sup></b>				
Per financial statements	<b>13.8</b>	6.7	10.9	
Underlying	<b>13.5</b>	14.5	15.8	

<sup>(1)</sup> Refer to Glossary on page 75 for definitions.

## Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of the Group reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2022 and 31st December 2021:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	30th June 2022	31st December 2021	30th June 2022	31st December 2021	30th June 2022	31st December 2021
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Hong Kong Entities	<b>10,568</b>	10,033	<b>3,577</b>	3,406	<b>2,408</b>	2,265
Chinese Mainland Entities	<b>16,145</b>	16,629	<b>7,632</b>	7,936	<b>1,062</b>	904
U.S.A. and other Entities	<b>459</b>	317	<b>413</b>	396	<b>544</b>	474
<b>Total</b>	<b>27,172</b>	26,979	<b>11,622</b>	11,738	<b>4,014</b>	3,643

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 9.2%.

# REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS



羅兵咸永道

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

## Introduction

We have reviewed the condensed interim financial statements set out on pages 50 to 72, which comprise the consolidated statement of financial position of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2022 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of these condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 11th August 2022

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong*

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# CONDENSED INTERIM FINANCIAL STATEMENTS

## Consolidated Statement of Profit or Loss

For the six months ended 30th June 2022 – unaudited

		Unaudited Six months ended 30th June		Audited Year ended 31st December
	Note	2022 HK\$M	2021 HK\$M	2021 HK\$M
Revenue	4	<b>6,698</b>	9,068	15,891
Cost of sales	5	<b>(1,693)</b>	(3,462)	(5,369)
Gross profit		<b>5,005</b>	5,606	10,522
Administrative and selling expenses		<b>(828)</b>	(871)	(1,888)
Other operating expenses		<b>(107)</b>	(101)	(200)
Other net gains	6	<b>89</b>	358	1,231
Gain on disposal of subsidiary companies		–	–	121
Change in fair value of investment properties	13	<b>701</b>	(2,525)	(1,947)
Operating profit		<b>4,860</b>	2,467	7,839
Finance charges		<b>(168)</b>	(327)	(607)
Finance income		<b>89</b>	112	230
Net finance charges	8	<b>(79)</b>	(215)	(377)
Share of profit less losses of joint venture companies		<b>509</b>	859	1,870
Share of profit less losses of associated companies		<b>(36)</b>	(42)	(82)
Profit before taxation		<b>5,254</b>	3,069	9,250
Taxation	9	<b>(817)</b>	(979)	(1,961)
Profit for the period		<b>4,437</b>	2,090	7,289
Profit for the period attributable to:				
The Company's shareholders		<b>4,319</b>	1,984	7,121
Non-controlling interests		<b>118</b>	106	168
		<b>4,437</b>	2,090	7,289
		<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11	<b>0.74</b>	0.34	1.22

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

## Consolidated Statement of Other Comprehensive Income

For the six months ended 30th June 2022 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
<b>Profit for the period</b>	<b>4,437</b>	2,090	7,289
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of properties previously occupied by the Group			
– gains recognised during the period	–	54	94
– deferred tax	–	–	(4)
Defined benefit plans			
– remeasurement losses recognised during the period	–	–	(26)
– deferred tax	–	–	4
	–	54	68
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedges			
– gains/(losses) recognised during the period	<b>58</b>	(49)	(38)
– transferred (from)/to net finance charges	<b>(4)</b>	5	14
– transferred from operating profit	<b>(1)</b>	–	–
– deferred tax	<b>(9)</b>	7	4
Share of other comprehensive income of joint venture and associated companies	<b>(924)</b>	233	561
Net translation differences on foreign operations recognised during the period	<b>(1,686)</b>	459	1,095
	<b>(2,566)</b>	655	1,636
<b>Other comprehensive income for the period, net of tax</b>	<b>(2,566)</b>	709	1,704
<b>Total comprehensive income for the period</b>	<b>1,871</b>	2,799	8,993
Total comprehensive income attributable to:			
The Company's shareholders	<b>1,790</b>	2,684	8,802
Non-controlling interests	<b>81</b>	115	191
	<b>1,871</b>	2,799	8,993

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

At 30th June 2022 – unaudited

	Unaudited 30th June 2022 HK\$M	Audited 31st December 2021 HK\$M
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12 3,254	3,381
Investment properties	13 271,140	267,959
Intangible assets	14 190	203
Right-of-use assets	15 2,428	2,442
Properties held for development	1,215	1,207
Joint venture companies	16 22,236	21,999
Loans due from joint venture companies	16 15,233	15,619
Associated companies	17 424	461
Loans due from associated companies	17 29	–
Derivative financial instruments	19 229	133
Deferred tax assets	24 80	78
Financial assets at fair value through profit or loss	460	439
Other financial assets at amortised cost	514	522
	<b>317,432</b>	314,443
<b>Current assets</b>		
Properties for sale	6,554	6,411
Stocks	73	71
Trade and other receivables	20 2,872	2,805
Amount due from immediate holding company – Swire Pacific Limited	21 –	1
Derivative financial instruments	19 –	19
Cash and cash equivalents	5,913	14,833
	<b>15,412</b>	24,140
Assets classified as held for sale	25 2,227	1,740
	<b>17,639</b>	25,880
<b>Current liabilities</b>		
Trade and other payables	22 8,829	9,339
Contract liabilities	92	120
Taxation payable	405	348
Derivative financial instruments	19 –	7
Long-term loans and bonds due within one year	2,825	9,000
Lease liabilities due within one year	23 51	49
	<b>12,202</b>	18,863
<b>Net current assets</b>	<b>5,437</b>	7,017
<b>Total assets less current liabilities</b>	<b>322,869</b>	321,460
<b>Non-current liabilities</b>		
Long-term loans and bonds	18,014	15,601
Long-term lease liabilities	23 522	517
Other payables	22 125	150
Deferred tax liabilities	24 10,763	10,847
Retirement benefit liabilities	209	187
	<b>29,633</b>	27,302
<b>NET ASSETS</b>	<b>293,236</b>	294,158
<b>EQUITY</b>		
Share capital	26 10,449	10,449
Reserves	27 279,752	281,706
<b>Equity attributable to the Company's shareholders</b>	<b>290,201</b>	292,155
<b>Non-controlling interests</b>	28 3,035	2,003
<b>TOTAL EQUITY</b>	<b>293,236</b>	294,158

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

For the six months ended 30th June 2022 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
<b>Operating activities</b>			
Cash generated from operations	3,933	6,673	7,028
Interest paid	(368)	(385)	(768)
Interest received	67	96	203
Tax paid	(547)	(681)	(1,635)
	<b>3,085</b>	5,703	4,828
Dividends received from joint venture and associated companies and financial assets at fair value through other comprehensive income	94	50	217
<b>Net cash from operating activities</b>	<b>3,179</b>	5,753	5,045
<b>Investing activities</b>			
Purchase of property, plant and equipment	(73)	(102)	(180)
Additions of investment properties	(5,027)	(1,504)	(3,860)
Purchase of intangible assets	(11)	(9)	(52)
Proceeds from disposal of property, plant and equipment	–	–	889
Proceeds from disposal of investment properties	412	790	2,869
Proceeds from disposal of subsidiary companies, net of cash disposed of	4	20	212
Proceeds from disposal of financial assets at fair value through profit or loss	–	973	973
Purchase of shares in joint venture companies	(650)	–	–
Purchase of financial assets at fair value through profit or loss	(20)	(376)	(390)
Equity to joint venture companies	(144)	(3,978)	(3,986)
Loans to joint venture companies	(129)	(1,025)	(787)
Repayment of loans by joint venture companies	577	387	613
Advances from joint venture companies	–	274	479
Repayment of advances from joint venture companies	(25)	–	–
Loans to associated companies	(29)	–	–
Decrease in deposits maturing after three months	–	30	30
Initial leasing costs incurred	(3)	(2)	(6)
<b>Net cash used in investing activities</b>	<b>(5,118)</b>	(4,522)	(3,196)
<b>Net cash (outflow)/inflow before financing activities</b>	<b>(1,939)</b>	1,231	1,849
<b>Financing activities</b>			
Loans drawn and refinanced	3,254	300	1,400
Repayment of loans and bonds	(7,130)	(2,218)	(4,184)
Principal elements of lease payments	(33)	(35)	(72)
	<b>(3,909)</b>	(1,953)	(2,856)
Capital contribution from a non-controlling interest	986	–	–
Dividends paid to the Company's shareholders	(3,744)	(3,569)	(5,383)
Dividends paid to non-controlling interests	(35)	(61)	(132)
<b>Net cash used in financing activities</b>	<b>(6,702)</b>	(5,583)	(8,371)
<b>Decrease in cash and cash equivalents</b>	<b>(8,641)</b>	(4,352)	(6,522)
Cash and cash equivalents at 1st January	14,833	21,202	21,202
Effect of exchange differences	(279)	67	153
<b>Cash and cash equivalents at end of the period</b>	<b>5,913</b>	16,917	14,833
<b>Represented by:</b>			
Bank balances and short-term deposits maturing within three months	5,913	16,917	14,833

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

For the six months ended 30th June 2022 – unaudited

	Attributable to the Company's shareholders			Total HK\$M	Non- controlling interests HK\$M	Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M			
At 1st January 2022	10,449	277,961	3,745	292,155	2,003	294,158
Profit for the period	–	4,319	–	4,319	118	4,437
Other comprehensive income	–	–	(2,529)	(2,529)	(37)	(2,566)
Total comprehensive income for the period	–	4,319	(2,529)	1,790	81	1,871
Capital contribution from a non-controlling interest	–	–	–	–	986	986
Dividends paid	–	(3,744)	–	(3,744)	(35)	(3,779)
At 30th June 2022 (unaudited)	10,449	278,536	1,216	290,201	3,035	293,236

	Attributable to the Company's shareholders			Total HK\$M	Non- controlling interests HK\$M	Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M			
At 1st January 2021	10,449	276,245	2,042	288,736	1,944	290,680
Profit for the period	–	1,984	–	1,984	106	2,090
Other comprehensive income	–	–	700	700	9	709
Total comprehensive income for the period	–	1,984	700	2,684	115	2,799
Dividends paid	–	(3,569)	–	(3,569)	(61)	(3,630)
At 30th June 2021 (unaudited)	10,449	274,660	2,742	287,851	1,998	289,849

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## 1. Segment Information

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

(a) 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	Net finance charges 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	Profit/(Losses) for the period HK\$M	Profit/(Losses) attributable to the Company's shareholders HK\$M
<b>Six months ended 30th June 2022</b>									
Property investment	6,053	1	4,078	(79)	597	–	4,596	3,972	3,928
Property trading	383	–	218	–	(9)	13	222	151	151
Hotels	262	1	(137)	–	(13)	(49)	(199)	(179)	(178)
Change in fair value of investment properties	–	–	701	–	(66)	–	635	493	418
Inter-segment elimination	–	(2)	–	–	–	–	–	–	–
<b>Total</b>	<b>6,698</b>	<b>–</b>	<b>4,860</b>	<b>(79)</b>	<b>509</b>	<b>(36)</b>	<b>5,254</b>	<b>4,437</b>	<b>4,319</b>
<b>Six months ended 30th June 2021</b>									
Property investment	6,247	2	4,605	(198)	518	–	4,925	4,238	4,179
Property trading	2,394	–	496	(10)	128	–	614	621	618
Hotels	427	2	(109)	(7)	(48)	(42)	(206)	(186)	(186)
Change in fair value of investment properties	–	–	(2,525)	–	261	–	(2,264)	(2,583)	(2,627)
Inter-segment elimination	–	(4)	–	–	–	–	–	–	–
<b>Total</b>	<b>9,068</b>	<b>–</b>	<b>2,467</b>	<b>(215)</b>	<b>859</b>	<b>(42)</b>	<b>3,069</b>	<b>2,090</b>	<b>1,984</b>
<b>Year ended 31st December 2021</b>									
Property investment	12,554	3	9,468	(353)	1,006	–	10,121	8,771	8,663
Property trading	2,443	–	492	(10)	120	–	602	604	601
Hotels	894	4	(174)	(14)	(70)	(82)	(340)	(309)	(307)
Change in fair value of investment properties	–	–	(1,947)	–	814	–	(1,133)	(1,777)	(1,836)
Inter-segment elimination	–	(7)	–	–	–	–	–	–	–
<b>Total</b>	<b>15,891</b>	<b>–</b>	<b>7,839</b>	<b>(377)</b>	<b>1,870</b>	<b>(82)</b>	<b>9,250</b>	<b>7,289</b>	<b>7,121</b>

Note:

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



**1. Segment Information** (continued)

(b) Analysis of total assets of the Group

	Segment assets HK\$M	Joint venture companies* HK\$M	Associated companies* HK\$M	Bank deposits and cash HK\$M	Total assets HK\$M
<b>At 30th June 2022</b>					
Property investment	278,793	33,200	–	5,310	317,303
Property trading	8,208	2,721	232	492	11,653
Hotels	4,235	1,548	221	111	6,115
<b>Total</b>	<b>291,236</b>	<b>37,469</b>	<b>453</b>	<b>5,913</b>	<b>335,071</b>
<b>At 31st December 2021</b>					
Property investment	274,779	33,492	–	14,161	322,432
Property trading	8,058	2,717	219	548	11,542
Hotels	4,574	1,409	242	124	6,349
<b>Total</b>	<b>287,411</b>	<b>37,618</b>	<b>461</b>	<b>14,833</b>	<b>340,323</b>

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

(c) 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
<b>At 30th June 2022</b>						
Property investment	7,706	11,148	15,045	573	34,472	2,999
Property trading	1,406	20	5,435	–	6,861	2
Hotels	143	–	359	–	502	34
<b>Total</b>	<b>9,255</b>	<b>11,168</b>	<b>20,839</b>	<b>573</b>	<b>41,835</b>	<b>3,035</b>
<b>At 31st December 2021</b>						
Property investment	8,303	11,174	18,839	566	38,882	1,969
Property trading	1,336	21	5,412	–	6,769	2
Hotels	164	–	350	–	514	32
<b>Total</b>	<b>9,803</b>	<b>11,195</b>	<b>24,601</b>	<b>566</b>	<b>46,165</b>	<b>2,003</b>

(d) 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
<b>Six months ended 30th June 2022</b>				
Property investment	–	50	6,003	6,053
Property trading	383	–	–	383
Hotels	153	109	–	262
<b>Total</b>	<b>536</b>	<b>159</b>	<b>6,003</b>	<b>6,698</b>
<b>Six months ended 30th June 2021</b>				
Property investment	–	50	6,197	6,247
Property trading	2,394	–	–	2,394
Hotels	219	208	–	427
<b>Total</b>	<b>2,613</b>	<b>258</b>	<b>6,197</b>	<b>9,068</b>

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

## 2. Basis of Preparation

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

The unaudited condensed interim financial statements are set out on pages 50 to 72 and also include the “Financial Information Reviewed by Auditors” in the Financing section on pages 43 to 48.

The financial information relating to the year ended 31st December 2021 that is included in this document as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the “Ordinance”)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2021 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The Company’s auditor has reported on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies and methods of computation and presentation used in the preparation of the condensed interim financial statements are consistent with those described in the 2021 annual financial statements except for those noted in 2(b) and 2(c) below.

- (b) The following revised standards were adopted by the Group effective from 1st January 2022:

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Annual improvements project	Annual Improvements to HKFRSs 2018-2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments

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

- (c) The preparation of the condensed interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgements in the process of applying the Group’s accounting policies. Those areas involving a higher degree of judgements or complexity and areas where assumptions and estimates are significant to the Group’s consolidated financial statements are detailed in the 2021 annual financial statements.

### 3. Financial Risk Management

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2021 annual financial statements. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

### 4. Revenue

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

	Six months ended 30th June		Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
Gross rental income from investment properties	<b>6,003</b>	6,197	12,452
Property trading	<b>383</b>	2,394	2,443
Hotels	<b>262</b>	427	894
Rendering of other services	<b>50</b>	50	102
	<b>6,698</b>	9,068	15,891

### 5. Cost of Sales

	Six months ended 30th June		Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
Direct rental outgoings in respect of investment properties	<b>1,204</b>	1,214	2,630
Property trading	<b>155</b>	1,815	1,856
Hotels	<b>334</b>	433	883
	<b>1,693</b>	3,462	5,369

## 6. Other Net Gains

	Six months ended 30th June		Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
Gains on disposal of investment properties	27	302	1,028
(Losses)/Gains on disposal of property, plant and equipment	–	(1)	9
Gains on disposal of assets classified as held for sale	4	–	36
Change in fair value of assets classified as held for sale	49	4	42
Change in fair value of financial assets at fair value through profit or loss	–	–	(12)
Net foreign exchange (losses)/gains	(30)	32	60
Government subsidies	13	4	15
Others	26	17	53
	<b>89</b>	358	1,231

## 7. Expenses by Nature

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

	Six months ended 30th June		Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
Depreciation of property, plant and equipment (note 12)	116	142	273
Depreciation of right-of-use assets			
– leasehold land held for own use	13	13	27
– property	18	19	38
Amortisation of			
– intangible assets (note 14)	25	23	47
– initial leasing costs in respect of investment properties	16	19	35
Staff costs	1,059	1,019	1,965
Other lease expenses*	16	15	32

\* These expenses include expenses relating to short-term leases and leases of low-value assets, net of rent concessions received (nil for the six months ended 30th June 2022 and 30th June 2021; year ended 31st December 2021: 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. Net Finance Charges

Refer to the table with the heading “Financial Information Reviewed by Auditors” on page 47 for details of the Group’s net finance charges.

## 9. Taxation

	Six months ended 30th June		Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
Current taxation			
Hong Kong profits tax	288	366	780
Overseas tax	328	298	627
(Over)/Under-provisions in prior years	(3)	7	4
	613	671	1,411
Deferred taxation (note 24)			
Change in fair value of investment properties	(33)	193	437
Origination and reversal of temporary differences	240	115	113
Effect of change in tax rate in the U.S.A.	(3)	–	–
	204	308	550
	817	979	1,961

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group’s share of joint venture companies’ tax charges for the six months ended 30th June 2022 of HK\$168 million (30th June 2021: HK\$264 million; year ended 31st December 2021: HK\$538 million) and share of associated companies’ tax charges for the six months ended 30th June 2022 of HK\$5 million (30th June 2021: tax credits of HK\$11 million; year ended 31st December 2021: tax credits of HK\$14 million) respectively are included in the share of profit less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

## 10. Dividends

	Six months ended 30th June		Year ended 31st December
	2022 HK\$M	2021 HK\$M	2021 HK\$M
First interim dividend declared on 11th August 2022 of HK\$0.32 per share (2021 first interim dividend paid on 5th October 2021: HK\$0.31)	1,872	1,814	1,814
Second interim dividend paid on 5th May 2022 of HK\$0.64 per share	–	–	3,744
	<b>1,872</b>	1,814	5,558

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

The Directors have declared a first interim dividend of HK\$0.32 (2021: HK\$0.31) per share for the year ending 31st December 2022. The first interim dividend, which totals HK\$1,872 million (2021: HK\$1,814 million), will be paid on Thursday, 6th October 2022 to shareholders registered at the close of business on the record date, being Friday, 9th September 2022. Shares of the Company will be traded ex-dividend as from Wednesday, 7th September 2022.

The register of members will be closed on Friday, 9th September 2022, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8th September 2022.

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

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2022 of HK\$4,319 million (30th June 2021: HK\$1,984 million; year ended 31st December 2021: HK\$7,121 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2021 and 31st December 2021: 5,850,000,000 ordinary shares).

## 12. Property, Plant and Equipment

	Property, plant and equipment HK\$M
<b>Cost:</b>	
At 1st January 2022	6,285
Translation differences	(110)
Additions	45
Disposals	(3)
<b>At 30th June 2022</b>	<b>6,217</b>
<b>Accumulated depreciation and impairment:</b>	
At 1st January 2022	2,904
Translation differences	(54)
Charge for the period (note 7)	116
Disposals	(3)
<b>At 30th June 2022</b>	<b>2,963</b>
<b>Net book value:</b>	
<b>At 30th June 2022</b>	<b>3,254</b>
At 1st January 2022	3,381

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

### 13. Investment Properties

	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2022	236,703	31,112	267,815
Translation differences	(1,633)	(33)	(1,666)
Additions	491	4,739	5,230
Cost written back	(267)	(52)	(319)
Disposals	(222)	–	(222)
Transfer between categories	105	(105)	–
Net transfers to right-of-use assets	–	(7)	(7)
Transfer to assets classified as held for sale	(523)	–	(523)
Net fair value (losses)/gains	(573)	1,274	701
	234,081	36,928	271,009
Add: Initial leasing costs	131	–	131
<b>At 30th June 2022</b>	<b>234,212</b>	<b>36,928</b>	<b>271,140</b>
At 1st January 2022 (including initial leasing costs)	236,847	31,112	267,959

### 14. Intangible Assets

	Computer Software HK\$M	Others HK\$M	Total HK\$M
<b>Cost:</b>			
At 1st January 2022	263	205	468
Translation differences	–	1	1
Additions	11	–	11
<b>At 30th June 2022</b>	<b>274</b>	<b>206</b>	<b>480</b>
<b>Accumulated amortisation:</b>			
At 1st January 2022	163	102	265
Amortisation for the period (note 7)	15	10	25
<b>At 30th June 2022</b>	<b>178</b>	<b>112</b>	<b>290</b>
<b>Net book value:</b>			
<b>At 30th June 2022</b>	<b>96</b>	<b>94</b>	<b>190</b>
At 1st January 2022	100	103	203



## 15. Right-of-use Assets

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

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

	30th June 2022 HK\$M	31st December 2021 HK\$M
Leasehold land held for own use	2,361	2,367
Property	67	75
	<b>2,428</b>	2,442

Additions to right-of-use assets during the six months ended 30th June 2022 were HK\$9 million (30th June 2021: Nil; year ended 31st December 2021: HK\$5 million).

During the six months ended 30th June 2022, total cash outflow for leases was included in the consolidated statement of cash flows as (a) interest paid of HK\$9 million (30th June 2021: HK\$9 million; year ended 31st December 2021: HK\$18 million) under “operating activities”, (b) payment for short-term and low-value assets leases of HK\$16 million (30th June 2021: HK\$15 million; year ended 31st December 2021: HK\$32 million) under “operating activities” and (c) principal elements of lease payments of HK\$33 million (30th June 2021: HK\$35 million; year ended 31st December 2021: HK\$72 million) under “financing activities”.

## 16. Joint Venture Companies

	30th June 2022 HK\$M	31st December 2021 HK\$M
Share of net assets, unlisted	22,236	21,999
Loans due from joint venture companies less provisions		
– Interest-free	13,209	13,426
– Interest-bearing	2,024	2,193
	<b>15,233</b>	15,619

## 17. Associated Companies

	30th June 2022 HK\$M	31st December 2021 HK\$M
Share of net assets, unlisted	424	461
Loans due from associated companies less provisions		
– Interest-free	9	–
– Interest-bearing	20	–
	<b>29</b>	–

## 18. Fair Value Measurement of Financial Instruments

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

	Level 2 HK\$M	Level 3 HK\$M	Total carrying amount HK\$M
<b>Assets as per consolidated statement of financial position</b>			
<b>At 30th June 2022</b>			
Derivatives used for hedging (note 19)	229	–	229
Financial assets at fair value through profit or loss			
– Unlisted equity investments	–	460	460
	<b>229</b>	<b>460</b>	<b>689</b>
At 31st December 2021			
Derivatives used for hedging (note 19)	152	–	152
Financial assets at fair value through profit or loss			
– Unlisted equity investments	–	439	439
	152	439	591
<b>Liabilities as per consolidated statement of financial position</b>			
<b>At 30th June 2022</b>			
Derivatives used for hedging (note 19)	–	–	–
Put option in respect of a non-controlling interest (note 22)	–	569	569
	–	<b>569</b>	<b>569</b>
At 31st December 2021			
Derivatives used for hedging (note 19)	7	–	7
Put option in respect of a non-controlling interest (note 22)	–	551	551
	7	551	558

Notes:

The levels in the hierarchy represent the following:

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

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

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

The change in level 3 financial instruments for the period ended 30th June 2022 is as follows:

	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 2022	439	551
Translation differences	–	3
Additions	21	–
Distributions during the period	–	(12)
Change in fair value recognised as net finance charges*	–	27
<b>At 30th June 2022</b>	<b>460</b>	<b>569</b>
<b>* Including unrealised losses recognised on balances held at 30th June 2022</b>	<b>–</b>	<b>27</b>

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

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

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

The fair value of unlisted investments classified within Level 3 is determined using a discounted cash flow valuation 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 2023 and the discount rate used is 6.3% (31st December 2021: 6.3%).

The investment property's fair value at the expected time of exercise is itself subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected fair market rent and the expected capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 30th June 2022. If the expected time of exercise is later or if the discount rate is higher, the fair value of the put option would be lower. The opposite is true for an earlier time of exercise or a lower discount rate.

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

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values at 30th June 2022 and 31st December 2021 except for the following financial liabilities, for which their carrying amounts and fair values are disclosed below:

	30th June 2022		31st December 2021	
	Carrying amount HK\$M	Fair value HK\$M	Carrying amount HK\$M	Fair value HK\$M
Long-term loans and bonds	20,839	20,413	24,601	25,461

## 19. Derivative Financial Instruments

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

	30th June 2022		31st December 2021	
	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	–	–	19	7
– due after one year	229	–	133	–

## 20. Trade and Other Receivables

	30th June 2022 HK\$M	31st December 2021 HK\$M
Trade debtors	378	396
Prepayments and accrued income	123	81
Amount due from a fellow subsidiary company	6	–
Other receivables	2,365	2,328
	<b>2,872</b>	<b>2,805</b>

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

	30th June 2022 HK\$M	31st December 2021 HK\$M
Up to 3 months	325	338
Between 3 and 6 months	29	24
Over 6 months	24	34
	<b>378</b>	<b>396</b>

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

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

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

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

## 22. Trade and Other Payables

	30th June 2022 HK\$M	31st December 2021 HK\$M
Trade creditors	583	721
Rental deposits from tenants	2,781	2,782
Deposits received on sale of investment properties	8	10
Put option in respect of a non-controlling interest	569	551
Other current payables		
Accrued capital expenditure	1,092	1,363
Amounts due to intermediate holding company	111	100
Amount due to a joint venture company	61	–
Amounts due to an associated company	–	5
Interest-bearing advances from joint venture companies	442	479
Advances from a non-controlling interest	1,135	1,130
Others	2,172	2,348
	<b>5,013</b>	5,425
	<b>8,954</b>	9,489
Amounts due after one year included under non-current liabilities	<b>(125)</b>	(150)
	<b>8,829</b>	9,339

The analysis of the age of trade creditors at the end of the period is as follows:

	30th June 2022 HK\$M	31st December 2021 HK\$M
Up to 3 months	<b>583</b>	721

## 23. Lease Liabilities

	30th June 2022 HK\$M	31st December 2021 HK\$M
Maturity profile at the end of the period is as follows:		
Within 1 year	51	49
Between 1 and 2 years	55	53
Between 2 and 5 years	155	126
Over 5 years	312	338
	<b>573</b>	566

## 24. Deferred Taxation

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

	HK\$M
At 1st January 2022	10,769
Translation differences	(299)
Charged to profit or loss (note 9)	204
Charged to other comprehensive income	9
<b>At 30th June 2022</b>	<b>10,683</b>
Represented by:	
Deferred tax assets	(80)
Deferred tax liabilities	10,763
	<b>10,683</b>

## 25. Assets Classified as Held for Sale

Assets classified as held for sale represent the Group's 100% interest in investment properties comprising 1,164 car parking spaces and 196 motorcycle parking spaces in stages I to IX of the Taikoo Shing residential development in Hong Kong. The spaces in stage VI were offered to registered owners at Taikoo Shing in the fourth quarter of 2020, and the Group offered further car parking spaces in stages II to IV and VII to IX in batches during 2021. The Group also offered car parking spaces in stages I and V during the period.

## 26. Share Capital

	Company	
	30th June 2022 HK\$M	31st December 2021 HK\$M
<b>Issued and fully paid with no par value:</b>		
At 30th June 2022 and 31st December 2021		
5,850,000,000 ordinary shares	<b>10,449</b>	10,449

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

## 27. Reserves

	Revenue 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 2022	277,961	(1,108)	2,005	28	2,820	281,706
Profit for the period	4,319	–	–	–	–	4,319
Other comprehensive income						
Cash flow hedges						
– gains recognised during the period	–	–	–	58	–	58
– transferred from net finance charges	–	–	–	(4)	–	(4)
– transferred from operating profit	–	–	–	(1)	–	(1)
– deferred tax	–	–	–	(9)	–	(9)
Share of other comprehensive income of joint venture and associated companies	–	–	–	6	(930)	(924)
Net translation differences on foreign operations recognised during the period	–	–	–	–	(1,649)	(1,649)
Total comprehensive income for the period	4,319	–	–	50	(2,579)	1,790
2021 second interim dividend (note 10)	(3,744)	–	–	–	–	(3,744)
<b>At 30th June 2022</b>	<b>278,536</b>	<b>(1,108)</b>	<b>2,005</b>	<b>78</b>	<b>241</b>	<b>279,752</b>

\* The Group's revenue reserve at 30th June 2022 includes HK\$1,872 million representing the declared first interim dividend for the year ending 31st December 2022 (31st December 2021: HK\$3,744 million representing the second interim dividend for 2021) (note 10).

## 28. Non-controlling Interests

The movement of non-controlling interests during the period is as follows:

	HK\$M
At 1st January 2022	2,003
Share of profit less losses for the period	118
Share of translation differences on foreign operations	(37)
Share of total comprehensive income for the period	81
Capital contribution from a non-controlling interest	986
Dividends paid and payable	(35)
<b>At 30th June 2022</b>	<b>3,035</b>

## 29. Capital Commitments

	30th June 2022 HK\$M	31st December 2021 HK\$M
The Group's outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted but not provided for	13	13
Authorised by Directors but not contracted for	352	356
Investment properties		
Contracted but not provided for	3,787	4,541
Authorised by Directors but not contracted for	16,897	10,924
	<b>21,049</b>	15,834
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted but not provided for	541	150
Authorised by Directors but not contracted for	4,021	4,700
	<b>4,562</b>	4,850

\* of which the Group is committed to funding HK\$147 million (31st December 2021: HK\$1,146 million).

## 30. Contingencies

Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK\$4,014 million (31st December 2021: HK\$3,643 million). Bank guarantees given in lieu of utility deposits and other liabilities totalled HK\$78 million at the end of the period (31st December 2021: HK\$76 million).

## 31. Related Party Transactions

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JS&SHK"), an intermediate holding company, provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JS&SHK receives annual fees calculated as 2.5% of the Group's relevant consolidated profit before taxation and non-controlling interests after certain adjustments. The Services Agreement (as amended and restated on 9th August 2019) was renewed on 1st October 2019 for three years expiring on 31st December 2022. For the six months ended 30th June 2022, service fees payable amounted to HK\$107 million (30th June 2021: HK\$101 million). Expenses of HK\$51 million (30th June 2021: HK\$49 million) were reimbursed at cost; in addition, HK\$43 million (30th June 2021: HK\$42 million) in respect of shared administrative services was reimbursed.



### 31. Related Party Transactions (continued)

Under a tenancy framework agreement (the “Tenancy Framework Agreement”) between JS&SHK, Swire Pacific Limited and the Company dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JS&SHK 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 2021 for a further term of three years expiring on 31st December 2024. For the six months ended 30th June 2022, the aggregate rentals payable to the Group by members of the JS&SHK group and members of the Swire Pacific group under tenancies to which the Tenancy Framework Agreement applies amounted to HK\$57 million (30th June 2021: HK\$56 million) and HK\$22 million (30th June 2021: HK\$22 million) respectively.

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

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

		For the six months ended 30th June									
		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
Note		2022 HK\$M	2021 HK\$M	2022 HK\$M	2021 HK\$M	2022 HK\$M	2021 HK\$M	2022 HK\$M	2021 HK\$M	2022 HK\$M	2021 HK\$M
	Purchases of goods	(a)	–	–	–	–	–	–	–	–	1
	Purchases of services	(a)	–	–	14	14	–	–	–	–	–
	Rendering of services	(a)	28	25	–	–	–	–	1	1	1
	Rental revenue	(b)	–	–	17	16	5	6	57	56	–
	Rental expenses	(b)	4	3	–	–	–	–	–	–	–
	Revenue from hotels		4	10	–	–	–	–	–	42	12
	Interest income	(c)	16	38	–	–	–	–	–	–	–
	Interest charges	(c)	7	2	–	–	–	–	–	–	–

Notes:

- Purchase of goods and rendering of services from and to related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged by/to and contracted with other suppliers/customers of the Group.
- The Group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- Loans advanced to joint venture and associated companies at 30th June 2022 are disclosed in notes 16 and 17. Advances from joint venture and associated companies are disclosed in note 22.

The amount due from the immediate holding company at 31st December 2021 was HK\$1 million. The balance arises in the normal course of business, is non-interest-bearing and repayable within one year.

## SUPPLEMENTARY INFORMATION

### Corporate Governance

The Company complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 14 to the Listing Rules throughout the accounting period covered by the interim report.

During 2021, The Stock Exchange of Hong Kong Limited consulted on changes to the CG Code and related Listing Rules. The changes are applicable to financial years commencing on or after 1st January 2022 and relevant changes will be reflected in the Company’s 2022 Annual Report.

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

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

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

### Share Capital

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

### Directors’ Particulars

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

1. R.S.K. Lim retired as an Independent Non-Executive Director of Raffles Medical Group Ltd with effect from 25th April 2022.

### Directors’ Interests

At 30th June 2022, the register maintained under Section 352 of the Securities and Futures Ordinance (“SFO”) showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited and Swire Pacific Limited:

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

**Directors' Interests (continued)**

	Capacity			Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
<b>John Swire &amp; Sons Limited</b>						
<b>Ordinary Shares of £1</b>						
N.A.H. Fenwick	–	–	3,136,000	3,136,000	3.14	(1)
M.B. Swire	2,693,550	130,000	17,293,967	20,117,517	20.12	(2)
<b>8% Cum. Preference Shares of £1</b>						
N.A.H. Fenwick	–	–	2,822,400	2,822,400	3.14	(1)
M.B. Swire	3,966,125	–	13,384,780	17,350,905	19.28	(2)

	Capacity			Total No. of Shares	Percentage of Voting Shares (comprised in the class) (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
<b>Swire Pacific Limited</b>						
<b>'A' shares</b>						
L.K.L. Cheng	10,000	–	–	10,000	0.0011	
M.B. Swire	180,000	–	301,000	481,000	0.0531	(3)
<b>'B' shares</b>						
M.B. Swire	390,000	–	3,024,617	3,414,617	0.1145	(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 3,172,378 preference shares in John Swire & Sons Limited and 1,225,395 'B' shares in Swire Pacific 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 1,799,222 'B' shares in Swire Pacific 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).

**Substantial Shareholders' and Other Interests**

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2022 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)
Swire Pacific Limited	4,796,765,835	82.00	Beneficial owner (1)
John Swire & Sons Limited	4,796,765,835	82.00	Attributable interest (2)

Notes:

- (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 57.89% of the equity of Swire Pacific Limited and controlling 66.24% of the voting rights attached to shares in Swire Pacific Limited.

# GLOSSARY

## Terms

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

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

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

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

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

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

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

## Ratios

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

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

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

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

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

# FINANCIAL CALENDAR AND INFORMATION FOR INVESTORS

## Financial Calendar 2022

Interim Report available to shareholders	6th September
Shares traded ex-dividend	7th September
Share register closed for 2022 first interim dividend entitlement	9th September
Payment of 2022 first interim dividend	6th October
Annual results announcement	March 2023
Annual General Meeting	May 2023

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Hong Kong

## Registrars

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183 Queen's Road East  
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Website: [www.computershare.com](http://www.computershare.com)

## Stock Code

Hong Kong Stock Exchange 01972

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Certified Public Accountants and Registered PIE Auditor  
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Central  
Hong Kong

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## Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to [ir@swireproperties.com](mailto:ir@swireproperties.com).

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Printed in Hong Kong



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