SWIRE PROPERTIES

Stock Code: 01972

Interim Report 2023

Contents

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 5,600 people. The Company's shopping malls are home to more than 2,200 retail outlets. Its offices house a working population estimated to exceed 72,000.

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, Vietnam and Thailand. 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

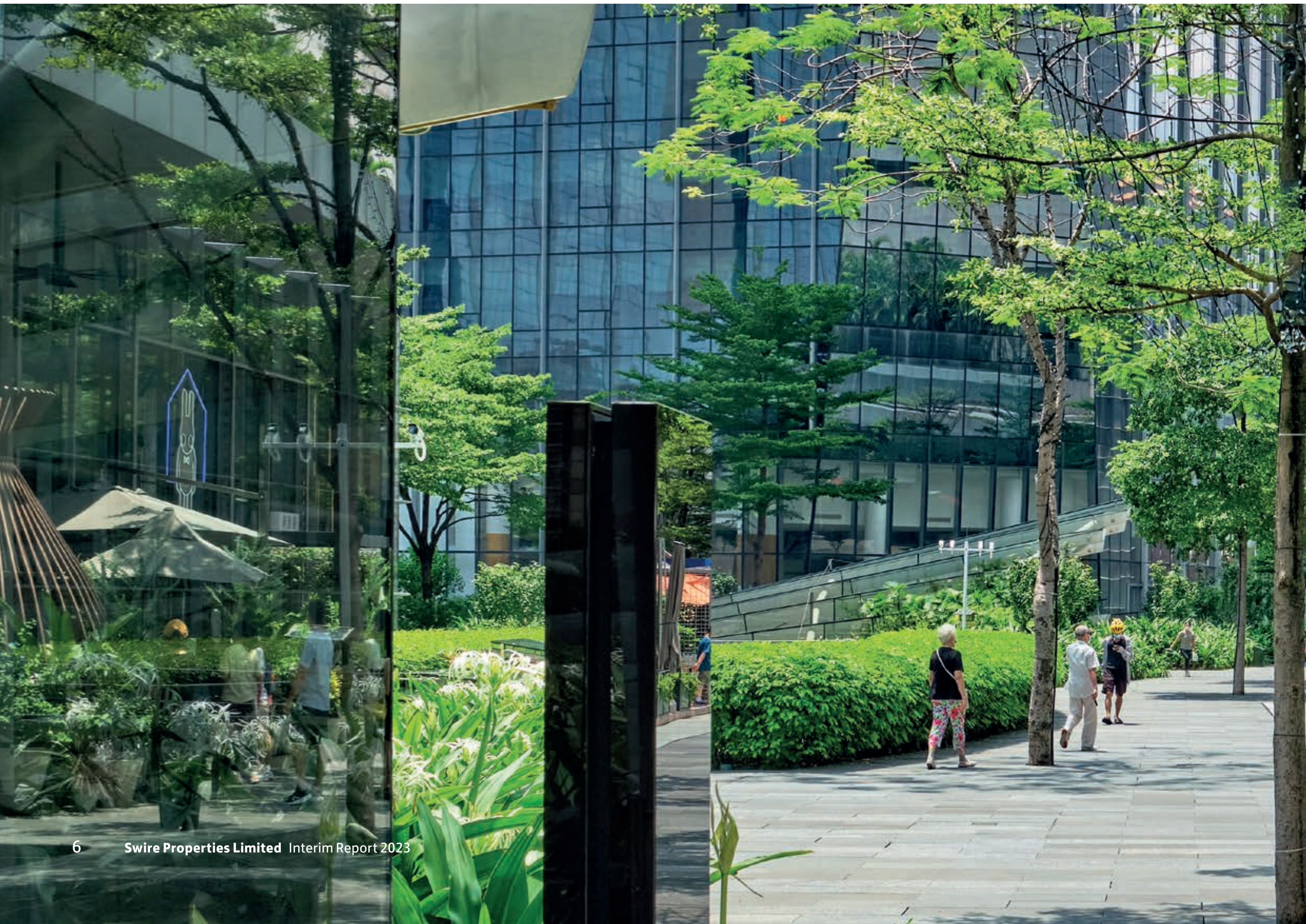
Captures what we do and how we do it. It underlines the creative mindset and long-term approach that enables us to seek out new perspectives, and original thinking that goes beyond the conventional. It also encapsulates our ability to unlock the potential of places and create vibrant destinations that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

2023 FIRST HALF SUSTAINABLE DEVELOPMENT HIGHLIGHTS

SD2030

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

Guy Bradley, Chairman



Included in the 1st edition of the "S&P Sustainability Yearbook (China)" and the only real estate company to make the Top 1% S&P Global ESG Score (China) for our ESG efforts.

Recognised as Hong Kong's Top 20 Most Attractive Employer at the Randstad Employer Brand Awards 2023.

First Hong Kong company to issue "Green Dim Sum" Renminbi Public Bonds, totalling RMB 3.2 billion.

76 tenants committed to the Green Performance Pledge, representing approximately 40%* of office tenants. Tenant participation in Hong Kong jumped fivefold in just two years.

84 F&B outlets across Swire Properties' Hong Kong and Chinese Mainland portfolios have received the Green Kitchen Award.

Celebrated 15 years of partnership with Tsinghua University and announced our new commitment of investing RMB 15 million to fund research on energy saving and decarbonisation technologies to combat climate change.

Taikoo Li Sanlitun's two buildings piloted a Photovoltaics, Energy Storage, Direct Current and Flexible ("PEDF") solution, which was awarded The Top 10 Building PEDF Best Practices at the first China PEDF Annual Conference in July 2023.

Two Taikoo Place and Six Pacific Place are the first buildings in Hong Kong to be both WiredScore and SmartScore Platinum certified.

* Measured by occupied lettable floor area ("LFA") of wholly owned office portfolios at 100% basis comprising of Taikoo Place and Pacific Place in Hong Kong and Taikoo Hui Guangzhou.

Financial Highlights

	Note	Six months ended 30th June 2023 HK$M	 2022[e] HK$M Restated	Change
Results				
Revenue		**7,297**	6,910	+6%
Profit attributable to the Company's shareholders				
Underlying	*(a), (b)*	**3,901**	4,169	-6%
Recurring underlying	*(a), (b)*	**3,892**	3,672	+6%
Reported		**2,223**	4,348	-49%
Cash generated from operations		**4,221**	3,933	+7%
Net cash outflow before financing		**(3,387)**	(1,939)	N/A
		HK$	HK$	
Earnings per share				
Underlying	*(c), (d)*	**0.67**	0.71	-6%
Recurring underlying	*(c), (d)*	**0.67**	0.63	+6%
Reported	*(c), (d)*	**0.38**	0.74	-49%
Dividend per share				
First interim		**0.33**	0.32	+3%

	Note	30th June 2023 HK$M	31st December 2022 HK$M	Change
Financial Position				
Total equity (including non-controlling interests)		**288,399**	292,258	-1%
Net debt		**29,514**	18,947	+56%
Gearing ratio	*(a)*	**10.2%**	6.5%	+3.7%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share	*(a)*	**48.79**	49.44	-1%

Notes:

(a) Refer to glossary on page 83 for definition.

(b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 18.

(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.

(e) Following a change in accounting policy resulting from the agenda decision approved by the IFRS Interpretation Committee on "Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)", the comparative figures for the six months ended 30th June 2022 have been restated. In this connection, revenue for the six months ended 30th June 2022 has been increased by HK$212 million while underlying and reported profit has each been increased by HK$29 million. Refer to note 2(e) to the financial statements for further details.

	Six months ended 30th June 2023 HK$M	 2022 HK$M Restated
Underlying profit/(losses) by segment		
Property investment	**3,939**	3,872
Property trading	**(37)**	(22)
Hotels	**(10)**	(178)
Recurring underlying profit	**3,892**	3,672
Divestment	**9**	497
Underlying profit	**3,901**	4,169

Chairman's Statement

Dear shareholders,

As we reach the mid-point of a busy year, I am pleased to report on the exceptional progress we have made so far in 2023. With approximately 40% of our HK$100 billion investment plan now committed to new investments, we are well on our way to charting a clear path for our future growth.

The relaxation of COVID-19 restrictions and the reopening of the border with the Chinese Mainland in January 2023 has been integral to the recovery in Hong Kong. As Hong Kong recovers and reinforces its standing as a global financial hub, we will continue to work closely with the HKSAR Government and our business partners to contribute to this post-pandemic resurgence.

We are encouraged by the positive market sentiment, particularly with the rebound in our retail malls over the past six months. We remain well positioned to capture growing demand.

Whilst challenges still lie ahead, particularly in the Hong Kong office sector, we remain optimistic as our flagship developments in Hong Kong – Taikoo Place and Pacific Place – continue to undergo a remarkable transformation, thanks to our original approach to creative placemaking.

In the Chinese Mainland, our Taikoo Li and Taikoo Hui brands are recognised for providing quality experiences and innovative retail trends. We are moving forward with our expansion plans in tier-one and emerging tier-one cities. Two large-scale investments are now well underway in Xi'an and Sanya.

In the second half of 2023, we look forward to reaching a major milestone with the completion of the latest phase of our Taikoo Place redevelopment.

Profits and Sustained Dividend Growth

Our reported profit attributable to shareholders in the first half of 2023 was HK$2,223 million, compared with HK$4,348 million in the first half of 2022.

Recurring underlying profit increased by HK$220 million from HK$3,672 million in the first half of 2022 to HK$3,892 million in the first half of 2023, which mainly reflected the strong recovery of our retail portfolio and hotels in Hong Kong and the Chinese Mainland. Our underlying profit attributable to shareholders decreased by HK$268 million from HK$4,169 million in the first half of 2022 to HK$3,901 million in the first half of 2023, primarily due to the delay in sales of car parking spaces at our Taikoo Shing residential development in Hong Kong.

We declared a first interim dividend for 2023 of HK$0.33 per share. This represents an increase of 3% from the first interim dividend paid in 2022. The first interim dividend for 2023 will be paid on Thursday, 12th October 2023 to shareholders registered at the close of business on the record date, Friday, 8th September 2023. Shares of the Company will be traded ex-dividend from Wednesday, 6th September 2023.

Our policy is to deliver sustainable growth in dividends and to pay out approximately half of our underlying profit in ordinary dividends over time. With the benefit of our planned investments, we aim to deliver mid-single digit annual growth in dividends.

Strengthening our Flagship Office Brands

The ongoing transformation of Taikoo Place has seen the area evolve into a Global Business District, and become one of the most sought-after business addresses in Hong Kong.

In line with our HK$100 billion investment plan, we will continue to pursue our ambitious plans for Taikoo Place to build a vibrant and sustainable community. Our latest triple Grade-A tower, Two Taikoo Place, has been well-received by the market, due to its industry leading ESG credentials.

We are looking forward to launching new features from later this year, including elevated walkways which will improve connectivity between the towers; Taikoo Square, part of our additional 70,000 square feet of green open space, which has been designed to promote biodiversity with water features and native vegetation; as well as diverse retail and al fresco dining concepts at street level, all activated by a range of community engagement initiatives.

Taikoo Place is a showcase of our commitment to creative placemaking. We have invested in a people-centric masterplan for the area, focusing on creating a working environment which promotes employees' health and well-being. In the post-pandemic era, we believe this is the future of work, and we are confident that our vision for the district will stand us in good stead.

With HK$30 billion allocated to our Hong Kong portfolio, we will continue to invest in Taikoo Place. Our ownership of the Zung Fu Industrial Building and the Wah Ha Factory Building, as well as a site on Tong Chong Street, will form part of our overall masterplan for the district.

We are also making good progress on Six Pacific Place, our newest triple Grade-A office tower within our Pacific Place portfolio in Admiralty. The tower is targeted to be completed by the end of this year. Adjacent to this is Five Pacific Place, which we have upgraded to create a shared visual identity with Six Pacific Place, alongside shared amenities, including a sky garden, carpark spaces and F&B offerings. Together, these buildings will strengthen the Pacific Place office brand and add diversity as we expand the portfolio further eastwards.

Reinforcing Core Assets & Building Residential Pipelines

Our Hong Kong malls have shown strong signs of recovery over the past six months, following the lifting of COVID-19 travel restrictions and improved market sentiment. Riding on various large-scale campaigns hosted by the HKSAR Government, we anticipate that footfall and sales will continue to improve for the rest of 2023. We remain focused on strengthening our tenant mix, improving our loyalty programmes and upgrading our amenities. Diversity is key to our retail strategy, and we will continue to curate experiences in our malls which reflect new trends while addressing the needs of our customers, with a keen focus on wellness, sustainability, the arts and experiential retail.

With HK$20 billion allocated to our trading portfolio (including in South East Asia), we continue to develop our residential plans, with an exciting pipeline of new projects in our home market of Hong Kong, together with new investments in South East Asia. We remain focused on exploring opportunities in four key markets in South East Asia – Ho Chi Minh City, Jakarta, Singapore and Bangkok. Earlier this year, we announced our first investment in Bangkok, Thailand, where we will be building a luxury residential development in the city's central business district.

New Investments in the Chinese Mainland

We have allocated HK$50 billion of our investment plan to expanding our presence in the Chinese Mainland. We have made good progress on that front, with strategic investments in two new markets – Xi'an and Sanya. Our goal is to double our gross floor area in the region by 2032. Last year, we announced Taikoo Li Xi'an, a large-scale, retail-led project which marks our first investment in the ancient city of Xi'an. The city has one of the fastest growing economies in north-western China, with a predominantly young and affluent population.

The project is situated between the ancient Chang'an district and modern Xi'an city centre, and enjoys a prime location within the Small Wild Goose Pagoda historical and cultural zone – a UNESCO World Heritage site. We intend to do justice to our surroundings, with a distinctive design which places the Small Wild Goose Pagoda as the focal point, alongside architectural features which pay tribute to the heritage of the site. In addition, arts and cultural elements will be a key focus as we develop our vision for this project.

Another major investment is our upcoming retail project in Sanya, Hainan Province. Under the Hainan Free Trade Port Policy, Sanya is fast developing as an international leisure destination and consumption hub. This project marks our first-ever resort-style retail project, and our design concept will embrace Sanya's coastline and history of traditional fishing settlements. Various sustainability and wellness elements, as well as art and cultural zones, have been incorporated to curate a unique, premium retail experience.

In February, we obtained 100% ownership of Sino-Ocean Taikoo Li Chengdu after we completed the acquisition of the remaining interest in the project. We are excited to announce the renaming of this signature project in August.

We remain focused on expanding our presence in the Greater Bay Area. Leveraging the success of Taikoo Hui in Guangzhou, we are keen to identify more investment opportunities over the next decade. Currently we are exploring major potential investments in Julong Wan in Guangzhou, Pudong in Shanghai and Futian in Shenzhen. We have also announced a new hotel under The House Collective brand in the Nanshan district of Shenzhen.

Leadership in Sustainable Development

As a responsible developer, we are increasingly looking to demonstrate leadership in sustainability. This year, we will pilot the adoption of internal carbon pricing to determine the potential impact of carbon emissions from our investments, and quantify carbon risks to our business operations. This will take the form of an internal carbon fee, which links each unit of carbon emissions to a fixed cost, allowing us to reallocate capital towards low-carbon investments.

We are also the only company from Hong Kong and the Chinese Mainland to actively participate in the Taskforce on Nature-related Financial Disclosures (TNFD). This global taskforce is developing a corporate risk management and disclosure framework to help businesses identify and mitigate nature-related impacts and opportunities. We believe TNFD's new draft framework is a pioneering tool to help address the challenges of global biodiversity loss, and we are pleased to play a role in spearheading this important new global initiative.

Aside from our environmental initiatives, we remain committed to community care. We continue to focus on fostering arts and culture and youth development, and our staff volunteer programme – the Community Ambassadors – are the pride of Swire Properties, with over 20 years of supporting our placemaking efforts and caring for our communities. We will continue to leverage our experience and expertise to contribute positively to our local neighbourhoods.

Conclusion

As we plan ahead for the next decade of growth, it is increasingly important that we accelerate our leadership in ESG and the digital transformation of our business. The world is changing at a rapid pace, and as new trends emerge across our key markets, we need to remain agile and ready to respond to this evolving landscape.

Looking ahead to the next six months, we expect to see continued recovery trends. The reopening of Hong Kong and the border with the Chinese Mainland has marked a significant turning point in the region's post-pandemic recovery, and we are determined to play our part in helping to raise Hong Kong's profile and competitiveness as a global financial centre and travel and tourism destination.

I should like to thank our shareholders, our partners and the wider community for your continued support and engagement. My appreciation must also go to our employees for their creativity, hard work and dedication.

Guy Bradley
Chairman
Hong Kong, 10th August 2023

Chief Executive's Statement

Dear shareholders,

The first six months of 2023 has marked a period of recovery. We were pleased to see a strong rebound for our retail business, in both Hong Kong and the Chinese Mainland, as consumer confidence improved following the reopening of the border with the Chinese Mainland and the lifting of pandemic-related restrictions in Hong Kong.

We have made significant progress with our HK$100 billion investment plan, and we are focused on building out our pipelines of new projects across our core markets and in new cities.

We are delighted to be working side by side with the HKSAR Government as it welcomes a new era for the city. We have every confidence in the Government's various initiatives to strengthen Hong Kong's competitiveness as a world-class international destination, and we are determined to support Hong Kong's strategic role in the development of the Greater Bay Area.

We remain focused on the future. As we grow our business, we will continue to demonstrate leadership in sustainable development, as well as leveraging innovative new technologies to ensure that we are ready for new challenges ahead.

Financial Results at a Glance

Our recurring underlying profit increased by HK$220 million to HK$3,892 million in the first half of 2023. This mainly reflected higher retail rental income and higher operating profit before depreciation from our hotels in Hong Kong and the Chinese Mainland, partly offset by lower office rental income from Hong Kong.

Underlying profit decreased by HK$268 million to HK$3,901 million in the first half of 2023, principally reflecting a short-term delay in the sale of non-core assets in Hong Kong.

Our Hong Kong retail portfolio has recovered remarkably well, with an improvement in consumer sentiment, thanks to the lifting of all travel restrictions and COVID-19 related measures. Our investment in marketing and loyalty initiatives, together with digitally-advanced campaigns to interact with customers, have all driven significant business recovery in our malls in Hong Kong over the past few months. Sales have improved and returned to pre-pandemic levels in some of our malls.

In Hong Kong, the office market is weak, given increased availability (due to vacancy and new supply), and demand for office space remains subdued, reflecting continued economic uncertainty. Nevertheless, our office portfolio has been resilient, with solid occupancy rates. Leasing activity has picked up since the reopening of the border, with increased requests for viewing.

In the Chinese Mainland, foot traffic has improved significantly and retail sales have exceeded pre-pandemic levels for many of our malls, since pandemic-related restrictions were lifted. Our office portfolio has been resilient despite a weak office market.

We recorded a small underlying loss from our property trading activities in the first half of 2023 as a result of sales and marketing expenses incurred for several residential trading projects.

Our hotel businesses in Hong Kong and the Chinese Mainland recovered strongly following the lifting of COVID-19 restrictions and the reopening of the border.

Our Future Prospects

The outlook for our retail business in Hong Kong remains positive, given the strong recovery over the past six months. The increase in inbound tourism as well as an improvement in consumer confidence has bolstered our business, and we are seeing healthy footfall and sales across our Hong Kong malls. As we look ahead, we are planning to improve our tenant mix and upgrade our amenities. We will strengthen connections with our customers, through our popular loyalty programmes, and we will continue to collaborate with world-class partners to curate experiential campaigns for customers.

In the Chinese Mainland, we are seeing strong demand from major international brands to expand their presence in the region. Our Taikoo Li and Taikoo Hui brands remain best-in-class, and we are focused on collaborating with our partners to curate innovative retail experiences in our malls.

The Chinese Mainland remains a core market for our future growth, and we are optimistic about the future, with plans to double our GFA in the region under our HK$100 billion investment plan. We will continue to invest in tier-one cities such as Beijing, Shanghai and Guangzhou, and we are excited to be testing new waters in new markets such as Xi'an and Sanya, where we have two new large-scale retail projects under development. Following our acquisition of the remaining 50% equity interest in Sino-Ocean Taikoo Li Chengdu, we are also exploring retail-led opportunities in Guangzhou, Shanghai and Shenzhen.

Looking at the office sector in Hong Kong, we expect it to remain weak for the balance of 2023, with increased vacancy rates, new supply, and an uncertain macro-economic outlook. In spite of the current challenges, the performance of our office portfolio has remained resilient, and we are making very good progress with the transformation of Taikoo Place, which is nearing the latest phase of its redevelopment. Two Taikoo Place is 56% committed, with 17 floors now handed over. Taikoo Garden has been officially opened, and anticipation is high for other new features, including the remaining 70,000 square feet of green open space which will promote Hong Kong's biodiversity, as well as our connecting walkways and new outdoor dining amenities.

Six Pacific Place is also making good progress. Together with Five Pacific Place, we are confident that these projects will strengthen our flagship Pacific Place brand in Admiralty.

We will continue to focus our efforts on Taikoo Place and Pacific Place where our fundamentals remain strong, thanks to our investment in digital transformation, solid ESG credentials and excellent amenity provisions which appeal to a diverse tenant base.

On the residential front, we are making headway with an ambitious pipeline of six projects under development in Hong Kong and South East Asia. Sales at EIGHT STAR STREET in Hong Kong continue to perform well, complementing our wider Pacific Place portfolio. In Wong Chuk Hang, our joint venture project was officially named "LA MONTAGNE" and has been launched for sale. There is more in the pipeline for Hong Kong, including our joint venture project in Chai Wan which is under construction and our latest project at 269 Queen's Road East, which will strengthen our presence in the Wan Chai area.

In South East Asia, sales at The River and Empire City in Ho Chi Minh City have performed well, while in Jakarta, Savyavasa has been launched for sale. We are also excited to have announced our first project in Bangkok, which will help us to establish a meaningful presence in South East Asia.

Our hotel business has been making a significant recovery, with all our properties enjoying a strong rebound after the reopening of the international borders.

The team is making good progress with our plans to expand The House Collective and EAST brands under a new, third-party management agreement model. In addition to The House Collective properties under construction in Shenzhen and Tokyo, we currently have a number of new hotels in the pipeline to expand both The House Collective and EAST brands.

Building Sustainable Partnerships

Guy has written about some of the pioneering initiatives we have been involved in within the sustainability sector. As the threat of climate change increases, we need to embrace innovation and seek new solutions to increase our climate resilience, proactively manage risks, and support the transition to a net zero economy.

Our Sustainable Development 2030 Strategy continues to lead us forward, while our focus on strengthening tenant partnerships has underpinned our approach to advancing beyond our sustainability goals. Our proprietary Green Performance Pledge has been well-received since its launch in 2022, with over 70 tenants from our office portfolio in Hong Kong now signed up. Building on this successful landlord-tenant collaboration, we will be introducing more initiatives, including the new "GPP Academy" in collaboration with the Business Environment Council, to help tenants meet and exceed their ESG commitments.

We are piloting a Photovoltaics, Energy Storage, Direct Current and Flexible ("PEDF") solution in two buildings in Taikoo Li Sanlitun in Beijing, to explore more efficient ways to utilise renewable energy on-site. The installation was completed earlier this year, and we expect the project will significantly lower energy consumption and have a positive impact on our portfolio.

Our employees are integral to realising our SD 2030 Strategy. We are seeking to prioritise wellness through various programmes and related policies, as well as fostering an inclusive workplace where they can thrive. This is an ongoing journey, however we were pleased to be included in the 2023 Bloomberg Gender-Equality Index, which recognised our commitment to achieving gender equality in our workplace.

Giving Back to Our Community

The launch of Quarryside in June was an important milestone for our placemaking efforts in Quarry Bay. It also highlights the benefits of public and private partnerships between the government and the private sector. Along with the Swire Group Charitable Trust, we were very pleased to support St. James' Settlement in developing this harbourfront site into a vibrant community space, leveraging our placemaking experience and expertise. The site is now open to host various events for the enjoyment of the public.

In this spirit, we are delighted to be partnering with the Home Affairs department to host a three-day Summer Festival at Quarryside in August, in support of the HKSAR Government's citywide "Happy Hong Kong" initiative. We hope that by engaging community members, as well as artists and business partners across different sectors, we can contribute to Hong Kong's resurgence and promote collaboration and engagement in our local communities.

Empowering youth remains a priority in our community work. This summer, we helped to launch the second edition of the Bi-city Youth Cultural Leadership Programme, in collaboration with The Hong Kong Palace Museum. Students in Hong Kong and Beijing are now able to meet in person, and exchange knowledge and ideas. In addition, we are collaborating with the Eastern District of the HKSAR Government to engage secondary students as part of our Swire Properties Placemaking Academy (SPPA). The students will help to integrate digital innovation and arts elements at our annual White Christmas Street Fair. We are keen to give the younger generation more opportunities as they find their place in the world, and we hope that programmes like the SPPA can help inspire them with a sense of place and community.

Our longstanding 4,000-member strong volunteer initiative, the Community Ambassador Programme, continues to make a positive impact. Its signature programme "BOOKS for LOVE @ $10" won the Gold Award in the "Excellence in Construction Industry Volunteering Project" category at the Sixth Construction Industry Volunteer Awards, organised by the Construction Industry Council. In May, Ambassadors from seven cities joined a trip to Chengdu, where they supported under-served community groups. This marks a new milestone in our community work in the wake of the pandemic, as the borders reopen and our colleagues can once again collaborate on new initiatives.

Conclusion

Our business remains on a solid financial footing, anchored by the positive recovery trends we are seeing across most of our key markets. With a strong performance over the past six months, we remain optimistic about the rest of 2023 and beyond, and we will continue to focus on realising our HK$100 billion investment plan while pursuing an ambitious growth strategy across our core markets in Hong Kong, the Chinese Mainland and South East Asia.

Our achievements this year would not have been possible without the fantastic team at Swire Properties. I should like to thank all our dedicated employees, as well as our shareholders, partners and the wider community for your continued support.

Tim Blackburn
Chief Executive
Hong Kong, 10th August 2023

Review of Operations

	Six months ended 30th June		Year ended 31st December
	2023 HK$M	2022[2] HK$M Restated	2022 HK$M
Revenue			
Gross Rental Income derived from			
Offices	**2,960**	3,046	6,003
Retail	**3,510**	2,986	5,849
Residential	**207**	183	374
Other Revenue [1]	**55**	50	114
Property Investment	**6,732**	6,265	12,340
Property Trading	**89**	383	921
Hotels	**476**	262	565
Total Revenue	**7,297**	6,910	13,826
Operating Profit/(Losses) derived from			
Property investment			
From operations	**4,254**	4,081	7,702
Sale of interests in investment properties	**–**	31	571
Valuation (losses)/gains on investment properties	**(1,332)**	701	801
Property trading	**(12)**	218	209
Hotels	**(37)**	(137)	(259)
Total Operating Profit	**2,873**	4,894	9,024
Share of Post-tax Profit from Joint Venture and Associated Companies	**524**	480	1,455
Profit Attributable to the Company's Shareholders	**2,223**	4,348	7,980

(1) Other revenue is mainly estate management fees.

(2) Following a change in accounting policy resulting from the agenda decision approved by the IFRS Interpretation Committee on "Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)", the comparative figures for the six months ended 30th June 2022 have been restated. Refer to note 2(e) to the financial statements for further details.

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 losses of HK$2,028 million and HK$81 million respectively in the first half of 2023. In the Chinese Mainland, investment properties recorded net property valuation gains of HK$461 million. There are further adjustments 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 and remeasurement gains on interests in joint venture companies which became subsidiary companies after completion of acquisition. Amortisation of right-of-use assets classified as investment properties is charged to underlying profit.

Underlying Profit Reconciliation	Note	Six months ended 30th June 2023 HK$M	Six months ended 30th June 2022 HK$M Restated	Year ended 31st December 2022 HK$M
Profit Attributable to the Company's Shareholders per Financial Statements		**2,223**	4,348	7,980
Adjustments in respect of investment properties:				
Valuation losses/(gains) in respect of investment properties	*(a)*	**1,648**	(755)	(1,726)
Deferred tax on investment properties	*(b)*	**347**	213	1,402
Valuation gains realised on sale of interests in investment properties	*(c)*	**29**	299	915
Depreciation of investment properties occupied by the Group	*(d)*	**11**	11	22
Non-controlling interests' share of valuation movements less deferred tax		**(14)**	75	144
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)*	**4**	20	49
Remeasurement gains on interests in joint venture companies which became subsidiary companies after completion of acquisition	*(f)*	**(306)**	–	–
Less amortisation of right-of-use assets reported under investment properties	*(g)*	**(41)**	(42)	(80)
Underlying Profit Attributable to the Company's Shareholders		**3,901**	4,169	8,706
Profit from divestment		**(9)**	(497)	(1,530)
Recurring Underlying Profit Attributable to the Company's Shareholders		**3,892**	3,672	7,176

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.

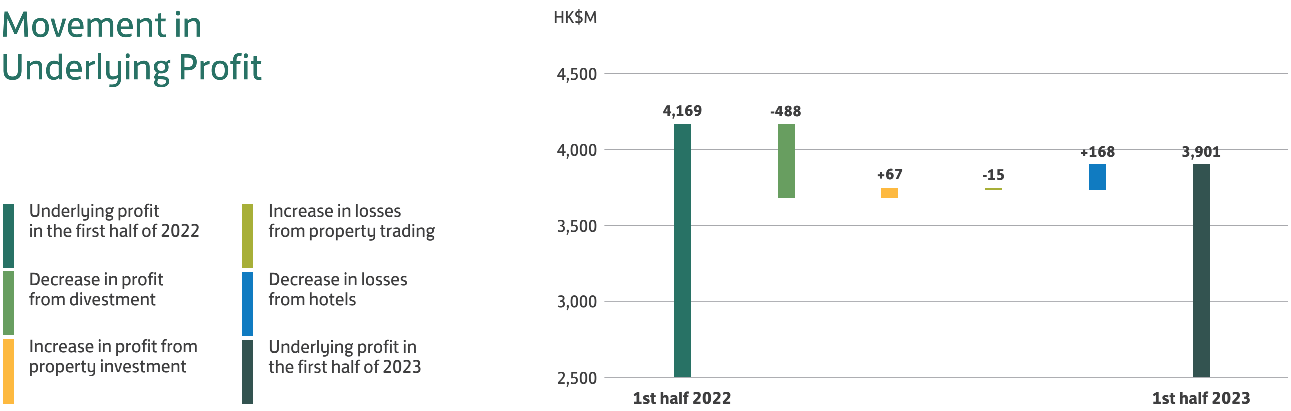
(e) The value of the put option in favour of the owner of a non-controlling interest is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the non-controlling interest is interested.

(f) The remeasurement gains on interests in joint venture companies were calculated principally by reference to the estimated market value of the underlying properties portfolio of the joint venture companies, netting off with all related cumulative exchange difference.

(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 2023 was HK$2,223 million, compared to a profit of HK$4,348 million in the first half of 2022. There were net fair value losses on investment properties in the first half of 2023 of HK$1,648 million, compared with net fair value gains on investment properties of HK$755 million in the first half of 2022 (primarily arising from fair value gains in relation to certain properties held under development).

Underlying profit attributable to shareholders (which principally adjusts for changes in valuation of investment properties) decreased by HK$268 million from HK$4,169 million in the first half of 2022 to HK$3,901 million in the first half of 2023. The decrease principally reflected the reduction in profit from the sale of car parking spaces in Hong Kong.

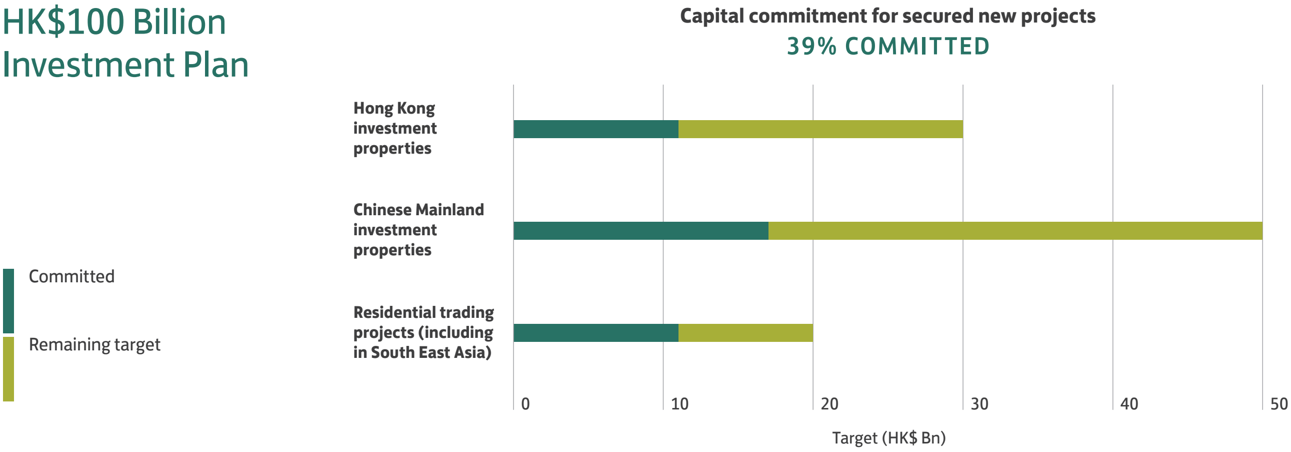
Recurring underlying profit in the first half of 2023 (which excludes the profit from divestment) was HK$3,892 million, compared with HK$3,672 million in the first half of 2022.

Recurring underlying profit from property investment increased in the first half of 2023. This mainly reflected higher retail rental income from Hong Kong and the Chinese Mainland, partly offset by lower office rental income from Hong Kong. In Hong Kong, the retail portfolio has significantly recovered, following the lifting of all travel restrictions and COVID-19 related measures, together with the investment in marketing and loyalty initiatives. Despite a weak office market (reflecting subdued demand and increased supply), the office portfolio in Hong Kong was resilient, with solid occupancy. In the Chinese Mainland, foot traffic improved significantly and retail sales strongly exceeded pre-pandemic levels for many of our malls, after the COVID-19 associated restrictions were lifted.

The small underlying loss from property trading in the first half of 2023 was primarily a result of sales and marketing expenses incurred for several residential trading projects.

The hotel businesses in Hong Kong and the Chinese Mainland recovered strongly following the lifting of COVID-19 measures and the reopening of the border. The hotels in the U.S.A. performed well.

HK$100 Billion Investment Plan



In March 2022, the Company announced a plan to invest HK$100 billion over ten years in development projects in Hong Kong and the Chinese Mainland and in residential trading projects (including in South East Asia). The target allocation is HK$30 billion to Hong Kong, HK$50 billion to the Chinese Mainland and HK$20 billion to residential trading projects (including in South East Asia). At 4th August 2023 approximately HK$39 billion of the planned investments had been committed (HK$17 billion to the Chinese Mainland, HK$11 billion to Hong Kong and HK$11 billion to residential trading projects). Major committed projects include a retail-led mixed-use development in Xi'an, residential developments at Chai Wan Inland Lot No. 178 and at 269 Queen's Road East in Hong Kong, a retail-led development in Sanya, office and other commercial use developments at 8 Shipyard Lane and at 1067 King's Road in Hong Kong, and a residential development in Bangkok. Uncommitted projects include further retail-led mixed-use projects in Tier 1 and emerging Tier 1 cities in the Chinese Mainland, including Guangzhou, Shanghai and Beijing with a plan to double our gross floor area in the Chinese Mainland, further expansion at Pacific Place and Taikoo Place in Hong Kong as well as further residential trading projects in Hong Kong, the Chinese Mainland, Miami and South East Asia.

Key Developments

In December 2022, the Group entered into three conditional agreements with the Sino-Ocean group to acquire further interests in Sino-Ocean Taikoo Li Chengdu. Under the first agreement (which was completed in December 2022), the Group's interest in Sino-Ocean Taikoo Li Chengdu increased from 50% to 65%. Under the second agreement (which was completed in February 2023), the Group's interest in the property management of Sino-Ocean Taikoo Li Chengdu increased to 100%. Under the third agreement (which was completed in February 2023), the Group's interest in the investment properties of Sino-Ocean Taikoo Li Chengdu increased to 100%. The consideration was RMB1,000 million under the first agreement, RMB59 million under the second agreement and RMB4,491 million under the third agreement.

In February 2023, the Group acquired a 40% interest in a site located on Wireless Road in Lumphini sub-district in Pathum Wan district, Bangkok for a consideration of approximately THB2.4 billion. In partnership with City Realty Co. Ltd., the site is expected to be developed for residential purposes with a site area of approximately 136,000 square feet.

In June 2023, the Group announced plans to develop a luxury residential project on Brickell Key in Miami, which will include the redevelopment of the existing Mandarin Oriental Miami hotel. The project, called One Island Drive, will consist of two towers. The first tower will comprise luxury private residences managed by Mandarin Oriental. The second tower will comprise a new Mandarin Oriental hotel as well as private residences and hotel residences. Sales are expected to launch in early 2024.

In July 2023, the Group obtained full ownership of Wah Ha Factory Building in Quarry Bay, Hong Kong. Together with the adjacent wholly-owned Zung Fu Industrial Building, the two sites are intended to be redeveloped for office and other commercial uses.

In July 2023, a joint venture company in which the Group holds a 25% interest started the pre-sales of LA MONTAGNE, a residential development in Wong Chuk Hang, Hong Kong. Superstructure works of the development are in progress.

Portfolio Overview

The aggregate gross floor area ("GFA") attributable to the Group at 30th June 2023 was approximately 34.5 million square feet.

Of the aggregate GFA attributable to the Group, approximately 30.6 million square feet are investment properties and hotels, comprising completed investment properties and hotels of approximately 24.7 million square feet and investment properties under development or held for future development of approximately 5.9 million square feet. In Hong Kong, the investment property and hotel portfolio comprises approximately 13.7 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 eight major commercial developments in prime locations in Beijing, Guangzhou, Chengdu, Shanghai, Xi'an and Sanya. These developments are expected to comprise approximately 14.8 million square feet of attributable GFA when they are all completed. Of this, 10.6 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.

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property and hotel portfolio at 30th June 2023.

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

	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	9.5	2.6	0.8	0.6	–	**13.5**
Chinese Mainland	2.9	6.2	1.3	0.2	–	**10.6**
U.S.A.	–	0.3	0.3	–	–	**0.6**
Total	**12.4**	**9.1**	**2.4**	**0.8**	**–**	**24.7**

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

	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	0.2	–	–	–	–	**0.2**
Chinese Mainland	–	1.2	–	–	3.0	**4.2**
U.S.A.	–	–	–	–	1.5[2]	**1.5**
Total	**0.2**	**1.2**	**–**	**–**	**4.5**	**5.9**

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

	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	Under Planning	**Total**
Total	**12.6**	**10.3**	**2.4**	**0.8**	**4.5**	**30.6**

(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 and The River in Vietnam. There are six residential projects under development, three in Hong Kong, one in Indonesia, one in Vietnam and one in Thailand. There is a plan to develop a residential project on some available 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 2023.

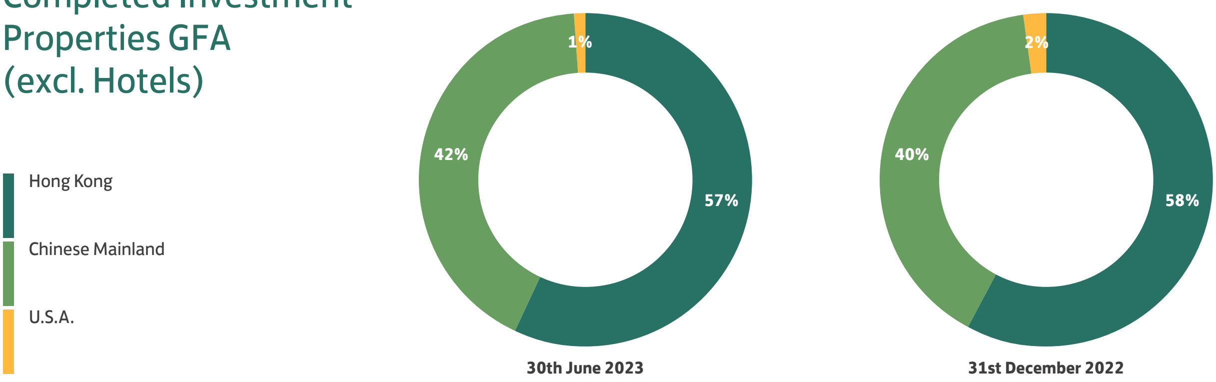
Trading Properties
(GFA (or expected GFA) attributable to the Group in million square feet)

	Completed Development [1]	Under Development or Held for Development	**Total**
Hong Kong	0.0	0.8	**0.8**
U.S.A. and elsewhere	0.0	3.1	**3.1**
Total	**0.0**	**3.9**	**3.9**

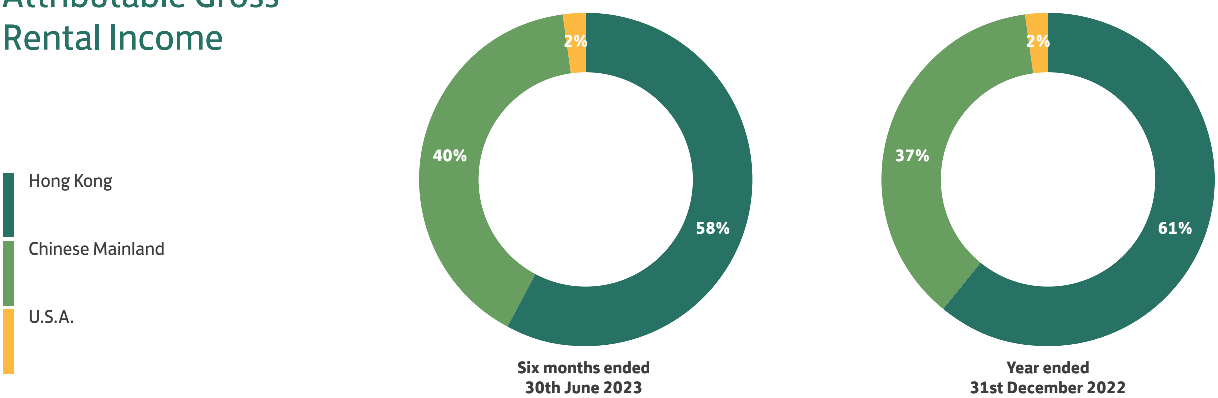
(1) Completed development in Hong Kong comprises EIGHT STAR STREET and completed development in U.S.A. and elsewhere comprises The River in Vietnam.

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.

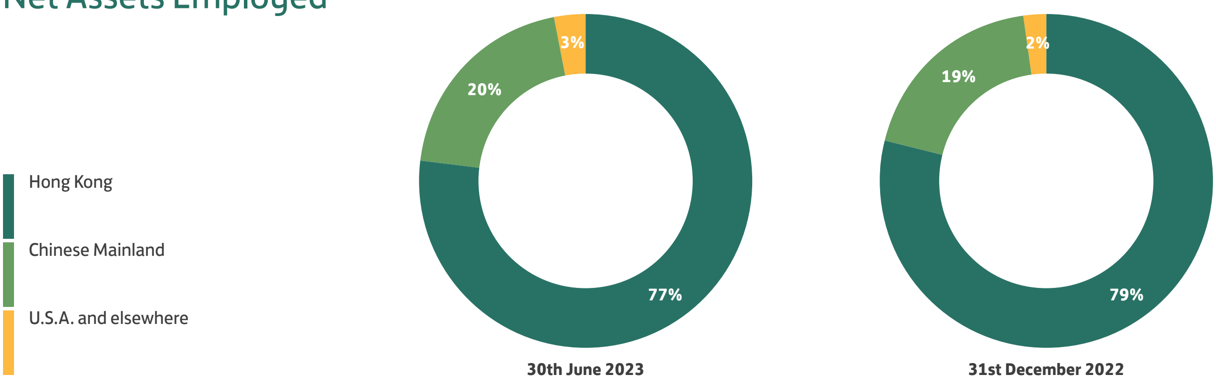
Completed Investment Properties GFA (excl. Hotels)



Attributable Gross Rental Income



Net Assets Employed



Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.0 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$2,933 million in the first half of 2023. At 30th June 2023, our office properties, completed and under development, in Hong Kong were valued at HK$186,547 million. Of this amount, the Group's attributable interest was HK$176,959 million.

Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2023)	Attributable Interest
Pacific Place	2,186,433	97%	100%
Taikoo Place – One Island East and One Taikoo Place	2,550,379	97%	100%
Taikoo Place – Two Taikoo Place	994,545	56%	100%
Taikoo Place – Other Office Towers (1)	3,136,717	93%	50%/100%
Others (2)	1,158,595	85%	26.67%/50%/100%
Total	**10,026,669**		

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

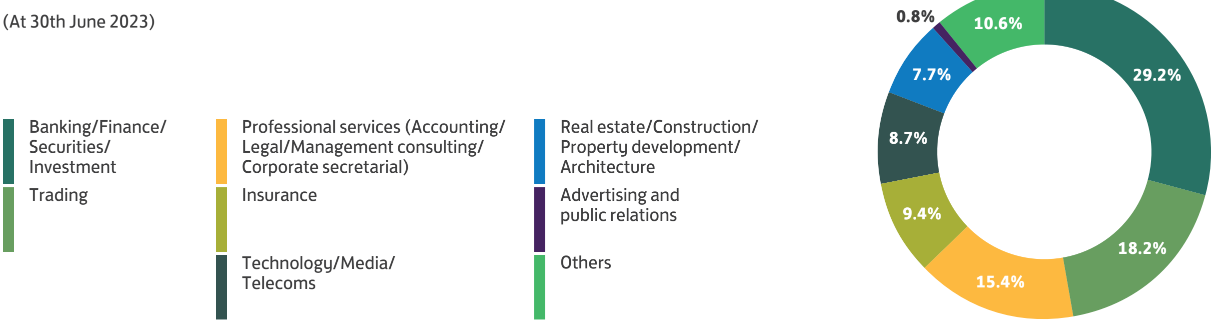
(2) Others comprise One Citygate (26.67% owned), Berkshire House (50% owned), SPACES.8QRE (wholly-owned), Five Pacific Place (wholly-owned and formerly known as 28 Hennessy Road) and South Island Place (50% owned).

Gross rental income from the Hong Kong office portfolio in the first half of 2023 was HK$2,778 million, a decrease of 2% from the same period in 2022. Demand remains subdued reflecting continued economic uncertainty. The office market was weak given increased availability (due to vacancy and new supply). However, our office portfolio was resilient. Leasing activity has picked up since the reopening of the border, with increased inspections. We believe that tenants value our amenity provision as well as our commitment to sustainability and to the wellbeing of occupants. At 30th June 2023, the office portfolio was 90% let. Excluding Two Taikoo Place (which was completed in September 2022), the office portfolio was 94% 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 2023.

Office Area by Tenants' Businesses

(At 30th June 2023)



At 30th June 2023, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2023) together occupied approximately 21% of the Group's total attributable office area in Hong Kong.

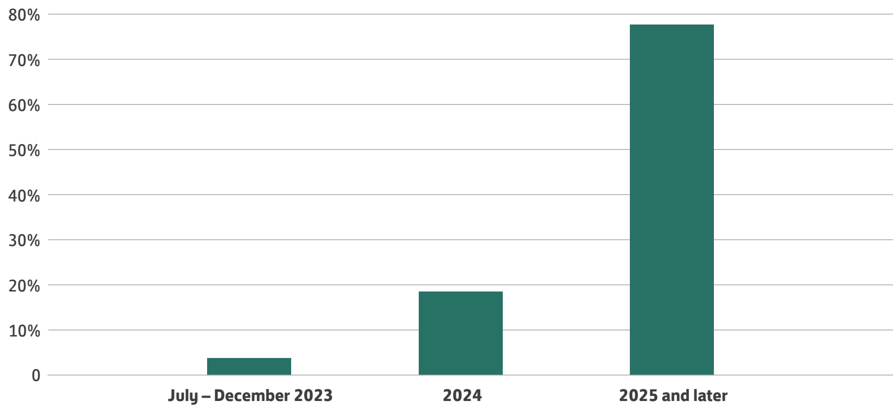
Hong Kong Office Market Outlook

The office market in Hong Kong is expected to remain weak in the second half of 2023, on the back of increased availability. Increasing competition from Central and Kowloon East will continue to exert downward pressure on rents across the portfolio. The 'flight-to-quality' trend is expected to benefit the Group, as prospective tenants upgrade their premises and place a higher value on sustainability as well as the health and wellness of their workforce. Assuming improvements in the financial markets and an increase in economic activity, the demand for Grade-A office space, particularly from financial institutions and professional services companies, should recover.

The following chart shows the percentage of attributable gross rental income from the office properties in Hong Kong, for the month ended 30th June 2023, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 3.8% of the attributable gross rental income in the month of June 2023 are due to expire in the second half of 2023, with tenancies accounting for a further 18.5% of such rental income due to expire in 2024.

Office Lease Expiry Profile

(At 30th June 2023)



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$1,324 million in the first half of 2023. At 30th June 2023, our retail properties in Hong Kong were valued at HK$54,832 million. Of this amount, the Group's attributable interest was HK$45,903 million.

The portfolio principally consists of The Mall at Pacific Place, Cityplaza at Taikoo Shing and Citygate Outlets at Tung Chung. The Mall at Pacific Place and Cityplaza are wholly-owned by the Group. The malls are managed by the Group.

Following the lifting of all travel restrictions and COVID-19 related measures, and with the investment in marketing and loyalty initiatives, the Hong Kong retail portfolio has recovered significantly in the past few months. Sales have returned to pre-pandemic levels in some of our malls. There are still factors such as a strong US currency, a rebound in outbound travel and a high interest rate environment which might affect local consumptions. However, we remain confident that the sales momentum will continue and expect further improvement in Hong Kong retail businesses in the second half of 2023. During the first half, retail sales increased by 60%, 12% and 62% respectively at The Mall at Pacific Place, Cityplaza and Citygate Outlets.

Hong Kong Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2023)	Attributable Interest
The Mall, Pacific Place	711,182	97%	100%
Cityplaza	1,096,898	100%	100%
Citygate Outlets	803,582	100%	26.67%
Others (1)	549,558	99%	26.67%/60%/100%
Total	**3,161,220**		

(1) Others largely comprise Taikoo Shing neighbourhood shops and StarCrest retail premises (which are wholly-owned), Island Place retail premises (60% owned) and Tung Chung Crescent neighbourhood shops (26.67% owned).

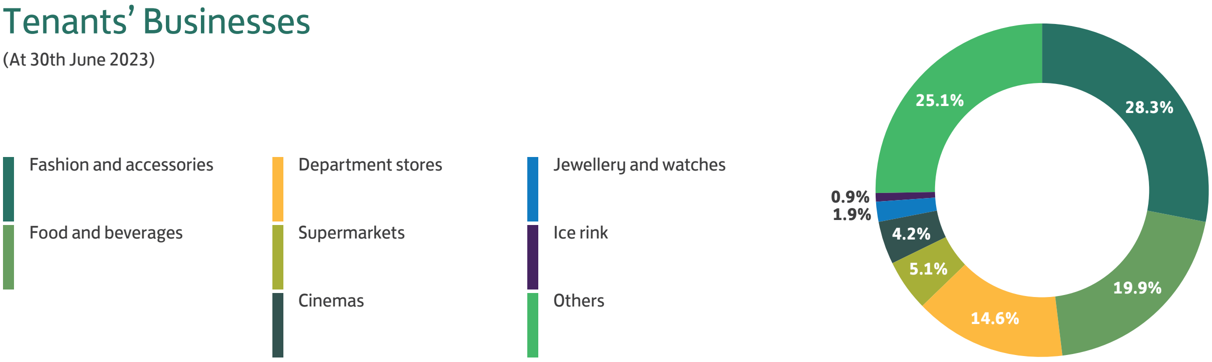
Gross rental income from the retail portfolio in Hong Kong was HK$1,230 million in the first half of 2023, an increase of 17% compared to the same period in 2022. The increase reflected the recovery after the lifting of all COVID-19 related measures and significant reduction in the rental concessions given to tenants.

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 2023.

Retail Area by Tenants' Businesses

(At 30th June 2023)



At 30th June 2023, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2023) together occupied approximately 26% of the Group's total attributable retail area in Hong Kong.

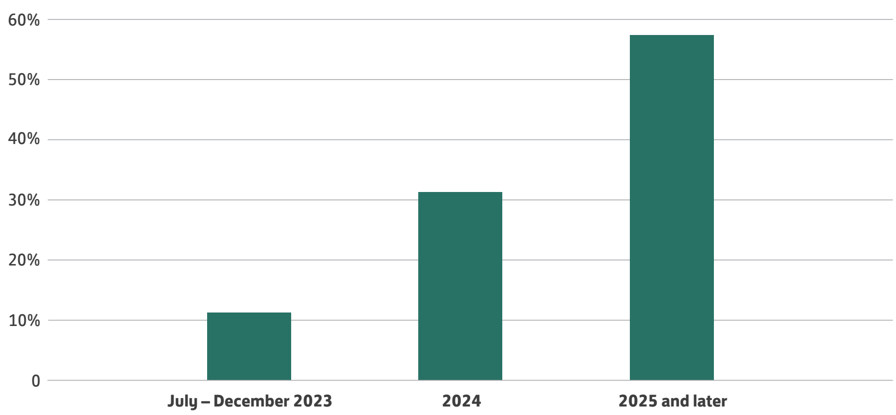
Hong Kong Retail Market Outlook

It is expected that footfall and tenants' sales in Hong Kong will continue to improve despite uncertainty over economic environment and volatile stock market. With our strong marketing campaigns and loyalty programme initiatives, we expect that the sales momentum will carry on.

The following chart shows the percentage of attributable gross rental income from the retail properties in Hong Kong, for the month ended 30th June 2023, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 11.3% of the attributable gross rental income in the month of June 2023 are due to expire in the second half of 2023, with tenancies accounting for a further 31.3% of such rental income due to expire in 2024.

Retail Lease Expiry Profile

(At 30th June 2023)



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 0.6 million square feet. The residential portfolio was approximately 77% let as at 30th June 2023. Demand for our residential investment properties is primarily local and has been boosted by the tenants from the Chinese Mainland and staying in Hong Kong for business after the reopening of the border.

Investment Properties Under Development

Six Pacific Place

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 development has an aggregate GFA of approximately 223,000 square feet. Superstructure has been topped out. Interior fit out works are in progress. Completion of development is expected by the end of 2023.

Others

Wah Ha Factory Building, 8 Shipyard Lane and Zung Fu Industrial Building, 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. In July 2023, the Group acquired the remaining interests in Wah Ha Factory Building and obtained full ownership of the 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. In August 2023, the Lands Tribunal granted the compulsory sale order for the site. Subject to the joint venture company having successfully bid in the compulsory sale and in accordance with applicable town planning controls, it is expected that the site can be redeveloped for residential and retail uses with a GFA of approximately 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. Proceeding with the development (the planning of which is being reviewed) 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. 2,114 of these car parking spaces had been sold at 4th August 2023. Sales of 1,460 car parking spaces had been recognised at 30th June 2023, 8 of them in the first half of 2023. Sales of 654 car parking spaces are expected to be recognised in the second half of 2023.

Investment Properties – Chinese Mainland

Overview

The property portfolio in the Chinese Mainland comprises an aggregate of 22.8 million square feet of space, 14.8 million square feet of which is attributable to the Group. Completed properties amount to approximately 14.1 million square feet, with 8.7 million square feet under development. Total attributable gross rental income from investment properties in the Chinese Mainland was HK$3,054 million in the first half of 2023. At 30th June 2023, the investment properties in the Chinese Mainland were valued at HK$106,027 million. Of this amount, the Group's attributable interest was HK$76,780 million.

Chinese Mainland Property Portfolio [(1)]

	GFA (sq. ft.) (100% Basis)				
	Total	Investment Properties	Hotels	Under Planning	Attributable Interest
Completed					
Taikoo Li Sanlitun, Beijing	1,789,000	1,619,537	169,463	–	100%
Sino-Ocean Taikoo Li Chengdu [(2)]	1,654,565	1,461,428	193,137	–	100%
Taikoo Hui, Guangzhou	3,782,327	3,272,893	509,434	–	97%
INDIGO, Beijing	1,894,141	1,535,840	358,301	–	50%
HKRI Taikoo Hui, Shanghai	3,731,964	3,155,381	576,583	–	50%
Taikoo Li Qiantan, Shanghai	1,188,727	1,188,727	–	–	50%
Hui Fang, Guangzhou	90,847	90,847	–	–	100%
Others	2,917	2,917	–	–	100%
Sub-Total	**14,134,488**	**12,327,570**	**1,806,918**	**–**	
Under Development					
INDIGO Phase Two, Beijing [(3)]	4,045,514	–	–	4,045,514	35%
Taikoo Li Xi'an [(4)]	2,364,668	–	–	2,364,668	70%
Sanya [(5)]	2,233,401	2,233,401	–	–	50%
Sub-Total	**8,643,583**	**2,233,401**	**–**	**6,410,182**	
Total	**22,778,071**	**14,560,971**	**1,806,918**	**6,410,182**	

(1) Including hotels and properties leased for investment.

(2) In February 2023, the Group acquired the remaining 35% interest in Sino-Ocean Taikoo Li Chengdu (to be renamed as Taikoo Li Chengdu with effect from 23rd August 2023). The Group's interest increased from 65% to 100% after the transaction.

(3) 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 2025 and 2026.

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

(5) This is a retail-led development. The development is planned to be completed in phases from 2025.

Gross rental income from the Group's investment property portfolio in the Chinese Mainland was HK$2,238 million in the first half of 2023, 26% higher than in the same period in 2022, reflecting the recovery of retail sales from the COVID-19 outbreak and share of incremental rental income arising from the acquisitions of additional interests in Sino-Ocean Taikoo Li Chengdu in late February 2023.

Retail

The completed retail portfolio in the Chinese Mainland comprises an aggregate of 7.8 million square feet of space, 6.2 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 13%, to HK$2,584 million, in the first half of 2023. Disregarding rental concessions and changes in the value of the Renminbi, total attributable gross rental income increased by 19%. At 30th June 2023, our completed retail properties in the Chinese Mainland were valued at HK$65,899 million. Of this amount, the Group's attributable interest was HK$55,468 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, HKRI Taikoo Hui and Taikoo Li Qiantan in Shanghai, each of which is 50% owned, and Sino-Ocean Taikoo Li Chengdu, which has been wholly-owned by the Group after the completion of the acquisition of the remaining 35% interest in February 2023 and will be renamed as Taikoo Li Chengdu with effect from 23rd August 2023.

Chinese Mainland Completed Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 30th June 2023)	Attributable Interest
Taikoo Li Sanlitun, Beijing	1,619,537	97%	100%
Sino-Ocean Taikoo Li Chengdu [1]	1,354,624	96%	100%
Taikoo Hui, Guangzhou	1,529,392	100%	97%
INDIGO, Beijing	946,769	100%	50%
HKRI Taikoo Hui, Shanghai	1,107,220	96%	50%
Taikoo Li Qiantan, Shanghai	1,188,727	95%	50%
Hui Fang, Guangzhou	90,847	100%	100%
Total	**7,837,116**		

(1) In February 2023, the Group acquired the remaining 35% interest in Sino-Ocean Taikoo Li Chengdu (to be renamed as Taikoo Li Chengdu with effect from 23rd August 2023). The Group's interest increased from 65% to 100% after the transaction.

In the Chinese Mainland, foot traffic improved significantly and retail sales strongly exceeded pre-pandemic levels for many of our malls, following the lifting of COVID-19 related restrictions. Our retail sales (excluding sales by vehicle retailers) on an attributable basis in the Chinese Mainland in the first half of 2023 increased by 41%. Retail sales at Taikoo Li Sanlitun in Beijing, Sino-Ocean Taikoo Li Chengdu, Taikoo Hui in Guangzhou, INDIGO in Beijing, HKRI Taikoo Hui and Taikoo Li Qiantan in Shanghai increased by 29%, 27%, 16%, 34%, 72% and 169% respectively in the first half of 2023. National retail sales increased by 8% in the first half of 2023 compared to the same period in 2022.

The Group's gross rental income from retail properties in the Chinese Mainland increased by 30%, to HK$2,042 million, in the first half of 2023. Disregarding rental concessions and changes in the value of the Renminbi, gross rental income increased by 37%.

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 2023.

Retail Area by Tenants' Businesses

(At 30th June 2023)

At 30th June 2023, the top ten retail tenants (based on attributable gross rental income in the six months ended 30th June 2023) together occupied approximately 21% of the Group's total attributable retail area in the Chinese Mainland.

Retail sales at Taikoo Li Sanlitun in Beijing increased by 29% following the lifting of COVID-19 related restrictions and the reopening of the Workers' Stadium. Foot traffic recovered to 2021 levels. To enhance the leading luxury positioning in the Beijing market, structural works to facilitate the tenant mix improvement at Taikoo Li Sanlitun North are in progress. As a result, gross rental income decreased by 5% in the first half of 2023. Disregarding changes in the value of the Renminbi, gross rental income increased by 1%. The development was 97% let at 30th June 2023.

Disregarding the impact arising from the incremental shareholding at Sino-Ocean Taikoo Li Chengdu, retail sales and gross rental income increased by 27% and 5%, respectively, in the first half of 2023. The development was 96% let at 30th June 2023.

Retail sales and gross rental income at Taikoo Hui in Guangzhou increased by 16% and 4% respectively in the first half of 2023 as compared with the first half of 2022, reflecting the recovery from the COVID-19 outbreak. There were improvements to the tenant mix. The mall was 100% let at 30th June 2023.

Retail sales at INDIGO in Beijing increased by 34% in the first half of 2023. The mall was 100% let at 30th June 2023.

Retail sales at HKRI Taikoo Hui in Shanghai increased by 72% in the first half of 2023 benefitting from improvements to the tenant mix and increased footfall. Gross rental income decreased by 11% as a result of certain part of the mall undergoing renovation. The mall was 96% let at 30th June 2023.

Retail sales and footfall grew steadily at Taikoo Li Qiantan in Shanghai in the first half of 2023. At 30th June 2023, tenants had committed to take 95% of the retail space and 87% of the lettable retail space was open.

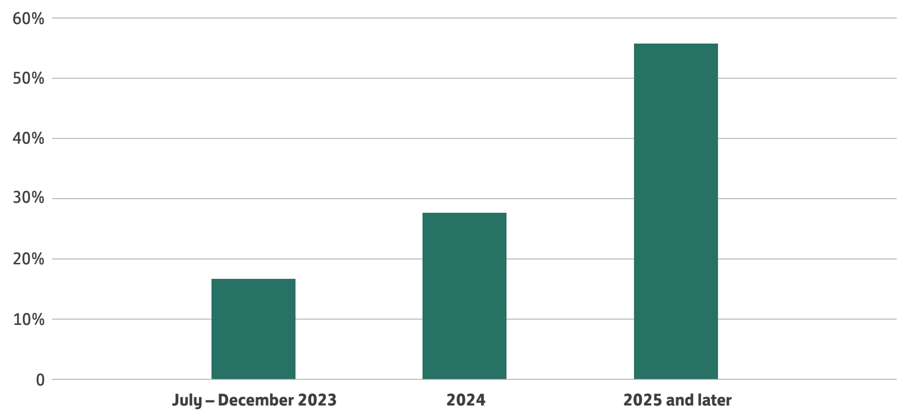
Chinese Mainland Retail Market Outlook

The overall demand for retail space is expected to be stable and to recover steadily in the second half of 2023. 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 2023, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 16.7% of the attributable gross rental income in the month of June 2023 are due to expire in the second half of 2023, with tenancies accounting for a further 27.6% of such rental income due to expire in 2024.

Retail Lease Expiry Profile

(At 30th June 2023)



Offices

The completed office portfolio in the Chinese Mainland comprises an aggregate of 4.2 million square feet of space, 2.9 million square feet of which is attributable to the Group. Total attributable gross rental income from our office properties in the Chinese Mainland decreased by 5% to HK$427 million in the first half of 2023. Disregarding changes in the value of the Renminbi, total attributable gross rental income increased by 1%. At 30th June 2023, our completed office properties in the Chinese Mainland were valued at HK$20,242 million. Of this amount, the Group's attributable interest was HK$12,620 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 2023)	Attributable Interest
Taikoo Hui, Guangzhou	1,693,125	90%	97%
INDIGO, Beijing	589,071	92%	50%
HKRI Taikoo Hui, Shanghai	1,900,838	98%	50%
Total	**4,183,034**		

The Group's gross rental income from office properties in the Chinese Mainland decreased by 6% to HK$179 million in the first half of 2023. Disregarding changes in the value of the Renminbi, gross rental income increased by 1%. In the first half of 2023, office demand in Shanghai recovered and rent in core areas remained stable. In Beijing, demand for office space was weak and supply was limited in core areas. In Guangzhou, demand for office space was weak with new supply in decentralised areas exerting downward pressure on 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 2023.

Office Area by Tenants' Businesses

(At 30th June 2023)

At 30th June 2023, the top ten office tenants (based on attributable gross rental income in the six months ended 30th June 2023) together occupied approximately 44% of the Group's total attributable office area in the Chinese Mainland.

The office towers of Taikoo Hui in Guangzhou, ONE INDIGO in Beijing and the office towers of HKRI Taikoo Hui in Shanghai were 90%, 92% and 98% let, respectively, at 30th June 2023.

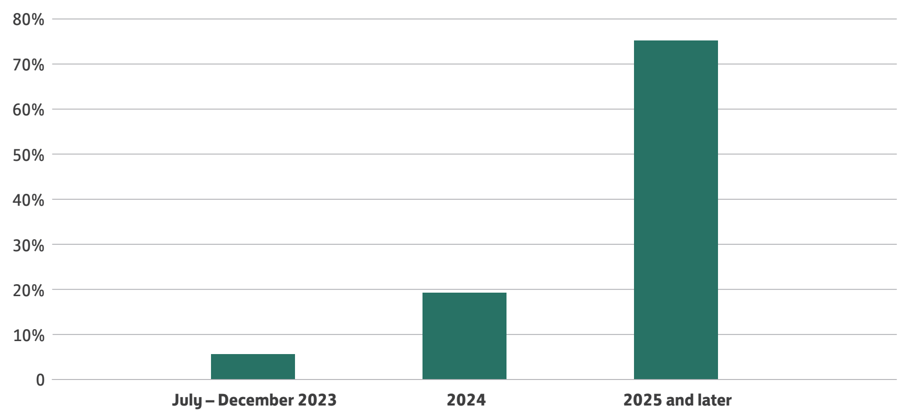
Chinese Mainland Office Market Outlook

Office demand and market sentiment in Beijing, Shanghai and Guangzhou are expected to recover in the second half of 2023. However, economic outlook remains uncertain. The continued new supply of office space in Shanghai and Guangzhou, particularly in emerging decentralised submarkets, will exert 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 2023, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 5.6% of the attributable gross rental income in the month of June 2023 are due to expire in the second half of 2023, with tenancies accounting for a further 19.2% of such rental income due to expire in 2024.

Office Lease Expiry Profile

(At 30th June 2023)



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 2023 recovered gradually following the lifting of COVID-19 associated restrictions. Occupancy at the Mandarin Oriental in Guangzhou, The Temple House in Chengdu and The Middle House Residences in Shanghai was 71%, 41% and 83% respectively at 30th June 2023.

Chinese Mainland Serviced Apartments Market Outlook

The performance of the serviced apartments is expected to further improve steadily in the second half of 2023.

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. Basement and superstructure works are in progress. The Group has a 35% interest in INDIGO Phase Two.

Taikoo Li Xi'an

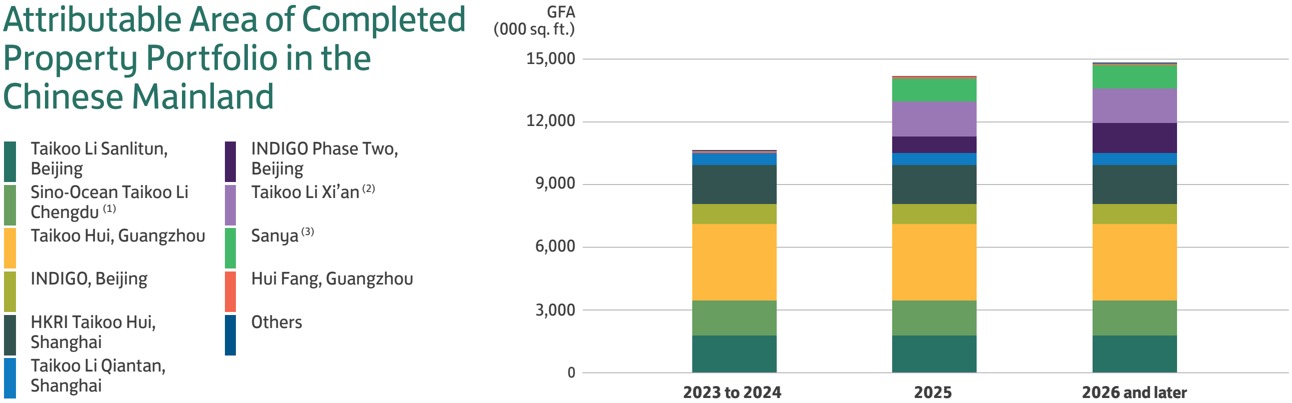
Taikoo Li Xi'an is located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an and is expected to be developed as a retail-led mixed-use development comprising retail and cultural facilities, a hotel and serviced residences. The estimated GFA is approximately 2.4 million square feet (above ground), subject to further planning. The project is expected to be completed in phases from late 2025. The development is being done in collaboration with Xi'an Cheng Huan Cultural Investment and Development Co., Ltd. The Group has a 70% interest in Taikoo Li Xi'an.

Sanya

Jointly developed with China Tourism Group Duty Free Corporation Limited, the land in Haitang district of Sanya with GFA of approximately 2.2 million square feet is expected to be developed into a premium, resort-style, retail-led development including underground parking and other ancillary facilities. The development will be Phase III of the Sanya International Duty-Free Complex. Excavation works are in progress. The project is expected to open in phases from 2025. The Group has a 50% interest in this development.

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



(1) In February 2023, the Group acquired the remaining 35% interest in Sino-Ocean Taikoo Li Chengdu (to be renamed as Taikoo Li Chengdu with effect from 23rd August 2023). The Group's interest increased from 65% to 100% after the transaction.

(2) The development is expected to open in phases from late 2025.

(3) The development is expected to open in phases from 2025.

Others

ZHANGYUAN, Shanghai

In 2021, the Group formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd. This company, in 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 (including car parking spaces) of 591,189 square feet above ground and 738,066 square feet underground. There are over 40 shikumen blocks, with about 170 two or three-storey houses. There are connections to three metro lines and to HKRI Taikoo Hui. The first phase (the West zone) was completed and opened in November 2022. Construction and renovation at the second phase (the East zone) are in progress. The second phase is planned to be completed and opened in 2026. 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, which has been exercisable since February 2020, to sell its interest to the Group.

The shopping centre was 90% leased (including by way of letters of intent) at 30th June 2023. Retail sales in the first half of 2023 increased by 7% compared to the same period in 2022.

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 and will be connected to the first phase of Brickell City Centre.

Brickell City Centre, Miami

	GFA (sq. ft.) (1) (100% Basis)	Attributable Interest
Completed		
Shopping centre	496,508	62.9%
Future Development		
One Brickell City Centre	1,510,000	100%
Total	**2,006,508**	

(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 increase due to an improved tenant mix.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2023 on the basis of market value (96% 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$284,404 million, compared to HK$271,191 million at 31st December 2022.

The increase in the valuation of the investment property portfolio primarily reflected the acquisition of subsidiary companies in the Chinese Mainland, 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 and The River in Vietnam. There are six residential projects under development, three in Hong Kong, one in Indonesia, one in Vietnam and one in Thailand. There is a plan to develop a residential project on some available land banks in Miami, U.S.A.

Property Trading Portfolio (At 30th June 2023)

	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
Completed			
Hong Kong			
– EIGHT STAR STREET, Wan Chai	4,004 (1)	2022	100%
Vietnam			
– The River, Ho Chi Minh City	22,959 (1)	2022	20%
Under Development			
Hong Kong			
– LA MONTAGNE, Wong Chuk Hang (formerly known as Wong Chuk Hang Station Package Four Property Development)	638,305	2024	25%
– Chai Wan Inland Lot No. 178	692,276 (2)	2025	80%
– 269 Queen's Road East, Wan Chai	102,990 (3)	2025	100%
Indonesia			
– Savyavasa, South Jakarta	1,122,728	2024	50%
Vietnam			
– Empire City, Ho Chi Minh City	5,357,318	2028	15.73%
Thailand			
– Wireless Road, Bangkok	1,352,012 (4)	to be determined	40%
Held for Development or sale			
U.S.A.			
– South Brickell Key, Miami, Florida	550,000	under planning	100%
– Brickell City Centre, Miami, Florida – North Squared site	523,000 (5)	n.a.	100%

(1) Remaining saleable area.

(2) Excluding a retail shop of approximately 2,002 sq. ft.

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

(4) Expected GFA.

(5) Represents saleable area.

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 was obtained in May 2022. 33 out of 37 units had been sold at 4th August 2023. Sales of 30 units had been recognised at 30th June 2023, 3 of them in the first half of 2023. Sales of 3 units are expected to be recognised in the second half of 2023. 30 units had been handed over to the purchasers at 30th June 2023.

LA MONTAGNE, Wong Chuk Hang (formerly known as 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 (Phases 4A and 4B) with an aggregate GFA of approximately 638,000 square feet and about 800 residential units. Superstructure works are in progress. Pre-sales of Phase 4A started in July 2023. 48 out of 432 units had been pre-sold at 4th August 2023. The development is expected to be completed and handed over to the purchasers in 2024 and 2025 respectively. 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. The plot of land is being redeveloped into a residential complex (with retail outlet) with an aggregate GFA of approximately 694,000 square feet. Superstructure works are in progress at the Phase 1 site, while foundation works are underway at the Phase 2 site. The development is expected to be completed in 2025.

269 Queen's Road East, Wan Chai

In June 2022, the Group acquired (via a government land tender) a plot of land at 269 Queen's Road East in Wan Chai. The plot of land will be developed primarily for residential use with an aggregate GFA of approximately 116,000 square feet. Demolition works have commenced since May 2023 and are in progress. The development is under design stage and expected to be completed in 2025.

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 for residential purposes with an aggregate GFA of approximately 1,123,000 square feet. Superstructure works are in progress. The development is expected to comprise around 400 residential units to be completed in 2024. The Group has a 50% interest in the joint venture. Pre-sales are in progress. 62 units had been pre-sold at 4th August 2023.

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, which was completed in August 2022 comprises 525 luxury apartments in three towers. The Group has an effective 20% interest in the development. Approximately 94% of the units had been sold at 4th August 2023. Handover of the completed units to purchasers is in progress.

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 2028. The Group invested in the development through an agreement with Gaw Capital Partners, an existing participant in the development. Over 53% of the residential units had been pre-sold or sold at 4th August 2023.

Thailand

In February 2023, the Group acquired a 40% interest in a site located on Wireless Road in Lumphini sub-district in Pathum Wan district, Bangkok. In partnership with City Realty Co. Ltd., the site is expected to be developed for residential purposes with a site area of approximately 136,000 square feet.

U.S.A.

In June 2023, the Group announced plans to develop a luxury residential project on Brickell Key in Miami. The project, called One Island Drive, will consist of two towers. The first tower will comprise luxury private residences. The second tower will comprise a new Mandarin Oriental hotel as well as private residences and hotel residences. Sales are expected to launch in early 2024.

Outlook

The reopening of the border with the Chinese Mainland and various HKSAR Government policies, including a revamped investment immigration scheme and tax incentives, have been beneficial to the market. However, we expect buyers to remain cautious in the short term, in light of an increase in interest rates and economic uncertainties. Market sentiment is however expected to remain resilient in the medium to long term, due to solid demand and a gradual economic recovery.

With urbanisation, a growing middle class and a limited supply of luxury residential properties, the residential markets in Jakarta, Indonesia, Ho Chi Minh City, Vietnam and Bangkok, Thailand are expected to be stable. Despite the recent increase in interest rates in the U.S.A., the outlook for the luxury residential market in Miami remains positive. Florida is an attractive destination for homebuyers due to its favourable climate and tax regime.

Estate Management

The Group manages around 18 residential estates which it has developed at 30th June 2023. 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 plans to further expand The House Collective to Tokyo and Shenzhen. There are EAST hotels in Hong Kong, Beijing and Miami. EAST Miami ceased to be owned by the Group since October 2021 but is managed by the Group under a third-party hotel management agreement. The Group also has interests in non-managed hotels in Hong Kong, Guangzhou, Shanghai and Miami.

Businesses in the managed hotels in Hong Kong and the Chinese Mainland recovered strongly following the lifting of COVID-19 measures and the reopening of the border. The hotels in the U.S.A. performed well.

The managed hotels (including restaurants and hotel management office) recorded an operating profit before depreciation of HK$59 million in the first half of 2023, compared with an operating loss before depreciation of HK$74 million in the first half of 2022.

Hotel Portfolio (managed by Swire Hotels)

	No. of Rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
– The Upper House	117	100%
– EAST Hong Kong	331	100%
– Headland Hotel [(1)]	501	0%
Chinese Mainland		
– The Opposite House	99	100%
– EAST Beijing	365	50%
– The Temple House [(2)]	142	100%
– The Middle House [(3)]	213	50%
U.S.A.		
– EAST Miami [(4)]	352	0%
Total	**2,120**	

(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. In February 2023, the Group acquired the remaining 35% interest in Sino-Ocean Taikoo Li Chengdu. The Group's interest in The Temple House increased to 100% after the transaction.

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

(4) 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 each of the Novotel Citygate and The Silveri Hong Kong – MGallery in Tung Chung.

Businesses in the managed hotels in Hong Kong recovered following the lifting of COVID-19 related measures, the reopening of the border and with growth of international visitors. Revenue per available room and occupancy rebounded strongly in the first half of 2023.

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 365-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, 100% of The Temple House (after the completion of the acquisition of the remaining 35% interest in February 2023), 50% of EAST Beijing 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 the managed and non-managed hotels in the Chinese Mainland improved strongly after the border reopening and resumption of international flights with higher revenue per available room and occupancy in the first half of 2023.

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, with stable revenue per available room and occupancy.

Outlook

The outlook for the hotel businesses in Hong Kong is positive and the businesses are expected to further recover with more international visitors. Hotel businesses in the Chinese Mainland are expected to grow throughout the year. The U.S.A. hotels are expected to continue to perform well.

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

Development Highlight

Sino-Ocean Taikoo Li Chengdu

Sino-Ocean Taikoo Li Chengdu, a premium open-plan, low-rise, and lane-driven shopping precinct that spans approximately 1.65 million sq ft, celebrates the 8th anniversary this year since its official opening in April 2015.

The development is in the Jinjiang district of Chengdu and is part of the Chunxi Road and Daci Temple shopping district. Paying homage to traditional Sichuan architecture in an innovative and modern approach, the complex features six traditional courtyards and buildings that have been preserved and revitalised, along with the historic Daci Temple established in the 3rd century which adds to the cultural essence of the project.

With over 300 global retail outlets, eateries, and cultural brands, the complex also includes The Temple House, a boutique hotel with 100 guest rooms and 42 serviced apartments. The unique

aesthetic at Sino-Ocean Taikoo Li Chengdu offers a memorable backdrop for a vibrant shopping and leisure experience.

Swire Properties has completed the acquisition of the remaining interest in Sino-Ocean Taikoo Li Chengdu in February and increased its interest to 100%. The development will be officially renamed as Taikoo Li Chengdu with effect from 23rd August 2023.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in the first half of 2023 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$1,298 million (first half of 2022: HK$1,287 million). Outstanding capital commitments at 30th June 2023 were HK$9,613 million (31st December 2022: HK$11,878 million), including the Group's share of the capital commitments of joint venture companies of HK$50 million (31st December 2022: HK$67 million).

Capital expenditure in the first half of 2023 on Chinese Mainland investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, was HK$353 million (first half of 2022: HK$3,547 million). Outstanding capital commitments at 30th June 2023 were HK$15,235 million (31st December 2022: HK$16,076 million), including the Group's share of the capital commitments of joint venture companies of HK$6,798 million (31st December 2022: HK$7,370 million). The Group was committed to funding HK$982 million (31st December 2022: HK$331 million) of the capital commitments of joint venture companies in the Chinese Mainland. In addition to this, the Group was committed to make a capital injection into a joint venture company of HK$405 million (31st December 2022: HK$421 million).

Capital expenditure in the first half of 2023 on investment properties and hotels in the U.S.A. amounted to HK$16 million (first half of 2022: HK$18 million). Outstanding capital commitments at 30th June 2023 were HK$27 million (31st December 2022: Nil).

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast Expenditure				Total Commitments (1)	Commitments relating to Joint Venture Companies (2)
	Six months ended 30th June 2023 HK$M	Six months ending 31st December 2023 HK$M	2024 HK$M	2025 HK$M	2026 and later HK$M	At 30th June 2023 HK$M	At 30th June 2023 HK$M
Hong Kong	**1,298**	1,733	971	1,387	5,522	**9,613**	**50**
Chinese Mainland	**353**	1,592	4,215	3,765	5,663	**15,235**	**6,798**
U.S.A.	**16**	24	3	–	–	**27**	**–**
Total	**1,667**	3,349	5,189	5,152	11,185	**24,875**	**6,848**

(1) The capital commitments represent the Group's capital commitments of HK$18,027 million plus the Group's share of the capital commitments of joint venture companies of HK$6,848 million.

(2) The Group was committed to funding HK$982 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
	2023 HK$M	2022 HK$M	2022 HK$M
Net cash from/(used in) businesses and investments			
Cash generated from operations	**4,221**	3,933	6,332
Dividends received	**34**	94	176
Tax paid	**(370)**	(547)	(1,127)
Net interest paid	**(511)**	(301)	(625)
Net cash used in investing activities	**(6,761)**	(5,118)	(7,999)
	(3,387)	(1,939)	(3,243)
Cash paid to shareholders and net repayment of external debt			
Net increase/(decrease) in borrowings	**7,309**	(3,876)	(1,772)
Capital contribution from a non-controlling interest	**–**	986	1,003
Principal elements of lease payments	**(38)**	(33)	(66)
Dividends paid	**(4,024)**	(3,779)	(5,712)
	3,247	(6,702)	(6,547)
Decrease in cash and cash equivalents	**(140)**	(8,641)	(9,790)

During the first half of 2023, net cash used in investing activities principally comprised capital expenditure on investment properties, investments in joint venture companies and acquisition of subsidiary 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 2023, 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 2023		Year ended 31st December 2022	
	Loans and bonds HK$M	**Lease liabilities HK$M**	Loans and bonds HK$M	Lease liabilities HK$M
At 1st January	**22,835**	**614**	24,601	566
Loans drawn and refinanced	**5,088**	**–**	7,237	–
Bonds issued	**3,251**	**–**	–	–
Bonds matured	**(200)**	**–**	(3,899)	–
Repayment of loans	**(830)**	**–**	(5,110)	–
Acquisition of subsidiaries	**3,151**	**42**	–	–
New leases arranged during the period	**–**	**54**	–	160
Principal elements of lease payments	**–**	**(38)**	–	(66)
Currency adjustment	**(235)**	**(20)**	2	(46)
Other non-cash movements	**48**	**1**	4	–
At 30th June/31st December	**33,108**	**653**	22,835	614

Net Debt

Financial Information Reviewed by Auditors

Net debt at 30th June 2023 was HK$29,514 million, compared with HK$18,947 million at 31st December 2022. The increase in net debt principally reflected capital and development expenditure and investment in joint venture companies and acquisitions of subsidiary companies.

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings at 30th June 2023 and 31st December 2022 were as follows:

	30th June 2023 HK$M	31st December 2022 HK$M
Borrowings included in non-current liabilities		
Bank borrowings	**15,122**	7,311
Bonds	**17,686**	14,824
Borrowings included in current liabilities		
Bank borrowings	**–**	500
Bonds	**300**	200
Total borrowings	**33,108**	22,835
Lease liabilities		
Included in non-current liabilities	**576**	535
Included in current liabilities	**77**	79
Less: short-term deposits and bank balances	**4,247**	4,502
Net debt	**29,514**	18,947

Sources of Finance

Financial Information Reviewed by Auditors

At 30th June 2023, committed loan facilities and debt securities amounted to HK$41,525 million, of which HK$8,250 million (20%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$400 million. Sources of funds at 30th June 2023 comprised:

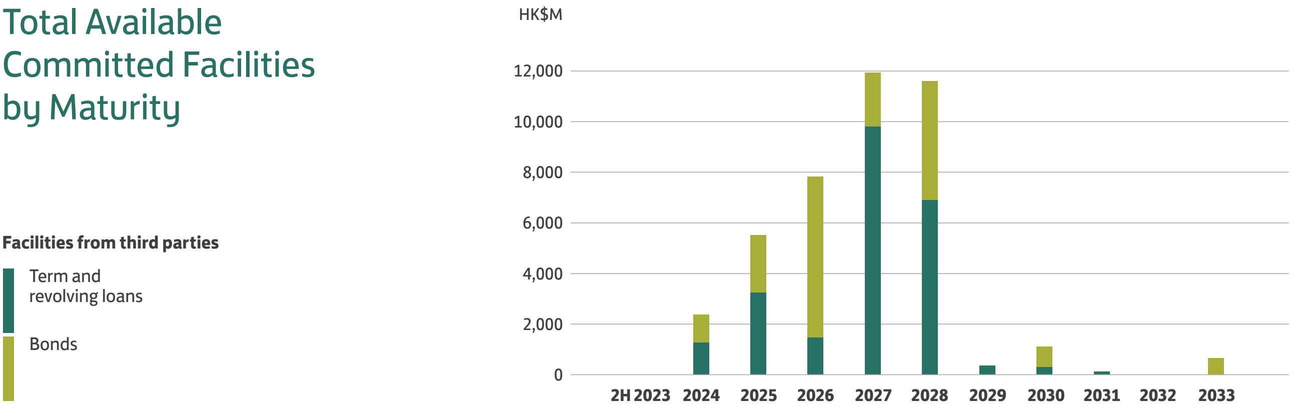
	Available HK$M	**Drawn HK$M**	**Undrawn Expiring Within One Year HK$M**	**Undrawn Expiring After One Year HK$M**
Facilities from third parties				
Term loans	**8,251**	**7,751**	**–**	**500**
Revolving loans	**15,242**	**7,492**	**–**	**7,750**
Bonds	**18,032**	**18,032**	**–**	**–**
Total committed facilities	**41,525**	**33,275**	**–**	**8,250**
Uncommitted facilities				
Bank loans and overdrafts	**400**	**–**	**400**	**–**
Total	**41,925**	**33,275**	**400**	**8,250**

Note: The figures above are stated before unamortised loan fees of HK$167 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



Financial Information Reviewed by Auditors

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

	30th June 2023		31st December 2022	
	HK$M		HK$M	
Bank borrowings from and bonds issued to third parties due				
Within 1 year	**300**	**1%**	700	3%
1-2 years	**3,208**	**10%**	1,875	8%
2-5 years	**27,163**	**82%**	15,195	67%
After 5 years	**2,437**	**7%**	5,065	22%
Total	**33,108**	**100%**	22,835	100%
Less: Amount due within one year included under current liabilities	**300**		700	
Amount due after one year included under non-current liabilities	**32,808**		22,135	

Currency Profile

Financial Information Reviewed by Auditors

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

	30th June 2023		31st December 2022	
	HK$M		HK$M	
Currency				
Hong Kong dollars	**24,216**	**73%**	19,740	86%
United States dollars	**3,505**	**11%**	3,095	14%
Renminbi	**5,387**	**16%**	–	–
Total	**33,108**	**100%**	22,835	100%

Finance Charges

Financial Information Reviewed by Auditors

At 30th June 2023, 60% of the Group's gross borrowings were on a fixed rate basis and 40% were on a floating rate basis (31st December 2022: 66% and 34% respectively). Interest charged and earned was as follows:

	Six months ended 30th June		Year ended 31st December
	2023 HK$M	2022 HK$M	2022 HK$M
Interest charged on:			
Bank loans and overdrafts	**277**	27	158
Bonds	**272**	319	559
Interest-bearing advances from joint venture companies	**2**	7	16
Lease liabilities	**11**	9	19
Net fair value (gains)/losses on derivative instruments			
Cash flow hedges – transferred from other comprehensive income	**(14)**	(4)	(13)
Cross-currency swaps not qualifying as hedges	**1**	1	1
Other financing costs	**57**	56	109
	606	415	849
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	**5**	27	66
Capitalised on:			
Investment properties	**(219)**	(191)	(370)
Properties for sale	**(121)**	(83)	(186)
	271	168	359
Interest income on:			
Short-term deposits and bank balances	**(29)**	(66)	(105)
Loans to joint venture and associated companies	**(54)**	(16)	(51)
Others	**(9)**	(7)	(16)
	(92)	(89)	(172)
Net finance charges	**179**	79	187

Gearing Ratio and Interest Cover

	30th June		31st December
	2023	2022 Restated	2022
Gearing ratio [1]	**10.2%**	5.3%	6.5%

	Six months ended 30th June		Year ended 31st December
	2023	2022 Restated	2022
Interest cover – times [1]			
Per financial statements	**16.1**	61.9	48.3
Underlying	**24.8**	85.1	74.7
Cash interest cover – times [1]			
Per financial statements	**5.5**	13.9	12.1
Underlying	**8.4**	13.6	13.4

(1) Refer to Glossary on page 83 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 2023 and 31st December 2022:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	30th June 2023 HK$M	31st December 2022 HK$M	**30th June 2023 HK$M**	31st December 2022 HK$M	**30th June 2023 HK$M**	31st December 2022 HK$M
Hong Kong Entities	**10,330**	10,402	**3,451**	3,472	**2,408**	2,408
Chinese Mainland Entities	**11,675**	15,171	**5,290**	7,532	**1,298**	1,203
U.S.A. and other Entities	**15**	542	**16**	461	**142**	570
Total	**22,020**	26,115	**8,757**	11,465	**3,848**	4,181

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 13.3%.

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 52 to 79, which comprise the consolidated statement of financial position of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2023 and the 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 material accounting policy information 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 condensed 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" issued by the Hong Kong Institute of Certified Public Accountants. 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, 10th August 2023

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Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss

For the six months ended 30th June 2023 – unaudited

	Note	**Unaudited Six months ended 30th June** **2023 HK$M**	2022 HK$M Restated	Audited Year ended 31st December 2022 HK$M
Revenue	4	**7,297**	6,910	13,826
Cost of sales	5	**(1,970)**	(1,871)	(4,303)
Gross profit		**5,327**	5,039	9,523
Administrative and selling expenses		**(951)**	(828)	(1,713)
Other operating expenses		**(106)**	(107)	(186)
Other net (losses)/gains	6	**(65)**	89	79
Gains on disposal of subsidiary companies		**–**	–	520
Change in fair value of investment properties	13	**(1,332)**	701	801
Operating profit		**2,873**	4,894	9,024
Finance charges		**(271)**	(168)	(359)
Finance income		**92**	89	172
Net finance charges	8	**(179)**	(79)	(187)
Share of profit less losses of joint venture companies		**508**	516	1,443
Share of profit less losses of associated companies		**16**	(36)	12
Profit before taxation		**3,218**	5,295	10,292
Taxation	9	**(954)**	(826)	(2,065)
Profit for the period		**2,264**	4,469	8,227
Profit for the period attributable to:				
The Company's shareholders		**2,223**	4,348	7,980
Non-controlling interests		**41**	121	247
		2,264	4,469	8,227
		HK$	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11	**0.38**	0.74	1.36

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 2023 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2023 HK$M	2022 HK$M Restated	2022 HK$M
Profit for the period	**2,264**	4,469	8,227
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plans			
– remeasurement gains recognised during the period	**–**	–	245
– deferred tax	**–**	–	(40)
Net translation differences on foreign operations recognised during the period	**(51)**	(37)	(110)
	(51)	(37)	95
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
– gains/(losses) recognised during the period	**20**	58	(16)
– transferred to net finance charges	**(14)**	(4)	(13)
– transferred to operating profit	**–**	(1)	(1)
– deferred tax	**(1)**	(9)	5
Share of other comprehensive income of joint venture and associated companies			
– recognised during the period	**(485)**	(924)	(1,744)
– reclassified to profit or loss on deemed disposal	**228**	–	–
Net translation differences on foreign operations recognised during the period	**(1,796)**	(1,653)	(3,213)
	(2,048)	(2,533)	(4,982)
Other comprehensive income for the period, net of tax	**(2,099)**	(2,570)	(4,887)
Total comprehensive income for the period	**165**	1,899	3,340
Total comprehensive income attributable to:			
The Company's shareholders	**175**	1,815	3,203
Non-controlling interests	**(10)**	84	137
	165	1,899	3,340

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 2023 – unaudited

	Note	Unaudited 30th June 2023 HK$M	Audited 31st December 2022 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**3,672**	3,165
Investment properties	13	**284,607**	271,368
Intangible assets	14	**1,620**	208
Right-of-use assets	15	**2,686**	2,482
Properties held for development		**1,214**	1,208
Joint venture companies	16	**19,253**	24,589
Loans due from joint venture companies	16	**14,327**	15,273
Associated companies	17	**489**	473
Loans due from associated companies	17	**46**	52
Derivative financial instruments	19	**142**	96
Deferred tax assets	23	**64**	64
Financial assets at fair value through profit or loss		**616**	460
Retirement benefit assets		**10**	14
		328,746	319,452
Current assets			
Properties for sale		**8,547**	8,264
Stocks		**80**	72
Trade and other receivables	20	**3,053**	2,834
Cash and cash equivalents		**4,247**	4,502
		15,927	15,672
Assets classified as held for sale	24	**1,612**	2,038
		17,539	17,710
Current liabilities			
Trade and other payables	21	**9,932**	10,008
Contract liabilities		**6**	14
Taxation payable		**455**	185
Long-term loans and bonds due within one year		**300**	700
Lease liabilities due within one year	22	**77**	79
		10,770	10,986
Net current assets		**6,769**	6,724
Total assets less current liabilities		**335,515**	326,176
Non-current liabilities			
Long-term loans and bonds		**32,808**	22,135
Long-term lease liabilities	22	**576**	535
Deferred tax liabilities	23	**13,732**	11,248
		47,116	33,918
NET ASSETS		**288,399**	292,258
EQUITY			
Share capital	25	**10,449**	10,449
Reserves	26	**274,959**	278,762
Equity attributable to the Company's shareholders		**285,408**	289,211
Non-controlling interests	27	**2,991**	3,047
TOTAL EQUITY		**288,399**	292,258

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 2023 – unaudited

	Unaudited Six months ended 30th June		Audited Year ended 31st December
	2023 HK$M	2022 HK$M	2022 HK$M
Operating activities			
Cash generated from operations	**4,221**	3,933	6,332
Interest paid	**(547)**	(368)	(742)
Interest received	**36**	67	117
Tax paid	**(370)**	(547)	(1,127)
	3,340	3,085	4,580
Dividends received from joint venture and associated companies and financial assets at fair value through other comprehensive income	**34**	94	176
Net cash from operating activities	**3,374**	3,179	4,756
Investing activities			
Purchase of property, plant and equipment	**(111)**	(73)	(133)
Additions of investment properties	**(1,332)**	(5,027)	(7,096)
Purchase of intangible assets	**(16)**	(11)	(58)
Proceeds from disposal of investment properties	**60**	412	609
Proceeds from disposal of subsidiary companies, net of cash disposed of	**–**	4	1,060
Payment for acquisition of subsidiary companies, net of cash acquired	**(3,388)**	–	–
Purchase of shares in joint venture companies	**(762)**	(650)	(1,720)
Purchase of financial assets at fair value through profit or loss	**(156)**	(20)	(20)
Equity to joint venture companies	**(221)**	(144)	(1,123)
Loans to joint venture companies	**(956)**	(129)	(108)
Repayment of loans by joint venture companies	**173**	577	917
Repayment of advances from joint venture companies	**–**	(25)	(200)
Loans to associated companies	**–**	(29)	(52)
Repayment of loans by associated companies	**6**	–	–
Initial leasing costs incurred	**(58)**	(3)	(75)
Net cash used in investing activities	**(6,761)**	(5,118)	(7,999)
Net cash outflow before financing activities	**(3,387)**	(1,939)	(3,243)
Financing activities			
Loans drawn and refinanced	**8,339**	3,254	7,237
Repayment of loans and bonds	**(1,030)**	(7,130)	(9,009)
Principal elements of lease payments	**(38)**	(33)	(66)
	7,271	(3,909)	(1,838)
Capital contribution from a non-controlling interest	**–**	986	1,003
Dividends paid to the Company's shareholders	**(3,978)**	(3,744)	(5,616)
Dividends paid to non-controlling interests	**(46)**	(35)	(96)
Net cash from/(used in) financing activities	**3,247**	(6,702)	(6,547)
Decrease in cash and cash equivalents	**(140)**	(8,641)	(9,790)
Cash and cash equivalents at 1st January	**4,502**	14,833	14,833
Effect of exchange differences	**(115)**	(279)	(541)
Cash and cash equivalents at end of the period	**4,247**	5,913	4,502
Represented by:			
Bank balances and short-term deposits maturing within three months	**4,247**	5,913	4,502

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 2023 – unaudited

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2023	**10,449**	**280,008**	**(1,246)**	**289,211**	**3,047**	**292,258**
Profit for the period	**–**	**2,223**	**–**	**2,223**	**41**	**2,264**
Other comprehensive income	**–**	**–**	**(2,048)**	**(2,048)**	**(51)**	**(2,099)**
Total comprehensive income for the period	**–**	**2,223**	**(2,048)**	**175**	**(10)**	**165**
Dividends paid	**–**	**(3,978)**	**–**	**(3,978)**	**(46)**	**(4,024)**
At 30th June 2023 (unaudited)	**10,449**	**278,253**	**(3,294)**	**285,408**	**2,991**	**288,399**

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2022						
– as originally stated	10,449	277,961	3,745	292,155	2,003	294,158
– impact of change in accounting policy (note 2(e))	–	(522)	(9)	(531)	(17)	(548)
– as restated	10,449	277,439	3,736	291,624	1,986	293,610
Profit for the period (restated)	–	4,348	–	4,348	121	4,469
Other comprehensive income (restated)	–	–	(2,533)	(2,533)	(37)	(2,570)
Total comprehensive income for the period (restated)	–	4,348	(2,533)	1,815	84	1,899
Capital contribution from a non-controlling interest	–	–	–	–	986	986
Dividends paid	–	(3,744)	–	(3,744)	(35)	(3,779)
At 30th June 2022 (unaudited) (restated)	10,449	278,043	1,203	289,695	3,021	292,716

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

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
Six months ended 30th June 2023									
Property investment	**6,732**	**1**	**4,254**	**(176)**	**506**	**–**	**4,584**	**3,911**	**3,855**
Property trading	**89**	**–**	**(12)**	**4**	**(20)**	**–**	**(28)**	**(53)**	**(52)**
Hotels	**476**	**1**	**(37)**	**(7)**	**12**	**16**	**(16)**	**(10)**	**(10)**
Change in fair value of investment properties	**–**	**–**	**(1,332)**	**–**	**10**	**–**	**(1,322)**	**(1,584)**	**(1,570)**
Inter-segment elimination	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	7,297	**–**	**2,873**	**(179)**	**508**	**16**	**3,218**	**2,264**	**2,223**
Six months ended 30th June 2022 (Restated)									
Property investment	6,265	1	4,112	(79)	604	–	4,637	4,004	3,957
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)	–	–	–	–	–	–	–
	6,910	–	4,894	(79)	516	(36)	5,295	4,469	4,348
Year ended 31st December 2022									
Property investment	12,340	3	8,273	(188)	1,018	–	9,103	8,129	8,025
Property trading	921	–	209	1	(18)	66	258	171	171
Hotels	565	4	(259)	–	(67)	(54)	(380)	(342)	(341)
Change in fair value of investment properties	–	–	801	–	510	–	1,311	269	125
Inter-segment elimination	–	(7)	–	–	–	–	–	–	–
	13,826	–	9,024	(187)	1,443	12	10,292	8,227	7,980

Note:

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

1. Segment Information (continued)

(b) Analysis of total assets of the Group

	Segment assets HK$M	Joint venture companies* HK$M	Associated companies* HK$M	Bank deposits and cash HK$M	Total assets HK$M
At 30th June 2023					
Property investment	**293,136**	**28,540**	**–**	**4,051**	**325,727**
Property trading	**10,188**	**3,439**	**285**	**109**	**14,021**
Hotels	**4,599**	**1,601**	**250**	**87**	**6,537**
	307,923	**33,580**	**535**	**4,247**	**346,285**
At 31st December 2022					
Property investment	278,255	35,439	–	4,252	317,946
Property trading	9,911	2,762	285	164	13,122
Hotels	4,107	1,661	240	86	6,094
	292,273	39,862	525	4,502	337,162

* 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
At 30th June 2023						
Property investment	**8,398**	**14,162**	**24,271**	**653**	**47,484**	**2,959**
Property trading	**1,343**	**24**	**8,357**	**–**	**9,724**	**1**
Hotels	**197**	**1**	**480**	**–**	**678**	**31**
	9,938	**14,187**	**33,108**	**653**	**57,886**	**2,991**
At 31st December 2022						
Property investment	8,529	11,413	14,685	614	35,241	3,017
Property trading	1,326	20	7,782	–	9,128	2
Hotels	167	–	368	–	535	28
	10,022	11,433	22,835	614	44,904	3,047

(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
Six months ended 30th June 2023				
Property investment	**–**	**55**	**6,677**	**6,732**
Property trading	**89**	**–**	**–**	**89**
Hotels	**221**	**255**	**–**	**476**
	310	**310**	**6,677**	**7,297**
Six months ended 30th June 2022 (Restated)				
Property investment	–	50	6,215	6,265
Property trading	383	–	–	383
Hotels	153	109	–	262
	536	159	6,215	6,910

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed interim financial statements are set out on pages 52 to 79 and also include the "Financial Information Reviewed by Auditors" in the Financing section on pages 45 to 50.

The financial information relating to the year ended 31st December 2022 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 2022 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 2022 annual financial statements except for those noted in 2(b) to 2(d) below.

(b) The following revised standards were adopted by the Group effective from 1st January 2023:

Amendments to HKAS 1, HKAS 8 and HKAS 12	Narrow-scope Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration

None of the new and revised standards and interpretation had a significant effect on the Group's consolidated financial statements or accounting policies.

2. Basis of Preparation (continued)

(c) The Group has applied the following accounting policies during the period ended 30th June 2023 as follows:

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquired asset and the equity interests issued by the Group. Goodwill is treated as an asset of the entity acquired and, where attributable to a foreign entity, is translated at the period-end closing rate.

Goodwill is stated at cost less accumulated impairment. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment charges recognised in respect of goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of a hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Gains and losses accumulated in equity are transferred to the consolidated statement of profit or loss when the foreign operation is disposed of.

(d) 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 2022 annual financial statements.

(e) The Group has changed its accounting policy with respect to the IASB agenda decision on "Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)" in October 2022. Details of the change were disclosed in the Group's 2022 annual financial statements.

2. Basis of Preparation (continued)

The change in accounting policy has been applied retrospectively by restating the results for the period ended 30th June 2022:

	As previously reported HK$M	Effect on change HK$M	As restated HK$M
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30th June 2022			
Revenue	6,698	212	6,910
Cost of sales	(1,693)	(178)	(1,871)
Share of profit less losses of joint venture companies	509	7	516
Taxation	(817)	(9)	(826)
Profit for the period attributable to:			
– The Company's shareholders	4,319	29	4,348
– Non-controlling interests	118	3	121
Net translation differences on foreign operations recognised during the period	(1,649)	(4)	(1,653)
Total comprehensive income attributable to:			
– The Company's shareholders	1,790	25	1,815
– Non-controlling interests	81	3	84

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 2022 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
	2023 HK$M	2022 HK$M Restated	2022 HK$M
Gross rental income from investment properties	**6,677**	6,215	12,226
Property trading	**89**	383	921
Hotels	**476**	262	565
Rendering of other services	**55**	50	114
	7,297	6,910	13,826

5. Cost of Sales

	Six months ended 30th June		Year ended 31st December
	2023 HK$M	2022 HK$M Restated	2022 HK$M
Direct rental outgoings in respect of investment properties	**1,483**	1,382	2,997
Property trading	**63**	155	621
Hotels	**424**	334	685
	1,970	1,871	4,303

6. Other Net (Losses)/Gains

	Six months ended 30th June		Year ended 31st December
	2023 **HK$M**	2022 HK$M	2022 HK$M
Gains arising from the acquisition of interests in joint venture companies	**551**	–	–
Gains on disposal of investment properties	**–**	27	31
Gains on disposal of assets classified as held for sale	**–**	4	20
Change in fair value of assets classified as held for sale	**(411)**	49	48
Net foreign exchange losses	**(232)**	(30)	(107)
Government subsidies	**1**	13	31
Others	**26**	26	56
	(65)	89	79

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
	2023 **HK$M**	2022 HK$M Restated	2022 HK$M
Impairment charged on trade receivables*	**9**	183	341
Depreciation of property, plant and equipment (note 12)	**130**	116	232
Depreciation of right-of-use assets			
– leasehold land held for own use	**14**	13	25
– property	**22**	18	39
Amortisation of			
– intangible assets (note 14)	**32**	25	53
– initial leasing costs in respect of investment properties	**69**	16	79
Staff costs	**1,041**	1,059	1,899
Other lease expenses**	**16**	16	32

* These impairments include expected credit loss on the operating lease receivables in relation to the forgiveness of lease payments, i.e. rent concessions granted to tenants during the period, under HKFRS 9 of HK$13 million (30th June 2022 (Restated): HK$178 million; year ended 31st December 2022: HK$319 million).

** 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 2023, 30th June 2022 and year ended 31st December 2022). 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 49 for details of the Group's net finance charges.

9. Taxation

	Six months ended 30th June		Year ended 31st December
	2023 HK$M	2022 HK$M Restated	2022 HK$M
Current taxation			
Hong Kong profits tax	**280**	294	401
Overseas tax	**330**	328	590
Under/(Over)-provisions in prior years	**7**	(3)	(5)
	617	619	986
Deferred taxation (note 23)			
Change in fair value of investment properties	**88**	(33)	472
Origination and reversal of temporary differences	**249**	243	598
Effect of change in tax rate in the U.S.A.	**–**	(3)	9
	337	207	1,079
	954	826	2,065

Hong Kong profits tax is calculated at 16.5% (2022: 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 2023 of HK$144 million (30th June 2022 (Restated): HK$169 million; year ended 31st December 2022: HK$526 million) and share of associated companies' tax charges for the six months ended 30th June 2023 of nil (30th June 2022: HK$5 million; year ended 31st December 2022: HK$40 million), which 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
	2023 HK$M	2022 HK$M	2022 HK$M
First interim dividend declared on 10th August 2023 of HK$0.33 per share (2022 first interim dividend paid on 6th October 2022: HK$0.32)	**1,931**	1,872	1,872
Second interim dividend paid on 4th May 2023 of HK$0.68 per share	**–**	–	3,978
	1,931	1,872	5,850

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$0.33 (2022: HK$0.32) per share for the year ending 31st December 2023. The first interim dividend, which totals HK$1,931 million (2022: HK$1,872 million), will be paid on Thursday, 12th October 2023 to shareholders registered at the close of business on the record date, being Friday, 8th September 2023. Shares of the Company will be traded ex-dividend as from Wednesday, 6th September 2023.

The register of members will be closed on Friday, 8th September 2023, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 7th September 2023.

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 2023 of HK$2,223 million (30th June 2022 (Restated): HK$4,348 million; year ended 31st December 2022: HK$7,980 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during the period (30th June 2022 and 31st December 2022: 5,850,000,000 ordinary shares).

12. Property, Plant and Equipment

	Property, plant and equipment HK$M
Cost:	
At 1st January 2023	6,177
Translation differences	(127)
Acquisition of subsidiary companies (note 31)	632
Additions	85
Disposals	(5)
At 30th June 2023	**6,762**
Accumulated depreciation and impairment:	
At 1st January 2023	3,012
Translation differences	(47)
Charge for the period (note 7)	130
Disposals	(5)
At 30th June 2023	**3,090**
Net book value:	
At 30th June 2023	**3,672**
At 1st January 2023	3,165

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 2023	248,114	23,077	271,191
Translation differences	(2,166)	(122)	(2,288)
Acquisition of subsidiary companies (note 31)	15,230	–	15,230
Additions	399	1,336	1,735
Cost written back	(46)	–	(46)
Net transfers to right-of-use assets	–	(86)	(86)
Net fair value losses	(1,069)	(263)	(1,332)
	260,462	23,942	284,404
Add: Initial leasing costs*	203	–	203
At 30th June 2023	**260,665**	**23,942**	**284,607**
At 1st January 2023 (including initial leasing costs)	248,291	23,077	271,368

* The amounts include initial leasing costs acquired at the acquisition of subsidiary companies during the six months ended 30th June 2023 of HK$61 million.

14. Intangible Assets

	Goodwill HK$M	Computer Software HK$M	Others HK$M	Total HK$M
Cost:				
At 1st January 2023	–	321	205	526
Translation differences	–	–	1	1
Acquisition of subsidiary companies (note 31)	1,419	8	–	1,427
Additions	–	16	–	16
At 30th June 2023	**1,419**	**345**	**206**	**1,970**
Accumulated amortisation:				
At 1st January 2023	–	195	123	318
Amortisation for the period (note 7)	–	21	11	32
At 30th June 2023	**–**	**216**	**134**	**350**
Net book value:				
At 30th June 2023	**1,419**	**129**	**72**	**1,620**
At 1st January 2023	–	126	82	208

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 2023 HK$M	31st December 2022 HK$M
Leasehold land held for own use	**2,512**	2,340
Property	**174**	142
	2,686	2,482

Additions to right-of-use assets during the six months ended 30th June 2023 were HK$56 million (30th June 2022: HK$9 million; year ended 31st December 2022: HK$107 million).

Right-of-use assets acquired at the acquisition of subsidiary companies during the six months ended 30th June 2023 were HK$105 million (30th June 2022: Nil; year ended 31st December 2022: Nil).

During the six months ended 30th June 2023, total cash outflow for leases was included in the consolidated statement of cash flows as (a) interest paid of HK$11 million (30th June 2022: HK$9 million; year ended 31st December 2022: HK$19 million) under “operating activities”, (b) payment for short-term and low-value assets leases of HK$16 million (30th June 2022: HK$16 million; year ended 31st December 2022: HK$32 million) under “operating activities” and (c) principal elements of lease payments of HK$38 million (30th June 2022: HK$33 million; year ended 31st December 2022: HK$66 million) under “financing activities”.

16. Joint Venture Companies

	30th June 2023 HK$M	31st December 2022 HK$M
Share of net assets, unlisted	**19,253**	24,286
Goodwill	**–**	303
	19,253	24,589
Loans due from joint venture companies less provisions		
– Interest-free	**11,399**	13,360
– Interest-bearing	**2,928**	1,913
	14,327	15,273

On 22nd February 2023, the Group completed the second and third Master Agreements to acquire 35% equity interests in existing joint venture companies in Sino-Ocean Taikoo Li Chengdu in the Chinese Mainland from Sino-Ocean Group Holding Limited and its subsidiaries. The joint venture companies became wholly-owned subsidiaries of the Group at the date of completion. Details of the purchase consideration, the net identifiable assets acquired and goodwill are disclosed in note 31.

17. Associated Companies

	30th June 2023 HK$M	31st December 2022 HK$M
Share of net assets, unlisted	**489**	473
Loans due from associated companies less provisions		
– Interest-free	**6**	12
– Interest-bearing	**40**	40
	46	52

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
Assets as per consolidated statement of financial position			
At 30th June 2023			
Derivatives used for hedging (note 19)	**142**	**–**	**142**
Financial assets at fair value through profit or loss			
– Unlisted equity investments	**–**	**616**	**616**
	142	**616**	**758**
At 31st December 2022			
Derivatives used for hedging (note 19)	96	–	96
Financial assets at fair value through profit or loss			
– Unlisted equity investments	–	460	460
	96	460	556
Liabilities as per consolidated statement of financial position			
At 30th June 2023			
Put option in respect of a non-controlling interest (note 21)	**–**	**583**	**583**
At 31st December 2022			
Put option in respect of a non-controlling interest (note 21)	–	590	590

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 2023 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 2023	460	590
Translation differences	–	3
Additions	156	–
Distributions during the period	–	(15)
Change in fair value recognised as net finance charges*	–	5
At 30th June 2023	**616**	**583**
*** Including unrealised losses recognised on balances held at 30th June 2023**	**–**	**5**

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 2022: 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 2023. 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 2023 and 31st December 2022 except for the following financial liabilities, for which their carrying amounts and fair values are disclosed below:

	30th June 2023		31st December 2022	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Long-term loans and bonds	**33,108**	**32,281**	22,835	21,910

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 2023		31st December 2022	
	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	**–**	**–**	–	–
– due after one year	**142**	**–**	96	–

20. Trade and Other Receivables

	30th June 2023 HK$M	31st December 2022 HK$M
Trade debtors	**424**	385
Prepayments and accrued income	**110**	85
Amounts due from intermediate holding company	**–**	5
Other financial assets at amortised cost	**539**	520
Other receivables	**1,980**	1,839
	3,053	2,834

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

	30th June 2023 HK$M	31st December 2022 HK$M
Up to 3 months	**369**	354
Between 3 and 6 months	**33**	15
Over 6 months	**22**	16
	424	385

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. Trade and Other Payables

	30th June 2023 HK$M	31st December 2022 HK$M
Trade creditors	**906**	812
Rental deposits from tenants	**3,137**	2,715
Deposits received on sale of investment properties	**54**	1
Put option in respect of a non-controlling interest	**583**	590
Other payables		
Accrued capital expenditure	**1,600**	1,283
Amounts due to intermediate holding company	**110**	83
Amounts due to a joint venture company	**–**	113
Interest-bearing advances from joint venture companies	**–**	256
Advances from a non-controlling interest	**1,190**	1,173
Others	**2,352**	2,982
	5,252	5,890
	9,932	10,008

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

	30th June 2023 HK$M	31st December 2022 HK$M
Up to 3 months	**906**	812

22. Lease Liabilities

	30th June 2023 HK$M	31st December 2022 HK$M
Maturity profile at the end of the period is as follows:		
Within 1 year	**77**	79
Between 1 and 2 years	**80**	73
Between 2 and 5 years	**207**	192
Over 5 years	**289**	270
	653	614
Amount due within one year included under current liabilities	**(77)**	(79)
	576	535

23. Deferred Taxation

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

	HK$M
At 1st January 2023	11,184
Translation differences	(390)
Acquisition of subsidiary companies (note 31)	2,536
Charged to profit or loss (note 9)	337
Charged to other comprehensive income	1
At 30th June 2023	**13,668**
Represented by:	
Deferred tax assets	(64)
Deferred tax liabilities	13,732
	13,668

24. Assets Classified as Held for Sale

Assets classified as held for sale represent the Group's 100% interest in investment properties comprising 1,070 car parking spaces at stages I to IX of the Taikoo Shing residential development in Hong Kong.

25. Share Capital

	Company	
	30th June 2023 HK$M	31st December 2022 HK$M
Issued and fully paid with no par value:		
At 30th June 2023 and 31st December 2022		
5,850,000,000 ordinary shares	**10,449**	10,449

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

26. 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 2023	280,008	(1,108)	2,007	9	(2,154)	278,762
Profit for the period	2,223	–	–	–	–	2,223
Other comprehensive income						
Cash flow hedges						
– gains recognised during the period	–	–	–	20	–	20
– transferred to net finance charges	–	–	–	(14)	–	(14)
– deferred tax	–	–	–	(1)	–	(1)
Share of other comprehensive income of joint venture and associated companies						
– recognised during the period	–	–	–	–	(485)	(485)
– reclassified to profit or loss on deemed disposal	–	–	–	–	228	228
Net translation differences on foreign operations recognised during the period	–	–	–	–	(1,796)	(1,796)
Total comprehensive income for the period	2,223	–	–	5	(2,053)	175
2022 second interim dividend (note 10)	(3,978)	–	–	–	–	(3,978)
At 30th June 2023	**278,253**	**(1,108)**	**2,007**	**14**	**(4,207)**	**274,959**

Note:
The Group's revenue reserve at 30th June 2023 includes HK$1,931 million representing the declared first interim dividend for the year ending 31st December 2023 (31st December 2022: HK$3,978 million representing the second interim dividend for 2022) (note 10).

27. Non-controlling Interests

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

	HK$M
At 1st January 2023	3,047
Share of profit less losses for the period	41
Share of translation differences on foreign operations	(51)
Share of total comprehensive income for the period	(10)
Dividends paid and payable	(46)
At 30th June 2023	**2,991**

28. Capital Commitments

	30th June 2023 HK$M	31st December 2022 HK$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**	12
Authorised by Directors but not contracted for	**459**	491
Investment properties		
Contracted but not provided for	**1,464**	2,986
Authorised by Directors but not contracted for	**16,091**	17,028
	18,027	20,517
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted but not provided for	**545**	393
Authorised by Directors but not contracted for	**6,303**	7,044
	6,848	7,437

* of which the Group is committed to funding HK$982 million (31st December 2022: HK$331 million).

At 30th June 2023, the Group was committed to inject capital of HK$405 million (31st December 2022: HK$421 million) into joint venture companies.

29. Contingencies

Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK$3,848 million (31st December 2022: HK$4,181 million). Bank guarantees given in lieu of utility deposits and other liabilities totalled HK$73 million at the end of the period (31st December 2022: HK$73 million).

30. 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 was renewed on 1st October 2022 for three years expiring on 31st December 2025. For the six months ended 30th June 2023, service fees payable amounted to HK$106 million (30th June 2022: HK$107 million). Expenses of HK$66 million (30th June 2022: HK$51 million) were reimbursed at cost; in addition, HK$49 million (30th June 2022: HK$43 million) in respect of shared administrative services was reimbursed.

30. 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 2023, 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$53 million (30th June 2022: HK$57 million) and HK$21 million (30th June 2022: 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	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M
Purchase of services	*(a)*	**–**	–	**17**	14	**–**	–	**–**	–	**–**	–
Rendering of services	*(a)*	**31**	28	**–**	–	**–**	–	**1**	1	**–**	–
Rental revenue	*(b)*	**–**	–	**21**	17	**–**	5	**53**	57	**1**	–
Rental expenses	*(b)*	**5**	4	**–**	–	**–**	–	**–**	–	**–**	–
Revenue from hotels		**7**	4	**2**	–	**–**	–	**1**	–	**2**	42
Interest income	*(c)*	**54**	16	**–**	–	**–**	–	**–**	–	**–**	–
Interest charges	*(c)*	**2**	7	**–**	–	**–**	–	**–**	–	**–**	–

Notes:

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

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

(c) Loans advanced to joint venture and associated companies at 30th June 2023 are disclosed in notes 16 and 17. Advances from joint venture companies are disclosed in note 21.

31. Business Combinations

As mentioned in note 16, the Group further acquired 35% equity interests in existing joint venture companies in Sino-Ocean Taikoo Li Chengdu in the Chinese Mainland from Sino-Ocean Group Holding Limited and its subsidiaries and these joint venture companies became wholly-owned subsidiaries of the Group during the period after completion. The acquisition is expected to make immediate income contribution to the Group and create long term value for the Group and its shareholders.

Details of the purchase consideration, the net identifiable assets acquired and goodwill are as follows:

	Fair value HK$M
Property, plant and equipment	632
Investment properties*	15,291
Intangible assets	8
Right-of-use assets	105
Stocks	6
Trade and other receivables	536
Cash and cash equivalents	684
Trade and other payables	(837)
Taxation payable	(27)
Long-term loans and bonds	(3,151)
Lease liabilities	(42)
Deferred tax liabilities	(2,536)
Net identifiable assets acquired	10,669
Goodwill	1,419
	12,088
Satisfied by:	
Purchase consideration settled in cash	4,072
Deferred consideration	311
Fair value of the equity interests previously held by the Group	7,705
	12,088
Analysis of the net outflow of cash and cash equivalents for acquisition:	
Purchase consideration settled in cash	4,072
Less: Cash and cash equivalents acquired	(684)
Net cash outflow on acquisition	3,388

* The amounts include investment properties acquired of HK$15,230 million and initial leasing costs acquired of HK$61 million.

31. Business Combinations (continued)

The fair value of the acquired receivables was HK$536 million and included trade receivables with a fair value of HK$65 million. None of these are expected to be uncollectible.

The goodwill is mainly attributable to the growth opportunity. These benefits do not qualify for separate recognition of intangible assets and are not expected to be deductible for tax purposes.

Gain arising from remeasuring the fair value of the equity interests in Sino-Ocean Taikoo Li Chengdu held by the Group before the acquisition amounted to HK$551 million. It is recognised in the consolidated statement of profit or loss within other net gains/(losses).

Acquisition-related costs of HK$11 million have been recognised in the consolidated statement of profit or loss.

The acquired business contributed revenue of HK$534 million and a profit of HK$674 million to the Group for the period from the date of completion of its acquisition (22nd February 2023) to 30th June 2023.

If the acquisition had occurred on 1st January 2023, the acquired business would have contributed pro-forma revenue of HK$772 million and a profit of HK$787 million for the period ended 30th June 2023. These amounts have been calculated using the results of the acquired business and adjusting them for the additional depreciation and amortisation that would have been charged assuming fair value adjustments to property, plant and equipment and intangible assets had applied from 1st January 2023, together with the consequential tax effects.

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.

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

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

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

Share Capital

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

Directors' Particulars

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

1. J.L. Wang retired as an Independent Non-Executive Director of the Company with effect from the conclusion of the Company's 2023 annual general meeting held on 9th May 2023 (the "2023 AGM").
2. A.C.L. Zhu was appointed as an Independent Non-Executive Director of the Company with effect from the conclusion of the Company's 2023 AGM.
3. M.Y. Wu was appointed as an executive director of Shanghai Sunnyview Eldercare Company Limited with effect from 23rd May 2023 and retired as a board advisor of Homeinns Hotel Group with effect from 22nd May 2023. Ms. Wu is also proposed to be appointed as an independent non-executive director of Alibaba Health Information Technology Limited ("Ali Health") which will take effect, if approved, from the conclusion of the annual general meeting of Ali Health to be held on 11th August 2023.

Directors' Interests

At 30th June 2023, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited and Swire Pacific Limited:

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

	Capacity					
	Beneficial Interest					
John Swire & Sons Limited	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
Ordinary Shares of £1						
N.A.H. Fenwick	–	–	3,136,000	3,136,000	3.14	(1)
M.B. Swire	2,193,550	630,000	14,569,960	17,393,510	17.39	(2)
8% Cum. Preference Shares of £1						
N.A.H. Fenwick	–	–	2,822,400	2,822,400	3.14	(1)
M.B. Swire	3,966,125	–	11,904,363	15,870,488	17.63	(2)

	Capacity					
	Beneficial Interest					
Swire Pacific Limited	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Voting Shares (comprised in the class) (%)	Note
'A' shares						
L.K.L. Cheng	10,000	–	–	10,000	0.0012	
M.B. Swire	180,000	–	301,000	481,000	0.0561	(3)
'B' shares						
M.B. Swire	390,000	–	3,024,617	3,414,617	0.1168	(2)

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 3,246,624 ordinary shares and 1,691,961 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.

Directors' Interests (continued)

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 2023 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 60.31% of the equity of Swire Pacific Limited and controlling 68.13% 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, and adjusted with related rental concession recognised in the consolidated statement of profit or loss.

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 2023

Interim Report available to shareholders	5th September
Shares traded ex-dividend	6th September
Share register closed for 2023 first interim dividend entitlement	8th September
Payment of 2023 first interim dividend	12th October
Annual results announcement	March 2024
Annual General Meeting	May 2024

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Request for Feedback

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

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