Annual Report 2012

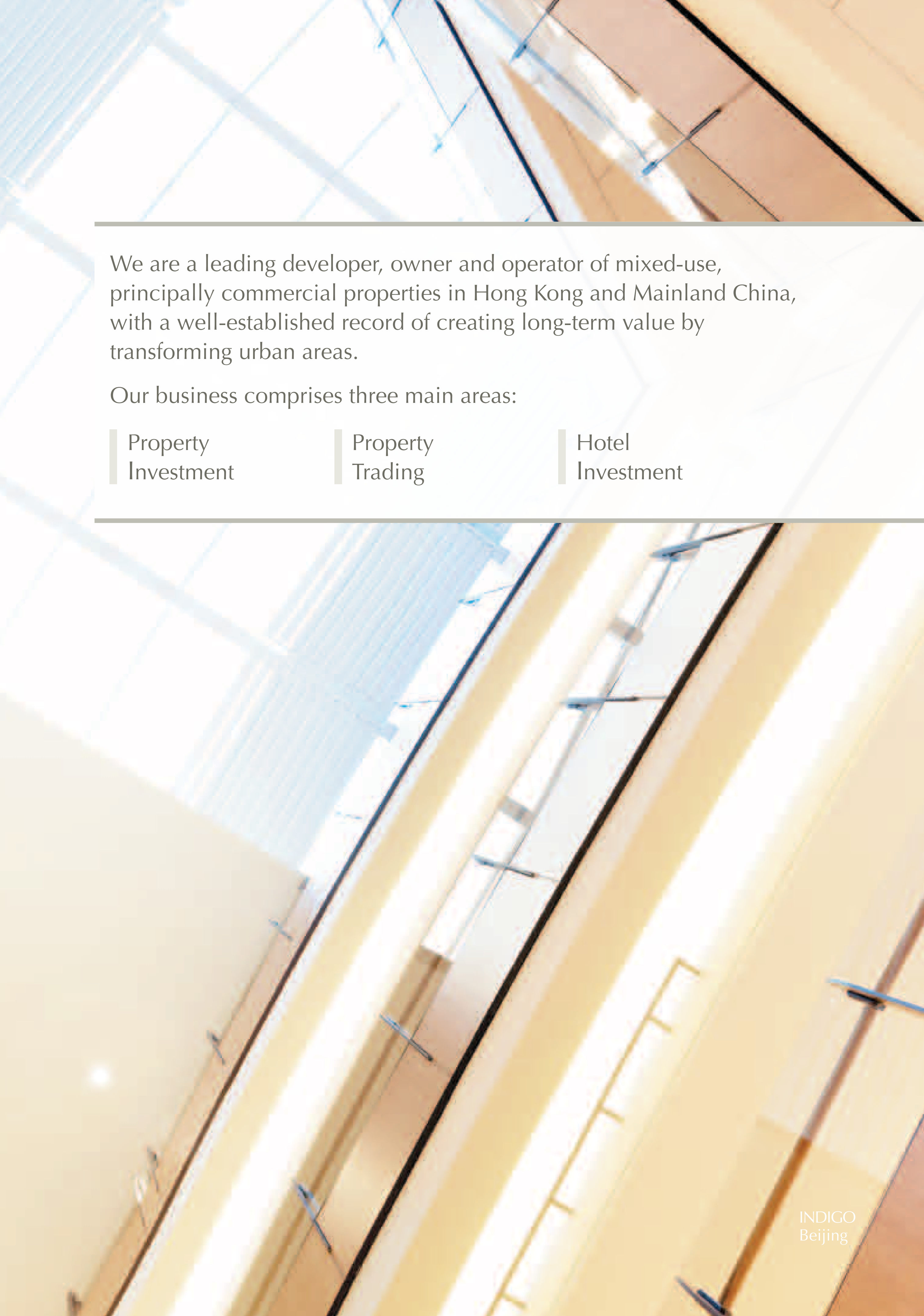
SWIRE PROPERTIES

Stock Code: 1972

We are a leading developer, owner and operator of mixed-use, principally commercial properties in Hong Kong and Mainland China, with a well-established record of creating long-term value by transforming urban areas.

Our business comprises three main areas:

- Property Investment
- Property Trading
- Hotel Investment



INDIGO
Beijing

2012 Highlights

Listing of
Swire Properties
by way of introduction on the Main Board of the Stock Exchange of Hong Kong

January – Hong Kong

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Announcement of a new mixed-use development, the **Brickell CityCentre** project, in Miami, Florida. A ground-breaking ceremony was held later in June

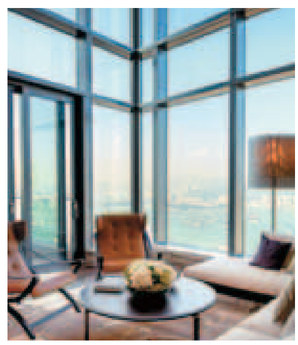
February – Miami

details on page 35

Completion of **OPUS HONG KONG,** Frank Gehry's first residential building in Asia

March – Hong Kong

details on page 42



Completion and handover of the residential units at **AZURA**

October – Hong Kong

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Grand opening of

INDIGO

in Beijing, a retail-led mixed-use development

September – Beijing

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Swire Properties celebrated its

40th anniversary

with the "Swire Properties Happy 40th Street Party"

December – Hong Kong

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Company Profile

Swire Properties is a leading developer, owner and operator of mixed-use, principally commercial properties in Hong Kong and Mainland China, with a well-established record of creating long-term value by transforming urban areas. Our business comprises three main areas: property investment, property trading and hotel investment.

Founded in Hong Kong in 1972, Swire Properties is listed on The Stock Exchange of Hong Kong Limited and, with its subsidiaries, employs more than 4,500 people.

In Hong Kong, we have spent over 40 years developing Island East from an industrial area into one of Hong Kong's largest business districts integrated with extensive road and retail connection and served by a hotel and the largest shopping mall on Hong Kong Island. Pacific Place, built on the former Victoria Barracks site, is now one of Hong Kong's premier retail and business addresses. In Mainland China, Swire Properties has five major mixed-use projects either in operation or under development in Beijing, Guangzhou, Chengdu and Shanghai. Similar in scale to our developments in Hong Kong, our Mainland China properties are located in commercial districts near transport hubs.

Swire Properties continues to expand its activities in the luxury residential market in Hong Kong. Under our Swire Hotels brand, we develop and manage hotels in Hong Kong, Mainland China and the United Kingdom.

The Company has a significant presence in Miami, Florida, U.S.A., where it commenced business in 1980. It is in the process of developing Brickell CityCentre, a large-scale mixed-use project in the Brickell financial district in Miami. The Company has an office in Singapore to explore investment opportunities in the city's commercial and property markets.

Financial Highlights

Results	Note	2012 HK$M	2011 HK$M	Change %
Turnover		**14,052**	9,581	+46.7%
Operating profit		**21,508**	26,945	-20.2%
Profit attributable to the Company's shareholders				
Adjusted Underlying	*(a), (c)*	**6,932**	4,372	+58.6%
Underlying	*(b), (c)*	**6,945**	12,932	-46.3%
Reported		**18,763**	25,126	-25.3%
Cash generated from operations		**8,116**	7,396	+9.7%
Net cash inflow before financing		**1,474**	17,418	-91.5%
		HK$	HK$	
Earnings per share				
Adjusted Underlying	*(d)*	**1.18**	0.77	+53.2%
Underlying	*(d)*	**1.19**	2.27	-47.6%
Reported	*(d)*	**3.21**	4.40	-27.0%
Dividends per share				
Special interim		**–**	1.76	N/A
First interim		**0.22**	0.18	+22.2%
Second interim		**0.38**	–	N/A
Financial Position		**HK$M**	HK$M	
Total equity (including non-controlling interest)		**193,256**	176,575	+9.4%
Net debt		**28,921**	27,700	+4.4%
Gearing Ratio	*(b)*	**15.0%**	15.7%	-0.7%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share				
Underlying	*(b), (c)*	**34.01**	30.90	+10.1%
Reported	*(b)*	**32.93**	30.09	+9.4%

Notes:

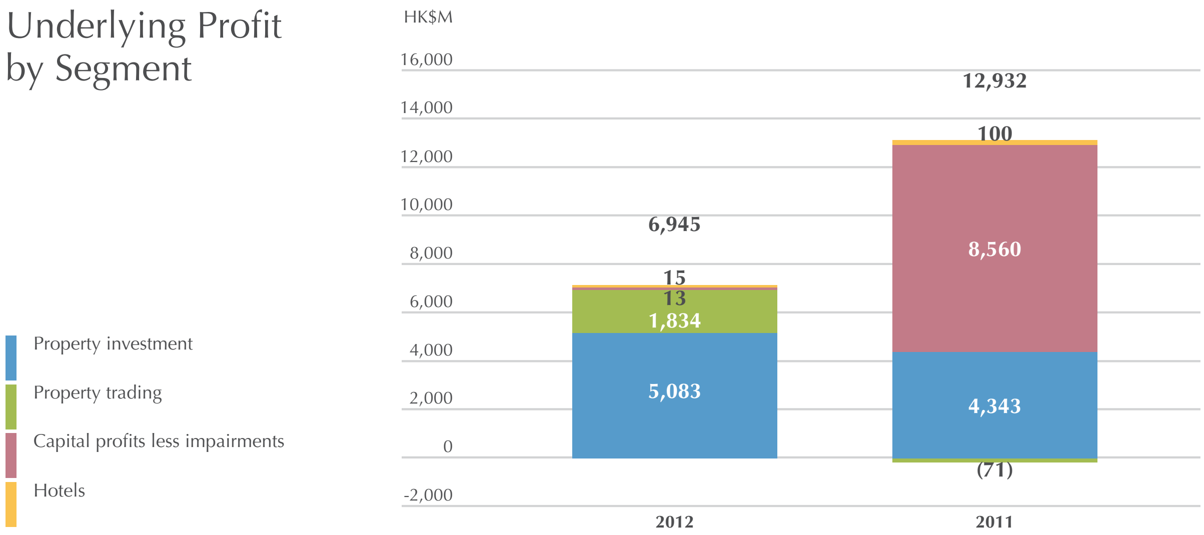
(a) Adjusted underlying profit excludes the impact of changes in the fair value of investment properties and the deferred tax on investment properties, as well as profit from the disposal of investment properties. Refer to glossary on page 163 for definition.

(b) Refer to glossary on page 163 for definition.

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

(d) Refer to Note 14 in the accounts for the weighted average number of shares.

Underlying Profit by Segment



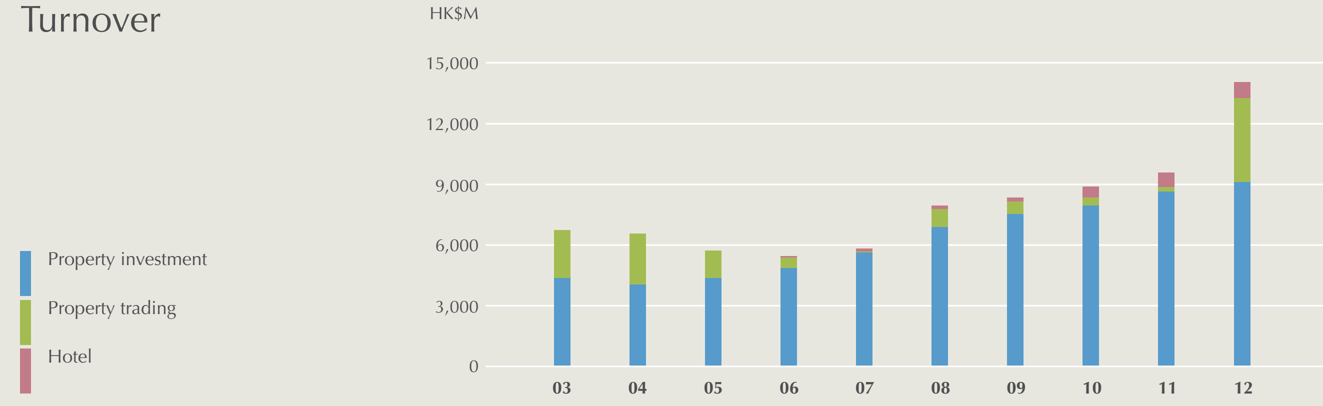
Ten-Year Financial Summary

	2003 HK$M	2004 HK$M	2005 HK$M	2006 HK$M	2007 HK$M	2008 HK$M	2009 HK$M	2010 HK$M	2011 HK$M	**2012 HK$M**
INCOME STATEMENT										
Turnover										
Property investment	4,366	4,060	4,382	4,872	5,663	6,901	7,516	7,953	8,651	**9,123**
Property trading	2,366	2,506	1,339	554	10	889	643	400	213	**4,147**
Hotel	–	–	–	27	148	156	172	518	717	**782**
	6,732	6,566	5,721	5,453	5,821	7,946	8,331	8,871	9,581	**14,052**
Profit Attributable to the Company's Shareholders										
Property investment	2,046	1,459	1,917	2,592	3,066	3,336	3,970	4,589	4,656	**4,906**
Property trading	278	667	264	198	(43)	95	23	87	7	**1,659**
Hotels	9	80	104	126	175	73	(332)	(109)	(33)	**14**
Change in fair value of investment properties	(2,688)	15,224	12,365	17,221	19,530	(236)	13,596	21,478	20,496	**12,184**
	(355)	17,430	14,650	20,137	22,728	3,268	17,257	26,045	25,126	**18,763**
Interim and final dividends for the year	1,254	1,141	2,303	1,532	1,652	2,966	25	2,426	11,067	**3,510**
Retained profit	(1,609)	16,289	12,347	18,605	21,076	302	17,232	23,619	14,059	**15,253**
STATEMENT OF FINANCIAL POSITION										
Net Assets Employed										
Property investment	52,731	71,247	85,965	105,658	133,454	140,510	155,411	183,092	191,273	**207,757**
Property trading	3,593	1,555	701	1,448	2,762	3,496	3,772	6,303	6,581	**7,309**
Hotel	644	717	1,037	1,429	3,624	4,037	5,523	5,797	6,421	**7,111**
	56,968	73,519	87,703	108,535	139,840	148,043	164,706	195,192	204,275	**222,177**
Financed by										
Equity attributable to the Company's shareholders	40,237	56,533	70,027	88,229	109,605	110,305	129,815	157,877	176,043	**192,614**
Non-controlling interests	4,927	6,193	6,185	296	801	1,068	424	479	532	**642**
Net debt	11,804	10,793	11,491	20,010	29,434	36,670	34,467	36,836	27,700	**28,921**
	56,968	73,519	87,703	108,535	139,840	148,043	164,706	195,192	204,275	**222,177**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	**HK$**
Earnings/(loss) per share	(0.06)	3.17	2.67	3.67	4.14	0.60	3.14	4.58	4.40	**3.21**
Dividends per share	0.23	0.21	0.42	0.28	0.30	0.54	–	0.43	1.94	**0.60**
Equity attributable to shareholders per share	7.33	10.29	12.75	16.06	19.96	20.08	23.61	27.75	30.09	**32.93**
RATIOS										
Return on average equity attributable to the Company's shareholders	-0.9%	36.0%	23.2%	25.4%	23.0%	3.0%	14.4%	18.1%	15.0%	**10.2%**
Gearing ratio	26.14%	17.21%	15.08%	22.60%	26.66%	32.93%	26.46%	23.26%	15.69%	**14.97%**
Interest cover – times	2.13	20.02	23.11	32.16	33.71	4.81	17.57	21.80	18.24	**15.73**
Dividend cover – times	(0.28)	15.28	6.36	13.14	13.76	1.10	N/A	10.74	2.27	**5.35**
UNDERLYING										
Profit (HK$M)	2,819	2,617	2,577	3,070	3,303	3,558	3,726	4,782	12,932	**6,945**
Equity attributable to the Company's shareholders (HK$M)	41,694	58,064	71,573	90,032	111,640	113,664	133,410	161,651	180,749	**198,983**
Earnings per share (HK$)	0.51	0.48	0.47	0.56	0.60	0.65	0.68	0.84	2.27	**1.19**
Equity attributable to shareholders per share (HK$)	7.59	10.57	13.03	16.39	20.33	20.70	24.26	28.41	30.90	**34.01**
Return on average equity attributable to the Company's shareholders	6.63%	5.25%	3.98%	3.80%	3.28%	3.16%	3.02%	3.24%	7.55%	**3.66%**
Gearing ratio	25.30%	16.78%	14.78%	22.15%	26.18%	31.94%	25.75%	22.71%	15.28%	**14.49%**
Interest cover – times	7.21	4.25	5.58	6.09	5.95	4.50	4.33	5.38	12.02	**7.91**
Dividend cover – times	2.25	2.29	1.12	2.00	2.00	1.20	N/A	1.97	1.17	**1.98**

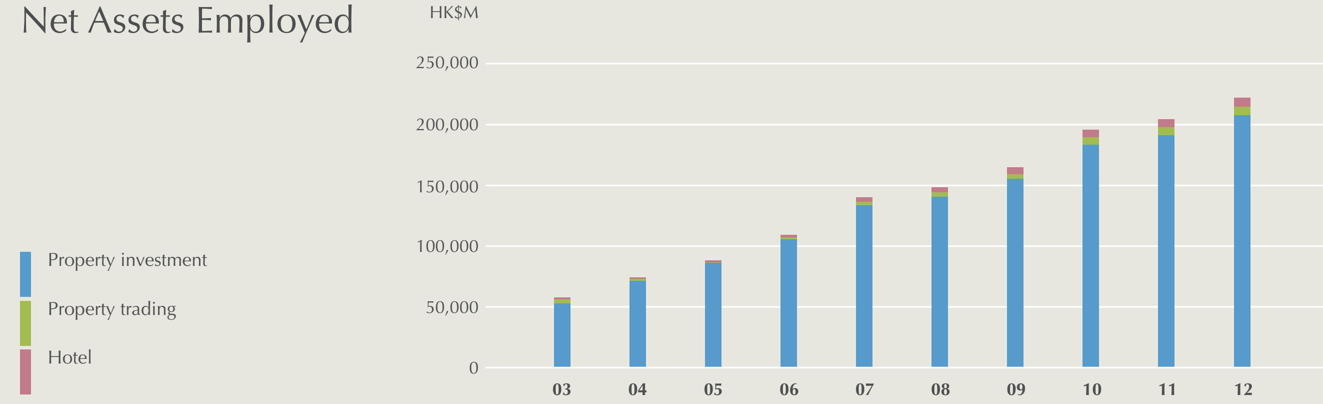
Notes:

1. The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2010 may be different from those originally presented.
2. The equity attributable to the Company's shareholders and the returns by segment for 2012 and 2011 are shown in the Financial Review – Investment Appraisal and Performance Review on page 54.
3. Underlying profit and equity are discussed on pages 16 to 19.
4. The earnings per share, dividends per share and equity per share for the years prior to 2010 have been recalculated based on the weighted average number of ordinary shares which reflect the Company's shares in issue for those years adjusted for the 1,108,132,451 shares issued on 25th January 2010 as consideration to acquire Swire Properties US Inc. and Swire Properties One LLC, and the bonus element in respect of the 3,969,615,000 shares issued at par, which was below market value, issued on 31st December 2009.
5. Refer to Glossary on page 163 for definitions and ratios.

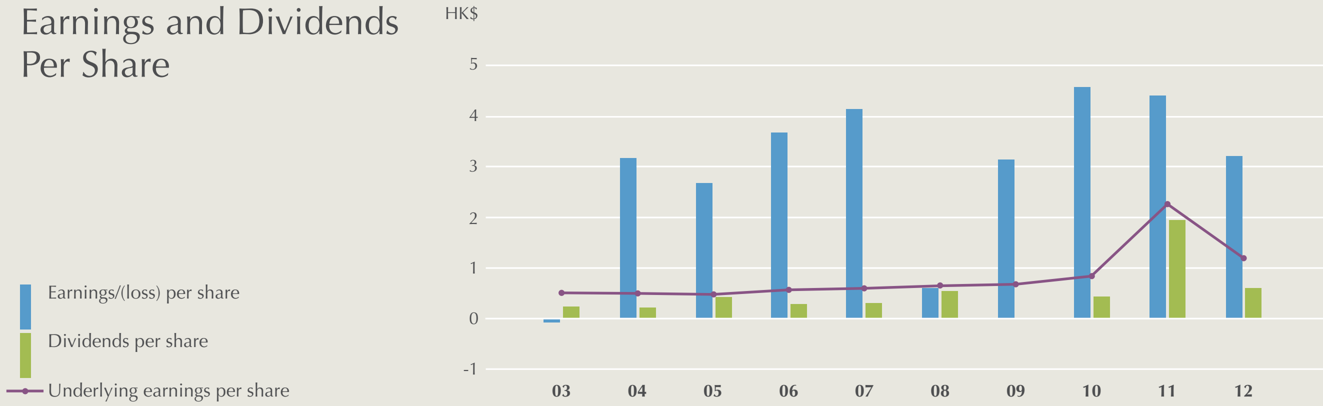
Turnover



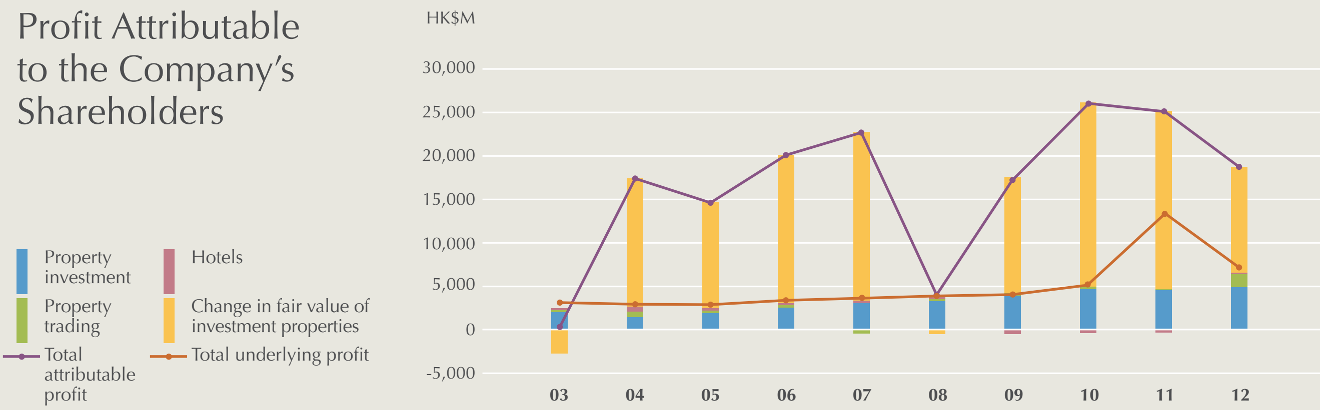
Net Assets Employed



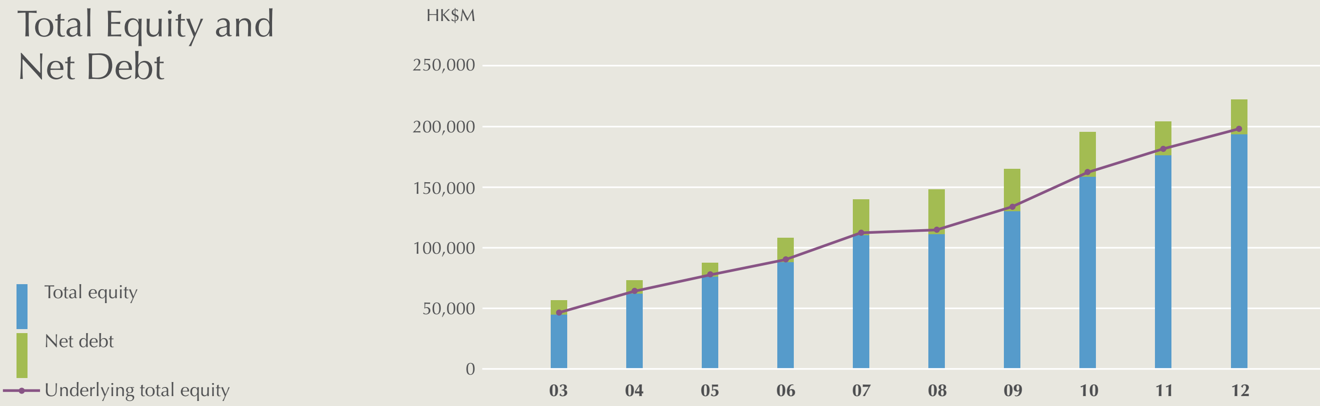
Earnings and Dividends Per Share



Profit Attributable to the Company's Shareholders



Total Equity and Net Debt



Returns on Average Equity

Chairman's Statement

Our consolidated profit attributable to shareholders for 2012 was HK$18,763 million, compared to HK$25,126 million in 2011. Adjusted underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties and profits from the disposal of investment properties, increased by HK$2,560 million from HK$4,372 million in 2011 to HK$6,932 million in 2012.

Dividends

The Company's policy is to pay dividends which will average approximately 50% of the underlying profit attributable to shareholders over the economic cycle. We will reevaluate this policy in the light of our financial position and the prevailing economic climate.

The Directors have declared a second interim dividend in lieu of final dividend of HK¢38 (2011 interim dividend in lieu of final dividend: HK¢18) per share which, together with the first interim dividend of HK¢22 per share paid in October 2012, amount to full year dividends of HK¢60 per share. The second interim dividend, which totals HK$2,223 million (2011: interim dividend of HK$1,053 million), will be paid on Thursday, 2nd May 2013 to shareholders registered at the close of business on the record date, being Friday, 5th April 2013. Shares of the Company will be traded ex-dividend from Tuesday, 2nd April 2013.

The register of members will be closed on Friday, 5th April 2013, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 3rd April 2013.

Key Developments

In January 2012, our shares were listed on The Stock Exchange of Hong Kong Limited by way of introduction.

In January 2012, redevelopment works commenced at 23 Tong Chong Street in Quarry Bay. This property is being redeveloped into serviced apartments and is expected to be completed in late 2014.

In March 2012, the retail component of the INDIGO development in Beijing started to open in phases. The entire development, including retail, office and hotel components, officially opened in September 2012. The Group has a 50% economic interest in this development, which has a total area of 1.9 million square feet.

In March 2012, OPUS HONG KONG, a luxury residential property designed by Pritzker Prize-winning architect Frank Gehry, was completed. Swire Properties was responsible for the redevelopment of this property, which is owned by Swire Pacific Limited, and is responsible for its leasing and management.

In May 2012, pre-sales started of units in the ARGENTA luxury residential development in Hong Kong. Six of the 30 units have been pre-sold, with completion expected in the second half of 2013.

In May 2012, Swire Properties established a US$3 billion Medium Term Note Programme. Notes with a principal amount of US$500 million were issued under the programme in June 2012. Further notes with total principal amounts of HK$800 million and US$500 million were issued in August 2012 and March 2013 respectively.

In June 2012, the occupation permit for the property at 28 Hennessy Road, Hong Kong, a 145,390 square foot office building, was issued. Handover to tenants commenced in the second half of 2012.

In June 2012, development works commenced at the mixed-use development Brickell CityCentre in Miami, U.S.A. Phase 1 of the development, comprising retail, office, hotel and residential components, is scheduled to be completed in 2015.

In September 2012, the occupation permit for the AZURA residential development at Mid-Levels West, Hong Kong was issued. As at 13th March 2013, 111 units had been sold. Completion of the sales of 98 of these units took place in 2012. Completion of the sales of a further three units have taken place up to 13th March 2013. Completion of the sales of ten units will take place later in 2013.

In December 2012, Swire Properties hosted celebrations for its 40th anniversary at TaiKoo Place in Island East, Hong Kong, where Swire Properties began operations in 1972.

In December 2012, Swire Properties agreed to acquire eight residential units at Hampton Court, 2 Draycott Park in Singapore as investment properties.

In January 2013, the Mandarin Oriental hotel in TaiKoo Hui, Guangzhou, opened with 263 guest rooms and 24 serviced apartments.

In January 2013, Swire Properties and Bal Harbour Shops entered into a joint venture agreement to develop the retail component of Brickell CityCentre in Miami, Florida, U.S.A. The Group holds an 87.5% interest in the joint venture and will remain the primary developer while Bal Harbour Shops will contribute equity and its retail expertise as co-developer.

In March 2013, the company which owns the existing Citygate Outlets development at Tung Chung in Hong Kong (in which the Group has a 20% equity interest) won a tender to develop an adjacent commercial site.

Operating Performance

The increase in adjusted underlying profit from HK$4,372 million in 2011 to HK$6,932 million in 2012 principally reflects a contribution of HK$1,834 million from property trading. Underlying profits from property investment also increased. This reflected positive rental reversions in Hong Kong, improved performance at Sanlitun Village and the first full year contribution from the TaiKoo Hui development, offset in part by the loss of rental income following the disposal of Festival Walk and pre-opening expenses at INDIGO. Despite improved performances from the managed and non-managed hotels in Hong Kong, the hotel operations recorded a lower underlying profit due to pre-opening expenses at the Mandarin Oriental in TaiKoo Hui and EAST, Beijing at INDIGO.

Gross rental income was HK$9,015 million in 2012 compared to HK$8,557 million in 2011. There were positive rental reversions in the Hong Kong office portfolio throughout the year. Occupancy levels remained high despite a slowdown in leasing activity. Demand for retail space in Hong Kong continued to be robust during 2012.

In Mainland China, the TaiKoo Hui development in Guangzhou made its first full year rental contribution in 2012, after its completion in the second half of 2011. Net rental contributions from Sanlitun Village improved from 2011, reflecting active management of the tenant portfolio, cost reductions and capital expenditure designed to enhance footfall and circulation.

The significant profits from property trading principally arose from the completion of the sale of 98 units at the AZURA residential development in Hong Kong.

Net finance charges were HK$1,367 million, a 7.5% decrease from HK$1,477 million in 2011. The decrease reflected interest income received from a loan to our joint venture partner at the Daci Temple development in Chengdu, a lower finance charge arising from the movement in the fair value of a put option held by the owner of the non-controlling interest at Sanlitun Village, Beijing and lower finance charges in Hong Kong due to lower average borrowing levels, partially offset by higher net finance charges in Mainland China on borrowings incurred to fund capital expenditure at Sanlitun Village, Beijing and TaiKoo Hui, Guangzhou.

Net investment property valuation gains in the Group's subsidiaries, plus the Group's share of investment property valuation gains in jointly controlled and associated companies, before deferred tax relating to investment properties in Mainland China in 2012, was HK$12,865 million, compared to a net gain in 2011 of HK$21,066 million.

Finance

Net debt as at 31st December 2012 was HK$28,921 million, compared with HK$27,700 million as at 31st December 2011. Gearing decreased by 0.7 percentage points from 15.7% to 15.0%. Cash and undrawn committed facilities totalled HK$9,278 million as at 31st December 2012, compared with HK$9,183 million as at 31st December 2011. Swire Properties will continue to refinance (as necessary on maturity) inter-group funding provided by Swire Pacific and will do so on a stand-alone basis without recourse to Swire Pacific.

Sustainable Development

The Company recognises the importance of acting responsibly towards those with whom it deals, including employees and the communities in which we operate, and towards the natural environment. In 2012, TaiKoo Hui, our mixed-use development in Guangzhou, achieved LEED Gold certification and our INDIGO development in Beijing achieved LEED Platinum and Gold certifications. The Group is providing US$1 million per year in research funding over the period 2012 to 2014 to our Joint Research Centre for Building Energy Efficiency and Sustainability with Tsinghua University.

Further information about the Company's activities in this area is on pages 86 to 89.

Prospects

We are cautious about the outlook for office properties in Hong Kong in 2013. Demand from financial services companies for office space in Central is likely to remain soft, although rents at Pacific Place are expected to prove resilient due to high occupancy. At Island East, rents are expected to remain robust owing to very high occupancy and stronger demand.

Despite slower growth in the second half of 2012, the Hong Kong retail market is expected to continue to benefit from local economic growth and from tourists from Mainland China. Demand for retail space, particularly at prime locations, continues to be strong. Rents are expected to continue to increase.

Demand for office space and rental rates are expected to remain stable in Mainland China in 2013. There has been some reduction in consumer confidence and lower growth in spending in Mainland China, but retailers of internationally branded goods in the few high quality shopping malls remain popular. Retail rents are expected to be steady in 2013.

Profits from property trading in Hong Kong are expected to be lower in 2013 than in 2012, but nevertheless significant, with the completion of the ARGENTA development and the expected sale of the remaining units at the AZURA development. The effect of substantial increases and other changes in Hong Kong stamp duty on demand for luxury residential properties is uncertain. In the U.S.A., the residential market in downtown Miami is expected to continue to improve gradually in 2013. Excess condominium supply has been largely absorbed and new condominium developments are being built.

In 2013, the hotel operations will benefit from the fact that EAST, Beijing will be in operation for its first full year and from a contribution from the Mandarin Oriental in TaiKoo Hui, Guangzhou.

On behalf of the shareholders and my fellow Directors, I wish to express our appreciation to all our employees, whose commitment and hard work have been central to our continuing success.

Christopher Pratt
Chairman
Hong Kong, 14th March 2013

Key Business Strategies

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

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

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

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

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

Tenants increasingly scrutinise the sustainable development credentials of landlords and buildings. We aim to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology.

3. Continue to expand our luxury residential property activities

We intend to broaden our business by expanding our luxury residential property activities. We will look to acquire appropriate sites for development of luxury residential projects for both trading and investment in each of the key markets in which we operate.

4. Remain focused principally on Hong Kong and Mainland China

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

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

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

While we will continue to concentrate on Hong Kong and Mainland China, we intend to expand selectively elsewhere. For example, we are undertaking the 2.9 million square feet Brickell CityCentre mixed-use development in Miami, Florida, U.S.A.

5. Manage our capital base conservatively

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

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

Management Discussion & Analysis

One Island East
Hong Kong

Review of Operations

	2012 HK$M	2011 HK$M
Turnover		
Gross Rental Income derived from		
Offices	**5,008**	4,537
Retail	**3,675**	3,710
Residential	**332**	310
Other Revenue [1]	**108**	94
Property Investment	**9,123**	8,651
Property Trading	**4,147**	213
Hotels	**782**	717
Total Turnover	**14,052**	9,581
Operating Profit/(Loss) derived from		
Property investment	**6,879**	6,743
Valuation gains on investment properties	**12,273**	20,345
Property trading	**2,395**	(50)
Hotels	**(39)**	(93)
Total Operating Profit	**21,508**	26,945
Share of Post-tax Profits from Jointly Controlled and Associated Companies	**821**	1,007
Attributable Profit	**18,763**	25,126

[1] Other revenue is mainly estate management fees.

Additional information is provided on the next page to reconcile reported and underlying profit and equity attributable to the Company's shareholders. These reconciling items principally adjust for the net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties. There is a further adjustment to remove the effect of the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in Sanlitun Village. Adjusted underlying profit excludes profits from the disposal of investment properties and net impairment losses from our hotels and trading properties.

	Note	2012 HK$M	2011 HK$M
Underlying Profit			
Profit attributable to the Company's shareholder per accounts		**18,763**	25,126
Adjustments re investment properties:			
Revaluation of investment properties	*(a)*	**(12,865)**	(21,066)
Deferred tax on investment properties	*(b)*	**664**	526
Realised profit on sale of investment properties	*(c)*	**176**	8,020
Depreciation of investment properties occupied by the Group	*(d)*	**15**	22
Non-controlling interests' share of revaluation movements less deferred tax		**17**	45
Movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in Sanlitun Village	*(e)*	**175**	259
Underlying Profit Attributable to the Company's Shareholders		**6,945**	12,932
Other significant items:			
Profit on sale of investment properties		**(9)**	(8,615)
Net impairment (reversal)/loss		**(4)**	55
Adjusted Underlying Profit Attributable to the Company's Shareholders		**6,932**	4,372
Underlying Equity			
Equity attributable to the Company's shareholders per accounts		**192,614**	176,043
Deferred tax on investment properties		**3,949**	3,285
Unrecognised valuation gains on hotels held as part of mixed-use developments	*(f)*	**1,736**	912
Revaluation of investment properties occupied by the Group		**646**	476
Cumulative depreciation of investment properties occupied by the Group		**38**	33
Underlying Equity Attributable to the Company's Shareholders		**198,983**	180,749
Underlying non-controlling interests		**648**	576
Underlying Equity		**199,631**	181,325

Notes:

(a) This represents the net revaluation movements as shown in the consolidated income statement and the Group's share of net revaluation movements of jointly controlled and associated 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 jointly controlled and associated companies. These principally comprise the deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

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

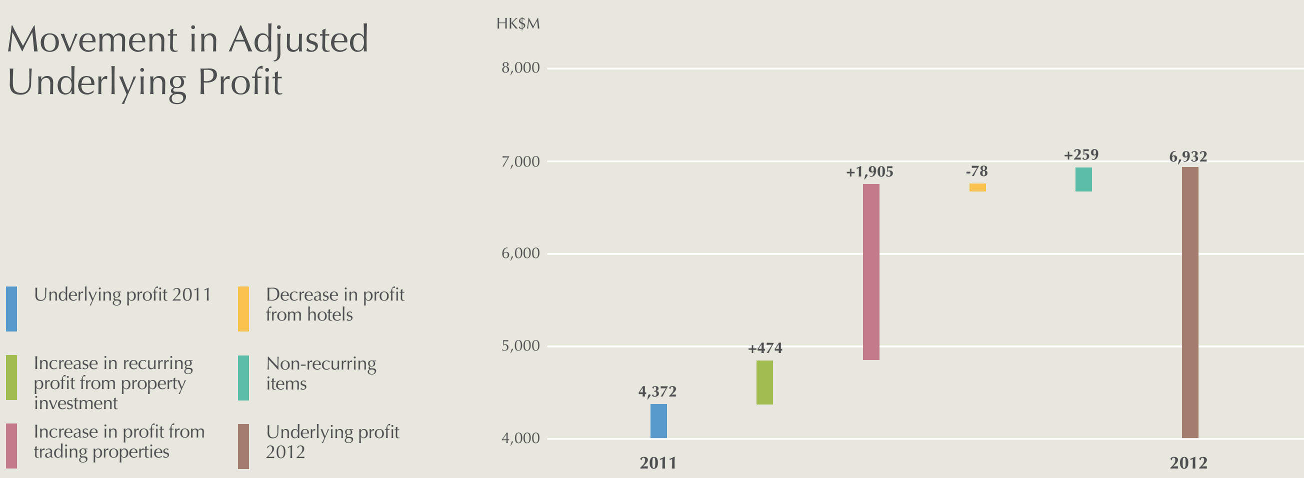
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

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

(f) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those hotel properties owned by subsidiary and jointly controlled companies and held for the long-term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated income statement.

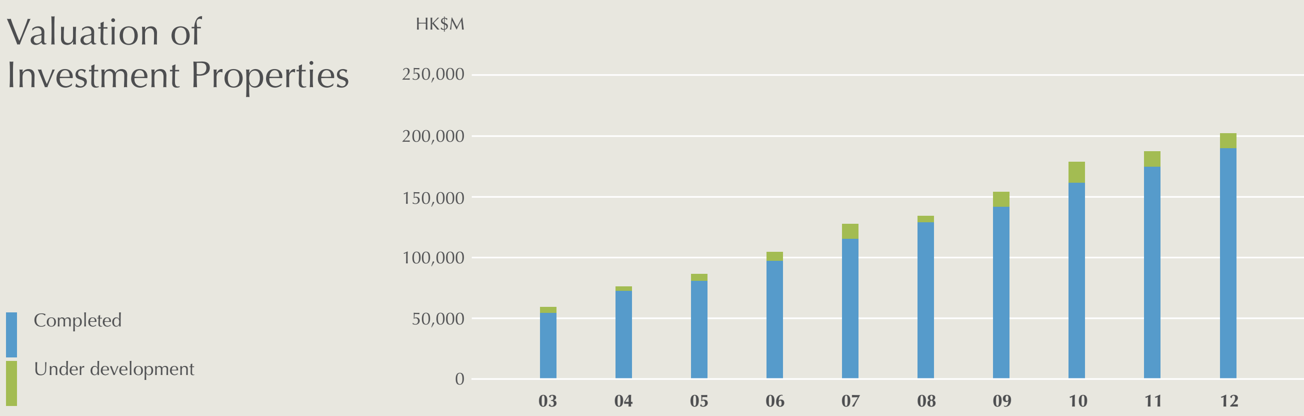
Underlying Profit

Movement in Adjusted Underlying Profit

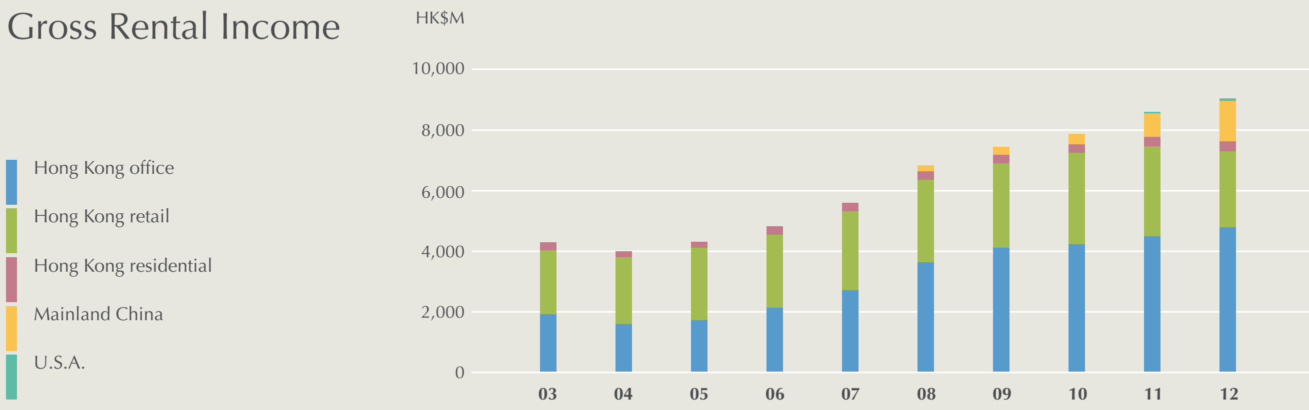


Adjusted underlying profit in 2012 increased by HK$2,560 million, from HK$4,372 million to HK$6,932 million. This principally reflected an increase in profits from property trading of HK$1,905 million, which in turn arose largely from the sale of residential units at AZURA in Hong Kong. Profits from property investment increased by HK$474 million, due to higher rental income in Hong Kong, an improvement in performance at Sanlitun Village in Beijing and the first full year contribution from the TaiKoo Hui development in Guangzhou, partially offset by loss of rental income from Festival Walk following its disposal in August 2011 and pre-opening expenses at INDIGO in Beijing. The hotel portfolio recorded a lower profit in 2012 as the improved results of the managed hotels and non-managed hotels were more than offset by pre-opening expenses at EAST, Beijing and the Mandarin Oriental hotel in TaiKoo Hui. The movement in non-recurring items reflected the absence of one-off expenses incurred in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited.

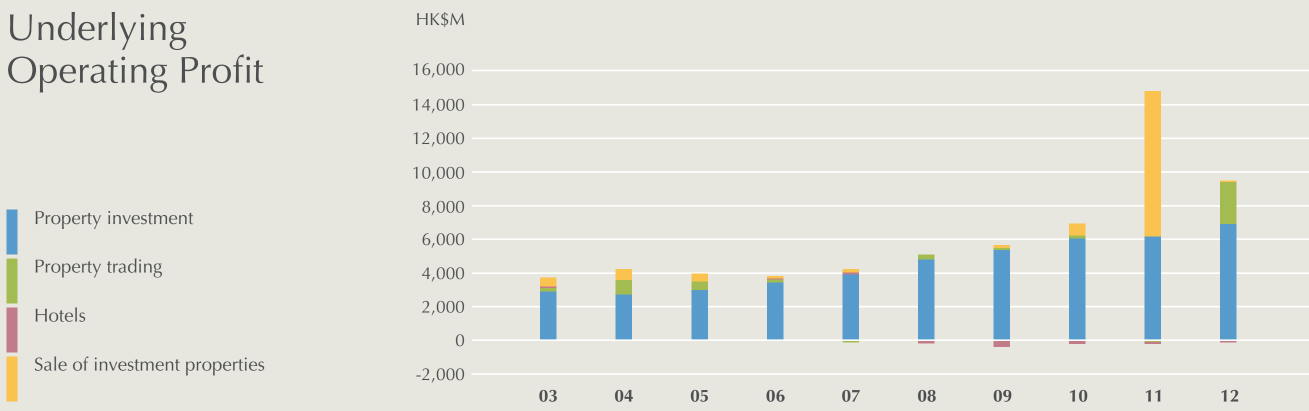
Valuation of Investment Properties



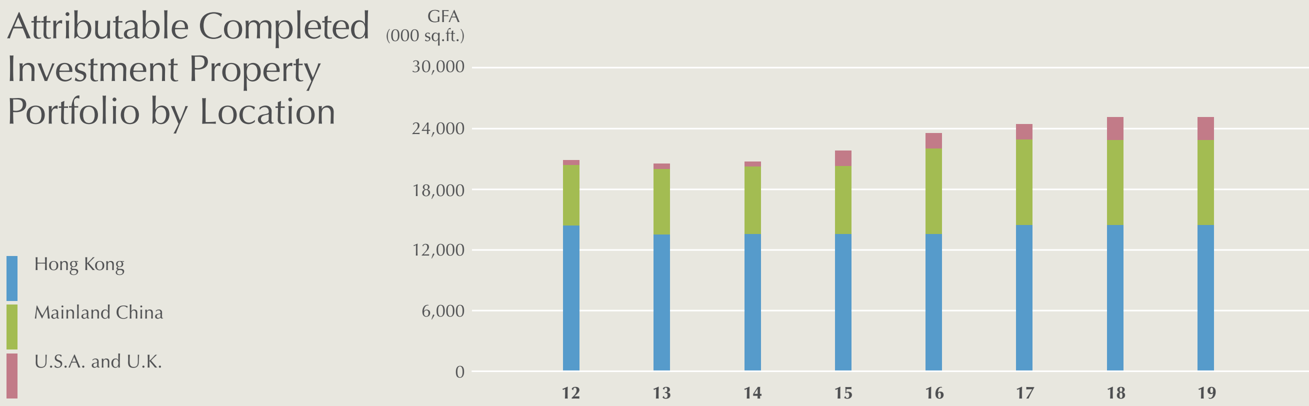
Gross Rental Income



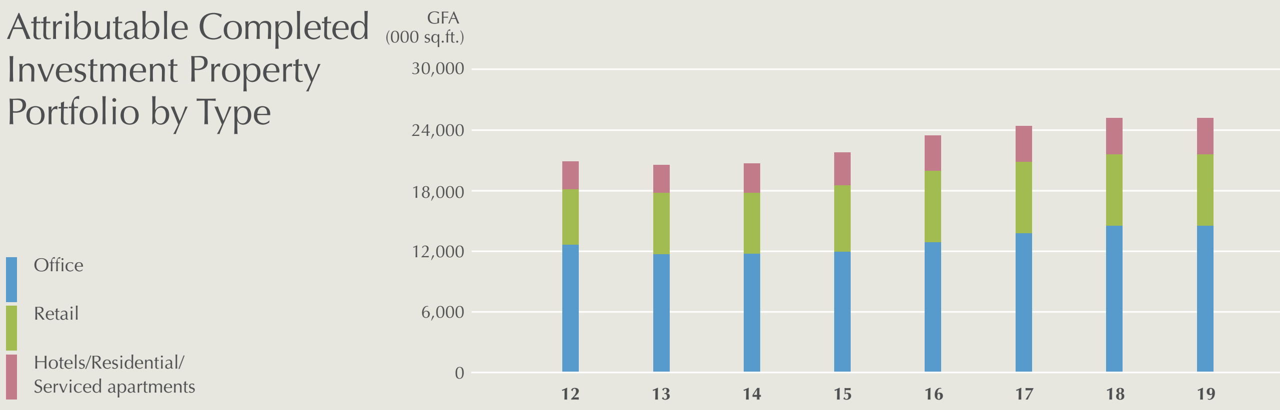
Underlying Operating Profit



Attributable Completed Investment Property Portfolio by Location



Attributable Completed Investment Property Portfolio by Type



Portfolio Overview

The aggregate gross floor area ("GFA") attributable to the Group as at 31st December 2012 was approximately 29.6 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 25.1 million square feet are investment properties, comprising completed investment properties of approximately 20.8 million square feet and investment properties under development or held for future development of approximately 4.3 million square feet. In Hong Kong, this investment property portfolio comprises approximately 14.4 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Shanghai, Guangzhou and Chengdu. These developments are expected to comprise approximately 8.4 million square feet of attributable GFA when they are all completed. Outside Hong Kong and Mainland China, the investment property portfolio comprises the Brickell CityCentre project in Miami in the U.S.A. and interests in hotels in the U.S.A. and the U.K.

The tables below illustrate the GFA (attributable to the Group) of the investment property portfolio as at 31st December 2012.

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

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	**Total**
Hong Kong	10.6	2.4	0.7	0.6	**14.3**
Mainland China	2.0	3.0	0.9	0.1	**6.0**
U.S.A. and others	–	–	0.5	–	**0.5**
Total	**12.6**	**5.4**	**2.1**	**0.7**	**20.8**

Investment Properties under Development or Held for Future Development (expected GFA attributable to the Group in million square feet)	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	**Total**
Hong Kong	–	–	–	0.1	**0.1**
Mainland China	0.9	1.1	0.4	–	**2.4**
U.S.A.	1.0	0.5	0.2	0.1	**1.8**
Total	**1.9**	**1.6**	**0.6**	**0.2**	**4.3**

Total Investment Properties (GFA (or expected GFA) attributable to the Group in million square feet)	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	**Total**
Total	**14.5**	**7.0**	**2.7**	**0.9**	**25.1**

[1] Hotels are accounted for under property, plant and equipment in the accounts.

The trading property portfolio comprises land, apartments and offices under development in Hong Kong, in Miami in the U.S.A. and in Mainland China, together with the remaining units for sale at AZURA and 5 Star Street in Hong Kong and at the ASIA residential development in Miami in the U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio as at 31st December 2012.

Trading Properties (GFA (or expected GFA) attributable to the Group in million square feet)	Completed	Under Development or Held for Future Development	**Total**
Hong Kong	0.1	0.8	**0.9**
Mainland China	–	0.7	**0.7**
U.S.A.	–	2.9	**2.9**
Total	**0.1**	**4.4**	**4.5**

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.9 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$4,985 million in 2012.

As at 31st December 2012, our office properties in Hong Kong were valued at HK$124,620 million. Of this amount, Swire Properties' attributable interest represented HK$120,873 million.

Hong Kong Office Portfolio

	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2012)	Attributable Interest
Pacific Place	2,186,433	97%	100%
Cityplaza	1,632,930	98%	100%
TaiKoo Place Office Towers (1)	3,136,541	99%	50%/100%
One Island East	1,537,011	100%	100%
Techno Centres (2)	1,816,876	100%	100%
Others (3)	606,977	99%	20%/50%/100%
Total	**10,916,768**		

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

(2) The occupancy rate at 31st December 2012 excludes Somerset House as the property is planned for redevelopment in 2013.

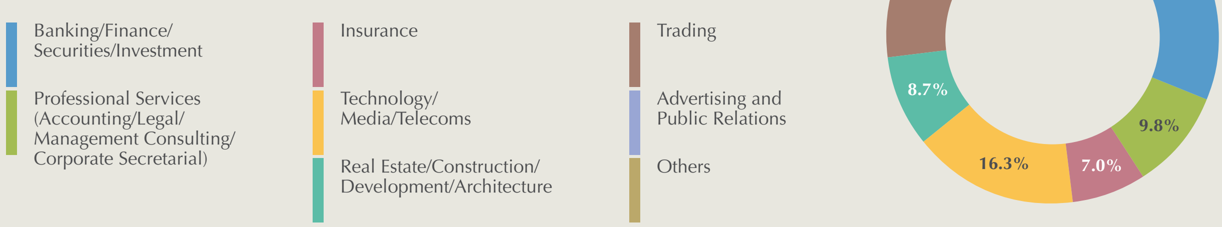
(3) Others comprise One Citygate (20% owned) , 625 King's Road (50% owned) and 28 Hennessy Road (wholly-owned), which was completed in the fourth quarter of 2012. The occupancy rate at 31st December 2012 excludes 28 Hennessy Road.

Gross rental income from the Group's Hong Kong office portfolio for 2012 increased by 7% over 2011, to HK$4,798 million. The Hong Kong offices performed well in 2012. Demand for space was strong in the first half, both from new tenants and from existing tenants taking expansion space. Demand slowed in the second half, but growth in rental income continued as a result of reversionary rent increases. Occupancy rates at Pacific Place and Island East remained high throughout the year. As at 31st December 2012, the overall office portfolio as shown in the table above was 98% 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 attributable to the Group as at 31st December 2012.

Office Area Attributable to the Group by Tenants' Trades

(as at 31st December 2012)



As at 31st December 2012, the top ten office tenants (based on rental income in the twelve months ended 31st December 2012) together occupied approximately 21% of the total office area in Hong Kong.

Pacific Place

Hong Kong

Pacific Place

The offices at One, Two and Three Pacific Place performed relatively well in 2012 despite increased vacancy in Central and thin demand from Central based tenants. The occupancy rate was 97% as at 31st December 2012. Major new lettings concluded in 2012 were Watson Farley Williams, Beijing Poly International Auctions and Neo Derm. Korean Exchange Bank, Bank of Japan, Michael Page, Erste Group Bank, Denis Chang Chambers, Kim Eng Securities, Mirae Asset Investment Management, MGPA and Goodman renewed their leases.

Island East

Cityplaza One, Three and Four performed strongly in 2012. The occupancy rate was 98% as at 31st December 2012. New tenants in 2012 included Jardine Lloyd Thompson and Deloitte. Nikon, OTIS, MetLife, Nokia, Juniper Networks, MSIG Insurance, Cathay Pacific Holidays and Guardian Property Management & Savills Property Management renewed their leases.

The TaiKoo Place Office Towers comprise six office towers (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 99% as at 31st December 2012. Major new lettings and existing tenants taking additional space in 2012 were B.A.T. China, Bulgari, China CITIC Bank International, LVMH Watch & Jewelery, Lenovo, QBE and Wrigley's. ANZ, BP Asia, Benoy, Cable & Wireless, Cargill, Godiva, JC Decaux, Logitech, McDonald's, Philippe Charriol, Pure Yoga, RBS, RSA, Turner Broadcasting System and The Stock Exchange of Hong Kong renewed their leases.

One Island East, our landmark property in Island East, had an occupancy rate of 100% as at 31st December 2012.

The three Techno Centres performed strongly despite the planned redevelopment of Somerset House in 2013. As at 31st December 2012, the occupancy rate of the other two Techno Centres (Cornwall House and Warwick House) was 100%.

28 Hennessy Road

Hong Kong

Hong Kong Office Market Outlook

We remain cautious about the outlook for 2013. Demand, particularly from the finance sector, is likely to remain soft due to uncertain market conditions. However, occupancy at Pacific Place is high and there are no major leases expiring until the latter part of 2013. Rents in Pacific Place are therefore expected to prove fairly resilient in 2013.

Our completed office portfolio expanded in the fourth quarter of 2012 with the completion of 28 Hennessy Road (145,390 square feet). Two of the 24 floors have been leased. The property continues to attract interest from smaller businesses currently based in Central.

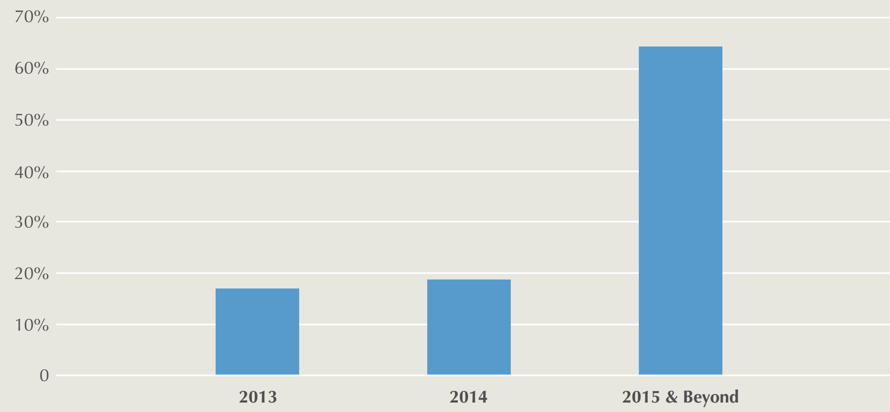
Refurbishment at our 81,346 square feet property at 8 Queen's Road East is expected to be completed in the first half of 2013. The entire building has been leased for a ten-year term.

At Island East, rentals are expected to remain robust due to high occupancy. Somerset House, one of the techno-centres, is planned for redevelopment in 2013.

The chart on the next page shows the percentage of the total rental income attributable to the Group from the office properties in Hong Kong, for the month ended 31st December 2012, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 17% of the rental income in the month of December 2012 are due to expire in 2013, with a further 19% due to expire in 2014.

Office Lease Expiry Profile

(as at 31st December 2012)



Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis, principally The Mall, Pacific Place, Cityplaza in Island East, and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK$2,572 million in 2012. As at 31st December 2012, our retail properties in Hong Kong were valued at HK$49,725 million. Of this amount, Swire Properties attributable interest represented HK$44,606 million.

Hong Kong Retail Portfolio

	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2012)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza Mall	1,105,227	100%	100%
Citygate Outlets	462,439	100%	20%
Others [1]	530,467	100%	20%/60%/100%
Total	**2,809,315**		

[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 retail premises (20% owned).

Rental income from the retail portfolio in Hong Kong improved in 2012, with positive rental reversions throughout the portfolio, reflecting strong demand for retail space and the lack of supply in prime locations.

Gross rental income from the retail portfolio was HK$2,496 million in 2012, a decrease of 16% from 2011, due to the loss of rental contribution from Festival Walk following its disposal. Disregarding Festival Walk, gross rental income from the retail portfolio increased by 5% from 2011. Rental reversions were generally positive and were particularly strong at Pacific Place, reflecting strong demand for retail space and the expectation of continued strong retail sales in 2013.

Retail sales in the principal malls managed by the Group were 4.7% higher in 2012 than in 2011. Occupancy at the Group's wholly-owned malls was effectively 100% throughout the year.

Cityplaza Mall

Hong Kong

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 attributable to the Group as at 31st December 2012.

Retail Area Attributable to the Group by Tenants' Trades

(as at 31st December 2012)

As at 31st December 2012, the top ten retail tenants (based on rental income in the twelve months ended 31st December 2012) together occupied approximately 30% of our total retail area in Hong Kong.

The Mall, Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The office and the four hotels at Pacific Place provide a secure flow of shoppers for the mall. Retail sales at The Mall increased by 0.3% in 2012, after adjusting for closures or fitting out of department stores reflecting changes in tenants. Average same store growth in 2012 (disregarding major shops which were closed or fitted out in 2011 and 2012) was 3.3%.

The Mall remained virtually fully let during the year, with the only void periods resulting from tenant changes. The space previously occupied by Lane Crawford has been reconfigured to include Burberry's flagship store and The Beauty Gallery to house retailers of upscale cosmetic and skin care brands. An additional arcade has been created to enhance pedestrian flow within The Mall.

Cityplaza Mall

Cityplaza is one of the most popular regional shopping centres in Hong Kong and is the biggest such centre on Hong Kong Island. It principally serves Hong Kong residents, but the opening of the adjacent EAST hotel resulted in higher patronage from visitors from outside Hong Kong. Retail sales increased by 6.0% in 2012. The property was virtually fully occupied during 2012.

Citygate Outlets

Sales at Citygate Outlets, the only outlet mall in Hong Kong, increased by 21.2% in 2012. The tenth floor of One Citygate, the office building which is connected to the outlet mall, was converted to retail use in December 2011, with encouraging results. Citygate Outlets remained virtually fully let at all times in 2012.

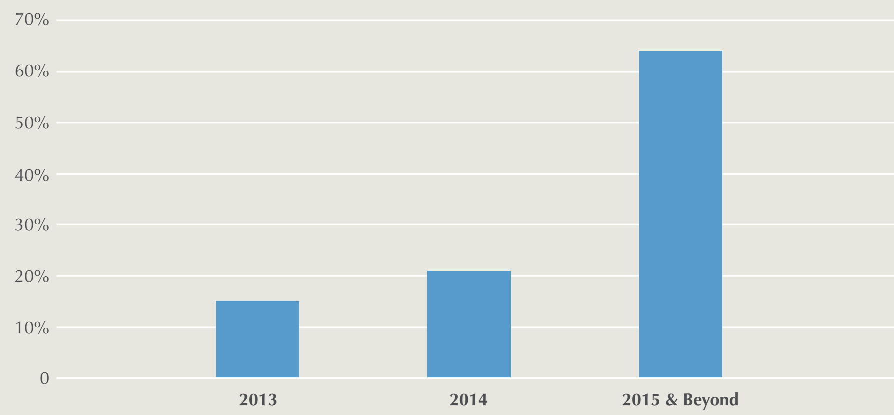
Hong Kong Retail Market Outlook

Despite uncertainties in the global economy and slower growth in the sale of luxury goods in the second half of 2012, the Hong Kong retail market is expected to continue to benefit from local economic growth and from tourists from Mainland China. Demand for retail space, particularly at prime locations, continues to be strong. Rents are expected to continue to increase.

The following chart shows the percentage of the total rental income attributable to the Group from the retail properties in Hong Kong, for the month ended 31st December 2012, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 15% of the rental income in the month of December 2012 are due to expire in 2013, with a further 21% due to expire in 2014.

Retail Lease Expiry Profile

(as at 31st December 2012)



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place in Hong Kong and a small number of luxury houses and apartments on Hong Kong Island, with a total floor area of 483,711 square feet.

Occupancy at the residential portfolio was approximately 86% at 31st December 2012, reflecting a reduction in demand for space at Pacific Place Apartments in the last quarter of 2012.

Demand for our residential properties is expected to remain stable in 2013.

Investment Properties Under Construction

8 Queen's Road East

Swire Properties has leased the whole of 8 Queen's Road East, a 19-storey commercial building with 81,346 square feet of space, for a ten-year term. Refurbishment of the building is scheduled to be completed later in the first half of 2013.

23 Tong Chong Street

The property at 23 Tong Chong Street in Quarry Bay is being redeveloped into serviced apartments and is expected to be completed in 2014. The aggregate floor area upon completion will be approximately 75,000 square feet.

Investment Properties – Mainland China

Overview

The property portfolio in Mainland China comprises an aggregate of 13.5 million square feet of space (9.1 million square feet attributable to the Group), of which 7.3 million square feet are completed properties with the remaining 6.2 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China was HK$1,457 million in 2012. As at 31st December 2012, our investment property portfolio in Mainland China was valued at HK$44,269 million. Of this amount, Swire Properties' attributable interest represented HK$31,341 million.

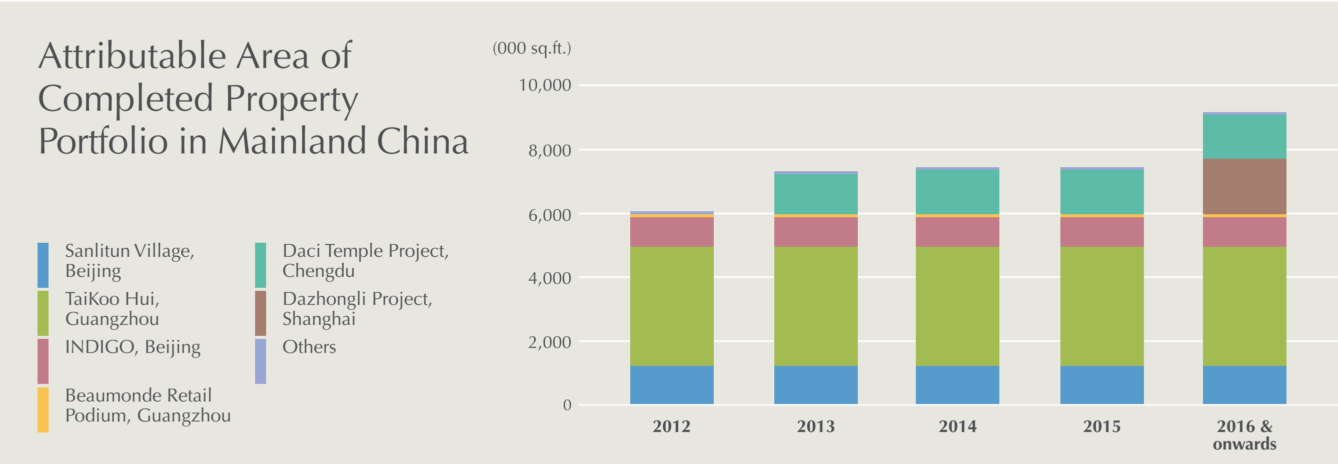
Property Portfolio[1] – Mainland China

	Gross Floor Area (sq.ft.) (100% Basis)				
	Total	Investment Properties	Hotels, Trading Properties and Others	Year of Opening	Attributable Interest
Completed					
Sanlitun Village, Beijing [2][3]	1,465,771	1,296,308	169,463	2008	80%/100%
TaiKoo Hui, Guangzhou [4]	3,840,197	3,256,013	584,184	2011	97%
INDIGO, Beijing [5]	1,893,226	1,534,957	358,269	2011	50%
Beaumonde Retail Podium, Guangzhou	90,847	90,847	–	2008	100%
Others [6]	29,584	2,898	26,686	N/A	100%
Sub-total	**7,319,625**	**6,181,023**	**1,138,602**		
Under Development					
Dazhongli Project, Shanghai	3,469,398	2,926,204	543,194	2016	50%
Daci Temple Project, Chengdu [7]	2,712,077	1,223,674	1,488,403	2014	50%
Sub-total	**6,181,475**	**4,149,878**	**2,031,597**		
Total	**13,501,100**	**10,330,901**	**3,170,199**		

(1) Including the hotel and property trading components of these projects.
(2) Village North opened in 2010.
(3) Swire Properties owns 80% of the retail component of Sanlitun Village.
(4) The hotel and serviced apartments at TaiKoo Hui officially opened in January 2013.
(5) The office at INDIGO opened in 2011 while the retail mall and hotel opened in 2012.
(6) Including Longde Building and Tianhe Xinzuo residential apartments, which were acquired in 2005 and 2006 respectively.
(7) The office portion of the Daci Temple project is being developed for trading purposes.

The Group's gross rental income from our investment properties in Mainland China in 2012 amounted to HK$1,373 million, comprising HK$194 million from office properties and HK$1,179 million from retail properties.

The chart below illustrates the expected growth in attributable area of the completed property portfolio in Mainland China.



Completed Investment Properties

Sanlitun Village, Beijing

Sanlitun Village, a low-density complex, comprises two neighbouring retail sites and a hotel in the Chaoyang District of Beijing. Sanlitun Village has over 200 shops and restaurants, including flagship stores, shops selling lifestyle brands, and restaurants serving regional and international cuisines.

Village South concentrates on global fashion and lifestyle brands with a youthful appeal, including Mainland China's first adidas global brand centre and first Apple store. During 2012, 27 new tenants were introduced in Village South, so further increasing the diversity of the tenants. Village North focuses on international and Chinese designer fashion brands, as well as restaurants and cafés. Miu Miu opened a flagship store at Village North in 2012, its largest in Asia.

Gross rental income at Sanlitun Village increased steadily in 2012, primarily reflecting increases in base rents at both Village South and Village North. As at 31st December 2012, occupancy rates were 97% at Village South and 90% at Village North.

Sanlitun Village, Beijing	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2012)	Attributable Interest
Retail – Village South	776,909	97%	80%
Retail – Village North	519,399	90%	80%
Hotel – The Opposite House [(1)]	169,463	66%	100%
Total	**1,465,771**		

[(1)] The hotel is accounted for under property, plant and equipment in the accounts and the occupancy rate is the average for the year 2012.

Sanlitun Village, with its open-plan architecture inspired by the concept of courtyards and hutongs, has become a Beijing fashion destination. Swire Properties will continue to invest in improvement works designed to enhance footfall and circulation, and to reinforce the property's positioning. Demand for retail space remains strong in Beijing, with owners of international brands continuing to focus heavily on Mainland China. This is expected to have a positive impact on occupancy and rents.

Swire Properties owns 80% of the retail component of Sanlitun Village with the remaining 20% interest held by Gateway China Fund I, a fund managed by Gaw Capital. The fund has an option to sell its 20% interest to Swire Properties before the end of 2013. As at 31st December 2012, Sanlitun Village (excluding The Opposite House) was valued at HK$9,790 million. Of this amount, Swire Properties' 80% attributable interest represented HK$7,832 million.

Beijing Retail Market Outlook

Retail rents in Beijing are expected to grow steadily in 2013. This reflects continued demand from retailers of international and local brands. Enquiries and inspections are strong. Owners of a diverse range of brands want to enter the Mainland China market. There is a strong demand for space to be used for large and flagship stores.

TaiKoo Hui, Guangzhou

TaiKoo Hui is Swire Properties' largest investment property in Mainland China. It is a large-scale retail-led complex in the Tianhe Central Business District of Guangzhou, with a total area of approximately 3.84 million square feet. Located at a transport hub, it has direct access to the city's metro system and is close to the East Railroad Station, which connects to Hong Kong. It incorporates a prime shopping mall, two Grade-A office towers, a 5-star hotel with serviced apartments managed by the Mandarin Oriental Hotel Group and a cultural centre under development, together with approximately 700 car parking spaces, all of which are interconnected.

TaiKoo Hui, Guangzhou	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2012)	Attributable Interest
Retail	1,472,730	99%	97%
Office	1,731,766	79%	97%
Hotel [(1)]	584,184	N/A	97%
Serviced Apartments	51,517	N/A	97%
Total	**3,840,197**		**97%**

(1) The hotel is accounted for under property, plant and equipment in the accounts and was opened in January 2013.

TaiKoo Hui

Guangzhou

The shopping mall opened in September 2011 and, as at 31st December 2012, approximately 99% of the floor area was leased and 98% of the shops were open and trading. Approximately 70% of the mall is tenanted by retailers selling international brand names, with a number of brands making their debuts in Guangzhou. Sales of luxury brands were encouraging in 2012 while some of the mass market brands which are new to Guangzhou gained momentum. Tenants have committed to take (or have agreed terms in relation to) approximately 79% of the floor area of the two office towers. HSBC, which is the largest tenant, occupies 29 floors, representing approximately 47% of the total office floor area. The remaining vacant area is located in the high zone of office tower 1, which is expected to command the best terms among all the office floors.

Retail sales are expected to increase in 2013. People are becoming more aware of TaiKoo Hui, the mix of tenants is improving, more tenants are moving in and Mandarin Oriental, Guangzhou was opened in January 2013.

Swire Properties has a 97% stake in TaiKoo Hui, which is a joint venture with Guangzhou Da Yang Properties Investment Limited (under the Guangzhou Daily Group). As at 31st December 2012, the development (excluding the hotel) was valued at HK$12,983 million. Of this amount, Swire Properties' 97% attributable interest represented HK$12,594 million.

Guangzhou Market Outlook

TaiKoo Hui has established its position in the retail market and has attracted strong demand from international brands. Total retail sales in Guangzhou grew steadily in 2012. This trend is expected to continue in 2013. New retail malls were opened in Baiyun District and Zhujiang New Town in 2012.

The supply of office space increased significantly following completion of new office towers in Zhujiang New Town. This has added to the already large existing stock of office space. The absorption rate in Guangzhou is low and rental levels are under pressure. This is expected to continue in 2013.

INDIGO

Beijing

INDIGO, Beijing

INDIGO is a retail-led mixed-use development in the Jiang Tai area of Chaoyang District in Beijing. It comprises an upmarket shopping mall, a Grade-A office tower (ONE INDIGO) and a 369-room lifestyle business hotel EAST, Beijing. It has more than 1,200 car parking spaces and will be served by the Beijing Metro Line 14, which is due to open in 2014.

The development was officially opened in September 2012. The shopping mall is 84% leased and approximately 70% of the shops are open and trading. GAP, H&M, Food Republic and Lenovo are the key tenants. The brands available in the mall are intended to be attractive to residents of the affluent Jiuxianqiao, Lido, Wangjing and Shunyi districts, which are close by. The office tower is 95% leased with a little over one floor remaining vacant. Daimler Benz, Nestle and Alstom are key tenants. Patrons of EAST, Beijing come from offices in Wangjing and from INDIGO's own offices.

INDIGO is a 50:50 joint venture with Sino-Ocean Land Holdings Limited. As at 31st December 2012, the development (excluding the hotel) was valued at HK$5,166 million. Of this amount, Swire Properties' 50% attributable interest represented HK$2,583 million.

Beijing Office Market Outlook

Demand in the Beijing office market continues to exceed supply. New supply in 2012 was the lowest in the last decade and 2013 supply is also expected to be limited. Vacancy rates are slightly above 5%. Rental increases and limited supply in the central business district continue to stimulate demand for office space in other areas.

INDIGO, Beijing

	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2012)	Attributable Interest
Retail	939,493	84%	50%
Office	595,464	95%	50%
Hotel (1)	358,269	N/A	50%
Total	**1,893,226**		**50%**

(1) The hotel is accounted for under property, plant and equipment in the accounts and was opened in September 2012.

Investment Properties Under Development

Dazhongli Project, Shanghai

The Dazhongli project is a large-scale retail-led mixed-use development which will comprise approximately 3.47 million square feet (excluding car parking spaces) upon completion. It occupies a prime location with significant frontage on Nanjing West Road, one of Shanghai's major shopping thoroughfares. It has excellent transport connections, being adjacent to an existing metro line and two planned metro stations. The project comprises a retail mall, two office towers and three hotels, and is expected to become a landmark development in Shanghai.

Site clearance and resettlement works have largely been completed. Foundation, excavation and basement construction works have commenced. The development is expected to open in phases from 2016 onwards.

The Dazhongli project is a 50:50 joint venture with HKR International Limited. As at 31st December 2012, the development (excluding the hotel) was valued at HK$13,750 million. Of this amount, Swire Properties' 50% attributable interest represented HK$6,875 million.

Dazhongli Project, Shanghai	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	1,081,362	50%
Office	1,844,842	50%
Hotels [1]	543,194	50%
Total	**3,469,398**	**50%**

[1] The hotels are accounted for under property, plant and equipment in the accounts.

Shanghai Market Outlook

The prospects for the Shanghai commercial property market remain good. In the central business area of Puxi demand for Grade-A office space is strong, vacancy rates are low and new supply will be less than in other areas of Shanghai. Demand for retail space in Shanghai is robust. Many new retailers are entering the market and space in good quality new developments is quickly taken up. Dazhongli's public transport links and prominent position in the central business area of Puxi places it in a strong position to take advantage of these positive market trends.

Daci Temple Project, Chengdu

The Daci Temple project, located in the Jinjiang District of Chengdu and near to the popular Chunxi Road shopping district, will be accessible from an interchange station for Chengdu's metro lines 2 and 3. Metro line 2 opened in September 2012 and line 3 is expected to open in 2015. With a site area of 761,869 square feet, the project will form a large-scale urban development comprising a street style retail complex, a boutique hotel with about 100 guest rooms, serviced apartments and a Grade-A office tower.

Consisting of 2-3 storey retail blocks and open space with a basement connected to the metro, the retail complex is designed to integrate harmoniously with the cultural heritage of the ancient Daci Temple and neighbouring historic buildings.

Excavation and foundation works have commenced and the development is expected to open in phases from 2014 onwards.

The office tower is being developed for trading purposes.

The Daci Temple development is a 50:50 joint venture with Sino-Ocean Land Holdings Limited. In January 2012, the Group entered into an arrangement with Sino-Ocean Land Limited, a wholly-owned subsidiary of Sino-Ocean Land Holdings Limited to fund the whole of the remaining land premium (and associated taxes) payable in respect of the Daci Temple project and certain working capital requirements. This arrangement was varied in January 2013. Please refer to note 44 to the accounts for further details.

As at 31st December 2012, the Daci Temple development (excluding the hotel and office trading components) was valued at HK$2,256 million. Of this amount, Swire Properties' 50% attributable interest represented HK$1,128 million.

Daci Temple Project, Chengdu	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	1,141,598	50%
Hotel [1]	163,828	50%
Serviced Apartments	82,076	50%
Office [2]	1,324,575	50%
Total	**2,712,077**	**50%**

[1] The hotel is accounted for under property, plant and equipment in the accounts.

[2] The office portion of the Daci Temple project is being developed for trading purposes.

Chengdu Market Outlook

The Chengdu retail market grew strongly in 2012. Newly completed retail malls offered a new type of shopping to Chengdu citizens. Demand to rent and buy office space, both from local companies and from outside Chengdu, was also strong in 2012.

More new retail malls will be completed in the next three years. Well planned and designed malls in prime locations are expected to be attractive to retailers, given continued strong growth in retail sales. Rentals can be expected to remain strong for malls in central locations.

The opening of metro line 2 has improved the competitive position of Jinjiang District compared with other business districts in Chengdu. The supply of space on major commercial streets and in the city centre is still limited. The Fortune Global Forum is to be held in Chengdu in 2013. This should benefit the office market. The market for renting and buying office space in major commercial streets is expected to remain active.

Brickell CityCentre

Miami

Investment Properties – U.S.A.

Brickell CityCentre, Miami

Brickell CityCentre is an urban mixed-use development located in the Brickell financial district of Miami, Florida with a site area of approximately 394,000 square feet (9.1 acres). The development incorporates a multi-level open air shopping centre with two levels of below ground parking. A light rail Metromover station is within the site. Swire Properties owns 100% of the office, hotel and residential portions, and 87.5% of the retail portion, of this development.

The development is scheduled in two phases. Phase I is expected to comprise a retail component, a 264-room hotel, 87 serviced apartments, two office buildings and two residential towers. The residential towers are being developed for sale. Subject to market conditions, Phase II will provide additional office and car parking spaces. Construction work on Phase I commenced in 2012 with completion scheduled in the latter half of 2015.

With little existing or expected retail competition in the area of similar scale and quality, it is believed that Brickell CityCentre will generate rental rates comparable to those at leading shopping centres in Greater Miami.

As at 31st December 2012, the Brickell CityCentre development (excluding the hotel and residential trading components) was valued at HK$554 million.

Brickell CityCentre, Miami	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	505,000	87.5%
Office	982,000	100%
Serviced Apartments	102,000	100%
Hotel [(1)]	218,000	100%
Residential [(2)]	1,128,000	100%
Carpark/Circulation	2,494,000	100%
Total	**5,429,000**	

(1) The hotel is accounted for under property, plant and equipment in the accounts.

(2) The residential portion of the Brickell CityCentre is being developed for trading purposes.

Miami Market Outlook

The overall property market in urban Miami is expected to improve in 2013. The retail market is expected to be strong. Although currently over-supplied, the office market is showing some signs of improvement as vacancies continue to decline.

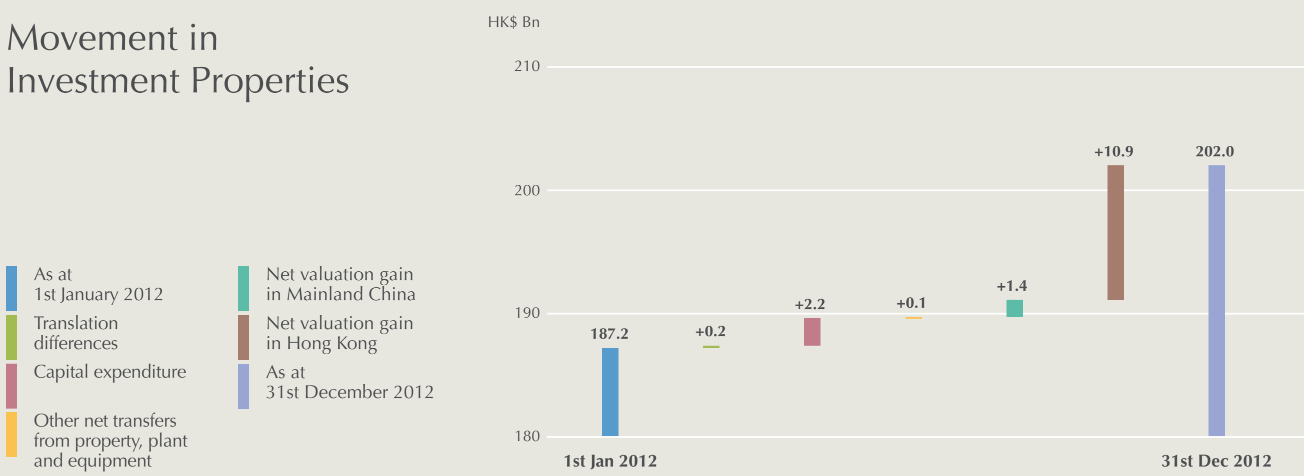
Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2012 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$201,981 million compared to HK$187,198 million at 31st December 2011 and HK$195,041 million at 30th June 2012.

The increase in the valuation of the investment property portfolio principally reflects higher rental income.

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

Movement in Investment Properties



Audited Financial Information
Investment Properties

	Group		
	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2012	**174,951**	**12,247**	**187,198**
Translation differences	**190**	**–**	**190**
Additions	**394**	**1,812**	**2,206**
Disposals	**–**	**(2)**	**(2)**
Transfer upon completion	**2,253**	**(2,253)**	**–**
Other net transfers from property, plant and equipment	**111**	**5**	**116**
Fair value gains	**11,800**	**473**	**12,273**
	189,699	**12,282**	**201,981**
Add: Initial leasing costs	**315**	**–**	**315**
At 31st December 2012	**190,014**	**12,282**	**202,296**
At 1st January 2011	161,508	17,307	178,815
Translation differences	374	421	795
Additions	145	4,705	4,850
Change in composition of Group	(18,263)	–	(18,263)
Transfer upon completion	11,142	(11,142)	–
Other net transfers from property, plant and equipment	265	38	303
Other net transfers from properties held for development	104	249	353
Fair value gains	19,676	669	20,345
	174,951	12,247	187,198
Add: Initial leasing costs	290	–	290
At 31st December 2011	175,241	12,247	187,488

Geographical Analysis of Investment Properties

	Group	
	2012 HK$M	2011 HK$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	**25,350**	25,151
On long-term leases (over 50 years)	**152,883**	140,358
	178,233	165,509
Held in Mainland China:		
On medium-term leases (10 to 50 years)	**23,194**	21,298
Held in U.S.A.:		
Freehold	**554**	391
	201,981	187,198

Property Trading

The trading portfolio comprises six luxury residential projects under development in Hong Kong (four on Hong Kong Island, one in Kowloon and one on Lantau Island), two residential towers under development in Brickell CityCentre in Miami, U.S.A., an office property under development in the Daci Temple project in Chengdu in Mainland China, and the remaining residential units at the completed developments of AZURA and 5 Star Street in Hong Kong and ASIA in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

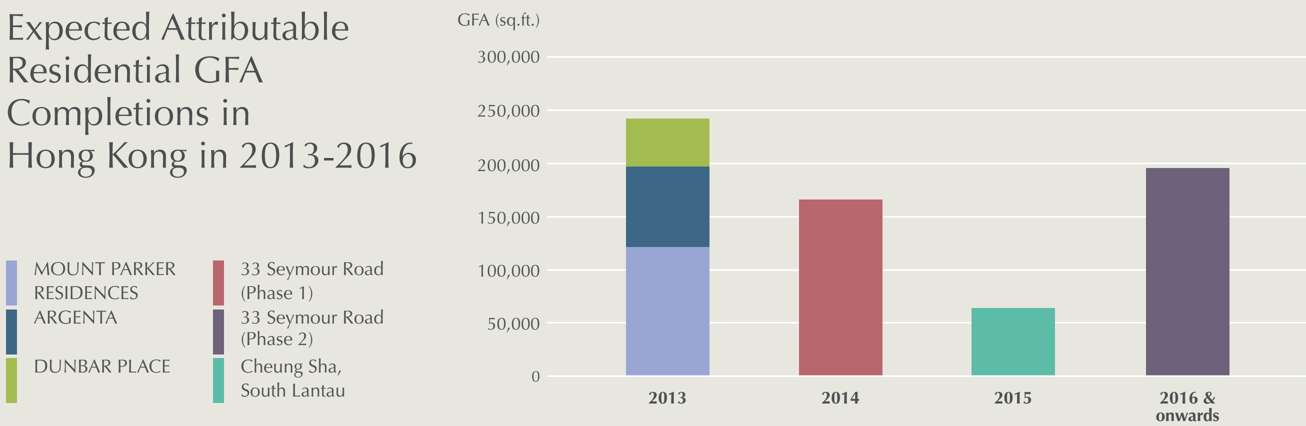
Property Trading Portfolio

	Gross Floor Area (sq.ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
Completed			
Hong Kong			
– 5 Star Street [1]	1,331	2010	100%
– AZURA [1]	48,686	2012	87.5%
U.S.A.			
– ASIA, Miami [1]	33,264	2008	100%
Under Development			
Hong Kong			
– ARGENTA	75,805	2013	100%
– 33 Seymour Road (Phase 1)	165,792	2014	100%
– 33 Seymour Road (Phase 2)	195,531	2016	100%
– MOUNT PARKER RESIDENCES	151,954	2013	80%
– DUNBAR PLACE	88,555	2013	50%
– Cheung Sha, South Lantau	64,412	2015	100%
Mainland China			
– Daci Temple Project, Chengdu (office portion)	1,324,575	2013	50%
U.S.A.			
– Brickell CityCentre, Miami, Florida (residential portion)	1,128,000	2015	100%
Held for Development			
U.S.A.			
– Fort Lauderdale, Florida	787,414	N/A	75%
– South Brickell Key, Miami, Florida	421,800	N/A	100%
– North Squared, Brickell CityCentre, Miami, Florida	500,000	N/A	100%
Total	**4,987,119**		

[1] Remaining unsold units as at 31st December 2012.

The following bar chart shows the expected timing of completion of our residential projects in Hong Kong.

Expected Attributable Residential GFA Completions in Hong Kong in 2013-2016



Audited Financial Information
Properties Held for Development and for Sale

	Group 2012 HK$M	Group 2011 HK$M
Properties held for development		
Freehold land	**188**	124
Properties for sale		
Completed properties		
– development costs	**401**	270
– freehold land	**4**	7
– leasehold land	**145**	4
Properties under development		
– development costs	**1,762**	1,329
– freehold land	**175**	175
– leasehold land	**4,461**	5,063
	6,948	6,848

ARGENTA

Hong Kong

Hong Kong

Residential Developments in Mid-Levels West, Hong Kong

Swire Properties owns four sites in Mid-Levels West, a residential district on Hong Kong Island. A map showing the locations of these sites is set out below:

(a) AZURA, 2A Seymour Road

Swire Properties holds a 87.5% interest in this development comprising a 50-storey tower of 126 units and 45 car parking spaces with a total GFA of 206,306 square feet. The development was completed in the second half of 2012. As at 13th March 2013, 111 units had been sold. Completion of the sales of 98 of these units took place in 2012. Completion of the sales of a further three units have taken place up to 13th March 2013. Completion of the sales of ten units will take place later in 2013. The development is managed by Swire Properties.

(b) ARGENTA, 63 Seymour Road

ARGENTA is wholly-owned by Swire Properties. The superstructure works are in progress. The development is expected to be completed and available for hand over to purchasers in 2013, and will consist of a 37-storey tower of 30 whole-floor residential units and 28 car parking spaces with an aggregate GFA of 75,805 square feet. Six units (each together with a car parking space) have been pre-sold.

(c) 33 Seymour Road (Phase 1 and 2)

33 Seymour Road is wholly-owned by the Group. Superstructure works at Phase 1 of the development are in progress and the development of Phase 1 is expected to be completed in 2014 and available for hand over to purchasers in 2015. It will consist of a 48-storey tower of 127 residential units with an aggregate GFA of 165,792 square feet upon completion.

Foundation works at Phase 2 of the development (formerly 92-102 Caine Road) are in progress and the development is expected to be completed in 2016 and available for hand over to purchasers in 2017. The development consists of a 50-storey tower of 197 residential units and 43 car parking spaces with an aggregate GFA of 195,531 square feet.

Swire Properties plans, subject to receipt of the necessary approvals, to upgrade certain pedestrian walkways, widen a number of pavements and build a pedestrian staircase next to Phase 2, in order to improve pedestrian flow between Castle Road and Caine Road.

MOUNT PARKER RESIDENCES, 1 Sai Wan Terrace (formerly 1 Sai Wan Terrace)

Swire Properties has an 80% interest in MOUNT PARKER RESIDENCES, a residential development in Quarry Bay, Hong Kong. The development is expected to be completed in the second half of 2013 and available for hand over to purchasers in 2014. It will comprise 92 residential units and 69 basement car parking spaces, with an aggregate GFA of 151,954 square feet upon completion.

DUNBAR PLACE, 23 Dunbar Road (formerly 148 Argyle Street)

DUNBAR PLACE is a residential development in Ho Man Tin, Kowloon. Swire Properties has a 50% interest in the development. The development is expected to be completed in 2013 and available for hand over to purchasers in 2014. It will have an aggregate GFA of approximately 88,555 square feet upon completion and will consist of a 23-storey tower with 53 residential units and 57 car parking spaces.

Cheung Sha, South Lantau

Two adjacent residential sites at the junction of Tung Chung Road and South Lantau Road in Cheung Sha, Lantau Island were acquired in 2011 and are wholly-owned by the Group. The sites will be developed into detached houses with an aggregate GFA of 64,412 square feet. The development is expected to be completed and available for hand over to purchasers in 2015.

Hong Kong Residential Market Outlook

The effect of substantial increases and other changes in Hong Kong stamp duty on demand for luxury residential properties is uncertain.

U.S.A.

ASIA, located on the northern edge of Brickell Key in downtown Miami, is a luxury high-rise residential condominium with 123 units. The average size of these units is approximately 2,300 square feet. Sales of 16 units were completed in 2012. 110 units have been sold and a further three units have been leased as at 13th March 2013.

The residential portion of Brickell CityCentre is being developed for trading purposes and will comprise 820 units in two high-rise condominium towers. Completion of this development is expected in 2015.

The residential market for properties in urban Miami is expected to continue to improve in 2013 with higher sales prices and rental rates. The excess condominium supply is now largely absorbed and construction is underway at several new condominium projects.

Leasing and Management Business

Swire Properties was responsible for the redevelopment and is responsible for the leasing and management of OPUS HONG KONG, a property owned by Swire Pacific at 53 Stubbs Road. The property is a prime residential development consisting of a 12-storey residential building with ten whole-floor units and two double-level garden apartments designed by Pritzker Prize-winning architect Frank Gehry.

Estate Management

Through subsidiaries, Swire Properties undertakes the management of 15 estates which it has developed, including AZURA, Robinson Place, The Orchards, and Taikoo Shing. The services provided include concierge services and assistance to the residents, cleaning and maintenance of common areas, and renovation of buildings. Swire Properties places great emphasis on its relationships with occupants of the existing estates which it manages and intends to provide high quality estate management at the estates which it is developing.

Hotels

Managed Hotels

Overview

Swire Hotels owns and manages hotels in Hong Kong, Mainland China and the U.K., comprising the "House Collection", "EAST", and "Chapter Hotels". The House Collection, presently comprising The Upper House in

Hotels Portfolio (Managed by the Group)

	No. of Rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
– The Upper House	117	100%
– EAST, Hong Kong	345	100%
– Headland Hotel [1]	501	0%
Mainland China		
– The Opposite House	99	100%
– EAST, Beijing [2]	369	50%
U.K.		
– The Montpellier Chapter, Cheltenham	61	100%
– Avon Gorge Hotel, Bristol	75	100%
– The Magdalen Chapter, Exeter [3]	59	100%
– Hotel Seattle, Brighton	71	100%
Under Development		
Mainland China		
– Dazhongli Project (hotel), Shanghai	100	50%
– Daci Temple Project (hotel), Chengdu [4]	142	50%
U.S.A.		
– EAST, Miami, Florida	351	100%
Total	**2,290**	

(1) Headland Hotel is owned by Airline Hotel Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.
(2) EAST, Beijing opened in September 2012.
(3) Refurbishment of the hotel in Exeter was completed in 2012.
(4) Including serviced apartments in the same building.

EAST, Beijing

Beijing

Hong Kong and The Opposite House in Beijing, is a group of small and distinctive hotels in Asia providing highly personalised experiences for guests. EAST hotels are lifestyle business hotels. Chapter Hotels are local hotels in regional towns and cities in the U.K.

The Upper House

The Upper House, a 117-room luxury hotel at Pacific Place, continued to be recognised for its customer service and achieved strong market penetration and revenue growth in 2012, with revenue per available room increasing by 9% from 2011. In 2012, it received the "Best Overseas Business Hotels 2012" award from Condé Nast Traveller, an award from Fodor's 100 Hotel Awards 2012, a "Certificate of Excellence for The Year of 2012" award from TripAdvisor and a "Hong Kong & Macau Best Restaurants" award from Asia Tatler Dining.

EAST, Hong Kong

EAST, Hong Kong, a 345-room hotel at Island East, has established a loyal following from office tenants in Cityplaza and TaiKoo Place. Occupancy and average room rates were strong in 2012, with revenue per available room increasing by 5% from 2011. In 2012, it received the "2012 Travelers' Choice Award" and a "Certificate of Excellence for The Year of 2012" award from TripAdvisor, a "Top 10 Hong Kong Boutique Hotels" award from the Guardian and a "50 Stunning Rooftop Bars and Restaurants" award from CNNGo.

The Opposite House

Revenue per available room increased by 3% in 2012 at The Opposite House, a 99-room luxury hotel at Sanlitun Village, Beijing. Its accommodation, restaurant and bar businesses improved and it maintained a leading market position. The hotel received the Condé Nast Traveller's "Gold List 2012: Best for Food" award and Miele Guide's "One of Asia's Finest Restaurants 2011/2012" award during the year.

EAST, Beijing

EAST, Beijing is a 369-room business lifestyle hotel at the INDIGO development in Beijing, in which Swire Properties holds a 50% interest. The hotel has been gradually building a loyal corporate clientele since its opening in September 2012.

U.K. Hotels

Swire Properties owns four hotels in the United Kingdom, one each in Cheltenham, Bristol, Brighton and Exeter. The Magdalen Chapter Hotel in Exeter re-opened in June 2012 following a major refurbishment. Occupancy and room rates were satisfactory during 2012 although trading conditions were challenging in the U.K. market.

Hotels Market Outlook

The hotels in Hong Kong are expected to continue to benefit from growth in the number of visitors from Mainland China and are well positioned in both the business and tourism sectors.

In Mainland China, The Opposite House is expected to see further growth in its accommodation, restaurant and bar businesses. EAST, Beijing will make its first full year contribution in 2013.

The trading environment in the U.K. remains challenging.

Non-managed Hotels

Swire Properties has ownership interests in (but does not manage) hotels with 3,065 rooms in aggregate. The Mandarin Oriental in TaiKoo Hui, 97% owned by Swire Properties and which opened in January 2013, has 263 rooms and 24 serviced apartments.

Hotels Portfolio (Not Managed by the Group)	No. of Rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
– Island Shangri-La Hong Kong	565	20%
– JW Marriott Hotel Hong Kong	602	20%
– Conrad Hong Kong	513	20%
– Novotel Citygate Hong Kong	440	20%
U.S.A.		
– Mandarin Oriental, Miami	326	75%
Mainland China		
– Mandarin Oriental, Guangzhou [1]	287	97%
Under Development		
Mainland China		
– Dazhongli Project (hotels), Shanghai	332	50%
Total	**3,065**	

[1] Including 24 serviced apartments in the same building. The development was officially opened in January 2013.

The non-managed hotels in Hong Kong performed strongly during the year. Trading conditions also improved at the Mandarin Oriental, Miami in 2012.

Capital Commitments

Capital Expenditure and Commitments for Investment Properties and Hotels

Capital expenditure in 2012 on Hong Kong investment properties and hotels, including completed projects, amounted to HK$1,828 million (2011: HK$3,104 million). Outstanding capital commitments at 31st December 2012 were HK$5,405 million (31st December 2011: HK$6,740 million).

Capital expenditure in 2012 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of jointly controlled companies, amounted to HK$1,776 million (2011: HK$3,180 million). Outstanding capital commitments at 31st December 2012 were HK$7,546 million (2011: HK$8,430 million), including the Group's share of the capital commitments of jointly controlled companies of HK$6,620 million (2011: HK$7,101 million). The Group is committed to funding HK$818 million (31st December 2011: HK$1,828 million) of the capital commitments of jointly controlled companies in Mainland China.

Capital expenditure in 2012 on the investment properties and hotels in the U.S.A., Singapore and the U.K. amounted to HK$239 million (2011: HK$102 million). Outstanding capital commitments at 31st December 2012 were HK$2,963 million (2011: HK$2,510 million).

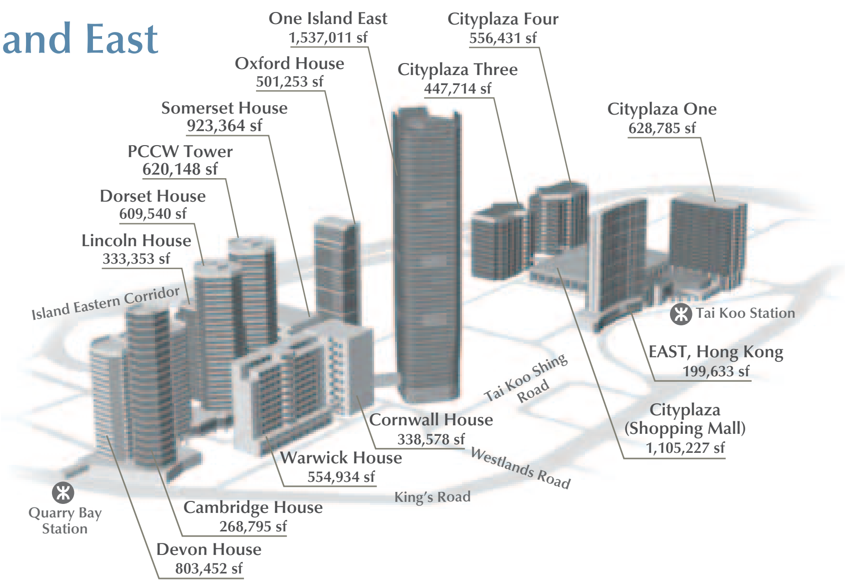
Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	**Forecast Year of Expenditure**				**Commitments***
	2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M	2016 & beyond HK$M	**At 31st Dec 2012 HK$M**
Hong Kong	**1,828**	879	548	606	3,372	**5,405**
Mainland China	**1,776**	3,680	2,361	831	674	**7,546**
U.S.A. and others	**239**	1,360	1,603	–	–	**2,963**
Total	**3,843**	5,919	4,512	1,437	4,046	**15,914**

* The capital commitments represents the Group's capital commitments of HK$9,294 million plus the Group's share of the capital commitments of jointly controlled companies of HK$6,620 million. The Group is committed to funding HK$818 million of the capital commitments of jointly controlled companies.

Hong Kong

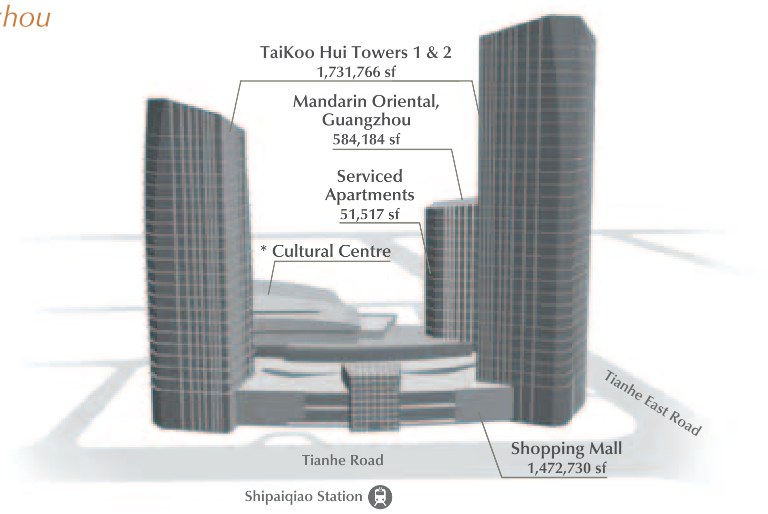
Island East



Mainland China

TaiKoo Hui

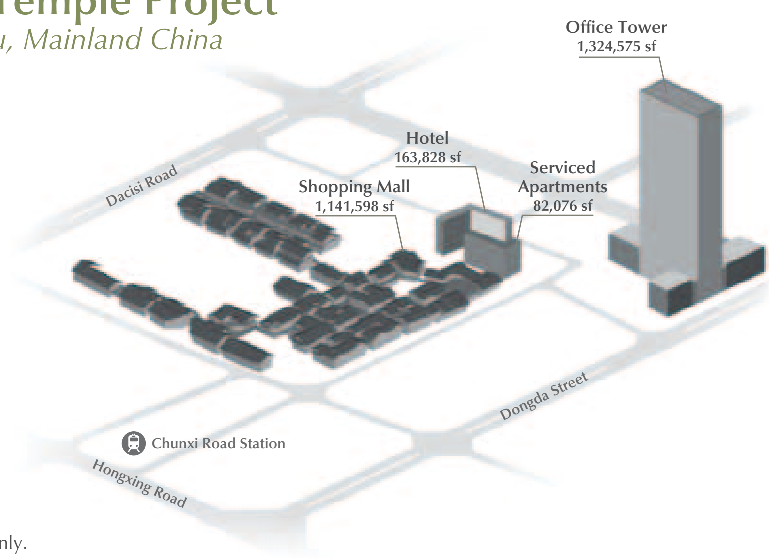
Guangzhou



Future Developments

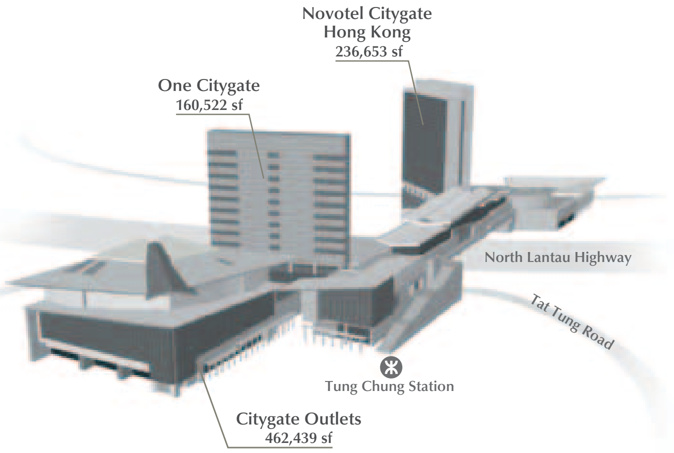
Daci Temple Project

Chengdu, Mainland China

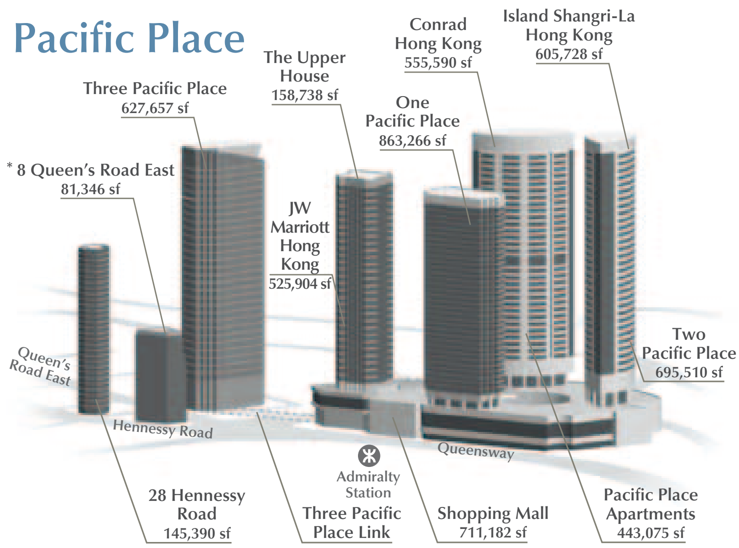


Note: These diagrams are not to scale and are for illustration purpose only.
* Under development

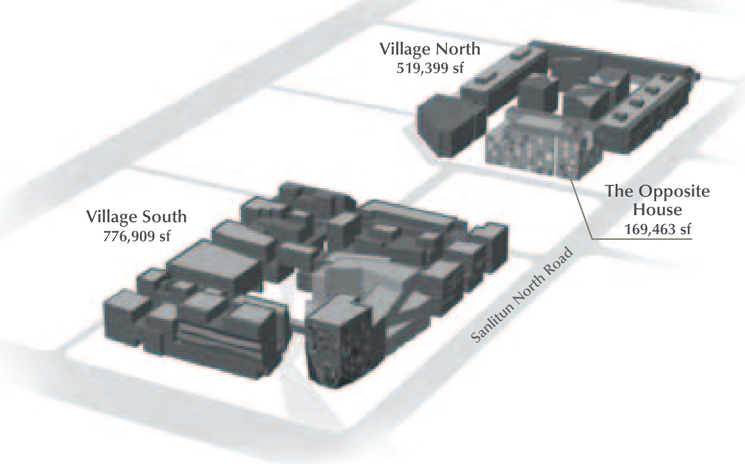
Citygate



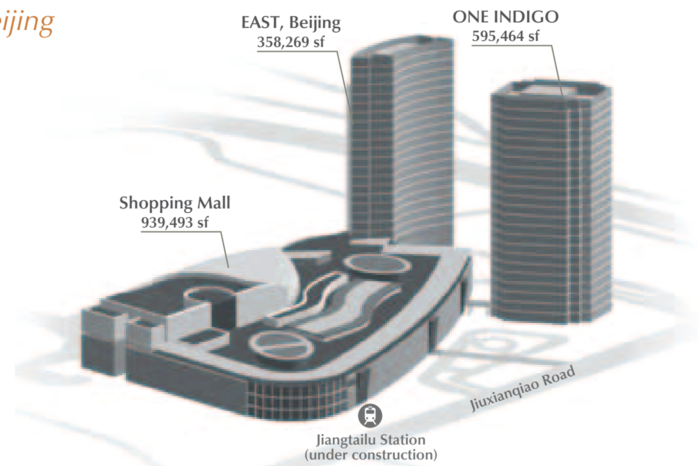
Pacific Place



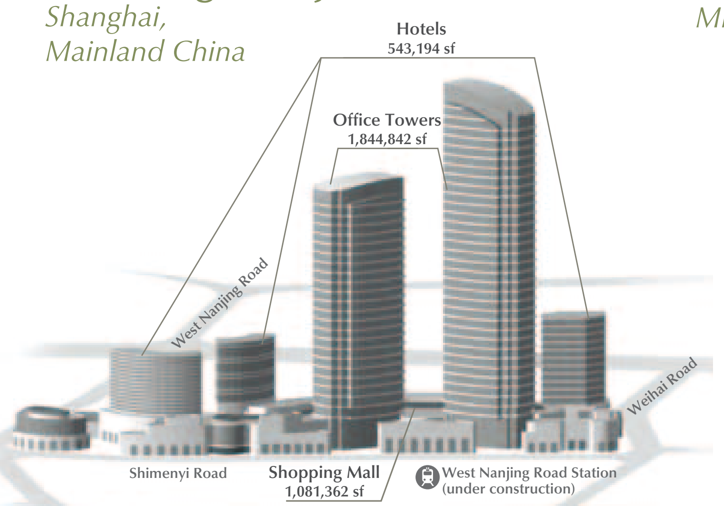
Sanlitun Village
Beijing



INDIGO
Beijing



Dazhongli Project
Shanghai,
Mainland China



Brickell CityCentre
Miami, U.S.A.

Financial Review

Financial Results Review

References are to "Notes to the Accounts" on pages 99 to 139.

Consolidated Income Statement

	2012 HK$M	2011 HK$M	Reference
Turnover The increase in turnover of HK$4,471 million compared to 2011 was principally due to significantly higher sales revenue from the sale of residential apartments, higher rental income from investment properties and higher turnover from owned and managed hotel operations. Turnover from property trading increased by HK$3,934 million compared to 2011, principally due to the completion of the sales of 98 of the 126 residential units at AZURA in Hong Kong. Sales of the residential units at ASIA in Miami, U.S.A., were also higher in 2012, with 16 units sold in 2012 compared to 11 units sold in 2011. Rental income from investment properties increased by HK$458 million. In Hong Kong, gross rental income fell slightly as the favourable impact of positive rental reversions across the portfolio was more than offset by the loss of rental income from Festival Walk following its disposal in August 2011. In Mainland China, rental income from TaiKoo Hui, which opened in September 2011, increased as it made its first full year contribution in 2012. Rental income at Sanlitun Village also increased from 2011 due to a combination of positive rental reversions and higher occupancy. Turnover from owned and managed hotels increased by HK$65 million due to higher room rates at The Upper House, EAST, Hong Kong and the U.K. hotels.	**14,052**	9,581	Note 4

Consolidated Income Statement *(continued)*

	2012 HK$M	2011 HK$M	Reference
Gross Profit Gross profit increased by HK$3,035 million principally due to higher gross profit from property trading, which increased by HK$2,698 million, largely from the completion of the sales of 98 residential units at AZURA. Gross profit from investment properties increased by HK$383 million, due to higher gross rental income in Hong Kong and Mainland China. The gross profit margin remained stable at 82.3% in 2012. Gross profit from owned and managed hotels fell by HK$42 million compared to 2011, due to pre-opening expenses at the Mandarin Oriental hotel in TaiKoo Hui, Guangzhou.	**10,282**	7,247	
Operating Profit The decrease in operating profit of HK$5,437 million was principally due to lower net revaluation gains on investment properties, lower gains from the disposal of investment properties and higher other operating expenses, partially offset by higher gross profit from residential sales and rental income, lower administrative expenses and an increase in other net gains. A net revaluation gain on investment properties of HK$12,273 million was recorded in 2012, HK$8,072 million lower than in 2011. Investment properties in Hong Kong recorded a net revaluation gain of HK$10,860 million, largely due to higher rents at completed properties, in particular the Island East offices and The Mall at Pacific Place. Investment properties in Mainland China recorded a net revaluation gain of HK$1,409 million, largely due to higher rents at TaiKoo Hui and Sanlitun Village. The investment property component of the Brickell CityCentre development in Miami recorded a net revaluation gain of HK$4 million. The 2011 results included a one-off gain of HK$595 million from the disposal of Festival Walk. An increase of HK$84 million in other operating expenses in 2012 reflected increased serviced fee paid to John Swire & Sons (HK) Limited due to higher underlying profit. Administrative expenses decreased by HK$156 million compared to 2011, largely due to the absence of one-off expenses associated with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited which were incurred in 2011. There were other net gains of HK$40 million in 2012 compared to other net losses of HK$83 million in 2011, which principally arose from impairment losses at the U.K. hotels in 2011 (HK$109 million).	**21,508**	26,945	Notes 6 and 8(a)
Net Finance Charges The decrease in net finance charges of HK$110 million is largely due to the finance charge arising from the change in the fair value of a put option held by the non-controlling interest at Sanlitun Village being lower by HK$84 million (a finance charge of HK$175 million in 2012 against a finance charge of HK$259 million in 2011) , and lower net finance charges in Hong Kong. The latter reflected a lower average debt level, which in turn reflected the repayment of debt with proceeds from the disposal of Festival Walk in August 2011 and from completion (in the second half of 2012) of sales of units at AZURA. Lower net finance charges in Hong Kong also reflected interest income received from the loan to Sino-Ocean Land Limited. Net finance charges were higher in Mainland China due to a higher debt level to fund capital expenditure at Sanlitun Village and TaiKoo Hui and to the fact that interest at TaiKoo Hui could not be capitalised following the opening of the development in the second half of 2011.	**1,367**	1,477	Note 10

Consolidated Income Statement *(continued)*

	2012 HK$M	2011 HK$M	Reference
Share of Profits Less Losses of Jointly Controlled Companies The decrease of HK$191 million is largely due to lower net revaluation gains on investment properties in Mainland China, pre-opening expenses at INDIGO and EAST, Beijing and costs incurred at the Dazhongli and Daci Temple developments which could not be capitalised. These were offset in part by higher rental income and higher revaluation gains from investment properties held by jointly controlled companies in Hong Kong.	**660**	851	Note 8(a)
Taxation The increase in taxation of HK$567 million was due to higher operating profit, after excluding non-assessable income (principally revaluation gains on Hong Kong investment properties) and lower non-deductible expenses. The lower non-deductible expense were largely related to the movement in the fair value of a put option in relation to the non-controlling interest at Sanlitun Village and the expenses incurred in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited.	**1,863**	1,296	Note 11
Profit Attributable to the Company's Shareholders The decrease of HK$6,363 million reflects lower net revaluation gains from investment properties, lower profits from the disposal of investment properties, higher tax due to higher taxable profits and a lower share of profits less losses from jointly controlled entities, partially offset by higher profits from property trading, higher rental income, lower administrative expenses and lower net finance charges.	**18,763**	25,126	Note 8(a)

Consolidated Statement of Financial Position

	2012 HK$M	2011 HK$M	Reference
Property, Plant and Equipment The increase in property, plant and equipment of HK$222 million was due to capital expenditure on the Mandarin Oriental hotel at the TaiKoo Hui development in Mainland China, the fitting out of the Company's office at TaiKoo Hui and capital expenditure on the hotels at Brickell CityCentre in Miami, U.S.A., and Exeter in the U.K., partially offset by the transfer of certain previously owner-occupied space in Mainland China to investment properties.	**6,837**	6,615	Note 15
Investment Properties The increase in investment properties of HK$14,808 million is largely due to a revaluation gain of HK$12,273 million, additions during the year of HK$2,206 million (largely at 28 Hennessy Road, The Mall at Pacific Place, 8 Queen's Road East and other investment properties in Hong Kong and TaiKoo Hui in Mainland China), a foreign exchange translation gain of HK$190 million from investment properties in Mainland China, and the transfer of certain previously owner-occupied space in Mainland China to investment properties.	**202,296**	187,488	Note 16

Consolidated Statement of Financial Position *(continued)*

	2012 HK$M	2011 HK$M	Reference
Properties Held for Development The increase of HK$64 million is due to the acquisition of land adjacent to the Brickell CityCentre site during the year.	**188**	124	Note 19
Investment in Jointly Controlled Companies The increase of HK$1,878 million reflects additional net investment of HK$1,263 million in the form of loans from shareholders and equity (predominantly at the Daci Temple, Dazhongli and INDIGO projects in Mainland China), our share of profits of jointly controlled companies, including revaluation gains, and an increase in our share of the foreign exchange translation gain of the jointly controlled companies in Mainland China, partially offset by dividends received from jointly controlled companies.	**14,878**	13,000	Note 21
Investment in Associated Companies The increase of HK$82 million reflects our share of profits less losses of our associated companies, partially offset by dividends received from associated companies.	**721**	639	Note 22
Properties Under Development and for Sale The increase of HK$100 million is largely due to development expenditure on our trading properties, principally in Hong Kong (including ARGENTA and MOUNT PARKER RESIDENCES), but also on the residential component of Brickell CityCentre in Miami, U.S.A., partially offset by the effect of completion of the sale of 98 residential units at AZURA in Hong Kong.	**6,948**	6,848	Note 25
Trade and Other Receivables The increase of HK$985 million largely reflects a HK$930 million increase in other receivables. This principally comprises a HK$893 million loan to and an associated HK$90 million of interest receivable from Sino-Ocean Land Limited partially offset by a reduction in stakeholders' accounts on units at AZURA in Hong Kong and higher prepayments related to insurance on our property developments.	**2,930**	1,945	Note 27
Trade and Other Payables The decrease of HK$933 million largely reflects a HK$724 million decrease in trade creditors, a HK$452 million decrease in accrued capital expenditure and a HK$336 million decrease in other payables, partially offset by a HK$175 million increase in the fair value of a put option in favour of the owner of the non-controlling interest in Sanlitun Village, a HK$173 million increase in rental deposits from tenants, a HK$125 million increase in interest-bearing advances from a jointly controlled company, and a HK$82 million increase in amounts due to our intermediate holding company. The decrease in trade creditors is due to the payment of land acquisition costs and land premium payments on trading properties accrued. The decrease in accrued capital expenditure is due to the payment of construction costs, largely at TaiKoo Hui in Mainland China and 28 Hennessy Road in Hong Kong. The decrease in other payables is due largely to a reduction in stakeholders' accounts on the completion of sales of pre-sold units at AZURA in Hong Kong.	**7,155**	8,088	Note 30

Consolidated Statement of Financial Position *(continued)*

	2012 HK$M	2011 HK$M	Reference
Long-Term Loans and Bonds (including the component due within one year) The increase of HK$8,081 million was due to the issue of the equivalent of HK$4,676 million by way of medium-term notes and to higher bank borrowings to fund capital and development expenditure in Hong Kong, Mainland China and the U.S.A.	**14,564**	6,483	Note 31
Loans Due to a Fellow Subsidiary Company – Swire Finance Limited Loans due to a fellow subsidiary company fell by HK$6,134 million. This principally reflects repayment of loans out of the proceeds from the issue of medium-term notes and from cash generated from operations, partially offset by borrowings undertaken to finance expenditure on trading and investment developments and payment of dividends to the Company's shareholders.	**15,240**	21,374	Note 32
Deferred Tax Liabilities The increase of HK$749 million reflects deferred tax on depreciation of plant and equipment, adjustments for rent free periods at investment properties in Hong Kong and Mainland China, and deferred tax on revaluation gains on investment properties in Mainland China.	**4,995**	4,246	Note 34
Equity Attributable to the Company's Shareholders The increase in equity attributable to the Company's shareholders represents the total comprehensive income for the year attributable to the Company's shareholders (HK$18,911 million), as reduced by dividends paid to the Company's shareholders.	**192,614**	176,043	Notes 36 and 37
Non-Controlling Interests The increase in non-controlling interests of HK$110 million reflects higher profit earned by the companies in which there are non-controlling interests, partially offset by dividends paid to non-controlling interests.	**642**	532	Note 38

Consolidated Statement of Cash Flows

	2012 HK$M	2011 HK$M	Reference
Cash Generated from Operations Cash generated from operations of HK$8,116 million largely comprised cash inflows from rental income of approximately HK$7,600 million in Hong Kong and Mainland China, and property trading of approximately HK$3,600 million, partially offset by expenditure on properties under development and for sale of approximately HK$1,600 million and operating expenses of approximately HK$1,100 million.	**8,116**	7,396	Note 43(a)
Interest Paid The decrease of HK$88 million was largely due to lower average borrowings in Hong Kong, partially offset by higher average borrowings in Mainland China and the U.S.A.	**1,576**	1,664	

Consolidated Statement of Cash Flows *(continued)*

	2012 HK$M	2011 HK$M	Reference
Dividends Received from Jointly Controlled and Associated Companies and Available for Sale Assets The decrease of HK$262 million largely reflects lower dividends from the associated companies which own hotels in Pacific Place.	**153**	415	
Purchase of Property, Plant and Equipment The decrease of HK$60 million largely reflects lower capital expenditure on the Mandarin Oriental at TaiKoo Hui and the hotel in Exeter in the U.K., partially offset by higher capital expenditure on the hotel in Brickell CityCentre in Miami, U.S.A., and the payment of accrued capital expenditure and construction retention at EAST, Hong Kong.	**488**	548	Note 43(b)
Additions to Investment Properties The decrease of HK$2,201 million largely reflects the fact that there were fewer acquisitions of investment properties in Hong Kong for future development, and lower capital expenditure at TaiKoo Hui and The Mall at Pacific Place, partially offset by increased capital expenditure at the Brickell CityCentre development in Miami, U.S.A., and at 28 Hennessy Road, 8 Queen's Road East, 23 Tong Chong Street and the completed investment property portfolio in Hong Kong.	**2,516**	4,717	
Loans (Net of Repayment) to Jointly Controlled Companies The increase of HK$133 million largely reflects higher advances of shareholders loans to companies undertaking the Daci Temple and INDIGO projects in Mainland China, partially offset by less advances of shareholders loans to companies undertaking the Dazhongli project in Mainland China and repayment of loans by companies owning the Citygate and 625 King's Road properties in Hong Kong.	**1,258**	1,125	
Bank Loans Drawn and Refinancing (Net of Repayment) The increase of HK$6,446 million reflects the issue of medium-term notes with an aggregate principal amount equivalent to HK$4,676 million and additional bank borrowings in Hong Kong, Mainland China and the U.S.A. Refer to Financing section on pages 55 to 63 for further details.	**8,024**	1,578	
Decrease in Loans Due to a Fellow Subsidiary Company – Swire Finance Limited The decrease of HK$4,702 million largely reflects repayment of loans out of the proceeds of the issue of medium-term notes and cash generated from operations, partially offset by borrowings to finance expenditure on developments and payment of dividends to the Company's shareholders.	**6,173**	10,875	

Investment Appraisal and Performance Review

	Net Assets Employed		Capital Commitments*	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Property investment	**207,757**	191,273	**14,144**	15,271
Property trading	**7,309**	6,581	**–**	–
Hotels	**7,111**	6,421	**1,770**	2,409
Total net assets employed	**222,177**	204,275	**15,914**	17,680
Less net debt	**(28,921)**	(27,700)		
Less non-controlling interests	**(642)**	(532)		
Equity attributable to the Company's shareholders	**192,614**	176,043		

	Equity Attributable to the Company's Shareholders**		Return on Average Equity Attributable to the Company's Shareholders**	
	2012 HK$M	2011 HK$M	**2012**	2011
Property investment	**183,247**	168,892	**9.7%**	15.7%
Property trading	**2,881**	1,248	**80.4%**	5.7%
Hotels	**6,486**	5,903	**0.2%**	-0.6%
Total	**192,614**	176,043	**10.2%**	15.0%

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies.

** Refer to Glossary on page 163 for definitions.

Financing

Capital Structure

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

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

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

Financing Arrangements with the Swire Pacific Group

There are a number of financing arrangements between the Group and the Swire Pacific group.

- On 31st March 2010, Swire Properties (Finance) Limited, the Company and Swire Finance Limited ("Swire Finance", a wholly-owned subsidiary of Swire Pacific Limited), entered into five loan agreements ("Loan Agreements") (as amended on 31st October 2011) to record the terms of the borrowings by the Group from Swire Finance. The Loan Agreements substantially mirror the terms and maturity profile (currently ranging, disregarding the perpetual element of the financing arrangements, up to six years) of the underlying borrowings of Swire Finance from third parties and these borrowings bear interest at the interest rates illustrated in the section on Finance Charges on pages 59 to 61. The underlying borrowings are in the form of revolving credit facilities, bonds issued under the Swire Pacific group's US$3.5 billion medium term note programme, and perpetual capital securities. No security has been given by the Group in respect of the Loan Agreements. Upon maturity of the financing arrangements provided by Swire Finance, the Group will obtain new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.
- As at 31st December 2012, there was a loan facility of US$85 million in respect of the Mandarin Oriental Hotel in Miami which is guaranteed by Swire Pacific Limited. (31st December 2011: US$85 million)
- As at 31st December 2012, the Group also maintained certain other loan arrangements with the Swire Pacific group and its jointly controlled entities for a total facility amount of RMB510 million. (31st December 2011: RMB380 million)

Medium Term Note Programme

In May 2012, Swire Properties MTN Financing Limited, a wholly-owned subsidiary of the Company, established a US$3 billion Medium Term Note (MTN) Programme. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. The MTN programme is rated A by Fitch Ratings Limited, (P)A2 by Moody's Investors Service Limited and A- by Standard & Poor's Ratings Services, 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

During the year, the Group raised HK$11,270 million of new facilities. This comprised:

- issues of medium-term notes of US$500 million and HK$800 million
- four term and revolving credit facilities aggregating HK$5,750 million, with tenors ranging from three to five years
- a revolving short-term loan of RMB50 million
- an increase of RMB130 million under loan arrangements with the Swire Pacific group and its jointly controlled companies
- an increase of US$80 million in a revolving credit facility to US$140 million

Subsequent to 31st December 2012, the Group issued medium-term notes of US$500 million in March 2013.

Significant repayments under the Loan Agreements were the repayment of HK$5,000 million term loans upon expiry of facilities in October 2012 and the full repayment of the drawn portions of revolving credit facilities aggregating HK$5,000 million followed by the termination of those facilities in July 2012.

Audited Financial Information	**2012 HK$M**	2011 HK$M
Bank loans, loans from fellow subsidiary companies and bonds		
At 1st January	**28,879**	37,859
Bank loans drawn and refinancing	**4,029**	2,206
Bonds issued	**4,676**	–
Repayment of bank loans	**(681)**	(628)
Loans repaid to fellow subsidiary companies	**(6,173)**	(10,875)
Other non-cash movements	**127**	317
	30,857	28,879
Overdrafts	**4**	1
At 31st December	**30,861**	28,880

Net Borrowings

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings as at 31st December 2012 and 2011 were as follows:

Audited Financial Information	**2012 HK$M**	2011 HK$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	**8,607**	5,819
Bonds – unsecured	**4,649**	–
Borrowings from Swire Finance – unsecured	**12,941**	14,431
Borrowings included in current liabilities		
Bank borrowings – unsecured	**2,365**	1,687
Borrowings from Swire Finance – unsecured	**2,299**	6,943
Total borrowings	**30,861**	28,880
Less: cash and cash equivalents	**(1,940)**	(1,180)
Net borrowings	**28,921**	27,700

Sources of Finance

At 31st December 2012, committed loan facilities and debt securities amounted to HK$36,777 million, of which HK$7,338 million (20.0%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$1,408 million. Sources of funds at 31st December 2012 comprised:

Audited Financial Information	Available HK$M	Drawn HK$M	Undrawn Expiring Within One Year HK$M	Undrawn Expiring After One Year HK$M
Facilities from third parties				
Revolving credit and short-term loans	3,960	1,238	337	2,385
Term loans	9,677	8,261	–	1,416
Bonds	4,676	4,676	–	–
Facilities from Swire Finance				
Revolving credit	4,000	800	1,500	1,700
Bonds	12,135	12,135	–	–
Perpetual capital securities	2,329	2,329	–	–
Total committed facilities	36,777	29,439	1,837	5,501
Uncommitted facilities				
Bank loans, overdrafts and other loans	2,952	1,544	1,266	142
Total	39,729	30,983	3,103	5,643

i) Loans and Bonds

For accounting purposes, loans (including those borrowed from Swire Finance under the Loan Agreements) and bonds are classified as follows:

	2012			2011		
Audited Financial Information	**Drawn, Before Unamortised Loan Fees HK$M**	**Unamortised Loan Fees HK$M**	**Carrying Value HK$M**	Drawn, Before Unamortised Loan Fees HK$M	Unamortised Loan Fees HK$M	Carrying Value HK$M
Group						
Bank overdrafts and short-term loans						
– unsecured	1,057	–	1,057	1,023	–	1,023
Long-term loans and bonds at amortised cost	29,926	(122)	29,804	27,941	(84)	27,857
Less: amount due within one year included under current liabilities	(3,607)	–	(3,607)	(7,614)	7	(7,607)
	26,319	(122)	26,197	20,327	(77)	20,250

Included under the Loan Agreements are perpetual capital securities issued by a wholly-owned subsidiary (the "Issuer") of Swire Pacific Limited on 13th May 1997, amounting to US$300 million and bearing cumulative interest at 8.84% per annum. This issue has no scheduled maturity but is redeemable at the option of Swire Pacific Limited or the Issuer either (i) at any time on or after 13th May 2017 or (ii) at any time upon amendment or imposition of certain taxes and, in any case, becomes due in the event of Swire Pacific Limited's or the Issuer's winding up. The perpetual capital securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by Swire Pacific Limited.

At 31st December 2012, the fair value of the perpetual capital securities was HK$2,604 million (2011: HK$2,471 million). They are listed on the Luxembourg Stock Exchange.

ii) Bank Balances and Short-Term Deposits

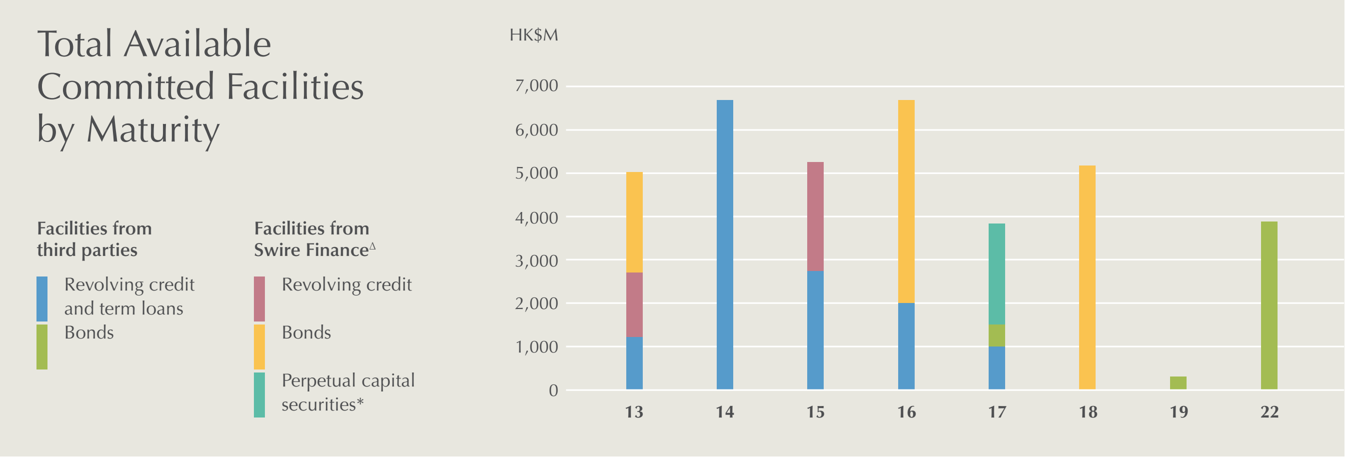
The Group had bank balances and short-term deposits of HK$1,940 million at 31st December 2012, compared to HK$1,180 million at 31st December 2011.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2022 (2011: up to 2018). The weighted average term and cost of the Group's debt are:

	2012	2011
Weighted average term of debt	**3.6 years**	2.9 years
Weighted average term of debt (excluding perpetuals)	**3.5 years**	2.8 years
Weighted average cost of debt	**4.8%**	4.6%
Weighted average cost of debt (excluding perpetuals)	**4.5%**	4.4%

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



△ Facilities from Swire Finance under the Loan Agreements.

* The perpetual capital securities have no fixed maturity date. In the above graph their maturity is presented as their first call date, 13th May 2017.

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

Audited Financial Information	**2012 HK$M**	2011 HK$M
Bank and other borrowings:		
Within 1 year	**2,365**	1,687
1-2 years	**6,603**	93
2-5 years	**2,502**	5,726
After 5 years	**4,151**	–
Borrowings from Swire Finance:		
Within 1 year	**2,299**	6,943
1-2 years	**–**	2,296
2-5 years	**7,773**	4,638
After 5 years	**5,168**	7,497
Total	**30,861**	28,880
Amount due within one year included under current liabilities	**(4,664)**	(8,630)
Amount due after one year included under non-current liabilities	**26,197**	20,250

Currency Profile

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

Audited Financial Information	**2012**		2011	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**21,060**	**68%**	20,598	71%
United States dollar	**1,524**	**5%**	1,182	4%
Renminbi	**8,214**	**27%**	7,040	25%
Others	**63**	**–**	60	–
Total	**30,861**	**100%**	28,880	100%

Finance Charges

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

Audited Financial Information	**2012**		2011	
	HK$M		HK$M	
Fixed	**19,027**	**61%**	19,164	66%
Floating	**11,956**	**39%**	9,800	34%
Sub-total	**30,983**	**100%**	28,964	100%
Interest-free	**–**		–	
Unamortised loan fee	**(122)**		(84)	
Total	**30,861**		28,880	

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

Audited Financial Information	Floating Interest Rates HK$M	Fixed Interest Rates Maturing in: 1 year or Less HK$M	1 to 5 Years HK$M	Over 5 Years HK$M	Total HK$M
At 31st December 2012	**11,877**	**2,186**	**7,478**	**9,320**	**30,861**
At 31st December 2011	9,738	4,997	6,648	7,497	28,880

Interest charged and earned during the year was as follows:

Audited Financial Information	2012 HK$M	2011 HK$M
Interest Charged on:		
Bank loans and overdrafts	**(527)**	(418)
Bonds:		
Wholly repayable within five years	**(4)**	–
Not wholly repayable within five years	**(95)**	–
Loan from a fellow subsidiary company	**(925)**	(1,096)
Loans from jointly controlled companies	**(4)**	(2)
Fair value losses on derivative instruments:		
Cash flow hedges – transferred from other comprehensive income	**(1)**	–
Other financing costs	**(134)**	(104)
Loss on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest in a subsidiary	**(175)**	(259)
Capitalised on:		
Investment properties	**95**	197
Properties under development and for sale	**244**	155
Hotels	**43**	23
	(1,483)	(1,504)
Interest Income on:		
Short-term deposits and bank balances	**11**	12
Loan to a fellow subsidiary company	**–**	2
Loans to jointly controlled companies	**13**	9
Others	**92**	4
	116	27
Net Finance Charges	**(1,367)**	(1,477)

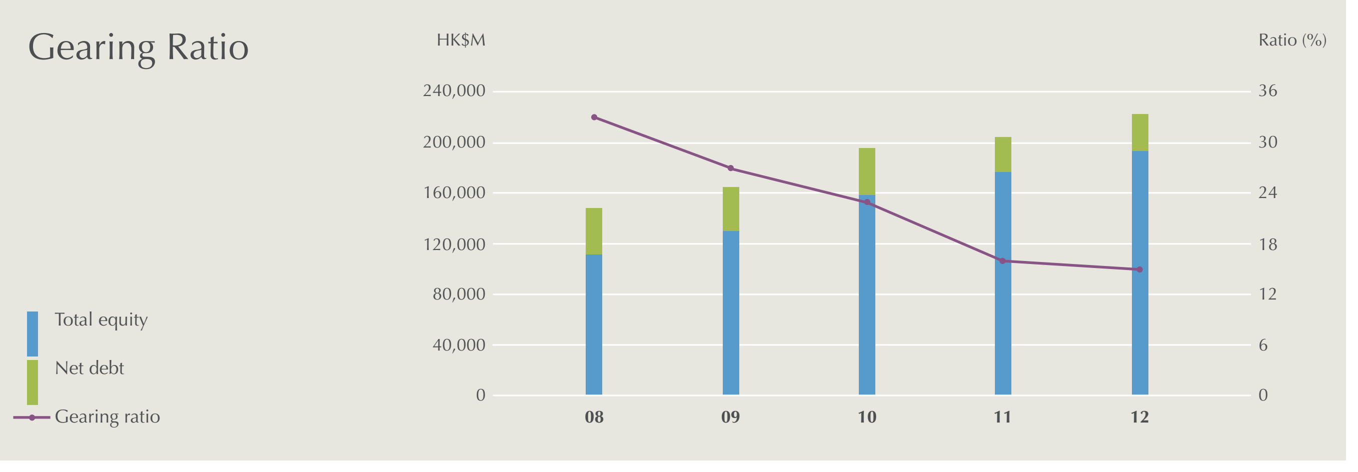
The capitalised interest rates on funds both borrowed generally and used for the development of investment properties, hotels and properties under development and for sale were between 1.10% and 6.21% per annum (2011: 3.65% and 6.20% per annum).

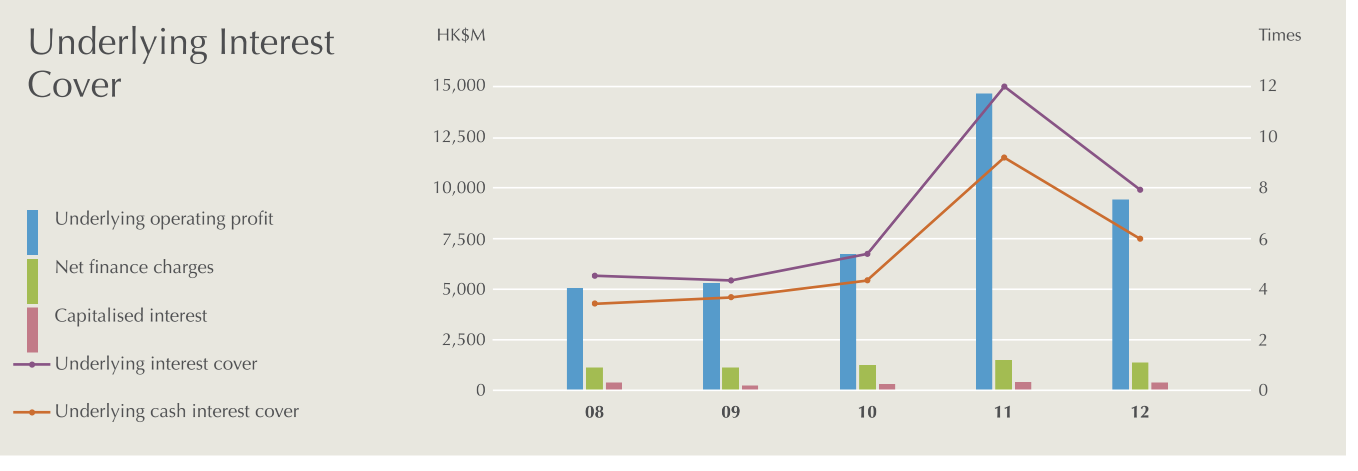
The interest rates per annum, at the year-end date were as follows:

Audited Financial Information	2012 HK$ %	2012 US$ %	2012 RMB %	2012 Others %	2011 HK$ %	2011 US$ %	2011 RMB %	2011 Others %
Bank overdrafts and short-term loans	–	–	**3.14-6.27**	–	–	–	3.14-7.93	–
Long-term loans and bonds	**0.78-5.35**	**1.25**	**3.38-7.38**	**1.81**	0.53-5.35	1.11	5.60-7.87	2.05
Perpetual capital securities	–	**7.22-8.84**	–	–	–	7.22-8.84	–	–

Gearing Ratio and Interest Cover

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





	2012	2011
Gearing ratio*		
Per accounts	**15.0%**	15.7%
Underlying	**14.5%**	15.3%
Interest cover – times*		
Per accounts	**15.7**	18.2
Underlying	**7.9**	12.0
Cash interest cover – times*		
Per accounts	**12.3**	14.5
Underlying	**6.0**	9.2

* Refer to Glossary on page 163 for definition.

Capital Management

Audited Financial Information

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

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

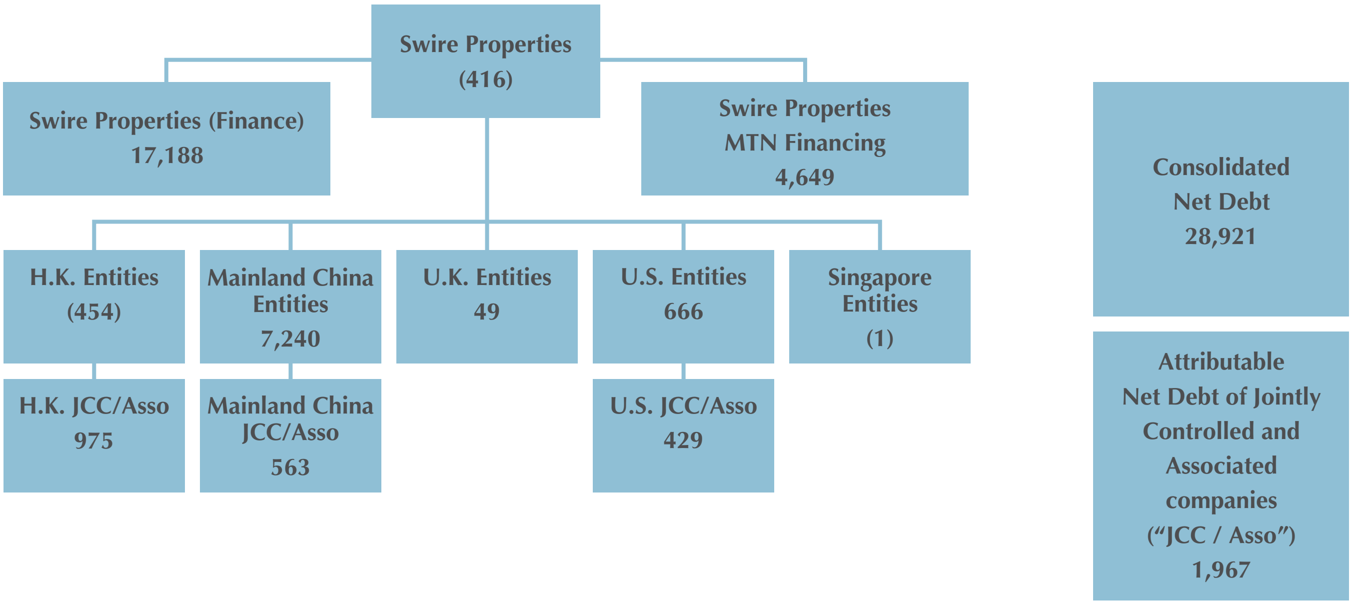
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2012 and 31st December 2011 were as follows:

	2012 HK$M	2011 HK$M
Total borrowings	**30,861**	28,880
Less: Short-term deposits and bank balances	**(1,940)**	(1,180)
Net debt	**28,921**	27,700
Total equity	**193,256**	176,575
Gearing ratio	**15.0%**	15.7%

The decrease in the gearing ratio during 2012 principally reflects the increase in equity due to higher recurring income from investment properties and to trading profits from the sale of units in the AZURA development.

Attributable Net Debt

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



Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties reported in the consolidated statement of financial position does not include the net debt of its jointly controlled and associated companies. These companies had the following net debt positions at the end of 2012 and 2011:

	Total Net Debt of Jointly Controlled and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by Swire Properties	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M
Hong Kong Entities	**1,567**	1,618	**975**	931	**–**	–
Mainland China Entities	**1,126**	794	**563**	397	**–**	–
U.S. Entities	**571**	606	**429**	455	**–**	–
	3,264	3,018	**1,967**	1,783	**–**	–

If the attributable portion of the net debt in jointly controlled and associated companies were to be added to the Group's net debt, gearing would rise to 16.0% and underlying gearing would rise to 15.5%.

Corporate Governance & Sustainability

The Opposite House
Beijing

Corporate Governance

Governance Culture

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

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

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

Corporate Governance Statement

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

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

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

The Company complied with all the code provisions set out in the CG Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

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

The Board of Directors

Role of the Board

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the broad range of stakeholder interests.

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

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

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see pages 73 to 74) and the Remuneration Committee (see pages 70 to 71).

Chairman and Chief Executive

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

C.D. Pratt, the Chairman, is responsible for:

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

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

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

Board Composition

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

The Board comprises the Chairman, five other Executive Directors and eight Non-Executive Directors. Their biographical details are set out on pages 77 and 78 of this report and are posted on the Company's website.

G.M.C. Bradley, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, M.M.S. Low and C.D. Pratt are directors and employees of the John Swire & Sons Limited ("Swire") group. M.B. Swire is a shareholder, director and employee of Swire.

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

The Board considers that five of the eight Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors:

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

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

Appointment and Re-election

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

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

Full details of changes in the Board during the year and to the date of this report are provided in the Directors' Report on page 81.

Responsibilities of Directors

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

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

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

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

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

Details of Directors' other appointments are shown in their biographies on pages 77 to 78.

Board Processes

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

The dates of the 2012 Board meetings were determined in 2011 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met six times in 2012. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 69. Average attendance at Board meetings was 96%. All Directors attended Board meetings in person or through electronic means of communication during the year.

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

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

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

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

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

A typical Board meeting would consist of:

- a review of a report by the Chief Executive on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- the raising of new initiatives and ideas
- the presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for Directors' consideration
- any declarations of interest

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

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

The Chairman meets at least annually with the Non-Executive Directors without the Executive Directors being present.

	Meetings Attended/Held				Continuous Professional Development
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**2012 Annual General Meeting**	**Type of Training (Notes)**
Executive Directors					
C.D. Pratt – Chairman	6/6			√	A,B
M. Cubbon	6/6			√	A,B
M.M.S. Low	6/6			√	A,B
G.M.C. Bradley	6/6			√	A,B
D.C.Y. Ho	6/6			√	A,B
G.J. Ongley	6/6			√	A,B
Non-Executive Directors					
J.W.J. Hughes-Hallett	4/6		2/2	√	B
P.A. Kilgour	6/6	4/4		√	A,B
M.B. Swire	6/6			√	A,B
Independent Non-Executive Directors					
S.E. Bradley	6/6		2/2	√	A,B
J.C.C. Chan	6/6	4/4		√	A,B
H.C. Cheng (resigned with effect from 14th April 2012)	1/2			N/A	B
P.K. Etchells	6/6	4/4		√	A,B
S.T. Fung (appointed on 31st December 2012)	0/0			N/A	B
S.C. Liu	6/6		2/2	√	A,B
Average attendance	96%	100%	100%	100%	

Notes:

A: Receiving training from the Company's external legal adviser about corporate governance requirements and statutory disclosure obligations.

B: Keeping abreast of matters relevant to their role as directors by such means as attendance at seminars and conferences and reading and viewing materials about financial, commercial, economic, legal, regulatory and business affairs.

Continuous Professional Development

All Directors named above have received the training referred to above and have been provided with "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

Directors' and Officers' Insurance

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

Conflicts of Interest

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

Delegation by the Board

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

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

- detailed monthly management accounts consisting of income statements and statements of financial position and cash flows compared to budget and forecast
- internal and external audit reports
- feedback from external parties such as customers, those with whom the Group does business, trade associations and service providers.

Securities Transactions

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

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

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

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

Directors' interests as at 31st December 2012 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 81 to 83.

Remuneration Committee

Full details of Directors' remuneration are provided in note 9 to the accounts.

The Remuneration Committee comprises three Non-Executive Directors, S.C. Liu, S.E. Bradley and J.W.J. Hughes-Hallett. Two of the Committee Members are Independent Non-Executive Directors, one of whom, S.C. Liu, is Chairman. All the members served for the whole of 2012.

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

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

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

A Services Agreement exists between the Company and John Swire & Sons (H.K.) Limited, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors, are seconded to the Company. These staff report to and take instructions from the Board of the Company but remain employees of the Swire group. As a substantial shareholder of the Company, it is in the best interests of the Swire group to ensure that executives of high quality are seconded to and retained within the Swire Properties group.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire group.

Although the remuneration of these executives is not entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre senior management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in November 2012. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 9 to the accounts, was comparable with that paid to equivalent executives in peer group companies.

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

The following fee levels have been approved by the Board:

Fee	**2012 HK$**	2013 HK$
Director's Fee	**500,000**	575,000
Fee for Audit Committee Chairman	**200,000**	240,000
Fee for Audit Committee Member	**150,000**	180,000
Fee for Remuneration Committee Chairman	**65,000**	75,000
Fee for Remuneration Committee Member	**50,000**	58,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

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

Internal Controls

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's system of internal controls with a view to ensuring that shareholders' investments and the Company's assets are safeguarded. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 73 and 74.

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

Since profits are, in part, the reward for successful risk taking in business, the purpose of internal controls is to help manage and control, rather than eliminate, risk. Consequently internal controls can only provide reasonable, and not absolute, assurance against misstatement or loss.

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

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

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

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

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

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

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

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

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

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

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

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

Internal audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 74 to 75.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, P.K. Etchells, J.C.C. Chan and P.A. Kilgour, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, P.K. Etchells is Chairman. All the members served for the whole of 2012.

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

The Audit Committee met four times in 2012. Regular attendees at the meetings were the Director, Finance & Human Resources, the Head of Internal Audit of the Swire group and the external auditors. The Audit Committee meets at least twice a year with the external auditors without the presence of management. Each meeting receives written reports from the external auditors and Internal Audit. The independent property valuers also attended two of the meetings.

The work of the Committee during 2012 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2011 annual and 2012 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's internal controls and risk management systems and its compliance with the CG Code
- the Group's risk management processes
- the approval of the 2013 annual Internal Audit programme and review of progress on the 2012 programme
- periodic reports from Internal Audit and progress in resolving any matters identified in them
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 75
- the Company's compliance with the CG Code, in particular with the amendments which came into effect on 1st April 2012

In 2013, the Committee has reviewed, and recommended to the Board for approval, the 2012 accounts.

Assessing the Effectiveness of Internal Controls

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

This assessment considers:

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

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

Company Secretary

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

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 17 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 21 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 21 professionals include a team based in Mainland China which reports to IA in Hong Kong.

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

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

Scope of Work

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

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Swire Pacific Group Risk Management Committee and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. Nine assignments were conducted for Swire Properties in 2012.

IA specifically assists the Audit Committee in assessing the effectiveness of the Group's internal controls through its review of the process by which management has completed the annual Control Self-Assessment, and the results of this assessment.

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

Audit Conclusion and Response

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

Management is called upon to present action plans in response to IA's recommendations. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

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

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

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

Auditors' Independence

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

Provision of Non-audit Services

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

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

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

Fees paid to the auditors are disclosed in note 7 to the accounts.

Shareholders

Communication with Shareholders and Investors

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

The principal methods used to communicate with shareholders include the following:

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

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

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 10th May 2012. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 69.

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

- receiving the report of the Directors and the audited accounts for the year ended 31st December 2011
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share repurchases
- a general mandate authorising the Directors to allot and issue shares up to 20% of the then issued share capital, provided that the aggregate nominal amount of the shares of any class so allotted wholly for cash would not exceed 5% of the aggregate nominal amount of the shares then in issue

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

Shareholder Engagement

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

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

Shareholder(s) holding not less than one-fortieth of the total voting rights of all members may request the Board to convene an extraordinary general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

Other Information for Shareholders

Key shareholder dates for 2013 are set out on page 164 of this report.

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

Directors and Officer

Executive Directors

PRATT, Christopher Dale, CBE, aged 56, has been a Director of the Company since February 2003 and Chairman of the Company since June 2009. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited, and a Director of Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. He joined the Swire group in 1978 and has worked with the group in Hong Kong, Australia and Papua New Guinea.

CUBBON, Martin, aged 55, has been a Director of the Company since March 2000 and Chief Executive of the Company since June 2009. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Pacific Limited, with responsibility for group finance from September 1998 to March 2009. He joined the Swire group in 1986.

LOW, Mei Shuen Michelle, aged 52, has been a Director of the Company since September 2010 when she was appointed Human Resources Director of the Company. In September 2011, she was appointed Director, Finance & Human Resources of the Company with responsibility for the financial interests and human resources management of the Company. She is also a Director of John Swire & Sons (H.K.) Limited. She joined the Swire group in 1987.

BRADLEY, Guy Martin Coutts, aged 47, has been a Director of the Company since January 2008. He was appointed Chief Executive Officer - Mainland China in June 2011 and is responsible for the Company's Mainland China business. He is also a Director of John Swire & Sons (China) Limited and chief representative of its representative office in Beijing. He joined the Swire group in 1987 and has worked with the group in Hong Kong, Papua New Guinea, Japan, the U.S.A., Vietnam, Mainland China, Taiwan and the Middle East.

HO, Cho Ying Davy, aged 65, has been a Director of the Company since April 2010. He is responsible for relations with joint venture partners and government authorities in Hong Kong and Mainland China. He joined the Swire group in 1970 and has worked with the group in Hong Kong, Mainland China and Taiwan.

ONGLEY, Gordon James, aged 59, has been a Director of the Company since February 2003. He was appointed Chief Operating Officer – Hong Kong in June 2011 and is responsible for the Company's Hong Kong business. He joined the Company in 1995 and has worked with the Company in Hong Kong and Mainland China.

Non-Executive Directors

HUGHES-HALLETT, James Wyndham John, SBS, CMG, aged 63, has been a Director of the Company since July 1998. He is Chairman of John Swire & Sons Limited and a Director of Swire Pacific Limited, Cathay Pacific Airways Limited, Steamships Trading Company Limited and HSBC Holdings plc. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan, Australia and London.

KILGOUR, Peter Alan, aged 57, has been a Director of the Company since February 2001. He is also Finance Director of Swire Pacific Limited, and a Director of Cathay Pacific Airways Limited and John Swire & Sons (H.K.) Limited. He joined the Swire group in 1983.

SWIRE, Merlin Bingham, aged 39, has been a Director of the Company since January 2009. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is a Director and shareholder of John Swire & Sons Limited and Swire Pacific Limited, a Director of Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited, and an Alternate Director of Steamships Trading Company Limited.

Independent Non-Executive Directors

BRADLEY, Stephen Edward, aged 54, has been a Director of the Company since April 2010. He is Senior Representative (China) of Grosvenor Limited, Vice Chairman (Asia Pacific) of ICAP (Hong Kong) Limited and a Director of Husky Energy Inc.

Dr. CHAN, Cho Chak John, GBS, JP, aged 69, has been a Director of the Company since April 2010. He is Chairman and Non-Executive Director of RoadShow Holdings Limited and an Independent Non-Executive Director of Guangdong Investment Limited, Hang Seng Bank Limited and Transport International Holdings Limited (also Deputy Chairman). He is also a Director of Community Chest of Hong Kong.

ETCHELLS, Paul Kenneth, aged 62, has been a Director of the Company since April 2010. He is an Independent Non-Executive Director of China Foods Limited and Samsonite International S.A. He is also an adviser to Cassia Investments Limited. He was employed by the Swire group in Hong Kong from 1976 to 1998. He was employed by The Coca-Cola Company from July 1998 to June 2010 and worked in the U.S.A., Mainland China and Hong Kong.

FUNG, Spencer Theodore, aged 39, has been a Director of the Company since December 2012. He is an Executive Director and Group Chief Operating Officer of Li & Fung Limited. He is also a member of the General Committee of The Hong Kong Exporters' Association.

LIU, Sing Cheong, JP, aged 57, has been a Director of the Company since April 2010. He is Chairman of My Top Home (China) Holdings Limited and an Independent Non-Executive Director of Prada S.p.A. He is also a Director of Hong Kong University of Science and Technology R and D Corporation Limited.

Secretary

FU, Yat Hung David, aged 49, has been Company Secretary since February 2010. He joined the Swire group in 1988.

Notes:

1. The Audit Committee comprises P.K. Etchells (committee chairman), J.C.C. Chan and P.A. Kilgour.
2. The Remuneration Committee comprises S.C. Liu (committee chairman), S.E. Bradley and J.W.J. Hughes-Hallett.
3. G.M.C. Bradley, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, M.M.S. Low, C.D. Pratt and M.B. Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31st December 2012, which are set out on pages 93 to 151.

Principal Activities

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

The principal activities of the Company's major subsidiary, jointly controlled and associated companies are shown on pages 149 to 151. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 8 to the accounts.

Listing of the Company

On 18th January 2012 the shares in the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The listing was by way of introduction, achieved by a dividend in specie to its shareholders by Swire Pacific Limited ("Swire Pacific") of approximately 18% of the total issued shares in the Company. As a result of this dividend in specie, Swire Pacific's shareholding in the Company decreased from 100% to approximately 82%.

Dividends

The Directors have declared a second interim dividend of HK¢38 per share for the year ended 31st December 2012. The second interim dividend will be in lieu of a final dividend. Together with the first interim dividend of HK¢22 per share paid on 4th October 2012, this makes a total dividend for the year of HK¢60 per share. This represents a total distribution for the year of HK$3,510 million. The second interim dividend will be paid on 2nd May 2013 to shareholders registered at the close of business on the record date, being Friday, 5th April 2013. Shares of the Company will be traded ex-dividend as from Tuesday, 2nd April 2013.

Closure of Register of Members

The register of members will be closed on Friday, 5th April 2013, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 3rd April 2013.

To facilitate the processing of proxy voting for the annual general meeting to be held on 7th May 2013, the register of members will be closed from 2nd May 2013 to 7th May 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 30th April 2013.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 37 to the accounts.

Share Capital

During the year under review, the Group did not purchase, sell or redeem any shares in the Company and the Group has not adopted any share option scheme.

As at 31st December 2012, 5,850,000,000 shares were in issue (31st December 2011: 5,850,000,000 shares). Details of the movement of share capital can be found in note 36 to the accounts.

Accounting Policies

The principal accounting policies of the Group are set out on pages 140 to 148.

Auditors

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

Financial Review

A review of the consolidated results, financial position and cash flows is shown on pages 48 to 54. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 4 to 6.

Corporate Governance

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

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

Details of the Company's corporate governance practices are set out on pages 66 to 76.

Donations

During the year, the Group made donations for charitable purposes of HK$23 million and donations towards various scholarships of HK$1 million.

Fixed Assets

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

The annual valuation of the Group's investment property portfolio, whether complete or in the course of development, was carried out by professionally qualified valuers (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value as at 31st December 2012. This valuation resulted in an increase of HK$12,273 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its jointly controlled and associated companies is given on pages 152 to 162.

Borrowings

For details of the Group's borrowings refer to pages 55 to 63.

Interest

Refer to page 60 for details of the amount of interest capitalised by the Group.

Major Customers and Suppliers

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

Directors

The Directors of the Company as at the date of this report are listed on pages 77 and 78. With the exception of S.T. Fung, who was appointed as an Independent Non-Executive Director on 31st December 2012, all the Directors at the date of this report served throughout the calendar year 2012. During the year, H.C. Cheng served as an Independent Non-Executive Director until his resignation with effect from 14th April 2012.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (as listed on page 78) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

The Board considers that all of its Independent Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules.

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third Annual General Meeting following their election by ordinary resolution. In accordance therewith, G.M.C. Bradley, S.E. Bradley, J.C.C. Chan, M. Cubbon, P.K. Etchells, D.C.Y. Ho, J.W.J. Hughes-Hallett, P.A. Kilgour, S.C. Liu, C.D. Pratt, G.J. Ongley and M.B. Swire retire this year and, being eligible, offer themselves for re-election.

S.T. Fung, having been appointed to the Board under Article 91 since the last Annual General Meeting, also retires and offers himself for election.

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

Fees and Emoluments

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

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$2.6 million. They received no other emoluments from the Group.

Directors' Interests

As at 31st December 2012, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Pacific Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial Interest					
	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Issued Capital (%)	Note
Swire Properties Limited						
S.E. Bradley	700	–	–	700	0.00001	
P.K. Etchells	–	8,400	–	8,400	0.00014	
D.C.Y. Ho	14,000	–	–	14,000	0.00024	
P.A. Kilgour	3,500	–	–	3,500	0.00006	
C.D. Pratt	4,200	–	–	4,200	0.00007	
M.B. Swire	–	–	138,855	138,855	0.00237	(1)

	Capacity					
	Beneficial Interest					
	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Issued Capital (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
M.B. Swire	3,140,523	–	19,222,920	22,363,443	22.36	(1)
8% Cum. Preference Shares of £1						
M.B. Swire	846,476	–	5,655,441	6,501,917	21.67	(1)

	Capacity					
	Beneficial Interest					
	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Issued Capital (%)	Note
Swire Pacific Limited						
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
P.K. Etchells	–	12,000	–	12,000	0.0013	
P.A. Kilgour	5,000	–	–	5,000	0.0006	
C.D. Pratt	41,000	–	–	41,000	0.0045	
'B' shares						
D.C.Y. Ho	100,000	–	–	100,000	0.0033	
C.D. Pratt	100,000	–	–	100,000	0.0033	

	Capacity					
	Beneficial Interest					
	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Issued Capital (%)	Note
Hong Kong Aircraft Engineering Company Limited						
D.C.Y. Ho	6,400	–	–	6,400	0.0038	

Note:
(1) M.B. Swire is a trustee of trusts which held 138,855 shares in the Company and 10,766,080 ordinary shares and 3,121,716 preference shares in John Swire & Sons Limited included under "Trust interest" and does not have any beneficial interest in those shares.

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

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

At no time during the year did any Director, other than as stated in this report, have a beneficial interest, whether directly or indirectly, in a contract to which the Company or any of its associated corporations was a party, being a contract which was of significance and in which the Director's interest was material.

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

Directors' Interests in Competing Businesses

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

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31st December 2012 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

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

Notes:

As at 31st December 2012:

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

(2) John Swire & Sons Limited was deemed to be interested in a total of 4,796,765,835 shares in which Swire Pacific Limited was interested, by virtue of the John Swire & Sons Limited group's interest in shares of Swire Pacific Limited representing approximately 44.99% of the issued share capital and approximately 59.43% of the voting rights.

Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. The Company has been granted by the Stock Exchange a waiver from strict compliance with Listing Rule 8.08(1) so as to allow a lower public float percentage of 10% (or such higher percentage as were held by the public upon completion of the listing of the shares of the Company on the Stock Exchange). On such completion on 18th January 2012, the public float percentage was approximately 10.28%.

Following the sale by John Swire & Sons (H.K.) Limited of 234,000,000 shares in the Company (representing 4% of the total issued shares in the Company) on 14th August 2012, the public float of the Company increased from approximately 10.28% to approximately 14.28%.

Following the sale by John Swire & Sons (H.K.) Limited of its entire remaining direct holding of 216,938,788 shares in the Company (representing approximately 3.71% of the total issued shares in the Company) on 4th October 2012, the public float of the Company increased from approximately 14.28% to approximately 17.99%.

Continuing Connected Transactions

During the year ended 31st December 2012, the Group had the following continuing connected transactions, details of which are set out below:

(a) JSSHK Services Agreement

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and its subsidiaries advice and expertise of the directors and senior officers of the Swire group, full- or part-time services of members of the staff of the Swire group, other administrative and similar services and such other services as may have been agreed from time to time, and procured for the Company and its subsidiary, jointly controlled and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. The procuration obligation would fall away if the Services Agreement were terminated or not renewed.

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

The Services Agreement, which was entered into between JSSHK and the Company on 1st December 2004, took effect from 1st January 2005, was renewed on 1st October 2007, was amended and restated with effect from 1st January 2010, and was renewed again on 1st October 2010. The current term of the Services Agreement is from 1st January 2011 to 31st December 2013 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2012 are given in note 42 to the accounts.

(b) JSSHK Tenancy Framework Agreement

The Company and JSSHK entered into a tenancy framework agreement (the "JSSHK Tenancy Framework Agreement") on 18th October 2011 to govern existing and future tenancy agreements between members of the Group and members of the JSSHK group (excluding the Swire Pacific group) for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the JSSHK Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the JSSHK group (excluding the Swire Pacific group) from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is renewable for successive periods of six years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

For the year ended 31st December 2012, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement totalled HK$71 million.

(c) Swire Pacific Tenancy Framework Agreement

The Company and Swire Pacific entered into a tenancy framework agreement (the "Swire Pacific Tenancy Framework Agreement") on 18th October 2011 to govern existing and future tenancy agreements between members of the Group and members of the Swire Pacific group (excluding the Group) for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the Swire Pacific Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the Swire Pacific group (excluding the Group) from time to time on normal commercial terms based on prevailing market rentals. The Swire Pacific Tenancy Framework Agreement is renewable for successive periods of six years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

For the year ended 31st December 2012, the aggregate rentals payable to the Group under the tenancies pursuant to the Swire Pacific Tenancy Framework Agreement totalled HK$63 million.

As at 31st December 2012, the Swire group owned approximately 44.99% of the issued capital of Swire Pacific and approximately 59.43% of voting rights attached to such issued share capital and Swire Pacific owned approximately 82.00% of the issued share capital of the Company. JSSHK, as a wholly-owned subsidiary of Swire, and Swire Pacific are therefore connected persons of the Company under the Listing Rules. The transactions under the Services Agreement, JSSHK Tenancy Framework Agreement and Swire Pacific Tenancy Framework Agreement are continuing connected transactions, the particulars of which are set out in the listing document of the Company dated 21st December 2011.

As directors and/or employees of the Swire group, G.M.C. Bradley, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, M.M.S. Low, C.D. Pratt, and M.B. Swire are interested in the Services Agreement and the JSSHK Tenancy Framework Agreement. M.B. Swire is also interested as a shareholder of Swire.

As directors of Swire Pacific, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, C.D. Pratt and M.B. Swire are interested in the Swire Pacific Tenancy Framework Agreement.

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

The auditors of the Company have also reviewed these transactions and confirmed to the Board that these transactions have been approved by the Board of the Company and have been entered into in accordance with the relevant agreements governing the transactions; that they are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group); and that they have not exceeded the relevant annual caps disclosed in the listing document of the Company dated 21st December 2011.

On behalf of the Board

Christopher Pratt
Chairman
Hong Kong, 14th March 2013

Sustainable Development

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

Our commitment to sustainable development means that we incorporate social, economic and environmental risks and benefits into our business decision-making. We take these considerations into account through all phases of a development project: from inception, design, procurement, construction and occupation to demolition or conversion. Our approach is reflected in our sustainable development policy and supported by our environment and health and safety policies and by our supplier code of conduct, all of which are available, together with additional information, on our website: http://www.swireproperties.com/en/sustainability/commitments/pages/index.aspx.

We will publish a separate 2012 Sustainable Development Report later this year.

Sustainable Development Steering Committee

Our sustainable development steering committee is responsible for balancing social, economic and environmental risks and benefits in our business decision-making process, and for monitoring our performance. The committee is convened by the General Manager of Technical Services and Sustainability and includes our Chief Operating Officer – Hong Kong, representatives from the Human Resources & Administration, Development & Valuations, Projects and Portfolio Management departments and from Swire Hotels. In order to facilitate the sharing of best practices with the remainder of the Swire group, the head of the sustainable development office of John Swire & Sons (H.K.) Ltd. is also a member of the committee.

Environment

As a leading property developer, we recognise the need to reduce our environmental impact and to incorporate sustainable practices in our developments.

We aim to minimise our use of natural resources, to reduce or prevent pollution, to manage waste effectively and to make environmental considerations an integral part of our decision-making process.

Actions taken on climate change and environmental protection in 2012 include the following:

1. Our TaiKoo Hui property in Guangzhou achieved LEED's (Leadership in Energy and Environmental Design) Gold certification. The office tower and shopping mall at our INDIGO development in Beijing achieved LEED's Platinum and LEED's Gold certification respectively.
2. Our Joint Research Centre (with Tsinghua University) for Building Energy Efficiency and Sustainability uncovered potential annual energy savings of 5.8 million kWh at our Hong Kong properties.
3. We established a waste management team with a view to increasing the recovery of waste and to reducing its disposal.

TaiKoo Hui Towers 1 & 2 achieved

LEED Gold ratings

Guangzhou

4. By the end of 2012 we had conducted free energy audits for tenants occupying 2.36 million sq ft of space and had identified annual potential energy savings equivalent to over 2.5 million kWh and 2,210 tonnes of CO_2e.

Health & Safety

Health and safety is a high priority for our business. In 2012, we issued a new health and safety policy for the whole Group.

We are committed to continuous improvement of our health and safety practices. To this end, in 2012 we began to implement safety management systems at our Sanlitun Village and TaiKoo Hui developments in Mainland China.

In 2012 in Hong Kong, we conducted over 110 noise risk assessments and approximately 650 confined space risk assessments.

In 2012, we conducted more than 120 health and safety inspections to assess our health and safety performance and to identify areas for improvement.

Communities

Swire Properties is a long-term patron of the arts. We aim to engage those who live in, work in and visit our properties by providing enjoyable, lively and diverse arts programmes. Our staff volunteer in the community and we promote education and environmental awareness. By spending time and money on doing this, we aim to contribute to the well-being of the communities in which we operate.

40th Anniversary

2012 marked Swire Properties' 40th anniversary. We celebrated this milestone with our staff, our friends and the wider community – the people who have helped us thrive over the past four decades. We did so by holding a lively party in December on Tong Chong Street at Island East, home of our head office and where the company was founded in 1972. The party featured live musical and dance performances, children's entertainment, games and arts workshops, and food and drink stalls. It was open to the public, and visitors had a chance to enjoy the family entertainment and carnival atmosphere.

Our anniversary celebration enabled us to give something back to our local communities. We raised funds by selling a limited edition T-shirt designed by Hong Kong artist Tania Willis, by raffling a Fiat 500 BiColour, by seeking donations from our food and beverage tenants and by contributions from the public, which were matched dollar by dollar by the Company. We raised HK$500,000 for our two chosen charities, Operation Santa Claus and Habitat for Humanity China.

Arts and Culture

We believe that arts and cultural activities can enrich the communities in which we operate and can educate and inspire young people.

Between September and December 2012, we sponsored the Island East Markets in Hong Kong, a green and arts initiative of the Hong Kong Markets Organisation. The markets, held on Tong Chong Street, aimed to promote small Hong Kong businesses, local organic farmers and local musicians and other artists. The event provided an opportunity for them to engage the community. Farmers introduced local seasonal produce while Hong Kong artisans demonstrated their designs and craftsmanship. There were live performances by local musicians and other artists. We provided the venue free, supported the markets logistically and gave them publicity and event management advice. Ten markets were held, 125 vendors participated and there were approaching 25,000 visitors.

We regularly monitor the
safety performance
of our employees and contractors in the workplace

Hong Kong & Mainland China

Sponsored the green and arts initiative,
Island East Markets,
in Hong Kong

Hong Kong

In October 2012, 13 concerts were held at The Orange in Sanlitun Village in Beijing as part of the Beijing Music Festival. They included a performance of Noye's Fludde by Benjamin Britten, which was followed by a parade of members of the cast and young members of the audience carrying paper lanterns and kites. Twenty migrant children from Yanjing Little Swan Public Welfare School were our guests at the opera and the parade.

Volunteer Service

The Swire Properties Community Ambassador Programme involves employees, their family members and friends, those with whom we do business and other Swire companies in helping the elderly, the disabled, children and disadvantaged families in the communities in which we operate. We design some of the activities ourselves and work with NGOs on others.

In Hong Kong in 2012, nearly 1,200 of our Community Ambassadors took part in 38 activities, contributing almost 6,000 hours to community service. The activities included "Be My Friend", which aimed to help the elderly in the Island East district and was organised (for the fourth year) in conjunction with HKYWCA Ming Yue District Elderly Community Centre. Our Ambassadors, with students from Taikoo Primary School and young volunteers from The Boys' and Girls' Clubs Association, visited elderly participants in their homes and gave them Christmas gifts made by young volunteers.

In Mainland China in 2012, nearly 150 of our Community Ambassadors took part in nine activities, contributing almost 450 hours to community service. In Beijing, the activities included a visit to senior residents of the Beijing Shijiang Social Welfare Institute. The Ambassadors, with a professional floral designer, helped the residents to arrange flowers, photographed the arrangements and used the photographs to make greeting cards, which were given to the residents as souvenirs.

Environmental Awareness and Education Programmes

In October 2012, we started to sponsor Sports for All, which organises sports and coaching for children in Shanghai. We were the first company to sponsor Sports for All in the Jing'an District in Shanghai. 250 8 to 15 year old children are involved in the programme.

Hosted the Beijing Music Festival's first-ever children's opera,

Noye's Fludde

Beijing

Organised the

Be My Friend Programme – a long-term neighbourhood initiative for the elderly

Hong Kong

In Miami, Florida, Swire Properties Inc., in conjunction with Florida Power & Light Company, Florida's largest public utility, hosted an event which focused on sustainability and energy efficiency. The event demonstrated our commitment to good environmental practices at our Brickell CityCentre development. These include collecting and reusing rainwater, incorporation of public transportation in the development and using an elevated trellis to make the shopping centre open air (so saving energy by reducing the need for air conditioning).

Suppliers

We include our suppliers in our approach to sustainable development. Our approach addresses issues such as ethical conduct, labour standards, human rights, product responsibility and environmental impacts.

We have a supply chain sustainability committee, chaired by the General Manager of Technical Services and Sustainability and including representatives from departments in Hong Kong and Mainland China. These representatives head a number of subcommittees, which are responsible for various supplier relationships.

Through our Supply Chain Sustainability Programme, we seek commitments to sustainable development from our suppliers. We address sustainability issues and manage risk in our supply chain through supplier self-assessments, supported by our Supplier Code of Conduct. We incorporate our Supplier Code of Conduct in our contracts with our suppliers in Hong Kong and Mainland China. In case of non-compliance, the supplier must submit a corrective action plan and implement it within an agreed period, or risk termination of the contract.

Employees

We employ over 4,500 people in Hong Kong, Mainland China, the U.S. and the U.K. Attracting and developing talented employees is central to our success. We are an equal opportunities employer and aim to provide an environment at work that is respectful, challenging, rewarding and safe. We have policies covering training and development, labour practices, human rights and workplace health and safety. In 2012, we organised over 200 in-house professional development courses for employees in Hong Kong, Mainland China and at Swire Hotels and promoted or transferred internally 12% of our employees.

Financial Contents


Pacific Place
Hong Kong

Independent Auditor's Report

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

We have audited the accounts of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 93 to 151, which comprise the consolidated and company statements of financial position as at 31st December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Accounts

The directors of the Company are responsible for the preparation of accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

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

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 14th March 2013

Consolidated Income Statement

For the year ended 31st December 2012

	Note	2012 HK$M	2011 HK$M
Turnover	4	**14,052**	9,581
Cost of sales	5	**(3,770)**	(2,334)
Gross profit		**10,282**	7,247
Administrative expenses		**(873)**	(1,029)
Other operating expenses		**(214)**	(130)
Profit on sale of interest in Festival Walk		**–**	595
Other net gains/(losses)	6	**40**	(83)
Change in fair value of investment properties		**12,273**	20,345
Operating profit		**21,508**	26,945
Finance charges		**(1,483)**	(1,504)
Finance income		**116**	27
Net finance charges	10	**(1,367)**	(1,477)
Share of profits less losses of jointly controlled companies		**660**	851
Share of profits less losses of associated companies		**161**	156
Profit before taxation		**20,962**	26,475
Taxation	11	**(1,863)**	(1,296)
Profit for the year		**19,099**	25,179
Profit for the year attributable to:			
The Company's shareholders	37	**18,763**	25,126
Non-controlling interests	38	**336**	53
		19,099	25,179
Dividends			
Special interim – paid		**–**	10,014
First interim – declared on 15th March 2012		**–**	1,053
First interim – paid		**1,287**	–
Second interim – declared on 14th March 2013		**2,223**	–
	13	**3,510**	11,067
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	14	**3.21**	4.40

The notes on pages 99 to 139 and the principal accounting policies on pages 140 to 148 form part of these accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2012

	2012 HK$M	2011 HK$M
Profit for the year	**19,099**	25,179
Other comprehensive income		
Cash flow hedges		
– fair value losses recognised during the year	**(84)**	–
– transferred to net finance charges	**1**	–
– deferred tax	**14**	–
Revaluation of properties previously occupied by the Group		
– gain recognised during the year	**36**	186
– deferred tax	**(8)**	–
Share of other comprehensive income of jointly controlled and associated companies	**30**	276
Net translation differences on foreign operations	**160**	517
Other comprehensive income for the year, net of tax	**149**	979
Total comprehensive income for the year	**19,248**	26,158
Total comprehensive income attributable to:		
The Company's shareholders	**18,911**	26,105
Non-controlling interests	**337**	53
	19,248	26,158

Note: Other than cash flow hedges and revaluation of properties previously occupied by the Group as disclosed above, items shown within other comprehensive income have no tax effect.

The notes on pages 99 to 139 and the principal accounting policies on pages 140 to 148 form part of these accounts.

Consolidated Statement of Financial Position

As at 31st December 2012

	Note	2012 HK$M	2011 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**6,837**	6,615
Investment properties	16	**202,296**	187,488
Leasehold land and land use rights	17	**–**	3
Intangible assets	18	**8**	7
Properties held for development	19	**188**	124
Jointly controlled companies	21	**14,878**	13,000
Associated companies	22	**721**	639
Available-for-sale assets	24	**9**	9
Deferred tax assets	34	**68**	57
Retirement benefit assets	35	**117**	108
		225,122	208,050
Current assets			
Properties under development and for sale	25	**6,948**	6,848
Stocks and work in progress	26	**69**	69
Trade and other receivables	27	**2,930**	1,945
Amount due from immediate holding company – Swire Pacific Limited	28	**51**	142
Cash and cash equivalents	29	**1,940**	1,180
		11,938	10,184
Current liabilities			
Trade and other payables	30	**7,155**	8,088
Taxation payable		**710**	445
Bank overdrafts and short-term loans	31	**1,057**	1,023
Long-term loans due within one year	31	**1,308**	664
Loans due to a fellow subsidiary company – Swire Finance Limited	32	**2,299**	6,943
		12,529	17,163
Net current liabilities		**(591)**	(6,979)
Total assets less current liabilities		**224,531**	201,071
Non-current liabilities			
Long-term loans and bonds	31	**13,256**	5,819
Loans due to a fellow subsidiary company – Swire Finance Limited	32	**12,941**	14,431
Derivative financial instruments	33	**83**	–
Deferred tax liabilities	34	**4,995**	4,246
		31,275	24,496
NET ASSETS		**193,256**	176,575
EQUITY			
Share capital	36	**5,850**	5,850
Reserves	37	**186,764**	170,193
Equity attributable to the Company's shareholders		**192,614**	176,043
Non-controlling interests	38	**642**	532
TOTAL EQUITY		**193,256**	176,575

Christopher D. Pratt
Paul K. Etchells
Directors

Hong Kong, 14th March 2013

The notes on pages 99 to 139 and the principal accounting policies on pages 140 to 148 form part of these accounts.

Company Statement of Financial Position

As at 31st December 2012

	Note	2012 HK$M	2011 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**55**	74
Intangible assets	*18*	**8**	7
Subsidiary companies	*20*	**48,248**	45,005
Jointly controlled companies	*21*	**467**	492
Associated companies	*22*	**179**	179
Retirement benefit assets	*35*	**106**	99
		49,063	45,856
Current assets			
Trade and other receivables	*27*	**124**	92
Amount due from immediate holding company – Swire Pacific Limited	*28*	**26**	–
Tax recoverable		**–**	3
Cash and cash equivalents	*29*	**416**	267
		566	362
Current liabilities			
Trade and other payables	*30*	**3,391**	2,992
Taxation payable		**7**	–
		3,398	2,992
Net current liabilities		**(2,832)**	(2,630)
Total assets less current liabilities		**46,231**	43,226
Non-current liabilities			
Deferred tax liabilities	*34*	**19**	19
NET ASSETS		**46,212**	43,207
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	*36*	**5,850**	5,850
Reserves	*37*	**40,362**	37,357
TOTAL EQUITY		**46,212**	43,207

Christopher D. Pratt
Paul K. Etchells
Directors
Hong Kong, 14th March, 2013

The notes on pages 99 to 139 and the principal accounting policies on pages 140 to 148 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31st December 2012

	Note	2012 HK$M	2011 HK$M
Operating activities			
Cash generated from operations	43(a)	**8,116**	7,396
Interest paid		**(1,576)**	(1,664)
Interest received		**27**	38
Profits tax paid		**(875)**	(485)
		5,692	5,285
Dividends received from jointly controlled and associated companies and available-for-sale assets		**153**	415
Net cash from operating activities		**5,845**	5,700
Investing activities			
Purchase of property, plant and equipment	43(b)	**(488)**	(548)
Additions to investment properties		**(2,516)**	(4,717)
Purchase of intangible assets		**(5)**	(5)
Proceeds from disposals of property, plant and equipment		**16**	1
Proceeds from disposal of Festival Walk		**–**	18,305
Purchase of shares in jointly controlled companies		**(5)**	–
Loans to jointly controlled companies		**(1,387)**	(2,294)
Repayment of loans by jointly controlled companies		**129**	1,169
Initial leasing costs incurred		**(115)**	(193)
Net cash (used in)/generated from investing activities		**(4,371)**	11,718
Net cash inflow before financing		**1,474**	17,418
Financing activities			
Bank loans drawn and refinancing		**4,029**	2,206
Bonds issued		**4,676**	–
Repayment of bank loans		**(681)**	(628)
	43(c)	**8,024**	1,578
Proceeds from issuance of ordinary shares		**–**	4,500
Capital contribution from non-controlling interests	38	**–**	12
Decrease in loans due to a fellow subsidiary company – Swire Finance Limited		**(6,173)**	(10,875)
Dividends paid to the Company's shareholders	37	**(2,340)**	(12,439)
Dividends paid to non-controlling interests	43(c)	**(227)**	(12)
Net cash used in financing activities		**(716)**	(17,236)
Increase in cash and cash equivalents		**758**	182
Cash and cash equivalents at 1st January		**1,179**	1,023
Currency adjustment		**(1)**	(26)
Cash and cash equivalents at 31st December		**1,936**	1,179
Represented by:			
Bank balances and short-term deposits maturing within three months	29	**1,940**	1,180
Bank overdrafts		**(4)**	(1)
		1,936	1,179

The notes on pages 99 to 139 and the principal accounting policies on pages 140 to 148 form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2012

	Note	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 2012		**5,850**	**163,004**	**7,189**	**176,043**	**532**	**176,575**
Profit for the year		**–**	**18,763**	**–**	**18,763**	**336**	**19,099**
Other comprehensive income		**–**	**–**	**148**	**148**	**1**	**149**
Total comprehensive income for the year	*37, 38*	**–**	**18,763**	**148**	**18,911**	**337**	**19,248**
Dividend paid		**–**	**(2,340)**	**–**	**(2,340)**	**(227)**	**(2,567)**
At 31st December 2012		**5,850**	**179,427**	**7,337**	**192,614**	**642**	**193,256**

	Note	Attributable to the Company's shareholder					
		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 2011		5,690	150,317	1,870	157,877	479	158,356
Profit for the year		–	25,126	–	25,126	53	25,179
Other comprehensive income		–	–	979	979	–	979
Total comprehensive income for the year	*37, 38*	–	25,126	979	26,105	53	26,158
Dividend paid		–	(12,439)	–	(12,439)	(12)	(12,451)
Capital contribution		160	–	4,340	4,500	12	4,512
At 31st December 2011		5,850	163,004	7,189	176,043	532	176,575

The notes on pages 99 to 139 and the principal accounting policies on pages 140 to 148 form part of these accounts.

Notes to the Accounts

1. Changes in Accounting Standards

(a) The following relevant amendments were required to be adopted by the Group effective from 1st January 2012:

HKAS 12 (Amendment)	Income taxes
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

The Group early adopted the amendment to HKAS 12 in 2010.

HKFRS 7 (Amendment) introduces new disclosure requirements on transfers of financial assets. Disclosure is required (by class of asset) of the nature and carrying amount of, and a description of the risks and rewards of, financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be disclosed. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). It also introduces new disclosures in respect of risk exposures arising from transferred financial assets that are either fully derecognised or derecognised not in their entirety, yet the entity still has continuing involvement in them. The amendment has had no significant impact on the results and financial position of the Group.

(b) The following amended HKFRS is effective but not relevant to the Group's operations:

HKFRS 1 (Amendment), Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters, is effective but not relevant to the Group's operations because the Group is not a first time adopter.

(c) The Group has not early adopted the following relevant new and revised standards and amendments that have been issued but are not yet effective:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
HKAS 1 (Amendment)	Presentation of Financial Statements[1]
HKAS 19 (revised 2011)	Employee Benefits[1]
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurements[1]
Amendments to HKFRS10 HKFRS11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]

[1] To be applied by the Group from 1st January 2013.
[2] To be applied by the Group from 1st January 2014.
[3] To be applied by the Group from 1st January 2015.

The improvements to HKFRSs 2009 to 2011 cycles consist of six amendments to five existing standards. It is not expected that these amendments will have a significant impact on the results and financial position of the Group.

The amendment to HKAS 1 focuses on improving the presentation of components of other comprehensive income items. It requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to the profit or loss account subsequently or not. It is not expected that this amendment will have a significant impact on the results and financial position of the Group.

1. Changes in Accounting Standards *(continued)*

HKAS 19 was amended in June 2011. The impact on the Group's defined benefit plans and post employment benefits will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. In addition, it will remove the accounting policy choice that currently permits only the recognition of actuarial gains and losses outside the 10% 'corridor' to be recognised in the Income Statement. Instead all such remeasurements will be required to be recognised in other comprehensive income, when they occur. The revised standard is required to be applied retrospectively. Had the standard been applied in 2012, profits for the year would have been lower by approximately HK$10 million, other comprehensive income would have been lower by approximately HK$13 million, and the net retirement benefit asset at 31 December 2012 of HK$117 million would have been a net retirement benefit liability of HK$99 million.

HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. It is not expected that this amendment will have a significant impact on the results and financial position of the Group.

The amendment to HKAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". It is not expected that this amendment will have a significant impact on the results and financial position of the Group.

The amendment to HKFRS 7 require entities to disclose quantitative information about financial assets and financial liabilities that are offset in the statement of financial position or subject to enforceable master netting agreement or similar arrangement. It is not expected that this amendment will have a significant impact on the results and financial position of the Group.

HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess the full impact of the new standard.

HKFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the Consolidated Financial Statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. It is not expected that the new standard will have a significant effect on the Group's results and net assets.

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. It is not expected that this new standard will have a significant impact on the results and financial position of the Group.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is not expected that this new standard will have a significant impact on the results and financial position of the Group.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use in all relevant HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how fair value should be measured where its use is already required or permitted by other standards in HKFRSs. It also provides new disclosure requirements. It is not expected that this new standard will have a significant impact on the results and financial position of the Group.

1. Changes in Accounting Standards *(continued)*

The amendments to HKFRSs 10, 11 and 12 provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. It is not expected that these amendments will have a significant impact on the results and financial position of the Group.

(d) There are no revised standards and amendments which have been issued but are not yet effective that are relevant to the Group.

2. Financial Risk Management

Financial risk factors

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

Risk management is carried out under policies approved by the Board of Directors of the Group in conjunction with policies approved by the Board of Directors of its immediate holding company. The Board of Directors identify and evaluate financial risks and maintain and develop the Group's financial risk management policies and procedures which are implemented by the Group.

(i) Interest rate exposure

The Group's interest rate risk arises mainly from borrowings from banks and a fellow subsidiary, and bonds issuance. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose to the Group to fair value interest rate risk. The Group earns interest income on cash deposits and loans due from jointly controlled companies.

The Group entered into cross-currency swap contracts in relation to USD medium-term notes issued and manages its interest rate risk by closely monitoring the movement of interest rates. The parent company of the Company uses interest rate swaps to manage the long-term interest rate exposure on behalf of the Company. The effects of these interest rate swaps are reflected in the intercompany interest charged.

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

	100 basis-points increase in interest rates HK$M	100 basis-points decrease in interest rates HK$M
At 31st December 2012		
Impact on income statement: (loss)/gain	(100)	100
Impact on equity: gain/(loss)	7	(5)
At 31st December 2011		
Impact on income statement: (loss)/gain	(86)	86
Impact on equity: (loss)/gain	–	–

2. Financial Risk Management *(continued)*

(i) Interest rate exposure (continued)

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

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

(ii) Currency exposure

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, net investments in foreign operations and the USD medium-term notes issued. The Group has no significant direct exposure to foreign currencies as these are managed by a fellow subsidiary and hedged by the cross-currency swap contracts entered into by the Group. Indirectly through the borrowings from its fellow subsidiary, the Group hedges highly probable transactions in each major currency where their value or time to execution gives rise to a significant currency exposure, provided that the cost of the foreign exchange forward or derivative contract is not prohibitively expensive having regard to the underlying exposure.

As at 31st December 2012, the Group had hedged its significant foreign currency funding exposures. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Foreign currency funding and deposit exposure are monitored on a continuous basis. The interest charged on the Group's borrowings from its fellow subsidiary reflects, among other things, the Group's proportionate share of the relevant currency hedging costs or savings.

The impact on the Group's income statement and equity of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.7514 (2011:7.77), with all other variables held constant, would have been:

	Strengthening in HK$ to lower peg limit (7.75) HK$M	**Weakening in HK$ to upper peg limit (7.85) HK$M**
At 31st December 2012		
Impact on income statement: loss	**–**	**(9)**
Impact on equity: gain	**1**	**12**
At 31st December 2011		
Impact on income statement: (loss)/gain	–	–
Impact on equity: (loss)/gain	–	–

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

– All foreign currency cash flow hedges are expected to be highly effective.
– Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the company and its subsidiary companies.

2. Financial Risk Management *(continued)*

(iii) Credit exposure

The Group's credit risk is mainly attributable to trade debtors, deposits with financial institutions, receivables from jointly controlled companies and associated companies. The exposure to these credit risks is closely monitored on an ongoing basis by established credit policies. For financial institutions, only independently rated parties with good credit ratings are accepted. Tenants are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. The Group does not grant credit terms to its customers, except to corporate customers in the hotel business where commercial trade credit terms are given. The Group also holds rental deposits as security against trade debtors. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, jointly controlled companies and associated companies through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

(iv) Liquidity exposure

The Group takes liquidity risk into consideration when deciding its sources of funds and their respective tenors. The tables below analyse the contractual undiscounted cash flows of the Group's and the Company's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group and the Company can be required to pay:

Group
At 31st December 2012

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	30	1,064	1,064	1,064	–	–	–
Amount due to intermediate holding company	30	161	161	161	–	–	–
Amount due to a fellow subsidiary company	30	79	79	79	–	–	–
Amount due to a jointly controlled company	30	2	2	2	–	–	–
Amount due to an associated company	30	41	41	41	–	–	–
Interest-bearing advances from a jointly controlled company	30	350	350	350	–	–	–
Advances from non-controlling interests	30	240	240	240	–	–	–
Rental deposits from tenants	30	1,953	2,094	447	442	909	296
Accrued capital expenditure	30	763	763	763	–	–	–
Other payables	30	1,390	1,390	1,390	–	–	–
Non-controlling interest put option	30	1,112	1,157	1,157	–	–	–
Borrowings (including interest obligations)	31	15,621	18,113	3,055	7,036	3,091	4,931
Loans due to a fellow subsidiary company (including interest obligations)	32	15,240	18,215	3,003	677	9,272	5,263
Derivative financial instruments	33	83	83	–	–	–	83
		38,099	43,752	11,752	8,155	13,272	10,573

2. Financial Risk Management *(continued)*

(iv) Liquidity exposure (continued)

Group
At 31st December 2011

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	30	1,788	1,788	1,788	–	–	–
Amount due to intermediate holding company	30	79	79	79	–	–	–
Amount due to a fellow subsidiary company	30	102	102	102	–	–	–
Amount due to a jointly controlled company	30	2	2	2	–	–	–
Interest-bearing advance from a jointly controlled company	30	225	225	225	–	–	–
Advances from non-controlling interests	30	234	234	234	–	–	–
Rental deposits from tenants	30	1,780	1,908	379	380	809	340
Accrued capital expenditure	30	1,215	1,215	1,215	–	–	–
Other payables	30	1,726	1,726	1,726	–	–	–
Non-controlling interest put option	30	937	974	974	–	–	–
Borrowings (including interest obligations)	31	7,506	8,437	2,084	464	5,889	–
Loans due to a fellow subsidiary company (including interest obligations)	32	21,374	25,144	7,737	3,000	6,491	7,916
		36,968	41,834	16,545	3,844	13,189	8,256

Company
At 31st December 2012

	Note	**Carrying amount HK$M**	**Total contractual undiscounted cash flow HK$M**	**Within 1 year or on demand HK$M**	**More than 1 year but less than 2 years HK$M**	**More than 2 years but less than 5 years HK$M**	**More than 5 years HK$M**
Amount due to intermediate holding company	30	**161**	**161**	**161**	**–**	**–**	**–**
Amounts due to subsidiary companies	30	**3,087**	**3,087**	**3,087**	**–**	**–**	**–**
Amounts due to an associated company	30	**41**	**41**	**41**	**–**	**–**	**–**
Other payables	30	**102**	**102**	**102**	**–**	**–**	**–**
		3,391	**3,391**	**3,391**	**–**	**–**	**–**

At 31st December 2011

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amount due to intermediate holding company	30	79	79	79	–	–	–
Amounts due to subsidiary companies	30	2,586	2,586	2,586	–	–	–
Other payables	30	327	327	327	–	–	–
		2,992	2,992	2,992	–	–	–

3. Critical Accounting Estimates and Judgements

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

3. Critical Accounting Estimates and Judgements *(continued)*

(a) Estimates of fair value of investment properties

DTZ Debenham Tie Leung ("DTZ"), an independent property valuer, was engaged to carry out an independent valuation of the major portion of the Group's investment property portfolio as at 31st December 2012. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion".

DTZ has derived the valuation of the Group's completed investment property portfolio by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions as available in the relevant property market. They make assumptions principally in respect of open market rents and yields.

DTZ has derived the valuation of the Group's investment properties under construction by making reference to recent comparable sales transactions as available in the relevant property market (on the assumption it had already been completed at the valuation date), and has also taken into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project. Where the valuation is prepared based on the assumption that the property's title certificate has been received but this is not the case, the Group has made an estimate of the future land cost and deducted from the valuation.

Management has reviewed the DTZ valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the DTZ valuation of the Group's investment property portfolio is reasonable.

(b) Impairment of assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Assets, including land and properties not held at fair value, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined using fair value less costs to sell or value-in-use calculations as appropriate.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year in which the outcomes become known.

4. Turnover

The Company is a limited liability company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 149 to 151.

Turnover represents sales by the Company and its subsidiary companies to external customers and comprises revenue from:

	Group	
	2012 HK$M	2011 HK$M
Gross rental income from investment properties	**9,015**	8,557
Property trading	**4,147**	213
Hotels	**782**	717
Rendering of other services	**108**	94
	14,052	9,581

5. Cost of Sales

The following table illustrates the cost of sales for the year:

	Group	
	2012 HK$M	2011 HK$M
Direct rental outgoings in respect of investment properties that		
– generated rental income	**(1,490)**	(1,471)
– did not generate rental income	**(102)**	(46)
	(1,592)	(1,517)
Property trading	**(1,435)**	(199)
Hotels	**(691)**	(584)
Rendering of other services	**(52)**	(34)
	(3,770)	(2,334)

6. Other Net Gains/(Losses)

	Group	
	2012 HK$M	2011 HK$M
Profit on sale of investment properties	**12**	–
Loss on sale of property, plant and equipment	**(1)**	–
Impairment reversals/(losses) on hotel and trading properties	**4**	(100)
Net foreign exchange gains/(losses)	**4**	(6)
Provision written back	**–**	19
Recognition/(reversal) of income on forfeited deposit on trading properties	**9**	(16)
Others	**12**	20
	40	(83)

7. Expenses by Type

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

	Group	
	2012 HK$M	2011 HK$M
Depreciation of property, plant and equipment (note 15)	**222**	224
Amortisation of		
– intangible assets (note 18)	**3**	3
– initial leasing costs on investment properties	**89**	65
Staff costs	**1,295**	1,137
Operating lease rentals		
– properties	**57**	55
Auditors' remuneration		
– audit services	**10**	8
– tax services	**2**	1
– other services	**1**	15

8. Segment Information

(a) Information about reportable segments

Analysis of Consolidated Income Statement

	External turnover HK$M	Inter-segment turnover HK$M	Operating profit/(loss) after depreciation and amortisation HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit/(loss) before taxation HK$M	Tax charge HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Year ended 31st December 2012												
Property investment	**9,123**	**8**	**6,879**	**(1,443)**	**113**	**146**	**–**	**5,695**	**(771)**	**4,924**	**4,906**	**(171)**
Property trading	**4,147**	**–**	**2,395**	**–**	**3**	**(14)**	**–**	**2,384**	**(422)**	**1,962**	**1,659**	**(20)**
Hotels	**782**	**2**	**(39)**	**(40)**	**–**	**(40)**	**160**	**41**	**(29)**	**12**	**14**	**(123)**
Change in fair value of investment properties	**–**	**–**	**12,273**	**–**	**–**	**568**	**1**	**12,842**	**(641)**	**12,201**	**12,184**	**–**
Inter-segment elimination	**–**	**(10)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	14,052	**–**	**21,508**	**(1,483)**	**116**	**660**	**161**	**20,962**	**(1,863)**	**19,099**	**18,763**	**(314)**
Year ended 31st December 2011												
Property investment	8,651	8	6,743	(1,464)	24	123	–	5,426	(760)	4,666	4,656	(163)
Property trading	213	–	(50)	(5)	3	59	–	7	(3)	4	7	(9)
Hotels	717	2	(93)	(35)	–	(7)	155	20	(53)	(33)	(33)	(120)
Change in fair value of investment properties	–	–	20,345	–	–	676	1	21,022	(480)	20,542	20,496	–
Inter-segment elimination	–	(10)	–	–	–	–	–	–	–	–	–	–
	9,581	–	26,945	(1,504)	27	851	156	26,475	(1,296)	25,179	25,126	(292)

Analysis of total assets of the Group

	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
At 31st December 2012						
Property investment	**206,717**	**12,737**	**55**	**1,529**	**221,038**	**2,396**
Property trading and development	**7,272**	**1,063**	**–**	**345**	**8,680**	**66**
Hotels	**5,532**	**1,078**	**666**	**66**	**7,342**	**414**
	219,521	**14,878**	**721**	**1,940**	**237,060**	**2,876**
At 31st December 2011						
Property investment	190,771	11,303	55	1,003	203,132	5,117
Property trading and development	7,479	842	–	76	8,397	2
Hotels	5,165	855	584	101	6,705	586
	203,415	13,000	639	1,180	218,234	5,705

Note: In this analysis, additions to non-current assets during the year exclude financial instruments (which include jointly controlled and associated companies and available-for-sale assets), deferred tax assets and retirement benefit assets.

8. Segment Information *(continued)*

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

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

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Gross borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
At 31st December 2012					
Property investment	**6,516**	**5,236**	**25,482**	**37,234**	**557**
Property trading and development	**557**	**469**	**4,688**	**5,714**	**85**
Hotels	**165**	**–**	**691**	**856**	**–**
	7,238	**5,705**	**30,861**	**43,804**	**642**
At 31st December 2011					
Property investment	6,184	4,672	22,852	33,708	532
Property trading and development	1,721	19	5,409	7,149	–
Hotels	183	–	619	802	–
	8,088	4,691	28,880	41,659	532

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

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong, Mainland China, the United States of America and the United Kingdom.

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

	Turnover		Non-current assets*	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Hong Kong	**12,217**	8,392	**182,390**	169,779
Mainland China	**1,516**	932	**25,544**	23,378
United States of America	**187**	146	**829**	569
United Kingdom	**132**	111	**566**	511
	14,052	9,581	**209,329**	194,237

* In this analysis, the total of non-current assets excludes financial instruments (which include jointly controlled and associated companies and available-for-sale assets), deferred tax assets and retirement benefit assets.

9. Directors' and Executive Officers' Emoluments

(a) Details of the emoluments paid and payable to the directors of the Company for the year ended 31st December 2012 are as follows:

	Cash			Non cash				
	Salary/fee HK$'000	Discretionary bonus (note (vi)) HK$'000	Allowances and benefits HK$'000	Retirement schemes contributions HK$'000	Discretionary bonus paid to retirement schemes HK$'000	Housing and other benefits HK$'000	Total 2012 HK$'000	Total 2011 HK$'000
For the year ended 31st December 2012								
Executive Directors								
C.D. Pratt	**1,246**	**–**	**72**	**489**	**–**	**847**	**2,654**	–
M. Cubbon	**4,536**	**4,961**	**343**	**1,781**	**1,678**	**3,987**	**17,286**	13,707
M.M.S. Low	**1,996**	**1,545**	**1,419**	**259**	**–**	**–**	**5,219**	3,076
G.M.C. Bradley	**1,701**	**1,734**	**1,586**	**668**	**1,012**	**4,551**	**11,252**	7,920
D.C.Y. Ho	**3,894**	**1,560**	**–**	**4**	**–**	**180**	**5,638**	4,513
G.J. Ongley	**3,996**	**2,293**	**176**	**675**	**–**	**112**	**7,252**	9,441
J.C.G. Bremridge (note (i))	**–**	**1,028**	**–**	**–**	**794**	**–**	**1,822**	5,281
J.C. Culbertson (note (ii))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	474
S.G. Spurr (note (iii))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	500
Non-Executive Directors								
J.W.J. Hughes-Hallett	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
P.A. Kilgour	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
M.B. Swire	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
Independent Non-Executive Directors								
S.E. Bradley	**550**	**–**	**–**	**–**	**–**	**–**	**550**	550
J.C.C. Chan	**650**	**–**	**–**	**–**	**–**	**–**	**650**	650
H.C. Cheng (note (iv))	**142**	**–**	**–**	**–**	**–**	**–**	**142**	500
P.K. Etchells	**700**	**–**	**–**	**–**	**–**	**–**	**700**	700
S.T. Fung (note (v))	**1**	**–**	**–**	**–**	**–**	**–**	**1**	–
S.C. Liu	**565**	**–**	**–**	**–**	**–**	**–**	**565**	550
Total 2012	**19,977**	**13,121**	**3,596**	**3,876**	**3,484**	**9,677**	**53,731**	N/A
Total 2011	19,671	9,537	2,911	2,780	2,540	10,423	N/A	47,862

Notes:
(i) J.C.G. Bremridge resigned as an executive director on 11th September 2011 with final bonus payment made in 2012.
(ii) J.C. Culbertson resigned as an executive director on 31st March 2010 with final bonus payment made in 2011.
(iii) S.G. Spurr resigned as an executive director on 31st March 2010 with final bonus payment made in 2011.
(iv) H.C. Cheng resigned as a non-executive director on 14th April 2012.
(v) S.T. Fung was appointed as a non-executive director on 31st December 2012.
(vi) The bonuses disclosed above are related to services as executive directors for the previous year.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31st December 2012 and 2011 are as follows:

	Year ended 31st December	
	2012	2011
Number of individuals		
Executive directors (note (i))	**3**	3
Executive officers (note (ii))	**2**	2
	5	5

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

	Year ended 31st December	
	2012 HK$'000	2011 HK$'000
Salary	**4,032**	3,902
Discretionary bonus*	**3,829**	3,150
Allowance and benefits	**5,680**	5,192
Retirement scheme contributions	**511**	406
	14,052	12,650

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

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

	Year ended 31st December	
	2012	2011
HK$5,000,001 – HK$5,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**–**	–
HK$6,000,001 – HK$6,500,000	**1**	–
HK$7,000,001 – HK$7,500,000	**–**	1
HK$7,500,001 – HK$8,000,000	**1**	–
	2	2

10. Net Finance Charges

Refer to page 60 for details of the Group's net finance charges.

11. Taxation

	Group			
	2012		2011	
	HK$M	HK$M	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	(1,124)		(628)	
Overseas taxation	(11)		(12)	
(Under)/over-provisions in prior years	(4)		20	
		(1,139)		(620)
Deferred taxation: (note 34)				
Changes in fair value of investment properties	(252)		(386)	
Origination and reversal of temporary differences	(472)		(290)	
		(724)		(676)
		(1,863)		(1,296)

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

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

	2012 HK$M	2011 HK$M
Profit before taxation	20,962	26,475
Calculated at a tax rate of 16.5% (2011: 16.5%)	(3,459)	(4,368)
Results of jointly controlled and associated companies reported net of tax	136	166
Effect of different tax rates in other countries	(125)	(77)
Income not subject to tax	1,602	3,199
Expenses not deductible for tax purposes	(48)	(141)
Unused tax losses not recognised	(52)	(84)
Utilisation of previously unrecognised tax losses	–	24
Recognition of previously unrecognised tax losses	75	45
Deferred tax assets written off	(5)	(62)
(Under)/over-provisions in prior years	(4)	20
Deferred tax on retirement benefits	1	(15)
Others	16	(3)
Tax charge	(1,863)	(1,296)

The Group's share of jointly controlled and associated companies' tax charges of HK$25 million (2011: HK$76 million) and HK$33 million (2011: HK$31 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

12. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$5,345 million (2011: HK$16,203 million) is dealt with in the accounts of the Company.

13. Dividends

	Company	
	2012 HK$M	2011 HK$M
First special interim dividend paid on 30th September 2011	**–**	4,514
Second special interim dividend paid on 8th November 2011	**–**	5,500
First interim dividend (in lieu of final dividend) declared on 15th March 2012 of HK¢18 per share	**–**	1,053
First interim dividend of HK¢22 per share paid on 4th October 2012	**1,287**	–
Second interim dividend (in lieu of final dividend) declared on 14th March 2013 of HK¢38 per share	**2,223**	–
	3,510	11,067

The second interim dividend is not accounted for in 2012 because it had not been declared at the year end date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2013.

14. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK$18,763 million (2011: HK$25,126 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2012 (2011: 5,704,027,397 ordinary shares).

15. Property, Plant and Equipment

	Group				Company
	Leasehold land held for own use under finance lease HK$M	Land and property HK$M	Plant and equipment HK$M	Total HK$M	Plant and equipment HK$M
Cost:					
At 1st January 2012	2,234	4,658	1,026	7,918	236
Translation differences	–	44	6	50	–
Additions	–	390	94	484	10
Disposals	–	–	(6)	(6)	(1)
Transfer from deferred expenditure	–	–	2	2	–
Cost written-off	–	–	(7)	(7)	(3)
Other net transfers to investment properties	(5)	(126)	–	(131)	–
Revaluation surplus	5	31	–	36	–
At 31st December 2012	2,234	4,997	1,115	8,346	242
Accumulated depreciation and impairment:					
At 1st January 2011	58	587	658	1,303	162
Translation differences	–	10	3	13	–
Charge for the year (note 7)	18	73	131	222	29
Disposals	–	–	(5)	(5)	(1)
Net transfers to investment properties	–	(15)	–	(15)	–
Impairment loss made in previous year transferred to leasehold land and land use rights	–	(3)	–	(3)	–
Transfer between categories	–	(12)	12	–	–
Depreciation written back	–	–	(6)	(6)	(3)
At 31st December 2012	76	640	793	1,509	187
Net book value:					
At 31st December 2012	2,158	4,357	322	6,837	55

At 31st December 2012 and 2011, none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

Properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from carrying amount to fair value for the years ended 31st December 2012 was HK$36 million (2011: HK$186 million), has been recognised in other comprehensive income and the properties revaluation reserve.

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

15. Property, Plant and Equipment *(continued)*

	Group				Company
	Leasehold land held for own use under finance lease HK$M	Land and property HK$M	Plant and equipment HK$M	Total HK$M	Plant and equipment HK$M
Cost:					
At 1st January 2011	2,378	4,011	951	7,340	225
Translation differences	–	52	9	61	–
Change in composition of Group	(20)	(32)	(27)	(79)	–
Additions	–	595	90	685	15
Disposals	–	–	(3)	(3)	(1)
Transfer from deferred expenditure	–	–	17	17	–
Cost written-off	–	(25)	(3)	(28)	(3)
Transfer from properties held for development	–	50	–	50	–
Other net transfers to investment properties	(310)	(1)	–	(311)	–
Transfer between categories	–	8	(8)	–	–
Revaluation surplus	186	–	–	186	–
At 31st December 2011	2,234	4,658	1,026	7,918	236
Accumulated depreciation and impairment:					
At 1st January 2011	49	413	545	1,007	137
Translation differences	–	12	5	17	–
Change in composition of Group	(6)	(9)	(26)	(41)	–
Charge for the year (note 7)	20	76	128	224	26
Provision for impairment losses (note 43(a))	–	99	6	105	–
Disposals	–	–	(2)	(2)	(1)
Net transfers to investment properties	(5)	(3)	–	(8)	–
Depreciation written back	–	(1)	–	(1)	–
Transfer from deferred expenditure	–	–	2	2	–
At 31st December 2011	58	587	658	1,303	162
Net book value:					
At 31st December 2011	2,176	4,071	368	6,615	74

16. Investment Properties

Refer to page 37 for details of the Group's investment properties and note 3(a) on page 105 for details of estimates of the fair value of investment properties.

17. Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments, the net book value of which is analysed as follows:

	Group	
	2012 HK$M	2011 HK$M
At 1st January	**3**	6
Translation differences	**–**	(1)
Impairment loss (note 43(a))	**–**	(2)
Impairment loss made in previous year transferred from property, plant and equipment	**(3)**	–
At 31st December	**–**	3
Held outside Hong Kong:		
On medium-term leases (10 to 50 years)	**–**	3
	–	3

18. Intangible Assets

	Group	**Company**
	Computer Software HK$M	**Computer Software HK$M**
Cost:		
At 1st January 2012	**48**	**48**
Additions	**4**	**4**
At 31st December 2012	**52**	**52**
Accumulated amortisation and impairment:		
At 1st January 2012	**41**	**41**
Amortisation for the year (note 7)	**3**	**3**
At 31st December 2012	**44**	**44**
Net book value:		
At 31st December 2012	**8**	**8**

18. Intangible Assets *(continued)*

	Group			Company
	Goodwill HK$M	Computer Software HK$M	Total HK$M	Computer Software HK$M
Cost:				
At 1st January 2011	182	43	225	43
Additions	–	5	5	5
Disposal/written-off	(182)	–	(182)	–
At 31st December 2011	–	48	48	48
Accumulated amortisation and impairment:				
At 1st January 2011	–	38	38	38
Amortisation for the year (note 7)	–	3	3	3
At 31st December 2011	–	41	41	41
Net book value:				
At 31st December 2011	–	7	7	7

Amortisation of HK$3 million (2011: HK$3 million) is included in administrative expenses in the consolidated income statement.

19. Properties Held for Development

Refer to page 39 for details of the Group's properties held for development.

20. Subsidiary Companies

	Company	
	2012 HK$M	2011 HK$M
Unlisted shares at cost less provisions	**650**	504
Loans and other amounts due from subsidiary companies		
– Interest-free	**47,598**	44,501
	48,248	45,005

The loans and amounts due from subsidiary companies are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Properties Limited which have materially affected the results or assets of the Group are shown on pages 149 to 151.

21. Jointly Controlled Companies

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Unlisted shares at cost			**–**	–
Share of net assets, unlisted	**3,861**	3,240		
Loans due from jointly controlled companies less provisions				
– Interest-free	**10,395**	9,174	**467**	492
– Interest bearing at 1.71% to 3.1% (2011: 1.71% to 6.56%)	**622**	586	**–**	–
	14,878	13,000	**467**	492

The loans due from jointly controlled companies are unsecured and have no fixed terms of repayment.

The Group's share of assets and liabilities and results of jointly controlled companies is summarised below:

	Group	
	2012 HK$M	2011 HK$M
Non-current assets	**17,354**	14,558
Current assets	**2,587**	3,231
Current liabilities	**(3,891)**	(4,227)
Non-current liabilities	**(12,189)**	(10,322)
Net assets	**3,861**	3,240
Revenue	**751**	608
Change in fair value of investment properties	**592**	719
Expenses	**(658)**	(400)
Profit before taxation	**685**	927
Taxation	**(25)**	(76)
Profit for the year	**660**	851

The principal jointly controlled companies of Swire Properties Limited which have materially affected the results or assets of the Group are shown on pages 149 to 151.

22. Associated Companies

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Unlisted shares at cost	**–**	–	**3**	3
Share of net assets				
– Unlisted	**545**	463	**–**	–
Loans due from associated companies				
– Interest-free	**176**	176	**176**	176
	721	639	**179**	179

The loans due from associated companies are unsecured and have no fixed terms of repayment.

The Group's share of the assets and liabilities and results of associated companies is summarised below:

	Group	
	2012 HK$M	2011 HK$M
Non-current assets	**669**	689
Current assets	**253**	221
Current liabilities	**(117)**	(150)
Non-current liabilities	**(260)**	(297)
Net assets	**545**	463
Revenue	**592**	572
Profit for the year	**161**	156

The principal associated companies of Swire Properties Limited which have materially affected the results or assets of the Group are shown on pages 149 to 151.

23. Financial Instruments by Category

Group	At fair value through profit or loss HK$M	Derivatives Used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position							
At 31st December 2012							
Available-for-sale assets (note 24)	**–**	**–**	**9**	**–**	**–**	**9**	**9**
Amount due from immediate holding company	**–**	**–**	**–**	**51**	**–**	**51**	**51**
Trade and other receivables (note 27)	**–**	**–**	**–**	**2,750**	**–**	**2,750**	**2,750**
Bank balances and short-term deposits (note 29)	**–**	**–**	**–**	**1,940**	**–**	**1,940**	**1,940**
Total	**–**	**–**	**9**	**4,741**	**–**	**4,750**	**4,750**
At 31st December 2011							
Available-for-sale assets (note 24)	–	–	9	–	–	9	9
Amount due from immediate holding company	–	–	–	142	–	142	142
Trade and other receivables (note 27)	–	–	–	1,823	–	1,823	1,823
Bank balances and short-term deposits (note 29)	–	–	–	1,180	–	1,180	1,180
Total	–	–	9	3,145	–	3,154	3,154
Liabilities as per consolidated statement of financial position							
At 31st December 2012							
Trade and other payables (note 30)	**1,112**	**–**	**–**	**–**	**6,023**	**7,135**	**7,135**
Derivative financial liabilities (note 33)	**–**	**83**	**–**	**–**	**–**	**83**	**83**
Bank overdrafts and short-term loans	**–**	**–**	**–**	**–**	**1,057**	**1,057**	**1,057**
Long-term loans and bonds	**–**	**–**	**–**	**–**	**14,564**	**14.564**	**14,162**
Total	**1,112**	**83**	**–**	**–**	**21,644**	**22,839**	**22,437**
At 31st December 2011							
Trade and other payables (note 30)	937	–	–	–	7,131	8,068	8,068
Bank overdrafts and short-term loans	–	–	–	–	1,023	1,023	1,023
Long-term loans and bonds	–	–	–	–	6,483	6,483	6,483
Total	937	–	–	–	14,637	15,574	15,574

23. Financial Instruments by Category *(continued)*

Company	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per statement of financial position				
At 31st December 2012				
Trade and other receivables (note 27)	**119**	**–**	**119**	**119**
Short-term deposits and bank balances (note 29)	**416**	**–**	**416**	**416**
Total	**535**	**–**	**535**	**535**
At 31st December 2011				
Trade and other receivables (note 27)	87	–	87	87
Short-term deposits and bank balances (note 29)	267	–	267	267
Total	354	–	354	354
Liabilities as per statement of financial position				
At 31st December 2012				
Trade and other payables (note 30)	**–**	**3,391**	**3,391**	**3,391**
Total	**–**	**3,391**	**3,391**	**3,391**
At 31st December 2011				
Trade and other payables (note 30)	–	2,992	2,992	2,992
Total	–	2,992	2,992	2,992

The accounting policies applied to financial instruments are shown below:

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

23. Financial Instruments by Category *(continued)*

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

Group	Level 2 HK$M
Assets as per consolidated statement of financial position	
At 31st December 2012	
Available-for-sale assets (note 24)	**9**
Total	**9**
At 31st December 2011	
Available-for-sale assets (note 24)	9
Total	9
Liabilities as per consolidated statement of financial position	
At 31st December 2012	
Put option over non-controlling interest in Sanlitun Village (note 30)	**1,112**
Derivative used for hedging (note 33)	**83**
Total	**1,195**
At 31st December 2011	
Put option over non-controlling interest in Sanlitun Village (note 30)	937
Total	937

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

24. Available-for-sale Assets

	Group	
	2012 HK$M	2011 HK$M
Unlisted investments	**9**	9

25. Properties under Development and for Sale

Refer to page 39 for details of the Group's properties under development and for sale.

26. Stocks and Work in Progress

	Group	
	2012 HK$M	2011 HK$M
Trading goods	**10**	17
Store and spare parts	**52**	44
Work in progress	**7**	8
	69	69

27. Trade and Other Receivables

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Trade debtors	**278**	284	**–**	–
Prepayments and accrued income	**186**	125	**5**	5
Other receivables	**2,466**	1,536	**119**	87
	2,930	1,945	**124**	92

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

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Under three months	**269**	272	**–**	–
Between three and six months	**6**	5	**–**	–
Over six months	**3**	7	**–**	–
	278	284	**–**	–

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

The Group does not grant any credit term to its customers, except to corporate customers in the hotel business where commercial trade credit terms are given. At 31st December 2012, trade debtors of HK$278 million (2011: HK$284 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The other classes within trade and receivables do not contain impaired assets.

The maximum exposure to credit risk at 31st December 2012 and 31st December 2011 is the carrying value of trade debtors disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2012 was HK$1,953 million (2011: HK$1,780 million).

28. Amount Due from Immediate Holding Company – Swire Pacific Limited

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

29. Cash and Cash Equivalents

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Short-term deposits maturing within three months	**411**	260	**369**	200
Bank balances	**1,529**	920	**47**	67
	1,940	1,180	**416**	267

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 0.8% (2011: 0.01% to 1.31%); these deposits have a maturity from 2 to 92 days (2011: 3 to 39 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2012 and 31st December 2011 is the carrying value of the bank balances and short-term deposits disclosed above.

30. Trade and Other Payables

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Trade creditors	**1,064**	1,788	**–**	–
Amounts due to intermediate holding company	**161**	79	**161**	79
Amounts due to a fellow subsidiary company	**79**	102	**–**	–
Amounts due to subsidiary companies	**–**	–	**3.087**	2,586
Amounts due to an associated company	**41**	–	**41**	–
Amounts due to a jointly controlled company	**2**	2	**–**	–
Interest-bearing advances from a jointly controlled company at 1.58% (2011: 1.55%)	**350**	225	**–**	–
Advances from non-controlling interests	**240**	234	**–**	–
Rental deposits from tenants	**1,953**	1,780	**–**	–
Put option over non-controlling interest in Sanlitun Village	**1,112**	937	**–**	–
Accrued capital expenditure	**763**	1,215	**–**	–
Other payables	**1,390**	1,726	**102**	327
	7,155	8,088	**3,391**	2,992

Apart from certain amounts due to a jointly controlled company, which are interest-bearing as specified above, the balances are interest free, unsecured and have no fixed term of repayment.

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

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Under three months	**970**	1,529	**–**	–
Between three and six months	**94**	259	**–**	–
	1,064	1,788	**–**	–

31. Borrowings

	Group	
	2012 HK$M	2011 HK$M
Bank overdrafts and short-term loans – unsecured	**1,057**	1,023
Long-term bank loans – unsecured:		
Repayable within one year	**1,308**	664
Repayable between one and two years	**6,603**	93
Repayable between two and five years	**2,004**	5,726
	9,915	6,483
Other borrowings – unsecured:		
Repayable within one year	**–**	–
Repayable between one and two years	**–**	–
Repayable between two and five years	**498**	–
Repayable after five years	**4,151**	–
	4,649	–
Amount due within one year included under current liabilities	**(1,308)**	(664)
	13,256	5,819

(a) The effective interest rates per annum at the year-end date were as follows:

	2012				2011		
	HKD %	**RMB %**	**US$ %**	**Others %**	RMB %	US$ %	Others %
Bank overdrafts/ short-term loans	**–**	**3.14-6.27**	**–**	**–**	3.14-7.93	–	–
Long-term loans and bonds	**1.63-4.43**	**3.38-7.38**	**1.25**	**1.81**	5.6-7.87	1.11	2.05

Bank loans and other borrowings are repayable on various dates up to 2022 (2011: up to 2014).

(b) The carrying amounts of these long-term bank loans and other borrowings are denominated in the following currencies:

	2012 HK$M	2011 HK$M
Hong Kong dollar	**2,742**	–
Renminbi	**7,157**	6,017
Pounds sterling	**63**	60
United States dollar	**4,602**	406
	14,564	6,483

32. Loans Due to a Fellow Subsidiary Company – Swire Finance Limited

The loans due to a fellow subsidiary company are unsecured, repayable on various dates up to 2018 and bear interest at a combination of fixed and floating rate which effectively was 5.2% per annum at 31st December 2012 (2011: 4.46% per annum).

	Group	
	2012 HK$M	2011 HK$M
Repayable within one year	**2,299**	6,943
Repayable between one and two years	**–**	2,296
Repayable between two and five years	**7,773**	4,638
Repayable after five years	**5,168**	7,497
	15,240	21,374
Loans due within one year included under current liabilities	**(2,299)**	(6,943)
	12,941	14,431

33. Derivative Financial Instruments

	Group			
	2012		2011	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges – due after one year	**–**	**83**	–	–

The cross-currency swaps hedge the foreign currency risk relating to US dollar note issues. Gain and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2012 are expected to affect the income statement in the years to redemption of the notes (up to and including 2022). For the year ended 31st December 2012, all cash flow hedges were effective.

34. Deferred Taxation

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

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
At 1st January	**4,189**	3,806	**19**	4
Translation differences	**20**	111	**–**	–
Change in composition of Group	**–**	(404)	**–**	–
Credited to other comprehensive income	**(6)**	–	**–**	–
Charged to income statement (note 11)	**724**	676	**–**	15
At 31st December	**4,927**	4,189	**19**	19

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$2,159 million (2011: HK$1,643 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group Unrecognised tax losses	
	2012 HK$M	2011 HK$M
No expiry date	**990**	702
Expiring in 2012	**–**	13
Expiring in 2013	**19**	64
Expiring in 2014	**253**	244
Expiring in 2015	**299**	293
Expiring in 2016	**326**	327
Expiring in 2017	**272**	–
	2,159	1,643

34. Deferred Taxation *(continued)*

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M
At 1st January	**2,081**	2,312	**2,016**	1,514	**231**	168	**4,328**	3,994
Translation differences	**–**	–	**21**	116	**(1)**	(1)	**20**	115
Change in composition of Group	**–**	(401)	**–**	–	**–**	(3)	**–**	(404)
Charged to other comprehensive income	**–**	–	**8**	–	**–**	–	**8**	–
Charged to income statement	**393**	170	**252**	386	**156**	67	**801**	623
At 31st December	**2,474**	2,081	**2,297**	2,016	**386**	231	**5,157**	4,328

	Company					
	Accelerated tax depreciation		Others		Total	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M
At 1st January	**3**	4	**16**	–	**19**	4
(Credited)/charged to income statement	**(1)**	(1)	**1**	16	**–**	15
At 31st December	**2**	3	**17**	16	**19**	19

Deferred tax assets

	Group					
	Tax losses		Others		Total	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M
At 1st January	**105**	135	**34**	53	**139**	188
Translation differences	**–**	–	**–**	4	**–**	4
Credited to other comprehensive income	**–**	–	**14**	–	**14**	–
Credited/(charged) to income statement	**77**	(30)	**–**	(23)	**77**	(53)
At 31st December	**182**	105	**48**	34	**230**	139

Certain deferred tax assets and liabilities report in the prior period have been reclassified. This has no impact on the deferred tax asset or liability positions presented on the consolidated statement of financial position.

34. Deferred Taxation *(continued)*

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Deferred tax assets:				
– To be recovered after more than 12 months	**(68)**	(57)	**–**	–
– To be recovered within 12 months	**–**	–	**–**	–
	(68)	(57)	**–**	–
Deferred tax liabilities:				
– To be settled after more than 12 months	**4,995**	4,246	**–**	–
– To be settled within 12 months	**–**	–	**19**	19
	4,995	4,246	**19**	19
	4,927	4,189	**19**	19

35. Retirement Benefits

The Group operates various retirement benefit plans providing resignation and retirement benefits to staff on both a contributory and non-contributory basis. The assets of the plans are administered by trustees and are maintained independently of the Group's finances. The majority of the plans are of the defined benefit type and contributions to such plans are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The plans in Hong Kong are valued annually by qualified actuaries, Towers Watson, for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2012, the funding level was 97% (2011: 110%) of the accrued actuarial liabilities on an ongoing basis.

All new employees are offered the choice of joining the retirement benefit plans or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$25,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Total retirement benefit costs recognised in the consolidated income statement for the year ended 31st December 2012 amounted to HK$54 million (2011: HK$30 million), including HK$5 million (2011: HK$5 million) in respect of defined contribution plans.

The defined benefit plan is valued using the projected unit credit method in accordance with HKAS 19. For the year ended 31st December 2012, the HKAS 19 disclosures shown in the accounts are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012. For the year ended 31st December 2011, the HKAS 19 disclosures are based on valuation prepared by Towers Watson at 31st December 2009, which were updated at 31st December 2011 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit plans.

35. Retirement Benefits *(continued)*

(a) The amounts recognised in the statement of financial position are as follows:

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Present value of funded obligations	**696**	599	**586**	496
Fair value of plan assets	**(597)**	(519)	**(495)**	(431)
	99	80	**91**	65
Net unrecognised actuarial losses	**(216)**	(188)	**(197)**	(164)
Net retirement benefit assets	**(117)**	(108)	**(106)**	(99)
Represented by:				
Retirement benefit assets	**(117)**	(108)	**(106)**	(99)
Retirement benefit liabilities	**–**	–	**–**	–
	(117)	(108)	**(106)**	(99)

(b) Changes in the present value of the defined benefit obligations are as follows:

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
At 1st January	**599**	547	**496**	451
Service cost	**59**	50	**50**	42
Interest cost	**23**	23	**19**	18
Actuarial losses	**70**	70	**68**	59
Benefits paid	**(55)**	(91)	**(47)**	(74)
At 31st December	**696**	599	**586**	496

Changes in the fair value of plan assets are as follows:

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
At 1st January	**519**	594	**431**	492
Expected return	**43**	47	**36**	39
Actuarial gains/(losses)	**33**	(82)	**27**	(67)
Contributions by employers	**57**	51	**48**	41
Benefits paid	**(55)**	(91)	**(47)**	(74)
At 31st December	**597**	519	**495**	431

35. Retirement Benefits *(continued)*

(c) Net expenses recognised in the consolidated income statement are as follows:

	Group	
	2012 HK$M	2011 HK$M
Current service cost	**59**	50
Interest cost	**23**	23
Expected return on plan assets – gain	**(43)**	(47)
Amortisation of net actuarial losses	**10**	–
	49	26

The above net expenses were mainly included in cost of sales and administrative expenses in the consolidated income statement.

The actual return on defined benefit plan assets was a gain of HK$76 million (2011: loss of HK$35 million).

(d) Plan assets comprise the following:

	Group			
	2012		2011	
	HK$M	**%**	HK$M	%
Equities	**384**	**64**	322	62
Government bonds	**122**	**20**	102	20
Corporate bonds	**75**	**13**	79	15
Cash	**16**	**3**	16	3
	597	**100**	519	100

(e) Amounts for the current and previous four periods are as follows:

	Group				
	2012 HK$M	2011 HK$M	2010 HK$M	2009 HK$M	2008 HK$M
Defined benefit plans					
– Defined benefit obligations	**696**	599	547	516	429
– Plan assets	**(597)**	(519)	(594)	(532)	(397)
– Deficit/(surplus)	**99**	80	(47)	(16)	32
– Experience adjustments on plan liabilities	**13**	23	14	31	6
– Experience adjustments on plan assets	**(33)**	82	(22)	(90)	233

35. Retirement Benefits *(continued)*

(f) The principal actuarial assumptions used are as follows:

	Group	
	2012	2011
Discount rate	**3.32%**	3.96%
Expected rate of return on plan assets	**8.00%**	8.00%
Expected rate of future salary increases	**3.5%-4.61%**	3.28%-3.61%

The expected return on plan assets reflects the portfolio mix of assets, which itself is determined by the Group's current investment policy. Expected returns on equities and bonds reflect long-term real rates of return experienced in the respective markets.

36. Share Capital

	Company	
	2012 HK$M	2011 HK$M
Authorised:		
At 31st December 2012 and 2011 30,000,000,000 ordinary shares of HK$1 each	**30,000**	30,000
Issued and fully paid:		
At 31st December 2012 and 2011 5,850,000,000 ordinary shares of HK$1 each	**5,850**	5,850

On 30th November 2011, the Company issued 160,000,000 shares to Swire Pacific Limited for a total cash consideration of HK$4,500 million (being HK$28.125 per share). Following this share issue, the Company has a total of 5,850,000,000 fully paid shares in issue.

There was no purchase, sale or redemption by the Company of its shares during the year ended 31st December 2012.

37. Reserves

	Revenue reserve HK$M	Share premium account HK$M	Merger account reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
Group							
At 1st January 2011	150,317	259	(1,108)	1,448	–	1,271	152,187
Profit for the year	25,126	–	–	–	–	–	25,126
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	–	–	–	186	–	–	186
Share of other comprehensive income of jointly controlled and associated companies	–	–	–	–	–	276	276
Net translation differences on foreign operations	–	–	–	–	–	517	517
Total comprehensive income for the year	25,126	–	–	186	–	793	26,105
Issuance of new ordinary shares	–	4,340	–	–	–	–	4,340
2010 final dividend	(2,425)	–	–	–	–	–	(2,425)
2011 special interim dividends (note 13)	(10,014)	–	–	–	–	–	(10,014)
At 31st December 2011	163,004	4,599	(1,108)	1,634	–	2,064	170,193
At 1st January 2012	**163,004**	**4,599**	**(1,108)**	**1,634**	**–**	**2,064**	**170,193**
Profit for the year	**18,763**	**–**	**–**	**–**	**–**	**–**	**18,763**
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	**–**	**–**	**–**	**36**	**–**	**–**	**36**
– deferred tax	**–**	**–**	**–**	**(8)**	**–**	**–**	**(8)**
Cash flow hedges							
– recognised during the year	**–**	**–**	**–**	**–**	**(84)**	**–**	**(84)**
– transferred to net finance charges	**–**	**–**	**–**	**–**	**1**	**–**	**1**
– deferred tax	**–**	**–**	**–**	**–**	**14**	**–**	**14**
Share of other comprehensive income of jointly controlled and associated companies	**–**	**–**	**–**	**–**	**–**	**30**	**30**
Net translation differences on foreign operations	**–**	**–**	**–**	**–**	**–**	**159**	**159**
Total comprehensive income for the year	**18,763**	**–**	**–**	**28**	**(69)**	**189**	**18,911**
2011 first interim dividend – in lieu of final dividend (note 13)	**(1,053)**	**–**	**–**	**–**	**–**	**–**	**(1,053)**
2012 first interim dividend (note 13)	**(1,287)**	**–**	**–**	**–**	**–**	**–**	**(1,287)**
At 31st December 2012	**179,427**	**4,599**	**(1,108)**	**1,662**	**(69)**	**2,253**	**186,764**

37. Reserves *(continued)*

	Revenue reserve HK$M	Share premium account HK$M	Total HK$M
Company			
At 1st January 2011	28,994	259	29,253
Profit for the year (note 12)	16,203	–	16,203
Issuance of new ordinary shares	–	4,340	4,340
2010 final dividend	(2,425)	–	(2,425)
2011 special interim dividends (note 13)	(10,014)	–	(10,014)
At 31st December 2011	32,758	4,599	37,357
At 1st January 2012	**32,758**	**4,599**	**37,357**
Profit for the year (note 12)	**5,345**	**–**	**5,345**
2011 first interim dividend – in lieu of final dividend (note 13)	**(1,053)**	**–**	**(1,053)**
2012 first interim dividend (note 13)	**(1,287)**	**–**	**(1,287)**
At 31st December 2012	**35,763**	**4,599**	**40,362**

(a) The Group revenue reserve includes retained revenue reserves from jointly controlled companies amounting to HK$637 million (2011: HK$51 million) and retained revenue reserves from associated companies amounting to HK$451 million (2011: HK$369 million).

(b) The Group and Company revenue reserves have not yet deducted the second interim dividend for the year of HK$2,223 million declared after the year end date (2011: first interim dividend of HK$1,053 million) (note 13).

38. Non-controlling Interests

	Group	
	2012 HK$M	2011 HK$M
At 1st January	**532**	479
Share of profits less losses for the year	**336**	53
Share of translation differences on foreign operations	**1**	–
Share of total comprehensive income	**337**	53
Dividends paid and payable	**(227)**	(12)
Capital contribution from non-controlling interests	**–**	12
At 31st December	**642**	532

39. Capital Commitments

	Group 2012 HK$M	Group 2011 HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**141**	88
Authorised by Directors but not contracted for	**489**	1,003
(b) Investment properties		
Contracted for	**1,648**	1,428
Authorised by Directors but not contracted for	**7,016**	8,060
	9,294	10,579
The Group's share of capital commitments of jointly controlled companies at the year-end*		
Contracted for	**1,755**	734
Authorised by Directors but not contracted for	**4,865**	6,367
	6,620	7,101

* of which the Group is committed to funding HK$818 million (2011: HK$1,828 million).

The Company had no commitments in respect of the above items at 31st December 2012 (2011: same).

At 31st December 2012, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$194 million (2011: HK$162 million).

40. Contingencies

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
(a) Guarantees provided in respect of bank loans and other liabilities of subsidiary companies	**–**	–	**30,503**	28,914
Bank guarantees given in lieu of utility deposits	**90**	89	**90**	89
	90	89	**30,593**	29,003

The directors have assessed the fair value of the above guarantees and do not consider them to be material. They have therefore not been recognised in the Group's statement of financial position.

(b) Contingent tax liabilities

Certain wholly-owned subsidiary companies of the Company have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2005/06 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department ("IRD"). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those subsidiary companies during the periods under review.

A number of discussions have taken place between those subsidiary companies and the IRD to understand the precise nature of the IRD queries. However, at this stage there is insufficient information available to determine reliably the ultimate outcome of the IRD's review with an acceptable degree of certainty. Consequently no provision has been recognised in these accounts for any amounts that may fall due in regard to these queries.

There is a contingent tax liability totalling HK$535 million in respect of their queries for the years under review. The subsidiary companies involved have objected to these assessments. The IRD has agreed to hold over conditionally part of the tax in dispute in the sum of HK$29 million and one of the subsidiaries involved has purchased a Tax Reserve Certificate of the same amount. The IRD has agreed to hold over unconditionally the balance of the tax in dispute in the sum of HK$506 million. In addition, the estimated interest which would be payable in respect of the Notices of Assessment totalled HK$283 million as at 31st December 2012. It is not possible, given the lack of information available, to determine the ultimate outcome of the IRD's review of this matter and consequently to make a judgement as to its materiality. Swire Pacific has undertaken to the Company that, if any subsidiary of the Company referred to in this paragraph is required to pay to the IRD any amount of tax in response or by reference to any notice of assessment referred to in this paragraph (or to any corresponding notice of assessment issued in respect of any year of assessment from the years of assessment 2006/07 to 2010/11 inclusive), Swire Pacific will pay to the Company an amount equal to the amount of such payment. This undertaking will expire on the third anniversary of the Listing Date of the Company on 18th January 2012 except where a provision for a relevant payment has, with the agreement of Swire Pacific, previously been made in the accounts of any such subsidiary.

41. Operating Lease Arrangements

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out land and buildings under operating leases. The leases for land and buildings typically run for periods of three to six years. The turnover-related rental income received during the year amounted to HK$523 million (2011: HK$504 million).

At 31st December, the future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group and the Company were as follows:

	Group	
	2012 HK$M	2011 HK$M
Land and buildings:		
Not later than one year	**6,832**	6,247
Later than one year but not later than five years	**14,407**	13,815
Later than five years	**2,257**	2,105
	23,496	22,167

Assets held for deployment on operating leases at 31st December were as follows:

	Group	
	2012 HK$M	2011 HK$M
Investment properties at fair value	**189,699**	174,951

(b) Lessee

The Group leases land and buildings under operating leases. These leases typically run for an initial period of one to fifteen years with some leases having an option to renew the lease after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases payable by the Group and the Company were as follows:

	Group		Company	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
Land and buildings:				
Not later than one year	**56**	45	**62**	63
Later than one year but not later than five years	**129**	95	**202**	199
Later than five years	**408**	401	**49**	97
	593	541	**313**	359

42. Related Party Transactions

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group's relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement, which commenced on 1st January 2011 for a period of three years, will expire on 31st December 2013. For the year ended 31st December 2012, service fees payable amounted to HK$214 million (2011: HK$130 million). Expenses of HK$36 million (2011: HK$36 million) were reimbursed at cost; in addition, HK$69 million (2011: HK$44 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between the Company and JSSHK dated 18th October 2011, members of the Group will enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2012, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK$71 million (2011: HK$76 million).

Under another tenancy framework agreement ("Swire Pacific Tenancy Framework Agreement") between the Company and Swire Pacific Limited dated 18th October 2011, members of the Group will enter into tenancy agreements with members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Swire Pacific Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2012, the aggregate rentals payable to the Group under the tenancies pursuant to the Swire Pacific Tenancy Framework Agreement amounted to HK$63 million (2011: HK$60 million).

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement and Swire Pacific 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 accounts. Transactions under the Services Agreements, the JSSHK Tenancy Framework Agreement and Swire Pacific Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

		Jointly controlled companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
	Notes	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M
Purchases of services	*(a)*	**–**	–	**14**	15	**–**	–	**–**	–	**–**	–
Rental revenue	*(b)*	**4**	3	**68**	69	**8**	7	**58**	61	**8**	7
Revenue from hotels		**–**	–	**1**	1	**1**	–	**1**	1	**2**	3
Other revenue	*(a)*	**–**	–	**–**	–	**1**	–	**1**	–	**–**	–
Interest income	*(c)*	**13**	9	**–**	2	**–**	–	**–**	–	**–**	–
Interest charges	*(c)*	**4**	2	**925**	1,096	**–**	–	**–**	–	**–**	–

Notes:

(a) Purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers 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 jointly controlled and associated companies at 31st December 2012 are disclosed in notes 21 and 22 respectively. Advances from jointly controlled and associated companies are disclosed in note 30. There are a number of loan agreements between the Group and the Swire Pacific group, details of which are disclosed in pages 55 to 63. The loans due to Swire Finance Limited, a fellow subsidiary company, are disclosed in note 32.

Amounts due from the immediate holding company at 31st December 2012 are disclosed in note 28. These balances arise in the normal course of business, are non-interest-bearing and repayable within one year.

Remuneration of key management is disclosed in note 9.

43. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	Group	
	2012 HK$M	2011 HK$M
Operating profit	21,508	26,945
Change in fair value of investment properties	(12,273)	(20,345)
Depreciation	222	224
Amortisation of initial leasing costs on investment properties	89	65
Amortisation of intangible assets	3	3
Impairment losses on hotel operations	–	107
Profit on sale of interest in Festival Walk	–	(595)
Other items	14	62
Operating profit before working capital changes	9,563	6,466
Decrease/(increase) in amount due from immediate holding company	91	(36)
Decrease/(increase) in properties under development and for sale	83	(1,227)
Increase in stocks and work in progress	(7)	(6)
Increase in trade and other receivables	(897)	(828)
(Decrease)/increase in trade and other payables	(709)	3,052
Increase in retirement benefit assets	(8)	(25)
Cash generated from operations	8,116	7,396

(b) Purchase of property, plant and equipment

	Group	
	2012 HK$M	2011 HK$M
Properties	394	461
Plant and equipment	94	87
Total	488	548

The above figures do not include interest capitalised on property, plant and equipment.

43. Notes to the Consolidated Statement of Cash Flows *(continued)*

(c) Analysis of changes in financing during the year

	Group			
	Loans and bonds		Non-controlling interests	
	2012 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M
At 1st January	**7,505**	5,657	**532**	479
Net cash inflow from financing	**8,024**	1,578	**–**	12
Non-controlling interests' share of total comprehensive income	**–**	–	**337**	53
Dividends paid to non-controlling interests	**–**	–	**(227)**	(12)
Other non-cash movements	**88**	270	**–**	–
At 31st December	**15,617**	7,505	**642**	532

44. Events after the Reporting Period

In January 2012, the Group entered into an agreement with Sino-Ocean Land Limited to fund the whole of the remaining land premium (and associated taxes) payable in respect of the Daci Temple project and certain working capital requirements in an aggregate amount of US$230 million. Following this transaction, the Group's interest in the project was increased to 81%, reflecting its contribution to the overall funding of the project. Sino-Ocean Land had a call option, exercisable for one year commencing from the date of the agreement, to purchase the Group's additional interest in the project for an amount equal to one half of the additional funding plus interest at the rate of 10% per annum. The Group had the right, exercisable for one year commencing one week before the end of the call option period, to require Sino-Ocean Land to purchase the Group's additional interest in the project for an amount equal to one half of the above additional funding plus interest at the rate of 10% per annum.

In January 2013, the above arrangements were amended. Sino-Ocean Land purchased half of the Group's additional interest in the project and the options in respect of the remaining part of the additional interest were extended for a further year. The effect of the amended arrangements was to reduce the Group's interest in the project to 63% and to increase Sino-Ocean Land's interest in the project to 37%. Until the extended options described above are exercised or lapsed, the Group's remaining additional interest in the project will be accounted for as a secured loan and the Group's existing interest will continue to be accounted for as a 50% interest in a jointly controlled entity.

In January 2013, the Group and Bal Harbour Shops entered into an agreement in respect of the joint venture which is to develop the retail component of Brickell CityCentre in Miami, Florida, U.S.A. The Group holds an 87.5% interest in the joint venture and will remain as the primary developer while Bal Harbour Shops will contribute equity and its retail expertise as co-developer.

In March 2013, the Group issued medium-term notes of US$500 million.

In March 2013, the company which owns the existing Citygate Outlets development at Tung Chung in Hong Kong (in which the Group has a 20% equity interest) won a tender to develop an adjacent commercial site.

45. Immediate and Ultimate Holding Company

The immediate holding company is Swire Pacific Limited, a company incorporated and listed in Hong Kong.

The ultimate holding company is John Swire & Sons Limited, a company incorporated in England and Wales.

Principal Accounting Policies

1. Basis of Preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties, the non-controlling interest put option and available-for-sale assets which are carried at fair value.

2. Basis of Consolidation

The consolidated accounts incorporate the accounts of Swire Properties Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in jointly controlled and associated companies.

3. Subsidiary Companies

Subsidiary companies are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiary companies are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary company acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, jointly controlled company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3. Subsidiary Companies *(continued)*

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the non-controlling interest, which is not part of a business combination, the Group records a financial liability for the present value of the redemption amount reclassified from equity. Changes to the value of the financial liability are recognised in the income statement within finance income or finance costs.

In the Company's statement of financial position, its investments in subsidiary companies are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for by the Company on the basis of dividends received and receivable.

Long-term loans to subsidiary companies are considered to be quasi-equity in nature, where there are no defined repayment terms and no historical repayment of the balances.

4. Jointly Controlled and Associated Companies

Jointly controlled companies are those companies held for the long term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where none of the participating parties has unilateral control over the economic activity of the joint venture.

Associated companies are those companies over which the Group has significant influence but not control or joint control, over their management including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in jointly controlled and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in jointly controlled and associated companies over the fair value of the Group's share of the identifiable net assets acquired represents goodwill. The Group's investments in jointly controlled and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

The Group's share of its jointly controlled and associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the jointly controlled or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled or associated company.

The Group recognises the disposal of an interest in a jointly controlled company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its jointly controlled and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its jointly controlled and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of jointly controlled and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated income statement.

In the Company's statement of financial position, its investments in jointly controlled and associated companies are stated at cost less provision for any impairment losses. Income from jointly controlled and associated companies is recognised by the Company on the basis of dividends received and receivable.

Long-term loans to jointly controlled and associated companies are considered to be quasi-equity in nature, where there are no defined repayment terms and no historical repayment of the balances.

5. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the income statement, any associated translation difference is also recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in seperate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

6. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises leasehold land and buildings held under finance leases. Land held under operating or finance leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties (including those under construction) are carried at fair value and are valued at least annually. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as under construction. Changes in fair values are recognised in the consolidated income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

6. Investment Properties *(continued)*

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

7. Property, Plant and Equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Leasehold land can be classified as held under finance lease and recorded as property, plant and equipment if the lessee is exposed to substantially all the risks and rewards of ownership of that piece of land. Leasehold land is depreciated over the lease term.

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'property revaluation reserve' to 'revenue reserve'.

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

Leasehold land	Over the lease term
Properties	2% to 5% per annum
Plant and equipment	20% to 33 1/3% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at each period-end date to take into account operational experience and changing circumstances.

At each period-end date, both internal and external sources of information are considered to assess whether there is any indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other net gains/(losses)' in the income statement. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

8. Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled and associated companies at the date of acquisition. Goodwill is treated as an asset of the entity acquired and where attributable to a foreign entity will be translated at the closing rate.

Goodwill on acquisition of a subsidiary company is included in intangible assets. Goodwill on acquisitions of associated and jointly controlled companies is included in investments in associated and jointly controlled companies respectively.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is performed annually. Impairment losses recognised on goodwill are not reversed.

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

8. Intangible Assets *(continued)*

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised over their estimated useful lives.

9. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation. These assets are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in associates are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associates operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or joint controlled entity is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from that subsidiary if the dividend exceeds the total comprehensive income of the subsidiary concerned in the period the dividend is declared or if the carrying amount of the subsidiary in the Company's statement of financial position exceeds the carrying amount of the subsidiary's net assets including goodwill in the consolidated statement of financial position.

10. Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit of loss

This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the period-end date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the period-end date where these are classified as non-current assets. See also policy for trade and other receivables (accounting policy note 14).

10. Financial Assets *(continued)*

(c) Available-for-sale assets

Available-for-sale assets are non-derivative investments and other assets that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the period-end date.

Purchases and sales of financial assets are recognised on their trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value. Transaction costs are included for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of available-for-sale assets are recognised in other comprehensive income. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investments.

The fair value of financial instruments traded in active markets (such as available-for-sale investments) is based on quoted market prices at the period-end date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair value.

The Group assesses at each period-end date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

11. Initial Leasing Costs

Expenditure incurred in leasing the Group's property during construction is deferred and amortised on a straight-line basis to the income statement upon occupation of the property over a period not exceeding the terms of the lease.

12. Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses.

13. Properties Under/Held for Development and Properties for Sale

Properties under/held for development and properties for sale comprise freehold and leasehold land, construction costs and interest costs capitalised, less provisions for possible losses. Properties held for development are not expected to be sold within the Group's normal operating cycle and are classified as non-current assets. Properties under development are expected to be sold within the Group's normal operating cycle and are classified as current assets. Properties for sale are available for immediate sale and are classified as current assets.

14. Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the statement of financial position are stated net of such provisions.

Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

15. Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

16. Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

17. Borrowings

Borrowings are recognised initially at fair value. Transaction costs incurred are included for those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated either at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

18. Borrowing Costs

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

19. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognised as income or expense in the income statement on a straight-line basis over the period of the lease.

20. Deferred Taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition has no impact on taxable nor accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, jointly controlled and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

21. Revenue Recognition

Provided the collectibility of the related receivable is reasonably assured, revenue is recognised as follows:

(a) Rental income is recognised on a straight-line basis over the shorter of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when earned.

(b) Sales of properties are recognised when effective control of ownership of the properties is transferred to the buyers.

(c) Sales of services, including services provided by hotel operations, are recognised when the services are rendered.

22. Related Parties

Related parties are individuals and companies, including subsidiary, fellow subsidiary, jointly controlled and associated companies and key management (including close members of their families), where the individual, company or Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

23. Government Grants

Grants from the government are recognised where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

24. Retirement Benefits

The Group operates both defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant Group companies and, in some cases, employees themselves, taking account of the recommendations of independent qualified actuaries.

A defined benefit plan is a retirement plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution schemes are charged to the income statement in the period to which the contributions relate.

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees. The retirement benefit obligation is measured as the present value of the estimated future cash outflows. Plan assets are measured at fair value.

24. Retirement Benefits *(continued)*

Cumulative unrecognised net actuarial gains and losses at the previous financial year-end, to the extent that the amount is in excess of 10% of the greater of the present value of the defined benefit obligations and the fair value of the plan assets, are recognised over the expected average remaining working lives of the employees participating in the plan. A subsidiary company may adopt any systematic method that results in faster recognition of actuarial gains and losses, provided the same basis is applied consistently from period to period. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

25. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

26. Financial Guarantees

Financial guarantees are initially recognised in the accounts at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the income statement.

27. Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

28. Segment Reporting

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

29. Merger Accounting for Common Control Combinations

On 25th January 2010, the Group acquired all the shares of Swire Properties US Inc and Swire Properties One LLC, which were wholly-owned subsidiaries of the immediate holding company of the Company, and all the outstanding related loan notes of Swire Properties US Inc from the immediate holding company for a total consideration of HK$1,108,132,451, which was satisfied by an issue of 1,108,132,451 new shares by the Company at par on the same date.

The Group has adopted merger accounting to account for the above transactions in accordance with Accounting Guidance 5, Merger Accounting for Common Control combinations, as issued by the HKICPA. The financial information incorporates the financial positions and results of the entities acquired in the above as if the entities had been consolidated from the date when these entitles first came under the control of the immediate holding company.

The net assets of the entities acquired from the immediate holding company were consolidated using the existing book values recorded by the immediate holding company. No amount was recognised for goodwill or the excess of the Company's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combinations, to the extent of the continuation of the immediate holding company's interest.

Principal Subsidiary, Jointly Controlled and Associated Companies

Showing proportion of capital owned at 31st December 2012

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Subsidiary companies:					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
53 Stubbs Road Development Co. Limited	100	100	–	5,000,000 shares of HK$1 each	Property development
53 Stubbs Road (Management) Limited	100	100	–	1 share of HK$10	Property management
Cathay Limited	100	100	–	807 shares of HK$10 each	Property investment
Citiluck Development Limited	100	–	100	1,000 shares of HK$1 each	Property investment
Cityplaza Holdings Limited	100	100	–	100 shares of HK$10 each	Property investment
Coventry Estates Limited	100	–	100	4 shares of HK$10 each	Property investment
Golden Tent Limited	100	–	100	1 share of HK$1	Hotel investment
Island Delight Limited	87.5	–	100	1 share of HK$1	Property trading
Keen Well Holdings Limited	80	–	100	1 share of HK$1	Property trading
One Island East Limited	100	100	–	2 shares of HK$1 each	Property investment
One Queen's Road East Limited	100	100	–	2 shares of HK$1 each	Property investment
Oriental Landscapes Limited	100	100	–	60,000 shares of HK$10 each	Landscaping services
Pacific Place Holdings Limited	100	100	–	2 shares of HK$1 each	Property investment
Redhill Properties Limited	100	100	–	250,000 shares of HK$1 each	Property investment
Super Gear Investment Limited	100	100	–	2 shares of HK$1 each	Property investment
Swire Properties (Finance) Limited	100	100	–	1,000,000 shares of HK$1 each	Provision of financial services
Swire Properties Management Limited	100	100	–	2 shares of HK$10 each	Property management
Swire Properties MTN Financing Limited	100	100	–	1 share of HK$1	Provision of financial services
Swire Properties Projects Limited	100	100	–	2 shares of HK$1 each	Project management
Swire Properties Real Estate Agency Limited	100	100	–	2 shares of HK$10 each	Real estate agency
TaiKoo Place Holdings Limited	100	100	–	2 shares of HK$1 each	Property investment
Incorporated in Mainland China with limited liability and operate in Mainland China:					
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Company Limited (2)	97	–	97	Registered capital of RMB2,650,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Sanlitun Hotel Management Company Limited (2)	100	–	100	Registered capital of RMB400,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited (2)	80	–	100	Registered capital of RMB1,392,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited (2)	80	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	100	–	100	Registered capital of RMB195,000,000	Property investment
Swire Properties (China) Investment Company Limited (2)	100	–	100	Registered capital of US$30,000,000	Holding company
(Domestic company)					
Beijing Tianlian Real Estate Company Limited (2)(4)	100	–	100	Registered capital of RMB865,000,000	Holding company

Notes:

(1) This table lists the principal subsidiary, jointly controlled and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.

(2) Translated name.

(3) Group interest held through jointly controlled and associated companies.

(4) Companies not audited by Pricewaterhousecoopers. These companies account for approximately 2.0% of attributable net assets at 31st December 2012.

Principal Subsidiary, Jointly Controlled and Associated Companies

Showing proportion of capital owned at 31st December 2012

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Subsidiary companies (continued):					
Incorporated in the United States with limited liability and operate in the United States:					
Brickell CityCentre Plaza LLC	100	–	100	Limited Liability Company	Property investment
Brickell CityCentre Project LLC	100	–	100	Limited Liability Company	Property trading and investment
FTL/AD LTD	75	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	100	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties Inc	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties US Inc	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	100	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands with limited liability and operate in Hong Kong:					
Bao Wei Enterprises Limited	100	100	–	1 share of US$1	Property trading
Boom View Holdings Limited	100	100	–	2 shares of US$1 each	Property investment
Charming Grace Limited	100	100	–	1 share of US$1	Property development
Endeavour Technology Limited	87.5	–	87.5	1,000 shares of US$1 each	Holding company
Excel Free Ltd.	100	100	–	1 share of US$1	Property trading
Fine Grace International Limited	100	100	–	1 share of US$1	Property trading
Novel Ray Limited	100	100	–	1 share of US$1	Property investment
Peragore Limited	80	–	80	1,000 shares of US$1 each	Holding company
Sino Flagship Investments Limited	100	100	–	1 share of US$1	Property investment
Swire and Island Communication Developments Limited	60	60	–	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	100	100	–	1 share of US$1	Holding company
Wonder Cruise Group Limited	100	100	–	1 share of US$1	Property trading
Incorporated in the United Kingdom with limited liability and operate in the United Kingdom:					
New Light Hotels Limited	100	–	100	17,000,100 shares of GBP1 each	Hotel developer and operator
Jointly controlled companies:					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
Hareton Limited	50	50	–	100 shares of HK$10 each	Property trading
Richly Leader Limited	50	–	50	1,000,000,000 shares of HK$1 each	Property investment
Sky Treasure Limited	50	–	50	2 shares of HK$1 each	Property investment
Incorporated in the United States with limited liability and operate in the United States:					
Swire Brickell Key Hotel, Ltd.	75	–	75	Florida Partnership	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
Jointly controlled companies (continued):					
Incorporated in the British Virgin Islands with limited liability:					
Dazhongli Properties Limited (operates in Mainland China)	50	–	50	1,000 shares of US$1 each	Holding company
Great City China Holdings Limited (operates in Mainland China)	50	–	50	100 shares of US$1 each	Property development
Island Land Development Limited (operates in Hong Kong)	50	50	–	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	20	–	20	5 shares of US$1 each	Holding company
Incorporated in Mainland China with limited liability and operate in Mainland China:					
(Domestic company)					
Beijing Linlian Real Estate Company Limited (2)	50	–	50	Registered capital of RMB400,000,000	Property investment
(Wholly foreign owned enterprises)					
Guan Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US$500,000,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US$60,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US$336,500,000	Property investment
(Sino–foreign joint venture)					
Chengdu Qianhao Real Estate Company Limited	49.5	–	(3)	Registered capital of US$329,000,000	Property investment
Associated companies:					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
Greenroll Limited (4)	20	20	–	45,441,000 shares of HK$10 each	Hotel investment
Queensway Hotel Limited (4)	20	–	(3)	100,000 shares of HK$10 each	Hotel investment
Shangri–La International Hotels (Pacific Place) Limited	20	20	–	5,000 shares of HK$1 each and 10,000,000 non-voting deferred shares of HK$1 each	Hotel investment

Schedule of Principal Group Properties

At 31st December 2012

	Gross floor areas in square feet								
	Hong Kong		Mainland China		U.S.A.		U.K.	Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment									
Retail	2,324,862	99,698	2,859,885	469,747	–	–	–	5,184,747	5,754,192
Office	8,099,503	492,711	1,731,766	297,732	–	–	–	9,831,269	10,621,712
Techno-centre	1,816,876	–	–	–	–	–	–	1,816,876	1,816,876
Residential/ serviced apartment	483,711	–	51,517	–	–	–	–	535,228	535,228
Hotels	358,371	384,775	753,647	179,135	–	258,750	208,687	1,320,705	2,143,365
	13,083,323	977,184	5,396,815	946,614	–	258,750	208,687	18,688,825	20,871,373
Property developments for investment									
Retail	12,471	–	–	1,111,480	505,000	–	–	517,471	1,628,951
Office	–	–	–	922,421	982,000	–	–	982,000	1,904,421
Hotels	–	–	–	353,511	218,000	–	–	218,000	571,511
Residential/ serviced apartment	62,658	–	–	41,038	102,000	–	–	164,658	205,696
	75,129	–	–	2,428,450	1,807,000	–	–	1,882,129	4,310,579
Completed properties for sale									
Retail	–	3,820	–	–	–	–	–	–	3,820
Residential	48,686	–	–	–	33,264	–	–	81,950	81,950
Mixed Use	–	–	–	–	12,586	–	–	12,586	12,586
	48,686	3,820	–	–	45,850	–	–	94,536	98,356
Property developments for sale									
Office	–	–	–	662,288	–	–	–	–	662,288
Industrial	–	191,250	–	–	–	–	–	–	191,250
Residential	653,494	44,278	–	–	1,549,800	–	–	2,203,294	2,247,572
Mixed Use	–	–	–	–	1,287,414	–	–	1,287,414	1,287,414
	653,494	235,528	–	662,288	2,837,214	–	–	3,490,708	4,388,524
	13,860,632	1,216,532	5,396,815	4,037,352	4,690,064	258,750	208,687	24,156,198	29,668,832

Notes:

1. All properties held through subsidiary companies are wholly-owned except for Island Place (60% owned), TaiKoo Hui (97% owned), Sanlitun Village (Retail: 80% owned, Hotel: 100% owned), AZURA (87.5% owned), MOUNT PARKER RESIDENCES (80% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these seven properties in 100%.
2. "Other companies" comprise jointly controlled or associated companies and other investments. The floor areas of properties held through such companies are shown on an attributable basis.
3. Gross floor areas in Hong Kong and Mainland China exclude car parking spaces; there are over 9,500 completed car parking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the United States are freehold.
6. Gross floor areas in U.S.A. exclude car parking spaces; there are about 450 completed car parking spaces held by other companies for investment.
7. Gross floor areas in U.K. exclude car parking spaces; there are about 50 car parking spaces held by subsidiaries for investment.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building
The Mall at Pacific Place	IL 8571 (part)/ IL 8582 & Ext. (part)	2135/2047	318,289 (part)	711,182	470	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050-2852	40,236	627,657	111	2004/07	Office building linked to The Mall and Admiralty MTR station.
3. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/87/ 97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
4. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Office building over part of Cityplaza shopping centre.
5. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK ss18	2899	33,730	447,714	10	1992	Office building linked by a footbridge to Cityplaza.
6. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,431	–	1991	Office building linked by a footbridge to Cityplaza.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office *(continued)*							
7. Commercial areas in Stages I - X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/2889 /2899	–	331,079	3,826	1977-85	Neighbourhood shops, schools and car parking spaces.
8. Devon House, TaiKoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Office building linked to Quarry Bay MTR station by a footbridge.
9. Dorset House, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.
10. Lincoln House, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,353	164	1998	Office building linked to PCCW Tower.
11. Oxford House, TaiKoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/2899	33,434	501,253	182	1999	Office building linked to Somerset House.
12. Cambridge House, TaiKoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Office building linked to Devon House.
13. One Island East, TaiKoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/2899	109,929	1,537,011	–	2008	Office building linked to Cornwall House.
14. Island Place, 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, of which the Group owns 60%.
15. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail area.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office *(continued)*							
16. 21-29 Wing Fung Street, Wanchai	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3	2856	2,967	14,039	–	1992/ 2006	Floor area shown represents the existing buildings.
17. 8 Queen's Road East, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	1968	Office building with ground floor retail.
18. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	Office building.
	Total held through subsidiaries			**10,424,365**	**6,494**		
19. PCCW Tower, TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the Group owns 50%.
20. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Office building. Floor area shown represents the whole development, of which the Group owns 50%.
21. Tung Chung Crescent (Site 1), Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	–	1998/ 1999	Floor area shown represents the retail space, of which the Group owns 20%.
22. Citygate (Site 2), Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	Retail: 462,439 Office: 160,522	1,156	1999/ 2000	A 160,522 square foot office tower above a 462,439 square foot shopping centre of which the Group owns 20%. (Part of Site 1 and Site 2 North included on pages 160 and 156 respectively)
	Held through jointly controlled companies			**1,580,227**	**1,457**		
	– of which attributable to the Group			**592,409**			
Techno-centre							
1. TaiKoo Place	QBML 1 sQ (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)		285		Data centres/offices/ logistics warehousing.
Warwick House				554,934		1979	
Cornwall House				338,578		1984	Floor area excludes the eight floors owned by the Government.
Somerset House				923,364		1988	General Building Plan approval was obtained to redevelop Somerset House into a Grade-A office with a total gross floor area of about 895,000 square feet.
	Total held through subsidiaries			**1,816,876**	**285**		

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Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi–detached houses.
3. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
4. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	7 apartment units.
	Total held through subsidiaries			**483,711**	**7**		
Hotel							
1. EAST Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345–room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009	117–room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			**358,371**			
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602–room hotel, in which the Group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513–room hotel, in which the Group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565–room hotel, in which the Group owns a 20% interest.
	Total held through associated companies			**1,687,222**			
	– of which attributable to the Group			**337,444**			
6. Novotel Citygate Hong Kong Hotel, Citygate (Site 2 North)	TCTL 2 (part)	2047	358,557 (part)	236,653	7	2005	440–room hotel, in which the Group owns a 20% interest.
	Total held through jointly controlled companies			**236,653**	**7**		
	– of which attributable to the Group			**47,331**			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Sanlitun Village (Village South)	19 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema. Floor area shown represents the whole development, of which the Group owns 80%.
2. Sanlitun Village (Village North)	11 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	410	2007	Shopping centre with restaurants. Floor area shown represents the whole development, of which the Group owns 80%.
3. Beaumonde Retail Podium	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,380 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, of which the Group owns 97%.
	Total held through subsidiaries			**2,859,885**	**1,679**		
5. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	631,072 (Part)	939,493	617	2012	Shopping centre with restaurants and cinema. Grand opening in the 3rd quarter of 2012. Floor areas shown represent the retail portion, of which the Group owns 50%.
	Total held through jointly controlled companies			**939,493**	**617**		
	– of which attributable to the Group			**469,747**			

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Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office								
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)		1,731,766	–	2011	Floor area shown represents the office portion, of which the Group owns 97%.
	Total held through subsidiaries				**1,731,766**	–		
2. INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)		595,464	392	2011	Phased opening from the 4th quarter of 2011. Floor area shown represents the office portion, of which the Group owns 50%.
	Total held through jointly controlled companies				**595,464**	**392**		
	– of which attributable to the Group				**297,732**			
Hotel								
1. The Opposite House	11 Sanlitun North Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)		169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel Serviced Apartment	584,184 51,517	– –	2012	263-room hotel and 24 serviced apartments. A cultural centre of 629,414 square feet is to be built and handed over to the Guangzhou Government upon completion. Floor area shown represents the hotel and serviced apartment portion, of which the Group owns 97%.
	Total held through subsidiaries				**805,164**	**32**		
3. EAST, Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (part)		358,269	236	2012	369-room hotel. Floor area shown represents the hotel portion, of which the Group owns 50%. Open in the 3rd quarter of 2012.
	Total held through jointly controlled companies				**358,269**	**236**		
	– of which attributable to the Group				**179,135**			

Completed properties for investment in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel						
1. Mandarin Oriental, Miami	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Group has a 75% interest.
	Total held through jointly controlled company		**345,000**	**600**		
	– of which attributable to the Group		**258,750**			

Completed properties for investment in the United Kingdom	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel					
1. The Montpellier Chapter, Cheltenham (formerly called Hotel Kandinsky, Cheltenham)	34,875	36,662	24	2010 (refurbishment)	61-room freehold hotel in Cheltenham.
2. The Magdalen Chapter, Exeter (formerly called Hotel Barcelona, Exeter)	46,888	36,001	10	2001	59-room freehold hotel in Exeter. Re-opened in June 2012 after refurbishment.
3. Hotel Seattle, Brighton	22,755	48,416	–	2003	71-room hotel in Brighton. 35-year leasehold commenced in September 2002.
4. Avon Gorge Hotel, Bristol	71,547	87,608	20	1855	75-room freehold hotel in Bristol. Floor area includes an external terrace.
Total held through subsidiaries		**208,687**	**54**		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 17-27 Tong Chong Street, 8-18 Hoi Wan Street (formerly called Wah Yuen Building), Quarry Bay	ML 703 sI	2881	8,664	Residential Retail	62,658 12,471 75,129	–	Foundation in progress	2014	Floor area shown represents a serviced apartment building above a retail podium.
	Total held through subsidiaries				**75,129**	**–**			

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Dazhongli Project	South of West Nanjing Road and east of Shimenyi Road, Jingán District, Shanghai	2049 (for Retail/ Hotel) 2059 (for Office)	676,091	Retail Office Hotel	1,081,362 1,844,842 543,194 3,469,398	1,217 1,217	Piling & excavation works in progress	2016	Construction commenced in the 4th quarter of 2011. Floor areas shown represent the whole development, of which the Group owns 50%.
2. Daci Temple Project	Daci Temple Area 9 Dongda Street Jinjiang District Chengdu	2051	761,869 (part)	Retail Hotel Serviced Apartment	1,141,598 163,828 82,076 1,387,502	1,000 1,000	Foundation works in progress	2013 2014 2014	Floor areas shown represent the retail, hotel and serviced apartment portions of the development, of which the Group owns 50%.
	Total held through jointly controlled companies				**4,856,900**	**2,217**			
	– of which attributable to the Group				**2,428,450**				

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Property developments for investment in the United States	Site area in square feet		Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. Brickell CityCentre, Miami, Florida	393,678 (part)	Phase I	Retail	505,000	1,235	2015	Brickell CityCentre is an urban mixed-use development located in the Brickell financial district, comprised of retail, offices, hotel, serviced apartments and residential condominiums. Construction of the foundation commenced in July 2012 and is scheduled for completion at the end of 2013.
			Office	240,000	289		
			Hotel	218,000	100		
			Serviced Apartment	102,000	–		
		Phase II	Office	742,000	1,484	2018	
				1,807,000	3,108		
	Total held through subsidiaries			**1,807,000**	**3,108**		

Completed properties for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. AZURA, Mid Levels West	IL 577 sC (part) IL 577 sD (part) IL 577 sE (part) IL 577 sF (part) IL 577 sG (part) IL 577 sH (part) IL 577 sI (part) IL 577 sJ (part) IL 577 sL ss1 (part) IL 577 sL ss2 (part) IL 577 sL ss3 (part) IL 577 sL RP (part) IL 577 sM (part)	2857	22,957 (part)	48,686	45	2012	As at 31st December 2012, 98 units were closed. Floor area shown represents the remaining 28 residential units, of which the Group owns 87.5%. 45 unsold car parking spaces, of which the Group owns 87.5%.
	Total held through subsidiaries			**48,686**	**45**		
2. MTRC Tung Chung (Package 1), Lantau							
– Tung Chung Crescent (Site 1)	TCTL 1 (part)	2047	331,658 (part)	–	75	1998/ 1999	75 unsold car parking spaces, of which the Group owns 20%.
	Total held through jointly controlled companies			**–**	**75**		
	– of which attributable to the Group			**–**			
Other holdings							
1 Belair Monte, Fanling	FSSTL 126 (part)	2047	223,674 (part)	Retail: 47,751	17	1998	Floor area shown represents the whole of the retail area, of which the Group owns 8%.
				47,751	**17**		
	– Attributable holding			**3,820**			

Completed properties for sale in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. ASIA	900 Brickell Key, Miami, Florida	173,531	Residential: 33,264	27	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. As at 31st December 2012, 109 units were closed.
2. River Court	Fort Lauderdale, Florida	21,750	Retail/Office: 12,586	38	1966	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
	Total held through subsidiaries		**45,850**	**65**		

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. 63 Seymour Road (ARGENTA) Mid Levels West	IL 2300	2856	7,975	Residential	75,805	28	Superstructure in progress	2013	Floor area shown represents a proposed residential tower with 31 storeys above podium. The development comprises 30 residential units of which 6 residential units (together with 6 car parks) were pre-sold as at 31 December 2012.
2. Phase 1, 33 Seymour Road, Mid Levels West	IL 424 sB ss1 RP IL 424 sB RP IL 425 s7 sA IL 425 s7 sB IL 425 s7 sC IL 425 s7 sD IL 424 sC RP IL 424 sD RP IL 424 RP	2854	20,756	Residential	165,792	–	Superstructure and pile cap works in progress	2014	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
3. Phase 2, 33 Seymour Road, Mid Levels West (formerly known as 92-102 Caine Road)	IL 425 s1 RP IL 425 s2 IL 425 s3 IL 425 s4 IL 425 s5 ss1 IL 425 s5 RP IL 425 RP	2854	21,726	Residential	195,531	43	Foundation in progress	2016	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
4. 1 Sai Wan Terrace (MOUNT PARKER RESIDENCES) Taikoo Shing	SIL 761 RP SIL 761 sA	2057	28,490	Residential	151,954	68	Superstructure in progress	2013	Floor area shown represents the whole development, of which the Group owns 80%. The development comprises 92 residential units with 19 storeys above podium.
5. Residential Sites in Cheung Sha, South Lantau	Lot 724 and Lot 726 in DD332	2062	161,029	Residential	64,412	–	Vacant Site	2015	Floor area shown represents the total gross floor area permitted under the Conditions of Sale.
	Total held through subsidiaries				**653,494**	**139**			

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Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
6. 23 Dunbar Road (DUNBAR PLACE) Kowloon (Previously known as 148 Argyle Street)	KIL 3303 sA	2083	17,712	Residential	88,555	57	Superstructure in progress	2013	Floor area shown represents the whole development, of which the Group owns 50%.
7. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 338 AIL 339	2119 2120	25,500	Industrial	382,500	39	Foundation completed	On hold	Floor area shown represents the whole development, of which the Group owns 50%.
	Total held through jointly controlled companies				**471,055**	**96**			
	– of which attributable to the Group				**235,528**				

Property developments for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Daci Temple Project	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	761,869 (part)	Office	1,324,575	499	Piling & excavation works in progress	2013	Floor area shown represents the office portion of the development, of which the Group owns 50%.
	Total held through jointly controlled companies				**1,324,575**	**499**			
	– of which attributable to the Group				**662,288**				

Property developments for sale in the United States	Site area in square feet		Use	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372		Residential	421,800	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	182,191		Residential/ Office/ Hotel	787,414	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
3. Brickell CityCentre, Miami, Florida	393,678 (part)	Phase I	Condominium	1,128,000	1,025	2015	Two residential development sites in Brickell CityCentre, an urban mixed-use development located in the Brickell financial district. Construction of the foundation commenced in July 2012 and is scheduled for completion at the end of 2013.
4. North Squared, Brickell CityCentre, Miami, Florida	42,811		Mixed Use	500,000	–	–	Development project on hold.
	Total held through subsidiaries			**2,837,214**	**2,470**		

Glossary

Terms

Adjusted underlying profit Underlying profit less profit from the disposal of investment properties and net impairment losses from hotels and trading properties.

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

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

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

Gross rental income 100% of gross rental income of Group companies.

Net assets employed Total equity plus net debt.

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

Underlying equity attributable to the Company's shareholders Reported equity before non-controlling interests, adjusted for the impact of deferred tax on investment properties, unrecognised valuation gains on hotels held as part of mixed-use developments, revaluation of investment properties occupied by the Group and cumulative depreciation of investment properties occupied by the Group.

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

Ratios

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

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on average underlying equity attributable to the Company's shareholders} = \frac{\text{Underlying profit/(loss) attributable to the Company's shareholders}}{\text{Average underlying equity during the year attributable to the Company's shareholders}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

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

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Dividends paid and proposed}}$$

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

Financial Calendar and Information for Investors

Financial Calendar 2013

Shares trade ex-dividend	2nd April
Share register closed for 2012 second interim dividend entitlement	5th April
Annual Report available to shareholders	5th April
Payment of 2012 second interim dividend	2nd May
Share register closed for attending and voting at Annual General Meeting	2nd-7th May
Annual General Meeting	7th May
Interim results announcement	August 2013
2013 first interim dividend payable	October 2013

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