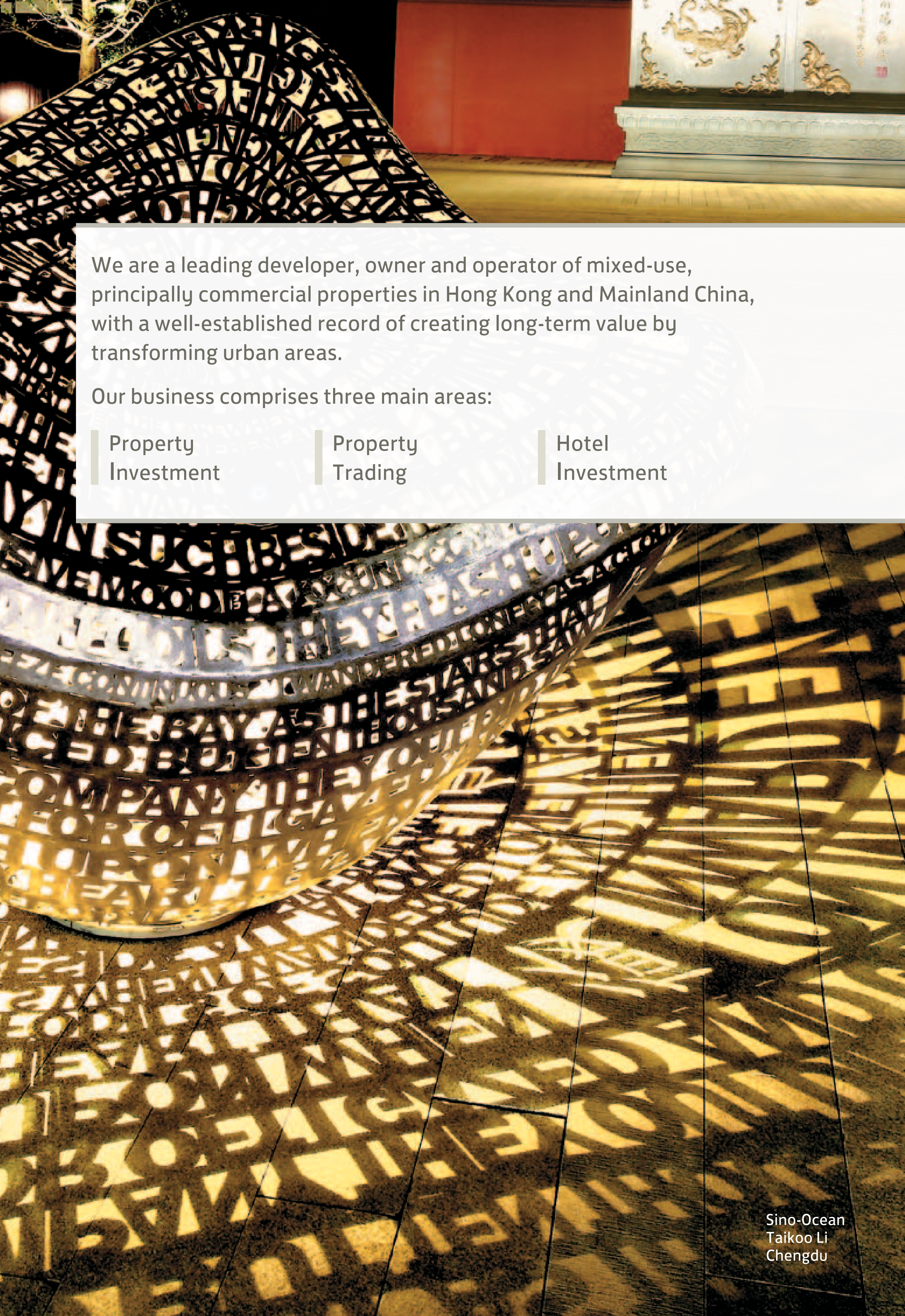
Annual Report 2014

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

Sino-Ocean Taikoo Li Chengdu

2014 Highlights

CITIC Real Estate, Dalian Port Real Estate and Swire Properties jointly announced framework agreement for the

Development of the Dalian Port Project

January – Mainland China
details on page 8

Announcement of the 2015 opening of our first hotel in the United States, EAST, Miami at

Brickell City Centre

April – Miami
details on page 43

MOUNT PARKER RESIDENCES

was completed and handed over to the purchasers

May – Hong Kong
details on page 41

Presales of units in AREZZO started

September – Hong Kong
details on page 41

Announcement of the launch of "blueprint", a free business platform for B2B tech startups in Taikoo Place

September – Hong Kong
details on page 23

Soft opening of our new shopping complex Sino-Ocean Taikoo Li Chengdu

October – Chengdu
details on page 32

The White Christmas Street Fair 2014 launched at Tong Chong Street in Taikoo Place

December – Hong Kong
details on page 88

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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 around 4,500 people.

In Hong Kong, we have spent over 40 years developing what is now Taikoo Place and Cityplaza from an industrial area into one of Hong Kong's largest business districts, including a hotel and the largest shopping mall on Hong Kong Island. Pacific Place, built on the former Victoria Barracks site, is one of Hong Kong's premier retail and business addresses. In Mainland China, Swire Properties has five major mixed-use projects 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 in commercial districts with excellent transport connections.

Swire Properties has significant interests in the luxury residential market in Hong Kong. Under our Swire Hotels brand, we develop and manage hotels in Hong Kong, Mainland China, the U.S.A. and the U.K.

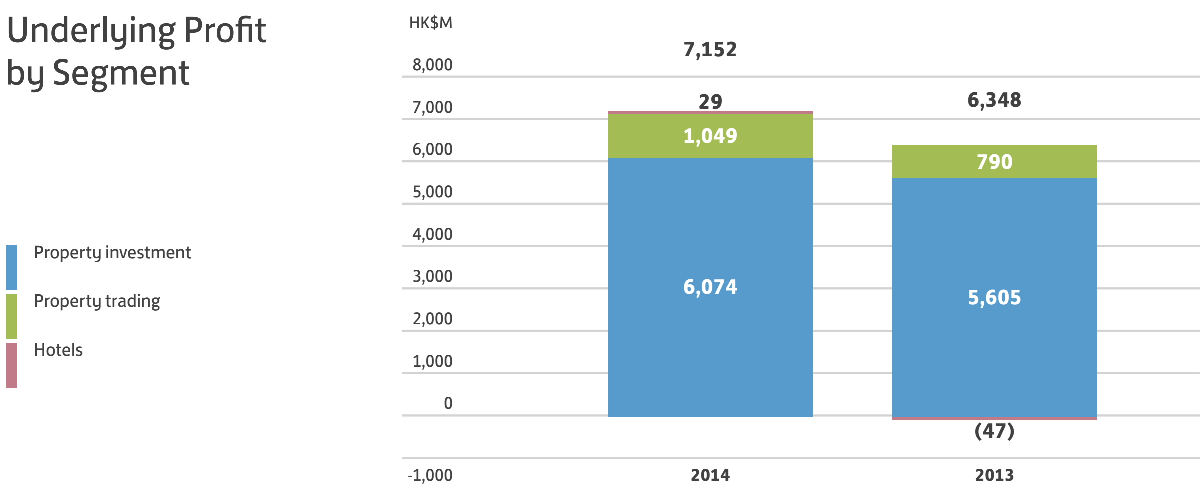
The Company has a significant presence in Miami, Florida, U.S.A. where it commenced business in 1980. It is developing Brickell City Centre, a large-scale mixed-use project in the Brickell financial district in Miami. The Company has offices in Singapore and Indonesia which explore opportunities in the property markets in those countries.

Financial Highlights

Results **For the year**	*Note*	**2014** **HK$M**	2013 HK$M	Change
Revenue		**15,387**	12,935	+19.0%
Operating profit		**10,992**	14,498	-24.2%
Profit attributable to the Company's shareholders				
Underlying	*(a), (b)*	**7,152**	6,348	+12.7%
Reported		**9,516**	12,525	-24.0%
Cash generated from operations		**10,724**	8,873	+20.9%
Net cash inflow before financing		**2,881**	577	+399.3%
		HK$	HK$	
Earnings per share				
Underlying	*(c)*	**1.22**	1.09	+11.9%
Reported	*(c)*	**1.63**	2.14	-23.8%
Dividends per share				
First interim		**0.22**	0.20	+10.0%
Second interim		**0.44**	0.40	+10.0%
Financial Position **At 31st December**		**HK$M**	HK$M	
Total equity (including non-controlling interests)		**208,547**	203,150	+2.7%
Net debt		**34,071**	32,014	+6.4%
Gearing ratio	*(a)*	**16.3%**	15.8%	+0.5%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share				
Underlying	*(a), (b)*	**36.95**	35.88	+3.0%
Reported	*(a)*	**35.50**	34.59	+2.6%

Notes:
(a) Refer to glossary on page 171 for definition.
(b) A reconciliation between reported profit and underlying profit and reported equity and underlying equity attributable to the Company's shareholders is provided on pages 16 to 17.
(c) Refer to Note 14 in the financial statements for the weighted average number of shares.

Underlying Profit by Segment



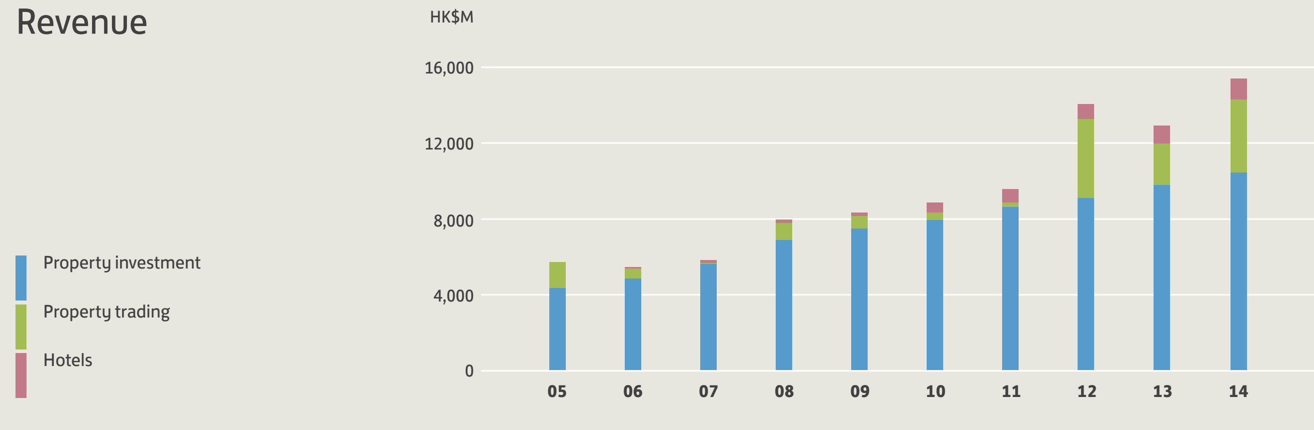
Ten-Year Financial Summary

	2005 HK$M	2006 HK$M	2007 HK$M	2008 HK$M	2009 HK$M	2010 HK$M	2011 HK$M	2012 HK$M	2013 HK$M	**2014 HK$M**
STATEMENT OF PROFIT OR LOSS										
Revenue										
Property investment	4,382	4,872	5,663	6,901	7,516	7,953	8,651	9,123	9,786	**10,456**
Property trading	1,339	554	10	889	643	400	213	4,147	2,207	**3,842**
Hotels	–	27	148	156	172	518	717	782	942	**1,089**
	5,721	5,453	5,821	7,946	8,331	8,871	9,581	14,052	12,935	**15,387**
Profit Attributable to the Company's Shareholders										
Property investment	1,910	2,586	3,054	3,318	3,965	4,574	4,638	4,896	5,426	**6,029**
Property trading	264	198	(43)	95	23	87	7	1,659	720	**1,020**
Hotels	104	126	175	73	(332)	(109)	(33)	14	(46)	**30**
Change in fair value of investment properties	12,365	17,221	19,530	(236)	13,596	21,478	20,496	12,184	6,425	**2,437**
	14,643	20,131	22,716	3,250	17,252	26,030	25,108	18,753	12,525	**9,516**
Dividends for the year	2,303	1,532	1,652	2,966	25	2,426	11,067	3,510	3,510	**3,861**
Retained profit	12,340	18,599	21,064	284	17,227	23,604	14,041	15,243	9,015	**5,655**
STATEMENT OF FINANCIAL POSITION										
Net Assets Employed										
Property investment	85,982	105,660	133,492	140,440	155,374	183,062	191,116	207,577	218,556	**226,607**
Property trading	701	1,448	2,762	3,496	3,772	6,303	6,581	7,309	9,408	**8,210**
Hotels	1,037	1,429	3,624	4,037	5,523	5,797	6,421	7,111	7,200	**7,801**
	87,720	108,537	139,878	147,973	164,669	195,162	204,118	221,997	235,164	**242,618**
Financed by										
Equity attributable to the Company's shareholders	70,044	88,231	109,643	110,235	129,778	157,847	175,886	192,434	202,350	**207,691**
Non-controlling interests	6,185	296	801	1,068	424	479	532	642	800	**856**
Net debt	11,491	20,010	29,434	36,670	34,467	36,836	27,700	28,921	32,014	**34,071**
	87,720	108,537	139,878	147,973	164,669	195,162	204,118	221,997	235,164	**242,618**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	**HK$**
Earnings per share	2.67	3.67	4.14	0.59	3.14	4.57	4.40	3.21	2.14	**1.63**
Dividends per share	0.42	0.28	0.30	0.54	–	0.43	1.94	0.60	0.60	**0.66**
Equity attributable to shareholders per share	12.75	16.06	19.96	20.07	23.60	27.74	30.07	32.89	34.59	**35.50**
RATIOS										
Return on average equity attributable to the Company's shareholders	23.1%	25.4%	23.0%	3.0%	14.4%	18.1%	15.0%	10.2%	6.3%	**4.6%**
Gearing ratio	15.1%	22.6%	26.7%	33.0%	26.5%	23.3%	15.7%	15.0%	15.8%	**16.3%**
Interest cover – times	23.11	32.16	33.69	4.79	17.56	21.79	18.23	15.72	10.02	**8.96**
Dividend cover – times	6.36	13.14	13.75	1.10	N/A	10.73	2.27	5.34	3.57	**2.46**
UNDERLYING										
Profit (HK$M)	2,570	3,064	3,291	3,540	3,721	4,767	12,914	6,935	6,348	**7,152**
Equity attributable to the Company's shareholders (HK$M)	71,590	90,034	111,678	113,594	133,373	161,621	180,592	198,803	209,895	**216,137**
Return on average equity attributable to the Company's shareholders	4.0%	3.8%	3.3%	3.1%	3.0%	3.2%	7.6%	3.7%	3.1%	**3.4%**
Earnings per share (HK$)	0.47	0.56	0.60	0.64	0.68	0.84	2.26	1.19	1.09	**1.22**
Equity attributable to shareholders per share (HK$)	13.03	16.39	20.33	20.68	24.25	28.40	30.87	33.98	35.88	**36.95**
Gearing ratio	14.8%	22.2%	26.2%	32.0%	25.8%	22.7%	15.3%	14.5%	15.2%	**15.7%**
Interest cover – times	5.58	6.09	5.93	4.48	4.33	5.37	12.01	7.90	6.43	**7.58**
Dividend cover – times	1.12	2.00	1.99	1.19	N/A	1.96	1.17	1.98	1.81	**1.85**

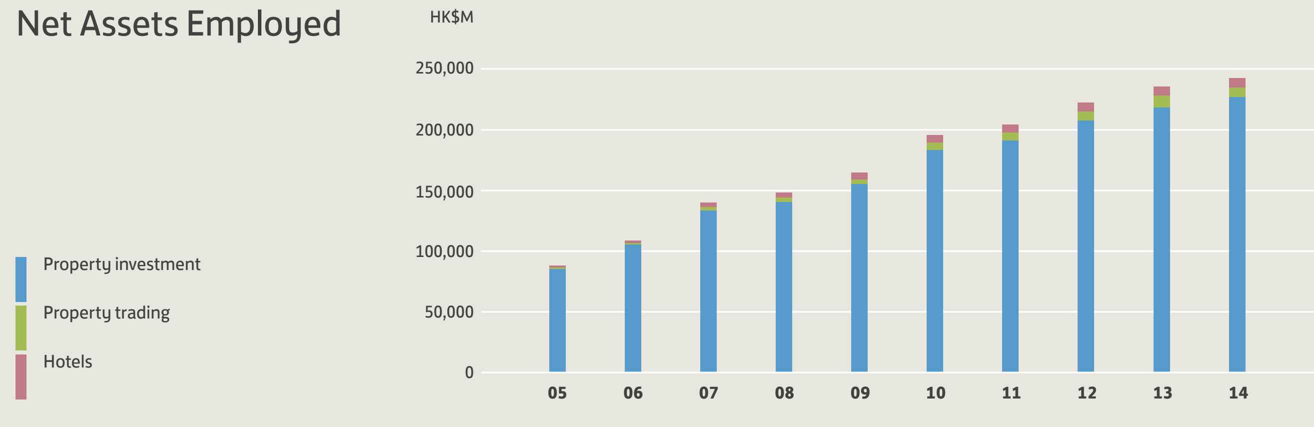
Notes:

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 2014 may be different from those originally presented.
2. The equity attributable to the Company's shareholders and the returns by segment for 2014 and 2013 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 171 for definitions and ratios.

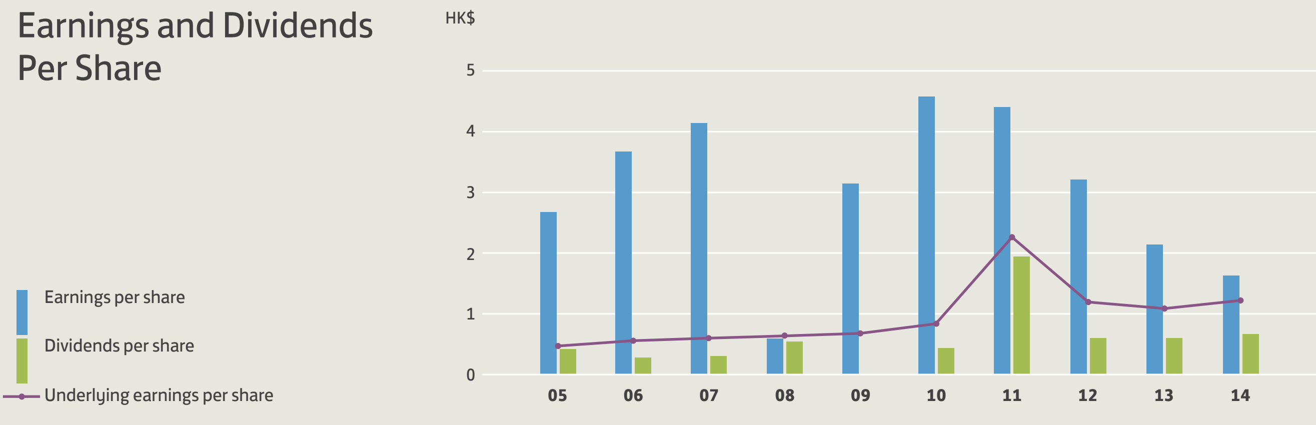
Revenue



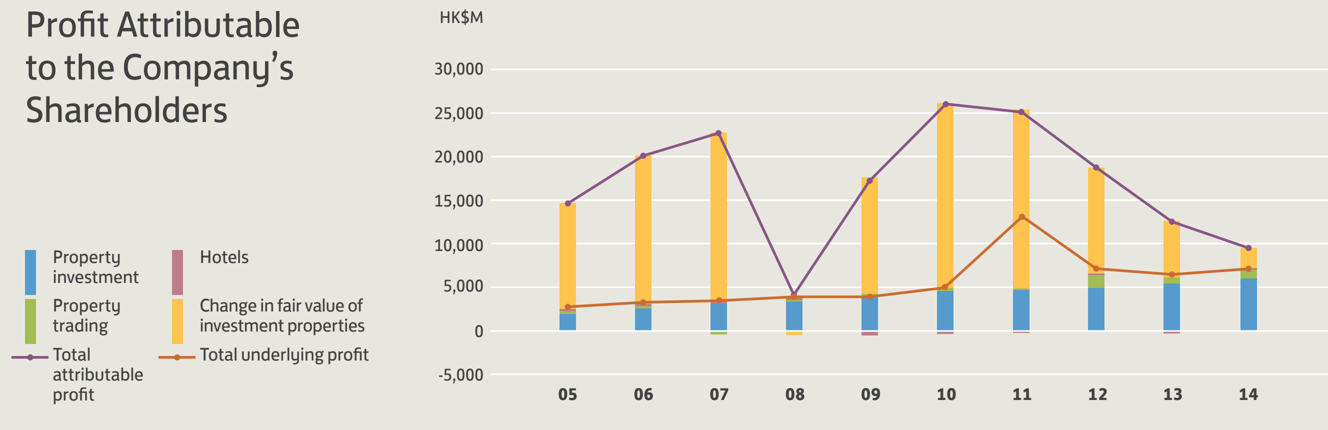
Net Assets Employed



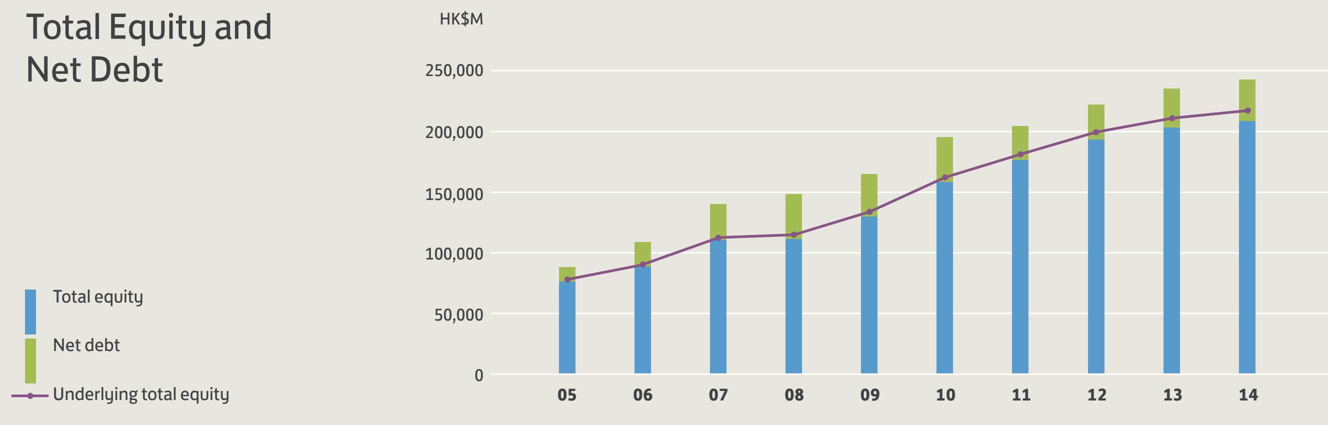
Earnings and Dividends Per Share



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 2014 was HK$9,516 million, compared to HK$12,525 million in 2013. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$804 million from HK$6,348 million in 2013 to HK$7,152 million in 2014.

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 of HK¢44 (2013: HK¢40) per share which, together with the first interim dividend of HK¢22 per share paid in October 2014, amounts to full year dividends of HK¢66 (2013: HK¢60) per share. The second interim dividend, which totals HK$2,574 million (2013: HK$2,340 million), will be paid on Thursday, 7th May 2015 to shareholders registered at the close of business on the record date, being Friday, 10th April 2015. Shares of the Company will be traded ex-dividend from Wednesday, 8th April 2015.

Key Developments

In January 2014, Swire Properties acquired 50% of DCH Commercial Centre, an office building with an aggregate gross floor area ("GFA") of approximately 389,000 square feet in Quarry Bay, Hong Kong. The building was renamed Berkshire House in July 2014.

In January 2014, Swire Properties entered into a framework agreement with CITIC Real Estate Co., Ltd. and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian through a joint venture in which we plan to hold a 50% interest. The proposed joint venture and development are subject to satisfaction of certain conditions precedent.

In February 2014, Swire Properties completed the purchase of a 20% interest in Taikoo Li Sanlitun from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, following the exercise of an option by GCA to sell its interest in Taikoo Li Sanlitun to Swire Properties. This transaction resulted in Taikoo Li Sanlitun becoming wholly-owned by Swire Properties.

In February 2014, Swire Properties entered into an agreement with the Hong Kong Government to acquire the latter's interest in Cornwall House in Taikoo Place, Hong Kong. The transaction is expected to be completed on or before 30th December 2016. The acquisition allows Swire Properties to proceed with the redevelopment of three existing techno-centres in Taikoo Place into two Grade-A office buildings.

In February 2014, the company which owns an industrial site at 8-10 Wong Chuk Hang Road in Aberdeen, Hong Kong (in which Swire Properties has a 50% interest) agreed with the Hong Kong Government to modify the relevant Government leases so as to permit the site to be used for commercial purposes. The site is intended to be developed into an office building with an aggregate GFA of approximately 382,500 square feet.

In March 2014, Swire Properties started to pre-sell units in MOUNT PARKER RESIDENCES, a residential development in Quarry Bay, Hong Kong. Handover to purchasers began in May 2014. The development comprises a 24-storey tower of 92 residential units with an aggregate GFA of 151,954 square feet.

In June 2014, Swire Properties started to pre-sell units in Reach, a luxury residential condominium at the Brickell City Centre development in Miami, U.S.A. In November 2014, we started to pre-sell units in Rise, a second residential condominium in the same development. The two condominiums comprise 780 units with an aggregate GFA of 1,134,000 square feet.

In September 2014, Swire Properties started to pre-sell units in AREZZO, a residential development in Mid-Levels West, Hong Kong which is expected to be completed in the first half of 2015. The development consists of a 48-storey tower of 127 residential units with an aggregate GFA of 165,792 square feet.

In October 2014, Sino-Ocean Taikoo Li Chengdu, a shopping complex jointly developed with Sino-Ocean Land Holdings Limited in Chengdu, Mainland China, started to open. The development consists of more than 1,226,000 square feet of GFA.

In December 2014, Swire Properties completed a HK$100 million enhancement project at Cityplaza. Over 30 new retail brands were introduced to the mall.

Operating Performance

The increase in underlying profit from HK$6,348 million in 2013 to HK$7,152 million in 2014 principally reflected increased income from retail and office investment properties, and higher trading profits from the sale of luxury residential properties in Hong Kong. Underlying profit from property investment increased by 8%. This reflected positive rental reversions in Hong Kong and higher rental income from properties in Mainland China. There were better performances in 2014 from our hotels in Hong Kong and the U.K. Our hotels in Mainland China recorded reduced losses.

Gross rental income was HK$10,320 million in 2014 compared to HK$9,676 million in 2013. There were positive rental reversions in the Hong Kong portfolio. Our office occupancy levels were relatively resilient in 2014 despite demand being generally weak, particularly from financial institutions. Demand for retail space in Hong Kong continued to be robust, although there was a slowdown in retail sales in 2014. In Mainland China, retail sales of luxury goods were weak. Retailers were cautious about taking more space. Nevertheless, rental income increased at our TaiKoo Hui, Taikoo Li Sanlitun and INDIGO properties and occupancy was stable.

Operating profit from property trading increased in 2014, principally because we sold more units at our Hong Kong developments.

On an attributable basis, net investment property valuation gains in 2014, after deferred tax relating to investment properties in Mainland China, were HK$2,437 million, compared to net gains of HK$6,425 million in 2013.

Finance

Net debt at 31st December 2014 was HK$34,071 million, compared with HK$32,014 million at 31st December 2013. Gearing increased from 15.8% to 16.3%. The increase in borrowings was mainly due to the acquisition of a 20% interest in Taikoo Li Sanlitun and capital expenditure on the Brickell City Centre development in Miami. Cash and undrawn committed facilities totalled HK$9,622 million at 31st December 2014, compared with HK$9,854 million at 31st December 2013. We 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

We recognise the importance of acting responsibly towards those with whom we interact, our employees, the communities in which we operate and the natural environment. As a leading property developer, we are committed to building and managing our developments sustainably.

We were ranked 16 out of the most sustainable corporations in Asia and as an "Industry Leader" at the inaugural Channel NewsAsia Sustainability Ranking 2014. We were recognised as one of the Top Ten Developers 2014 by BCI Asia and received a Grand Award at the Green Building Award event in 2014. In Mainland China, our Sino-Ocean Taikoo Li Chengdu development achieved Leadership in Energy and Environmental Design ("LEED") Gold certification. In Hong Kong, our ARGENTA residential development achieved Platinum status under the Building Environmental Assessment Method ("BEAM"). In 2014, our health and safety performance improved, with a 15% reduction in lost time injuries.

Further information about our activities in this area is on pages 86 to 89.

Prospects

In Hong Kong, demand for office space, particularly from financial institutions, is likely to remain subdued. As a result rents will be under pressure in the Central district of Hong Kong. Pacific Place, however, has no major leases expiring in 2015 and occupancy rates are expected to remain stable. At Taikoo Place and Cityplaza, rents are expected to remain resilient owing to high occupancy. In Guangzhou and Beijing, office rents are expected to be under pressure in 2015 as a substantial supply of new office space becomes available.

Demand for luxury goods in Hong Kong has weakened. But overall retail sales in Hong Kong are expected to grow modestly in 2015. Demand for retail space at prime locations and well-managed shopping malls is expected to remain high. In Guangzhou and Beijing, demand for luxury goods has weakened but that for mid-price products is expected to grow satisfactorily. Retailers are cautious about expanding. In Chengdu, the retail market is expected to grow steadily in 2015, reflecting demand from consumers for international and local branded goods.

In Hong Kong, there is demand for luxury residential properties but there are not many transactions. Our profits from property trading are still expected to be significant in 2015, with the completion of the sales of presold units in the AREZZO development, the sales of completed houses at the 160 South Lantau Road development and the sales of remaining units at other completed residential developments. Profits are also expected on the completion of the sales of the presold office tower (Pinnacle One) at the Daci Temple project in Chengdu in Mainland China.

The performance of our hotels in Hong Kong is expected to be stable in 2015. Trading conditions for our hotels in Mainland China remain challenging because of oversupply.

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.

John Slosar
Chairman
Hong Kong, 19th March 2015

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 4 million square feet Brickell City Centre 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


Pacific Place
Hong Kong

Review of Operations

	2014 HK$M	2013 HK$M
Revenue		
Gross Rental Income derived from		
Offices	**5,707**	5,386
Retail	**4,260**	3,961
Residential	**353**	329
Other Revenue [(1)]	**136**	110
Property Investment	**10,456**	9,786
Property Trading	**3,842**	2,207
Hotels	**1,089**	942
Total Revenue	**15,387**	12,935
Operating Profit/(Loss) derived from		
Property investment	**7,878**	7,317
Valuation gains on investment properties	**1,956**	6,211
Property trading	**1,180**	1,035
Hotels	**(22)**	(65)
Total Operating Profit	**10,992**	14,498
Share of Post-tax Profits from Joint Venture and Associated Companies	**1,604**	948
Attributable Profit	**9,516**	12,525

[(1)] Other revenue is mainly estate management fees.

Additional information is provided in the following section 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 liabilities in respect of put options in favour of the owners of non-controlling interests.

	Note	2014 HK$M	2013 HK$M
Underlying Profit			
Profit attributable to the Company's shareholders per financial statements		**9,516**	12,525
Adjustments in respect of investment properties:			
Revaluation of investment properties	*(a)*	**(3,148)**	(7,017)
Deferred tax on investment properties	*(b)*	**710**	573
Realised profit on sale of properties	*(c)*	**29**	94
Depreciation of investment properties occupied by the Group	*(d)*	**16**	14
Non-controlling interests' share of revaluation movements less deferred tax		**1**	19
Movements in the fair value of the liabilities in respect of put options in favour of the owners of non-controlling interests	*(e)*	**28**	140
Underlying Profit Attributable to the Company's Shareholders		**7,152**	6,348
Underlying Equity			
Equity attributable to the Company's shareholders per financial statements		**207,691**	202,350
Deferred tax on investment properties		**5,234**	4,531
Unrecognised valuation gains on hotels held as part of mixed-use developments	*(f)*	**2,354**	2,244
Revaluation of investment properties occupied by the Group		**793**	721
Cumulative depreciation of investment properties occupied by the Group		**65**	49
Underlying Equity Attributable to the Company's Shareholders		**216,137**	209,895
Underlying non-controlling interests		**912**	854
Underlying Equity		**217,049**	210,749

Notes:

(a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss and the Group's share of net revaluation movements of joint venture 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 joint venture 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 statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement of profit or loss.

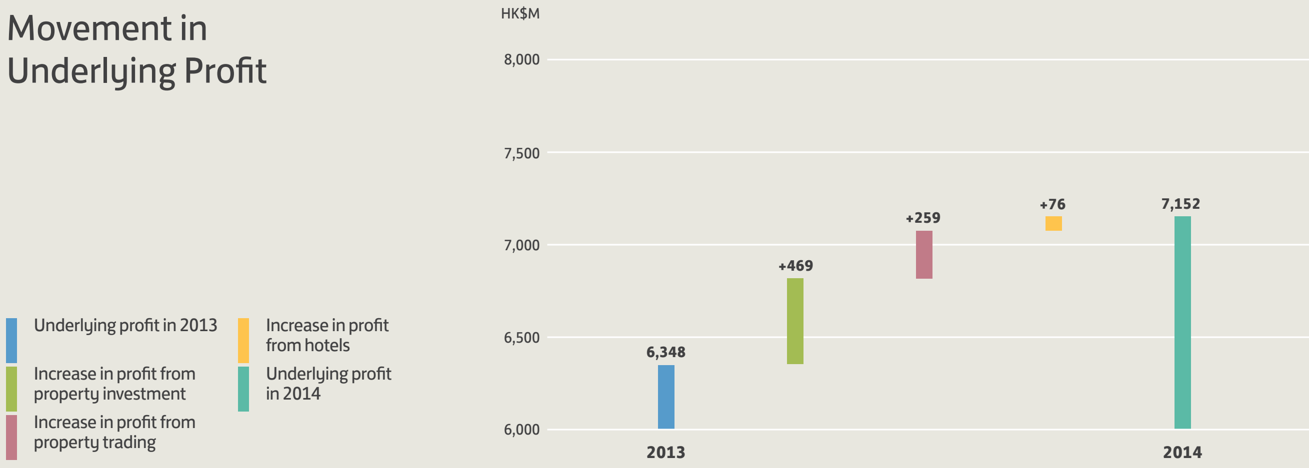
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

(e) The value of the put options in favour of the owners of non-controlling interests is calculated principally by reference to the estimated fair value of the portions of the underlying investment properties in which the owners of the non-controlling interests are interested.

(f) Under HKAS 40, hotel properties are stated in the financial statements 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 joint venture 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 statement of profit or loss.

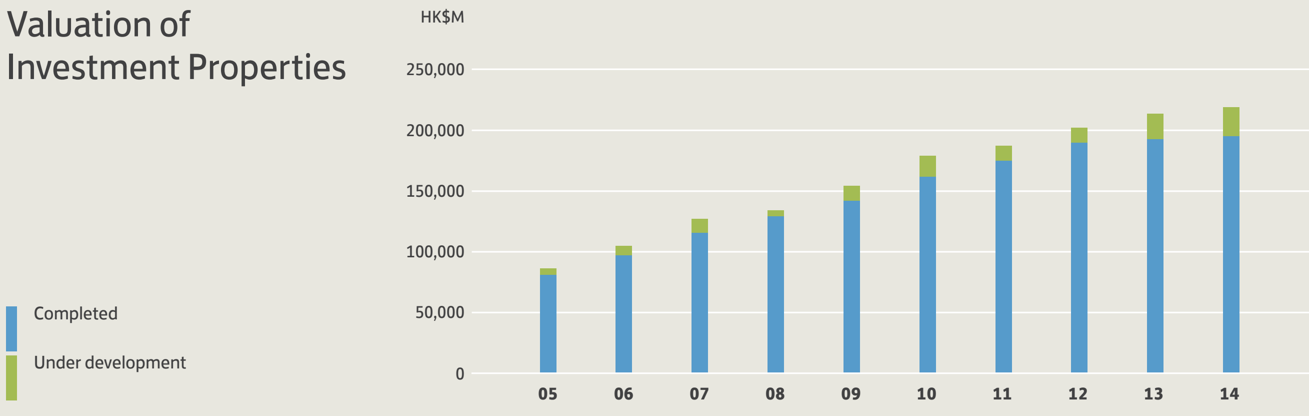
Underlying Profit

Movement in Underlying Profit

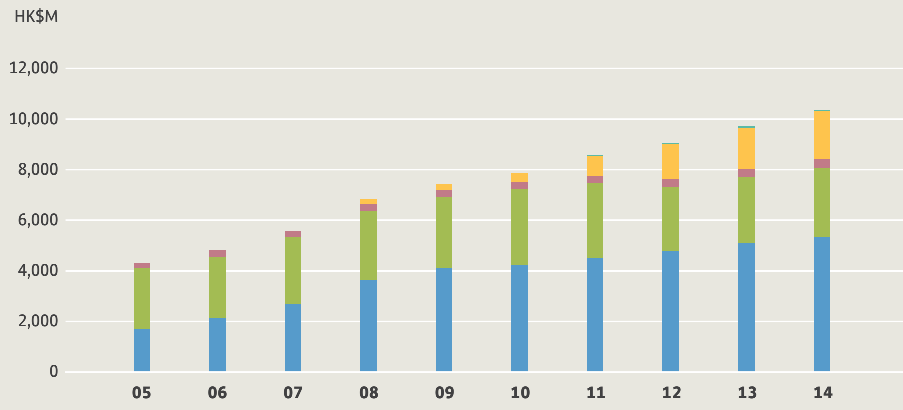


The increase in underlying profit from HK$6,348 million in 2013 to HK$7,152 million in 2014 principally reflected increased income from retail and office investment properties and higher trading profits from the sale of luxury residential properties in Hong Kong. Underlying profit from property investment increased by 8%. This reflected positive rental reversions in Hong Kong and higher rental income from properties in Mainland China. There were better performances in 2014 from our hotels in Hong Kong and the U.K. Our hotels in Mainland China recorded reduced losses.

Valuation of Investment Properties

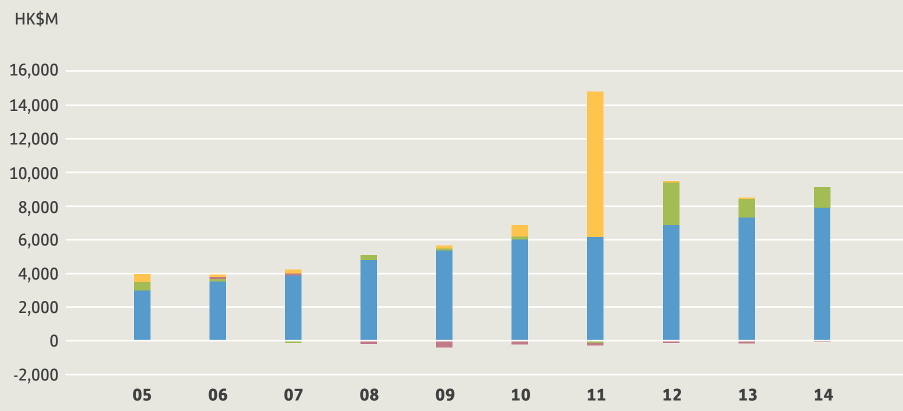


Gross Rental Income



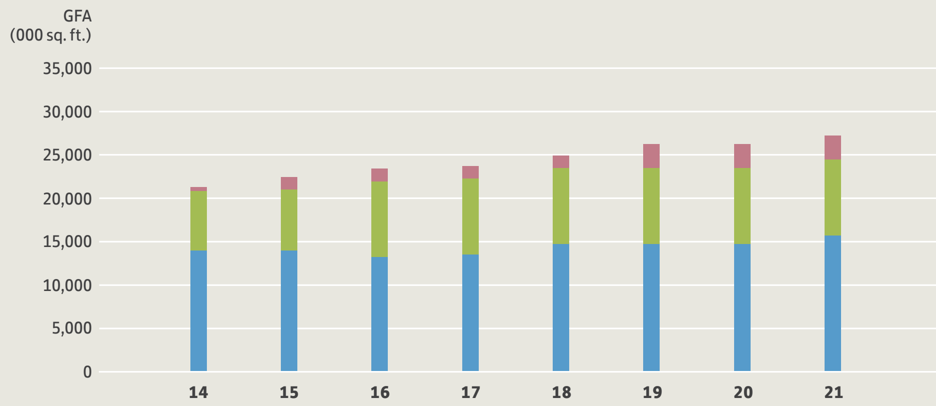
Hong Kong office
Hong Kong retail
Hong Kong residential
Mainland China
U.S.A. and Others

Underlying Operating Profit



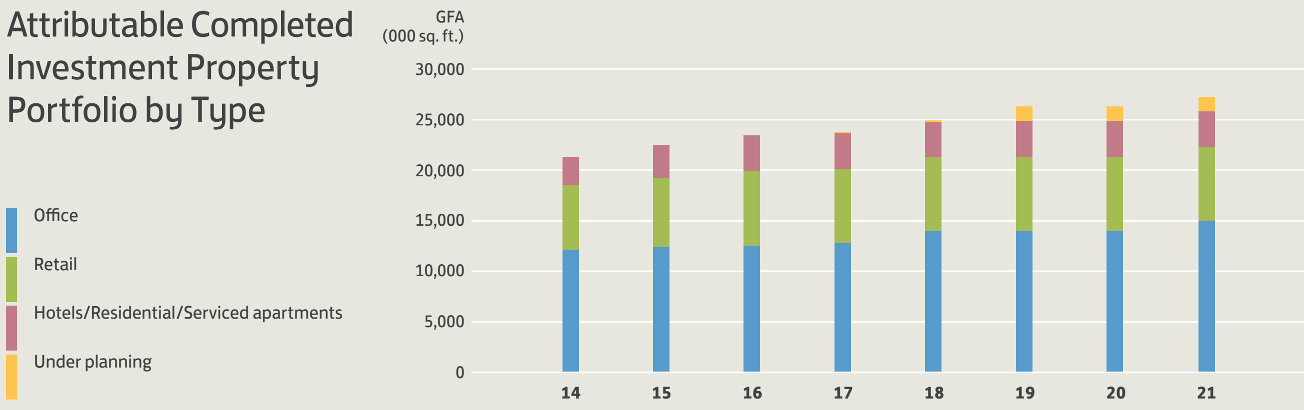
Property investment
Property trading
Hotels
Sale of investment properties

Attributable Completed Investment Property Portfolio by Location



Hong Kong
Mainland China
U.S.A. and Others

Attributable Completed Investment Property Portfolio by Type



Portfolio Overview

The aggregate GFA attributable to the Group at 31st December 2014 was approximately 31.3 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 27.3 million square feet are investment properties, comprising completed investment properties of approximately 21.3 million square feet and investment properties under development or held for future development of approximately 6.0 million square feet. In Hong Kong, the investment property portfolio comprises approximately 15.8 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In 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 8.7 million square feet of attributable GFA when they are all completed. Outside Hong Kong and Mainland China, the investment property portfolio principally comprises the Brickell City Centre 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 at 31st December 2014.

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

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	10.2	2.5	0.7	0.6	–	**14.0**
Mainland China	2.0	3.8	0.9	0.1	–	**6.8**
U.S.A. and others	–	–	0.5	–	–	**0.5**
Total	**12.2**	**6.3**	**2.1**	**0.7**	**–**	**21.3**

Investment Properties under Development or Held for Future Development (expected GFA attributable to the Group in million square feet)	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	1.7	–	–	–	0.1	**1.8**
Mainland China	0.9	0.5	0.4	0.1	–	**1.9**
U.S.A. and others	0.3	0.4	0.2	0.1	1.3[2]	**2.3**
Total	**2.9**	**0.9**	**0.6**	**0.2**	**1.4**	**6.0**

Total Investment Properties (GFA (or expected GFA) attributable to the Group in million square feet)	Office	Retail	Hotels [1]	Residential/ Serviced Apartments	Under Planning	Total
Total	**15.1**	**7.2**	**2.7**	**0.9**	**1.4**	**27.3**

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

[2] GFA of 558,000 square feet relating to a site acquired in July 2013 are accounted for as properties held for development in the financial statements.

The trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), two residential towers under development at the Brickell City Centre development in Miami, U.S.A., a completed office property (Pinnacle One) at the Daci Temple project in Chengdu in Mainland China and the remaining residential units at the completed ARGENTA, AZURA, DUNBAR PLACE, MOUNT PARKER RESIDENCES and 5 Star Street developments in Hong Kong and the completed ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 31st December 2014.

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	–	0.4	**0.4**
Mainland China	0.7	–	**0.7**
U.S.A.	–	2.9	**2.9**
Total	**0.7**	**3.3**	**4.0**

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.5 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$5,645 million in 2014. At 31st December 2014, our office properties in Hong Kong were valued at HK$128,348 million. Of this amount, Swire Properties' attributable interest was HK$122,349 million.

Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st Dec 2014)	Attributable Interest
Pacific Place	2,186,433	94%	100%
Cityplaza	1,632,930	100%	100%
Taikoo Place Office Towers [1]	3,136,541	98%	50%/100%
One Island East	1,537,011	98%	100%
Techno Centres [2]	893,516	100%	100%
Others [3]	1,077,161	94%	20%/50%/100%
Total	**10,463,592**		

[1] Including PCCW Tower, of which Swire Properties owns 50%.

[2] Excluding Somerset House (the redevelopment of which into a Grade-A office building commenced in 2014) and approximately 187,000 square feet in Cornwall House owned by the Hong Kong Government.

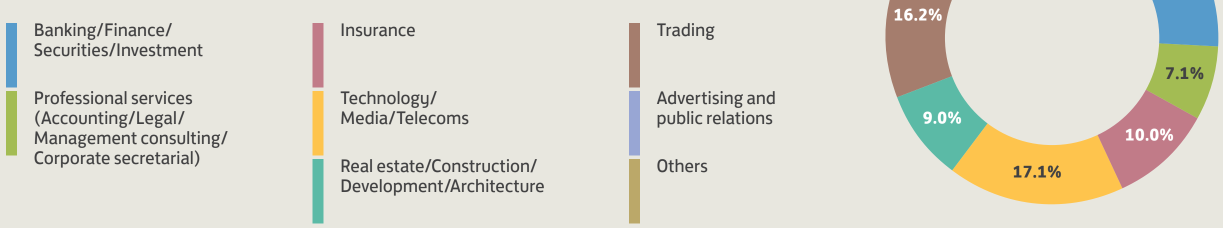
[3] Others comprise One Citygate (20% owned), 625 King's Road (50% owned), Berkshire House (purchased by the Group in January 2014 and 50% owned), Generali Tower (wholly-owned) and 28 Hennessy Road (wholly-owned).

Gross rental income from the Group's Hong Kong office portfolio increased by 5% to HK$5,355 million in 2014. The Hong Kong office portfolio performed well in 2014. Rental income grew as a result of positive reversions. Occupancy rates at most of our office portfolio were high. At 31st December 2014, the office portfolio as shown in the table above was 97% let.

The chart below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 31st December 2014.

Office Area by Tenants' Trades

(at 31st December 2014)



At 31st December 2014, the top ten office tenants (based on rental income in the twelve months ended 31st December 2014) together occupied approximately 23% of the Group's total office area in Hong Kong.

Taikoo Place

Hong Kong

Pacific Place

The offices at One, Two and Three Pacific Place performed reasonably well in 2014. The occupancy rate was 94% at 31st December 2014. HKSH Healthcare, China UCF Group, Ta Chong Bank and Wells Fargo Bank became tenants. Moody's, Parkside Chambers, Société Générale, Sotheby's, John Swire & Sons and Poly Auction leased more space.

Cityplaza

The three office towers (Cityplaza One, Three and Four) performed well in 2014. The occupancy rate was 100% at 31st December 2014. Marriott Hotel, BOC Group Life Assurance, Mitsubishi Electric, AT&T and FWD Life Insurance became tenants. Convoy Financial Services, the Equal Opportunities Commission, EMC Computer Systems and PPG Industries renewed their leases.

Taikoo Place

There are six office towers at Taikoo Place (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 98% at 31st December 2014. Facebook, Berkshire Hathaway and Sino-I Technology became tenants. RGA, MetLife, Wyeth, BNP Paribas, HKT Service, Dairy Farm, LVMH and The Executive Centre leased more space. Sony Mobile, Bank of China, Tesco, Phillip Morris, Gammon, Jardine, Wyeth, Lenovo, Fujitsu, Transamerica, Neo Derm, Club 21 and Ernst & Young renewed their leases. In 2014, we made available 20,000 square feet of space at Cornwall House for our "blueprint" programme, under which we are providing B2B tech start ups with workspace, mentorship and professional support.

One Island East, our landmark property in Taikoo Place, had an occupancy rate of 98% at 31st December 2014.

The Techno Centres performed strongly in 2014 despite the fact that their redevelopment will start at the end of 2016. At 31st December 2014, the occupancy rate of Cornwall House and Warwick House was 100%.

Others

The remaining space at 28 Hennessy Road was leased in 2014, so the occupancy rate reached 100% at 31st December 2014.

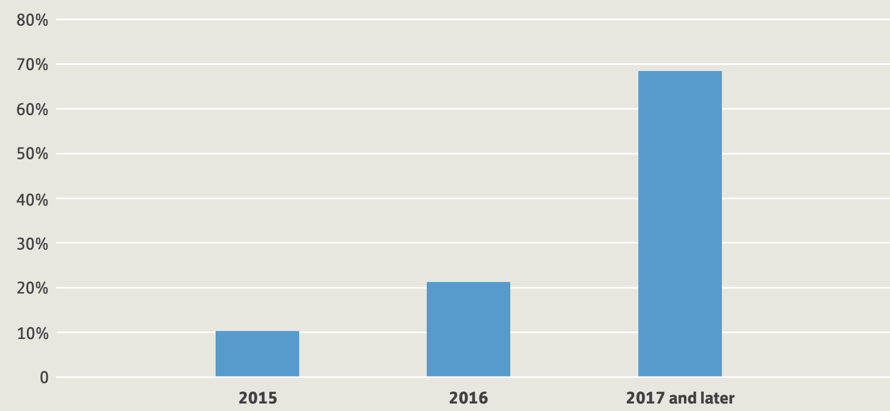
In January 2014, Swire Properties acquired 50% of DCH Commercial Centre (renamed Berkshire House in July 2014), an office building with a GFA of approximately 389,000 square feet in Quarry Bay, Hong Kong. The occupancy rate at 31st December 2014 was 87%.

Hong Kong Office Market Outlook

Demand for office space, particularly from financial institutions, is likely to remain subdued. As a result rents will be under pressure in the Central district of Hong Kong. Pacific Place, however, has no major leases expiring in 2015 and occupancy rates are expected to remain stable. At Taikoo Place and Cityplaza, rents are expected to remain resilient owing to high occupancy.

The following chart shows the percentage of the total rental income attributable to the Group from its office properties in Hong Kong for the month ended 31st December 2014, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 10.3% of rental income in the month of December 2014 are due to expire in 2015, with tenancies accounting for a further 21.2% of such rental income due to expire in 2016.

Office Lease Expiry Profile
(at 31st December 2014)



Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis. The portfolio principally consists of The Mall at Pacific Place, Cityplaza in Taikoo Shing and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK$2,798 million in 2014. At 31st December 2014, our retail properties in Hong Kong were valued at HK$53,990 million. Of this amount, Swire Properties' attributable interest was HK$47,794 million.

Hong Kong Retail Portfolio	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st Dec 2014)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others [1]	556,818	100%	20%/60%/100%
Total	**2,835,655**		

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

The Hong Kong retail portfolio's gross rental income increased by 3% to HK$2,705 million in 2014. This reflected positive rental reversions. The Group's malls were effectively fully let throughout the year.

Retail sales at The Mall, Pacific Place dropped by 6% in 2014, reflecting weaker spending by tourists from Mainland China and in the last quarter, the effects of Occupy Central. Retail sales at Cityplaza were stable despite incidental disruption and shop closures during implementation of an enhancement project. Retail sales at Citygate Outlets were 4.6% higher in 2014 than in 2013.

The chart below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 31st December 2014.

Retail Area by Tenants' Trades

(at 31st December 2014)

At 31st December 2014, the top ten retail tenants (based on rental income in the twelve months ended 31st December 2014) together occupied approximately 28% of our total retail space in Hong Kong.

Cityplaza Mall

Hong Kong

The Mall, Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The offices and the four hotels at Pacific Place (which celebrated its 25th anniversary in 2014) provide a secure flow of shoppers for the Mall. There was a 6% decrease in retail sales at The Mall in 2014 due to changes in the pattern of spending by tourists from Mainland China and, in the final quarter of the year, the effects of Occupy Central.

The Mall was virtually fully let during the year, with the only void periods resulting from tenant changes. Chanel and Prada expanded their shops in the first quarter of the year. Canali, Goyard, Sandro and The Continental and Kokomi restaurants became tenants during the year.

Cityplaza

Cityplaza is one of the most popular regional shopping centres in Hong Kong and is the biggest shopping centre on Hong Kong Island. It principally serves customers who live or work in the eastern part of Hong Kong Island. The adjacent EAST Hotel generates extra patronage from visitors from outside Hong Kong.

During 2014, a HK$100 million enhancement project was undertaken at Cityplaza in order to upgrade the physical environment of the centre. Sales remained stable despite incidental disruption and shop closures during the work. Over 30 new retail brands were introduced including ZARA, i.t., LOG-ON and Francfranc. The property was virtually fully occupied during 2014. It is intended to continue to diversify the tenant mix at the centre.

Citygate Outlets

Sales at Citygate Outlets, which was virtually fully let during the year, increased by 4.6% in 2014. The centre is in a good location near tourist attractions and transport links. It continues to attract tourists and local shoppers. Foot traffic was strong in 2014. Demand from retailers for space and to introduce new brands to the centre is strong.

Hong Kong Retail Market Outlook

Demand for luxury goods in Hong Kong has weakened. But overall retail sales in Hong Kong are expected to grow modestly in 2015. Demand for retail space at prime locations and well-managed shopping malls is expected to remain high.

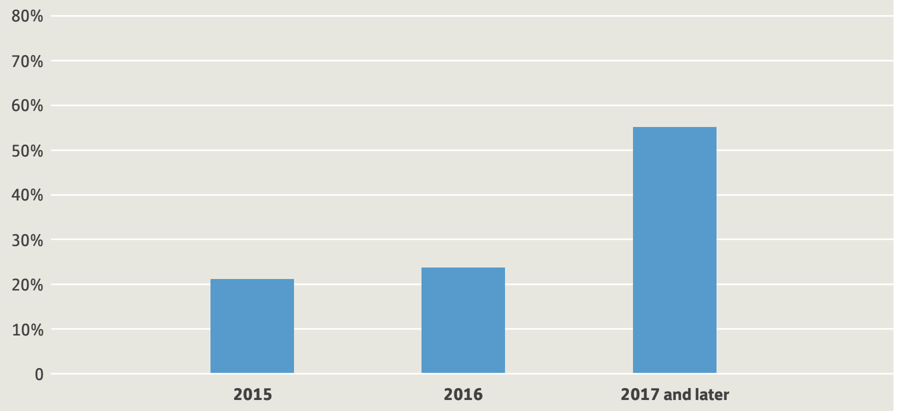
The chart on the next page shows the percentage of the total rental income attributable to the Group from the retail properties in Hong Kong, for the month ended 31st December 2014, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 21.2% of rental income in the month of December 2014 are due to expire in 2015, with tenancies accounting for a further 23.7% of such rental income due to expire in 2016.

TAIKOO PLACE APARTMENTS

Hong Kong

Retail Lease Expiry Profile

(at 31st December 2014)



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, TAIKOO PLACE APARTMENTS at Taikoo Place in Hong Kong and a small number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of 546,467 square feet. We expect to open TAIKOO PLACE APARTMENTS at 23 Tong Chong Street in Quarry Bay in the third quarter of 2015. There will be 111 serviced apartments with an aggregate GFA of approximately 63,000 square feet in this 28-storey building.

Occupancy at the residential portfolio was approximately 88% at 31st December 2014. There was good demand for fully furnished suites at Pacific Place Apartments, particularly in the second half of 2014.

Demand for our residential properties is expected to be stable in 2015.

Investment Properties Under Development

Tung Chung Town Lot No. 11

This commercial site adjacent to the Citygate Outlets is being developed into a multi-storey commercial building with an aggregate GFA of approximately 460,000 square feet. Building design is in progress. The development is expected to be completed in 2017. Swire Properties has a 20% interest in the development.

New Kowloon Inland Lot No. 6312

This commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate GFA of approximately 555,000 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017.

Taikoo Place Redevelopment

Somerset House in Taikoo Place has been demolished and will be redeveloped into a 50-storey office building with an aggregate GFA of approximately 1,020,000 square feet. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (i.e. the redevelopment of Cornwall House and Warwick House into an office building) is being planned.

It is planned to provide a landscaped square of approximately 69,000 square feet as part of the redevelopment.

8-10 Wong Chuk Hang Road

A lease modification has been agreed with the Hong Kong Government so as to permit the site to be used for commercial purposes. This site will be developed into an office building with an aggregate GFA of approximately 382,500 square feet. Building design is in progress. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

Investment Properties – Mainland China

The property portfolio in Mainland China comprises an aggregate of 13.6 million square feet of space (9.4 million square feet attributable to the Group), of which 9.8 million square feet are completed properties, with the remaining 3.8 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China grew by 23% to HK$2,153 million in 2014. At 31st December 2014, our investment property portfolio in Mainland China was valued at HK$55,143 million. Of this amount, Swire Properties' attributable interest was HK$39,772 million.

Mainland China Property Portfolio[1]

	GFA (sq. ft.) (100% Basis)			
	Total	Investment Properties	Hotels, Trading Properties and Others	Attributable Interest
Completed				
Taikoo Li Sanlitun, Beijing	1,465,771	1,296,308	169,463	100%
TaiKoo Hui, Guangzhou	3,840,197	3,256,013	584,184	97%
INDIGO, Beijing	1,893,226	1,534,957	358,269	50%
Daci Temple Project, Chengdu [2]	2,526,752	1,226,870	1,299,882	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	5,825	2,913	2,912	100%
Sub-total	**9,822,618**	**7,407,908**	**2,414,710**	
Under Development				
Daci Temple Project, Chengdu [3]	334,793	108,049	226,744	50%
Dazhongli Project, Shanghai [4]	3,457,375	2,930,068	527,307	50%
Sub-total	**3,792,168**	**3,038,117**	**754,051**	
Total	**13,614,786**	**10,446,025**	**3,168,761**	

[1] Including the hotel and property trading components of these Projects.

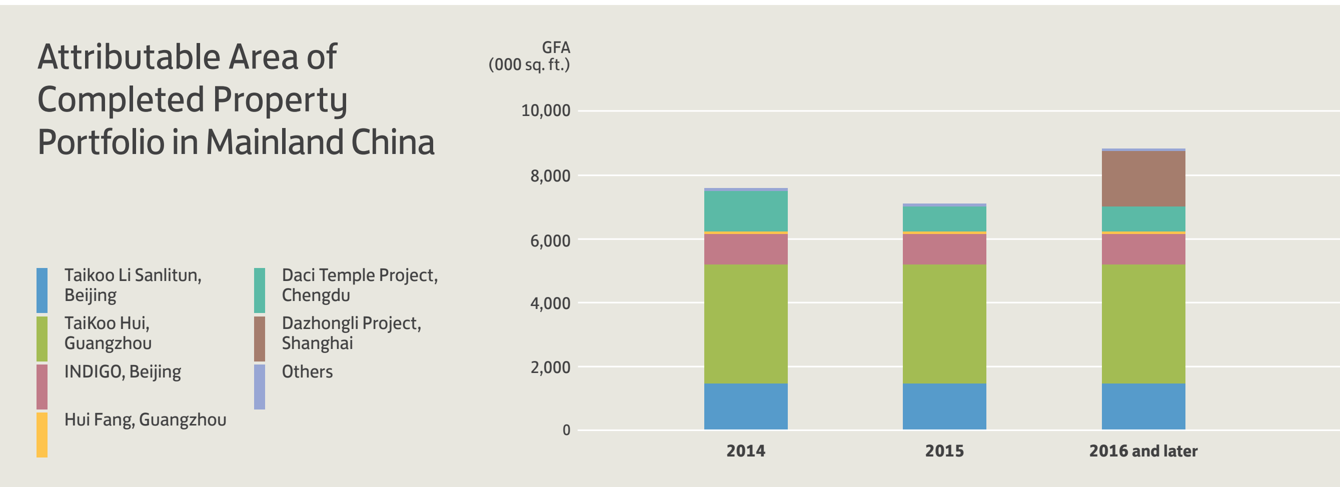
[2] The retail portion of Daci Temple project started to open in October 2014. The office portion of the Daci Temple Project, Pinnacle One, is being developed for trading purposes. 89% of the office's total GFA (approximately 1.15 million square feet) and 350 car parking spaces were presold in August 2013.

[3] Including a boutique hotel and 42 serviced apartments under development and are expected to open in the first half of 2015.

[4] The Dazhongli Project is expected to open in phases from 2016.

The Group's gross rental income from investment properties in Mainland China increased by 17% to HK$1,897 million in 2014, of which HK$1,555 million was from retail properties and HK$331 million was from office properties.

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



Taikoo Li Sanlitun

Beijing

Completed Investment Properties

Taikoo Li Sanlitun, Beijing

Situated in the Chaoyang District of Beijing, Taikoo Li Sanlitun was our first retail development opened in Mainland China. It comprises two neighbouring retail sites, South and North. There are approximately 220 retail outlets.

Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands, with tenants including the largest adidas store in the world, the first Apple store in Mainland China, a 1,597-seat Megabox cinema, a Page One bookstore and a Starbucks flagship store. Tenants at Taikoo Li Sanlitun North are principally retailers of international and local designer fashion brands, including Alexander McQueen, Balenciaga, Christian Louboutin, Givenchy, I.T. Beijing Market, Lanvin, Miu Miu, Moncler, MontBlanc and Paul Smith.

Taikoo Li Sanlitun, Beijing	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st Dec 2014)	Attributable Interest
Taikoo Li Sanlitun	1,296,308	95%	100%

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2014.

The overall occupancy rate was 95% at 31st December 2014. Retail sales grew by 19%.

Demand for retail space in Taikoo Li Sanlitun is solid. This is expected to have a positive impact on occupancy and rents.

In February 2014, Swire Properties completed the purchase of a 20% interest in Taikoo Li Sanlitun from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, following the exercise of an option by GCA to sell its interest in Taikoo Li Sanlitun to Swire Properties. This transaction resulted in Taikoo Li Sanlitun becoming wholly-owned by Swire Properties.

Beijing Retail Market Outlook

Demand for luxury goods has weakened but that for mid-price products is expected to grow satisfactorily. Retailers are cautious about expanding.

TaiKoo Hui

Guangzhou

TaiKoo Hui, Guangzhou

TaiKoo Hui is our largest investment property in Mainland China. The development comprises a shopping mall, two Grade-A office towers, a cultural centre owned by a third party and a Mandarin Oriental hotel with serviced apartments.

At 31st December 2014, the occupancy rate of the shopping mall was 99%. Retail sales increased by 11% in 2014. Retailers of 39 new brands became tenants, 21 of them opening shops for the first time in Guangzhou.

At 31st December 2014, the occupancy rate of the office towers at TaiKoo Hui was 100%.

The Mandarin Oriental, Guangzhou has established itself as a leading luxury hotel in Guangzhou. Occupancy and room rates increased in 2014.

Swire Properties has a 97% interest in the TaiKoo Hui development, which is a joint venture with Guangzhou Da Yang Properties Investment Limited.

Guangzhou Market Outlook

Office rents are expected to be under pressure in 2015 as a substantial supply of new office space becomes available.

Demand for luxury goods has weakened but that for mid-price products is expected to grow satisfactorily. Retailers are cautious about expanding.

TaiKoo Hui, Guangzhou

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st Dec 2014)	Attributable Interest
Retail	1,472,730	99%	97%
Office	1,731,766	100%	97%
Serviced apartments	51,517	83%	97%
Total	**3,256,013**		**97%**

INDIGO, Beijing

INDIGO is a retail-led mixed-use development at Jiang Tai in the Chaoyang district of Beijing. The development consists of a shopping mall, a Grade-A office tower (ONE INDIGO) and a 369-room business hotel, EAST, Beijing. It is linked to the Beijing Metro Line 14, which opened in December 2014.

Occupancy at the shopping mall was 95% at 31st December 2014 and 93% of the shops were open. Retail sales increased by 66% in 2014. Tenants include H&M, Massimo Dutti, GAP, Page One bookstore, Muji, a BHG supermarket and a seven-house, 1000-seat CGV cinema.

ONE INDIGO was 100% leased at 31st December 2014. EAST, Beijing continues to build its position in the market in spite of increasing competition.

INDIGO is a 50:50 joint venture with Sino-Ocean Land Holdings Limited.

Beijing Office Market Outlook

Office rents are expected to be under pressure in 2015 as a substantial supply of new office space becomes available.

INDIGO, Beijing	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st Dec 2014)	Attributable Interest
Retail	939,493	95%	50%
Office	595,464	100%	50%
Total	**1,534,957**		**50%**

Daci Temple Project, Chengdu

The Daci Temple project, in the Jinjiang District of Chengdu near the Chunxi Road shopping district, is a large-scale retail-led development. It consists of a retail complex, a boutique hotel (named The Temple House) with 100 guest rooms and 42 serviced apartments, and a Grade-A office tower. It will be accessible from the Chengdu metro.

The retail complex, named Sino-Ocean Taikoo Li Chengdu, is our second Taikoo Li project in Mainland China. It started to open in October 2014. Gucci, Hermes, Muji, Fangsuo, Ole and ZARA shops have opened. At 31st December 2014, tenants had committed (including by way of letters of intent) to take 83% of the space at the complex.

Construction of the Grade-A office tower, Pinnacle One, was completed in December 2014 and handover of the presold portion is expected to take place in 2015. Interior decoration, mechanical and electrical installation works for The Temple House are in progress and it is expected to open in the first half of 2015.

The Daci Temple development is a 50:50 joint venture with Sino-Ocean Land Holdings Limited.

Chengdu Market Outlook

The retail market is expected to grow steadily in 2015, reflecting demand from consumers for international and local branded goods.

Sino-Ocean Taikoo Li

Chengdu

Daci Temple Project, Chengdu	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st Dec 2014)	Attributable Interest
Retail	1,226,870	83%	50%
Office [(1)]	1,299,882	N/A	50%
Hotel [(2)]	226,744	N/A	50%
Serviced apartments	108,049	N/A	50%
Total	**2,861,545**		**50%**

(1) The office portion of the Daci Temple project, which has been developed for trading purposes, is accounted for as a property held for sale in the financial statements.

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

Investment Properties Under Development

Dazhongli Project, Shanghai

The Dazhongli project is a large-scale retail-led mixed-use development. It occupies a prime location on Nanjing West Road, one of Shanghai's major shopping thoroughfares, in the Jingan District of Puxi, Shanghai. It has excellent transport connections, being adjacent to an existing metro station and two planned additional metro stations and close to the Yan'an Expressway. The project comprises a retail mall, two office towers and three hotels, and is expected to become a landmark development in Shanghai.

Foundation work has been completed. Work on the basement sub-structure is in progress. Above ground construction of the two office towers, one of the hotels and shopping mall is progressing. The development is expected to open in phases from 2016.

The Dazhongli project is a 50:50 joint venture with HKR International Limited.

Shanghai Market Outlook

There are a lot of new office developments in established and new business districts. This will put pressure on rents. Demand for office space is principally derived from domestic financial institutions and professional firms. Foreign corporations are cautious about expanding.

Demand for luxury goods has weakened. Retailers of other products want to expand in high quality locations.

Dazhongli Project, Shanghai	GFA (sq. ft.) (100% Basis)	Attributable Interest
Retail	1,078,660	50%
Office	1,851,408	50%
Hotels [(1)]	527,307	50%
Total	**3,457,375**	**50%**

[(1)] The hotels are accounted for under property, plant and equipment in the financial statements.

Investment Properties – U.S.A.

Brickell City Centre, Miami

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

Phase I of the development consists of a shopping centre, EAST Miami hotel and serviced apartments (to be operated by EAST), two office buildings and two residential towers (Reach and Rise). At 31st December 2014, Swire Properties owned 100% of the office, hotel and residential portions and 86.5% of the retail portion of the development, with a 13.5% interest in the retail portion being owned by Bal Harbour Shops. Bal Harbour Shops has an option, exercisable from the fifth anniversary of the grand opening date of the retail portion of the development, to sell its interest to Swire Properties. The residential towers are being developed for sale. Construction work on Phase I commenced in 2012 with completion scheduled by the end of 2015. A light rail system station within the site is being renovated as part of the development.

Phase II of the development is planned to consist of an 80-storey mixed-use tower comprising retail, office, hotel and residential space. The tower will utilise the site at 700 Brickell Avenue acquired by Swire Properties in July 2013. Development of this site will connect the Brickell City Centre development with Brickell Avenue itself.

At 31st December 2014, the Brickell City Centre Phase I development (excluding the hotel and residential trading components) was valued at HK$2,417 million. Of this amount, Swire Properties' attributable interest was HK$2,158 million.

Miami Market Outlook

The residential property market in urban Miami was strong in 2014. While demand remains strong, there has been a marked increase in competitive supply since early 2015.

The retail market is encouraging but competitive.

The office market continues to recover from the adverse effects of the 2008 recession. There is little new supply.

Brickell City Centre

Miami

Brickell City Centre, Miami	GFA (sq. ft.)[3] (100% Basis)	Attributable Interest
Phase I		
Retail	490,000	86.5%
Green/general offices	260,000	100%
Serviced apartments	109,000	100%
Hotel [1]	218,000	100%
Residential [2]	1,134,000	100%
Carpark/circulation	2,321,000	100%
Total Phase I	**4,532,000**	
Phase II		
Residential [2]	520,000[4]	100%
Future mixed-use tower	1,300,000[4]	100%
Total Phase I and Phase II	**6,352,000**	

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

[2] The residential portion is being developed for trading purposes.

[3] Represents leasable/saleable area except for the carpark/circulation square footage.

[4] These parts of development are still being planned. The GFA is under review.

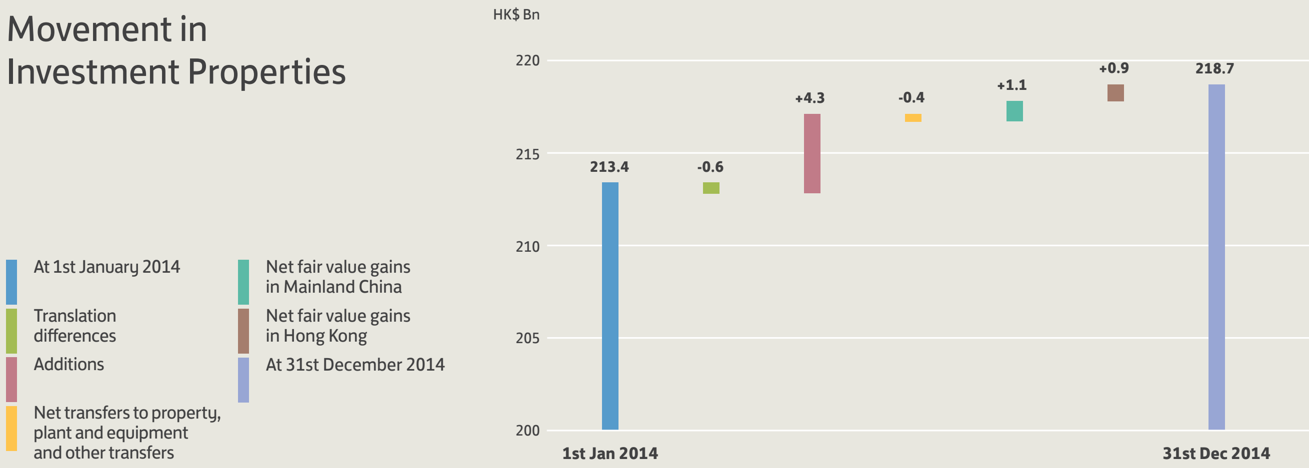
Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2014 (95% 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$218,720 million, compared to HK$213,423 million at 31st December 2013.

The modest increase in the valuation of the investment property portfolio is mainly due to higher rental income at the retail malls in Hong Kong and Mainland China.

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.

Movement in Investment Properties



Audited Financial Information
Investment Properties

	Group		
	Completed HK$M	**Under Development HK$M**	**Total HK$M**
At 1st January 2014	**192,609**	**20,814**	**213,423**
Translation differences	**(574)**	**(25)**	**(599)**
Additions	**389**	**3,932**	**4,321**
Disposals	**–**	**(1)**	**(1)**
Transfer upon completion	**1,270**	**(1,270)**	**–**
Transfer from deferred expenditure	**19**	**1**	**20**
Transfer to properties under development and for sale	**–**	**(146)**	**(146)**
Net transfers (to)/from property, plant and equipment	**(265)**	**11**	**(254)**
Net fair value gains	**1,543**	**413**	**1,956**
	194,991	**23,729**	**218,720**
Add: Initial leasing costs	**235**	**–**	**235**
At 31st December 2014	**195,226**	**23,729**	**218,955**
At 1st January 2013	189,699	12,282	201,981
Translation differences	676	5	681
Additions	218	4,692	4,910
Disposals	–	(96)	(96)
Transfer upon completion	1,238	(1,238)	–
Transfer to redevelopment	(5,494)	5,494	–
Net transfers to property, plant and equipment	(37)	(227)	(264)
Net fair value gains/(losses)	6,309	(98)	6,211
	192,609	20,814	213,423
Add: Initial leasing costs	285	–	285
At 31st December 2013	192,894	20,814	213,708

Geographical Analysis of Investment Properties

	Group	
	2014 HK$M	2013 HK$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	**29,838**	29,709
On long-term leases (over 50 years)	**160,481**	157,531
	190,319	187,240
Held in Mainland China:		
On medium-term leases (10 to 50 years)	**25,164**	24,527
Held in U.S.A. and others:		
Freehold	**3,237**	1,656
	218,720	213,423

Property Trading

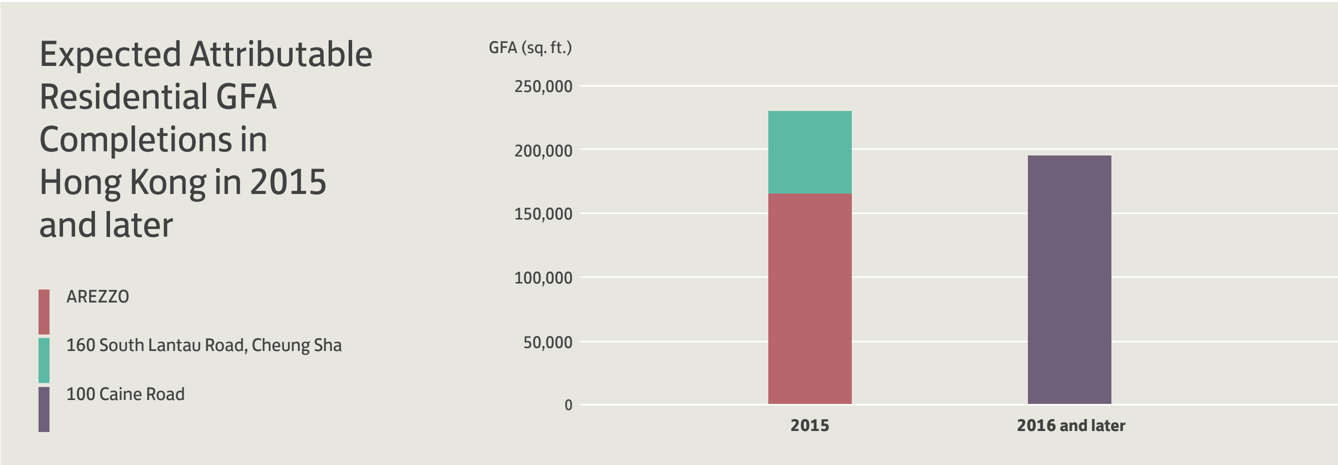
The trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), two residential towers under development at the Brickell City Centre development in Miami, U.S.A., a completed office property (Pinnacle One) in the Daci Temple project in Chengdu in Mainland China and the remaining residential units at the completed ARGENTA, AZURA, DUNBAR PLACE, MOUNT PARKER RESIDENCES and 5 Star Street developments in Hong Kong and at the completed ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

Property Trading Portfolio

	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
Completed			
Hong Kong			
– 5 Star Street [2]	408[1]	2010	100%
– AZURA [2]	6,923[1]	2012	87.5%
– ARGENTA [2]	7,921[1]	2013	100%
– DUNBAR PLACE [2]	1,830[1]	2013	50%
– MOUNT PARKER RESIDENCES [2]	17,689[1]	2013	80%
Mainland China			
– Pinnacle One, Chengdu	1,299,882	2014	50%
U.S.A.			
– ASIA, Miami [2]	5,359[1]	2008	100%
Under Development			
Hong Kong			
– AREZZO	165,792	2015	100%
– 160 South Lantau Road, Cheung Sha	64,410	2015	100%
– 100 Caine Road (formerly known as 2 Castle Road)	195,533	2016	100%
U.S.A.			
– Reach, Brickell City Centre, Miami, Florida	567,000	End of 2015	100%
– Rise, Brickell City Centre, Miami, Florida	567,000	End of 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%
– Brickell City Centre, Miami, Florida – North Square site	520,000	N/A	100%

[1] Area shown reflects saleable area (square feet).
[2] Remaining unsold units at 31st December 2014.

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



Audited Financial Information
Properties Held for Development and for Sale

	Group	
	2014 HK$M	2013 HK$M
Properties held for development		
Freehold land	**794**	706
Development cost	**126**	–
	920	706
Properties for sale		
Completed properties		
– development costs	**345**	1,441
– freehold land	**1**	1
– leasehold land	**209**	1,285
Properties under development		
– development costs	**4,005**	2,076
– freehold land	**350**	175
– leasehold land	**3,069**	3,042
	7,979	8,020

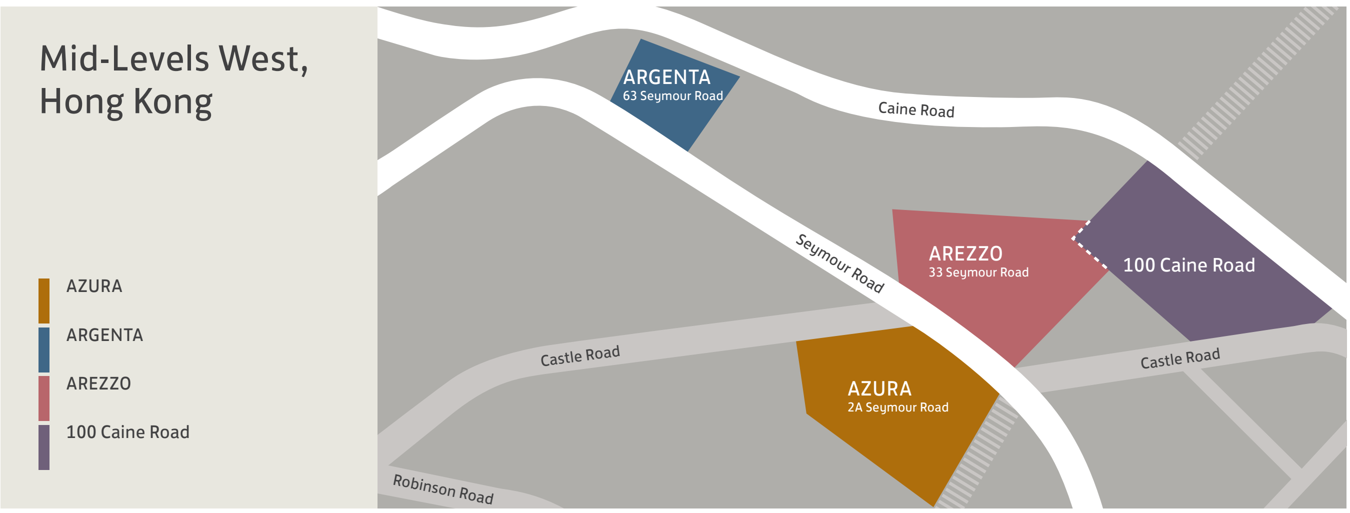
AREZZO

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 has an 87.5% interest in this development, comprising a 50-storey tower of 126 units and 45 car parking spaces with an aggregate GFA of 206,306 square feet. The development was completed in the second half of 2012. At 17th March 2015, 122 units had been sold. The profit from the sale of 119 units was recognised before 2014 and the profit of three units was recognised in 2014. The property is managed by Swire Properties.

(b) ARGENTA, 63 Seymour Road

ARGENTA is wholly-owned by Swire Properties. The development consists of a 37-storey tower of 29 whole-floor residential units, one duplex residential unit and 28 car parking spaces with an aggregate GFA of 75,805 square feet. At 17th March 2015, 27 units had been sold. The profit from the sales of 12 units and 15 units was recognised in 2013 and 2014 respectively. The property is managed by Swire Properties.

(c) AREZZO, 33 Seymour Road
AREZZO is wholly-owned by Swire Properties. The development consists of a 48-storey tower of 127 residential units with an aggregate GFA of 165,792 square feet. Superstructure work was completed and the occupation permit was issued in January 2015. Presales of units commenced in September 2014. 79 units had been sold at 17th March 2015, with handover to purchasers expected in the second quarter of 2015. The profit from the sales of presold units is expected to be recognised in 2015. The development will be managed by Swire Properties.

(d) 100 Caine Road (formerly known as 2 Castle Road)
Superstructure work is in progress and the development is expected to be completed in 2016 and available for handover 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 195,533 square feet. The development is wholly-owned by Swire Properties.

MOUNT PARKER RESIDENCES, 1 Sai Wan Terrace
Swire Properties has an 80% interest in MOUNT PARKER RESIDENCES, a residential development in Quarry Bay, Hong Kong. It comprises a 24-storey tower of 92 residential units and 68 basement car parking spaces, with an aggregate GFA of 151,954 square feet. The development was completed in April 2014 and handover to purchasers commenced in May 2014. Presales of the units commenced in March 2014 and 86 units had been sold at 17th March 2015. The profit from the sales of 82 units was recognised in 2014. The property is managed by Swire Properties.

DUNBAR PLACE, 23 Dunbar Road
DUNBAR PLACE is a residential development in Ho Man Tin, Kowloon, Hong Kong. Swire Properties has a 50% interest in the development. The development consists of a 23-storey tower with 53 residential units and 57 car parking spaces with an aggregate GFA of 88,555 square feet. The development was completed in December 2013 and handover to purchasers commenced in January 2014. 52 units had been sold at 17th March 2015. The profit from the sale of all of these units was recognised in 2014. The property is managed by Swire Properties.

160 South Lantau Road, Cheung Sha
Two adjacent residential sites at 160 South Lantau Road, Cheung Sha, on Lantau Island, are being developed into 28 detached houses with an aggregate GFA of 64,410 square feet. Interior and exterior finishing works are in progress. The development is expected to be completed and available for handover to purchasers in the second half of 2015. The development is wholly-owned by Swire Properties.

Hong Kong Residential Market Outlook
There is demand for luxury residential properties but there are not many transactions. Our profits from property trading are still expected to be significant in 2015, with the completion of the sales of presold units in the AREZZO development, the sales of completed houses at the 160 South Lantau Road development and the sales of remaining units at other completed developments.

Mainland China
Construction of the Grade-A office tower at the Daci Temple project in Chengdu, Pinnacle One, was completed in December 2014. Approximately 1,150,000 square feet (representing roughly 89% of the office's total GFA) and 350 car parking spaces were presold in August 2013. The tower is expected to be handed over and profits are expected to be recognised in 2015.

U.S.A.
The residential portion of Phase I of the Brickell City Centre development is being developed for trading purposes. There will be 780 units in two towers, with an aggregate GFA of 1,134,000 square feet.

We started to sell units in Reach in June 2014 and units in Rise in November 2014. 304 units in Reach and 65 units in Rise had been sold at 17th March 2015. 22 of the buyers had unexpired statutory rights of rescission. The development is expected to be completed and available for handover to purchasers from late 2015.

Since the ASIA development was completed in 2008, 122 units have been sold. One penthouse unit, which is not on offer, remains unsold.

Miami residential market outlook
The residential property market in urban Miami was strong in 2014. While demand remains strong, there has been a marked increase in competitive supply since early 2015.

Leasing and Management Business

Swire Properties was responsible for the redevelopment of OPUS HONG KONG, a property owned by Swire Pacific at 53 Stubbs Road, and is responsible for the leasing and management of the property. The property is a prime residential development consisting of a 12-storey residential building with 10 whole-floor units and two double-level garden apartments designed by Pritzker Prize winning architect Frank Gehry. Five units at OPUS HONG KONG had been leased at 31st December 2014.

Estate Management

Through subsidiaries, Swire Properties is responsible for the management of 19 estates which it has developed, including AZURA, ARGENTA, DUNBAR PLACE, MOUNT PARKER RESIDENCES, 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 and Restaurants

Overview

Swire Hotels owns and manages hotels in Hong Kong, Mainland China and the U.K. The Upper House in Hong Kong and The Opposite House in Beijing are small and distinctive hotels in Asia. EAST hotels are business hotels. Chapter Hotels are local hotels in regional towns and cities in the U.K.

Hotel 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	369	50%
U.K.		
– The Montpellier Chapter, Cheltenham	61	100%
– Avon Gorge Hotel, Bristol	75	100%
– The Magdalen Chapter, Exeter	59	100%
– Hotel Seattle, Brighton	71	100%
Under Development		
Mainland China		
– The Temple House, Chengdu [2]	142	50%
– Hotel at Dazhongli, Shanghai [3]	119	50%
U.S.A.		
– EAST, Miami [2]	352	100%
Total	**2,310**	

(1) Headland Hotel is owned by Airline Hotel Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.
(2) Including serviced apartments in the same building.
(3) Number of modules.

In 2014, our hotels in Hong Kong performed solidly. Our hotels in Mainland China were adversely affected by new hotels being opened and a drop in the number of international arrivals in Beijing but still recorded reduced losses.

There are three managed hotels under development, The Temple House in Chengdu, EAST hotel in Miami and a hotel at Dazhongli in Shanghai. The Temple House is the hotel portion of the Daci Temple project and is expected to open in the first half of 2015. EAST, Miami is part of Phase I of the Brickell City Centre development. The building was topped off in December 2014 and the hotel is expected to open in the second half of 2015.

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room was stable in 2014 despite Occupy Central. The hotel was ranked No. 1 in "Top Hotels in Asia and China" and No. 2 in "Top Hotels in the World" by TripAdvisor in 2014. It received a "Top 20 Best Restaurants – 2014" award from Hong Kong Tatler Best Restaurants, a "Hong Kong's Best Bars with a View" award from Condé Nast Traveler U.K. and was runner up in the "Best Business-Meets-Pleasure in 2014 Best of the Best Hotel" Jetsetter Magazine awards.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel at Taikoo Shing, revenue per available room increased modestly in 2014. In 2014, the hotel received a "Hong Kong Best Bars with a View" award from Condé Nast Traveler U.K., a "Top 10 Outdoor Bars in Hong Kong" award from Foodie, an "Insiders' Select 2014" award from Expedia and a "Certificate of Excellence 2014" from TripAdvisor China.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. The 2014 performance of the hotel was adversely affected by new hotels being opened and a reduction in international arrivals in Beijing. Revenue per available room still improved in 2014. The Opposite House received "Gold List" and "Reader's Choice" awards from Condé Nast Traveler in 2014. Jing Yaa Tang restaurant obtained the "Best New Chinese Restaurant" award from The Beijinger and the "Most Elegant Chinese Restaurant" award from Voyage Gourmet Gold List. Village Café and Sureno restaurants received a "Merit Award – Best Café" and a "Merit Award – Best International Hotel Dining" from Time Out Beijing. Mesh bar obtained an "Outstanding Hotel Bar" award from The Beijinger's Bar & Club Awards.

EAST, Beijing

EAST, Beijing is a 369-room business hotel at the INDIGO development in Beijing, in which Swire Properties holds a 50% interest. There have been gradual improvements in average room rates and occupancy since it opened in September 2012. Feast restaurant received an "Outstanding Brunch Buffet" award from The Beijinger in 2014.

U.K. Hotels

Swire Hotels owns four small hotels in Cheltenham, Exeter, Bristol and Brighton. Occupancy and room rates were satisfactory in 2014, showing improvements from 2013.

The Continental

Hong Kong

Restaurants

Swire Hotels owns and manages restaurants in Hong Kong. Plat du Jour is a French bistro in Quarry Bay. Ground PUBLIC is a café and PUBLIC is a restaurant at One Island East. The Continental is an all-day Grand Café at Pacific Place.

Non-managed Hotels

Overview

Swire Properties has ownership interests in (but does not manage) hotels with 3,129 rooms in aggregate.

Hotel Portfolio (not managed by the Group)	No. of Rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
– Island Shangri-La Hong Kong	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		
– Hotels at Dazhongli, Shanghai (2)	396	50%
Total	**3,129**	

(1) Including 24 serviced apartments in the same building.

(2) Number of modules.

The performance of the non-managed hotels in Hong Kong and the U.S.A. was stable in 2014. The Mandarin Oriental, Guangzhou, which opened in January 2013, has established itself as a leading luxury hotel in Guangzhou. Occupancy and room rates increased in 2014.

Hotels Market Outlook

The performance of the hotels in Hong Kong is expected to be stable in 2015. Trading conditions for the hotels in Mainland China remain challenging because of oversupply.

Capital Commitments

Capital Expenditure and Commitments for Investment Properties and Hotels

Capital expenditure in 2014 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$4,657 million (2013: HK$4,359 million). Outstanding capital commitments at 31st December 2014 were HK$17,497 million (31st December 2013: HK$20,291 million), including the Group's share of the capital commitments of joint venture companies of HK$1,418 million. The Group is committed to funding HK$1,017 million of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2014 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$2,272 million (2013: HK$1,500 million). Outstanding capital commitments at 31st December 2014 were HK$4,646 million (2013: HK$6,313 million), including the Group's share of the capital commitments of joint venture companies of HK$4,051 million (2013: HK$5,577 million). The Group is committed to funding HK$1,617 million (31st December 2013: HK$1,083 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2014 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK$2,051 million (2013: HK$1,237 million). Outstanding capital commitments at 31st December 2014 were HK$1,997 million (2013: HK$2,850 million).

Profile of Capital Commitments for Investment Properties and Hotels

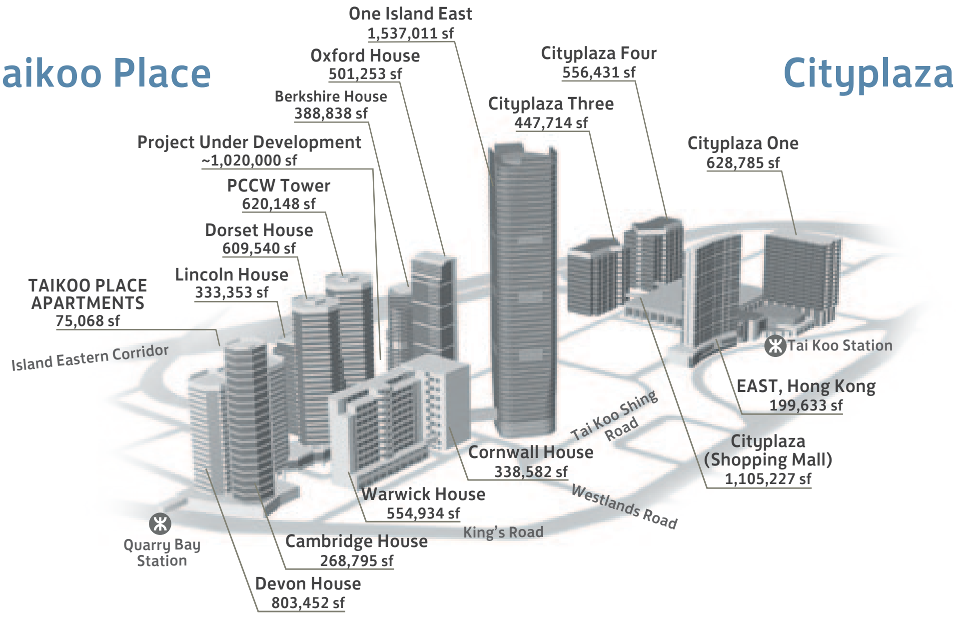
	Expenditure	Forecast Year of Expenditure				Commitments*
	2014 HK$M	2015 HK$M	2016 HK$M	2017 HK$M	2018 & later HK$M	**At 31st Dec 2014 HK$M**
Hong Kong	**4,657**	1,564	4,122	4,030	7,781	**17,497**
Mainland China	**2,272**	1,955	1,620	244	827	**4,646**
U.S.A. and others	**2,051**	1,707	290	–	–	**1,997**
Total	**8,980**	5,226	6,032	4,274	8,608	**24,140**

* The capital commitments represent the Group's capital commitments of HK$18,671 million plus the Group's share of the capital commitments of joint venture companies of HK$5,469 million. The Group is committed to funding HK$2,634 million of the capital commitments of joint venture companies.

Hong Kong

Taikoo Place

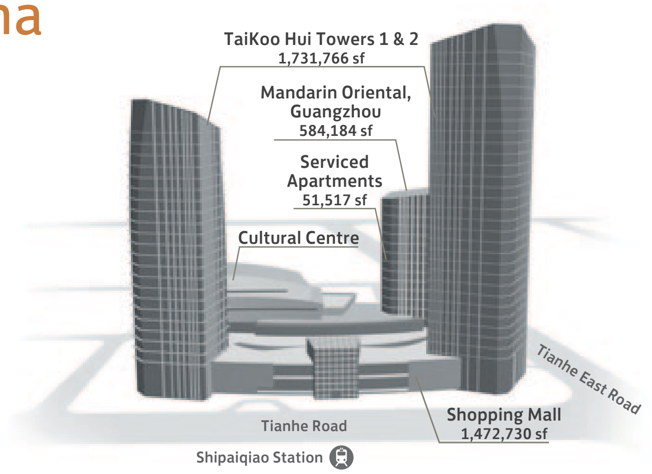
Cityplaza



Mainland China

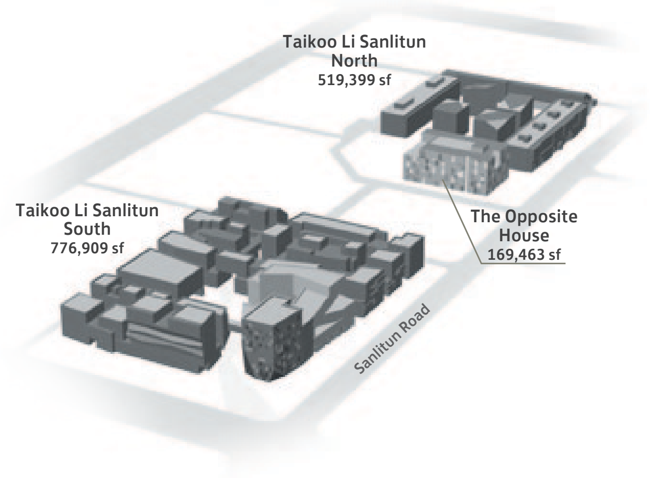
TaiKoo Hui

Guangzhou



Taikoo Li Sanlitun

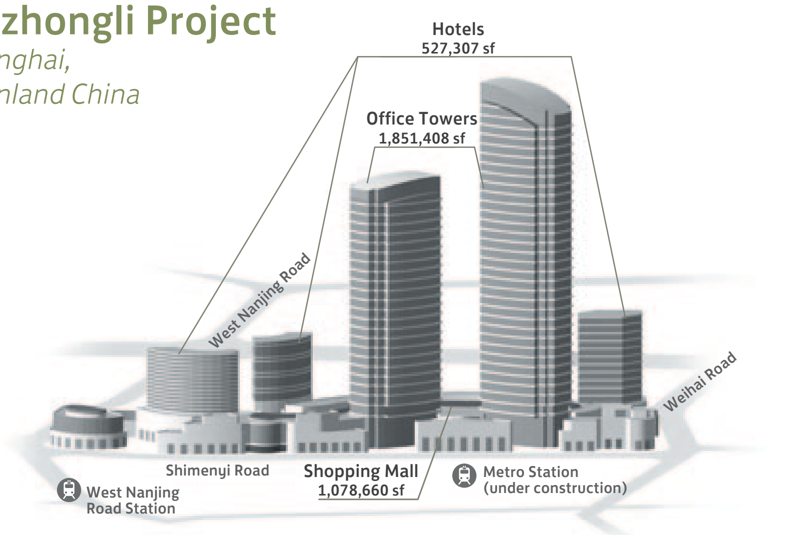
Beijing



Projects Under Development

Dazhongli Project

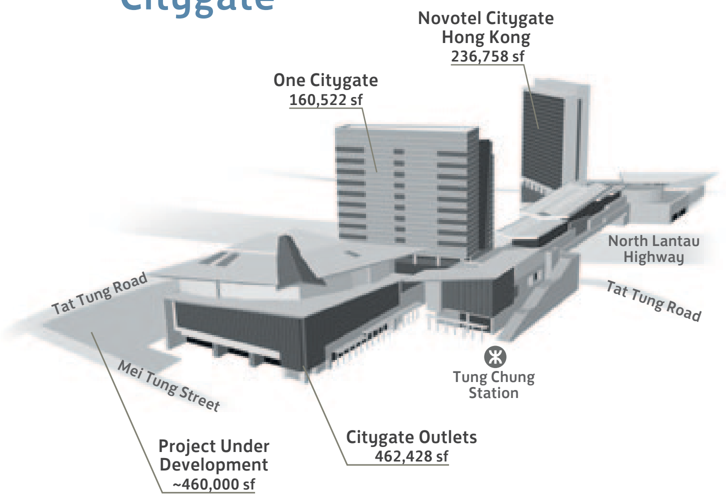
Shanghai,
Mainland China



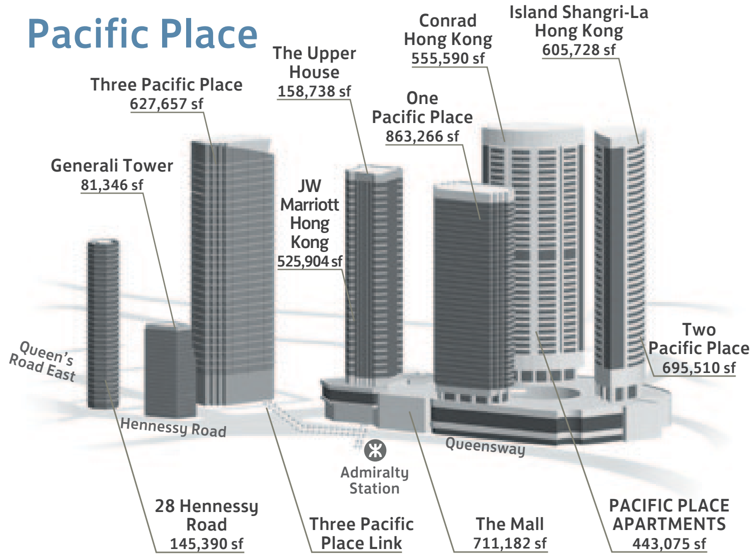
Note:
These diagrams are not to scale and are for illustration purpose only.

These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 158 to 170.

Citygate

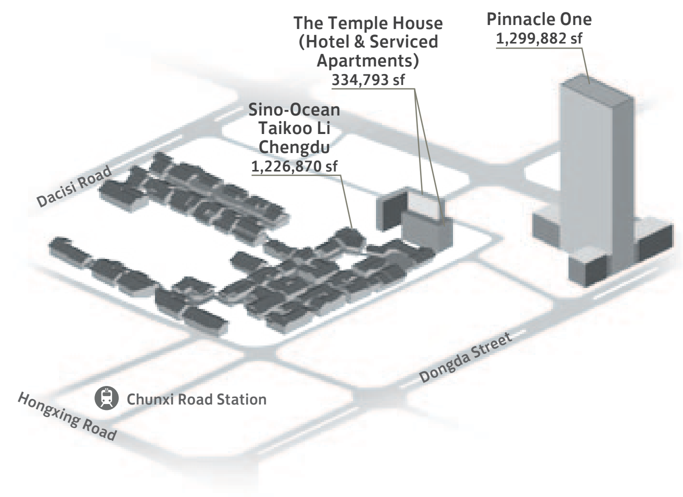


Pacific Place

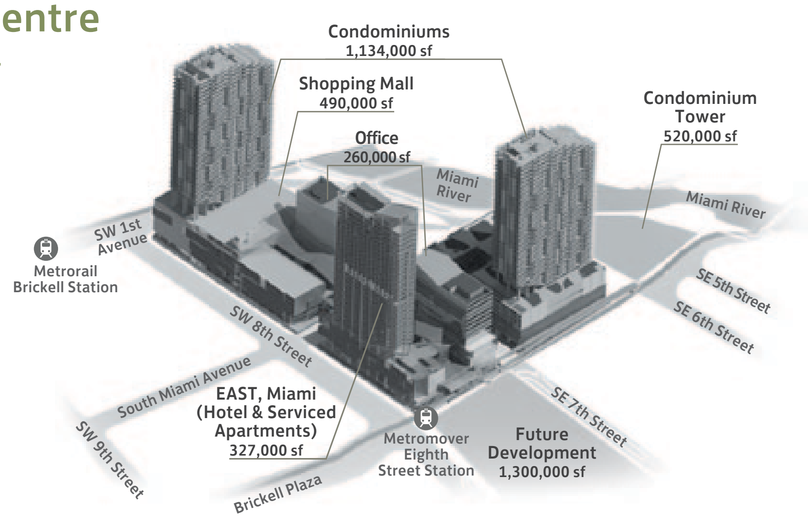


INDIGO
Beijing

Daci Temple Project
Chengdu



Brickell City Centre
Miami, Florida, U.S.A.



Financial Review

References are to "Notes to the Financial Statements" on pages 99 to 151.

Consolidated Statement of Profit or Loss

	2014 HK$M	2013 HK$M	Reference
Revenue The increase in revenue of HK$2,452 million compared to 2013 was principally due to higher sales revenue from the sale of residential apartments, higher rental income from investment properties and higher revenue from hotel operations. Revenue from property trading increased by HK$1,635 million from 2013. In 2014, 82 MOUNT PARKER RESIDENCES units, 15 ARGENTA units and three AZURA units were sold. In 2013, 21 AZURA units and 12 ARGENTA units were sold. Rental income from investment properties increased by HK$644 million. In Hong Kong, gross rental income increased by HK$367 million, reflecting positive rental reversions and rental income for a full year from developments completed in 2013. In Mainland China, gross rental income increased by HK$274 million, reflecting positive rental reversions and higher occupancy. Revenue from hotels increased by HK$147 million, principally reflecting higher room rates and occupancy at the hotels in Mainland China. At the Hong Kong hotels, room rates increased, but occupancy was slightly lower as a result of Occupy Central (in the last quarter of 2014).	**15,387**	12,935	Note 4

Consolidated Statement of Profit or Loss *(continued)*

	2014 HK$M	2013 HK$M	Reference
Gross Profit Gross profit increased by HK$807 million. Gross profit from investment properties in Hong Kong and Mainland China increased by HK$556 million, reflecting higher gross rental income. The gross profit margin from investment properties improved marginally, to 82.7%. Gross profit from property trading increased by HK$176 million, reflecting the completion of sales of residential units in Hong Kong. Gross profit from owned and managed hotels increased by HK$39 million, reflecting higher profits from our hotels in Hong Kong and the U.K. and reduced losses from our hotels in Mainland China.	**10,211**	9,404	
Operating Profit The decrease in operating profit of HK$3,506 million was principally due to lower net revaluation gains on investment properties, partially offset by higher gross profit from investment properties and from residential sales. A net revaluation gain on investment properties of HK$1,956 million was recorded in 2014, HK$4,255 million lower than in 2013. Investment properties in Mainland China recorded a net revaluation gain of HK$1,074 million, principally due to higher rents at TaiKoo Hui and Taikoo Li Sanlitun. Investment properties in Hong Kong recorded a net revaluation gain of HK$725 million, principally due to higher rents at completed properties, in particular at the retail malls and at the Taikoo Place offices. Administrative expenses increased by HK$36 million compared to 2013, principally due to general cost inflation.	**10,992**	14,498	Notes 6 and 8(a)
Net Finance Charges The decrease of HK$220 million was principally due to a reduction in net finance charges of HK$109 million in Mainland China (reflecting a reduction in RMB loans, the reduction being financed by funds from Hong Kong and operating cashflows) and a reduction in net finance charges of HK$111 million in respect of the change in the fair values of put options held by non-controlling interests.	**1,227**	1,447	Note 10

Consolidated Statement of Profit or Loss *(continued)*

	2014 HK$M	2013 HK$M	Reference
Share of Profits Less Losses of Joint Venture Companies The increase of HK$635 million principally reflected profits of HK$237 million on completion of sales of units at the DUNBAR PLACE joint venture development in Hong Kong and an increase of HK$273 million in net revaluation gains on investment properties held by joint venture companies. The revaluation gains were derived from the Daci Temple developments in Mainland China. There were lower revaluation gains from other investment properties held by joint venture companies.	**1,444**	809	Note 8(a)
Taxation The increase in taxation of HK$302 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 expenses principally reflected the decrease in net finance charges relating to the change in the fair values of put options held by non-controlling interests.	**1,646**	1,344	Note 11
Profit Attributable to the Company's Shareholders The decrease of HK$3,009 million reflected lower net revaluation gains from investment properties, partially offset by higher profits from property investments and property trading, a higher share of profits from joint venture companies and lower net finance charges.	**9,516**	12,525	Note 8(a)

Consolidated Statement of Financial Position

	2014 HK$M	2013 HK$M	Reference
Property, Plant and Equipment The increase in property, plant and equipment of HK$478 million was mainly due to capital expenditure on EAST, Miami at the Brickell City Centre development and on new restaurants in Hong Kong.	**7,703**	7,225	Note 15
Investment Properties The increase in investment properties of HK$5,247 million was principally due to a revaluation gain of HK$1,956 million and additions during the year to existing properties of HK$4,321 million (principally at the Brickell City Centre development, at the Taikoo Place office redevelopment, at TAIKOO PLACE APARTMENTS and at TaiKoo Hui). This was partially offset by a foreign exchange translation loss of HK$599 million, principally on investment properties in Mainland China.	**218,955**	213,708	Note 16

Consolidated Statement of Financial Position *(continued)*

	2014 HK$M	2013 HK$M	Reference
Properties Held for Development The increase of HK$214 million principally reflected the additional costs incurred on the redevelopment of the Phase II of the Brickell City Centre development and the write-back of impairment losses on other properties in the U.S.A.	**920**	706	Note 18
Investment in Joint Venture Companies HK$1,399 million of the increase reflected our acquisition of 50% of the DCH Commercial Centre (now named Berkshire House) and the costs of developing the Wong Chuk Hang site in Hong Kong and the Daci Temple and INDIGO projects in Mainland China. The remainder of the increase reflected our share of profits of joint venture companies, including revaluation gains, partially offset by our share of foreign exchange translation losses arising from our joint venture companies in Mainland China.	**18,207**	16,379	Note 20
Investment in Associated Companies The increase of HK$14 million reflected profits less losses retained by these associated companies, partially offset by loan repayments.	**535**	521	Note 21
Properties Under Development and for Sale The decrease of HK$41 million reflected the sales of residential units at the MOUNT PARKER RESIDENCES, ARGENTA and AZURA developments in Hong Kong. This was partially offset by development expenditure on the AREZZO, 160 South Lantau Road and 100 Caine Road developments in Hong Kong and on the residential component of the Brickell City Centre development in the U.S.A.	**7,979**	8,020	Note 24
Trade and Other Receivables The increase of HK$299 million principally reflected a HK$520 million increase in other receivables, partially offset by a HK$337 million decrease in trade debtors. The increase in other receivables principally reflected increased balances on stakeholders' accounts arising from presales of residential units at the Brickell City Centre development. The decrease in trade debtors was principally due to settlements of receivables relating to the sale of units at the ARGENTA development in Hong Kong.	**2,821**	2,522	Note 26
Trade and Other Payables (including non-current portion) The decrease principally reflected the payment of HK$1,256 million on the acquisition of the non-controlling interest in Taikoo Li Sanlitun. This was largely offset by a HK$1,057 million increase in other payables and a HK$179 million increase in rental deposits from tenants. The increase in other payables was due principally to a HK$947 million increase in balances on stakeholders' accounts arising from presales of residential units in the U.S.A. and Hong Kong and a HK$119 million increase in provisions for construction costs on trading properties not yet invoiced.	**8,144**	8,374	Note 29

Consolidated Statement of Financial Position *(continued)*

	2014 HK$M	2013 HK$M	Reference
Long-Term Loans and Bonds (including the component due within one year) The increase of HK$2,080 million was due to the issue of HK$600 million medium term notes and the drawdown of additional bank loans to fund capital and development expenditure in Hong Kong and the U.S.A.	**22,439**	20,359	Note 30
Loans Due to a Fellow Subsidiary Company – Swire Finance Limited The increase of HK$607 million in funding from Swire Finance Limited reflected increased drawdowns of revolving credits.	**13,955**	13,348	Note 31
Deferred Tax Liabilities The increase of HK$501 million principally reflected deferred tax on depreciation allowances relating to investment properties and on revaluation gains on investment properties in Mainland China.	**6,105**	5,604	Note 33
Equity Attributable to the Company's Shareholders The increase in equity attributable to the Company's shareholders represented the total comprehensive income for the year attributable to the Company's shareholders (HK$8,968 million), as reduced by dividends paid to the Company's shareholders.	**207,691**	202,350	Notes 35 and 36
Non-Controlling Interests The increase in non-controlling interests of HK$56 million reflected profits earned by companies in which there are non-controlling interests (principally the trading property development at MOUNT PARKER RESIDENCES), partially offset by dividends paid to the owners of non-controlling interests.	**856**	800	Note 37

Consolidated Statement of Cash Flows

	2014 HK$M	2013 HK$M	Reference
Cash Generated from Operations Cash generated from operations of HK$10,724 million principally comprised cash inflows from investment properties of approximately HK$8,780 million in Hong Kong and Mainland China and from property trading of approximately HK$5,135 million, partially offset by expenditure on properties under development and for sale of approximately HK$2,754 million and operating expenses of approximately HK$994 million.	**10,724**	8,873	Note 42(a)
Profits Tax Paid The reduction principally reflected the absence of a tax payment made in 2013 relating to the assessable profit on the AZURA development in 2012 and 2013.	**760**	1,314	

Consolidated Statement of Cash Flows *(continued)*

	2014 HK$M	2013 HK$M	Reference
Dividends Received from Joint Venture and Associated Companies The increase of HK$570 million principally reflected dividends received from a property trading joint venture company and an investment property holding joint venture company.	**786**	216	
Purchase of Property, Plant and Equipment The increase was mainly due to capital expenditure on EAST, Miami at the Brickell City Centre development and on new restaurants in Hong Kong.	**615**	415	Note 42(b)
Additions to Investment Properties The decrease of HK$707 million principally reflected the fact that we did not buy any land in Hong Kong (after having bought a commercial site at Kowloon Bay in 2013). This was partially offset by additions to investment properties in Hong Kong and increased capital expenditure at the Brickell City Centre development in the U.S.A. and at TAIKOO PLACE APARTMENTS and the Taikoo Place office redevelopment in Hong Kong.	**4,336**	5,043	
Loans (Net of Repayment) to Joint Venture Companies The increase principally reflected an increase in the amount of shareholder loans advanced to joint venture companies for property acquisitions and for investment property development in Hong Kong and Mainland China.	**1,399**	485	
Loans Drawn and Refinancing (Net of Repayment) The amount of HK$1,930 million in 2014 reflected the issue of HK$600 million medium-term notes and additional bank borrowings in Hong Kong and the U.S.A. Refer to Financing section on pages 55 to 63 for further details.	**1,930**	5,282	
Increase/(decrease) in Loans Due to a Fellow Subsidiary Company – Swire Finance Limited The change reflected drawings of revolving credits.	**600**	(1,900)	

Investment Appraisal and Performance Review

	Net Assets Employed		Capital Commitments [1]	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Property investment	**226,607**	218,556	**23,659**	28,200
Property trading	**8,210**	9,408	**–**	–
Hotels	**7,801**	7,200	**481**	1,254
Total net assets employed	**242,618**	235,164	**24,140**	29,454
Less: net debt	**(34,071)**	(32,014)		
Less: non-controlling interests	**(856)**	(800)		
Equity attributable to the Company's shareholders	**207,691**	202,350		

	Equity Attributable to the Company's Shareholders [2]		Return on Average Equity Attributable to the Company's Shareholders [2]	
	2014 HK$M	2013 HK$M	**2014**	2013
Property investment	**197,743**	191,224	**4.4%**	6.3%
Property trading	**2,542**	4,413	**29.3%**	19.7%
Hotels	**7,406**	6,713	**0.4%**	-0.7%
Total	**207,691**	202,350	**4.6%**	6.3%

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

[2] Refer to Glossary on page 171 for definitions.

Financing

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

Capital Structure

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

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

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

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$10,768 million of new facilities. This comprised:

- five five-year term and revolving loan facilities aggregating HK$3,750 million
- issues of medium-term notes of HK$600 million
- a three-year term loan facility of RMB2,440 million to refinance an expired RMB2,700 million facility
- a 10-year term loan facility of RMB2,597 million to refinance an expired facility
- an uncommitted revolving loan facility of SGD20 million

During the year, the Group made various repayments including the early repayment of approximately RMB1,300 million under the RMB2,440 million term loan facility.

Subsequent to 31st December 2014, the Group issued medium-term notes of HK$400 million and arranged a new revolving loan facility of US$200 million in January 2015.

Audited Financial Information	**2014 HK$M**	2013 HK$M
Bank loans, bonds and loans from Swire Finance		
At 1st January	**34,535**	30,857
Loans drawn and refinancing	**10,004**	3,637
Bonds issued	**600**	3,877
Repayment of bank loans	**(8,674)**	(2,232)
Increase/(decrease) in loans due to Swire Finance	**600**	(1,900)
Other non-cash movements	**(120)**	296
	36,945	34,535
Overdrafts	**–**	–
At 31st December	**36,945**	34,535

Net Borrowings

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings at 31st December 2014 and 2013 were as follows:

Audited Financial Information	**2014 HK$M**	2013 HK$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	**11,482**	5,097
Bonds – unsecured	**9,106**	8,501
Borrowings from Swire Finance – unsecured	**12,156**	13,348
Borrowings included in current liabilities		
Bank borrowings – unsecured	**2,402**	7,589
Borrowings from Swire Finance – unsecured	**1,799**	–
Total borrowings	**36,945**	34,535
Less: cash and cash equivalents	**2,874**	2,521
Net borrowings	**34,071**	32,014

Sources of Finance

At 31st December 2014, committed loan facilities and debt securities amounted to HK$43,285 million, of which HK$6,748 million (15.6%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$1,665 million. Sources of funds at 31st December 2014 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	5,513	340	548	4,625
Term loans	13,952	13,077	–	875
Bonds	9,156	9,156	–	–
Facilities from Swire Finance				
Revolving credit	2,500	1,800	700	–
Bonds	9,835	9,835	–	–
Perpetual capital securities	2,329	2,329	–	–
Total committed facilities	43,285	36,537	1,248	5,500
Uncommitted facilities				
Bank loans and overdrafts	2,216	551	1,665	–
Total	45,501	37,088	2,913	5,500

Note:
The figures above are stated before unamortised loan fees of HK$143 million.

i) Loans and Bonds

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

	2014			2013		
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	551	–	551	828	–	828
Long-term loans and bonds at amortised cost						
– unsecured	36,537	(143)	36,394	33,870	(163)	33,707
Less: amount due within one year included under current liabilities	3,655	(5)	3,650	6,774	(13)	6,761
	32,882	(138)	32,744	27,096	(150)	26,946

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 2014, the fair value of the perpetual capital securities was HK$2,466 million (2013: HK$2,559 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$2,874 million at 31st December 2014, compared to HK$2,521 million at 31st December 2013.

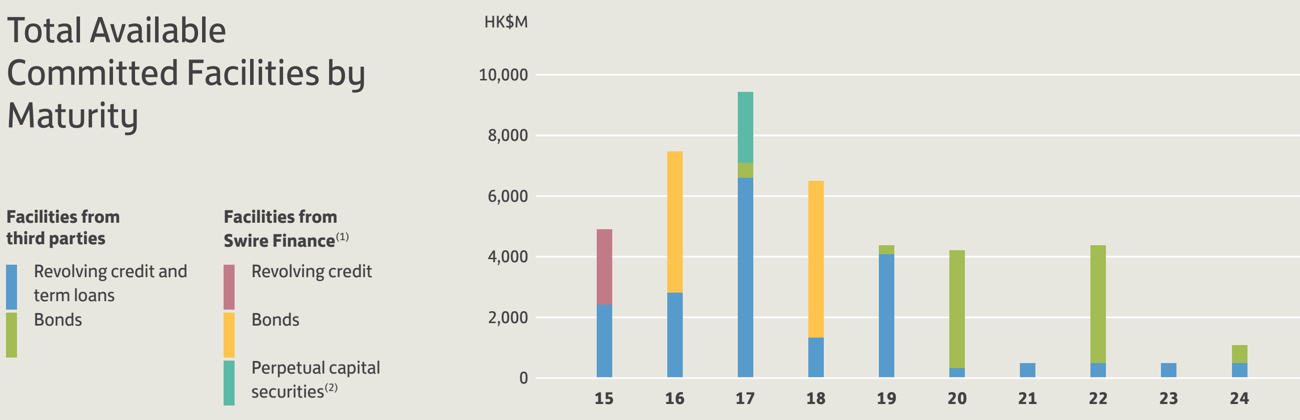
Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2024 (2013: up to 2022). The weighted average term and cost of the Group's debt are:

	2014	2013
Weighted average term of debt	**3.4 years**	3.4 years
Weighted average term of debt (excluding perpetuals)	**3.5 years**	3.4 years
Weighted average cost of debt	**4.4%**	5.2 %
Weighted average cost of debt (excluding perpetuals)	**4.1%**	4.9 %

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

Total Available Committed Facilities by Maturity



(1) Facilities from Swire Finance under the Loan Agreements.

(2) 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	2014 HK$M		2013 HK$M	
Bank and other borrowings due				
Within 1 year	**2,402**	**6%**	7,589	22%
1-2 years	**2,038**	**5%**	1,795	5%
2-5 years	**7,966**	**22%**	3,800	11%
After 5 years	**10,584**	**29%**	8,003	23%
Borrowings from Swire Finance due				
Within 1 year	**1,799**	**5%**	–	–
1-2 years	**4,655**	**13%**	1,195	4%
2-5 years	**7,501**	**20%**	12,153	35%
After 5 years	**–**	**–**	–	–
Total	**36,945**	**100%**	34,535	100%
Less: Amount due within one year included under current liabilities	**4,201**		7,589	
Amount due after one year included under non-current liabilities	**32,744**		26,946	

Currency Profile

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

Audited Financial Information	2014 HK$M		2013 HK$M	
Currency				
Hong Kong dollar	**26,728**	**72%**	24,407	71%
United States dollar	**4,966**	**14%**	2,342	7%
Renminbi	**5,242**	**14%**	7,786	22%
Others	**9**	**–**	–	–
Total	**36,945**	**100%**	34,535	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	2014 HK$M		2013 HK$M	
Fixed	**21,320**	**57%**	20,718	60%
Floating	**15,768**	**43%**	13,980	40%
Sub-total	**37,088**	**100%**	34,698	100%
Less: Unamortised loan fee	**143**		163	
Total	**36,945**		34,535	

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 2014	**15,683**	**–**	**12,953**	**8,309**	**36,945**
At 31st December 2013	13,881	–	12,651	8,003	34,535

Interest charged and earned during the year was as follows:

Audited Financial Information	2014 HK$M	2013 HK$M
Interest charged on:		
Bank loans and overdrafts	**(525)**	(568)
Bonds:		
Wholly repayable within five years	**(27)**	(10)
Not wholly repayable within five years	**(275)**	(266)
Loans from fellow subsidiary companies	**(715)**	(722)
Loans from joint venture and related companies	**(14)**	(9)
Fair value loss on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	**(1)**	(2)
Other financing costs	**(152)**	(136)
Loss on the movement in the fair values of the liabilities in respect of put options in favour of the owners of non-controlling interests in subsidiary companies	**(28)**	(139)
Capitalised on:		
Investment properties	**185**	63
Properties under development and for sale	**221**	256
Hotels	**7**	8
	(1,324)	(1,525)
Interest income on:		
Short-term deposits and bank balances	**29**	26
Loans to joint venture companies	**42**	21
Others	**26**	31
	97	78
Net finance charges	**(1,227)**	(1,447)

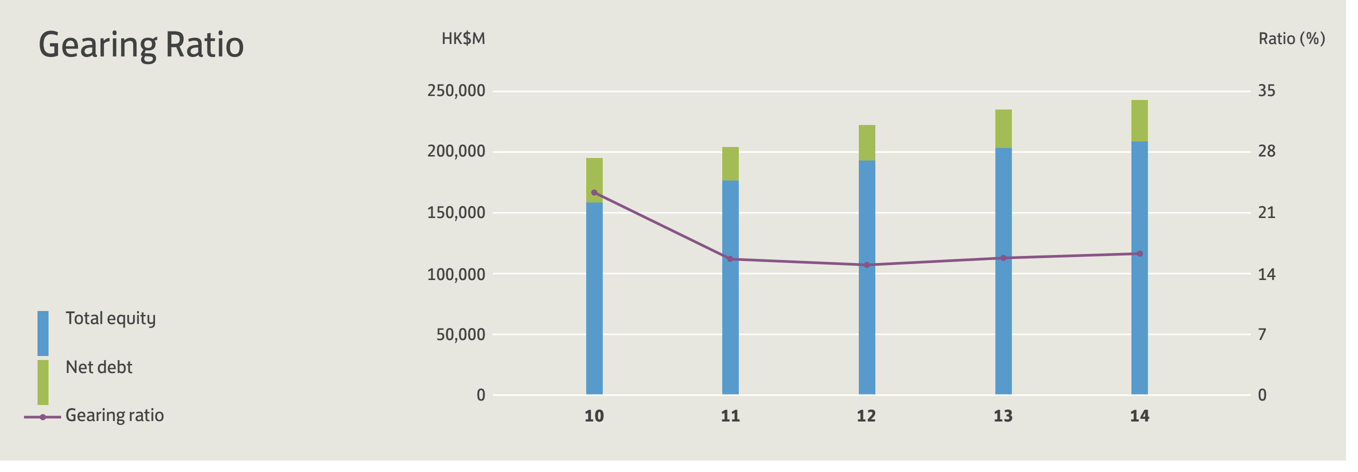
The capitalised interest rates on funds both borrowed generally and used for the development of investment properties, hotels and properties under development and for sale were between 1.44% and 4.08% per annum (2013: 1.25% and 6.21% per annum).

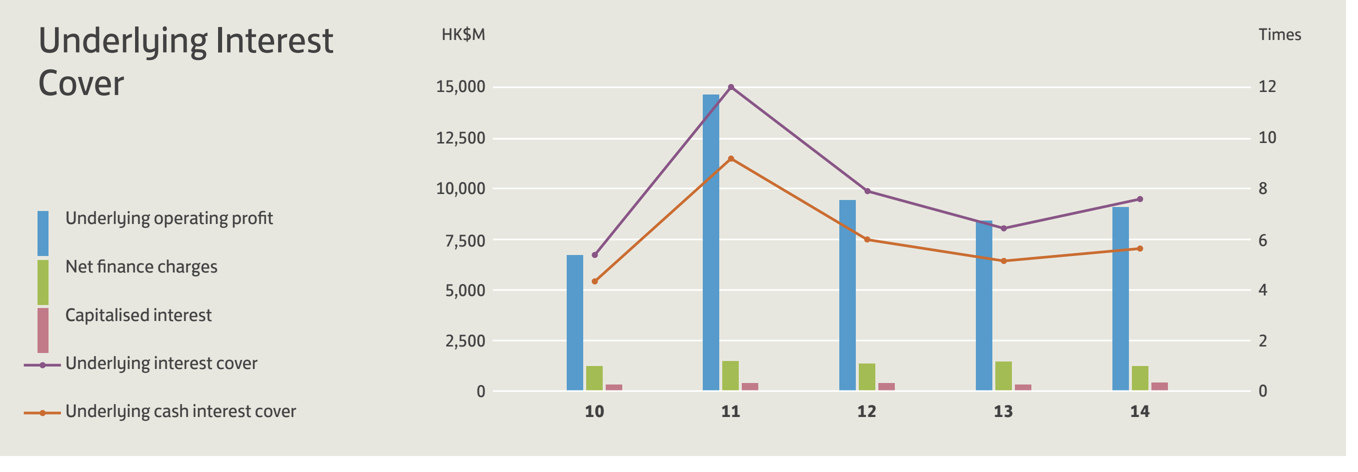
The interest rates per annum (after cross-currency swaps) at 31st December were as follows:

	2014				2013			
Audited Financial Information	**HK$ %**	**US$ %**	**RMB %**	**Others %**	HK$ %	US$ %	RMB %	Others %
Bank overdrafts and short-term loans	**–**	**–**	**5.04**	**1.21**	–	–	5.04-5.15	–
Long-term loans and bonds	**0.77-5.35**	**1.44-1.87**	**5.54-6.77**	**–**	0.78-5.35	1.41-1.86	5.54-6.77	–
Perpetual capital securities	**–**	**7.22-8.84**	**–**	**–**	–	7.22-8.84	–	–

Gearing Ratio and Interest Cover

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





	2014	2013
Gearing ratio*		
Per financial statements	**16.3%**	15.8%
Underlying	**15.7%**	15.2%
Interest cover – times*		
Per financial statements	**9.0**	10.0
Underlying	**7.6**	6.4
Cash interest cover – times*		
Per financial statements	**6.7**	8.2
Underlying	**5.6**	5.1

* Refer to Glossary on page 171 for definitions.

Capital Management

Audited Financial Information

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

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its 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 2014 and 31st December 2013 were as follows:

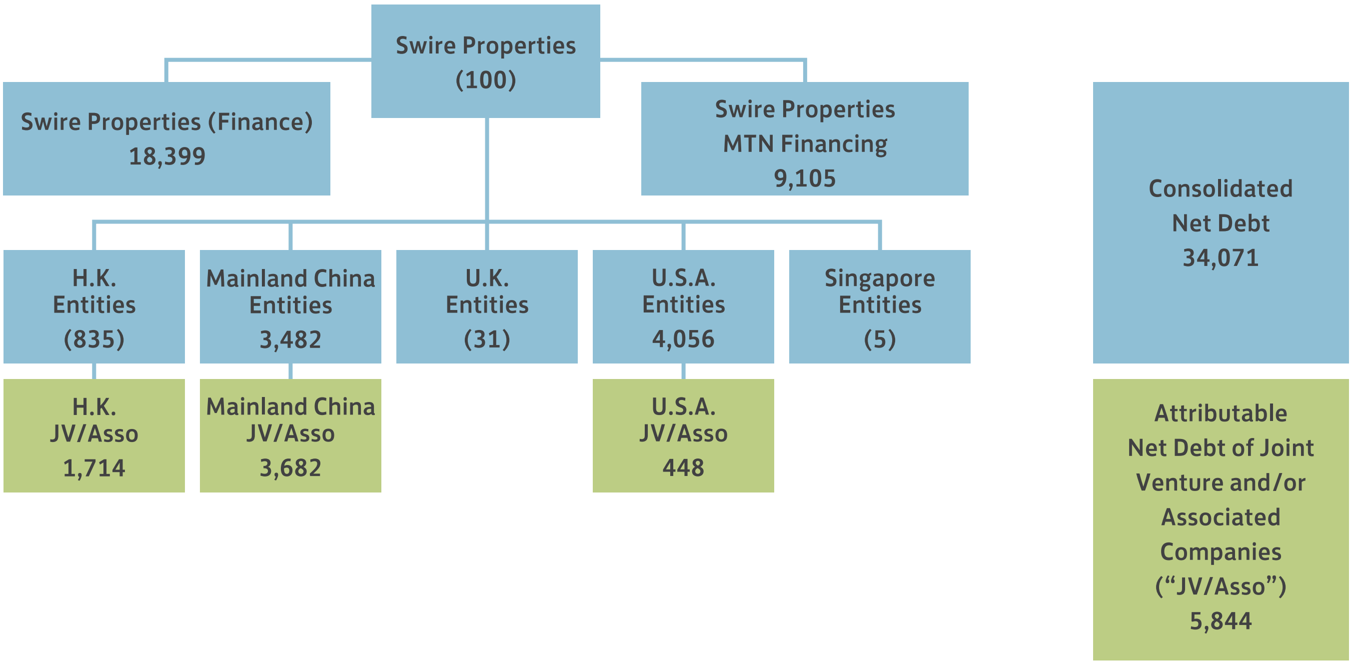
	2014 HK$M	2013 HK$M
Total borrowings	**36,945**	34,535
Less: Short-term deposits and bank balances	**2,874**	2,521
Net debt	**34,071**	32,014
Total equity	**208,547**	203,150
Gearing ratio	**16.3%**	15.8%

The increase in the gearing ratio during 2014 principally reflected an increase in total borrowings due to the acquisition of a 20% interest in Taikoo Li Sanlitun and capital and development expenditure for Brickell City Centre in Miami.

The Group has certain covenants in respect of a number of its facilities from third-parties; including maintenance of tangible net worth. The Group has significant headroom on all covenants, and does not forecast any breach for the foreseeable future.

Attributable Net Debt

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



Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at the end of 2014 and 2013:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by Swire Properties	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M
Hong Kong Entities	**3,367**	2,601	**1,714**	1,207	**975**	–
Mainland China Entities	**7,363**	4,619	**3,682**	2,309	**–**	–
U.S.A. Entities	**597**	597	**448**	448	**502**	496
	11,327	7,817	**5,844**	3,964	**1,477**	496

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 19.1% and underlying gearing would rise to 18.4%.

Corporate Governance & Sustainability

Taikoo Place
Hong Kong

Corporate Governance

Governance Culture

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

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

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

Corporate Governance Statement

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

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

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

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

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

The Board of Directors

Role of the Board

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

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

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

J.R. Slosar, 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, was 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. G.M.C. Bradley succeeded M. Cubbon as Chief Executive on 1st January 2015.

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, four other Executive Directors and nine Non-Executive Directors. Their biographical details are set out on pages 77 to 78 of this report and are posted on the Company's website.

G.M.C. Bradley, M. Cubbon, P. Healy, M.M.S. Low and J.R. Slosar are directors and employees of the John Swire & Sons Limited ("Swire") group. J.W.J. Hughes-Hallett, P.A. Kilgour and C.D. Pratt were directors and employees of the 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 nine Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors:

- provide open and objective challenge of management and 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 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.

Board Diversity

The Board has a board diversity policy which is available on the Company's website.

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

Responsibilities of Directors

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

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

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

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

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

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

Board Processes

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

The dates of the 2014 Board meetings were determined in 2013 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met five times in 2014. 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 100%. All Directors attended Board meetings in person or through electronic means of communication during the year.

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

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

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

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

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

A typical Board meeting would consist of:

- review of 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**	**2014 Annual General Meeting**	**Type of Training (Note)**
Executive Directors					
J.R. Slosar – Chairman (appointed on 14th March 2014)	3/3			√	A
C.D. Pratt – Chairman (retired on 13th March 2014)	2/2			N/A	A
M. Cubbon	5/5			√	A
M.M.S. Low	5/5			√	A
G.M.C. Bradley	5/5			√	A
D.C.Y. Ho	5/5			√	A
G.J. Ongley	5/5			√	A
Non-Executive Directors					
P. Healy (appointed on 1st January 2015)	N/A			N/A	N/A
J.W.J. Hughes-Hallett (resigned on 31st December 2014)	5/5		2/2	√	A
P.A. Kilgour (resigned on 31st December 2014)	5/5	3/3		√	A
R.S.K. Lim	5/5			√	A
M.B. Swire	5/5			√	A
Independent Non-Executive Directors					
S.E. Bradley	5/5		2/2	√	A
J.C.C. Chan	5/5	3/3		√	A
P.K. Etchells	5/5	3/3		√	A
S.T. Fung	5/5			√	A
S.C. Liu	5/5		2/2	√	A
Average attendance	100%	100%	100%	100%	

Note:

A: All the Directors received training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors. They also kept 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 statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
- internal and external audit reports
- feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers.

Securities Transactions

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

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

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

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

Directors' interests at 31st December 2014 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 financial statements.

The Remuneration Committee comprised 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 2014. M.B. Swire succeeded J.W.J. Hughes-Hallett as a member of the Remuneration Committee on 1st January 2015.

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. Given its substantial equity interest in 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 Pacific group.

Although the remuneration of these executives is not directly linked to the profits of the Company, it is considered that 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 2014. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 9 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

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

The following fee levels have been approved by the Board:

Fee	**2014** **HK$**	2015 HK$
Director's Fee	**575,000**	575,000
Fee for Audit Committee Chairman	**260,000**	260,000
Fee for Audit Committee Member	**180,000**	180,000
Fee for Remuneration Committee Chairman	**80,000**	80,000
Fee for Remuneration Committee Member	**58,000**	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 financial statements and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate

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 to 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 and 75.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, P.K. Etchells, J.C.C. Chan and P.A. Kilgour, assisted 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 2014. M. Cubbon succeeded P.A. Kilgour as a member of the Audit Committee on 1st January 2015.

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 three times in 2014. Regular attendees at the meetings are the Finance Director, the Head of Internal Audit of the Swire group and the external auditors. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the external auditors and Internal Audit. The independent property valuers also attended two of the meetings.

The work of the Committee during 2014 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2013 annual and 2014 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
- the Group's risk management processes
- the approval of the 2015 annual Internal Audit programme and review of progress on the 2014 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 2015, the Committee has reviewed, and recommended to the Board for approval, the 2014 financial statements.

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 Finance Director
- the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or 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 19 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. Ten assignments were conducted for Swire Properties in 2014.

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 Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

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

External Auditors

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

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

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity 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 financial statements.

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

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

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 13th May 2014. 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 financial statements for the year ended 31st December 2013
- re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share buy-backs
- a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares then in issue, provided that the aggregate number of the shares so allotted wholly for cash would not exceed 5% of the number of the shares then in issue

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

Shareholder Engagement

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

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

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

Other Information for Shareholders

Key shareholder dates for 2015 are set out on page 172 of this report.

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

Directors and Officers

Executive Directors

SLOSAR, John Robert, aged 58, has been Chairman and a Director of the Company since March 2014. 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 1980 and has worked with the group in Hong Kong, the United States and Thailand.

BRADLEY, Guy Martin Coutts, aged 49, has been a Director of the Company since January 2008 and Chief Executive since January 2015. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Pacific Limited. He joined the Swire group in 1987 and has worked with the group in Hong Kong, Papua New Guinea, Japan, the United States, Vietnam, Mainland China, Taiwan and the Middle East.

LOW, Mei Shuen Michelle, aged 54, has been a Director of the Company since September 2010. She is the Finance Director of the Company. She is also a Director of John Swire & Sons (H.K.) Limited. She joined the Swire group in 1987.

HO, Cho Ying Davy, aged 67, 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 61, has been a Director of the Company since February 2003. He was appointed Director, Development in June 2013 and oversees the Company's projects under development in Hong Kong, Southeast Asia and the U.S.A. He joined the Company in 1995 and has worked with the Company in Hong Kong and Mainland China.

Non-Executive Directors

CUBBON, Martin, aged 57, has been a Director of the Company since March 2000 and was Chief Executive from June 2009 to December 2014. He is also Corporate Development and Finance Director of Swire Pacific Limited and a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited. He joined the Swire group in 1986.

HEALY, Patrick, aged 49, has been a Director of the Company since January 2015. He is also a Director of John Swire & Sons (H.K.) Limited and Executive Director of the Beverages Division of Swire Pacific Limited. He joined the Swire group in 1988 and has worked with the group in Hong Kong, Germany and Mainland China.

LIM, Siang Keat Raymond, aged 55, has been a Director of the Company since July 2013. He is also Senior Advisor to John Swire & Sons (S.E. Asia) Pte. Limited. He is Chairman of APS Asset Management Pte Ltd and a Director of Government of Singapore Investment Corporation Pte Limited, Hong Leong Finance Limited, Raffles Medical Group Limited and Insurance Australia Group Limited. He has been a Member of the Singapore Parliament since 2001.

SWIRE, Merlin Bingham, aged 41, has been a Director of the Company since January 2009. He is also Chief Executive and a Director and shareholder of John Swire & Sons Limited and a Director of Swire Pacific Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London.

Independent Non-Executive Directors

BRADLEY, Stephen Edward, aged 56, has been a Director of the Company since April 2010. He is Vice Chairman of Beijing Uni-Alliance Property Development Company Ltd., Vice Chairman (Asia Pacific) of ICAP (Hong Kong) Limited and a Director of Husky Energy Inc.

Dr. CHAN, Cho Chak John, GBS, JP, aged 71, 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 the Community Chest of Hong Kong.

ETCHELLS, Paul Kenneth, aged 64, 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 41, has been a Director of the Company since December 2012. He is an Executive Director and Group Chief Executive Officer of Li & Fung Limited. He is also a Member of the General Committee of The Hong Kong Exporters' Association, a Director of the Young Presidents' Organisation and a Member of the Board of Trustees at Northeastern University.

LIU, Sing Cheong, JP, aged 59, 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 51, 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 M. Cubbon.
2. The Remuneration Committee comprises S.C. Liu (committee chairman), S.E. Bradley and M.B. Swire.
3. G.M.C. Bradley, M. Cubbon, P. Healy, M.M.S. Low, J.R. Slosar and M.B. Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31st December 2014, which are set out on pages 93 to 157.

Principal Activities

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

The principal activities of the Company's principal subsidiary, joint venture and associated companies are shown on pages 155 to 157. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 8 to the financial statements.

Dividends

The Directors have declared a second interim dividend of HK¢44 per share for the year ended 31st December 2014. Together with the first interim dividend of HK¢22 per share paid on 6th October 2014, this makes a total dividend for the year of HK¢66 (2013: HK¢60) per share. This represents a total distribution for the year of HK$3,861 million. The second interim dividend, which totals HK$2,574 million (2013: HK$2,340 million), will be paid on 7th May 2015 to shareholders registered at the close of business on the record date, being Friday, 10th April 2015. Shares of the Company will be traded ex-dividend as from Wednesday, 8th April 2015.

Closure of Register of Members

The register of members will be closed on Friday, 10th April 2015, 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 Thursday, 9th April 2015.

To facilitate the processing of proxy voting for the annual general meeting to be held on 19th May 2015, the register of members will be closed from 14th May 2015 to 19th May 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 13th May 2015.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 36 to the financial statements.

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.

At 31st December 2014, 5,850,000,000 shares were in issue (31st December 2013: 5,850,000,000 shares). Details of the movement of share capital can be found in note 35 to the financial statements.

Accounting Policies

The principal accounting policies of the Group are set out on pages 152 to 154.

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 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$25 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 financial statements.

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 (95% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value at 31st December 2014. This valuation resulted in an increase of HK$1,956 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given on pages 158 to 170.

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 at the date of this report are listed on pages 77 and 78. J.R. Slosar was appointed as Chairman and a Director on 14th March 2014. P. Healy was appointed as a Director on 1st January 2015. All the other Directors at the date of this report served throughout the calendar year 2014. C.D. Pratt resigned as Chairman and a Director of the Company with effect from 14th March 2014. J.W.J. Hughes-Hallett and P.A. Kilgour resigned as Directors with effect from 1st January 2015.

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

P. Healy, having been appointed to the Board under Article 91 since the last Annual General Meeting, 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 financial statements.

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

Directors' Interests

At 31st December 2014, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, 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	23,500	–	–	23,500	0.00040	

	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	3,144,273	–	19,222,920	22,367,193	22.37	(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	
'B' shares						
D.C.Y. Ho	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 7,899,584 ordinary shares and 2,237,039 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 close 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 at 31st December 2014 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	Number of Shares	Percentage of 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:

At 31st December 2014:

(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 48.83% of the issued capital and approximately 60.91% 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 of Hong Kong Limited (the "Stock Exchange") a waiver from strict compliance with Listing Rule 8.08(1) so as to allow a lower public float percentage of 10% (or such higher percentage as was held by the public upon completion of the listing of the shares of the Company on the Stock Exchange). On such completion on 18th January 2012, the public float percentage was approximately 10.28%. From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 10.28% of the Company's total issued share capital is held by the public.

Continuing Connected Transactions

During the year ended 31st December 2014, the Group had the following continuing connected transactions, details of which are set out below:

(a) Services Agreement

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and its subsidiaries advice and expertise of the directors and senior officers of the Swire group, 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, joint venture and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. The procuration obligation would fall away if the Services Agreement were terminated or not renewed.

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

The Services Agreement, which was entered into between JSSHK and the Company on 1st December 2004, took effect from 1st January 2005, was renewed on 1st October 2007, was amended and restated with effect from 1st January 2010, and was renewed again on 1st October 2010 and 14th November 2013. The current term of the Services Agreement is from 1st January 2014 to 31st December 2016 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 2014 are given in note 41 to the financial statements.

(b) Tenancy Framework Agreement

The Company, JSSHK and Swire Pacific entered into a tenancy framework agreement ("Tenancy Framework Agreement") on 14th August 2014 to govern existing and future tenancy agreements between members of the Group, members of the JSSHK group and members of the Swire Pacific group for a term of two years ending on 31st December 2015. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JSSHK group and members of the Swire Pacific group enter into tenancy agreements from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement is renewable for successive periods of three years after its initial expiry date unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December.

For the year ended 31st December 2014, the aggregate rentals payable to the Group under the tenancies subject to the Tenancy Framework Agreement totalled HK$181 million.

At 31st December 2014, the Swire group owned approximately 48.83% of the issued capital of Swire Pacific and approximately 60.91% 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 and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 14th November 2013 and 14th August 2014 respectively were published.

As directors and/or employees of (or in one case as an adviser to) the Swire group, G.M.C. Bradley, M. Cubbon, P. Healy, R.S.K. Lim, M.M.S. Low, J.R. Slosar and M.B. Swire are interested in the Services Agreement and the Tenancy Framework Agreement. Before they ceased to be Directors of the Company, J.W.J. Hughes-Hallett, P.A. Kilgour and C.D. Pratt were so interested as directors and employees of the Swire group. M.B. Swire is so interested as a shareholder of Swire.

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

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

On behalf of the Board

John Slosar
Chairman
Hong Kong, 19th March 2015

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 sustainability considerations into account through all phases of a development project: from inception, design, procurement, construction and occupation to demolition or conversion. Our approach is directed by 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 2014 Sustainable Development Report later this year.

Sustainable Development Steering Committee

Our sustainable development steering committee is responsible for including social, economic and environmental risks and benefits in our business decision-making process, and for monitoring our performance. The committee is convened by our general manager of technical services and sustainability and includes our director of development – Hong Kong and representatives from the human resources and administration, development and valuations, projects and portfolio management departments and from Swire Hotels.

Environment

As a leading property developer, we are committed to building and managing our developments sustainably. We aim to reduce our environmental impact by minimising and effectively managing our use of natural resources and by reducing or preventing pollution and waste.

We decreased our energy consumption by 3% in 2014. This compares favourably with the increase in occupied space in the investment property portfolio in Hong Kong and Mainland China. We were recognised by and received an award from Tsinghua University in Beijing for adopting best practices in building energy efficiency and featured in Tsinghua University's "2014 Annual Report on The Development of Building Energy Efficiency in China". The chiller plants at One Pacific Place and Cityplaza North were cited as exemplary models of energy efficiency.

Attained the

Green Building Award

from The Hong Kong Green Building Council and Professional Green Building Council

Hong Kong

Provided

"train-the-trainer" workshops

on physical fitness and work safety

Hong Kong

We intend to reduce our annual energy consumption by 52 million kWh per year by 2020 from its 2008 amount. We provide free energy audits to our tenants in Hong Kong and Mainland China. We have identified potential annual savings of 2.84 million kWh for office tenants in Hong Kong and of 1.08 million kWh for tenants at Taikoo Li Sanlitun and TaiKoo Hui in Mainland China.

26 of our buildings have BEAM certification. 18 of them have a Final Platinum rating. In Hong Kong, our 100 Caine Road project has a BEAM Plus Provisional Gold rating and ARGENTA has a BEAM 4/04 Final Platinum rating. In Mainland China, Sino-Ocean Taikoo Li Chengdu has LEED Gold certification and Dazhongli has been pre-certified for a Platinum rating.

We have received ISO 50001 Energy Management System and ISO 14001 Environmental Management System accreditations in Hong Kong.

We received a Class of Excellence award from The Wastewise Label Scheme for our commercial centres in Hong Kong.

Health and Safety

In 2014, our health and safety performance improved, with a 15% reduction in lost time injuries.

In Hong Kong, we engaged external physiotherapy consultants to advise on safe manual handling and fall prevention techniques and to train potential trainers about physical fitness and work safety. 66 supervisory staff became potential trainers.

In Mainland China, we upgraded our safety management system. We expect to receive OHSAS 18001 certification (an international occupational health and safety management system specification) for Taikoo Li Sanlitun and TaiKoo Hui shortly.

Revitalised a

community garden

in Sanlitun, Beijing

Beijing

Debuted

"Preview of Miss Rose",

our tenant musical at ArtisTree in Taikoo Place

Hong Kong

Communities

We invest in arts and cultural events, educational and community programmes and staff volunteer opportunities.

Restoring a Community Garden in Beijing

We sponsored the restoration of a 500 square metre community garden next to Taikoo Li Sanlitun. It reopened in October 2014 under the new name "Harmonious Garden". We have agreed to maintain the garden for five years.

White Christmas Street Fair 2014

In December 2014, we held our second White Christmas Street Fair on Tong Chong Street in Quarry Bay, Hong Kong. We raised HK$1 million for Operation Santa Claus. Around 28,000 people attended over three days. There were market stalls, food stalls, an outdoor ice hockey rink and live entertainment. Staff, tenants, families and friends participated in a Santathon race.

Arts and Culture

With the Theatre Noir Foundation, we staged "Preview of Miss Rose: A Romantic Musical Behind a Desk" at ArtisTree in Taikoo Place in Hong Kong. The actors were 30 employees of our tenants.

Houses in Miami

With Habitat for Humanity, Swire Properties Inc. builds houses for low income families in Miami, Florida. 12 houses have been built to date.

Volunteer Service

In 2014, nearly 1,300 of our community ambassadors participated in 48 activities, contributing more than 5,500 hours of service.

The Swire Properties Community Caring Fund was established in 2014. It provides financial support to less well known NGOs and charities. Staff are invited to nominate causes and organisations which they wish support.
17 projects have been supported to date. Our community ambassadors are involved where possible.

Partnered with Habitat for Humanity,
helping to build homes
for low-income families in Miami

U.S.A

Launched the
"Stories from Island East"
exhibition and booklet

Hong Kong

"Be My Friend" is our programme of services to the elderly. As part of the programme, our community ambassadors visited and interviewed elderly people at home in Quarry Bay in Hong Kong. The result was publication of a book, "Stories from Island East", and a moving exhibition of memorabilia and photographs about the development of Quarry Bay.

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 sub-committees, 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 our supplier monitoring and evaluation system, 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 2014, we updated our Green Procurement Guidelines and made changes to our property management system intended to facilitate the monitoring of sustainable purchasing.

Employees

Swire Properties employs around 4,500 people in Hong Kong, Mainland China, the U.S.A. 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 2014, we organised over 1,800 development courses for our employees and a customer service campaign for our building managers.

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AUDITOR'S REPORT AND ACCOUNTS

SUPPLEMENTARY INFORMATION

MOUNT PARKER RESIDENCES
Hong Kong

Independent Auditor's Report

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

We have audited the consolidated financial statements of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 93 to 157, which comprise the consolidated and company statements of financial position as at 31st December 2014, and the consolidated statement of profit or loss, the consolidated statement of other 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 Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements 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 consolidated financial statements.

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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2014, 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, 19th March 2015

Consolidated Statement of Profit or Loss

For the year ended 31st December 2014

	Note	2014 HK$M	2013 HK$M
Revenue	4	**15,387**	12,935
Cost of sales	5	**(5,176)**	(3,531)
Gross profit		**10,211**	9,404
Administrative expenses		**(1,010)**	(974)
Other operating expenses		**(221)**	(186)
Other net gains	6	**56**	43
Change in fair value of investment properties		**1,956**	6,211
Operating profit		**10,992**	14,498
Finance charges		**(1,324)**	(1,525)
Finance income		**97**	78
Net finance charges	10	**(1,227)**	(1,447)
Share of profits less losses of joint venture companies		**1,444**	809
Share of profits less losses of associated companies		**160**	139
Profit before taxation		**11,369**	13,999
Taxation	11	**(1,646)**	(1,344)
Profit for the year		**9,723**	12,655
Profit for the year attributable to:			
The Company's shareholders	36	**9,516**	12,525
Non-controlling interests	37	**207**	130
		9,723	12,655
Dividends			
First interim – paid		**1,287**	1,170
Second interim – declared on 19th March 2015 (2013: 13th March 2014)		**2,574**	2,340
	13	**3,861**	3,510
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	14	**1.63**	2.14

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2014

	2014 HK$M	2013 HK$M
Profit for the year	**9,723**	12,655
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties previously occupied by the Group		
– gains recognised during the year	**5**	24
– deferred tax	**(1)**	(14)
Defined benefit plans		
– remeasurement (losses)/gains recognised during the year	**(94)**	105
– deferred tax	**16**	(17)
	(74)	98
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
– gains recognised during the year	**105**	6
– transferred to net finance charges	**1**	2
– deferred tax	**(17)**	(1)
Share of other comprehensive income of joint venture and associated companies	**(84)**	206
Net translation differences on foreign operations	**(486)**	494
	(481)	707
Other comprehensive income for the year, net of tax	**(555)**	805
Total comprehensive income for the year	**9,168**	13,460
Total comprehensive income attributable to:		
The Company's shareholders	**8,968**	13,309
Non-controlling interests	**200**	151
	9,168	13,460

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2014

	Note	2014 HK$M	2013 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**7,703**	7,225
Investment properties	16	**218,955**	213,708
Intangible assets	17	**82**	75
Properties held for development	18	**920**	706
Joint venture companies	20	**18,207**	16,379
Associated companies	21	**535**	521
Available-for-sale assets	23	**98**	75
Derivative financial instruments	32	**33**	4
Deferred tax assets	33	**63**	72
		246,596	238,765
Current assets			
Properties under development and for sale	24	**7,979**	8,020
Stocks and work in progress	25	**77**	76
Trade and other receivables	26	**2,821**	2,522
Amount due from immediate holding company – Swire Pacific Limited	27	**8**	53
Cash and cash equivalents	28	**2,874**	2,521
		13,759	13,192
Current liabilities			
Trade and other payables	29	**7,674**	8,007
Taxation payable		**519**	211
Bank overdrafts and short-term loans	30	**551**	828
Long-term loans due within one year	30	**1,851**	6,761
Loans due to a fellow subsidiary company – Swire Finance Limited	31	**1,799**	–
		12,394	15,807
Net current assets/(liabilities)		**1,365**	(2,615)
Total assets less current liabilities		**247,961**	236,150
Non-current liabilities			
Long-term loans and bonds	30	**20,588**	13,598
Loans due to a fellow subsidiary company – Swire Finance Limited	31	**12,156**	13,348
Other payables	29	**470**	367
Derivative financial instruments	32	**4**	83
Deferred tax liabilities	33	**6,105**	5,604
Retirement benefit liabilities	34	**91**	–
		39,414	33,000
NET ASSETS		**208,547**	203,150
EQUITY			
Share capital	35	**10,449**	5,850
Reserves	36	**197,242**	196,500
Equity attributable to the Company's shareholders		**207,691**	202,350
Non-controlling interests	37	**856**	800
TOTAL EQUITY		**208,547**	203,150

John R. Slosar
Paul K. Etchells
Directors

Hong Kong, 19th March 2015

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these financial statements.

Company Statement of Financial Position

At 31st December 2014

	Note	2014 HK$M	2013 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**23**	39
Intangible assets	*17*	**23**	16
Subsidiary companies	*19*	**51,558**	48,935
Joint venture companies	*20*	**2,535**	1,254
Associated companies	*21*	**56**	55
Deferred tax assets	*33*	**13**	–
		54,208	50,299
Current assets			
Trade and other receivables	*26*	**275**	161
Cash and cash equivalents	*28*	**100**	208
		375	369
Current liabilities			
Trade and other payables	*29*	**5,604**	3,614
Taxation payable		**8**	1
		5,612	3,615
Net current liabilities		**(5,237)**	(3,246)
Total assets less current liabilities		**48,971**	47,053
Non-current liabilities			
Deferred tax liabilities	*33*	**–**	1
Retirement benefit liabilities	*34*	**84**	5
NET ASSETS		**48,887**	47,047
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	*35*	**10,449**	5,850
Reserves	*36*	**38,438**	41,197
TOTAL EQUITY		**48,887**	47,047

John R. Slosar
Paul K. Etchells
Directors

Hong Kong, 19th March 2015

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2014

	Note	2014 HK$M	2013 HK$M
Operating activities			
Cash generated from operations	42(a)	**10,724**	8,873
Interest paid		**(1,575)**	(1,560)
Interest received		**98**	166
Profits tax paid		**(760)**	(1,314)
		8,487	6,165
Dividends received from joint venture and associated companies		**786**	216
Net cash from operating activities		**9,273**	6,381
Investing activities			
Purchase of property, plant and equipment	42(b)	**(615)**	(415)
Additions to investment properties		**(4,336)**	(5,043)
Purchase of intangible assets		**(15)**	(14)
Purchase of available-for-sale assets		**(23)**	(1)
Purchase of shares in joint venture companies		**–**	(1)
Proceeds from disposals of property, plant and equipment		**1**	56
Proceeds from disposals of investment properties		**7**	–
Proceeds from disposal of a subsidiary company		**–**	31
Proceeds from disposal of a joint venture company		**32**	–
Loans to joint venture companies		**(1,934)**	(847)
Repayment of loans by joint venture companies		**535**	362
Repayment of loans by associated companies		**21**	124
Initial leasing costs incurred		**(65)**	(56)
Net cash used in investing activities		**(6,392)**	(5,804)
Net cash inflow before financing		**2,881**	577
Financing activities			
Loans drawn and refinancing		**10,004**	3,637
Bonds issued		**600**	3,877
Repayment of loans		**(8,674)**	(2,232)
	42(c)	**1,930**	5,282
Capital contribution from a non-controlling interest	37	**–**	15
Increase/(decrease) in loans due to a fellow subsidiary company		**600**	(1,900)
Purchase of shares in an existing subsidiary company		**(1,256)**	–
Dividends paid to the Company's shareholders	36	**(3,627)**	(3,393)
Dividends paid to non-controlling interests	42(c)	**(144)**	(8)
Net cash used in financing activities		**(2,497)**	(4)
Increase in cash and cash equivalents		**384**	573
Cash and cash equivalents at 1st January		**2,521**	1,936
Currency adjustment		**(31)**	12
Cash and cash equivalents at end of the year		**2,874**	2,521
Represented by:			
Bank balances and short-term deposits maturing within three months	28	**2,874**	2,521

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2014

	Note	Attributable to the Company's shareholders				Non-controlling interests HK$M	Total equity HK$M
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M		
At 1st January 2014		**5,850**	**188,467**	**8,033**	**202,350**	**800**	**203,150**
Profit for the year		**–**	**9,516**	**–**	**9,516**	**207**	**9,723**
Other comprehensive income		**–**	**(78)**	**(470)**	**(548)**	**(7)**	**(555)**
Total comprehensive income for the year	*36, 37*	**–**	**9,438**	**(470)**	**8,968**	**200**	**9,168**
Transition to no-par value regime on 3rd March 2014	*35*	**4,599**	**–**	**(4,599)**	**–**	**–**	**–**
Dividends paid		**–**	**(3,627)**	**–**	**(3,627)**	**(144)**	**(3,771)**
At 31st December 2014		**10,449**	**194,278**	**2,964**	**207,691**	**856**	**208,547**

	Note	Attributable to the Company's shareholders				Non-controlling interests HK$M	Total equity HK$M
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M		
At 1st January 2013		5,850	179,247	7,337	192,434	642	193,076
Profit for the year		–	12,525	–	12,525	130	12,655
Other comprehensive income		–	88	696	784	21	805
Total comprehensive income for the year	*36, 37*	–	12,613	696	13,309	151	13,460
Dividends paid		–	(3,393)	–	(3,393)	(8)	(3,401)
Capital contribution from a non-controlling interest		–	–	–	–	15	15
At 31st December 2013		5,850	188,467	8,033	202,350	800	203,150

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these financial statements.

Notes to the Financial Statements

General Information

The Company is a limited liability company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 155 to 157.

1. Changes in Accounting Standards

(a) The following relevant new and revised standards and interpretation were required to be adopted by the Group effective from 1st January 2014:

HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosure for Non-financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) 21	Levies

The Group early adopted the amendment to HKAS 36 in 2013.

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". The amendment has had no significant impact on the Group's financial statements.

The amendment to HKAS 39 provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendment has had no significant impact on the Group's financial statements.

HK(IFRIC) 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to a levy and when a liability should be recognised. The interpretation has had no significant impact on the Group's financial statements.

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

HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Investment Entities

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

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions[1]
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 9	Financial Instruments[4]

[1] To be applied by the Group from 1st January 2015
[2] To be applied by the Group from 1st January 2016
[3] To be applied by the Group from 1st January 2017
[4] To be applied by the Group from 1st January 2018

The improvements to HKFRSs cycles consist of amendments to existing standards. It is not expected that these amendments will have a significant impact on the Group's financial statements.

1. Changes in Accounting Standards *(continued)*

The amendments to HKAS 16 and HKAS 38 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It has clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted where the intangible asset is expressed as a measure of revenue, or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Group has yet to assess the full impact of the amendments.

The amendment to HKAS 19 applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment permits (but does not require) contributions from employees or third parties that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, rather than being attributed to periods of service as a negative benefit. It is not expected that this amendment will have a significant impact on the Group's financial statements.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group has yet to assess the full impact of the amendments.

The amendment to HKFRS 11 provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The Group has yet to assess the full impact of the amendment.

HKFRS 15 replaces HKAS 11, HKAS 18 and related interpretations. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principles of the standard will be applied using a five-step model. HKFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has yet to assess the full impact of the new standard.

The complete version of HKFRS 9 replaces the guidance in HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The incurred loss impairment model used in HKAS 39 has been replaced by an expected credit loss model, which means that a loss event will no longer need to occur before impairment allowance is recognised. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income and for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the rigid bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The Group has yet to assess the full impact of the new standard.

(d) The following new and revised standards have been issued which are not yet effective and are not relevant to the Group's operations:

HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 14	Regulatory Deferral Accounts

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.

(i) Interest rate exposure

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

The Group entered into cross-currency swap contracts in relation to the USD medium-term notes issued and manages its interest rate risk by closely monitoring the movement of interest rates.

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

	100 basis-points increase in interest rates HK$M	100 basis-points decrease in interest rates HK$M
At 31st December 2014		
Impact on statement of profit or loss: (loss)/gain	**(129)**	**129**
Impact on other comprehensive income: loss	**–**	**(2)**
At 31st December 2013		
Impact on statement of profit or loss: (loss)/gain	(115)	115
Impact on other comprehensive income: gain/(loss)	9	(13)

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
- Change in market interest rates affect the fair value of derivative financial instruments
- All other variable financial assets and liabilities are held constant

2. Financial Risk Management *(continued)*

(ii) Currency exposure

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. 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 either hedged by the cross-currency swap contracts entered into by the Group or managed by a fellow subsidiary.

At 31st December 2014, 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 impact on the Group's statement of profit or loss and other comprehensive income of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.7556 (2013: 7.7538), 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 2014		
Impact on statement of profit or loss: loss	**–**	**(1)**
Impact on other comprehensive income: gain	**–**	**11**
At 31st December 2013		
Impact on statement of profit or loss: loss	–	(1)
Impact on other comprehensive income: (loss)/gain	(1)	8

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.

(iii) Credit exposure

The Group's credit risk is mainly attributable to trade debtors, deposits with financial institutions, receivables from joint venture 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 investment grade credit ratings are accepted. Tenants are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. The Group does not grant credit terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. The Group also holds non-interest bearing rental deposits as security against trade debtors. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint venture 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.

2. Financial Risk Management *(continued)*

(iv) Liquidity exposure

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

The tables below analyse the contractual undiscounted cash flows of the Group's 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 2014

	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	29	1,337	1,337	1,337	–	–	–
Amount due to intermediate holding company	29	110	110	110	–	–	–
Amount due to a fellow subsidiary company	29	77	77	77	–	–	–
Amount due to an associated company	29	106	106	106	–	–	–
Interest-bearing advances from fellow subsidiary companies	29	400	400	400	–	–	–
Interest-bearing advances from a related company	29	250	250	250	–	–	–
Rental deposits from tenants	29	2,295	2,295	471	547	1,013	264
Non-controlling interest put option	29	470	764	–	–	–	764
Accrued capital expenditure	29	497	497	497	–	–	–
Other payables	29	2,602	2,602	2,602	–	–	–
Borrowings (including interest obligations)	30	22,990	26,324	2,593	2,757	9,471	11,503
Loans due to a fellow subsidiary company (including interest obligations)	31	13,955	15,724	2,544	5,204	7,976	–
Derivative financial instruments	32	4	4	–	–	–	4
Financial guarantee contracts	39	–	1,623	1,623	–	–	–
		45,093	52,113	12,610	8,508	18,460	12,535

2. Financial Risk Management *(continued)*

(iv) Liquidity exposure (continued)

Group
At 31st December 2013

	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	*29*	1,003	1,003	1,003	–	–	–
Amount due to intermediate holding company	*29*	117	117	117	–	–	–
Amount due to a fellow subsidiary company	*29*	78	78	78	–	–	–
Amount due to a joint venture company	*29*	3	3	3	–	–	–
Amount due to an associated company	*29*	106	106	106	–	–	–
Interest-bearing advances from fellow subsidiary companies	*29*	281	281	281	–	–	–
Interest-bearing advances from joint venture and related companies	*29*	484	484	484	–	–	–
Advances from non-controlling interests	*29*	319	319	319	–	–	–
Rental deposits from tenants	*29*	2,116	2,116	466	389	978	283
Non-controlling interest put options	*29*	1,623	1,826	1,256	–	–	570
Accrued capital expenditure	*29*	699	699	699	–	–	–
Other payables	*29*	1,545	1,545	1,545	–	–	–
Borrowings (including interest obligations)	*30*	21,187	23,804	8,181	2,130	4,765	8,728
Loans due to a fellow subsidiary company (including interest obligations)	*31*	13,348	15,624	678	1,873	13,073	–
Derivative financial instruments	*32*	83	83	–	–	–	83
Financial guarantee contracts	*39*	–	640	640	–	–	–
		42,992	48,728	15,856	4,392	18,816	9,664

Company
At 31st December 2014

	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	*29*	**110**	**110**	**110**	**–**	**–**	**–**
Amounts due to subsidiary companies	*29*	**5,325**	**5,325**	**5,325**	**–**	**–**	**–**
Amounts due to an associated company	*29*	**106**	**106**	**106**	**–**	**–**	**–**
Other payables	*29*	**63**	**63**	**63**	**–**	**–**	**–**
Financial guarantee contracts	*39*	**–**	**1,623**	**1,623**	**–**	**–**	**–**
		5,604	**7,227**	**7,227**	**–**	**–**	**–**

Company
At 31st December 2013

	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	*29*	117	117	117	–	–	–
Amounts due to subsidiary companies	*29*	3,358	3,358	3,358	–	–	–
Amounts due to an associated company	*29*	106	106	106	–	–	–
Other payables	*29*	33	33	33	–	–	–
Financial guarantee contracts	*39*	–	640	640	–	–	–
		3,614	4,254	4,254	–	–	–

3. Critical Accounting Estimates and Judgements

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

Carrying value of Property, plant and equipment (note 15)
Fair value of Investment properties (note 16)
Retirement benefit assets and liabilities (note 34)

4. Revenue

Accounting Policy

Provided the collectability of the related receivable is reasonably assured, revenue is recognised as follows:

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 the underlying lessee's revenue transaction is recognised.

Sales of properties are recognised when effective control of ownership of the properties is transferred to the buyers.

Sales of services, including services provided by hotel operations and estate management, are recognised when the services are rendered.

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

	Group	
	2014 HK$M	2013 HK$M
Gross rental income from investment properties	**10,320**	9,676
Property trading	**3,842**	2,207
Hotels	**1,089**	942
Rendering of other services	**136**	110
	15,387	12,935

5. Cost of Sales

	Group	
	2014 HK$M	2013 HK$M
Direct rental outgoings in respect of investment properties that		
– generated rental income	**(1,698)**	(1,571)
– did not generate rental income	**(88)**	(127)
	(1,786)	(1,698)
Property trading	**(2,439)**	(980)
Hotels	**(924)**	(816)
Rendering of other services	**(27)**	(37)
	(5,176)	(3,531)

6. Other Net Gains

	Group	
	2014 HK$M	2013 HK$M
Profit on sale of investment properties	**6**	–
(Loss)/profit on sale of property, plant and equipment	**(1)**	16
Impairment reversals on trading properties	**45**	21
Net foreign exchange losses	**(2)**	(25)
Recognition of income on forfeited deposits on trading properties	**2**	8
Others	**6**	23
	56	43

Taking into consideration the fair market value of trading properties in the U.S.A. as determined by external valuer at 31st December 2014, a gain of HK$45 million was recognised in the year (2013: HK$21 million) to reverse impairment losses made on such trading properties in previous years.

7. Expenses by Nature

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

	Group	
	2014 HK$M	2013 HK$M
Depreciation of property, plant and equipment (note 15)	**263**	291
Amortisation of		
– intangible assets (note 17)	**8**	6
– initial leasing costs on investment properties	**89**	94
Staff costs	**1,397**	1,292
Operating lease rentals		
– properties	**65**	60
– plant and equipment	**3**	2
Auditors' remuneration		
– audit services	**11**	10
– tax services	**7**	8
– other services	**1**	1

8. Segment Information

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

Accounting Policy

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

8. Segment Information *(continued)*

(a) Information about reportable segments

Analysis of Consolidated statement of profit or loss

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) after depreciation and amortisation HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$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 2014												
Property investment	**10,456**	**11**	**7,878**	**(1,278)**	**92**	**308**	**–**	**7,000**	**(945)**	**6,055**	**6,029**	**(164)**
Property trading	**3,842**	**–**	**1,180**	**–**	**5**	**226**	**–**	**1,411**	**(211)**	**1,200**	**1,020**	**(7)**
Hotels	**1,089**	**2**	**(22)**	**(46)**	**–**	**(46)**	**160**	**46**	**(16)**	**30**	**30**	**(189)**
Change in fair value of investment properties	**–**	**–**	**1,956**	**–**	**–**	**956**	**–**	**2,912**	**(474)**	**2,438**	**2,437**	**–**
Inter-segment elimination	**–**	**(13)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	15,387	**–**	**10,992**	**(1,324)**	**97**	**1,444**	**160**	**11,369**	**(1,646)**	**9,723**	**9,516**	**(360)**
Year ended 31st December 2013												
Property investment	9,786	11	7,317	(1,463)	71	208	(2)	6,131	(683)	5,448	5,426	(185)
Property trading	2,207	–	1,035	–	7	(46)	–	996	(185)	811	720	(27)
Hotels	942	2	(65)	(62)	–	(36)	145	(18)	(30)	(48)	(46)	(179)
Change in fair value of investment properties	–	–	6,211	–	–	683	(4)	6,890	(446)	6,444	6,425	–
Inter-segment elimination	–	(13)	–	–	–	–	–	–	–	–	–	–
	12,935	–	14,498	(1,525)	78	809	139	13,999	(1,344)	12,655	12,525	(391)

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

Analysis of total assets of the Group

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
At 31st December 2014						
Property investment	**223,021**	**16,046**	**28**	**2,092**	**241,187**	**4,452**
Property trading and development	**9,417**	**891**	**–**	**612**	**10,920**	**176**
Hotels	**6,301**	**1,270**	**507**	**170**	**8,248**	**554**
	238,739	**18,207**	**535**	**2,874**	**260,355**	**5,182**
At 31st December 2013						
Property investment	217,547	14,008	50	1,713	233,318	5,066
Property trading and development	9,255	1,128	–	729	11,112	538
Hotels	5,734	1,243	471	79	7,527	299
	232,536	16,379	521	2,521	251,957	5,903

Note:
In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, available-for-sale assets, financial instruments, 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 2014					
Property investment	**6,147**	**6,341**	**30,344**	**42,832**	**612**
Property trading and development	**1,815**	**283**	**6,056**	**8,154**	**224**
Hotels	**277**	**–**	**545**	**822**	**20**
	8,239	**6,624**	**36,945**	**51,808**	**856**
At 31st December 2013					
Property investment	7,337	5,712	28,439	41,488	606
Property trading and development	873	102	5,549	6,524	175
Hotels	247	1	547	795	19
	8,457	5,815	34,535	48,807	800

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong, Mainland China, the U.S.A. and the U.K.

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

	Revenue		Non-current assets (note)	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Hong Kong	**12,967**	10,722	**194,894**	191,603
Mainland China	**2,210**	1,854	**27,354**	26,934
U.S.A.	**23**	186	**4,324**	1,999
U.K. and others	**187**	173	**1,088**	1,178
	15,387	12,935	**227,660**	221,714

Note:
In this analysis, the total of non-current assets excludes joint venture and associated companies, available-for-sale assets, financial instruments, 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 2014 are as follows:

	Cash			Non cash				
	Salary/fee HK$'000	Discretionary bonus (note (i)) HK$'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 2014 HK$'000	Total 2013 HK$'000
For the year ended 31st December 2014								
Executive Directors								
J.R. Slosar (note (ii))	440	–	17	141	–	243	841	–
C.D. Pratt (note (iii))	125	626	2	38	–	72	863	2,594
M. Cubbon	5,610	4,035	286	1,721	1,398	4,597	17,647	16,282
M.M.S. Low	2,594	3,068	1,468	300	–	–	7,430	6,975
G.M.C. Bradley	2,468	1,459	1,127	759	839	4,854	11,506	11,267
D.C.Y. Ho	3,972	1,882	–	–	–	165	6,019	5,832
G.J. Ongley	4,229	2,800	176	17	–	89	7,311	7,014
Non-Executive Directors								
J.W.J. Hughes-Hallett	–	–	–	–	–	–	–	–
P.A. Kilgour	–	–	–	–	–	–	–	–
R.S.K. Lim	575	–	–	–	–	–	575	290
M.B. Swire	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
S.E. Bradley	633	–	–	–	–	–	633	633
J.C.C. Chan	755	–	–	–	–	–	755	755
P.K. Etchells	835	–	–	–	–	–	835	815
S.T. Fung	575	–	–	–	–	–	575	575
S.C. Liu	655	–	–	–	–	–	655	650
Total 2014	**23,466**	**13,870**	**3,076**	**2,976**	**2,237**	**10,020**	**55,645**	N/A
Total 2013	20,758	13,973	3,563	2,526	2,482	10,380	N/A	53,682

Notes:
(i) The bonus disclosed above is related to services as executive directors for the previous year.
(ii) J.R. Slosar was appointed as Chairman and an executive director on 14th March 2014.
(iii) C.D. Pratt resigned as Chairman and an executive director with effect from 14th March 2014.

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 2014 and 2013 are as follows:

	Year ended 31st December	
	2014	2013
Number of individuals:		
Executive directors (note (i))	**4**	4
Executive officers (note (ii))	**1**	1
	5	5

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

	Year ended 31st December	
	2014 HK$'000	2013 HK$'000
Salary	**2,659**	2,378
Discretionary bonus*	**1,646**	1,538
Allowance and benefits	**2,577**	2,962
Retirement scheme contributions	**409**	371
	7,291	7,249

* The bonus disclosed above is related to services for the previous year.

The above executive officer fell within the following band of emoluments:

	Year ended 31st December	
	2014	2013
HK$7,000,001 – HK$7,500,000	**1**	1
	1	1

10. Net Finance Charges

Accounting Policy

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

Interest income is recognised on a time-proportion basis using the effective interest method.

Refer to the table with heading "Audited financial information" on page 60 for details of the Group's net finance charges.

11. Taxation

Accounting Policy

The tax expense comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

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

	Group			
	2014		2013	
	HK$M	**HK$M**	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	**(988)**		(920)	
Overseas taxation	**(74)**		(13)	
(Under)/over-provisions in prior years	**(6)**		118	
		(1,068)		(815)
Deferred taxation: (note 33)				
Changes in fair value of investment properties	**(265)**		(208)	
Origination and reversal of temporary differences	**(313)**		(321)	
		(578)		(529)
		(1,646)		(1,344)

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

11. Taxation *(continued)*

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

	2014 HK$M	2013 HK$M
Profit before taxation	**11,369**	13,999
Calculated at a tax rate of 16.5% (2013: 16.5%)	**(1,876)**	(2,310)
Results of joint venture and associated companies reported net of tax	**265**	156
Effect of different tax rates in other countries	**(163)**	(77)
Income not subject to tax	**220**	873
Expenses not deductible for tax purposes	**(19)**	(47)
Unused tax losses not recognised	**(105)**	(91)
Utilisation of previously unrecognised tax losses	**31**	62
Recognition of previously unrecognised tax losses	**7**	14
(Under)/over-provisions in prior years	**(6)**	118
Others	**–**	(42)
Tax charge	**(1,646)**	(1,344)

The Group's share of joint venture and associated companies' tax charges of HK$320 million (2013: HK$115 million) and HK$33 million (2013: HK$28 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

12. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$5,535 million (2013: HK$4,318 million) is dealt with in the financial statements of the Company.

13. Dividends

Accounting Policy

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

	Company	
	2014 HK$M	2013 HK$M
First interim dividend paid on 6th October 2014 of HK¢22 per share (2013: HK¢20)	**1,287**	1,170
Second interim dividend declared on 19th March 2015 of HK¢44 per share (2013: HK¢40)	**2,574**	2,340
	3,861	3,510

The second interim dividend is not accounted for in 2014 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 2015.

The Directors have declared a second interim dividend of HK¢44 (2013: HK¢40) per share which, together with the first interim dividend of HK¢22 per share paid in October 2014, amounts to full year dividends of HK¢66 (2013: HK¢60) per share. The second interim dividend, which totals HK$2,574 million (2013: HK$2,340 million), will be paid on Thursday, 7th May 2015 to shareholders registered at the close of business on the record date, being Friday, 10th April 2015. Shares of the Company will be traded ex-dividend from Wednesday, 8th April 2015.

The register of members will be closed on Friday, 10th April 2015, 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 Thursday, 9th April 2015.

To facilitate the processing of proxy voting for the annual general meeting to be held on 19th May 2015, the register of members will be closed from 14th May 2015 to 19th May 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 13th May 2015.

14. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$9,516 million (2013: HK$12,525 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2014 (2013: 5,850,000,000 ordinary shares).

15. Property, Plant and Equipment

Accounting Policy

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

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
Property	2% to 5% per annum
Plant and equipment	20% to 33 ⅓% 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.

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 statement of profit or loss.

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 statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

Critical Accounting Estimates and Judgements

At each period-end date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs to sell or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the statement of profit or loss.

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

	Group				Company
	Leasehold land held for own use HK$M	Land and property HK$M	Plant and equipment HK$M	Total HK$M	Plant and equipment HK$M
Cost:					
At 1st January 2014	2,454	5,241	1,266	8,961	253
Translation differences	–	(93)	(15)	(108)	–
Additions	–	467	153	620	9
Disposals	–	(1)	(23)	(24)	(1)
Transfer to properties under development and for sale	–	(36)	–	(36)	–
Transfer between categories	–	(1)	1	–	–
Net transfers from investment properties	225	28	–	253	–
Other transfers	–	–	(21)	(21)	–
Revaluation surplus	1	4	–	5	–
At 31st December 2014	2,680	5,609	1,361	9,650	261
Accumulated depreciation and impairment:					
At 1st January 2014	91	751	894	1,736	214
Translation differences	–	(20)	(9)	(29)	–
Charge for the year (note 7)	19	113	131	263	25
Disposals	–	–	(22)	(22)	(1)
Net transfers to investment properties	–	(1)	–	(1)	–
At 31st December 2014	110	843	994	1,947	238
Net book value:					
At 31st December 2014	2,570	4,766	367	7,703	23

At 31st December 2014 and 2013, 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 year ended 31st December 2014 was HK$5 million (2013: HK$24 million), has been recognised in other comprehensive income and the property revaluation reserve.

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

	Group				Company
	Leasehold land held for own use HK$M	Land and property HK$M	Plant and equipment HK$M	Total HK$M	Plant and equipment HK$M
Cost:					
At 1st January 2013	2,234	4,997	1,115	8,346	242
Translation differences	–	78	9	87	–
Additions	–	138	223	361	11
Disposals	–	(37)	(80)	(117)	–
Cost written-off	–	–	(1)	(1)	–
Net transfers from investment properties	196	65	–	261	–
Revaluation surplus	24	–	–	24	–
At 31st December 2013	2,454	5,241	1,266	8,961	253
Accumulated depreciation and impairment:					
At 1st January 2013	76	640	793	1,509	187
Translation differences	–	12	6	18	–
Charge for the year (note 7)	18	107	166	291	27
Disposals	–	(8)	(70)	(78)	–
Net transfers to investment properties	(3)	–	–	(3)	–
Depreciation written back	–	–	(1)	(1)	–
At 31st December 2013	91	751	894	1,736	214
Net book value:					
At 31st December 2013	2,363	4,490	372	7,225	39

16. 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.

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings. Land held under operating leases and classified as an investment property is accounted for as if it was a finance lease. Any premium paid for a lease is treated as part of the minimum lease payments and is included in the cost of the asset, but is excluded from the liability.

Investment properties (including those under development) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, relate to individual properties, and separate values are not attributed to land and buildings. These values represent their fair values in accordance with HKFRS 13. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as investment properties under development. Changes in fair values are recognised in the consolidated statement of profit or loss.

Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with that expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

Expenditure incurred in leasing the Group's investment property during development is deferred and amortised on a straight-line basis to the consolidated statement of profit or loss upon occupation of the property over a period not exceeding the term of the lease.

Refer to the table with heading "Audited financial information" on page 37 for the details of the Group's investment properties.

Critical Accounting Estimates and Judgements

DTZ Debenham Tie Leung, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio as at 31st December 2014. 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". The assumptions are principally in respect of open market rents and yields.

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

16. Investment Properties *(continued)*

Fair value hierarchy

The Group's investment properties are measured at fair value. They principally comprise completed commercial and residential properties in Hong Kong and Mainland China and commercial and residential properties under development in Hong Kong. The Group has other investment property projects, principally comprising a mixed-use development at Brickell City Centre in Miami. Because of the unique nature of the Group's investment properties, most of them are valued by reference to a Level 3 fair value measurement. In 2014 and 2013, there were no transfers between different levels within the fair value hierarchy.

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2014 HK$M
Fair value hierarchy							
Level 2	**2,893**	**197**	**3,090**	**10,314**	**–**	**10,314**	**13,404**
Level 3	**166,934**	**24,967**	**191,901**	**10,178**	**3,237**	**13,415**	**205,316**
Total	**169,827**	**25,164**	**194,991**	**20,492**	**3,237**	**23,729**	**218,720**
Add: initial leasing costs							**235**
At 31st December 2014							**218,955**

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2013 HK$M
Fair value hierarchy							
Level 2	2,902	194	3,096	9,524	–	9,524	12,620
Level 3	165,180	24,333	189,513	9,634	1,656	11,290	200,803
Total	168,082	24,527	192,609	19,158	1,656	20,814	213,423
Add: initial leasing costs							285
At 31st December 2013							213,708

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2014 HK$M
Fair value – Level 3							
At 1st January 2014	**165,180**	**24,333**	**189,513**	**9,634**	**1,656**	**11,290**	**200,803**
Translation differences	**–**	**(570)**	**(570)**	**–**	**(25)**	**(25)**	**(595)**
Additions	**272**	**109**	**381**	**885**	**1,595**	**2,480**	**2,861**
Transfer upon completion	**1,270**	**–**	**1,270**	**(1,270)**	**–**	**(1,270)**	**–**
Transfer from deferred expenditure	**–**	**19**	**19**	**–**	**–**	**–**	**19**
Transfer to properties under development and for sale	**–**	**–**	**–**	**–**	**(146)**	**(146)**	**(146)**
Net transfers to property, plant and equipment	**(271)**	**–**	**(271)**	**–**	**–**	**–**	**(271)**
Fair value gains	**483**	**1,076**	**1,559**	**929**	**157**	**1,086**	**2,645**
At 31st December 2014	**166,934**	**24,967**	**191,901**	**10,178**	**3,237**	**13,415**	**205,316**

16. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

	Completed				Under Development			
	Hong Kong HK$M	Mainland China HK$M	Others HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2013 HK$M
Fair value – Level 3								
At 1st January 2013	163,649	23,011	104	186,764	2,698	450	3,148	189,912
Translation differences	–	676	–	676	–	–	–	676
Additions	221	(7)	–	214	2,981	1,123	4,104	4,318
Transfer upon completion	1,057	–	–	1,057	(1,057)	–	(1,057)	–
Transfer to redevelopment	(5,390)	–	(104)	(5,494)	5,390	104	5,494	–
Net transfers to property, plant and equipment	(32)	–	–	(32)	–	–	–	(32)
Fair value gains/(losses)	5,675	653	–	6,328	(378)	(21)	(399)	5,929
At 31st December 2013	165,180	24,333	–	189,513	9,634	1,656	11,290	200,803

Valuation processes and techniques underlying management's estimate of fair value

The Group's investment properties were valued at their fair values at 31st December 2014. 95% by value were valued by DTZ Debenham Tie Leung, an independent professionally qualified valuer which holds a recognised relevant professional qualification and has recent experience in the locations and types of investment properties valued. The remaining properties were valued by management and another independent professionally qualified valuer in the U.S.A. The current use of the investment properties equates to the highest and best use.

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

The valuation of the Group's investment properties under development is derived by making reference to market capitalisation rates and recent comparable sales transactions in the relevant property market (on the assumption that the property had already been completed at the valuation date). It also takes into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk. 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 makes an estimate of the future land cost and deducts this from the valuation.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rates increase, the fair values decrease. If fair market rents increase, the fair values increase. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair values decrease. The opposite is true for decreases in these inputs.

There are inter-relationships between observable and unobservable inputs. Expected vacancy rates may have an impact on yields, with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the properties' features may result in an increase in future rental values. An increase in the future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuer at least once every half year, in line with the Group's half year reporting dates.

16. Investment Properties *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value HK$M	Valuation technique	Fair market rent per month [1] HK$ per sq. ft. (lettable)	Capitalisation rate
At 31st December 2014				
Completed				
Hong Kong	**162,538**	**Income capitalisation**	**Mid 10's – Mid 500's**	**2.50% – 4.88%**
Hong Kong	**4,396**	**Residual [2]**	**Mid 50's**	**2.00% – 4.25%**
Mainland China	**24,967**	**Income capitalisation**	**Less than 10 – Low 200's**	**7.00% – 7.50%**
Sub-total	**191,901**			
Under development				
Hong Kong	**10,178**	**Residual [2]**	**Low 30's – High 50's**	**3.88% – 4.25%**
U.S.A.	**2,417**	**Residual [2]**	**High 20's – High 50's**	**5.00% – 7.50%**
Others	**820**	**Sales comparison**	**–**	**–**
Sub-total	**13,415**			
Total (Level 3)	**205,316**			
At 31st December 2013				
Completed				
Hong Kong	165,180	Income capitalisation	Low 10's – High 500's	2.50% – 5.25%
Mainland China	24,333	Income capitalisation	Less than 10 – High 100's	7.00% – 7.50%
Sub-total	189,513			
Under development				
Hong Kong	9,634	Residual [2]	High 30's – High 50's	2.00% – 4.25%
U.S.A. and Others	1,656	Sales comparison	–	–
Sub-total	11,290			
Total (Level 3)	200,803			

1 Fair market rent is determined in accordance with the definition of that term in the Valuation Standards of The Hong Kong Institute of Surveyors, which is "the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion". It is in effect the rental income (exclusive of usual outgoings) which a property would be expected to earn if it were vacant and available to let. It is not necessarily the same as the rent which a tenant is actually committed to pay.

2 In using the residual method to make fair value measurements of investment properties under development or for future development, two additional unobservable inputs have been used. These are the estimated costs to complete the development and the developer's estimated profit and margin for risk. The fair values of the Group's investment properties are not significantly affected by these unobservable inputs.

17. Intangible Assets

Accounting Policy

Computer software

Computer software licences acquired 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 (three to five years).

	Group			Company
	Computer Software HK$M	**Others HK$M**	**Total HK$M**	**Computer Software HK$M**
Cost:				
At 1st January 2014	**67**	**58**	**125**	**66**
Additions	**15**	**–**	**15**	**15**
At 31st December 2014	**82**	**58**	**140**	**81**
Accumulated amortisation and impairment:				
At 1st January 2014	**50**	**–**	**50**	**50**
Amortisation for the year (note 7)	**8**	**–**	**8**	**8**
At 31st December 2014	**58**	**–**	**58**	**58**
Net book value:				
At 31st December 2014	**24**	**58**	**82**	**23**

	Group			Company
	Computer Software HK$M	Others HK$M	Total HK$M	Computer Software HK$M
Cost:				
At 1st January 2013	52	–	52	52
Additions	15	58	73	14
At 31st December 2013	67	58	125	66
Accumulated amortisation and impairment:				
At 1st January 2013	44	–	44	44
Amortisation for the year (note 7)	6	–	6	6
At 31st December 2013	50	–	50	50
Net book value:				
At 31st December 2013	17	58	75	16

Amortisation of HK$8 million (2013: HK$6 million) is included in administrative expenses in the consolidated statement of profit or loss.

18. Properties Held for Development

Accounting Policy

Properties held for development comprise freehold land, 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.

Refer to the table with heading "Audited financial information" on page 39 for details of the Group's properties held for development.

19. Subsidiary Companies

Accounting Policy

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's standalone financial statements, investments in subsidiary companies are stated at cost less provision for any impairment losses. Income from subsidiary companies is accounted for on the basis of dividends received and receivables. Long-term loans to subsidiary companies are considered to be quasi-equity in nature where there is no defined repayment terms and no expectation of repayment.

	Company	
	2014 HK\$M	2013 HK\$M
Unlisted shares at cost less provisions	**422**	454
Loans and other amounts due from subsidiary companies		
– Interest-free	**51,136**	48,481
	51,558	48,935

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 155 to 157.

20. Joint Venture Companies

Accounting Policy

Joint venture companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and has rights to the net assets of those companies.

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Unlisted shares at cost			**–**	–
Share of net assets, unlisted	**5,305**	4,876		
Loans due from joint venture companies less provisions				
– Interest-free	**12,060**	10,955	**2,535**	1,254
– Interest bearing at 1.71% to 7.5% (2013: 1.71% to 7.5%)	**842**	548	**–**	–
	18,207	16,379	**2,535**	1,254

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

The Group's share of assets and liabilities and results of joint venture companies is summarised below:

	Group	
	2014 HK$M	2013 HK$M
Non-current assets	**25,897**	19,823
Current assets	**3,574**	2,931
Current liabilities	**(5,503)**	(4,215)
Non-current liabilities	**(18,663)**	(13,663)
Net assets	**5,305**	4,876
Revenue	**1,950**	836
Change in fair value of investment properties	**1,192**	810
Expenses	**(1,378)**	(722)
Profit before taxation	**1,764**	924
Taxation	**(320)**	(115)
Profit for the year	**1,444**	809
Other comprehensive income for the year	**(84)**	206
Total comprehensive income for the year	**1,360**	1,015

Capital commitments and contingencies in respect of joint venture companies are disclosed in Notes 38 and 39.

The principal joint venture companies of Swire Properties Limited are shown on pages 155 to 157. There are no joint venture companies that are considered individually material to the Group.

21. Associated Companies

Accounting Policy

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

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Unlisted shares at cost			**3**	3
Share of net assets, unlisted	**504**	469		
Loans due from associated companies – Interest-free	**31**	52	**53**	52
	535	521	**56**	55

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	
	2014 HK$M	2013 HK$M
Non-current assets	**594**	600
Current assets	**327**	357
Current liabilities	**(109)**	(123)
Non-current liabilities	**(308)**	(365)
Net assets	**504**	469
Revenue	**609**	592
Profit for the year	**160**	139
Other comprehensive income	**–**	–
Total comprehensive income for the year	**160**	139

The principal associated companies of Swire Properties Limited are shown on pages 155 to 157. There are no associated companies that are considered individually material to the Group.

22. Financial Instruments by Category

Accounting Policy

Classification

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, derivatives used for hedging, available-for-sale, loans and receivables and amortised cost. The classification depends on the purpose of the financial instrument. The Group determines the classification of its financial instruments at initial recognition.

(a) At fair value through profit or loss

A financial instrument is classified within this category if the intention is to settle it in the short-term or if it is designated as at fair value through profit or loss by management. Derivatives are included within this category unless they are designated as hedges. Put options over non-controlling interests in subsidiary companies included in trade and other payables are measured at fair value through profit or loss. 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) Derivatives used for hedging

Derivative instruments are classified within this category if they qualify for hedge accounting.

(c) Available-for-sale

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 assets are included in non-current assets unless management intends to dispose of the asset within 12 months of the period-end date.

(d) 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.

(e) Amortised cost

The amortised cost category comprises instruments that are non-derivative financial liabilities with fixed or determinable payments and fixed maturities. They are included in non-current liabilities, except for maturities less than 12 months after the period-end date where these are classified as current liabilities.

Recognition and measurement

Purchases and sales of financial instruments are recognised on their trade-date, being the date on which the Group contracts with the purchaser or seller. Financial instruments are initially recognised at fair value. Transaction costs are included for all financial instruments not carried at fair value through profit or loss. Financial instruments are derecognised when the rights to receive or obligations to pay cash have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial instruments classified as at fair value through profit and loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the statement of profit or loss in the period in which they arise. Derivatives used for hedging are subsequently carried at fair value. Accounting for the realised and unrealised gains and losses arising from changes in the fair value of derivatives are set out in Note 32.

Financial assets classified as available-for-sale are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains and losses from investments.

Financial instruments classified as loans and receivables and amortised cost are subsequently measured using the effective interest method.

The Group assess at each period-end date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably measured.

22. Financial Instruments by Category *(continued)*

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 2014							
Available-for-sale assets (note 23)	**–**	**–**	**98**	**–**	**–**	**98**	**98**
Amount due from immediate holding company	**–**	**–**	**–**	**8**	**–**	**8**	**8**
Trade and other receivables (note 26)	**–**	**–**	**–**	**2,582**	**–**	**2,582**	**2,582**
Bank balances and short-term deposits (note 28)	**–**	**–**	**–**	**2,874**	**–**	**2,874**	**2,874**
Derivative financial assets (note 32)	**–**	**33**	**–**	**–**	**–**	**33**	**33**
Total	**–**	**33**	**98**	**5,464**	**–**	**5,595**	**5,595**
At 31st December 2013							
Available-for-sale assets (note 23)	–	–	75	–	–	75	75
Amount due from immediate holding company	–	–	–	53	–	53	53
Trade and other receivables (note 26)	–	–	–	2,403	–	2,403	2,403
Bank balances and short-term deposits (note 28)	–	–	–	2,521	–	2,521	2,521
Derivative financial assets (note 32)	–	4	–	–	–	4	4
Total	–	4	75	4,977	–	5,056	5,056
Liabilities as per consolidated statement of financial position							
At 31st December 2014							
Trade and other payables (note 29)	**470**	**–**	**–**	**–**	**7,651**	**8,121**	**8,121**
Bank overdrafts and short-term loans (note 30)	**–**	**–**	**–**	**–**	**551**	**551**	**551**
Long-term loans and bonds (note 30)	**–**	**–**	**–**	**–**	**22,439**	**22,439**	**22,714**
Loans due to a fellow subsidiary company (note 31)	**–**	**–**	**–**	**–**	**13,955**	**13,955**	**14,972**
Derivative financial liabilities (note 32)	**–**	**4**	**–**	**–**	**–**	**4**	**4**
Total	**470**	**4**	**–**	**–**	**44,596**	**45,070**	**46,362**
At 31st December 2013							
Trade and other payables (note 29)	1,623	–	–	–	6,726	8,349	8,349
Bank overdrafts and short-term loans (note 30)	–	–	–	–	828	828	828
Long-term loans and bonds (note 30)	–	–	–	–	20,359	20,359	20,163
Loans due to a fellow subsidiary company (note 31)	–	–	–	–	13,348	13,348	14,736
Derivative financial liabilities (note 32)	–	83	–	–	–	83	83
Total	1,623	83	–	–	41,261	42,967	44,159

22. 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 2014				
Trade and other receivables (note 26)	**268**	**–**	**268**	**268**
Short-term deposits and bank balances (note 28)	**100**	**–**	**100**	**100**
Total	**368**	**–**	**368**	**368**
At 31st December 2013				
Trade and other receivables (note 26)	157	–	157	157
Short-term deposits and bank balances (note 28)	208	–	208	208
Total	365	–	365	365
Liabilities as per statement of financial position				
At 31st December 2014				
Trade and other payables (note 29)	**–**	**5,604**	**5,604**	**5,604**
Total	**–**	**5,604**	**5,604**	**5,604**
At 31st December 2013				
Trade and other payables (note 29)	–	3,614	3,614	3,614
Total	–	3,614	3,614	3,614

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

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

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

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings are not equal to their carrying value and based on cash flows discounted using assumptions sourced from the relevant financial institutions or quotes from market markers or alternative market participants supported by observable inputs, such as interest rates. Non-current borrowings would be categorised within Level 2 of the fair value hierarchy if they were accounted for at fair value.

22. 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$M	Level 3 HK$M	Total HK$M
Assets as per consolidated statement of financial position			
At 31st December 2014			
Derivative used for hedging (note 32)	**33**	**–**	**33**
Available-for-sale assets – unlisted investments (note 23)	**–**	**98**	**98**
Total	**33**	**98**	**131**
At 31st December 2013			
Derivative used for hedging (note 32)	4	–	4
Available-for-sale assets – unlisted investments (note 23)	–	75	75
Total	4	75	79
Liabilities as per consolidated statement of financial position			
At 31st December 2014			
Derivative used for hedging (note 32)	**4**	**–**	**4**
Put option in favour of a non-controlling interest (note 29)	**–**	**470**	**470**
Total	**4**	**470**	**474**
At 31st December 2013			
Derivative used for hedging (note 32)	83	–	83
Put options in favour of non-controlling interests (note 29)	–	1,623	1,623
Total	83	1,623	1,706

Notes:
Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

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

There were no transfers of financial instruments between Level 2 and Level 3 fair value hierarchy classifications and there were no transfers into or out of Level 3 fair value hierarchy classifications except for the settlement of put option over non-controlling interest in Taikoo Li Sanlitun in February 2014. Since the adoption of HKFRS13 in January 2013, the fair value of all available for sale assets and put options over non-controlling interests in properties are categorised within Level 3 fair value hierarchy classification. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

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

The Group's finance department performs the valuations of financial instruments required for reporting purposes, including Level 3 fair values. The valuations are reviewed and approved by the Finance Director.

The following table presents the changes in Level 3 financial instruments for the year ended 31st December 2014:

	Group HK$M
(a) Put options over non-controlling interests in subsidiary companies	
At 1st January 2014	**1,623**
Derecognition of a put option in favour of a non-controlling interest upon settlement	**(1,256)**
Addition during the year	**75**
Change in fair value recognised as net finance charges	**28**
At 31st December 2014	**470**
Total losses for the year included in profit or loss in respect of financial liabilities held at 31st December 2014	**28**

22. Financial Instruments by Category *(continued)*

	Group HK$M
(b) Available-for-sale assets	
At 1st January 2014	**75**
Addition during the year	**23**
At 31st December 2014	**98**

The fair values of the put options over non-controlling interests in subsidiary companies classified as Level 3 are determined using discounted cash flow valuations. The significant unobservable inputs used are expected future growth rates and discount rates. The Group's put options in favour of non-controlling interests are classified as Level 3 fair value measurements. This is because it contains a number of unobservable inputs.

The put option over non-controlling interest in Taikoo Li Sanlitun, was exercised by the holder of the instrument in August 2013, and the Group paid HK$1,256 million in February 2014 for settlement of the put option.

The fair value estimate of the put option over non-controlling interest in the retail portion of Brickell City Centre contains a number of unobservable inputs, including the expected fair value of the investment property at the expected exercise date, the expected exercise date itself, and the discount rate used. The expected exercise date is late 2022, and the discount rate used is 6.3%.

The investment property's fair value at the expected exercise date is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's other already complete investment properties, including expected fair market rent and the capitalisation rate. If the investment property's expected fair value at the exercise date is higher, the fair value of the put option would also be higher at 31st December 2014. If the expected exercise date is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise date or a lower discount rate.

23. Available-for-sale Assets

Accounting Policy

For available-for-sale assets, 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 assets, 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 statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

	Group	
	2014 HK$M	2013 HK$M
Unlisted investments	**98**	75

24. Properties under Development and for Sale

Accounting Policy

Properties under development and for sale comprise freehold and leasehold land, construction costs and interest costs capitalised, less provisions for possible losses. Properties under development are active construction projects which are expected to be sold within the Group's normal operating cycle and are classified as current assets. Properties for sale are available for immediate sale and are classified as current assets.

Refer to the table with heading "Audited financial information" on page 39 for details of the Group's properties under development and for sale.

25. Stocks and Work in Progress

Accounting Policy

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.

	Group	
	2014 HK$M	2013 HK$M
Trading goods	**10**	10
Store and spare parts	**55**	55
Work in progress	**12**	11
	77	76

26. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for 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 a debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, 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.

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Trade debtors	**275**	612	**–**	–
Prepayments and accrued income	**253**	137	**7**	4
Other receivables	**2,293**	1,773	**268**	157
	2,821	2,522	**275**	161

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

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Under three months	**271**	604	**–**	–
Between three and six months	**2**	5	**–**	–
Over six months	**2**	3	**–**	–
	275	612	**–**	–

26. Trade and Other Receivables *(continued)*

Other receivables include receivables for rent free periods of HK$975 million (2013: HK$994 million), which are amortised over lease terms. Their carrying values approximate their fair values as the impact of discounting is not significant.

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

The Group does not grant any credit term to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. At 31st December 2014, trade debtors of HK$275 million (2013: HK$612 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 other receivables do not contain impaired assets.

The maximum exposure to credit risk at 31st December 2014 and 31st December 2013 is the carrying value of trade debtors and other receivables disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2013 was HK$2,295 million (2013: HK$2,116 million).

27. 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.

28. Cash and Cash Equivalents

Accounting Policy

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, cash and cash equivalents exclude bank overdrafts which are shown within borrowings in current liabilities.

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Short-term deposits maturing within three months	**843**	847	**90**	190
Bank balances	**2,031**	1,674	**10**	18
	2,874	2,521	**100**	208

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 2.86% (2013: 0.01% to 1.05%); these deposits have a maturity from 2 to 93 days (2013: 7 to 92 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2014 and 31st December 2013 is the carrying value of the bank balances and short-term deposits disclosed above.

29. Trade and Other Payables

Accounting Policy

Trade and other payables (except put options in favour of non-controlling interests in subsidiary companies) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Put options in favour of non-controlling interests are measured at the fair value of the expected redemption amounts, and are designated at fair value through profit or loss.

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Trade creditors	**1,337**	1,003	**–**	–
Amounts due to intermediate holding company	**110**	117	**110**	117
Amounts due to a fellow subsidiary company	**77**	78	**–**	–
Amounts due to subsidiary companies	**–**	–	**5,325**	3,358
Amounts due to a joint venture company	**–**	3	**–**	–
Amounts due to an associated company	**106**	106	**106**	106
Interest-bearing advances from fellow subsidiary companies at 4.23% to 4.62% (2013: 3.38% to 5.16%)	**400**	281	**–**	–
Interest-bearing advances from joint venture and related companies at 3.38% (2013: 1.54% to 3.38%)	**250**	484	**–**	–
Advances from non-controlling interests	**–**	319	**–**	–
Rental deposits from tenants	**2,295**	2,116	**–**	–
Put option in favour of a non-controlling interest – current	**–**	1,256	**–**	–
Put option in favour of a non-controlling interest – non-current	**470**	367	**–**	–
Accrued capital expenditure	**497**	699	**–**	–
Other payables	**2,602**	1,545	**63**	33
	8,144	8,374	**5,604**	3,614
Amount due after one year included under non-current liabilities	**(470)**	(367)	**–**	–
	7,674	8,007	**5,604**	3,614

Apart from certain amounts due to fellow subsidiary companies, and joint venture and related companies, 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	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Under three months	**1,337**	1,000	**–**	–
Between three and six months	**–**	–	**–**	–
Between six and twelve months	**–**	1	**–**	–
Over twelve months	**–**	2	**–**	–
	1,337	1,003	**–**	–

30. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. 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 at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 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.

	Group	
	2014 HK$M	2013 HK$M
Bank overdrafts and short-term loans – unsecured	**551**	828
Long-term bank loans – unsecured:		
Repayable within one year	**1,851**	6,761
Repayable between one and two years	**2,038**	1,795
Repayable between two and five years	**7,170**	3,302
Repayable after five years	**2,274**	–
	13,333	11,858
Other borrowings – unsecured:		
Repayable within one year	**–**	–
Repayable between one and two years	**–**	–
Repayable between two and five years	**796**	498
Repayable after five years	**8,310**	8,003
	9,106	8,501
Amount due within one year included under current liabilities	**(1,851)**	(6,761)
	20,588	13,598

(a) The effective interest rates per annum (before cross-currency swaps) at 31st December were as follows:

	2014				2013		
	HKD %	**RMB %**	**US$ %**	**Others %**	HKD %	RMB %	US$ %
Bank overdrafts/short-term loans	**–**	**5.04**	**–**	**1.21**	–	5.04-5.15	–
Long-term loans and bonds	**1.02-3.55**	**5.54-6.77**	**1.44-4.38**	**–**	1.04-2.80	5.54-6.77	1.41-4.38

Bank loans and other borrowings are repayable on various dates up to 2024 (2013: up to 2022).

30. Borrowings *(continued)*

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

	2014 HK$M	2013 HK$M
Hong Kong dollar	**5,835**	4,130
Renminbi	**4,700**	6,958
United States dollar	**11,904**	9,271
	22,439	20,359

31. 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 5.0% per annum at 31st December 2014 (2013: 5.1% per annum).

	Group	
	2014 HK$M	2013 HK$M
Repayable within one year	**1,799**	–
Repayable between one and two years	**4,655**	1,195
Repayable between two and five years	**7,501**	12,153
	13,955	13,348
Loans due within one year included under current liabilities	**(1,799)**	–
	12,156	13,348

32. Derivative Financial Instruments

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

All of the Group's derivatives relate to cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled in the statement of profit or loss in the periods when the hedged item will affect profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss within finance costs. The gain or loss relating to the ineffective portion of interest rate swaps is recognised in the statement of profit or loss within other net gains.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss.

32. Derivative Financial Instruments *(continued)*

	Group			
	2014		2013	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges – due after one year	**33**	**4**	4	83

The cross-currency swaps hedge the foreign currency risk relating to US dollar note issues. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2014 are expected to affect the statement of profit or loss in the years to redemption of the notes (up to and including 2022). For the year ended 31st December 2014 and 31st December 2013, all cash flow hedges were 100% effective.

The notional principal amounts of the outstanding derivative financial instruments are as follows:

	Group	
	2014 HK$M	2013 HK$M
Cross currency swaps	**7,756**	7,754

33. Deferred Taxation

Accounting Policy

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable 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, joint venture and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The movement on the net deferred tax liabilities/(assets) account is as follows:

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
At 1st January	**5,532**	4,891	**1**	(13)
Translation differences	**(70)**	80	**–**	–
Charged/(credited) to other comprehensive income	**2**	32	**(13)**	15
Charged/(credited) to statement of profit or loss (note 11)	**578**	529	**(1)**	(1)
At 31st December	**6,042**	5,532	**(13)**	1

33. Deferred Taxation *(continued)*

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. As at 31st December 2014, the Group has recognised HK$70 million (2013: HK$59 million) of deferred tax assets in respect of subsidiaries that were loss making in either 2014 or 2013. These are recognised as these entities are expected to generate sufficient taxable profits in the future. The Group has unrecognised tax losses of HK$2,592 million (2013: HK$2,653 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group	
	Unrecognised tax losses	
	2014 HK$M	2013 HK$M
No expiry date	**1,339**	1,197
Expiring in 2014	**–**	253
Expiring in 2015	**292**	299
Expiring in 2016	**314**	322
Expiring in 2017	**309**	316
Expiring in 2018	**244**	266
Expiring in 2019	**94**	–
	2,592	2,653

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	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M
At 1st January	**2,713**	2,474	**2,591**	2,297	**452**	350	**5,756**	5,121
Translation differences	**–**	–	**(61)**	72	**(9)**	8	**(70)**	80
Charged to other comprehensive income	**–**	–	**–**	14	**5**	17	**5**	31
Charged to statement of profit or loss	**210**	239	**265**	208	**44**	77	**519**	524
At 31st December	**2,923**	2,713	**2,795**	2,591	**492**	452	**6,210**	5,756

33. Deferred Taxation *(continued)*

Deferred tax liabilities (continued)

	Company	
	Accelerated tax depreciation	
	2014 HK$M	2013 HK$M
At 1st January	**2**	2
Credited to statement of profit or loss	**(2)**	–
At 31st December	**–**	2

Deferred tax assets

	Group					
	Tax losses		Others		Total	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M
At 1st January	**143**	182	**81**	48	**224**	230
Credited/(charged) to other comprehensive income	**–**	–	**3**	(1)	**3**	(1)
(Charged)/credited to statement of profit or loss	**(63)**	(39)	**4**	34	**(59)**	(5)
At 31st December	**80**	143	**88**	81	**168**	224

	Company	
	Others	
	2014 HK$M	2013 HK$M
At 1st January	**1**	15
Credited/(charged) to other comprehensive income	**13**	(15)
(Charged)/credited to statement of profit or loss	**(1)**	1
At 31st December	**13**	1

For the investment properties located in Mainland China, these properties are held by subsidiaries with a business model to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale, the presumption is rebutted and related deferred tax continues to be determined based on recovery through use. For the remaining investment properties in Hong Kong, the tax consequence is on the presumption that these properties are recovered entirely through sale.

33. 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	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Deferred tax assets:				
– to be recovered after more than 12 months	**(63)**	(72)	**(13)**	–
– to be recovered within 12 months	**–**	–	**–**	–
	(63)	(72)	**(13)**	–
Deferred tax liabilities:				
– to be settled after more than 12 months	**6,105**	5,604	**–**	1
– to be settled within 12 months	**–**	–	**–**	–
	6,105	5,604	**–**	1
	6,042	5,532	**(13)**	1

34. Retirement Benefits

Critical Accounting Estimates and Judgements

The present value of defined benefit assets and liabilities depend on a number of factors that are determined using a number of actuarial assumptions. The assumptions used in determining the net cost (income) for retirement benefits assets and liabilities include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit assets and liabilities. The details of the discount rate and other assumptions used, including applicable sensitivities, are included in this note.

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are generally held in separate trustee-administered funds and are maintained by trustees independently of the Group's finances.

A defined benefit scheme is a retirement plan that defines the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group's schemes are final salary guaranteed lump sum defined benefit plans. The Group has an obligation to provide participating employees with these benefits.

A defined contribution scheme is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

34. Retirement Benefits *(continued)*

Accounting Policy

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees.

The asset or liability recognised on the statement of financial position is the present value of the cost of providing these benefits (the defined benefit obligation) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries and is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. The plan assets are valued on a bid price basis.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions on obligation are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the statement of profit or loss. Any difference between the implicit and actual return on plan assets are charged as remeasurements to other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to the statement of profit or loss in the period to which the contributions relate.

Most new employees are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and 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.

Contributions by the Group to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued annually by qualified actuaries for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2014, the funding level was 106% (2013: 104%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$62 million to its defined benefit schemes in 2015.

Total retirement benefit costs recognised in the consolidated statement of profit or loss for the year ended 31st December 2014 amounted to HK$59 million (2013: HK$66 million), including HK$3 million (2013: HK$3 million) in respect of defined contribution schemes.

The defined benefit scheme is valued using the projected unit credit method in accordance with HKAS 19. For the year ended 31st December 2014 and 2013, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012, which were updated for the position at 31st December 2014 and 2013 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes.

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

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Present value of funded obligations	**789**	647	**667**	542
Fair value of plan assets	**(698)**	(647)	**(583)**	(537)
Net retirement benefit liabilities	**91**	–	**84**	5
Represented by:				
Retirement benefit liabilities	**91**	–	**84**	5

34. Retirement Benefits *(continued)*

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

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
At 1st January	**647**	696	**542**	586
Current service cost	**58**	60	**48**	50
Interest cost	**27**	23	**23**	19
Remeasurements from changes in:				
– financial assumptions	**87**	(78)	**75**	(67)
Experience losses	**6**	8	**6**	6
Transfer	**1**	(1)	**1**	–
Benefits paid	**(37)**	(61)	**(28)**	(52)
At 31st December	**789**	647	**667**	542

The weighted average duration of the defined benefit obligation is 11.60 years (2013: 11.58 years).

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

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
At 1st January	**647**	597	**537**	495
Interest income	**29**	20	**25**	17
Remeasurements of plan assets	**(1)**	35	**(1)**	29
Contributions by employers	**59**	57	**49**	48
Transfer	**1**	(1)	**1**	–
Benefits paid	**(37)**	(61)	**(28)**	(52)
At 31st December	**698**	647	**583**	537

There were no plan amendments, curtailments and settlements during the year.

(d) Net expenses recognised in the consolidated statement of profit or loss are as follows:

	Group	
	2014 HK$M	2013 HK$M
Current service cost	**58**	60
Net interest cost	**(2)**	3
	56	63

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

The actual return on defined benefit plan assets was a gain of HK$28 million (2013: HK$55 million).

34. Retirement Benefits *(continued)*

(e) The plan assets are invested in the Swire Group Unitised Trust ("the Trust"). The Trust has three sub-funds in which the assets are invested in accordance with separate and distinct investment policies and objectives. The Trust and sub-funds are overseen by an investment committee, which meets four times a year.

The make-up of the Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities and bonds.

The management of the assets within the sub-funds is delegated by the investment committee to a number of reputable investment managers. The plan assets comprise:

	Group	
	Defined benefit plans	
	2014 HK$M	2013 HK$M
Equities		
Asia Pacific	**149**	120
Europe	**63**	64
North America	**129**	120
Emerging markets	**109**	126
Bonds		
Global	**172**	157
Emerging markets	**51**	49
Cash	**25**	11
	698	647

Note:
At 31st December 2014, the prices of 95% of equities and 90% of bonds were quoted on active markets (31st December 2013: 100% and 80% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the investment managers appointed. Investment managers are governed by agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark and the predicted tracking error around this benchmark.
The investment committee monitors the overall market risk position on a quarterly basis.

34. Retirement Benefits *(continued)*

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

	Group	
	2014	2013
Discount rate	**3.27%**	4.27%
Expected rate of future salary increases	**4.00%**	4.00%

The sensitivity of the defined benefit obligation to changes in actuarial assumptions is:

	Group		
	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
Discount rate	0.5%	(45)	48
Expected rate of future salary increases	0.5%	44	(42)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the statement of financial position.

35. Share Capital

	Company	
	Ordinary shares of HK$1 each[b]	HK$M
Authorised: [a]		
At 31st December 2013	30,000,000,000	30,000
At 31st December 2014	–	–
Issued and fully paid:		
At 1st January 2013 and 31st December 2013	5,850,000,000	5,850
At 1st January 2014	**5,850,000,000**	**5,850**
Transition to no-par value regime on 3rd March 2014 (note 36) [c]	–	**4,599**
At 31st December 2014	**5,850,000,000**	**10,449**

Notes:

On 3rd March 2014, the Hong Kong Companies Ordinance (Cap. 662) (the “New CO”) came into effect. This had the following results.

(a) The Company’s authorised share capital ceased to exist (by virtue of section 98(4) of the New CO).

(b) The Company’s shares ceased to have nominal or par value (by virtue of section 135 of the New CO).

(c) The amount standing to the credit of the Company’s share premium account became part of the Company’s share capital (by virtue of paragraph 37 of Schedule 11 to the New CO).

The entitlements of the Company’s shareholders are unaffected by the Company’s shares ceasing to have nominal or par value as referred to in (b) above.

There was no purchase, sale or redemption by the Company of its shares during the years ended 31st December 2014 and 31st December 2013.

36. Reserves

	Revenue reserve HK$M	Share premium HK$M	Merger 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 2013	179,247	4,599	(1,108)	1,662	(69)	2,253	186,584
Profit for the year	12,525	–	–	–	–	–	12,525
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	–	–	–	24	–	–	24
– deferred tax	–	–	–	(14)	–	–	(14)
Defined benefit plans							
– remeasurement gains recognised during the year	105	–	–	–	–	–	105
– deferred tax	(17)	–	–	–	–	–	(17)
Cash flow hedges							
– gains recognised during the year	–	–	–	–	6	–	6
– transferred to net finance charges	–	–	–	–	2	–	2
– deferred tax	–	–	–	–	(1)	–	(1)
Share of other comprehensive income of joint venture and associated companies	–	–	–	–	(2)	208	206
Net translation differences on foreign operations	–	–	–	–	–	473	473
Total comprehensive income for the year	12,613	–	–	10	5	681	13,309
2012 second interim dividend	(2,223)	–	–	–	–	–	(2,223)
2013 first interim dividend (note 13)	(1,170)	–	–	–	–	–	(1,170)
At 31st December 2013	188,467	4,599	(1,108)	1,672	(64)	2,934	196,500

36. Reserves *(continued)*

	Revenue reserve HK$M	Share premium HK$M	Merger 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 2014	188,467	4,599	(1,108)	1,672	(64)	2,934	196,500
Profit for the year	9,516	–	–	–	–	–	9,516
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	–	–	–	5	–	–	5
– deferred tax	–	–	–	(1)	–	–	(1)
Defined benefit plans							
– remeasurement losses recognised during the year	(94)	–	–	–	–	–	(94)
– deferred tax	16	–	–	–	–	–	16
Cash flow hedges							
– gains recognised during the year	–	–	–	–	105	–	105
– transferred to net finance charges	–	–	–	–	1	–	1
– deferred tax	–	–	–	–	(17)	–	(17)
Share of other comprehensive income of joint venture and associated companies	–	–	–	–	(1)	(83)	(84)
Net translation differences on foreign operations	–	–	–	–	–	(479)	(479)
Total comprehensive income for the year	9,438	–	–	4	88	(562)	8,968
Transfer to share capital (note 35)	–	(4,599)	–	–	–	–	(4,599)
2013 second interim dividend (note 13)	(2,340)	–	–	–	–	–	(2,340)
2014 first interim dividend (note 13)	(1,287)	–	–	–	–	–	(1,287)
At 31st December 2014	194,278	–	(1,108)	1,676	24	2,372	197,242

36. Reserves *(continued)*

	Revenue reserve HK$M	Share premium HK$M	Total HK$M
Company			
At 1st January 2013	35,598	4,599	40,197
Profit for the year (note 12)	4,318	–	4,318
Other comprehensive income			
Defined benefit plans			
– remeasurement gains recognised during the year	90	–	90
– deferred tax	(15)	–	(15)
Total comprehensive income for the year	4,393	–	4,393
2012 second interim dividend	(2,223)	–	(2,223)
2013 first interim dividend (note 13)	(1,170)	–	(1,170)
At 31st December 2013	36,598	4,599	41,197
Company			
At 1st January 2014	**36,598**	**4,599**	**41,197**
Profit for the year (note 12)	**5,535**	**–**	**5,535**
Other comprehensive income			
Defined benefit plans			
– remeasurement losses recognised during the year	**(81)**	**–**	**(81)**
– deferred tax	**13**	**–**	**13**
Total comprehensive income for the year	**5,467**	**–**	**5,467**
Transfer to share capital (note 35)	**–**	**(4,599)**	**(4,599)**
2013 second interim dividend (note 13)	**(2,340)**	**–**	**(2,340)**
2014 first interim dividend (note 13)	**(1,287)**	**–**	**(1,287)**
At 31st December 2014	**38,438**	**–**	**38,438**

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$2,228 million (2013: HK$1,445 million) and retained revenue reserves from associated companies amounting to HK$411 million (2013: HK$375 million).

(b) Distributable reserves of the Company at 31st December 2014 amounted to HK$38,438 million (2013: HK$36,598 million).

(c) The Group and Company revenue reserves have not yet deducted the second interim dividend for the year of HK$2,574 million declared after the year end date (2013: HK$2,340 million) (note 13).

(d) The Group adopted merging accounting in accordance with Accounting Guidance 5, Merging Accounting for Common Control Combination (issued by the HKICPA) to account for the acquisition of all the shares of Swire Properties US Inc and Swire Properties One LLC in January 2010. These companies are wholly-owned subsidiary companies of the immediate holding company of the Company.

37. Non-controlling Interests

	Group 2014 HK$M	Group 2013 HK$M
At 1st January	**800**	642
Share of profits less losses for the year	**207**	130
Share of translation differences on foreign operations	**(7)**	21
Share of total comprehensive income	**200**	151
Dividends paid and payable	**(144)**	(8)
Capital contribution from a non-controlling interest	**–**	15
At 31st December	**856**	800

38. Capital Commitments

	Group 2014 HK$M	Group 2013 HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**315**	222
Authorised by Directors but not contracted for	**166**	338
(b) Investment properties		
Contracted for	**2,417**	2,069
Authorised by Directors but not contracted for	**15,773**	17,712
	18,671	20,341
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**2,134**	3,089
Authorised by Directors but not contracted for	**3,335**	6,024
	5,469	9,113

* of which the Group is committed to funding HK$2,634 million (2013: HK$4,212 million).

The Company had no commitments in respect of the above items at 31st December 2014 (2013: same).

At 31st December 2014, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$229 million (2013: HK$214 million).

39. Provisions and Contingencies

Accounting Policy

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.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Financial guarantees are initially recognised in the financial statements 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 statement of profit and loss 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 statement of profit or loss.

	Group		Company	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Guarantees provided in respect of bank loans and other liabilities of				
– subsidiary companies	**–**	–	**37,088**	34,698
– joint venture companies	**1,477**	496	**1,477**	496
Bank guarantees given in lieu of utility deposits and others	**146**	144	**146**	144
	1,623	640	**38,711**	35,338

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.

40. Operating Lease Arrangements

Accounting Policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts 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 statement of profit or loss on a straight-line basis over the period of the lease.

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 investment properties under operating leases. The leases for investment properties typically run for periods of three to six years. The turnover-related rental income received during the year amounted to HK$406 million (2013: HK$456 million).

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

	Group	
	2014 HK$M	2013 HK$M
Investment properties:		
Not later than one year	**8,064**	7,491
Later than one year but not later than five years	**15,718**	15,817
Later than five years	**2,393**	2,582
	26,175	25,890

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

	Group	
	2014 HK$M	2013 HK$M
Investment properties at fair value	**194,991**	192,609

(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	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
Land and buildings:				
Not later than one year	**62**	53	**89**	88
Later than one year but not later than five years	**164**	134	**223**	292
Later than five years	**175**	228	**–**	4
	401	415	**312**	384

41. Related Party Transactions

Accounting Policy

Related parties are individuals and companies, including subsidiary, fellow subsidiary, joint venture 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.

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 2014 for a period of three years, will expire on 31st December 2016. For the year ended 31st December 2014, service fees payable amounted to HK$220 million (2013: HK$186 million). Expenses of HK$49 million (2013: HK$39 million) were reimbursed at cost; in addition, HK$71 million (2013: HK$65 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (the "Tenancy Framework Agreement") between JSSHK, Swire Pacific Limited and the Company dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group and members of Swire Pacific Group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement is for a term of two years to 31st December 2015. For the year ended 31st December 2014, the aggregate rentals payable to the Group by members of the JSSHK Group and members of the Swire Pacific Group under the tenancies subject to the Tenancy Framework Agreement amounted to HK$93 million (2013: HK$83 million) and HK$88 million (2013: 76 million) respectively.

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

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

41. Related Party Transactions *(continued)*

		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
	Notes	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M
Purchases of services	*(a)*	**–**	–	**20**	18	**–**	–	**–**	–	**–**	–
Rental revenue	*(b)*	**4**	4	**91**	79	**12**	11	**78**	70	**8**	8
Revenue from hotels		**–**	–	**1**	1	**–**	–	**1**	1	**1**	1
Other revenue	*(a)*	**–**	–	**8**	–	**2**	2	**1**	1	**–**	–
Interest income	*(c)*	**42**	21	**–**	–	**–**	–	**–**	–	**–**	–
Interest charges	*(c)*	**6**	6	**715**	722	**–**	–	**–**	–	**8**	3

Notes:

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

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

(c) Loans advanced to joint venture and associated companies at 31st December 2014 are disclosed in notes 20 and 21 respectively. Advances from fellow subsidiary, joint venture, associated and related companies are disclosed in note 29. 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 31.

Amount due from the immediate holding company at 31st December 2014 are disclosed in note 27. These balances arise in the normal course of business, are non-interest-bearing and repayable within one year. Remuneration of key management, which includes executive and non-executive directors and executive officers, is disclosed in note 9.

42. Notes to the Consolidated Statement of Cash Flows

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

	Group	
	2014 HK$M	2013 HK$M
Operating profit	**10,992**	14,498
Change in fair value of investment properties	**(1,956)**	(6,211)
Depreciation	**263**	291
Amortisation of initial leasing costs on investment properties	**89**	94
Amortisation of intangible assets	**8**	6
Impairment reversals on trading properties	**(45)**	(21)
Profit on sale of investment properties	**(6)**	–
Loss/(profit) on sale of property, plant and equipment	**1**	(16)
Other items	**(25)**	47
Operating profit before working capital changes	**9,321**	8,688
Decrease/(increase) in amount due from immediate holding company	**43**	(2)
Decrease/(increase) in properties under development and for sale	**274**	(1,314)
Increase in stocks and work in progress	**(1)**	(8)
(Increase)/decrease in trade and other receivables	**(278)**	326
Increase in trade and other payables	**1,369**	1,178
(Decrease)/increase in retirement benefit liabilities	**(4)**	5
Cash generated from operations	**10,724**	8,873

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

(b) Purchase of property, plant and equipment

	Group	
	2014 HK$M	2013 HK$M
Land and property	**462**	192
Plant and equipment	**153**	223
Total	**615**	415

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

(c) Analysis of changes in financing during the year

	Group			
	Loans and bonds		Non-controlling interests	
	2014 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M
At 1st January	**21,187**	15,617	**800**	642
Net cash inflow from financing	**1,930**	5,282	**–**	–
Non-controlling interests' share of total comprehensive income	**–**	–	**200**	151
Dividends paid to non-controlling interests	**–**	–	**(144)**	(8)
Capital contribution from non-controlling interests	**–**	–	**–**	15
Other non-cash movements	**(127)**	288	**–**	–
At 31st December	**22,990**	21,187	**856**	800

43. 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

Apart from the accounting policies presented within the corresponding notes to the financial statements, the other principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

1. Basis of Preparation

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

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 (i.e. 1st January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Swire Properties Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in joint venture and associated companies.

3. Subsidiary Companies

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are 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.

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.

3. Subsidiary Companies *(continued)*

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

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the 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 statement of profit or loss within net finance charges.

4. Joint Venture and Associated Companies

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

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

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in joint venture and associated companies are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associate 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 higher 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.

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

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

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

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated statement of profit or loss.

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company on the basis of dividends received and receivable. Long-term loans to joint venture and associated companies are considered to be quasi-equity in nature, where there are no defined repayment terms and no expectation of repayment.

5. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and 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 statement of profit or loss, 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 statement of profit or loss, any associated translation difference is also recognised in the statement of profit or loss.

(c) Group companies

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

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

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

(iii) All resulting exchange differences are recognized in other comprehensive income and accumulated in separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, 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 statement of profit or loss 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.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2014

	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	Property development
Cathay Limited	100	100	–	807 shares	Property investment
Citiluck Development Limited	100	–	100	1,000 shares	Property investment
Cityplaza Holdings Limited	100	100	–	100 shares	Property investment
Coventry Estates Limited	100	–	100	4 shares	Property investment
Golden Tent Limited	100	–	100	1 share	Hotel investment
Island Delight Limited	87.5	–	100	1 share	Property trading
Keen Well Holdings Limited	80	–	100	1 share	Property trading
Lantau Development Limited	100	100	–	1 share	Project management
One Island East Limited	100	100	–	2 shares	Property investment
One Queen's Road East Limited	100	100	–	2 shares	Property investment
Oriental Landscapes Limited	100	100	–	60,000 shares	Landscaping services
Pacific Place Holdings Limited	100	100	–	2 shares	Property investment
Redhill Properties Limited	100	100	–	250,000 shares	Property investment
Super Gear Investment Limited	100	100	–	2 shares	Property investment
Swire Properties (Finance) Limited	100	100	–	1,000,000 shares	Provision of financial services
Swire Properties Management Limited	100	100	–	2 shares	Property management
Swire Properties MTN Financing Limited	100	100	–	1 share	Provision of financial services
Swire Properties Projects Limited	100	100	–	2 shares	Project management
Swire Properties Real Estate Agency Limited	100	100	–	2 shares	Real estate agency
Taikoo Place Holdings Limited	100	100	–	2 shares	Property investment
Incorporated in Mainland China with limited liability and operate in Mainland China:					
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Company Limited (b)	97	–	97	Registered capital of RMB3,050,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Sanlitun Hotel Management Company Limited (b)	100	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited (b)	100	–	100	Registered capital of RMB2,784,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited (b)	100	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	100	–	100	Registered capital of RMB295,000,000	Property investment
Swire Properties (China) Investment Company Limited (b)	100	–	100	Registered capital of US$30,000,000	Holding company
(Domestic company)					
Beijing Tianlian Real Estate Company Limited (b)(d)	100	–	100	Registered capital of RMB865,000,000	Holding company

Notes:

(a) This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.

(b) Translated name.

(c) Group interest held through joint venture and associated companies.

(d) Companies not audited by Pricewaterhousecoopers. These companies account for approximately 2.2% of attributable net assets at 31st December 2014.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2014

	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:					
700 Brickell City Centre LLC	100	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	100	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	100	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	86.5	–	86.5	Limited Liability Company	Property investment
FTL/AD LTD	75	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	100	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties Inc	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	100	–	100	Limited Liability Company	Property trading and investment
Swire Properties US Inc	100	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	100	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands with limited liability and 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
Star Wing International 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
Joint venture companies:					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
Hareton Limited	50	50	–	100 shares	Property investment
Pacific Grace Limited	50	–	(c)	2 shares	Property investment
Richly Leader Limited	50	–	50	1,000,000,000 shares	Property investment
Sky Treasure Limited	50	–	(c)	2 shares	Property trading
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
Joint venture 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	Holding company
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 (b)	50	–	50	Registered capital of RMB400,000,000	Property investment
(Wholly foreign owned enterprises)					
Chengdu Qianhao Real Estate Company Limited	50	–	(c)	Registered capital of US$329,000,000	Property investment
Guan Feng (Shanghai) Real Estate Development Company Limited (b)	50	–	(c)	Registered capital of US$561,750,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited (b)	50	–	(c)	Registered capital of US$110,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited (b)	50	–	(c)	Registered capital of US$464,780,000	Property investment
Associated companies:					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
Greenroll Limited (d)	20	20	–	45,441,000 shares	Hotel investment
Queensway Hotel Limited (d)	20	–	(c)	100,000 shares	Hotel investment
Shangri–La International Hotels (Pacific Place) Limited	20	20	–	10,005,000 shares	Hotel investment

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At 31st December 2014

	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	2,337,174	99,696	2,859,885	1,083,182	–	–	–	5,197,059	6,379,937
Office	8,099,503	687,130	1,731,766	297,732	–	–	–	9,831,269	10,816,131
Techno-centre	893,516	–	–	–	–	–	–	893,516	893,516
Residential/ serviced apartment	546,467	–	51,517	–	–	–	–	597,984	597,984
Hotels	358,371	384,796	753,647	179,135	–	258,750	208,687	1,320,705	2,143,386
	12,235,031	1,171,622	5,396,815	1,560,049	–	258,750	208,687	17,840,533	20,830,954
Property developments for investment									
Retail	–	–	–	539,330	490,000	–	–	490,000	1,029,330
Office	1,575,035	191,250	–	925,704	260,000	–	–	1,835,035	2,951,989
Residential/ serviced apartment	–	–	–	54,025	109,000	–	–	109,000	163,025
Hotels	–	–	–	377,025	218,000	–	–	218,000	595,025
Under planning	–	92,000	–	–	1,300,000*	–	–	1,300,000	1,392,000
	1,575,035	283,250	–	1,896,084	2,377,000	–	–	3,952,035	6,131,369
Completed properties for sale									
Retail	–	3,820	–	–	–	–	–	–	3,820
Residential	37,201	1,060	–	–	5,359	–	–	42,560	43,620
Retail/office	–	–	–	649,941	12,586	–	–	12,586	662,527
	37,201	4,880	–	649,941	17,945	–	–	55,146	709,967
Property developments for sale									
Office	–	–	–	–	–	–	–	–	–
Residential	425,735	–	–	–	2,075,800	–	–	2,501,535	2,501,535
Under planning	–	–	–	–	787,414	–	–	787,414	787,414
	425,735	–	–	–	2,863,214	–	–	3,288,949	3,288,949
	14,273,002	1,459,752	5,396,815	4,106,074	5,258,159	258,750	208,687	25,136,663	30,961,239

* Phase II of the development at Brickell City Centre is currently in the planning process following the acquisition of the site at 700 Brickell Avenue in July 2013. The site acquired in July 2013 is included under "Land held for development" in the financial statements.

Notes:

1. All properties held through subsidiary companies are wholly-owned except for Island Place (60% owned), TaiKoo Hui (97% owned), AZURA (87.5% owned), MOUNT PARKER RESIDENCES (80% owned), Brickell City Centre (Retail: 86.5% 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 joint venture 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 9,300 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 completed 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	430	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. Floor area includes ten floors which will be assigned to the Government no later than 30th December 2016.

Schedule of Principal Group Properties

At 31st December 2014

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)*							
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.
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 Dorset House and Cambridge House.
9. Dorset House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (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 ss1 (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 Cornwall 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.

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)*							
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.
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. Generali Tower, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	2013 (Refurbishment)	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**	**6,454**		
19. PCCW Tower, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (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. Berkshire House, Taikoo Place	IL 8854	2047	25,926	388,838	84	1998	Office building. Floor area shown represents the whole development, of which the Group owns 50%.
21. 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%.
22. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/ 1999	Floor area shown represents the retail space, of which the Group owns 20%.
23. Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	Retail: 462,428 Office: 160,522	1,156	1999/ 2000	A 160,522 square foot office tower above a 462,428 square foot shopping centre of which the Group owns 20%. Citygate also comprises a hotel, details of which are given in the Hotel category below.
	Held through joint venture companies			**1,969,054**	**1,616**		
	– of which attributable to the Group			**786,826**			

Schedule of Principal Group Properties

At 31st December 2014

Completed properties 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	Year of completion	Remarks
Techno-centre								
1. Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (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)					Data centres/offices/logistics warehousing. An agreement with HKSAR Government to acquire its interest in Cornwall House has been signed in February 2014. The transaction is expected to be completed no later than 30th December 2016. Warwick House together with Cornwall House could then be redeveloped into a Grade A office with a total gross floor area of about 980,000 square feet.
Warwick House					554,934	78	1979	
Cornwall House					338,582	85	1984	Floor area excludes eight floors owned by the Government, which will be assigned to the Group no later than 30th December 2016.
	Total held through subsidiaries				**893,516**	**163**		
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. TAIKOO PLACE APARTMENTS, 23 Tong Chong Street, Taikoo Place, Quarry Bay	ML 703 sI	2881	8,664	Serviced apartment: Retail:	62,756 12,312 75,068	–	2014	111 serviced suites above 3 storeys retail podium. The development is expected to open in the 3rd quarter of 2015.
3. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197		14,768	–	1981	Six semi-detached houses.
4. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)		2,644	–	1980	One detached house.
5. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)		23,224	7	1965	Seven apartment units.
	Total held through subsidiaries				**558,779**	**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**			

Completed properties 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	Year of completion	Remarks
Hotel *(continued)*								
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	TCTL 2 (part)	2047	358,557 (part)		236,758	7	2005	440-room hotel, in which the Group owns a 20% interest.
	Total held through joint venture companies				**236,758**	**7**		
	– of which attributable to the Group				**47,352**			

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. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	410	2007	Shopping centre with restaurants.
3. Hui Fang	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, 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	615	2012	Shopping centre with restaurants and cinema. Floor areas shown represent the retail portion, of which the Group owns 50%.
6. Daci Temple Project (Retail: Sino-Ocean Taikoo Li Chengdu)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (part)	1,226,870	1,000	2014	Floor areas shown represent the retail portion of the development, of which the Group owns 50%.
	Total held through joint venture companies			**2,166,363**	**1,615**		
	– of which attributable to the Group			**1,083,182**			

Schedule of Principal Group Properties

At 31st December 2014

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	390	2011	Floor area shown represents the office portion, of which the Group owns 50%.
	Total held through joint venture companies				**595,464**	**390**		
	– of which attributable to the Group				**297,732**			
Hotel								
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)		169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel: Serviced apartment:	584,184 51,517	–	2012	263-room hotel and 24 serviced apartments. The bare-shell and exterior facade of cultural centre with 629,414 square feet is built according to the agreements with Cultural Bureau and awaiting hand over to the Guangzhou Government. 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	240	2012	369-room hotel. Floor area shown represents the hotel portion, of which the Group owns 50%.
	Total held through joint venture companies				**358,269**	**240**		
	– 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 joint venture 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	34,875	36,662	24	2000	61-room freehold hotel in Cheltenham. Re-opened in December 2010 after refurbishment.
2. The Magdalen Chapter, 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. New Kowloon Inland Lot No. 6312, Kowloon Bay	NKIL 6312	2063	46,253	Office:	555,035	223	Excavation and Foundation in progress	2017	Floor area shown represents the total gross floor area permitted under the Conditions of Sale.
2. Somerset House Redevelopment, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (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)	Office:	1,020,000	92	Demolition completed	2018	Floor area shown is an approximation.
	Total held through subsidiaries				**1,575,035**	**315**			

Schedule of Principal Group Properties

At 31st December 2014

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
3. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11	2063	107,919	Under planning:	460,000	127	Design in progress	2017	Proposed scheme is under development. Floor area shown represents the retail and hotel portions of the development and excludes the area of public transport terminus. The area is an approximation and is subject to change. An additional public transport terminus of approximately 74,000 square feet is to be built and handed over to the Government upon completion. Floor area shown represents the whole development, of which the Group owns 20%.
4. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 461	2064	25,500	Office:	382,499	137	Design in progress	2018	Proposed scheme is under development. Floor area shown represents the total gross floor area permitted. Floor area shown represents the whole development, of which the Group owns 50%.
	Held through joint venture companies				**842,499**	**264**			
	– of which attributable to the Group				**283,250**				

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, Jingan District, Shanghai	2049 (for Retail/ Hotel); 2059 (for Office)	676,091	Retail: Office: Hotel:	1,078,660 1,851,408 527,307 3,457,375	1,200 1,200	Superstructure in progress	2016	Floor areas shown represent the whole development, of which the Group owns 50%.
2. Daci Temple Project (Hotel & Serviced Apartment: The Temple House)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (part)	Hotel: Serviced apartment:	226,744 108,049 334,793		Fitout in progress	2015	Floor areas shown represent the hotel and serviced apartment portions of the development, of which the Group owns 50%.
	Total held through joint venture companies				**3,792,168**	**1,200**			
	– of which attributable to the Group				**1,896,084**				

Property developments for investment 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. Brickell City Centre, Miami, Florida	380,670 (part)	Phase I	Retail: Office: Hotel: Serviced Apartment:	490,000 260,000 218,000 109,000	1,235 289 100 –	2015	Brickell City Centre is an urban mixed-use development located in the Brickell financial district, comprised of retail, offices, hotel, serviced apartments and residential condominiums. Construction commenced in July 2012. The hotel, serviced apartments, offices and residential condominiums are scheduled to open by the end of 2015. The retail component is scheduled to open in the 3rd quarter of 2016. The Group owns 86.5% interest in the retail portion.
	123,347	Phase II	Under planning:	1,300,000	To be determined	2019	Phase II – One Brickell City Centre, is being planned as a future mixed-use development comprised of retail, Class-A office space, condominiums and hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre containing approximately 1.3 million square feet is planned as an 80-storey luxury high rise tower.
				2,377,000	1,624		
	Total held through subsidiaries			**2,377,000**	**1,624**		

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)	7,998	41	2012	As at 31st December 2014, 122 units were closed and /or sold. Floor area shown represents the remaining 4 residential units and 41 unsold car parking spaces, of which the Group owns 87.5%.

Schedule of Principal Group Properties

At 31st December 2014

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
2. ARGENTA, Mid Levels West	IL 2300	2856	7,975 (part)	8,994	3	2013	As at 31st December 2014, 27 units and 25 car parking spaces were closed and/or sold. Floor area shown represents the remaining 3 residential units and 3 unsold car parking spaces.
3. MOUNT PARKER RESIDENCES, Quarry Bay	SIL 761 RP	2057	28,490	20,209	68	2013	As at 31st December 2014, 82 units were closed and /or sold after the issuance of Certificate of Compliance. Floor area shown represents the remaining 10 residential units and 68 unsold car parking spaces, of which the Group owns 80%.
	Total held through subsidiaries			**37,201**	**112**		
4. DUNBAR PLACE, Ho Man Tin	KIL 3303 sA	2083	17,712	2,120	5	2013	As at 31st December 2014, 52 residential units and 52 car parking spaces were closed and/or sold. Floor area shown represents the remaining 1 residential unit and 5 unsold car parking spaces, of which the Group owns 50%.
	Total held through joint venture companies			**2,120**	**5**		
	– of which attributable to the Group			**1,060**			
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 Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. Daci Temple Project (Office: Pinnacle One)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (part)	Office: 1,299,882	499	2014	Floor area shown represents the office portion of the development, of which the Group owns 50%.
	Total held through joint venture companies			**1,299,882**	**499**		
	– of which attributable to the Group			**649,941**			

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: 5,359	4	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. As at 31st December 2014, 122 units were closed.
2. River Court	Fort Lauderdale, Florida	21,750	Retail/Office: 12,586	38	1966	The development site was acquired in October 2006, in which the Group has a 75% interest.
	Total held through subsidiaries		**17,945**	**42**		

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. AREZZO, 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 completed and the occupation permit was issued in January 2015	2015	Floor area shown represents the whole development with 127 residential units with 48 storeys above podium. As at 31st December 2014, 77 units were presold.
2. 100 Caine Road (formerly known as 2 Castle Road), Mid Levels West	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:	195,533	43	Superstructure in progress	2016	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
3. 160 South Lantau Road, Cheung Sha	Lot 724 and Lot 726 in DD332	2062	161,029	Residential:	64,410	–	Interior and exterior finishing works in progress and the occupation permit was issued in February 2015	2015	Floor area shown represents a residential development with 28 detached houses.
	Total held through subsidiaries				**425,735**	**43**			

Schedule of Principal Group Properties

At 31st December 2014

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	Under planning:	787,414	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group has a 75% interest.
3. Brickell City Centre, Miami, Florida	380,670 (part)	Condominium:	1,134,000	1,025	2015	Two residential development sites in Brickell City Centre, an urban mixed-use development located in the Brickell financial district. Construction commenced in July 2012 and the project is scheduled to open by the end of 2015.
	380,670 (part)	Condominium:	520,000	544	–	The development on the North Square site is currently on hold.
	Total held through subsidiaries		**2,863,214**	**3,014**		

Glossary

Terms

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

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

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

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

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

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Return on average underlying equity attributable to the Company's shareholders} = \frac{\text{Underlying profit/(loss) attributable to the Company's shareholders}}{\text{Average underlying equity during the year attributable to the Company's shareholders}}$$

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

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

$$\text{Dividend cover} = \frac{\text{Profit attributable to the Company's shareholders}}{\text{Dividends paid and proposed}}$$

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

Financial Calendar and Information for Investors

Financial Calendar 2015

Share trade ex-dividend	8th April
Share register closed for 2014 second interim dividend entitlement	10th April
Annual Report available to shareholders	13th April
Payment of 2014 second interim dividend	7th May
Share register closed for attending and voting at Annual General Meeting	14th – 19th May
Annual General Meeting	19th May
Interim results announcement	August 2015
2015 first interim dividend payable	October 2015

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