Annual Report 2015

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 record of creating long-term value by transforming urban areas.

Our business comprises three main elements:

- Property Investment
- Property Trading
- Hotel Investment

Brickell City Centre
Miami

2015 Highlights

Swire Properties and Sino-Ocean Land announced the grand opening of their joint-venture retail complex

Sino-Ocean Taikoo Li Chengdu

April – Chengdu

details on page 29

Cityplaza unveiled its **new brand image, “LIVE HAPPY”**, and launched its month-long rebranding campaign

June – Hong Kong

details on page 24

Signing of a framework agreement with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. to jointly

develop the Shanghai Qiantan project

July – Shanghai

details on page 8

Opening of Swire Hotel’s third hotel from The House Collective brand,

The Temple House,

in Chengdu

July – Chengdu

details on page 37

Opening of the latest serviced residence **Taikoo Place Apartments** in Quarry Bay, providing 111 serviced apartments

August – Hong Kong
details on page 25

Announcement of the tender arrangement for the residential development on Lantau Island **WHITESANDS**

September – Hong Kong
details on page 35

HKR International and Swire Properties announced the official topping out of the two premium **Grade-A office towers in HKRI Taikoo Hui**

September – Shanghai
details on page 30

The **White Christmas Street Fair 2015** launched at Tong Chong Street in Taikoo Place

December – Hong Kong
details on page 82

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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 record of creating long-term value by transforming urban areas. Our business comprises three main elements: property investment, property trading and hotel investment.

Founded in Hong Kong in 1972, Swire Properties is listed on The Stock Exchange of Hong Kong Limited and, with its subsidiaries, employs around 4,900 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 interests in the luxury residential market in Hong Kong. Swire Hotels develops and manages hotels in Hong Kong, Mainland China and the U.S.A.

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*	**2015** **HK$M**	2014 HK$M	Change
Revenue		**16,447**	15,387	+6.9%
Operating profit		**16,207**	10,992	+47.4%
Profit attributable to the Company's shareholders				
Underlying	*(a), (b)*	**7,078**	7,152	-1.0%
Reported		**14,072**	9,516	+47.9%
Cash generated from operations		**10,616**	10,724	-1.0%
Net cash inflow before financing		**3,745**	2,881	+30.0%
		HK$	HK$	
Earnings per share				
Underlying	*(c)*	**1.21**	1.22	-0.8%
Reported	*(c)*	**2.41**	1.63	+47.9%
Dividends per share				
First interim		**0.23**	0.22	+4.5%
Second interim		**0.48**	0.44	+9.1%

Financial Position **At 31st December**		**HK$M**	HK$M	
Total equity (including non-controlling interests)		**217,949**	208,547	+4.5%
Net debt		**33,348**	34,071	-2.1%
Gearing ratio	*(a)*	**15.3%**	16.3%	-1.0%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share	*(a)*	**36.97**	35.50	+4.1%

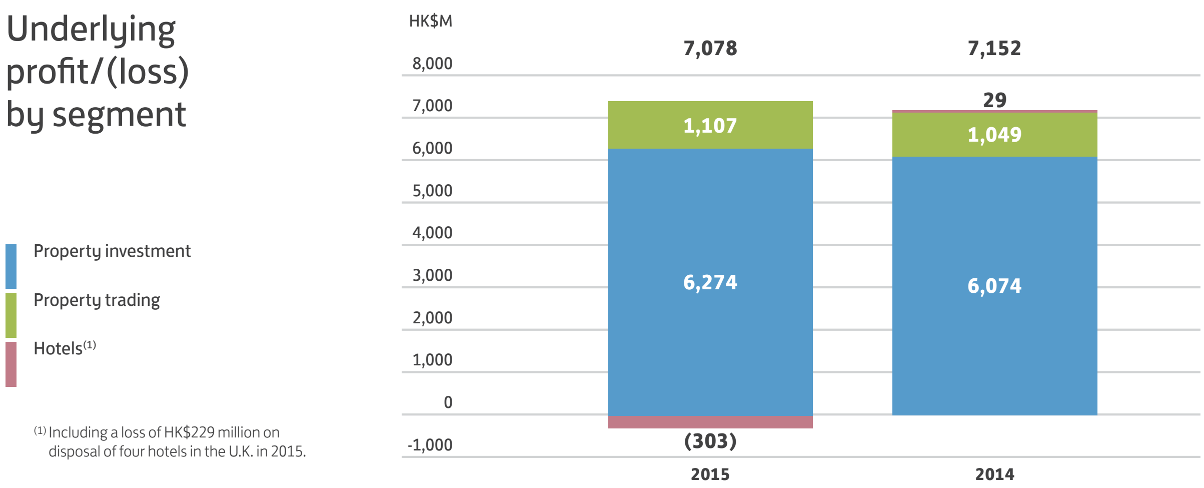
Notes:

(a) Refer to glossary on page 167 for definition.

(b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 15.

(c) Refer to Note 14 in the financial statements for the weighted average number of shares.

Underlying profit/(loss) by segment



(1) Including a loss of HK$229 million on disposal of four hotels in the U.K. in 2015.

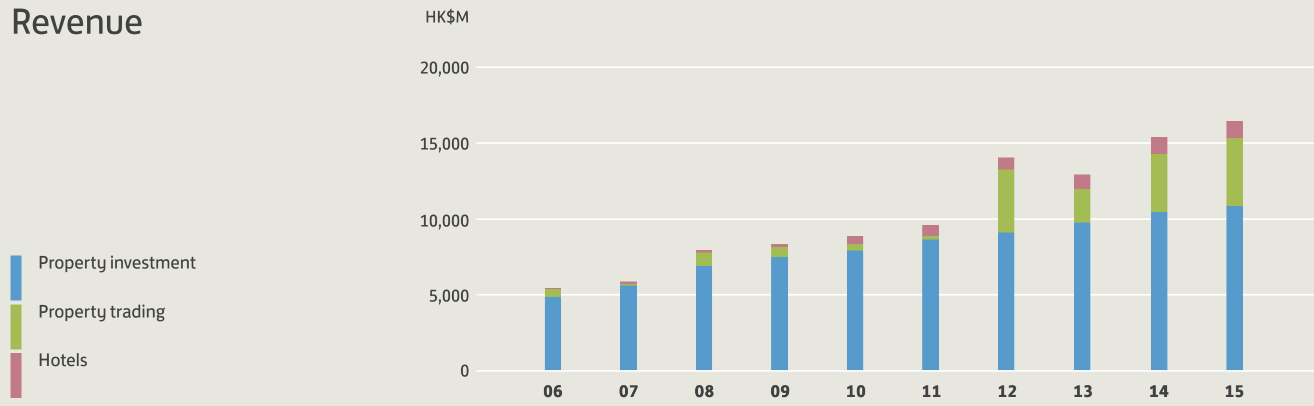
Ten-Year Financial Summary

	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$M	**2015 HK$M**
STATEMENT OF PROFIT OR LOSS										
Revenue										
Property investment	4,872	5,663	6,901	7,516	7,953	8,651	9,123	9,786	10,456	**10,857**
Property trading	554	10	889	643	400	213	4,147	2,207	3,842	**4,463**
Hotels	27	148	156	172	518	717	782	942	1,089	**1,127**
	5,453	5,821	7,946	8,331	8,871	9,581	14,052	12,935	15,387	**16,447**
Profit Attributable to the Company's Shareholders										
Property investment	2,586	3,054	3,318	3,965	4,574	4,638	4,896	5,426	6,029	**6,231**
Property trading	198	(43)	95	23	87	7	1,659	720	1,020	**1,089**
Hotels	126	175	73	(332)	(109)	(33)	14	(46)	30	**(303)**
Change in fair value of investment properties	17,221	19,530	(236)	13,596	21,478	20,496	12,184	6,425	2,437	**7,055**
	20,131	22,716	3,250	17,252	26,030	25,108	18,753	12,525	9,516	**14,072**
Dividends for the year	1,532	1,652	2,966	25	2,426	11,067	3,510	3,510	3,861	**4,154**
Retained profit	18,599	21,064	284	17,227	23,604	14,041	15,243	9,015	5,655	**9,918**
STATEMENT OF FINANCIAL POSITION										
Net Assets Employed										
Property investment	105,660	133,492	140,440	155,374	183,062	191,116	207,577	218,556	226,607	**235,917**
Property trading	1,448	2,762	3,496	3,772	6,303	6,581	7,309	9,408	8,210	**7,452**
Hotels	1,429	3,624	4,037	5,523	5,797	6,421	7,111	7,200	7,801	**7,928**
	108,537	139,878	147,973	164,669	195,162	204,118	221,997	235,164	242,618	**251,297**
Financed by										
Equity attributable to the Company's shareholders	88,231	109,643	110,235	129,778	157,847	175,886	192,434	202,350	207,691	**216,247**
Non-controlling interests	296	801	1,068	424	479	532	642	800	856	**1,702**
Net debt	20,010	29,434	36,670	34,467	36,836	27,700	28,921	32,014	34,071	**33,348**
	108,537	139,878	147,973	164,669	195,162	204,118	221,997	235,164	242,618	**251,297**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	**HK$**
Earnings per share	3.67	4.14	0.59	3.14	4.57	4.40	3.21	2.14	1.63	**2.41**
Dividends per share	0.28	0.30	0.54	–	0.43	1.94	0.60	0.60	0.66	**0.71**
Equity attributable to shareholders per share	16.06	19.96	20.07	23.60	27.74	30.07	32.89	34.59	35.50	**36.97**
RATIOS										
Return on average equity attributable to the Company's shareholders	25.4%	23.0%	3.0%	14.4%	18.1%	15.0%	10.2%	6.3%	4.6%	**6.6%**
Gearing ratio	22.6%	26.7%	33.0%	26.5%	23.3%	15.7%	15.0%	15.8%	16.3%	**15.3%**
Interest cover – times	32.16	33.69	4.79	17.56	21.79	18.23	15.72	10.02	8.96	**13.56**
Dividend cover – times	13.14	13.75	1.10	N/A	10.73	2.27	5.34	3.57	2.46	**3.39**
UNDERLYING										
Profit (HK$M)	3,064	3,291	3,540	3,721	4,767	12,914	6,935	6,348	7,152	**7,078**
Return on average equity attributable to the Company's shareholders	3.9%	3.3%	3.2%	3.1%	3.3%	7.7%	3.8%	3.2%	3.5%	**3.3%**
Earnings per share (HK$)	0.56	0.60	0.64	0.68	0.84	2.26	1.19	1.09	1.22	**1.21**
Interest cover – times	6.09	5.93	4.48	4.33	5.37	12.01	7.90	6.43	7.58	**7.75**
Dividend cover – times	2.00	1.99	1.19	N/A	1.96	1.17	1.98	1.81	1.85	**1.70**

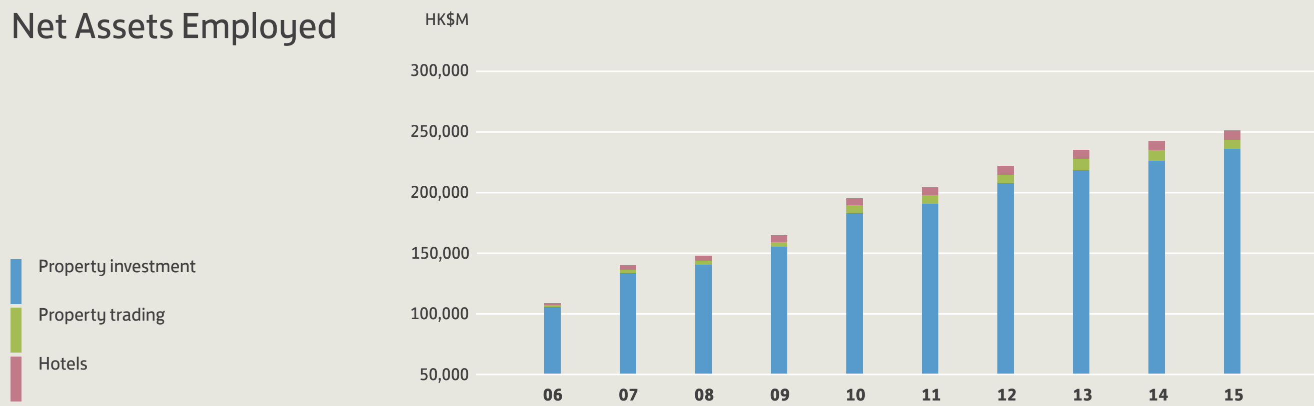
Notes:

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 2015 may be different from those originally presented.
2. The equity attributable to the Company's shareholders and the returns by segment for 2015 and 2014 are shown in the Financial Review – Investment Appraisal and Performance Review on page 46.
3. Underlying profit is discussed on pages 15 to 17.
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 167 for definitions and ratios.

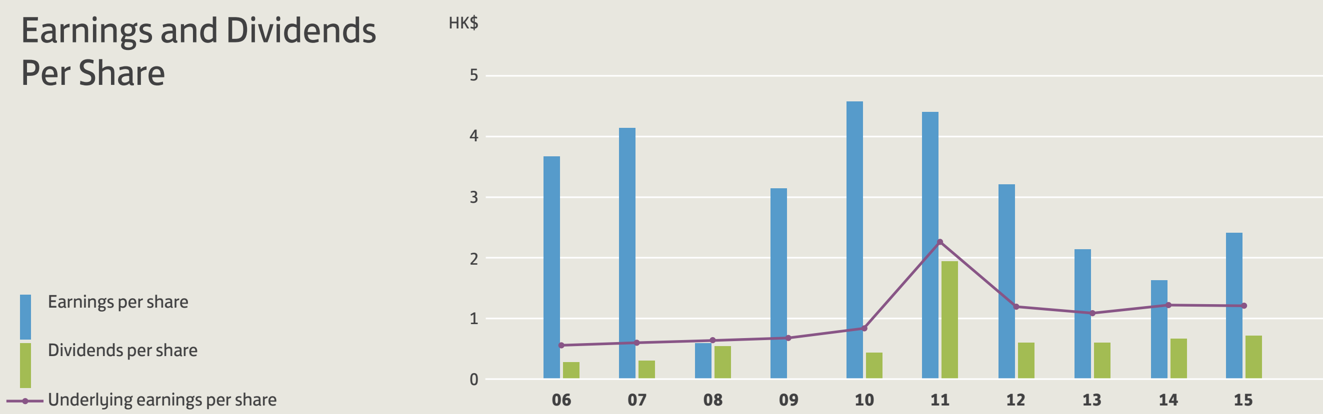
Revenue



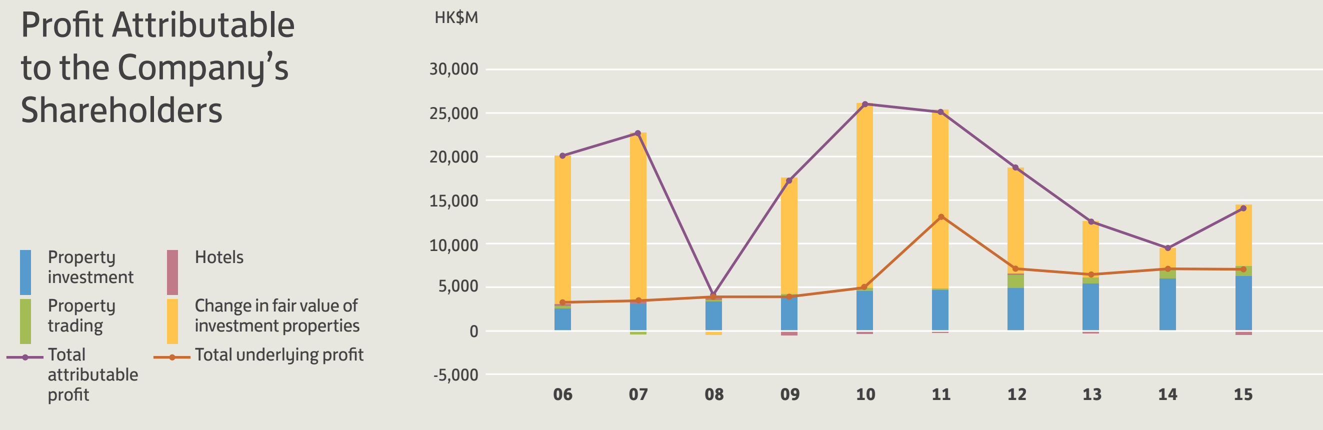
Net Assets Employed



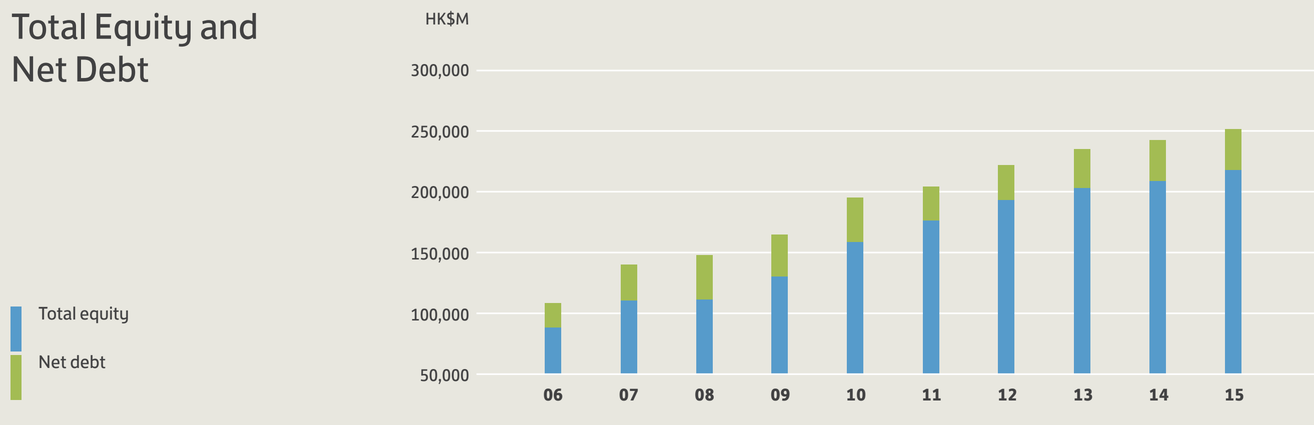
Earnings and Dividends Per Share



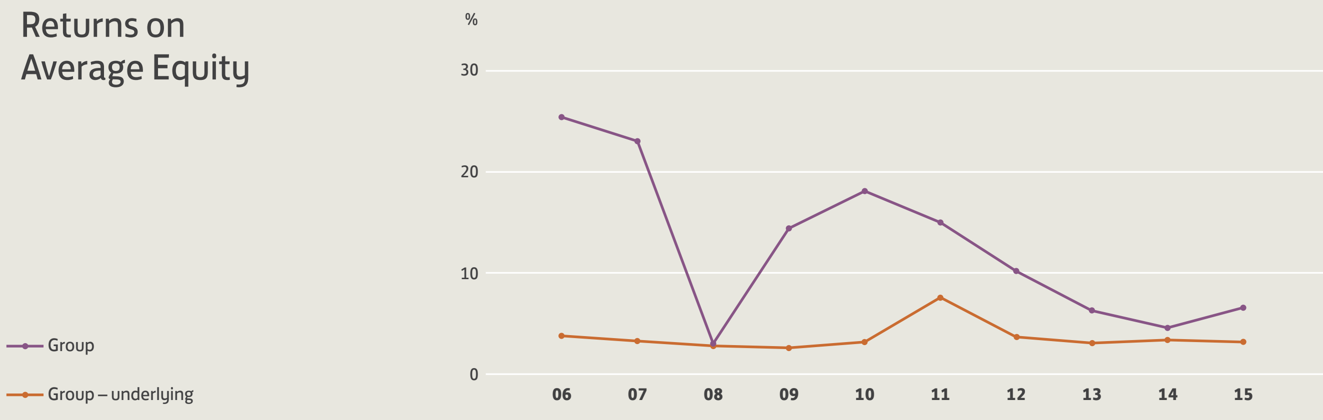
Profit Attributable to the Company's Shareholders



Total Equity and Net Debt



Returns on Average Equity



Chairman's Statement

Our consolidated profit attributable to shareholders for 2015 was HK$14,072 million, compared to HK$9,516 million in 2014. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK$74 million from HK$7,152 million in 2014 to HK$7,078 million in 2015.

Dividends

The Directors have declared a second interim dividend of HK¢48 (2014: HK¢44) per share which, together with the first interim dividend of HK¢23 per share paid in October 2015, amounts to full year dividends of HK¢71 (2014: HK¢66) per share. The second interim dividend, which totals HK$2,808 million (2014: HK$2,574 million), will be paid on Thursday, 5th May 2016 to shareholders registered at the close of business on the record date, being Friday, 8th April 2016. Shares of the Company will be traded ex-dividend from Wednesday, 6th April 2016.

Key Developments

In April 2015, Swire Properties and Sino-Ocean Land formally opened their joint-venture retail complex Sino-Ocean Taikoo Li Chengdu, which has an aggregate gross floor area ("GFA") of more than 1,248,000 square feet.

In April 2015, Swire Properties, Bal Harbour Shops and Simon Property Group agreed to develop the retail component of Brickell City Centre in Miami, U.S.A. Under the agreement, Swire Properties will remain the primary developer of Brickell City Centre. At 31st December, 2015, the retail component was owned 61.5% by Swire Properties, 25% by Simon Property Group and 13.5% by Bal Harbour Shops.

In May 2015, Swire Properties entered into a joint venture with China Motor Bus Company, Limited ("CMB"). The joint venture was formed to acquire, subject to conditions (including the agreement of a land premium with the Hong Kong Government), a plot of land in Chai Wan, Hong Kong. The land, together with some adjoining land, is intended to be redeveloped as a residential development. The proposed development is expected to have an aggregate GFA of approximately 692,000 square feet. The joint venture is 80% held by Swire Properties and 20% held by CMB.

In July 2015, a framework agreement was entered into with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. signifying the parties' intention to develop jointly a retail project with an aggregate GFA of approximately 1,330,000 square feet in Qiantan, Pudong New District in Shanghai. Entry into the proposed joint venture and undertaking the project are subject to certain conditions precedent. If the joint venture is formed, it is expected that Swire Properties will have a 50% interest in the project.

In July 2015, the Temple House was opened at Sino-Ocean Taikoo Li Chengdu. The Temple House is the third of Swire Hotels' House Collective to be opened. It has 100 rooms and 42 serviced apartments.

In August 2015, Swire Properties opened Taikoo Place Apartments in Quarry Bay, Hong Kong. There are 111 serviced apartments with an aggregate GFA of approximately 63,000 square feet in this development.

In September 2015, Swire Properties started to sell houses in its WHITESANDS residential development on Lantau Island, Hong Kong. The development comprises 28 detached houses with an aggregate GFA of 64,410 square feet.

In March 2016, Swire Properties opened the first of two office towers in Phase I of the Brickell City Centre development in Miami, U.S.A.

Operating Performance

Adjusted so as to exclude a loss of HK$229 million on disposal of four hotels in the U.K., underlying profit increased to HK$7,307 million in 2015 from HK$7,152 million in 2014. The increase principally reflects good performances from the office portfolio in Hong Kong and from the retail portfolio in Mainland China. The underlying profit from property investment increased by 3%. There were higher profits from property trading, reflecting the sale of luxury residential properties in Hong Kong and the sale of offices in Mainland China. The hotel results were adversely affected by the loss on disposal referred to above and pre-opening costs at hotels in Chengdu in Mainland China and in Miami in the U.S.A.

Gross rental income was HK$10,716 million in 2015 compared to HK$10,320 million in 2014. Rental income increased both in Hong Kong and Mainland China, as rental reversions were generally positive. In Hong Kong, office occupancy levels were firm. Retail sales in Hong Kong were adversely affected by reduced spending by tourists. In Mainland China, retail sales of luxury goods were weak. However, sales in our retail portfolios increased and demand for our retail space was firm.

Operating profit from property trading increased in 2015, principally because of the completion of the sales of the majority of the units at the AREZZO development in Hong Kong.

On an attributable basis, net investment property valuation gains in 2015, after deferred tax relating to investment properties in Mainland China and the U.S.A., were HK$7,055 million, compared to net gains of HK$2,437 million in 2014.

Finance

Net debt at 31st December 2015 was HK$33,348 million, compared with HK$34,071 million at 31st December 2014. Gearing decreased from 16.3% at 31st December 2014 to 15.3% at 31st December 2015. The decrease in net debt was mainly due to receipt of sales proceeds from trading properties in Hong Kong and in Miami, partially offset by expenditure on investment and trading properties in Hong Kong and on the Brickell City Centre development in Miami. Cash and undrawn committed facilities totalled HK$12,193 million at 31st December 2015, compared with HK$9,622 million at 31st December 2014.

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.

During 2015, Swire Properties was included in the Dow Jones Sustainability Indices and in the Hang Seng Corporate Sustainability Index. We were ranked first in Hong Kong and in the top 20 in Asia at The Channel NewsAsia Sustainability Ranking 2015.

Further information about our activities in this area is on pages 80 to 83.

Prospects

In Hong Kong, demand for office space improved in 2015. In 2016, high occupancy and limited supply will put upward pressure on rents in Central despite a slowdown in demand for office space by Mainland Chinese entities. High occupancy is expected to result in rents in Taikoo Place and Cityplaza being reasonably resilient despite increased supply in Kowloon East and other districts. In Guangzhou, office rents are expected to be stable in 2016 despite a substantial supply of new office space. In Beijing, office rents are expected to weaken in 2016 as substantial amounts of new office space become available and demand falls.

Demand for retail space in Hong Kong is expected generally to weaken in 2016. But there is growth in demand for quality space from tenants engaged in successful businesses. Overall retail sales are expected to grow modestly in Guangzhou and Beijing and steadily in Chengdu.

In Hong Kong, buyers of property have become more cautious in the light of expected interest rate increases and general economic uncertainties. Trading profits are expected to be recognised in 2016 from the sales of the remaining units at the Hong Kong developments and from the sales of units at the Reach and Rise developments in Miami.

Trading conditions for our hotels in Hong Kong and Mainland China are expected to be challenging in 2016.

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, 10th March 2016

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 with 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 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.

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

Management Discussion & Analysis

Cityplaza
Hong Kong

Review of Operations

	2015 HK$M	2014 HK$M
Revenue		
Gross Rental Income derived from		
Offices	**5,972**	5,707
Retail	**4,366**	4,260
Residential	**378**	353
Other Revenue [(1)]	**141**	136
Property Investment	**10,857**	10,456
Property Trading	**4,463**	3,842
Hotels	**1,127**	1,089
Total Revenue	**16,447**	15,387
Operating Profit/(Loss) derived from		
Property investment	**8,097**	7,878
Valuation gains on investment properties	**7,116**	1,956
Property trading	**1,328**	1,180
Hotels [(2)]	**(334)**	(22)
Total Operating Profit	**16,207**	10,992
Share of Post-tax Profits from Joint Venture and Associated Companies	**1,241**	1,604
Profit Attributable to the Company's Shareholders	**14,072**	9,516

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

[(2)] Including a loss of HK$229 million on disposal of four hotels in the U.K. in 2015.

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

	Note	**2015 HK$M**	2014 HK$M
Underlying Profit			
Profit attributable to the Company's shareholders per financial statements		**14,072**	9,516
Adjustments in respect of investment properties:			
Revaluation of investment properties	*(a)*	**(8,186)**	(3,148)
Deferred tax on investment properties	*(b)*	**1,090**	710
Realised profit on sale of properties	*(c)*	**28**	29
Depreciation of investment properties occupied by the Group	*(d)*	**17**	16
Non-controlling interests' share of revaluation movements less deferred tax		**41**	1
Movements in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	*(e)*	**16**	28
Underlying Profit Attributable to the Company's Shareholders		**7,078**	7,152
Loss on disposal of four hotels in the U.K.		**229**	–
Adjusted Underlying Profit Attributable to the Company's Shareholders		**7,307**	7,152

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 companies.

(b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture companies. These principally comprise deferred tax on revaluation movements on investment properties in Mainland China and the U.S.A., and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

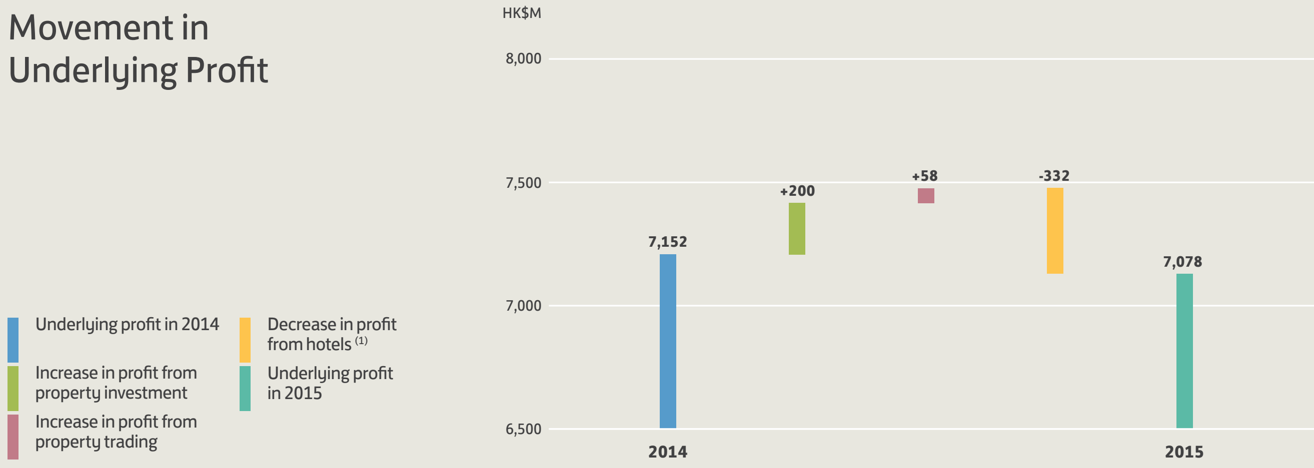
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement 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 option in favour of the owner of a non-controlling interest is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the non-controlling interest is interested.

Underlying Profit

Movement in Underlying Profit



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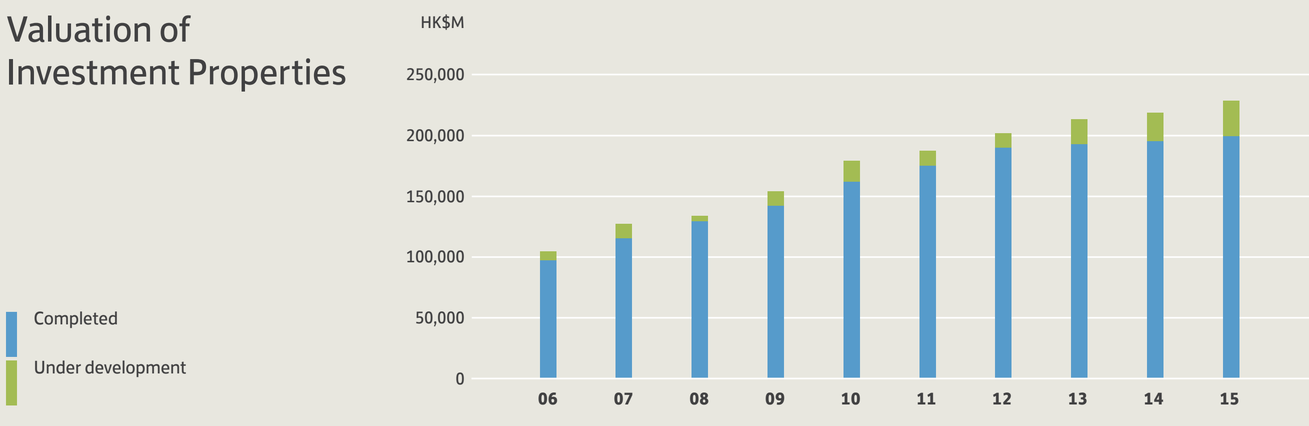
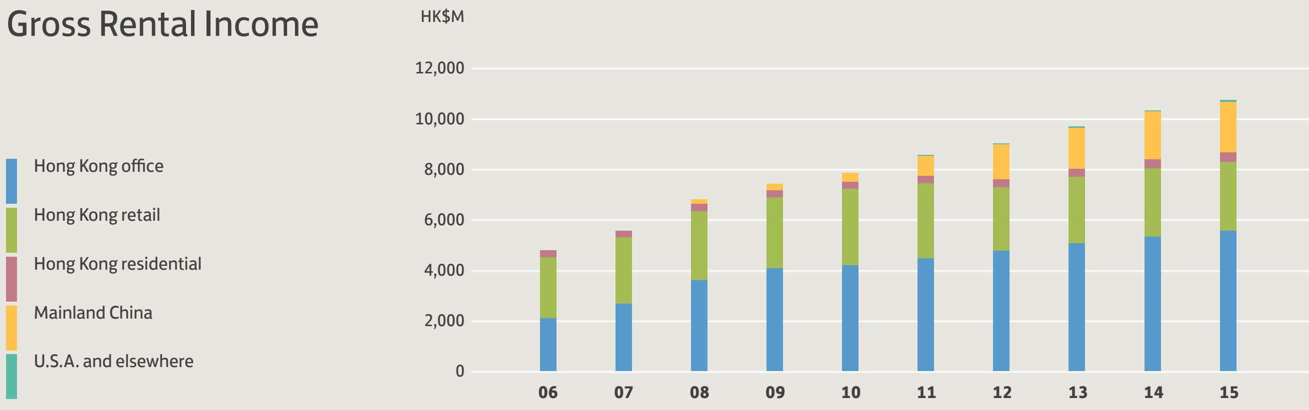
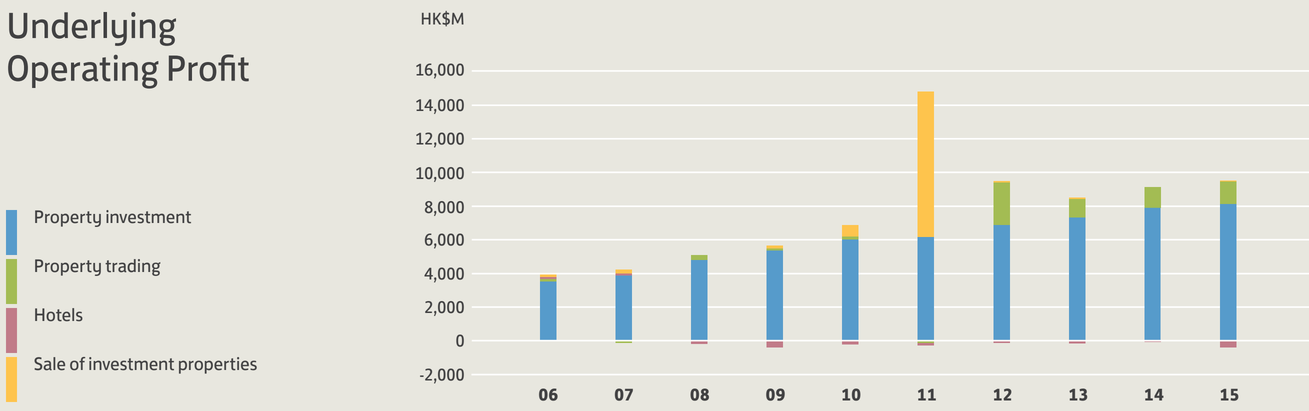
Valuation of Investment Properties



Gross Rental Income

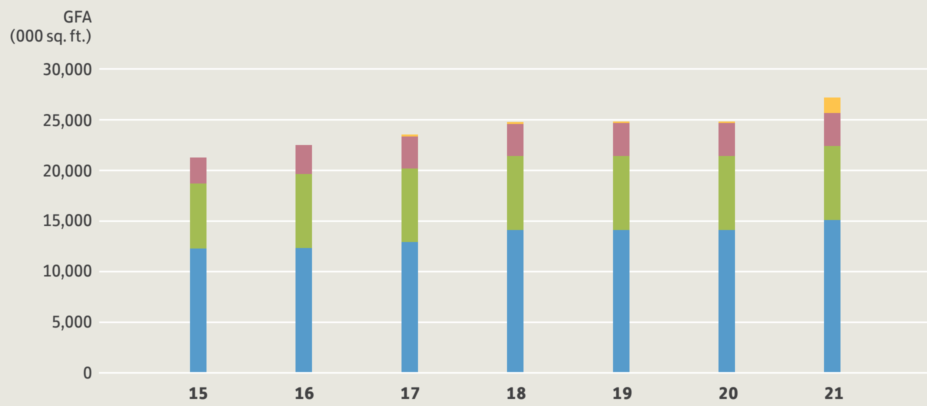


Underlying Operating Profit



Attributable Completed Investment Property Portfolio by Location

Attributable Completed Investment Property Portfolio by Type



Portfolio Overview

The aggregate GFA attributable to the Group at 31st December 2015 was approximately 30.8 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 27.2 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 5.9 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 and interests in hotels in Miami in the U.S.A.

The tables below illustrate the GFA (attributable to the Group) of the investment property portfolio at 31st December 2015.

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	3.9	1.0	0.1	–	**7.0**
U.S.A.	–	–	0.3	–	–	**0.3**
Total	**12.2**	**6.4**	**2.0**	**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	0.2	0.1	–	**1.7**
U.S.A. and elsewhere	0.3	0.3	0.2	0.2	1.4[2]	**2.4**
Total	**2.9**	**0.8**	**0.4**	**0.3**	**1.5**	**5.9**

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**	**2.4**	**1.0**	**1.5**	**27.2**

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

[2] A site with GFA of 558,000 square feet is accounted for under properties held for development in the financial statements.

The trading portfolio comprises a luxury residential project under development (ALASSIO) on Hong Kong Island, two residential towers under development (Reach and Rise) at the Brickell City Centre development in Miami, U.S.A., the remaining portion of the office property (Pinnacle One) at Sino-Ocean Taikoo Li Chengdu in Mainland China and the remaining residential units at completed developments. The completed residential developments available for sale are the WHITESANDS, AREZZO and MOUNT PARKER RESIDENCES 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 2015.

Trading Properties (GFA (or expected GFA) attributable to the Group in million square feet)	Completed	Under Development or Held for Development	**Total**
Hong Kong	0.1	0.2	**0.3**
Mainland China	0.3	–	**0.3**
U.S.A.	–	3.0	**3.0**
Total	**0.4**	**3.2**	**3.6**

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$5,897 million in 2015. At 31st December 2015, our office properties in Hong Kong were valued at HK$132,477 million. Of this amount, Swire Properties' attributable interest was HK$126,266 million.

Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2015)	Attributable Interest
Pacific Place	2,186,433	100%	100%
Cityplaza	1,632,930	100%	100%
Taikoo Place Office Towers [(1)]	3,136,717	99%	50%/100%
One Island East	1,537,011	99%	100%
Techno Centres [(2)]	893,516	100%	100%
Others [(3)]	1,077,161	98%	20%/50%/100%
Total	**10,463,768**		

(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.

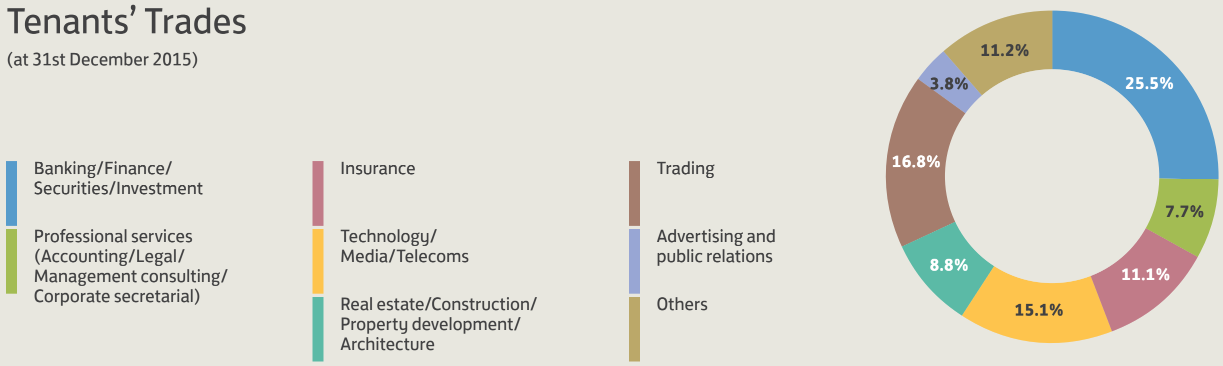
(3) Others comprise One Citygate (20% owned), 625 King's Road (50% owned), Berkshire House (50% owned), Generali Tower (wholly-owned) and 28 Hennessy Road (wholly-owned).

Gross rental income from the Group's Hong Kong office portfolio increased by 4% to HK$5,587 million in 2015. This principally reflected positive rental reversions at Taikoo Place and Cityplaza. Occupancy improved everywhere. At 31st December 2015, the office portfolio was 99% 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 2015.

Office Area by Tenants' Trades

(at 31st December 2015)



At 31st December 2015, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2015) together occupied approximately 22% of the Group's total attributable office area in Hong Kong.

Taikoo Place

Hong Kong

Pacific Place

The offices at One, Two and Three Pacific Place performed well in 2015. The occupancy rate was almost 100% at 31st December 2015. Lipman Karas LLP, e-Kong Group, Take Good Investment, China Merchant Capital and Tai Capital became tenants. Fidelity, Visa, HKSH Healthcare, Sequoia Capital and Interactive Brokers leased more space. Deloitte, Credit Agricole Group, Watson Farley Williams and Erste Group Bank AG renewed their leases.

Cityplaza

Demand for space in the three office towers (Cityplaza One, Three and Four) was strong in 2015. They were almost fully let at 31st December 2015. The Economist, New World Dynamics, Fubon Life Insurance, Fortinet and Brocade Communication became tenants. Deloitte, Thomson Reuters, Nikon, Juniper Networks, Wong Tung and Partners and VMware 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 99% at 31st December 2015. Aspen Asia, Baroque, Campbell Soup, Laing O'Rourke, PANASIA Aluminium and Dimension Data became tenants. Prudential, FWD, BNP Paribas, Vodafone, China CITIC Bank, RGA Reinsurance and AXA Technology Services leased more space. AXA, The Stock Exchange of Hong Kong, Philippe Charriol, GODIVA, CTBAT, Cerebos and Rackspace renewed their leases.

One Island East, our landmark property in Taikoo Place, had an occupancy rate of 99% at 31st December 2015. Prudential, Allied World Assurance Company and SK Hynix became tenants. Neo Derm, Amgen Asia and TCC leased more space. AIG, Aedas and Citrix renewed their leases.

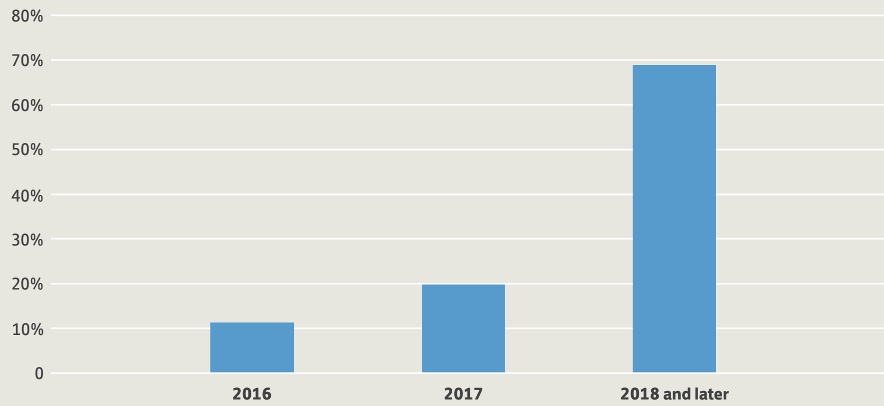
The Techno Centres (Cornwall House and Warwick House) performed strongly in 2015 despite their forthcoming redevelopment. At 31st December 2015, their occupancy rate was 100%.

Hong Kong Office Market Outlook

In 2016, high occupancy and limited supply will put upward pressure on rents in Central despite a slowdown in demand for office space by Mainland Chinese entities. High occupancy is expected to result in rents in Taikoo Place and Cityplaza being reasonably resilient despite increased supply in Kowloon East and other districts.

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 2015, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 11.3% of rental income in the month of December 2015 are due to expire in 2016, with tenancies accounting for a further 19.8% of such rental income due to expire in 2017.

Office Lease Expiry Profile
(at 31st December 2015)



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$2,813 million in 2015. At 31st December 2015, our retail properties in Hong Kong were valued at HK$54,990 million. Of this amount, Swire Properties' attributable interest was HK$48,607 million.

Hong Kong Retail Portfolio	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2015)	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 marginally, to HK$2,725 million, in 2015. This reflected positive rental reversions. The Group's malls were almost fully let throughout the year.

Retail sales decreased by 12% and 10% in 2015 at The Mall, Pacific Place and at Citygate Outlets respectively, reflecting reduced spending by tourists. Retail sales at Cityplaza were stable following completion of an enhancement project at the mall in 2014.

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 2015.

Retail Area by Tenants' Trades

(at 31st December 2015)

At 31st December 2015, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2015) together occupied approximately 26% of our total attributable retail area in Hong Kong.

The Mall, Pacific Place

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 provide a secure flow of shoppers for the Mall. There was a 12% decrease in retail sales at The Mall in 2015, reflecting reduced spending by tourists.

The Mall was almost fully let during the year, with the only void periods resulting from tenant changes. Beyorg, Cosmoparis, Kurt Geiger, Kokomi, 2/3 Dolci and Tea WG Salon & Boutique became tenants during the year.

Cityplaza

Cityplaza is one of the most popular regional shopping centres in Hong Kong and is the largest shopping centre on Hong Kong Island. It principally serves customers who live or work in the eastern part of Hong Kong Island. The adjacent hotel (EAST, Hong Kong) generates patronage from international businesses based at the Cityplaza and Taikoo Place offices and generally from overseas visitors.

Cityplaza was almost fully let in 2015. There were some changes in the tenant mix following the 2014 completion of an enhancement project. Eslite Spectrum and Massimo Dutti became tenants. Retail sales were stable in 2015.

Citygate Outlets

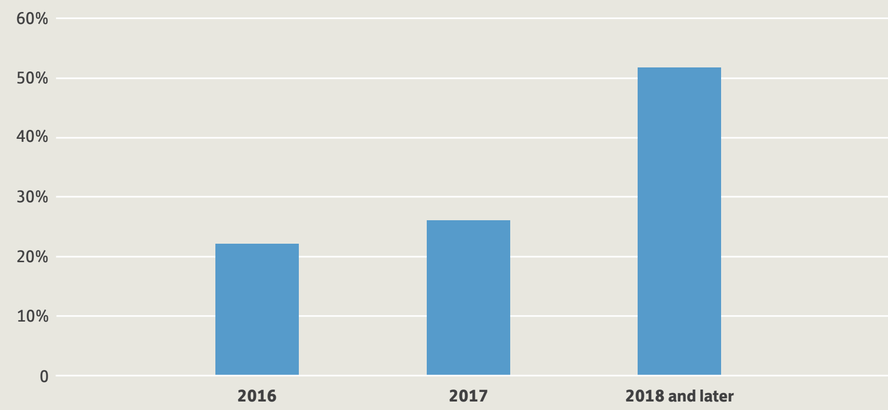
Sales at Citygate Outlets, which was almost fully let during the year, decreased by 10% in 2015, reflecting reduced spending by tourists. The centre is in a good location near tourist attractions and transport links. It continues to attract tourists, albeit fewer of them, and local shoppers. Demand from retailers for space remains relatively strong, reflecting the fact that it is a premium outlet mall.

Hong Kong Retail Market Outlook

Demand for retail space in Hong Kong is expected generally to weaken in 2016. But there is growth in demand for quality space from tenants engaged in successful businesses.

The chart on next page shows the percentage of the total rental income attributable to the Group from its retail properties in Hong Kong, for the month ended 31st December 2015, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 22.1% of rental income in the month of December 2015 are due to expire in 2016, with tenancies accounting for a further 26.1% of such rental income due to expire in 2017.

Retail Lease Expiry Profile
(at 31st December 2015)



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments at Taikoo Place and a small number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of approximately 546,467 square feet. Average occupancy at Pacific Place Apartments improved in 2015. Demand for fully furnished apartments at Pacific Place Apartments is expected to be stable in 2016.

Taikoo Place Apartments, comprising 111 serviced apartments in Quarry Bay, opened in August 2015. Occupancy built up gradually.

Investment Properties Under Development

Tung Chung Town Lot No. 11

This commercial site adjacent to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel GFA of approximately 477,700 square feet. Excavation and foundation works are proceeding. 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. Substructure and superstructure works are proceeding. The development is expected to be completed in 2017.

Taikoo Place Redevelopment

Somerset House in Taikoo Place is being redeveloped into a 50-storey office building with an aggregate GFA of approximately 1,020,000 square feet. Excavation and foundation works are proceeding. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building) is being planned. The redevelopment will include landscaped space aggregating approximately 69,000 square feet.

8-10 Wong Chuk Hang Road

This commercial site at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate GFA of approximately 382,500 square feet. Excavation and foundation works are proceeding. 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 13.0 million square feet of space (9.1 million square feet attributable to the Group), of which 9.5 million square feet are completed properties, with the remaining 3.5 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China grew by 14% to HK$2,463 million in 2015. At 31st December 2015, our investment property portfolio in Mainland China was valued at HK$59,104 million. Of this amount, Swire Properties' attributable interest was HK$41,808 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%
Sino-Ocean Taikoo Li Chengdu [2]	2,207,031	1,376,317	830,714	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	5,825	2,913	2,912	100%
Sub-total	**9,502,897**	**7,557,355**	**1,945,542**	
Under Development				
HKRI Taikoo Hui, Shanghai [3]	3,468,936	3,080,883	388,053	50%
Sub-total	**3,468,936**	**3,080,883**	**388,053**	
Total	**12,971,833**	**10,638,238**	**2,333,595**	

[1] Including the hotel and property trading portions of these projects.

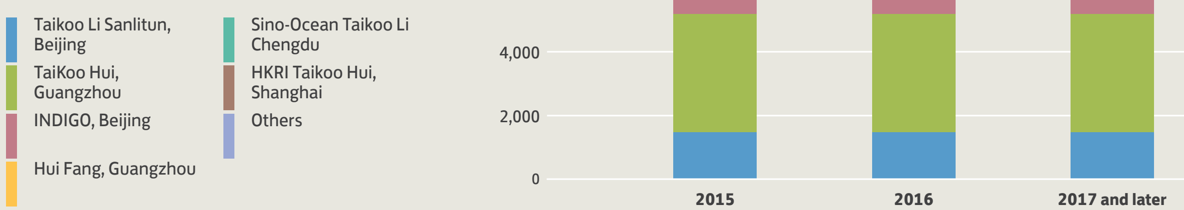
[2] The retail portion of Sino-Ocean Taikoo Li Chengdu officially opened in April 2015. The office portion of Sino-Ocean Taikoo Li Chengdu, Pinnacle One, was developed for trading purposes. The Temple House hotel (including 42 serviced apartments) opened in July 2015.

[3] HKRI Taikoo Hui (formerly known as 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 6% to HK$2,014 million in 2015, of which HK$1,641 million was from retail properties and HK$360 million was from office properties.

The chart below illustrates the actual and expected growth in attributable area of the completed property portfolio (excluding the property trading portion) in Mainland China.

Attributable Area of Completed Property Portfolio (excluding the property trading portion) in Mainland China



Taikoo Li Sanlitun

Beijing

Completed Investment Properties

Taikoo Li Sanlitun, Beijing

Situated in the Sanlitun area of the Chaoyang district of Beijing, Taikoo Li Sanlitun was our first retail development to be opened in Mainland China. It comprises two neighbouring retail sites, South and North. There are approximately 230 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, H&M, Starbucks, Uniqlo, Page One bookstore and a 1,597-seat Megabox cinema. COS, APM MONACO, Cath Kidston, Jo Malone, Juice and Kurt Geiger became tenants in 2015. Tenants in Taikoo Li Sanlitun North are principally international and local retailers of designer fashion and lifestyle brands including Alexander McQueen, Christian Louboutin, Givenchy, I.T. Beijing Market, Kenzo, Moncler and Miu Miu. Joseph, Sacai and Sandro Men became tenants in 2015.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2015. Retail sales grew by 3%. The overall occupancy rate was 94% at 31st December 2015.

Demand for retail space in Taikoo Li Sanlitun remains solid as it reinforces its position as a fashionable retail destination. This is expected to have positive impact on occupancy and rents.

Taikoo Li Sanlitun, Beijing	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2015)	Attributable Interest
Taikoo Li Sanlitun	1,296,308	94%	100%

Beijing Retail Market Outlook

Retail sales are expected to grow modestly in Beijing in 2016. Demand for luxury goods has weakened but demand for fashion and lifestyle brands and food and beverages is expected to remain solid.

TaiKoo Hui, Guangzhou

TaiKoo Hui is a large-scale retail-led mixed-use development in a prime location in the Tianhe district of Guangzhou. The development comprises a shopping mall, two Grade-A office towers, a cultural centre owned by a third party and a 287-room Mandarin Oriental hotel with serviced apartments.

Gross rental income grew satisfactorily in 2015. Retail sales increased by 16% in 2015. Tenants include Chanel, Hermes, I.T, Louis Vuitton, Uniqlo, Fangsuo bookstore and Ole Supermarket. Agent Provocateur, Jeeves, Jo Malone, Pandora and Venchi became tenants in 2015. At 31st December 2015, the occupancy rate of the shopping mall was 99%.

TaiKoo Hui, Guangzhou	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2015)	Attributable Interest
Retail	1,472,730	99%	97%
Office	1,731,766	100%	97%
Serviced apartments	51,517	79%	97%
Total	**3,256,013**		**97%**

At 31st December 2015, the occupancy rate of the office towers at TaiKoo Hui was 100%.

The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Its performance improved in 2015.

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 stable in 2016 despite a substantial supply of new office space.

Retail sales are expected to grow modestly in Guangzhou in 2016. Demand for retail space for occupation by outlets selling high quality brands and food and beverage outlets is strong.

INDIGO, Beijing

INDIGO is a retail-led mixed-use development in the Jiang Tai area 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 directly linked to the Beijing Metro Line 14 (an extension of which to the Beijing South Railway Station was opened at the end of 2015) and is near the airport expressway.

Occupancy at the shopping mall was 97% at 31st December 2015 and 94% of the shops were open. Retail sales increased by 30% in 2015. Tenants include H&M, Massimo Dutti, Muji, Page One bookstore, BHG supermarket and a seven-house, 1,000-seat CGV cinema. Aigle, Awfully Chocolate, Bobbi Brown, CK Performance, Pandora and Under Armour became tenants in 2015.

INDIGO, Beijing	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2015)	Attributable Interest
Retail	939,493	97%	50%
Office	595,464	92%	50%
Total	**1,534,957**		**50%**

INDIGO

Beijing

ONE INDIGO was 92% leased at 31st December 2015. Business at EAST, Beijing improved despite increasing competition.

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

Beijing Office Market Outlook

Office rents in Beijing are expected to weaken in 2016 as substantial amounts of new office space become available and demand falls.

Sino-Ocean Taikoo Li Chengdu

Sino-Ocean Taikoo Li Chengdu is in the Jinjiang district of Chengdu and is part of the Chunxi Road/Daci Temple shopping district. It is a large-scale retail-led development consisting of a retail complex, a boutique hotel (The Temple House) which has 100 guest rooms and 42 serviced apartments, and a Grade-A office tower (Pinnacle One). It is directly connected to the Chunxi Road metro station.

Sino-Ocean Taikoo Li Chengdu is our second Taikoo Li project in Mainland China. It officially opened in April 2015. adidas, Apple, Cartier, Gucci, Hermes, I.T/i.t, Muji, ZARA, Fangsuo bookstore, Ole Supermarket and a 1,720-seat Palace Cinema are tenants. At 31st December 2015, tenants had committed (including by way of letters of intent) to take 88% of the retail space and 83% of the total lettable retail space was open for business.

Sino-Ocean Taikoo Li Chengdu	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2015)	Attributable Interest
Retail	1,248,738	88%	50%
Serviced apartments	127,579	37%	50%
Total	**1,376,317**		**50%**

The Temple House (including its serviced apartments) opened in July 2015.

Sino-Ocean Taikoo Li Chengdu is a 50:50 joint venture with Sino-Ocean Land Holdings Limited.

Chengdu Retail Market Outlook

Retail sales are expected to grow steadily in Chengdu in 2016. Demand for retail space for occupation by outlets selling high quality brands and food and beverage outlets is stable. However, retailers of luxury brands are becoming more cautious in their selection of outlets.

HKRI Taikoo Hui

Shanghai

Investment Properties Under Development

HKRI Taikoo Hui, Shanghai

HKRI Taikoo Hui is a large-scale retail-led mixed-use development. It occupies a prime location on Nanjing West Road, one of Shanghai's major shopping and business thoroughfares, in the Jingan district of Puxi, Shanghai. It has excellent transport connections, being adjacent to the existing Nanjing West Road metro station (which serves three metro lines) and near the Yan'an Expressway. The project comprises a retail mall, two office towers and three hotels (which include serviced apartments) and is expected to become a landmark development in Shanghai.

Structural work has been substantially completed. Interior decoration and mechanical and electrical installation works for the two office towers and the shopping mall are proceeding. The development is expected to open in phases from 2016.

HKRI Taikoo Hui is a 50:50 joint venture with HKR International Limited.

Shanghai Market Outlook

There is limited new supply of office space in Puxi business district in the coming years. Demand for office space from domestic financial institutions and professional firms is robust. Slower Mainland China economic growth has made foreign corporations cautious about expansion.

Demand for luxury goods is weak. However, there is demand for quality space from retailers of new brands who want to enter the Shanghai market.

HKRI Taikoo Hui, Shanghai

	GFA (sq. ft.) (100% Basis)	Attributable Interest
Retail	1,096,905	50%
Office	1,836,543	50%
Hotels [1]	388,053	50%
Serviced apartments	147,435	50%
Total	**3,468,936**	**50%**

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

Rendering of Brickell City Centre

Brickell City Centre

Miami

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, two office buildings (Two Brickell City Centre and Three Brickell City Centre), EAST Miami hotel and serviced apartments (to be operated by EAST) and two residential towers (Reach and Rise). The residential towers are being developed for sale. A light rail system station within the site is being renovated as part of the development. Construction work on Phase I commenced in 2012, with completion expected during 2016.

Swire Properties has entered into agreements with Bal Harbour Shops and Simon Property Group to develop the retail component of Brickell City Centre. Swire Properties will remain the primary developer of the Brickell City Centre project.

At 31st December 2015, Swire Properties owned 100% of the office, hotel and residential portions and 61.5% of the retail portion of the Brickell City Centre project. The remaining interest in the retail portion was held by Simon Property Group (25%) and Bal Harbour Shops (13.5%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the retail component, to sell its interest to Swire Properties.

Phase II of the Brickell City Centre project is planned to be a mixed-use development comprising retail, office, hotel and residential space and including an 80-storey tower to be called One Brickell City Centre. Phase II will incorporate 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. Swire Properties owns 100% of Phase II.

Miami Market Outlook

Retail sales (especially of luxury goods) have recently declined slightly. This has made some retailers more cautious about expansion.

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

Brickell City Centre, Miami

	GFA (sq. ft.)[3] (100% Basis)	Attributable Interest
Phase I		
Retail	490,000	61.5%
Office	260,000	100%
Serviced apartments	109,000	100%
Hotel [1]	218,000	100%
Residential [2]	1,134,000	100%
Carpark, roof top and circulation areas	2,706,000	100%
Total Phase I	**4,917,000**	
Phase II		
Residential [2]	523,000[4]	100%
Future mixed-use tower	1,444,000[4]	100%
Total Phase I and Phase II	**6,884,000**	

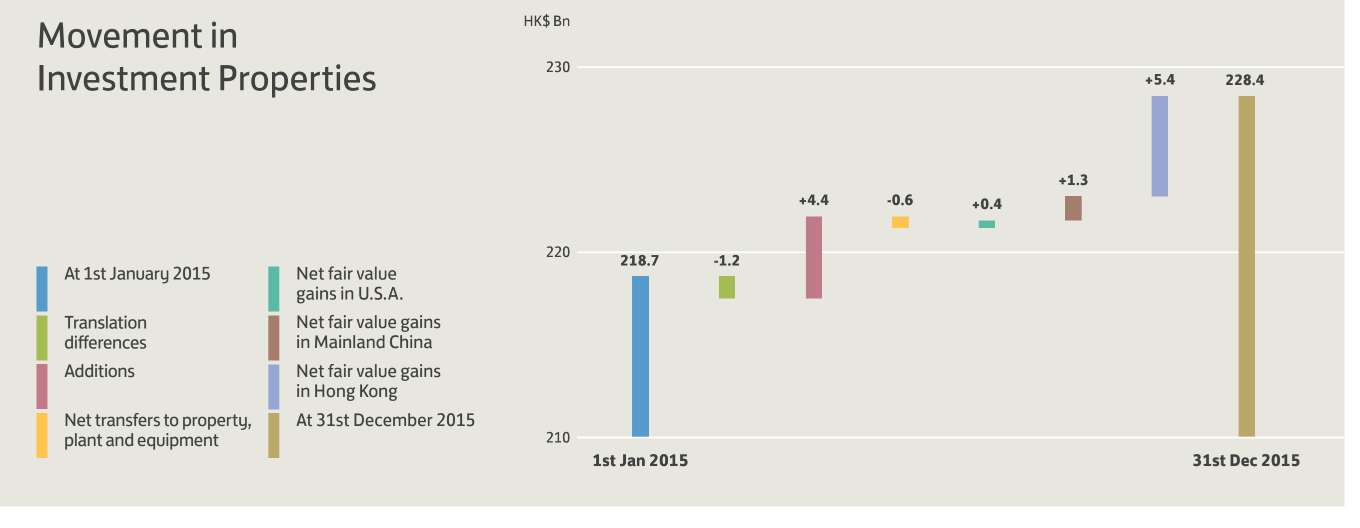
[1] The hotel is accounted for under property, plant and equipment in the financial statements.
[2] The residential portion of Brickell City Centre is being developed for trading purposes.
[3] Represents leasable/saleable area except for the carpark, roof top and circulation areas.
[4] These developments are still being planned. The GFA is under review.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2015 (93% by value were valued by DTZ Debenham Tie Leung, an independent valuer, and 96% by value in total were valued by independent valuers) on the basis of open market value. The amount of this valuation was HK$228,449 million, compared to HK$218,720 million at 31st December 2014.

The modest increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the offices in Hong Kong outside Central district.

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.



Property Trading

The trading portfolio comprises a luxury residential project under development (ALASSIO) on Hong Kong Island, two residential towers under development (Reach and Rise) at the Brickell City Centre development in Miami, U.S.A., the remaining portion of the office property (Pinnacle One) at Sino-Ocean Taikoo Li Chengdu in Mainland China and the remaining residential units at completed developments. The completed residential developments available for sale are the WHITESANDS, AREZZO and MOUNT PARKER RESIDENCES 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.

Property Trading Portfolio

	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
Completed [1]			
Hong Kong			
– 5 Star Street	408[2]	2010	100%
– AREZZO	22,704[2]	2015	100%
– WHITESANDS	62,957[2]	2015	100%
– MOUNT PARKER RESIDENCES	2,748[2]	2013	80%
Mainland China			
– Pinnacle One, Chengdu	602,504	2014	50%
U.S.A.			
– ASIA, Miami	5,359[2]	2008	100%
Under Development			
Hong Kong			
– ALASSIO (formerly known as 100 Caine Road)	195,533	2016	100%
U.S.A.			
– Reach, Brickell City Centre, Miami, Florida	567,000[2]	Early 2016	100%
– Rise, Brickell City Centre, Miami, Florida	567,000[2]	Early 2016	100%
Held for Development			
U.S.A.			
– Fort Lauderdale, Florida	825,000	N/A	75%
– South Brickell Key, Miami, Florida	550,000	N/A	100%
– Brickell City Centre, Miami, Florida – North Square site	523,000	N/A	100%

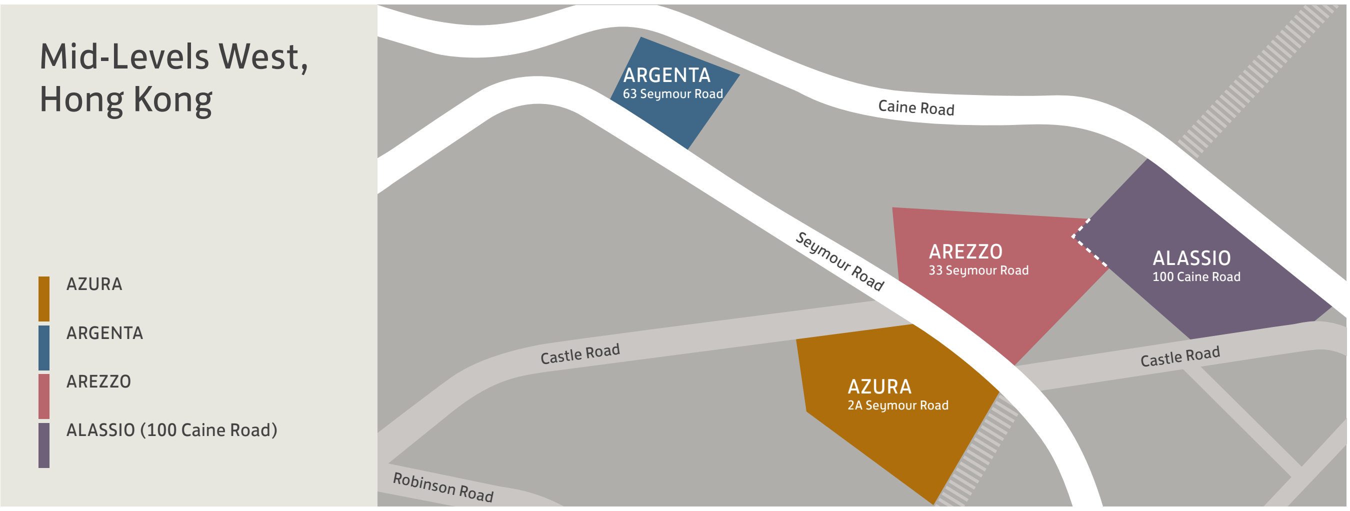
[1] Remaining unsold units/portion at 31st December 2015.

[2] Area shown reflects saleable area (square feet).

Hong Kong

Residential Developments in Mid-Levels West, Hong Kong

Swire Properties developed 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

All 126 units at the AZURA development, on Seymour Road, had been sold at 31st December 2015. The profit from the sales of four units was recognised in 2015. The property is managed by Swire Properties.

(b) ARGENTA, 63 Seymour Road

All 30 units at the ARGENTA development, on Seymour Road, had been sold at 31st December 2015. The profit from the sales of three units was recognised in 2015. The property is managed by Swire Properties.

(c) AREZZO, 33 Seymour Road

AREZZO, the residential development at 33 Seymour Road, was completed in January 2015. 112 of the 127 units had been sold at 8th March 2016. The profit from the sales of 112 units was recognised in 2015. The property is managed by Swire Properties.

(d) ALASSIO, 100 Caine 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 with an aggregate GFA of 195,533 square feet.

WHITESANDS

Hong Kong

DUNBAR PLACE, 23 Dunbar Road

All 53 units at DUNBAR PLACE, a residential development in Ho Man Tin, Kowloon, have been sold. The profit from the sale of the last unit was recognised in the first half of 2015. The property is managed by Swire Properties.

MOUNT PARKER RESIDENCES, 1 Sai Wan Terrace

91 of the 92 units at the MOUNT PARKER RESIDENCES development in Quarry Bay had been sold at 8th March 2016. The profit from the sales of nine units was recognised in 2015. The property is managed by Swire Properties.

WHITESANDS, 160 South Lantau Road

The development consists of 28 detached houses with an aggregate GFA of 64,410 square feet. The development was completed in September 2015 and is available for handover to purchasers. Sales of the houses commenced in September 2015. One house had been sold at 8th March 2016, with the profit recognised in 2015. The property is managed by Swire Properties.

Hong Kong Residential Market Outlook

In Hong Kong, buyers of property have become more cautious in the light of expected interest rate increases and general economic uncertainties. Some trading profits are expected to be recognised in 2016 from sales of the remaining units at the WHITESANDS, AREZZO and MOUNT PARKER RESIDENCES developments.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 car park spaces were presold in August 2013. In 2015, the profit from the sales of approximately 52% of the presold gross floor area was recognised. The sale of the remaining presold gross floor area and 350 car park spaces is being cancelled as part of the consideration has not been received according to schedule.

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 Reach and Rise, 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. In 2015, a total of 150 units were sold in Reach and Rise. 335 units in Reach and 160 units in Rise had been sold at 8th March 2016. The development is almost completed and will be available for handover to purchasers in the first half of 2016.

Since the ASIA development was completed in 2008, 122 out of the 123 units have been sold. One penthouse unit, which was not offered for sale in 2015, remains unsold.

Miami Residential Market Outlook

The residential property market in urban Miami has experienced a marked increase in supply since late 2014. In addition, the strengthening of the US dollar in 2015 has made Miami properties more expensive in local currency terms for buyers from outside the United States. Sales momentum has slowed.

Profits from property trading in Miami are expected to be recognised in 2016 upon handover of the presold units and on further sales of units at the Reach and Rise developments in Miami.

Estate Management

Swire Properties manages 20 residential estates which it has developed. It also manages OPUS, a residential property in Hong Kong which Swire Properties redeveloped for Swire Pacific. The management services include day to day assistance for occupants, management, maintenance, cleaning, security and renovation of common areas and facilities. Swire Properties places great emphasis on maintaining good relationships with occupants.

Hotels

Managed Hotels and Restaurants

Overview

Swire Hotels owns and manages hotels in Hong Kong, Mainland China and the U.S.A. The House Collective, comprising The Upper House in Hong Kong, The Opposite House in Beijing and The Temple House in Chengdu, is a group of small and distinctive hotels. EAST hotels are business hotels.

In 2015, trading conditions in Hong Kong were difficult because of a reduction in the number of visitors to Hong Kong. Our hotels in Mainland China were adversely affected by the economic slowdown and increased competition.

In December 2015, Swire Properties disposed of its four hotels in the U.K.

There are three hotels under development, EAST, Miami and two hotels (including serviced apartments) at HKRI Taikoo Hui in Shanghai. EAST, Miami is part of Phase I of the Brickell City Centre development and is expected to open in 2016.

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, Beijing	99	100%
– EAST, Beijing	369	50%
– The Temple House, Chengdu [2]	142	50%
Under Development		
Mainland China		
– Hotels at HKRI Taikoo Hui, Shanghai [2]	213	50%
U.S.A.		
– EAST, Miami [2]	352	100%
Total	**2,138**	

[1] Headland Hotel is owned by Airline Hotel Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.

[2] Including serviced apartments.

The Temple House

Chengdu

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room was stable in 2015. During the year, the hotel received the Conde Nast Traveler Reader's Choice Award – Top 40 Hotels in China and the USA Today – 10 Best Boutique Hotels in the World award and was ranked No.19 in the TripAdvisor 2015 Travellers' Choice Awards. The hotel's Café Gray Deluxe received the SCMP 100 Top Tables Award, the Hong Kong Tatler Best Restaurant Guide – Best Bar award and was mentioned by Hotels Magazine in the 2015 Great Hotel Restaurants awards.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel in Taikoo Shing, revenue per available room decreased in 2015, reflecting the reduced number of visitors to Hong Kong. During the year, the hotel received a Hong Kong's Top 10 Business Hotels award from The Art of Business Travel Asia Pacific, a Top Boutique Hotels In HK award from Little Steps Asia and a Certificate of Excellence award from TripAdvisor for its Sugar bar.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Its revenue per available room in 2015 was adversely affected by weak demand and increased competition. During the year, the hotel received a Gold List award from Condé Nast Traveler. The hotel's Jing Yaa Tang restaurant received a Merit Award – Best Chinese Hotel Dining and a Readers' Choice – Chef of the Year award from Time Out Beijing (English). Its Sureno restaurant received an Outstanding for Romantic Dinner award from the Beijinger. Its Mesh bar obtained an Outstanding for Business Networking award from The Beijinger.

EAST, Beijing

EAST, Beijing is a 369-room business hotel at the INDIGO development in Beijing, in which Swire Properties holds a 50% interest. Revenue per available room grew and occupancy improved in 2015. During the year, the hotel's Xian bar received Best Hotel Bar and Best Live Music Venue awards from the Best of Beijing Awards.

The Temple House

The Temple House consists of 100 hotel rooms and 42 serviced apartments, the latter known as The Temple House Residences. It opened in July 2015 and is part of the Sino-Ocean Taikoo Li Chengdu project in which Swire Properties holds a 50% interest. It is building up occupancy levels.

Mr & Mrs Fox

Hong Kong

EAST, Miami

EAST, Miami is under development as part of Phase I of the Brickell City Centre development. It is expected to open in the first half of 2016.

Swire Restaurants

Swire Hotels owns and manages restaurants in Hong Kong. Plat du Jour is a French bistro in Quarry Bay. PUBLIC is a restaurant at One Island East. Ground PUBLICs are cafés at One Island East and in North Point. The Continental is a European restaurant at Pacific Place. Mr & Mrs Fox is a restaurant with an international menu in Quarry Bay. A second Plat du Jour opened at Pacific Place in February 2016.

Non-managed Hotels

Overview

Swire Properties has ownership interests in (but does not manage) hotels with 2,934 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%
Mainland China		
– Mandarin Oriental, Guangzhou [1]	287	97%
U.S.A.		
– Mandarin Oriental, Miami	326	75%
Under Development		
Mainland China		
– Hotel at HKRI Taikoo Hui, Shanghai	201	50%
Total	**2,934**	

[1] Including serviced apartments.

The performance of the non-managed hotels in Hong Kong was adversely affected by the reduced number of visitors to Hong Kong in 2015. The performance of the Mandarin Oriental, Miami in the U.S.A. improved substantially in 2015 due to higher occupancy and better food and beverage results. The Mandarin Oriental, Guangzhou, which opened in January 2013, has established itself as a leading luxury hotel in Guangzhou. Its performance improved in 2015 despite an over-supply of hotel rooms in Guangzhou.

Hotels Market Outlook

Trading conditions for our hotels in Hong Kong and in Mainland China are expected to be challenging in 2016. The hotel market in Miami is expected to remain strong despite an increase in the supply of hotel rooms in 2016.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in 2015 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$2,731 million (2014: HK$4,657 million). Outstanding capital commitments at 31st December 2015 were HK$16,029 million (2014: HK$17,497 million), including the Group's share of the capital commitments of joint venture companies of HK$1,363 million (2014: HK$1,418 million). The Group is committed to funding HK$689 million (2014: HK$1,017 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2015 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$1,497 million (2014: HK$2,272 million). Outstanding capital commitments at 31st December 2015 were HK$2,520 million (2014: HK$4,646 million), including the Group's share of the capital commitments of joint venture companies of HK$1,885 million (2014: HK$4,051 million). The Group is committed to funding HK$501 million (2014: HK$1,617 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2015 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK$2,372 million (2014: HK$2,051 million). Outstanding capital commitments at 31st December 2015 were HK$1,249 million (2014: HK$1,997 million).

Profile of Capital Commitments for Investment Properties and Hotels

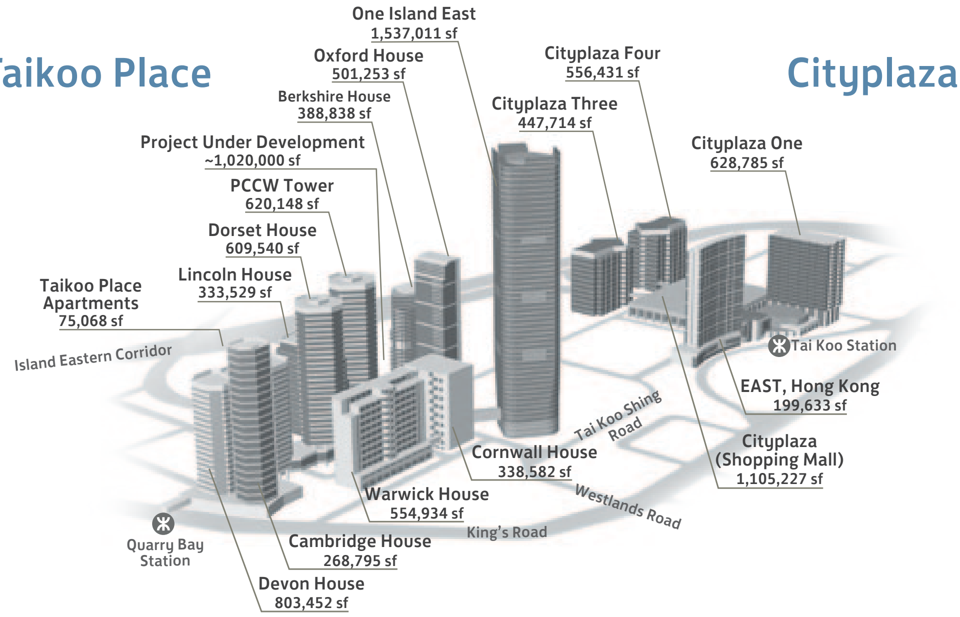
	Expenditure	Forecast Year of Expenditure				Commitments*
	2015 HK$M	2016 HK$M	2017 HK$M	2018 HK$M	2019 & later HK$M	**At 31st December 2015 HK$M**
Hong Kong	**2,731**	4,436	3,477	2,530	5,586	**16,029**
Mainland China	**1,497**	1,416	633	461	10	**2,520**
U.S.A. and elsewhere	**2,372**	828	162	156	103	**1,249**
Total	**6,600**	6,680	4,272	3,147	5,699	**19,798**

* The capital commitments represent the Group's capital commitments of HK$16,550 million plus the Group's share of the capital commitments of joint venture companies of HK$3,248 million. The Group is committed to funding HK$1,190 million of the capital commitments of joint venture companies.

Hong Kong

Taikoo Place

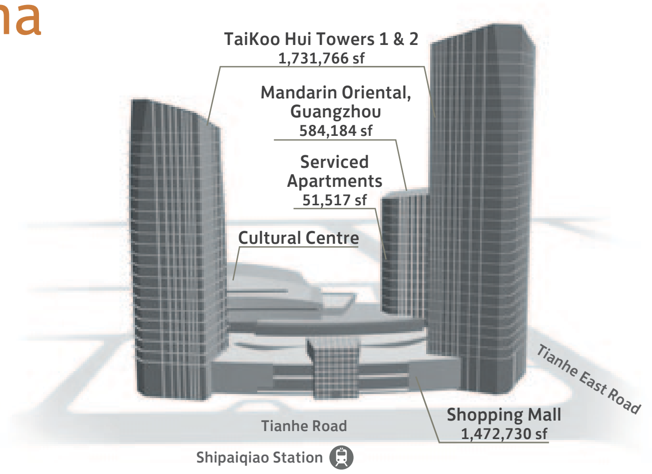
Cityplaza



Mainland China

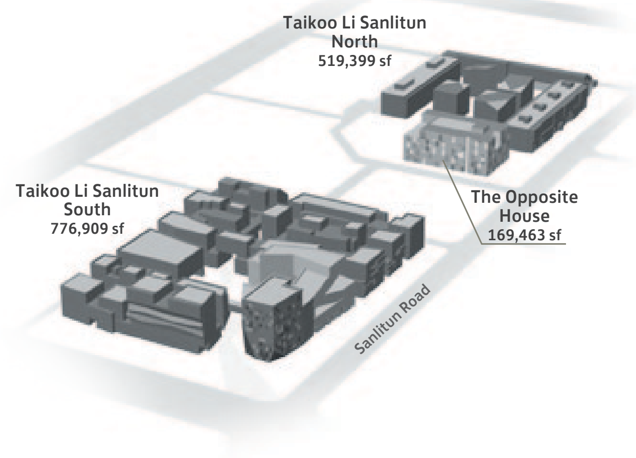
TaiKoo Hui

Guangzhou



Taikoo Li Sanlitun

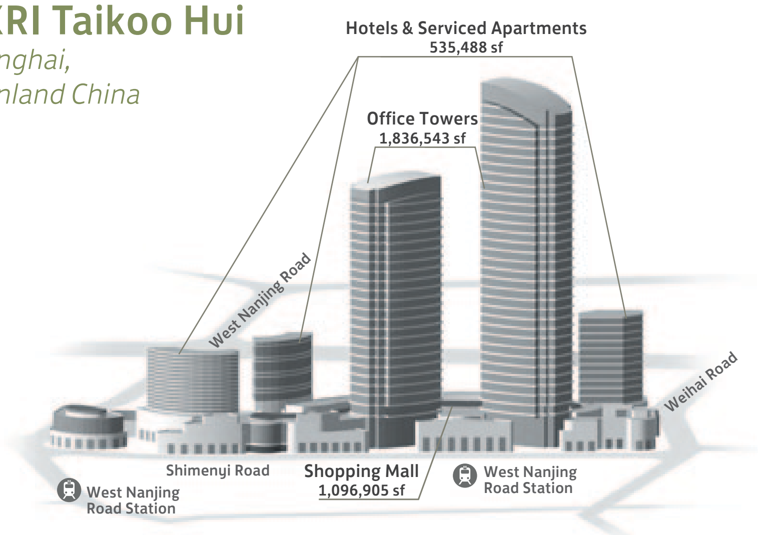
Beijing



Projects Under Development

HKRI Taikoo Hui

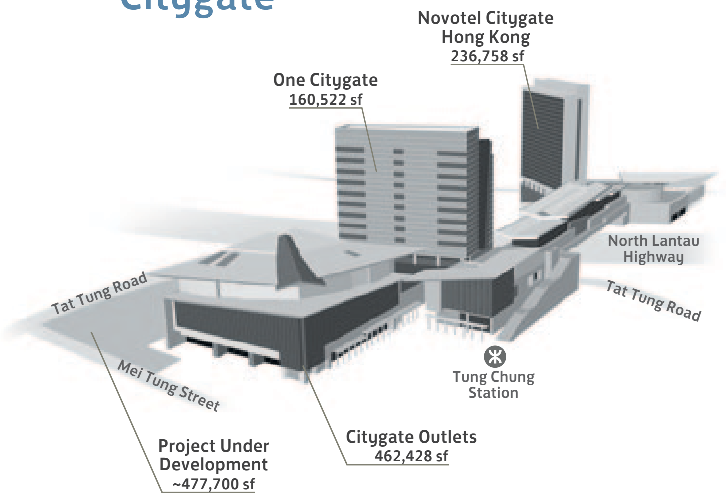
Shanghai,
Mainland China



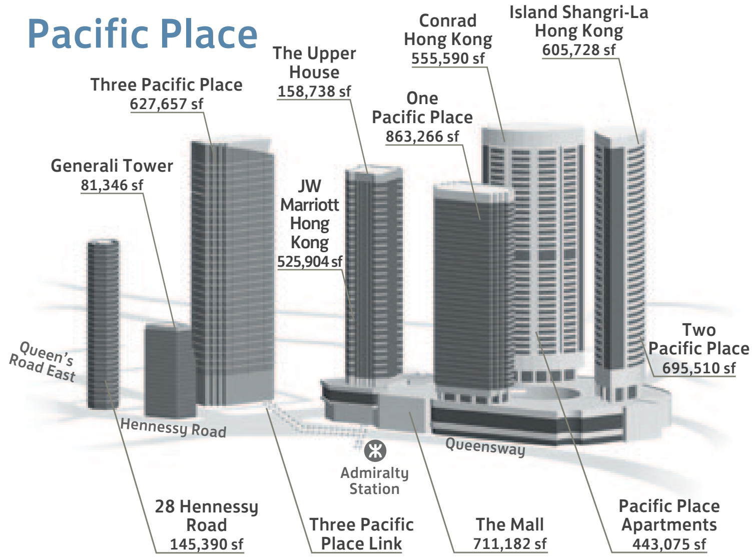
Note:
These diagrams are not to scale and are for illustration purpose only.

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 156 to 166.

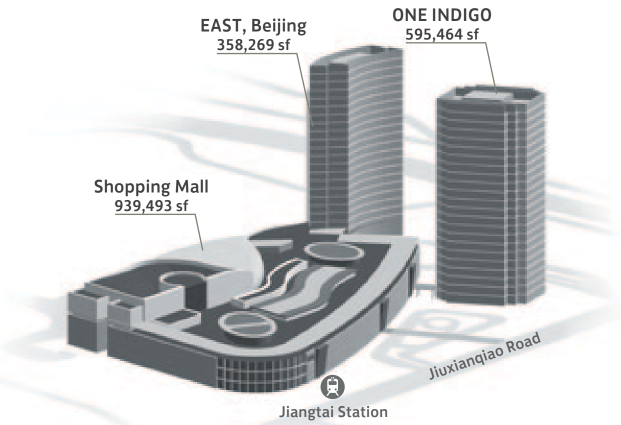
Citygate



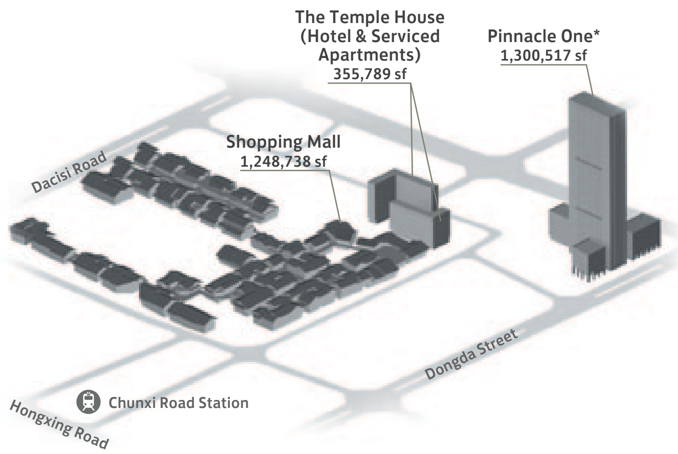
Pacific Place



INDIGO
Beijing

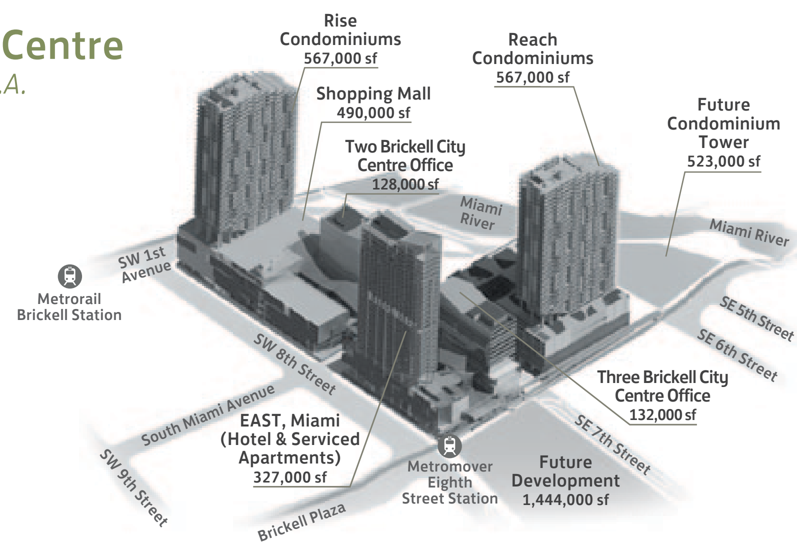


Sino-Ocean Taikoo Li Chengdu
Chengdu



*Pinnacle One is developed for trading purpose.
Part of the tower was handed over to buyers in 2015.

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



Financial Review

References are to "Notes to the Financial Statements" on pages 95 to 149.

Consolidated Statement of Profit or Loss

	2015 HK$M	2014 HK$M	Reference
Revenue The increase in revenue of HK$1,060 million compared to 2014 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$621 million from 2014. In 2015, 112 AREZZO units, nine MOUNT PARKER RESIDENCES units, four AZURA units, three ARGENTA units and one WHITESANDS unit were sold. In 2014, 82 MOUNT PARKER RESIDENCES units, 15 ARGENTA units and three AZURA units were sold. Rental income from investment properties increased by HK$396 million. In Hong Kong, gross rental income increased by HK$277 million, mainly reflecting positive rental reversions from the office portfolio at Taikoo Place and Cityplaza and improved occupancy. In Mainland China, gross rental income increased by HK$117 million, reflecting positive rental reversions and higher occupancy. Revenue from hotels increased by HK$38 million, principally reflecting higher revenue from the restaurant business in Hong Kong, partially offset by lower revenue from the managed hotels.	**16,447**	15,387	Note 4
Gross Profit Gross profit increased by HK$455 million. Gross profit from property trading increased by HK$327 million, due to the completion of sales of the majority of the units at the AREZZO development in Hong Kong. Gross profit from investment properties in Hong Kong and Mainland China increased by HK$222 million, reflecting higher gross rental income. The gross profit margin from investment properties decreased marginally to 81.7%. Gross profit from owned and managed hotels declined by HK$90 million, due mainly to pre-operating costs at EAST, Miami and initial losses from new restaurant operations in Hong Kong.	**10,666**	10,211	

Consolidated Statement of Profit or Loss *(continued)*

	2015 HK$M	2014 HK$M	Reference
Operating Profit The increase in operating profit of HK$5,215 million was principally due to higher net revaluation gains on investment properties and higher gross profit from residential sales and from investment properties. A net revaluation gain on investment properties of HK$7,116 million was recorded in 2015, HK$5,160 million more than in 2014. Investment properties in Hong Kong recorded a net revaluation gain of HK$5,458 million, principally due to higher rents at Taikoo Place and Cityplaza. Investment properties in Mainland China recorded a revaluation gain of HK$1,320 million, principally due to higher rents at TaiKoo Hui and Taikoo Li Sanlitun. Investment properties at Brickell City Centre in Miami, U.S.A. recorded a revaluation gain of HK$430 million. Administrative and selling expenses increased by HK$156 million compared to 2014, principally due to the inclusion of selling and marketing expenses on trading properties and general cost inflation. Other net losses increased by HK$250 million compared to 2014, mainly due to the loss of HK$229 million on disposal of four hotels in the U.K.	**16,207**	10,992	Notes 6 and 8(a)
Net Finance Charges The decrease of HK$32 million was principally due to a reduction in net finance charges of HK$157 million in Mainland China (reflecting a reduction in the amount and cost of borrowings in Mainland China), partly offset by an increase in net finance charges of HK$135 million in Hong Kong. The increase in Hong Kong was mainly due to interest on loans which funded development projects no longer being capitalised upon completion of the projects.	**1,195**	1,227	Note 10
Share of Profits Less Losses of Joint Venture Companies The decrease of HK$344 million principally reflected that profits from the sales of units at the DUNBAR PLACE joint venture development in Hong Kong were HK$234 million less in 2015 than in 2014 and a lower net revaluation gains on investment properties held by joint venture companies in Hong Kong and Mainland China.	**1,100**	1,444	Note 8(a)
Taxation The increase in taxation of HK$411 million was due to higher operating profit, after excluding non-assessable income (principally revaluation gains on Hong Kong investment properties).	**2,057**	1,646	Note 11
Profit Attributable to the Company's Shareholders The increase of HK$4,556 million reflected higher net revaluation gains from investment properties, higher profits from property trading and property investments, partially offset by a lower share of profits from joint venture companies and a loss on disposal of four hotels in the U.K.	**14,072**	9,516	Note 8(a)

Consolidated Statement of Financial Position

	2015 HK$M	2014 HK$M	Reference
Property, Plant and Equipment The increase in property, plant and equipment of HK$349 million was principally due to capital expenditure on EAST, Miami at the Brickell City Centre development and on new restaurants in Hong Kong and the transfer of certain investment properties to owner-occupied space in Hong Kong, partially offset by the disposal of four hotels in the U.K.	**8,052**	7,703	Note 15
Investment Properties The increase in investment properties of HK$9,685 million was principally due to a revaluation gain of HK$7,116 million and additions during the year to existing properties of HK$4,492 million (principally at the Brickell City Centre development, at the Taikoo Place office redevelopment and at the Kowloon Bay development), partially offset by a foreign exchange translation loss of HK$1,238 million, principally on investment properties in Mainland China.	**228,640**	218,955	Note 16
Properties Held for Development The increase of HK$22 million principally reflected the costs incurred in relation to the redevelopment of Phase II of the Brickell City Centre development in the U.S.A.	**942**	920	Note 18
Investment in Joint Venture Companies The increase of HK$1,185 million principally reflected funding advanced for the purpose of the Sino-Ocean Taikoo Li Chengdu development in Mainland China and our share of profits of joint venture companies (including revaluation gains), partially offset by our share of foreign exchange translation losses arising from joint venture companies in Mainland China.	**19,392**	18,207	Note 19
Properties Under Development and For Sale The decrease of HK$364 million reflected the sales of residential units at the AREZZO, MOUNT PARKER RESIDENCES, ARGENTA and AZURA developments in Hong Kong, partially offset by development expenditure on the WHITESANDS and ALASSIO developments in Hong Kong and on the Reach and Rise developments at Brickell City Centre in the U.S.A.	**7,615**	7,979	Note 23
Trade and Other Payables (including non-current portion) The increase of HK$1,308 million principally reflected a HK$674 million increase in accrued capital expenditure, net increases in deposits from presales of residential units in the U.S.A. and Hong Kong and increases in rental deposits from tenants.	**9,452**	8,144	Note 28
Long-Term Loans and Bonds (including the component due within one year) The increase of HK$2,543 million was due to the issue of HK$1,740 million medium term notes and the drawdown of additional bank loans to repay expired loan facilities from Swire Finance Limited and to fund capital and development expenditure in Hong Kong and the U.S.A., partly offset by prepayment of bank loans in Mainland China.	**24,982**	22,439	Note 29
Loans Due to a Fellow Subsidiary Company – Swire Finance Limited The decrease of HK$1,795 million reflected repayments of amounts due to Swire Finance Limited on expiry of loan facilities.	**12,160**	13,955	Note 30

Consolidated Statement of Financial Position *(continued)*

	2015 HK$M	2014 HK$M	Reference
Deferred Tax Liabilities The increase of HK$682 million principally reflected deferred tax on depreciation allowances relating to investment properties and on revaluation gains on investment properties in Mainland China.	**6,787**	6,105	Note 32
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$12,460 million), as reduced by dividends paid to the Company's shareholders.	**216,247**	207,691	Notes 34 and 35
Non-Controlling Interests The increase in non-controlling interests of HK$846 million reflected capital contributions of HK$767 million from a new non-controlling interest (Simon Property Group) at the Brickell City Centre development during the year plus profits earned by companies in which there are non-controlling interests, partially offset by dividends paid to the owners of non-controlling interests.	**1,702**	856	Note 37

Consolidated Statement of Cash Flows

	2015 HK$M	2014 HK$M	Reference
Cash Generated from Operations Cash generated from operations of HK$10,616 million principally comprised cash inflows from investment properties of approximately HK$9,079 million in Hong Kong and Mainland China and from property trading of approximately HK$5,098 million, partially offset by expenditure on properties under development and for sale of approximately HK$2,649 million and operating expenses of approximately HK$862 million.	**10,616**	10,724	Note 42(a)
Profits Tax Paid The increase principally reflected the tax paid on the assessable profits arising from the MOUNT PARKER RESIDENCES and ARGENTA developments.	**1,267**	760	
Dividends Received from Joint Venture and Associated Companies The decrease of HK$551 million principally reflected lower dividends received from a property trading joint venture company and an investment property holding joint venture company.	**235**	786	
Purchase of Property, Plant and Equipment The amount of HK$558 million in 2015 principally reflected capital expenditure on EAST, Miami at the Brickell City Centre development in the U.S.A. and on new restaurants in Hong Kong.	**558**	615	Note 42(b)
Additions to Investment Properties The amount of HK$3,616 million in 2015 principally reflected capital expenditure on the Brickell City Centre development in the U.S.A., and on the Kowloon Bay development and the Taikoo Place office redevelopment in Hong Kong.	**3,616**	4,336	

Consolidated Statement of Cash Flows *(continued)*

	2015 HK$M	2014 HK$M	Reference
Loans (Net of Repayment) to Joint Venture Companies The amount of HK$669 million in 2015 principally reflected the advance of funding for the purposes of the Sino-Ocean Taikoo Li Chengdu development in Mainland China.	**669**	1,399	
Loans Drawn and Refinancing (Net of Repayment) The amount of HK$2,784 million in 2015 principally reflected the issue of HK$1,740 million medium-term notes and additional bank borrowings in Hong Kong and the U.S.A., partially offset by repayment of bank loans in Mainland China. Refer to Financing section on pages 47 to 55 for further details.	**2,784**	1,930	
(Decrease)/Increase in Loans Due to a Fellow Subsidiary Company – Swire Finance Limited The decrease of HK$1,800 million reflected the repayment of amounts due to Swire Finance Limited on expiry of loan facilities.	**(1,800)**	600	

Investment Appraisal and Performance Review

	Net Assets Employed		Capital Commitments [1]	
	2015 HK$M	2014 HK$M	**2015 HK$M**	2014 HK$M
Property investment	**235,917**	226,607	**19,564**	23,659
Property trading	**7,452**	8,210	**–**	–
Hotels	**7,928**	7,801	**234**	481
Total net assets employed	**251,297**	242,618	**19,798**	24,140
Less: net debt	**(33,348)**	(34,071)		
Less: non-controlling interests	**(1,702)**	(856)		
Equity attributable to the Company's shareholders	**216,247**	207,691		

	Equity Attributable to the Company's Shareholders [2]		Return on Average Equity Attributable to the Company's Shareholders [2]	
	2015 HK$M	2014 HK$M	**2015**	2014
Property investment	**206,211**	197,743	**6.6%**	4.4%
Property trading	**2,912**	2,542	**39.9%**	29.3%
Hotels	**7,124**	7,406	**-4.2%**	0.4%
Total	**216,247**	207,691	**6.6%**	4.6%

(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 167 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 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 three 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 51 to 53. The underlying borrowings are in the form of 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 approximately HK$7,726 million. This comprised:

- three five-year term and revolving loan facilities aggregating HK$3,500 million
- medium-term notes of HK$1,740 million
- an increase of US$250 million in a revolving loan facility
- a revolving loan facility of SGD100 million

During the year, the Group repaid the drawn portions of expired HK$2,500 million revolving loan facilities under the Loan Agreements and prepaid approximately RMB950 million under term loan facilities.

In January 2016, the Group issued medium-term notes of US$500 million.

Audited Financial Information	**2015 HK$M**	2014 HK$M
Bank loans, bonds and loans from Swire Finance		
At 1st January	**36,945**	34,535
Loans drawn and refinancing	**3,689**	10,004
Bonds issued	**1,740**	600
Repayment of bank loans	**(2,645)**	(8,674)
(Decrease)/Increase in loans due to Swire Finance	**(1,800)**	600
Other non-cash movements	**(195)**	(120)
At 31st December	**37,734**	36,945

Net Borrowings

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings as at 31st December 2015 and 2014 were as follows:

Audited Financial Information	**2015 HK$M**	2014 HK$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	**12,144**	11,482
Bonds – unsecured	**10,828**	9,106
Borrowings from Swire Finance – unsecured	**7,502**	12,156
Borrowings included in current liabilities		
Bank borrowings – unsecured	**2,602**	2,402
Borrowings from Swire Finance – unsecured	**4,658**	1,799
Total borrowings	**37,734**	36,945
Less: short-term deposits and bank balances	**4,386**	2,874
Net borrowings	**33,348**	34,071

Sources of Finance

At 31st December 2015, committed loan facilities and debt securities amounted to HK$45,106 million, of which HK$7,807 million (17.3%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$1,553 million. Sources of funds at 31st December 2015 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	9,260	2,453	750	6,057
Term loans	12,791	11,791	–	1,000
Bonds	10,891	10,891	–	–
Facilities from Swire Finance				
Bonds	9,835	9,835	–	–
Perpetual capital securities	2,329	2,329	–	–
Total committed facilities	45,106	37,299	750	7,057
Uncommitted facilities				
Bank loans and overdrafts	2,145	592	1,553	–
Total	47,251	37,891	2,303	7,057

Note:
The figures above are stated before unamortised loan fees of HK$157 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:

	2015			2014		
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	592	–	592	551	–	551
Long-term loans and bonds at amortised cost						
– unsecured	37,299	(157)	37,142	36,537	(143)	36,394
Less: amount due within one year included under current liabilities	6,673	(5)	6,668	3,655	(5)	3,650
	30,626	(152)	30,474	32,882	(138)	32,744

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 2015, the fair value of the perpetual capital securities was HK$2,575 million (2014: HK$2,466 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$4,386 million at 31st December 2015, compared to HK$2,874 million at 31st December 2014.

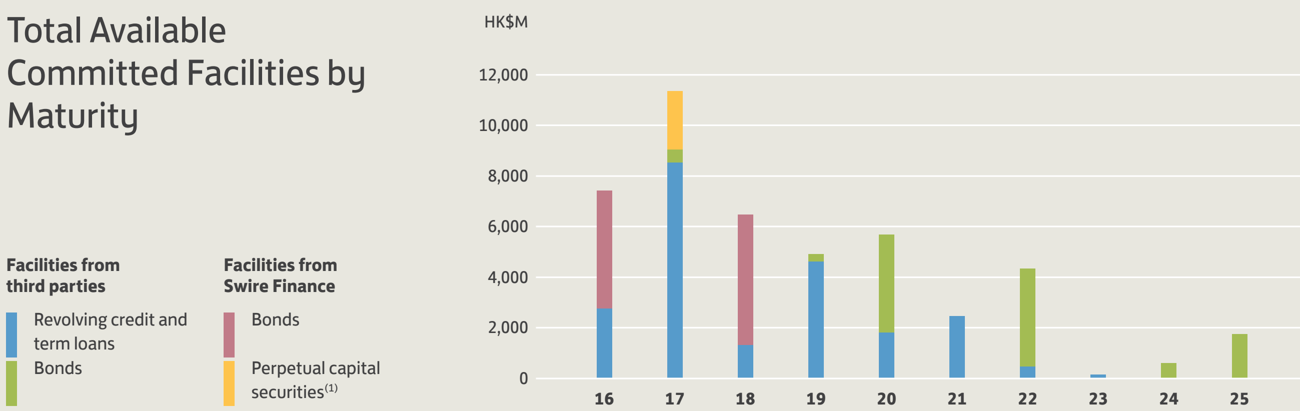
Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2025 (2014: up to 2024). The weighted average term and cost of the Group's debt are:

	2015	2014
Weighted average term of debt	**3.1 years**	3.4 years
Weighted average term of debt (excluding perpetuals)	**3.2 years**	3.5 years
Weighted average cost of debt	**4.3%**	4.4%
Weighted average cost of debt (excluding perpetuals)	**4.0%**	4.1%

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

Total Available Committed Facilities by Maturity



(1) 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:

	2015		2014	
Audited Financial Information	**HK$M**		HK$M	
Bank and other borrowings due				
Within 1 year	**2,602**	**7%**	2,402	6%
1-2 years	**8,009**	**21%**	2,038	5%
2-5 years	**7,783**	**21%**	7,966	22%
After 5 years	**7,180**	**19%**	10,584	29%
Borrowings from Swire Finance due				
Within 1 year	**4,658**	**12%**	1,799	5%
1-2 years	**2,329**	**6%**	4,655	13%
2-5 years	**5,173**	**14%**	7,501	20%
Total	**37,734**	**100%**	36,945	100%
Less: Amount due within one year included under current liabilities	**7,260**		4,201	
Amount due after one year included under non-current liabilities	**30,474**		32,744	

Currency Profile

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

	2015		2014	
Audited Financial Information	**HK$M**		HK$M	
Currency				
Hong Kong dollar	**26,718**	**71%**	26,728	72%
United States dollar	**6,917**	**18%**	4,966	14%
Renminbi	**3,858**	**10%**	5,242	14%
Singapore dollar	**241**	**1%**	9	–
Total	**37,734**	**100%**	36,945	100%

Finance Charges

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

	2015		2014	
Audited Financial Information	**HK$M**		HK$M	
Fixed	**23,055**	**61%**	21,320	57%
Floating	**14,836**	**39%**	15,768	43%
Sub-total	**37,891**	**100%**	37,088	100%
Less: Unamortised loan fee	**157**		143	
Total	**37,734**		36,945	

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

		Fixed Interest Rates Maturing in:			
Audited Financial Information	**Floating Interest Rates HK$M**	**1 year or Less HK$M**	**1 to 5 Years HK$M**	**Over 5 Years HK$M**	**Total HK$M**
At 31st December 2015	**14,745**	**4,658**	**12,156**	**6,175**	**37,734**
At 31st December 2014	15,683	–	12,953	8,309	36,945

Interest charged and earned during the year was as follows:

Audited Financial Information	**2015 HK$M**	2014 HK$M
Interest charged on:		
Bank loans and overdrafts	**(441)**	(525)
Bonds	**(337)**	(302)
Loans from fellow subsidiary companies	**(699)**	(715)
Loans from joint venture and related companies	**(8)**	(14)
Fair value loss on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	**(2)**	(1)
Other financing costs	**(148)**	(152)
Loss on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	**(16)**	(28)
Capitalised on:		
Investment properties	**199**	185
Properties under development and for sale	**150**	221
Hotels	**11**	7
	(1,291)	(1,324)
Interest income on:		
Short-term deposits and bank balances	**28**	29
Loans to joint venture companies	**67**	42
Others	**1**	26
	96	97
Net finance charges	**(1,195)**	(1,227)

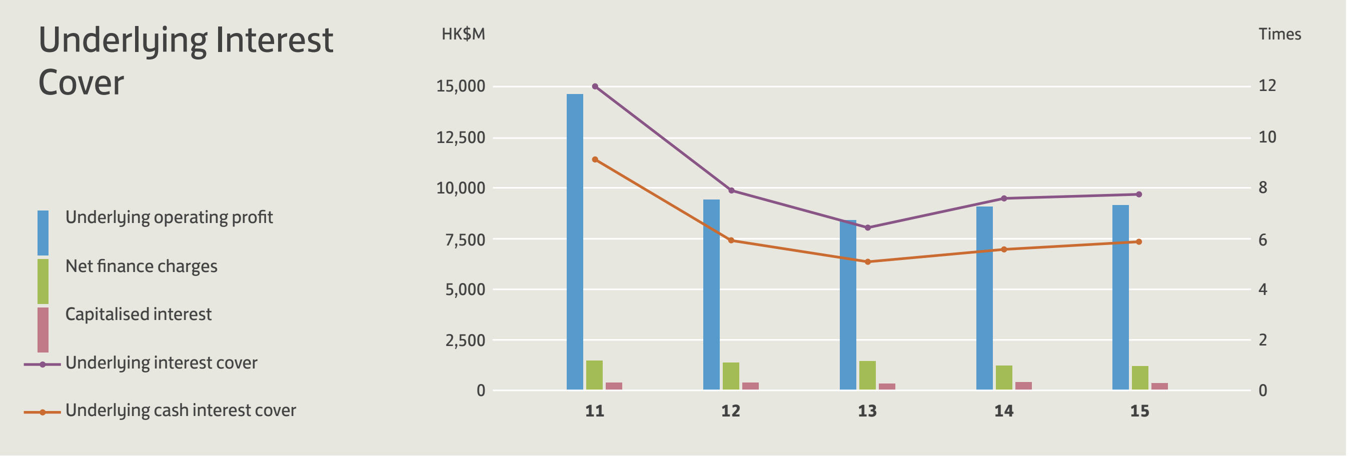
The capitalised interest rates on funds both borrowed generally and used for the development of investment properties, hotels and properties under development and for sale were between 1.43% and 4.17% per annum (2014: 1.44% and 4.08% per annum).

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

	2015				2014			
Audited Financial Information	**HK$ %**	**US$ %**	**RMB %**	**SGD %**	HK$ %	US$ %	RMB %	SGD %
Bank overdrafts and short-term loans	**–**	**–**	**3.83**	**1.79**	–	–	5.04	1.21
Long-term loans and bonds	**1.00-5.35**	**1.68-2.12**	**4.66-5.23**	**1.64**	0.77-5.35	1.44-1.87	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:



	2015	2014
Gearing Ratio*	**15.3%**	16.3%
Interest cover – times*		
Per financial statements	**13.6**	9.0
Underlying	**7.8**	7.6
Cash interest cover – times*		
Per financial statements	**10.4**	6.7
Underlying	**5.9**	5.6

* Refer to Glossary on page 167 for definitions.

Capital Management

Audited Financial Information

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

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings 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 2015 and 31st December 2014 were as follows:

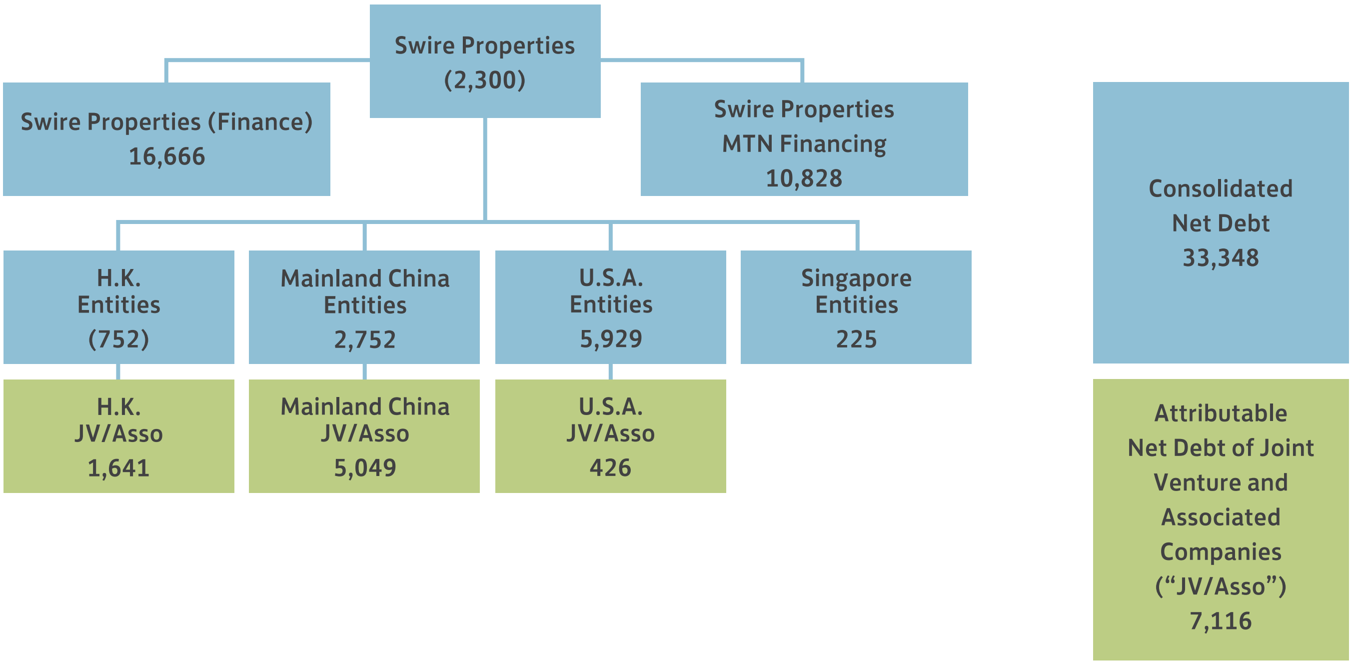
	2015 HK$M	2014 HK$M
Total borrowings	**37,734**	36,945
Less: Short-term deposits and bank balances	**4,386**	2,874
Net debt	**33,348**	34,071
Total equity	**217,949**	208,547
Gearing ratio	**15.3%**	16.3%

The decrease in the gearing ratio during 2015 principally reflected the receipt of sales proceeds from trading properties in Hong Kong and in Miami, partially offset by expenditure on investment and trading properties in Hong Kong and on the Brickell City Centre development 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 expect 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 2015 and 2014:

	Net Debt of Joint Venture and Associated Companies		**Portion of Net Debt Attributable to the Group**		**Debt Guaranteed by the Group**	
	2015 HK$M	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M
Hong Kong Entities	**2,987**	3,367	**1,641**	1,714	**975**	975
Mainland China Entities	**10,098**	7,363	**5,049**	3,682	**1,803**	–
U.S.A. Entities	**568**	597	**426**	448	**493**	502
	13,653	11,327	**7,116**	5,844	**3,271**	1,477

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 18.6%.

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 the Group's risk management and internal control systems
- ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see pages 65 to 66) and the Remuneration Committee (see pages 62 to 63).

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

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

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

Board Composition

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

The Board comprises the Chairman, four other Executive Directors and nine Non-Executive Directors. Their biographical details are set out on pages 70 to 71 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. 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 74.

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 70 to 71.

Board Processes

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

The dates of the 2015 Board meetings were determined in 2014 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 2015. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 61. Average attendance at Board meetings was 99%. 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**	**2015 Annual General Meeting**	**Type of Training (Note)**
Executive Directors					
J.R. Slosar – Chairman	5/5			√	A, B
M.M.S. Low	5/5			√	A, B
G.M.C. Bradley	5/5			√	A, B
D.C.Y. Ho	5/5			√	A, B
G.J. Ongley	5/5			√	A, B
Non-Executive Directors					
M. Cubbon	5/5	3/3		√	A, B
P. Healy	4/5			x	A, B
R.S.K. Lim	5/5			√	A, B
M.B. Swire	5/5		2/2	√	A, B
Independent Non-Executive Directors					
S.E. Bradley	5/5		2/2	√	A, B
J.C.C. Chan	5/5	3/3		√	A, B
P.K. Etchells	5/5	3/3		√	A, B
S.T. Fung	5/5			√	A, B
S.C. Liu	5/5		2/2	√	A, B
Average attendance	99%	100%	100%	93%	

Notes:

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.

B: Receiving training from the Company's external legal advisers about directors' duties.

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 2015 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 75 to 77.

Remuneration Committee

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

The Remuneration Committee comprises three Non-Executive Directors, S.C. Liu, S.E. Bradley and M.B. Swire. 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 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 2015. 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	**2015 HK$**	2016 HK$
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

Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 65 to 66.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Internal audit: Independent of management, the Internal Audit department reports directly to the 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 66 and 67.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, P.K. Etchells, J.C.C. Chan and M. Cubbon, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, P.K. Etchells, is Chairman. All the members served for the whole of 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 2015. 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 2015 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2014 annual and 2015 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's risk management and internal control systems
- the Group's risk management processes
- the approval of the 2016 annual Internal Audit programme and review of progress on the 2015 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 67
- the Company's compliance with the CG Code

In 2016, the Committee has reviewed, and recommended to the Board for approval, the 2015 financial statements.

Assessing the Effectiveness of Risk Management and Internal Control Systems

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

This assessment considers:

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

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

Company Secretary

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

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 20 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 22 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 22 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 risk management and internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Swire Pacific Group Risk Management Committee and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. Thirteen assignments were conducted for Swire Properties in 2015.

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

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

Audit Conclusion and Response

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

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

External Auditors

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

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

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

Inside Information

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

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

Shareholders

Communication with Shareholders and Investors

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

The methods used to communicate with shareholders include the following:

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

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

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 19th May 2015. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 61.

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 2014
- 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 2016 are set out on page 168 of this report and in the Financial Calendar on the Company's website.

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

Risk Management

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

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

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

Further discussion of risk management is set out in the sections of the Corporate Governance Report headed "Accountability and Audit – Risk Management and Internal Control", "Audit Committee – Assessing the Effectiveness of Risk Management and Internal Control Systems" and "Internal Audit Department – Scope of Work" on pages 64 to 65, pages 65 to 66 and pages 66 to 67 respectively.

Executive Committee

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

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

Financial Risk Management

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

Directors and Officers

Executive Directors

SLOSAR, John Robert, aged 59, 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 50, 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 55, 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 68, 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 62, has been a Director of the Company since February 2003. He was Director, Development from June 2013 to June 2015, overseeing the Company's projects under development in Hong Kong, Southeast Asia and the U.S.A. He was appointed Senior Advisor in July 2015. He joined the Company in 1995 and has worked with the Company in Hong Kong and Mainland China.

Non-Executive Directors

CUBBON, Martin, aged 58, 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 50, 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 56, 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 Executive Chairman of APS Asset Management Pte Ltd and a Director of GIC Pte Ltd, Hong Leong Finance Limited, Raffles Medical Group Limited and Insurance Australia Group Limited. He was a Member of the Singapore Parliament from 2001 to 2015.

SWIRE, Merlin Bingham, aged 42, 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 57, has been a Director of the Company since April 2010. He is Vice Chairman of RKR Capital Ltd., senior consultant to ICAP (Asia Pacific) and Director, CFETS-ICAP Shanghai International Money Broking Co. Ltd and a Director of Husky Energy Inc.

Dr. CHAN, Cho Chak John, GBS, JP, aged 72, 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 65, 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 42, 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 60, 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.

Company Secretary

FU, Yat Hung David, aged 52, has been Company Secretary since February 2010. He joined the Swire group in 1988. He is a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission of Hong Kong.

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 2015, which are set out on pages 90 to 155.

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 153 to 155. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 8 to the financial statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") together with the Group's interests in joint venture and associated companies. Details of the joint venture and associated companies are provided under notes 19 and 20 to the financial statements.

Dividends

The Directors have declared a second interim dividend of HK¢48 per share for the year ended 31st December 2015. Together with the first interim dividend of HK¢23 per share paid on 5th October 2015, this makes a total dividend for the year of HK¢71 (2014: HK¢66) per share. This represents a total distribution for the year of HK$4,154 million. The second interim dividend, which totals HK$2,808 million (2014: HK$2,574 million), will be paid on 5th May 2016 to shareholders registered at the close of business on the record date, being Friday, 8th April 2016. Shares of the Company will be traded ex-dividend as from Wednesday, 6th April 2016.

Closure of Register of Members

The register of members will be closed on Friday, 8th April 2016, 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, 7th April 2016.

To facilitate the processing of proxy voting for the annual general meeting to be held on 10th May 2016, the register of members will be closed from 5th May 2016 to 10th May 2016, 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, 4th May 2016.

Business Review

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chairman's Statement (on pages 7 to 9), Key Business Strategies (on pages 10 to 11), Review of Operations (on pages 14 to 41), Financial Review (on pages 42 to 46) and Financing (on pages 47 to 55) and in the notes to the financial statements. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Sustainable Development (on pages 80 to 83). To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group is provided in the sections of this annual report headed Sustainable Development (on pages 80 to 83), Corporate Governance (on pages 58 to 68) and Directors' Report (on pages 72 to 79).

Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 35 and 36 to the financial statements.

Share Capital

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

At 31st December 2015, 5,850,000,000 shares were in issue (31st December 2014: 5,850,000,000 shares). Details of the movement of share capital can be found in note 34 to the financial statements.

Accounting Policies

The principal accounting policies of the Group are set out on pages 150 to 152.

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 42 to 46. 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 58 to 68.

Donations

During the year, the Group made donations for charitable purposes of HK$20 million and donations towards various scholarships of HK$0.3 million.

Fixed Assets

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

The annual valuation of the Group's investment property portfolio, whether completed or in the course of development, was carried out by professionally qualified valuers (93% by value were valued by DTZ Debenham Tie Leung and 96% by value in total were valued by independent valuers) on the basis of open market value at 31st December 2015. This valuation resulted in an increase of HK$7,116 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 156 to 166.

Borrowings

For details of the Group's borrowings refer to pages 47 to 55.

Interest

For details of the amount of interest capitalised by the Group refer to page 52.

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 70 and 71. They served throughout the calendar year 2015. D.C.Y. Ho will retire as a Director of the Company with effect from 14th April 2016.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (as listed on page 71) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

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

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, G.M.C. Bradley, S.E. Bradley, J.C.C. Chan, M. Cubbon, P.K. Etchells, S.T. Fung, S.C. Liu and M.B. Swire retire this year and, being eligible, offer themselves for re-election. G.J. Ongley also retires this year but does not offer himself for re-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 2015, 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 Voting Shares (%)	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	

	Capacity					
	Beneficial Interest					
	Personal	Family	Trust Interest	Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
M.B. Swire	3,151,773	–	19,222,920	22,374,693	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				Percentage of Voting Shares (comprised in the class)	
	Personal	Family	Trust Interest	Total No. of Shares	(%)	Note
Swire Pacific Limited						
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
P.K. Etchells	–	12,000	–	12,000	0.0013	
'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 Voting Shares (%)	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.

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

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

Directors' Interests in Competing Businesses

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

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2015 or during the period from 1st January 2016 to the date of this Report are available on the Company's website www.swireproperties.com

Permitted Indemnity

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

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2015 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

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

Notes:

At 31st December 2015:

(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 being interested in 53.20% of the equity of Swire Pacific Limited and controlling 62.60% of the voting rights attached to shares in Swire Pacific Limited.

Public Float

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

Continuing Connected Transactions

During the year ended 31st December 2015, 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 be agreed from time to time, and procured for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. The procuration obligation would fall away if the Services Agreement were terminated or not renewed.

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

The Services Agreement, which was entered into between JSSHK and the Company on 1st December 2004, took effect from 1st January 2005, was renewed on 1st October 2007, was amended and restated with effect from 1st January 2010, 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 2015 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 was renewed for a term of three years from 1st January 2016 to 31st December 2018 and is renewable for successive periods of three years thereafter unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December.

For the year ended 31st December 2015, the aggregate rentals payable to the Group under the tenancies subject to the Tenancy Framework Agreement totalled HK$190 million.

At 31st December 2015, the Swire group was interested in 53.20% of the equity of Swire Pacific and controlled 62.60% of the voting rights attached to shares in Swire Pacific and

Swire Pacific owned 82.00% of the Company's total number of issued shares. JSSHK, as a wholly-owned subsidiary of Swire, and Swire Pacific are therefore connected persons of the Company under the Listing Rules. The transactions under the Services Agreement and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 14th November 2013 and 20th August 2015 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. 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, 10th March 2016

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 in all phases of a development project: from inception, planning, 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.

During 2015, Swire Properties was included in the Dow Jones Sustainability Indices and in the Hang Seng Corporate Sustainability Index. We were ranked first in Hong Kong and in the top 20 in Asia in The Channel NewsAsia Sustainability Ranking 2015.

We will publish a separate 2015 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 representatives from other departments.

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.

Energy intensity decreased by 3% in 2015. This principally reflects the use of more energy efficient air-conditioning and lighting.

Swire Properties and Tsinghua University collaborate with a view to identifying, studying and testing new energy saving strategies with reference to Swire Properties' projects in Hong Kong and Mainland China. The results of this work are used to improve energy efficiency and are available to the property industry generally.

In 2015, we signed sustainability memoranda with tenants occupying 49% of the office space in TaiKoo Hui, Guanghzou.

Sino-Ocean Taikoo Li Chengdu selected as global winner in

2015 Urban Land Institute Global Awards

Chengdu

Won gold at the

2015 Occupation Safety & Health Awards

Hong Kong

We intend to reduce our energy consumption by 64 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 2.7 million kWh for office tenants in Hong Kong and of 2.8 million kWh for tenants at Taikoo Li Sanlitun and TaiKoo Hui in Mainland China.

28 of our buildings have Building Environmental Assessment Method ("BEAM") or BEAM Plus certifications. 18 of them have a Final Platinum rating. In Hong Kong, our office development project at Kowloon Bay and the Swire Leadership Centre at Lantau Island have BEAM Plus Provisional Platinum ratings and DUNBAR PLACE has a BEAM Plus Final Platinum rating. In Mainland China, our Sino-Ocean Taikoo Li Chengdu development was a global winner in the US-based 2015 Urban Land Institute Global Awards for Excellence Competition. The development also obtained Leadership in Energy and Environmental Design ("LEED") Neighborhood Development Gold pre-certification and China's Green Building Design Label 2 Stars certification. HKRI Taikoo Hui Shanghai has been pre-certified for a LEED Platinum rating for its office towers and for a LEED Gold rating for its shopping mall.

In Mainland China, we have received ISO 14001 Environmental Management System accreditations for Taikoo Li Sanlitun and TaiKoo Hui, and we are aiming to receive ISO 50001 Energy Management System accreditations for Taikoo Li Sanlitun and TaiKoo Hui in 2016.

Health and Safety

In 2015 our lost time injury rate decreased by 2.6% (despite increases in staff numbers and working hours) and our lost day rate increased by 13.6% (reflecting the fact that injuries, though small in number, were more severe).

In Hong Kong, we obtained approval from the Labour Department to run in-house training and revalidation courses. We have trained 162 people. Our temporary indoor air quality improvement guard won a gold award at the 2015 Hong Kong Occupation Safety & Health Awards. The device improves the control of indoor air quality during construction works in occupied buildings.

Taikoo Li Sanlitun and TaiKoo Hui have received OHSAS 18001 certification.

Launched
Tong Chong Street Market
in Taikoo Place

Hong Kong

Introduced children to
musical experiences
in Sanlitun, Beijing

Beijing

Communities

We hold arts and cultural events, we undertake educational and community programmes and we give employees the opportunity to volunteer.

In September 2015, we participated in an exhibition of the work of British designer Thomas Heatherwick and his studio. The exhibition featured the studio's work at Pacific Place.

From October to December 2015, Taikoo Place collaborated with social enterprise Honestly Green to host a weekly market in Tong Chong Street, Quarry Bay. Organic products from Hong Kong farms, street food and beverages were sold. Office tenants were invited to present their own dishes. 43,000 people visited the market. It will be repeated in 2016.

In December 2015, Swire Properties held its third annual White Christmas Street Fair, on Tong Chong Street in Hong Kong. We raised HK$1.1 million for Operation Santa Claus. There was an ice bar, an icy experience and a Santathon frozen challenge.

In Beijing, we organised arts and cultural activities for 40 orphans who lost their parents in the Yu Shu earthquake in 2010. The orphans played interactive games with our community ambassadors at the "SmileyWorld" exhibition at INDIGO and attended a concert at Taikoo Li Sanlitun. Some of them participated in a gala music performance.

Swire Properties allowed artists and designers to preview Brickell City Centre. Hugh Dutton, Arquitectonica's Bernardo Fort-Brescia and Allen Jones spoke at the event. Allen Jones unveiled his six ton, 20-foot sculpture, "Dancers" at the event.

In 2015, over 1,300 of our community ambassadors participated in 47 activities, contributing more than 5,500 hours of service. With the Hong Kong Housing Society, our volunteers visited the homes of elderly residents in Quarry Bay to assess potential safety risks. Members of our technical teams installed safety features in over 80 homes. With Youth Outreach and IDEA Project HK, our ambassadors worked with 30 young skateboarders to improve a popular a skate park in Hong Kong. Under the auspices of the Ocean Park Conservation Foundation Hong Kong, 80 community ambassadors became foster parents to baby horseshoe crabs.

Served as lead partner for

"New British Inventors: Inside Heatherwick Studio" exhibition

Hong Kong

Welcomed

Art Basel 2015

with cultural event at Brickell City Centre

Miami

The Swire Properties community caring fund gives money to less well known NGOs and charities. Staff are invited to nominate causes and organisations which they wish to support. 25 projects have been supported to date. Our community ambassadors are involved where possible.

Suppliers

We include our suppliers in our approach to sustainable development. We address ethical conduct, labour standards, human rights, product responsibility and environmental impact. 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 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 2015, we started to monitor green purchasing. This is intended to enable us to review and improve our green purchasing performance.

Employees

Swire Properties employs around 4,900 people in Hong Kong, Mainland China and the U.S.A. Attracting and developing talented employees is central to our success. We are an equal opportunities employer and aim to provide an environment at work that is respectful, challenging, rewarding and safe. We have policies covering training and development, labour practices, human rights and workplace health and safety.

In 2015, we organised over 1,000 development courses for our employees, including courses in leadership and management.

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AUDITOR'S REPORT AND ACCOUNTS

SUPPLEMENTARY INFORMATION

WHITESANDS
Hong Kong

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Swire Properties Limited ("the Group financial statements") and its subsidiaries ("the Group") set out on pages 90 to 155, which comprise the consolidated statement of financial position at 31st December 2015, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Group financial statements give a true and fair view of the consolidated financial position of the Group at 31st December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Group financial statements as at and for the year ended 31st December 2015. These matters were addressed in the context of our audit of the Group financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 16 in the Group financial statements* Management has estimated the fair value of the Group's investment properties to be HK$228,640 million at 31st December 2015, with a revaluation gain for the year ended 31 December 2015 recorded in the consolidated statement of profit or loss of HK$7,116 million. Independent external valuations were obtained in respect of 96% of the portfolio in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and fair market rents. Capitalisation rates were substantially unchanged since 31st December 2014 and the increase in fair values mainly relates to movements in fair market rents. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.	Our procedures in relation to management's valuation of investment properties included: • Evaluation of the independent external valuers' competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. The fair market rents were supported by recent renewals and capitalisation rates were in line with our expectations. We found the disclosures in note 16 to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognised from property trading *Refer to note 4 in the Group financial statements* The Group recognised revenue from property trading of HK$4,463 million for the year ended 31st December 2015. Revenue from property trading is recognised when effective control of ownership is transferred to the buyers, which is dependent on the contractual arrangements for the sale and the laws in the relevant jurisdiction and may require management judgement.	We selected a sample of property trading transactions. Our procedures in relation to these transactions included: • Obtaining evidence regarding the transfer of effective control of ownership (including, where relevant, completion certificates, occupation permits, and assignments); • Reading the signed sales and purchase agreements to identify contractual arrangements; • Reconciliation of the monetary amounts to the signed sales and purchase agreements; and • Agreeing the deposits and final payments to the bank statements. We found that the amount and timing of the revenue recorded were supported by the available evidence.

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Swire Properties 2015 annual report other than the Group financial statements and our auditor's report thereon ("the Other Information").

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

In connection with our audit of the Group financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Group Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

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

- Identify and assess the risks of material misstatement of the Group financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sean William Tuckfield.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10th March 2016

Consolidated Statement of Profit or Loss

For the year ended 31st December 2015

	Note	2015 HK$M	2014 HK$M
Revenue	4	**16,447**	15,387
Cost of sales	5	**(5,781)**	(5,176)
Gross profit		**10,666**	10,211
Administrative and selling expenses		**(1,166)**	(1,010)
Other operating expenses		**(215)**	(221)
Other net (losses)/gains	6	**(194)**	56
Change in fair value of investment properties		**7,116**	1,956
Operating profit		**16,207**	10,992
Finance charges		**(1,291)**	(1,324)
Finance income		**96**	97
Net finance charges	10	**(1,195)**	(1,227)
Share of profits less losses of joint venture companies		**1,100**	1,444
Share of profits less losses of associated companies		**141**	160
Profit before taxation		**16,253**	11,369
Taxation	11	**(2,057)**	(1,646)
Profit for the year		**14,196**	9,723
Profit for the year attributable to:			
The Company's shareholders	35	**14,072**	9,516
Non-controlling interests	37	**124**	207
		14,196	9,723
Dividends			
First interim – paid		**1,346**	1,287
Second interim – declared on 10th March 2016 (2014: 19th March 2015)		**2,808**	2,574
	13	**4,154**	3,861
		HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	14	**2.41**	1.63

The notes on pages 95 to 149 and the principal accounting policies on pages 150 to 152 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2015

	2015 HK$M	2014 HK$M
Profit for the year	**14,196**	9,723
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	**13**	5
– deferred tax	**–**	(1)
Defined benefit plans		
– remeasurement losses recognised during the year	**(79)**	(94)
– deferred tax	**13**	16
	(53)	(74)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
– (losses)/gains recognised during the year	**(110)**	105
– transferred to net finance charges	**2**	1
– deferred tax	**18**	(17)
Share of other comprehensive losses of joint venture and associated companies	**(462)**	(84)
Net translation differences on foreign operations		
– movement during the year	**(1,168)**	(486)
– reclassification to profit or loss on disposal of four hotels in the U.K.	**142**	–
	(1,578)	(481)
Other comprehensive losses for the year, net of tax	**(1,631)**	(555)
Total comprehensive income for the year	**12,565**	9,168
Total comprehensive income attributable to:		
The Company's shareholders	**12,460**	8,968
Non-controlling interests	**105**	200
	12,565	9,168

The notes on pages 95 to 149 and the principal accounting policies on pages 150 to 152 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2015

	Note	2015 HK$M	2014 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**8,052**	7,703
Investment properties	16	**228,640**	218,955
Intangible assets	17	**127**	82
Properties held for development	18	**942**	920
Joint venture companies	19	**19,392**	18,207
Associated companies	20	**534**	535
Available-for-sale assets	22	**6**	98
Derivative financial instruments	31	**–**	33
Deferred tax assets	32	**90**	63
		257,783	246,596
Current assets			
Properties under development and for sale	23	**7,615**	7,979
Stocks and work in progress	24	**72**	77
Trade and other receivables	25	**2,848**	2,821
Amount due from immediate holding company – Swire Pacific Limited	26	**20**	8
Short-term deposits maturing after three months		**28**	–
Cash and cash equivalents	27	**4,358**	2,874
		14,941	13,759
Current liabilities			
Trade and other payables	28	**8,943**	7,674
Tax payable		**541**	519
Bank overdrafts and short-term loans	29	**592**	551
Long-term loans due within one year	29	**2,010**	1,851
Loans due to a fellow subsidiary company – Swire Finance Limited	30	**4,658**	1,799
		16,744	12,394
Net current (liabilities)/assets		**(1,803)**	1,365
Total assets less current liabilities		**255,980**	247,961
Non-current liabilities			
Long-term loans and bonds	29	**22,972**	20,588
Loans due to a fellow subsidiary company – Swire Finance Limited	30	**7,502**	12,156
Other payables	28	**509**	470
Derivative financial instruments	31	**84**	4
Deferred tax liabilities	32	**6,787**	6,105
Retirement benefit liabilities	33	**177**	91
		38,031	39,414
NET ASSETS		**217,949**	208,547
EQUITY			
Share capital	34	**10,449**	10,449
Reserves	35	**205,798**	197,242
Equity attributable to the Company's shareholders		**216,247**	207,691
Non-controlling interests	37	**1,702**	856
TOTAL EQUITY		**217,949**	208,547

John R. Slosar
Paul K. Etchells
Directors

Hong Kong, 10th March 2016

The notes on pages 95 to 149 and the principal accounting policies on pages 150 to 152 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2015

	Note	2015 HK$M	2014 HK$M
Operating activities			
Cash generated from operations	42(a)	**10,616**	10,724
Interest paid		**(1,510)**	(1,575)
Interest received		**96**	98
Profits tax paid		**(1,267)**	(760)
		7,935	8,487
Dividends received from joint venture and associated companies		**235**	786
Net cash from operating activities		**8,170**	9,273
Investing activities			
Purchase of property, plant and equipment	42(b)	**(558)**	(615)
Additions to investment properties		**(3,616)**	(4,336)
Purchase of intangible assets		**(18)**	(15)
Purchase of available-for-sale assets		**(4)**	(23)
Proceeds from disposals of property, plant and equipment		**1**	1
Proceeds from disposals of investment properties		**34**	7
Proceeds from disposal of subsidiary companies – U.K. hotels	42(c)	**373**	–
Proceeds from disposal of a joint venture company		**–**	32
Proceeds from disposal of an associated company		**1**	–
Proceeds from disposal of an available-for-sale asset		**98**	–
Loans to joint venture companies		**(836)**	(1,934)
Repayment of loans by joint venture companies		**167**	535
Repayment of loans by associated companies		**31**	21
Increase in deposits maturing after three months		**(28)**	–
Initial leasing costs incurred		**(70)**	(65)
Net cash used in investing activities		**(4,425)**	(6,392)
Net cash inflow before financing		**3,745**	2,881
Financing activities			
Loans drawn and refinancing		**3,689**	10,004
Bonds issued		**1,740**	600
Repayment of loans		**(2,645)**	(8,674)
	42(d)	**2,784**	1,930
Capital contribution from a non-controlling interest	37	**767**	–
(Decrease)/Increase in loans due to a fellow subsidiary company		**(1,800)**	600
Purchase of shares in an existing subsidiary company		**–**	(1,256)
Dividends paid to the Company's shareholders	35	**(3,920)**	(3,627)
Dividends paid to non-controlling interests	42(d)	**(10)**	(144)
Net cash used in financing activities		**(2,179)**	(2,497)
Increase in cash and cash equivalents		**1,566**	384
Cash and cash equivalents at 1st January		**2,874**	2,521
Currency adjustment		**(82)**	(31)
Cash and cash equivalents at end of the year		**4,358**	2,874
Represented by:			
Bank balances and short-term deposits maturing within three months	27	**4,358**	2,874

The notes on pages 95 to 149 and the principal accounting policies on pages 150 to 152 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2015

	Note	Attributable to the Company's shareholders				Non-controlling interests	Total equity
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	HK$M	HK$M
At 1st January 2015		**10,449**	**194,278**	**2,964**	**207,691**	**856**	**208,547**
Profit for the year		**–**	**14,072**	**–**	**14,072**	**124**	**14,196**
Other comprehensive income		**–**	**(66)**	**(1,546)**	**(1,612)**	**(19)**	**(1,631)**
Total comprehensive income for the year	*35, 37*	**–**	**14,006**	**(1,546)**	**12,460**	**105**	**12,565**
Change in composition of the Group		**–**	**16**	**–**	**16**	**(16)**	**–**
Dividends paid		**–**	**(3,920)**	**–**	**(3,920)**	**(10)**	**(3,930)**
Capital contribution from a non-controlling interest		**–**	**–**	**–**	**–**	**767**	**767**
At 31st December 2015		**10,449**	**204,380**	**1,418**	**216,247**	**1,702**	**217,949**

	Note	Attributable to the Company's shareholders				Non-controlling interests	Total equity
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	HK$M	HK$M
At 1st January 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	*35, 37*	–	9,438	(470)	8,968	200	9,168
Transition to no-par value regime on 3rd March 2014	*34*	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

The notes on pages 95 to 149 and the principal accounting policies on pages 150 to 152 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 153 to 155.

1. Changes in Accounting Standards and Disclosures

(a) The following amendments to standards were required to be adopted by the Group effective from 1st January 2015:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010-2012 Cycle
	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions

The adoption of these amendments has had no significant impact on the Group's financial statements.

(b) Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) started to apply in respect of the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(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 2012-2014 Cycle[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKAS 1 (Amendment)	Disclosure Initiative[1]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]

1 To be applied by the Group from 1st January 2016
2 To be applied by the Group from 1st January 2018
3 The mandatory effective date has been postponed indefinitely

None of these new and revised standards is expected to have a significant effect on the Group's financial statements, except the following set out below:

HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The new standard replaces HKAS 18 and HKAS 11 and related interpretations and provides a comprehensive revenue recognition model that can be applied to a wide range of transactions and industries. The model uses a five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group has yet to assess the full impact of the new standard.

1. Changes in Accounting Standards and Disclosures *(continued)*

The complete version of HKFRS 9 replaces the guidance in HKAS 39. HKFRS 9 retains 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, with the result that a loss event will no longer need to occur before an impairment allowance is recognised. There are no changes to classification and measurement of financial liabilities except for the recognition of changes relating to an entity's own credit risk, which are recognised in other comprehensive income for liabilities designated at fair value through profit or loss. Hedge accounting under HKFRS 9 requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one used by an entity's management for risk management purposes. This replaces the hedge effectiveness test under the current standard. The Group has yet to assess the full impact of the new standard.

2. Financial Risk Management

Financial risk factors

The Group is exposed to financial risks attributable to interest rates, 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 2015		
Impact on statement of profit or loss: (loss)/gain	**(104)**	**104**
Impact on other comprehensive income: gain/(loss)	**7**	**(3)**
At 31st December 2014		
Impact on statement of profit or loss: (loss)/gain	(129)	129
Impact on other comprehensive income: loss	–	(2)

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

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

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

The impact on the Group's 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 7.7512 (2014: 7.7556), 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 2015		
Impact on statement of profit or loss: gain	**–**	**1**
Impact on other comprehensive income: gain	**–**	**11**
At 31st December 2014		
Impact on statement of profit or loss: loss	–	(1)
Impact on other comprehensive income: gain	–	11

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 financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group can be required to pay.

At 31st December 2015

	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	28	1,210	1,210	1,210	–	–	–
Amount due to intermediate holding company	28	96	96	96	–	–	–
Amount due to a fellow subsidiary company	28	76	76	76	–	–	–
Amount due to an associated company	28	70	70	70	–	–	–
Interest-bearing advances from fellow subsidiary companies	28	382	382	382	–	–	–
Interest-bearing advances from joint venture and related companies	28	239	239	239	–	–	–
Advances from a non-controlling interest	28	34	34	34	–	–	–
Rental deposits from tenants	28	2,389	2,389	647	562	887	293
Non-controlling interest put option	28	509	644	–	–	644	–
Accrued capital expenditure	28	1,171	1,171	1,171	–	–	–
Other payables	28	3,276	3,276	3,276	–	–	–
Borrowings (including interest obligations)	29	25,574	28,665	3,300	8,547	9,018	7,800
Loans due to a fellow subsidiary company (including interest obligations)	30	12,160	13,184	5,207	2,696	5,281	–
Derivative financial instruments	31	84	84	–	–	5	79
Financial guarantee contracts	39	–	3,448	3,448	–	–	–
		47,270	54,968	19,156	11,805	15,835	8,172

2. Financial Risk Management *(continued)*

(iv) Liquidity exposure (continued)

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	*28*	1,337	1,337	1,337	–	–	–
Amount due to intermediate holding company	*28*	110	110	110	–	–	–
Amount due to a fellow subsidiary company	*28*	77	77	77	–	–	–
Amount due to an associated company	*28*	106	106	106	–	–	–
Interest-bearing advances from fellow subsidiary companies	*28*	400	400	400	–	–	–
Interest-bearing advances from a related company	*28*	250	250	250	–	–	–
Rental deposits from tenants	*28*	2,295	2,295	471	547	1,013	264
Non-controlling interest put options	*28*	470	764	–	–	–	764
Accrued capital expenditure	*28*	497	497	497	–	–	–
Other payables	*28*	2,602	2,602	2,602	–	–	–
Borrowings (including interest obligations)	*29*	22,990	26,324	2,593	2,757	9,471	11,503
Loans due to a fellow subsidiary company (including interest obligations)	*30*	13,955	15,724	2,544	5,204	7,976	–
Derivative financial instruments	*31*	4	4	–	–	–	4
Financial guarantee contracts	*39*	–	1,623	1,623	–	–	–
		45,093	52,113	12,610	8,508	18,460	12,535

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 33)

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 shortest of (i) the remaining lease term, (ii) the period to the next rent review date and (iii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any). Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease term. Turnover rent is recognised when the 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:

	2015 HK$M	2014 HK$M
Gross rental income from investment properties	**10,716**	10,320
Property trading	**4,463**	3,842
Hotels	**1,127**	1,089
Rendering of other services	**141**	136
	16,447	15,387

5. Cost of Sales

	2015 HK$M	2014 HK$M
Direct rental outgoings in respect of investment properties that		
– generated rental income	**1,750**	1,698
– did not generate rental income	**210**	88
	1,960	1,786
Property trading	**2,733**	2,439
Hotels	**1,052**	924
Rendering of other services	**36**	27
	5,781	5,176

6. Other Net (Losses)/Gains

	2015 HK$M	2014 HK$M
Loss on disposal of four hotels in the U.K.	**(229)**	–
Profit on disposal of investment properties	**13**	6
Loss on disposal of property, plant and equipment	**–**	(1)
Impairment reversals on trading properties	**–**	45
Net foreign exchange losses	**(12)**	(2)
Recognition of income on forfeited deposits on trading properties	**12**	2
Others	**22**	6
	(194)	56

7. Expenses by Nature

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

	2015 HK$M	2014 HK$M
Depreciation of property, plant and equipment (note 15)	**266**	263
Amortisation of		
– intangible assets (note 17)	**12**	8
– initial leasing costs on investment properties	**67**	89
Staff costs	**1,474**	1,397
Operating lease rentals		
– properties	**68**	65
– plant and equipment	**3**	3
Auditors' remuneration		
– audit services	**11**	11
– tax services	**6**	7
– other services	**–**	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 2015												
Property investment	**10,857**	**23**	**8,097**	**(1,242)**	**92**	**274**	**–**	**7,221**	**(966)**	**6,255**	**6,231**	**(153)**
Property trading	**4,463**	**–**	**1,328**	**(6)**	**3**	**57**	**–**	**1,382**	**(231)**	**1,151**	**1,089**	**–**
Hotels	**1,127**	**3**	**(334)**	**(43)**	**1**	**(59)**	**141**	**(294)**	**(12)**	**(306)**	**(303)**	**(192)**
Change in fair value of investment properties	**–**	**–**	**7,116**	**–**	**–**	**828**	**–**	**7,944**	**(848)**	**7,096**	**7,055**	**–**
Inter-segment elimination	**–**	**(26)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	16,447	**–**	**16,207**	**(1,291)**	**96**	**1,100**	**141**	**16,253**	**(2,057)**	**14,196**	**14,072**	**(345)**
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)

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$M	Bank deposits and cash HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
At 31st December 2015						
Property investment	**232,986**	**17,307**	**–**	**3,901**	**254,194**	**4,677**
Property trading and development	**9,093**	**815**	**–**	**401**	**10,309**	**42**
Hotels	**6,333**	**1,270**	**534**	**84**	**8,221**	**490**
	248,412	**19,392**	**534**	**4,386**	**272,724**	**5,209**
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

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 2015					
Property investment	**7,287**	**7,089**	**32,212**	**46,588**	**1,395**
Property trading and development	**2,217**	**239**	**4,655**	**7,111**	**286**
Hotels	**209**	**–**	**867**	**1,076**	**21**
	9,713	**7,328**	**37,734**	**54,775**	**1,702**
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

(b) Information about geographical areas

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

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

	Revenue		Non-current assets (note)	
	2015 HK$M	2014 HK$M	**2015 HK$M**	2014 HK$M
Hong Kong	**13,917**	12,967	**202,797**	194,894
Mainland China	**2,335**	2,210	**27,254**	27,354
U.S.A.	**26**	23	**6,740**	4,324
U.K. and others	**169**	187	**970**	1,088
	16,447	15,387	**237,761**	227,660

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

	Cash				Non cash				
	Salary HK$'000	Fee HK$'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 (note (v)) HK$'000	Total 2015 HK$'000	Total 2014 HK$'000
For the year ended 31st December 2015									
Executive Directors									
J.R. Slosar (Chairman)	228	–	387	6	77	121	166	985	841
C.D. Pratt (note (ii))	–	–	140	–	–	–	–	140	863
G.M.C. Bradley (Chief executive from 1st January 2015)	3,510	–	1,759	911	1,186	1,016	2,922	11,304	11,506
M.M.S. Low	2,712	–	3,685	2,429	802	–	–	9,628	7,430
D.C.Y. Ho	3,131	–	1,882	5	–	–	258	5,276	6,019
G.J. Ongley	4,313	–	2,800	198	18	–	29	7,358	7,311
Non-Executive Directors									
M. Cubbon (note (iii))	–	–	5,065	–	–	1,688	–	6,753	17,647
P. Healy (note (iv))	–	–	–	–	–	–	–	–	–
R.S.K. Lim	–	575	–	–	–	–	–	575	575
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	835
S.T. Fung	–	575	–	–	–	–	–	575	575
S.C. Liu	–	655	–	–	–	–	–	655	655
Total 2015	13,894	4,028	15,718	3,549	2,083	2,825	3,375	45,472	N/A
Total 2014	19,438	4,028	13,870	3,076	2,976	2,237	10,020	N/A	55,645

Notes:
(i) The bonus disclosed above is related to services as executive directors for the previous year.
(ii) C.D. Pratt resigned as Chairman and an executive director on 14th March 2014 with 2014 final bonus payment made in 2015.
(iii) M. Cubbon was Chief executive until 31st December 2014 and was redesignated as non-executive director from 1st January 2015.
(iv) P. Healy was appointed as a non-executive director on 1st January 2015.
(v) Other benefits include medical and insurance benefits and overseas tax subsidies.

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 2015 and 2014 are as follows:

	Year ended 31st December	
	2015	2014
Number of individuals:		
Executive directors (note (i))	**3**	4
Executive officers (note (ii))	**2**	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 officers are as follows:

	Year ended 31st December	
	2015 HK$'000	2014 HK$'000
Cash:		
Salary	**5,076**	2,659
Discretionary bonus*	**2,061**	1,646
Allowance and benefits	**1,933**	122
Non-cash:		
Retirement scheme contributions	**1,122**	409
Bonus paid into retirement scheme	**355**	–
Housing and other benefits	**2,541**	2,455
	13,088	7,291

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

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

	Year ended 31st December	
	2015	2014
HK$7,000,001 – HK$7,500,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	–
HK$6,000,001 – HK$6,500,000	**1**	–
	2	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 52 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 evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

	2015		2014	
	HK$M	**HK$M**	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	**(1,107)**		(988)	
Overseas taxation	**(196)**		(74)	
Over/(Under)-provisions in prior years	**2**		(6)	
		(1,301)		(1,068)
Deferred taxation: (note 32)				
Changes in fair value of investment properties	**(592)**		(265)	
Origination and reversal of temporary differences	**(164)**		(313)	
		(756)		(578)
		(2,057)		(1,646)

Hong Kong profits tax is calculated at 16.5% (2014: 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:

	2015 HK$M	2014 HK$M
Profit before taxation	**16,253**	11,369
Calculated at a tax rate of 16.5% (2014: 16.5%)	**(2,682)**	(1,876)
Results of joint venture and associated companies reported net of tax	**205**	265
Effect of different tax rates in other countries	**(234)**	(163)
Income not subject to tax	**841**	220
Expenses not deductible for tax purposes	**(115)**	(19)
Unused tax losses not recognised	**(134)**	(105)
Utilisation of previously unrecognised tax losses	**6**	31
Recognition of previously unrecognised tax losses	**54**	7
Over/(Under)-provisions in prior years	**2**	(6)
Tax charge	**(2,057)**	(1,646)

The Group's share of joint venture and associated companies' tax charges of HK$251 million (2014: HK$320 million) and HK$29 million (2014: HK$33 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$3,870 million (2014: HK$5,535 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	
	2015 HK$M	2014 HK$M
First interim dividend paid on 5th October 2015 of HK¢23 per share (2014: HK¢22)	**1,346**	1,287
Second interim dividend declared on 10th March 2016 of HK¢48 per share (2014: HK¢44)	**2,808**	2,574
	4,154	3,861

The second interim dividend is not accounted for in 2015 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 2016.

The Directors have declared a second interim dividend of HK¢48 (2014: HK¢44) per share which, together with the first interim dividend of HK¢23 per share paid in October 2015, amounts to full year dividends of HK¢71 (2014: HK¢66) per share. The second interim dividend, which totals HK$2,808 million (2014: HK$2,574 million), will be paid on Thursday, 5th May 2016 to shareholders registered at the close of business on the record date, being Friday, 8th April 2016. Shares of the Company will be traded ex-dividend from Wednesday, 6th April 2016.

The register of members will be closed on Friday, 8th April 2016, 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, 7th April 2016.

To facilitate the processing of proxy voting for the annual general meeting to be held on 10th May 2016, the register of members will be closed from 5th May 2016 to 10th May 2016, 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, 4th May 2016.

14. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$14,072 million (2014: HK$9,516 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2015 (2014: 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
Buildings	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 amounts 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)*

	Leasehold land held for own use HK$M	Land and buildings HK$M	Plant and equipment HK$M	Total HK$M
Cost:				
At 1st January 2015	2,680	5,609	1,361	9,650
Translation differences	–	(122)	(26)	(148)
Additions	–	376	190	566
Disposals	–	–	(20)	(20)
Change in composition of the Group	–	(679)	(84)	(763)
Transfer between categories	26	(26)	–	–
Net transfers from investment properties	435	203	–	638
Revaluation surplus	13	–	–	13
At 31st December 2015	3,154	5,361	1,421	9,936
Accumulated depreciation and impairment:				
At 1st January 2015	110	843	994	1,947
Translation differences	–	(28)	(17)	(45)
Charge for the year (note 7)	20	116	130	266
Disposals	–	–	(19)	(19)
Change in composition of the Group	–	(202)	(63)	(265)
Transfers to investment properties	–	(1)	–	(1)
Other transfer	–	1	–	1
At 31st December 2015	130	729	1,025	1,884
Net book value:				
At 31st December 2015	3,024	4,632	396	8,052

At 31st December 2015 and 2014, 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 2015 was HK$13 million (2014: HK$5 million), has been recognised in other comprehensive income and the property revaluation reserve.

Refer to the table with heading "Audited financial information" on page 52 for details of the Group's capitalised interest rates and the amount of interest capitalised.

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

	Leasehold land held for own use HK$M	Land and buildings HK$M	Plant and equipment HK$M	Total HK$M
Cost:				
At 1st January 2014	2,454	5,241	1,266	8,961
Translation differences	–	(93)	(15)	(108)
Additions	–	467	153	620
Disposals	–	(1)	(23)	(24)
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
Accumulated depreciation and impairment:				
At 1st January 2014	91	751	894	1,736
Translation differences	–	(20)	(9)	(29)
Charge for the year (note 7)	19	113	131	263
Disposals	–	–	(22)	(22)
Transfers to investment properties	–	(1)	–	(1)
At 31st December 2014	110	843	994	1,947
Net book value:				
At 31st December 2014	2,570	4,766	367	7,703

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 of an investment property are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, 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.

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 2015. 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)*

	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2015	**194,991**	**23,729**	**218,720**
Translation differences	**(1,202)**	**(36)**	**(1,238)**
Additions	**207**	**4,285**	**4,492**
Disposals	**–**	**(21)**	**(21)**
Transfer from properties under development and for sale	**–**	**19**	**19**
Net transfers to property, plant and equipment	**(573)**	**(66)**	**(639)**
Net fair value gains	**5,957**	**1,159**	**7,116**
	199,380	**29,069**	**228,449**
Add: Initial leasing costs	**126**	**65**	**191**
At 31st December 2015	**199,506**	**29,134**	**228,640**
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

Geographical Analysis of Investment Properties

	2015 HK$M	2014 HK$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	**31,138**	29,838
On long-term leases (over 50 years)	**166,502**	160,481
	197,640	190,319
Held in Mainland China:		
On medium-term leases (10 to 50 years)	**25,199**	25,164
Held in U.S.A. and elsewhere:		
Freehold	**5,610**	3,237
	228,449	218,720

Refer to the table with heading "Audited financial information" on page 52 for details of the Group's capitalised interest rates and the amount of interest capitalised.

16. Investment Properties *(continued)*

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 2015. 93% by value were valued by DTZ Debenham Tie Leung and 96% by value in total were valued by independent valuers on the basis of open market value. The independent professionally qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

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

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

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rates increase, the fair values decrease. If 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)*

Fair value hierarchy

The Group's investment properties are measured at fair value and categorised within the fair value hierarchy as follows:

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2015 Total HK$M
Fair value hierarchy							
Level 2	**3,093**	**189**	**3,282**	**11,697**	**–**	**11,697**	**14,979**
Level 3	**171,088**	**25,010**	**196,098**	**11,761**	**5,611**	**17,372**	**213,470**
Total	**174,181**	**25,199**	**199,380**	**23,458**	**5,611**	**29,069**	**228,449**
Add: initial leasing costs							**191**
At 31st December 2015							**228,640**

	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 Total 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

Notes:
The levels in the hierarchy represent the following:
Level 2 – Investment properties measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Investment properties measured at fair value using inputs not based on observable market data.

The above investment properties principally comprise completed commercial and residential properties in Hong Kong and 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 2015 and 2014, there were no transfers between different levels within the fair value hierarchy.

16. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

The change in Level 3 fair value of investment properties during the year is as follows:

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2015 Total HK$M
Fair value – Level 3:							
At 1st January 2015	**166,934**	**24,967**	**191,901**	**10,178**	**3,237**	**13,415**	**205,316**
Translation differences	**–**	**(1,192)**	**(1,192)**	**–**	**(36)**	**(36)**	**(1,228)**
Additions	**190**	**13**	**203**	**770**	**2,053**	**2,823**	**3,026**
Transfer from properties under development and for sale	**–**	**–**	**–**	**–**	**19**	**19**	**19**
Net transfers to property, plant and equipment	**(476)**	**(97)**	**(573)**	**–**	**–**	**–**	**(573)**
Fair value gains	**4,440**	**1,319**	**5,759**	**813**	**338**	**1,151**	**6,910**
At 31st December 2015	**171,088**	**25,010**	**196,098**	**11,761**	**5,611**	**17,372**	**213,470**

	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 Total 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)*

Information about Level 3 fair value measurements using significant unobservable inputs

	Fair value HK$M	Valuation technique	Fair market rent per month [1] HK$ per sq. ft. (lettable)	Capitalisation rate
At 31st December 2015				
Completed				
Hong Kong	**166,374**	**Income capitalisation**	**Mid 10's – Mid 500's**	**2.50% - 4.88%**
Hong Kong	**4,714**	**Residual [2]**	**Low 50's – Mid 50's**	**2.00% - 4.25%**
Mainland China	**25,010**	**Income capitalisation**	**Less than 10 – Low 200's**	**7.00% - 7.50%**
Sub-total	**196,098**			
Under development				
Hong Kong	**11,761**	**Residual [2]**	**Low 30's – Low 60's**	**2.50% - 4.25%**
U.S.A.	**4,339**	**Residual [2]**	**High 20's – High 70's**	**5.00% - 7.50%**
Others	**1,272**	**Sales comparison**	**–**	**–**
Sub-total	**17,372**			
Total (Level 3)	**213,470**			
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			

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).

	Computer Software HK$M	Others HK$M	Total HK$M
Cost:			
At 1st January 2015	**82**	**58**	**140**
Additions	**16**	**3**	**19**
Transfer from deferred expenditure	**–**	**38**	**38**
At 31st December 2015	**98**	**99**	**197**
Accumulated amortisation:			
At 1st January 2015	**58**	**–**	**58**
Amortisation for the year (note 7)	**12**	**–**	**12**
At 31st December 2015	**70**	**–**	**70**
Net book value:			
At 31st December 2015	**28**	**99**	**127**

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

Amortisation of HK$12 million (2014: HK$8 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 at cost, 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.

	2015 HK$M	2014 HK$M
Properties held for development		
Freehold land	795	794
Development cost	147	126
	942	920

19. 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. The use of the equity method by the Group to account for the investment in joint venture companies is disclosed in the "Basis of Consolidation" of the Principal Accounting Policies on pages 150 to 152.

	2015 HK$M	2014 HK$M
Share of net assets, unlisted	5,829	5,305
Loans due from joint venture companies less provisions		
– Interest-free	12,277	12,060
– Interest bearing at 1.71% to 7.50% (2014: 1.71% to 7.50%)	1,286	842
	19,392	18,207

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

19. Joint Venture Companies *(continued)*

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

	2015 HK$M	2014 HK$M
Non-current assets	**28,310**	25,897
Current assets	**2,211**	3,574
Current liabilities	**(4,462)**	(5,503)
Non-current liabilities	**(20,230)**	(18,663)
Net assets	**5,829**	5,305
Revenue	**2,014**	1,950
Change in fair value of investment properties	**1,071**	1,192
Expenses	**(1,734)**	(1,378)
Profit before taxation	**1,351**	1,764
Taxation	**(251)**	(320)
Profit for the year	**1,100**	1,444
Other comprehensive losses for the year	**(462)**	(84)
Total comprehensive income for the year	**638**	1,360

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 153 to 155. There are no joint venture companies that are considered individually material to the Group.

20. 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. The use of the equity method by the Group to account for the investment in associated companies is disclosed in the "Basis of Consolidation" of the Principal Accounting Policies on pages 150 to 152.

	2015 HK$M	2014 HK$M
Share of net assets, unlisted	**534**	504
Loans due from associated companies		
– Interest-free	**–**	31
	534	535

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:

	2015 HK$M	2014 HK$M
Non-current assets	**553**	594
Current assets	**316**	327
Current liabilities	**(81)**	(109)
Non-current liabilities	**(254)**	(308)
Net assets	**534**	504
Revenue	**587**	609
Profit and total comprehensive income for the year	**141**	160

The principal associated companies of Swire Properties Limited are shown on pages 153 to 155. There are no associated companies that are considered individually material to the Group.

21. 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 the relevant risks and rewards.

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 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 31.

Financial assets classified as available-for-sale are subsequently carried at fair value. Unrealised gains and losses arising from changes in 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 assesses 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 occur 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.

21. Financial Instruments by Category *(continued)*

	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 2015							
Available-for-sale assets (note 22)	**–**	**–**	**6**	**–**	**–**	**6**	**6**
Amount due from immediate holding company	**–**	**–**	**–**	**20**	**–**	**20**	**20**
Trade and other receivables (note 25)	**–**	**–**	**–**	**2,408**	**–**	**2,408**	**2,408**
Short-term deposits maturing after three months	**–**	**–**	**–**	**28**	**–**	**28**	**28**
Cash and cash equivalents (note 27)	**–**	**–**	**–**	**4,358**	**–**	**4,358**	**4,358**
Total	**–**	**–**	**6**	**6,814**	**–**	**6,820**	**6,820**
At 31st December 2014							
Available-for-sale assets (note 22)	–	–	98	–	–	98	98
Amount due from immediate holding company	–	–	–	8	–	8	8
Trade and other receivables (note 25)	–	–	–	2,582	–	2,582	2,582
Cash and cash equivalents (note 27)	–	–	–	2,874	–	2,874	2,874
Derivative financial assets (note 31)	–	33	–	–	–	33	33
Total	–	33	98	5,464	–	5,595	5,595
Liabilities as per consolidated statement of financial position							
At 31st December 2015							
Trade and other payables (note 28)	**509**	**–**	**–**	**–**	**8,920**	**9,429**	**9,429**
Bank overdrafts and short-term loans (note 29)	**–**	**–**	**–**	**–**	**592**	**592**	**592**
Long-term loans and bonds (note 29)	**–**	**–**	**–**	**–**	**24,982**	**24,982**	**25,309**
Loans due to a fellow subsidiary company (note 30)	**–**	**–**	**–**	**–**	**12,160**	**12,160**	**12,916**
Derivative financial liabilities (note 31)	**–**	**84**	**–**	**–**	**–**	**84**	**84**
Total	**509**	**84**	**–**	**–**	**46,654**	**47,247**	**48,330**
At 31st December 2014							
Trade and other payables (note 28)	470	–	–	–	7,651	8,121	8,121
Bank overdrafts and short-term loans (note 29)	–	–	–	–	551	551	551
Long-term loans and bonds (note 29)	–	–	–	–	22,439	22,439	22,714
Loans due to a fellow subsidiary company (note 30)	–	–	–	–	13,955	13,955	14,972
Derivative financial liabilities (note 31)	–	4	–	–	–	4	4
Total	470	4	–	–	44,596	45,070	46,362

21. Financial Instruments by Category *(continued)*

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

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

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

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings is not equal to their carrying value but is based on cash flows discounted using assumptions sourced from the relevant financial institutions or quotes from market 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.

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

	Level 2 HK$M	Level 3 HK$M	Total HK$M
Assets as per consolidated statement of financial position			
At 31st December 2015			
Available-for-sale assets – unlisted investments (note 22)	**–**	**6**	**6**
Total	**–**	**6**	**6**
At 31st December 2014			
Derivative used for hedging (note 31)	33	–	33
Available-for-sale assets – unlisted investments (note 22)	–	98	98
Total	33	98	131
Liabilities as per consolidated statement of financial position			
At 31st December 2015			
Derivative used for hedging (note 31)	**84**	**–**	**84**
Put option in favour of a non-controlling interest (note 28)	**–**	**509**	**509**
Total	**84**	**509**	**593**
At 31st December 2014			
Derivative used for hedging (note 31)	4	–	4
Put options in favour of non-controlling interests (note 28)	–	470	470
Total	4	470	474

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

21. Financial Instruments by Category *(continued)*

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 observable inputs are market interest rates, exchange rates and yields.

There were no transfers of financial instruments between Level 2 and Level 3 fair value hierarchy classifications and there were no transfers into or out of Level 3 fair value hierarchy classifications except for the sale of some available-for-sale assets in July 2014. 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 2015:

	2015 HK$M	2014 HK$M
(a) Put options over non-controlling interests in subsidiary companies		
At 1st January	**470**	1,623
Addition during the year	**23**	75
Derecognition of a put option in favour of a non-controlling interest upon settlement	**–**	(1,256)
Change in fair value recognised as net finance charges	**16**	28
At 31st December	**509**	470
Total losses for the year included in profit or loss in respect of financial liabilities held at 31st December	**16**	28

	2015 HK$M	2014 HK$M
(b) Available-for-sale assets		
At 1st January	**98**	75
Addition during the year	**4**	23
Disposal during the year	**(96)**	–
At 31st December	**6**	98

The fair value of the put option over a non-controlling interest in subsidiary company and unlisted investments classified as Level 3 is determined using discounted cash flow valuations. The significant unobservable inputs used are expected future growth rates and discount rates. The put option in favour of a non-controlling interest is classified within Level 3 because it contains a number of unobservable inputs.

The put option over a 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 a 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 2019 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 completed investment properties, including the expected fair market rent and the expected 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 2015. 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.

22. 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.

	2015 HK$M	2014 HK$M
Unlisted investments	**6**	98

23. Properties under Development and for Sale

Accounting Policy

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

	2015 HK$M	2014 HK$M
Properties for sale		
Properties under development		
– development costs	**4,205**	4,005
– freehold land	**349**	350
– leasehold land	**1,433**	3,069
Completed properties		
– development costs	**1,045**	345
– freehold land	**1**	1
– leasehold land	**582**	209
	7,615	7,979

Refer to the table with heading "Audited financial information" on page 52 for details of the Group's capitalised interest rates and the amount of interest capitalised.

24. 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.

	2015 HK$M	2014 HK$M
Trading goods	**9**	10
Store and spare parts	**53**	55
Work in progress	**10**	12
	72	77

25. 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.

	2015 HK$M	2014 HK$M
Trade debtors	**293**	275
Prepayments and accrued income	**488**	253
Other receivables	**2,067**	2,293
	2,848	2,821

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

	2015 HK$M	2014 HK$M
Under three months	**287**	271
Between three and six months	**4**	2
Over six months	**2**	2
	293	275

25. Trade and Other Receivables *(continued)*

Other receivables include receivables for rent free periods of HK$919 million (2014: HK$975 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 terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. At 31st December 2015, trade debtors of HK$293 million (2014: HK$275 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 2015 and 31st December 2014 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 2015 was HK$2,389 million (2014: HK$2,295 million).

26. 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.

27. 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.

	2015 HK$M	2014 HK$M
Short-term deposits maturing within three months	**437**	843
Bank balances	**3,921**	2,031
	4,358	2,874

The effective interest rates on short-term deposits of the Group ranged from 0.17% to 1.54% (2014: 0.01% to 2.86%); these deposits have a maturity from 7 to 93 days (2014: 2 to 93 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2015 and 31st December 2014 is the carrying value of the bank balances and short-term deposits disclosed above.

28. 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.

	2015 HK$M	2014 HK$M
Trade creditors	1,210	1,337
Amounts due to intermediate holding company	96	110
Amounts due to a fellow subsidiary company	76	77
Amounts due to an associated company	70	106
Interest-bearing advances from fellow subsidiary companies at 3.50% to 4.62% (2014: 4.23% to 4.62%)	382	400
Interest-bearing advances from joint venture and related companies at 2.75% to 3.38% (2014: 3.38%)	239	250
Advances from a non-controlling interest	34	–
Rental deposits from tenants	2,389	2,295
Put option in favour of a non-controlling interest – non-current	509	470
Accrued capital expenditure	1,171	497
Other payables	3,276	2,602
	9,452	8,144
Amount due after one year included under non-current liabilities	(509)	(470)
	8,943	7,674

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:

	2015 HK$M	2014 HK$M
Under three months	1,210	1,337

29. 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.

	2015 HK$M	2014 HK$M
Bank overdrafts and short-term loans – unsecured	592	551
Long-term bank loans – unsecured:		
Repayable within one year	2,010	1,851
Repayable between one and two years	7,510	2,038
Repayable between two and five years	3,629	7,170
Repayable after five years	1,005	2,274
	14,154	13,333
Other borrowings – unsecured:		
Repayable within one year	–	–
Repayable between one and two years	499	–
Repayable between two and five years	4,154	796
Repayable after five years	6,175	8,310
	10,828	9,106
Amount due within one year included under current liabilities	(2,010)	(1,851)
	22,972	20,588

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

	2015				2014			
	HKD %	RMB %	US$ %	SGD %	HKD %	RMB %	US$ %	SGD %
Bank overdrafts/ short-term loans	–	3.83	–	1.79	–	5.04	–	1.21
Long-term loans and bonds	1.00-3.55	4.66-5.23	1.68-4.38	1.64	1.02-3.55	5.54-6.77	1.44-4.38	–

Bank loans and other borrowings are repayable on various dates up to 2025 (2014: up to 2024).

29. 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:

	2015 HK$M	2014 HK$M
Hong Kong dollar	**7,617**	5,835
Renminbi	**3,340**	4,700
United States dollar	**13,858**	11,904
Singapore dollar	**167**	–
	24,982	22,439

30. 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 rate of 5.6% per annum at 31st December 2015 (2014: 5.0% per annum).

	2015 HK$M	2014 HK$M
Repayable within one year	**4,658**	1,799
Repayable between one and two years	**2,329**	4,655
Repayable between two and five years	**5,173**	7,501
	12,160	13,955
Loans due within one year included under current liabilities	**(4,658)**	(1,799)
	7,502	12,156

Loans due within one year at 31st December 2015 of HK$4,658 million have been largely refinanced by the issue of US$500 million 10-year medium-term notes in January 2016.

31. 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 transactions 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, 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 transferred to the statement of profit or loss in the periods when the hedged items 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.

31. Derivative Financial Instruments *(continued)*

	2015		2014	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges – due after one year	**–**	**84**	33	4

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 2015 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 2015 and 31st December 2014, all cash flow hedges were 100% effective.

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

	2015 HK$M	2014 HK$M
Cross currency swaps	**7,751**	7,756

32. 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.

Deferred tax relating to investment properties in Hong Kong are calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in Mainland China, because the business model applicable to them is to consume substantially all the economic benefits embodied in them over time rather than through sale. Accordingly, deferred tax relating to investment properties in Mainland China are determined on the basis of recovery through use.

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

	2015 HK$M	2014 HK$M
At 1st January	**6,042**	5,532
Translation differences	**(132)**	(70)
Charged to statement of profit or loss (note 11)	**756**	578
Charged to other comprehensive income	**31**	2
At 31st December	**6,697**	6,042

32. 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. At 31st December 2015, the Group has recognised HK$103 million (2014: HK$70 million) of deferred tax assets in respect of subsidiaries that were loss making in either 2015 or 2014. These are recognised as these entities are expected to generate sufficient taxable profits in the future. The Group has unrecognised tax losses of HK$2,874 million (2014: HK$2,592 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Unrecognised tax losses	
	2015 HK$M	2014 HK$M
No expiry date	**1,630**	1,339
Expiring in 2015	**–**	292
Expiring in 2016	**314**	314
Expiring in 2017	**349**	309
Expiring in 2018	**355**	244
Expiring in 2019	**170**	94
Expiring in 2020	**56**	–
	2,874	2,592

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

	Accelerated tax depreciation		Valuation of Investment Properties		Others		Total	
	2015 HK$M	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M
At 1st January	**2,923**	2,713	**2,795**	2,591	**492**	452	**6,210**	5,756
Translation differences	**–**	–	**(46)**	(61)	**(24)**	(9)	**(70)**	(70)
Charged/(Credited) to statement of profit or loss	**231**	210	**592**	265	**(14)**	44	**809**	519
(Credited)/Charged to other comprehensive income	**–**	–	**–**	–	**(6)**	5	**(6)**	5
At 31st December	**3,154**	2,923	**3,341**	2,795	**448**	492	**6,943**	6,210

32. Deferred Taxation *(continued)*

Deferred tax assets

	Tax losses		Others		Total	
	2015 HK$M	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M
At 1st January	**80**	143	**88**	81	**168**	224
Credited/(Charged) to statement of profit or loss	**30**	(63)	**23**	4	**53**	(59)
Credited to other comprehensive income	**–**	–	**25**	3	**25**	3
At 31st December	**110**	80	**136**	88	**246**	168

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:

	2015 HK$M	2014 HK$M
Deferred tax assets:		
– to be recovered after more than 12 months	**(90)**	(63)
– to be recovered within 12 months	**–**	–
	(90)	(63)
Deferred tax liabilities:		
– to be settled after more than 12 months	**6,787**	6,105
– to be settled within 12 months	**–**	–
	6,787	6,105
	6,697	6,042

33. Retirement Benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes for its employees, the assets of which are held in separate trustee-administered funds.

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

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

Accounting Policy

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the 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.

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 majority of the Group's schemes are final salary guaranteed lump sum defined benefit plans.

33. Retirement Benefits *(continued)*

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$30,000). Staff may elect to contribute more than the minimum by way of voluntary contributions. 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. The latest actuarial valuations indicate that the funding level for the year was 105% (2014: 106%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$66 million to its defined benefit schemes in 2016.

Total retirement benefit costs recognised in the consolidated statement of profit or loss for the year ended 31st December 2015 amounted to HK$72 million (2014: HK$59 million), including HK$4 million (2014: 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 2015, disclosures are based on valuation prepared by Mercer (Hong Kong) Limited at 31st December 2015. For the year ended 31st December 2014, 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 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:

	2015 HK$M	2014 HK$M
Present value of funded obligations	**867**	789
Fair value of plan assets	**(690)**	(698)
Net retirement benefit liabilities	**177**	91
Represented by:		
Retirement benefit liabilities	**177**	91

33. Retirement Benefits *(continued)*

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

	2015 HK$M	2014 HK$M
At 1st January	**789**	647
Current service cost	**67**	58
Interest cost	**25**	27
Remeasurements from changes in:		
– demographic assumptions	**1**	–
– financial assumptions	**4**	87
Experience losses	**36**	6
Transfer	**(1)**	1
Benefits paid	**(54)**	(37)
At 31st December	**867**	789

The weighted average duration of the defined benefit obligation is 11.58 years (2014: 11.60 years).

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

	2015 HK$M	2014 HK$M
At 1st January	**698**	647
Interest income	**24**	29
Remeasurements of plan assets	**(38)**	(1)
Contributions by employers	**61**	59
Transfer	**(1)**	1
Benefits paid	**(54)**	(37)
At 31st December	**690**	698

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:

	2015 HK$M	2014 HK$M
Current service cost	**67**	58
Net interest cost	**1**	(2)
	68	56

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

The actual return on defined benefit plan assets was a loss of HK$14 million (2014: HK$28 million gain).

33. 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:

	Defined benefit plans	
	2015 HK$M	2014 HK$M
Equities		
Asia Pacific	**138**	149
Europe	**63**	63
North America	**129**	129
Emerging markets	**96**	109
Bonds		
Global	**212**	172
Emerging markets	**7**	51
Cash	**45**	25
	690	698

At 31st December 2015, the prices of 96% of equities and 76% of bonds were quoted on active markets (2014: 95% and 66% 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 enter into agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark. The investment committee monitors the overall market risk position on a quarterly basis.

33. Retirement Benefits *(continued)*

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

	2015	2014
Discount rate	**3.22%**	3.27%
Expected rate of future salary increases	**4.00%**	4.00%

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

	Increase/(Decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
Discount rate	0.5%	(47)	51
Expected rate of future salary increases	0.5%	50	(47)

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.

34. Share Capital

	Ordinary shares	HK$M
Issued and fully paid:		
At 1st January 2014	5,850,000,000	5,850
Transition to no-par value regime on 3rd March 2014 (note 35)	–	4,599
At 31st December 2014	5,850,000,000	10,449
At 1st January 2015 and 31st December 2015	**5,850,000,000**	**10,449**

The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3rd March 2014. On that date, the share premium account became part of share capital in accordance with section 37 of Schedule 11 to the Ordinance. This did not affect the number of shares in issue or the relative entitlements of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

There was no purchase, sale or redemption by the Company of its shares during the years ended 31st December 2015 and 31st December 2014.

35. 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
At 1st January 2015	194,278	–	(1,108)	1,676	24	2,372	197,242
Profit for the year	14,072	–	–	–	–	–	14,072
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	–	–	–	13	–	–	13
Defined benefit plans							
– remeasurement losses recognised during the year	(79)	–	–	–	–	–	(79)
– deferred tax	13	–	–	–	–	–	13
Cash flow hedges							
– losses recognised during the year	–	–	–	–	(110)	–	(110)
– transferred to net finance charges	–	–	–	–	2	–	2
– deferred tax	–	–	–	–	18	–	18
Share of other comprehensive losses of joint venture and associated companies	–	–	–	–	–	(462)	(462)
Net translation differences on foreign operations							
– movement during the year	–	–	–	–	–	(1,149)	(1,149)
– reclassification to profit or loss on disposal of four hotels in the U.K.	–	–	–	–	–	142	142
Total comprehensive income/(losses) for the year	14,006	–	–	13	(90)	(1,469)	12,460
Change in composition of the Group	16	–	–	–	–	–	16
2014 second interim dividend (note 13)	(2,574)	–	–	–	–	–	(2,574)
2015 first interim dividend (note 13)	(1,346)	–	–	–	–	–	(1,346)
At 31st December 2015	204,380	–	(1,108)	1,689	(66)	903	205,798

35. 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
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 losses of joint venture and associated companies	–	–	–	–	(1)	(83)	(84)
Net translation differences on foreign operations	–	–	–	–	–	(479)	(479)
Total comprehensive income/(loss) for the year	9,438	–	–	4	88	(562)	8,968
Transfer to share capital (note 34)	–	(4,599)	–	–	–	–	(4,599)
2013 second interim dividend	(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

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$3,215 million (2014: HK$2,228 million) and retained revenue reserves from associated companies amounting to HK$440 million (2014: HK$411 million).

(b) The Group revenue reserve has not yet deducted the second interim dividend for the year of HK$2,808 million declared after the year end date (2014: HK$2,574 million) (note 13).

(c) The Group adopted merger accounting in accordance with Accounting Guideline 5, Merger Accounting for Common Control Combinations (issued by the HKICPA) to account for the acquisition of all the shares of Swire Properties US Inc and Swire Properties One LLC in January 2010. These companies were wholly-owned subsidiary companies of the immediate holding company of the Company.

36. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

At 31st December 2015	Note	2015 HK$M	2014 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		37	23
Intangible assets		28	23
Subsidiary companies		50,574	51,558
Joint venture companies		2,462	2,535
Associated companies		3	56
Deferred tax assets		24	13
		53,128	54,208
Current assets			
Trade and other receivables		241	275
Cash and cash equivalents		2,300	100
		2,541	375
Current liabilities			
Trade and other payables		6,724	5,604
Taxation payable		6	8
		6,730	5,612
Net current liabilities		(4,189)	(5,237)
Total assets less current liabilities		48,939	48,971
Non-current liabilities			
Retirement benefit liabilities		152	84
NET ASSETS		48,787	48,887
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	34	10,449	10,449
Reserves	36(b)	38,338	38,438
TOTAL EQUITY		48,787	48,887

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Paul K. Etchells
Directors
Hong Kong, 10th March 2016

36. Company Statement of Financial Position and Reserves *(continued)*

(b) The movement of the Company reserves during the year are as follows:

	Revenue reserve HK$M	Share premium HK$M	Total HK$M
Company			
At 1st January 2015	**38,438**	**–**	**38,438**
Profit for the year (note 12)	**3,870**	**–**	**3,870**
Other comprehensive income			
Defined benefit plans			
– remeasurement losses recognised during the year	**(61)**	**–**	**(61)**
– deferred tax	**11**	**–**	**11**
Total comprehensive income for the year	**3,820**	**–**	**3,820**
2014 second interim dividend (note 13)	**(2,574)**	**–**	**(2,574)**
2015 first interim dividend (note 13)	**(1,346)**	**–**	**(1,346)**
At 31st December 2015	**38,338**	**–**	**38,338**
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 34)	–	(4,599)	(4,599)
2013 second interim dividend	(2,340)	–	(2,340)
2014 first interim dividend (note 13)	(1,287)	–	(1,287)
At 31st December 2014	38,438	–	38,438

(i) Distributable reserves of the Company at 31st December 2015 amounted to HK$38,338 million (2014: HK$38,438 million).

(ii) The Company revenue reserve has not yet deducted the second interim dividend for the year of HK$2,808 million declared after the year end date (2014: HK$2,574 million) (note 13).

37. Non-controlling Interests

	2015 HK$M	2014 HK$M
At 1st January	**856**	800
Share of profits less losses for the year	**124**	207
Share of translation differences on foreign operations	**(19)**	(7)
Share of total comprehensive income	**105**	200
Dividends paid and payable	**(10)**	(144)
Capital contribution from a non-controlling interest	**767**	–
Change in composition of the Group	**(16)**	–
At 31st December	**1,702**	856

38. Capital Commitments

	2015 HK$M	2014 HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**154**	315
Authorised by Directors but not contracted for	**80**	166
(b) Investment properties		
Contracted for	**3,186**	2,417
Authorised by Directors but not contracted for	**13,130**	15,773
	16,550	18,671
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**411**	2,134
Authorised by Directors but not contracted for	**2,837**	3,335
	3,248	5,469

* of which the Group is committed to funding HK$1,190 million (2014: HK$2,634 million).

At 31st December 2015, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$171 million (2014: HK$229 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 the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of 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 or 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.

	2015 HK$M	2014 HK$M
Guarantees provided in respect of bank loans and other liabilities of joint venture companies	**3,271**	1,477
Bank guarantees given in lieu of utility deposits and others	**177**	146
	3,448	1,623

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$347 million (2014: HK$406 million).

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

	2015 HK$M	2014 HK$M
Investment properties:		
Not later than one year	**8,079**	8,064
Later than one year but not later than five years	**15,129**	15,718
Later than five years	**3,133**	2,393
	26,341	26,175

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

	2015 HK$M	2014 HK$M
Investment properties at fair value	**199,380**	194,991

(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 them 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 were as follows:

	2015 HK$M	2014 HK$M
Land and buildings:		
Not later than one year	**63**	62
Later than one year but not later than five years	**90**	164
Later than five years	**60**	175
	213	401

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 2015, service fees payable amounted to HK$215 million (2014: HK$220 million). Expenses of HK$50 million (2014: HK$49 million) were reimbursed at cost; in addition, HK$60 million (2014: HK$71 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 was for a term of two years ending on 31st December 2015 and was renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the year ended 31st December 2015, 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$101 million (2014: HK$93 million) and HK$89 million (2014: HK$88 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.

		Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
	Notes	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M
Purchases of services	*(a)*	**–**	–	**20**	20	**–**	–	**–**	–	**–**	–
Rental revenue	*(b)*	**5**	4	**92**	91	**12**	12	**85**	78	**11**	8
Revenue from hotels		**–**	–	**1**	1	**–**	–	**1**	1	**1**	1
Other revenue	*(a)*	**–**	–	**5**	8	**7**	2	**1**	1	**–**	–
Interest income	*(c)*	**67**	42	**–**	–	**–**	–	**–**	–	**–**	–
Interest charges	*(c)*	**–**	6	**699**	715	**–**	–	**–**	–	**8**	8

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 2015 are disclosed in notes 19 and 20 respectively. Advances from fellow subsidiary, joint venture, associated and related companies are disclosed in note 28. There are a number of loan agreements between the Group and the Swire Pacific group, details of which are disclosed on pages 47 to 55. The loans due to Swire Finance Limited, a fellow subsidiary company, are disclosed in note 30.

Amount due from the immediate holding company at 31st December 2015 are disclosed in note 26. 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

	2015 HK$M	2014 HK$M
Operating profit	**16,207**	10,992
Change in fair value of investment properties	**(7,116)**	(1,956)
Depreciation	**266**	263
Amortisation of initial leasing costs on investment properties	**67**	89
Amortisation of intangible assets	**12**	8
Impairment reversals on trading properties	**–**	(45)
Loss on disposal of four hotels in the U.K.	**229**	–
Profit on disposal of investment properties	**(13)**	(6)
Loss on disposal of property, plant and equipment	**–**	1
Other items	**(75)**	(25)
Operating profit before working capital changes	**9,577**	9,321
(Increase)/Decrease in amount due from immediate holding company	**(12)**	43
Decrease in properties under development and for sale	**472**	274
Decrease/(Increase) in stocks and work in progress	**4**	(1)
Increase in trade and other receivables	**(47)**	(278)
Increase in trade and other payables	**615**	1,369
Increase/(Decrease) in retirement benefit liabilities	**7**	(4)
Cash generated from operations	**10,616**	10,724

(b) Purchase of property, plant and equipment

	2015 HK$M	2014 HK$M
Land and buildings	**367**	462
Plant and equipment	**191**	153
Total	**558**	615

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

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

(c) Disposal of subsidiary companies – U.K. hotels

	2015 HK$M
Net assets disposed:	
Property, plant and equipment	498
Stocks	1
Debtors	32
Cash at bank and in hand	7
Creditors and provisions	(59)
Exchange losses realised on disposal	142
	621
Loss on disposal of four hotels in the U.K.	(229)
	392
Satisfied by:	
Cash received (net of transaction costs)	380
Other consideration	12
	392
Analysis of net inflow of cash and cash equivalents in respect of the sale of hotel interests in the U.K.	
Net cash proceeds	380
Cash at bank and in hand	(7)
Net inflow of cash and cash equivalents per consolidated statement of cash flows	373

(d) Analysis of changes in financing during the year

	Loans and bonds		Non-controlling interests	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1st January	22,990	21,187	856	800
Net cash inflow from financing	2,784	1,930	–	–
Non-controlling interests' share of total comprehensive income	–	–	105	200
Dividends paid to non-controlling interests	–	–	(10)	(144)
Capital contribution from non-controlling interests	–	–	767	–
Other non-cash movements*	(200)	(127)	(16)	–
At 31st December	25,574	22,990	1,702	856

* Other non-cash movements under loans and bonds represent foreign exchange differences and amortisation of loan fees.

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") issued by the Hong Kong Institute of Certified Public Accountants. 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, available-for-sale assets and derivative financial instruments, each of which are carried at fair value.

2. Basis of Consolidation

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

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

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

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

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

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

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the 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.

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

2. Basis of Consolidation *(continued)*

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 credited to 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.

3. Subsidiary Companies

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

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

4. Joint Venture and Associated Companies

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company in the statement of profit or loss 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 2015

	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:					
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
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	Financial services
Swire Properties Management Limited	100	100	–	2 shares	Property management
Swire Properties MTN Financing Limited	100	100	–	1 share	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 1.2% of attributable net assets at 31st December 2015.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2015

	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	61.5	–	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
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
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$1,136,530,000	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

Schedule of Principal Group Properties

At 31st December 2015

	Gross floor areas in square feet							
	Hong Kong		Mainland China		U.S.A.		Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment								
Retail	2,337,174	99,696	2,859,885	1,094,116	–	–	5,197,059	6,390,871
Office	8,099,679	687,130	1,731,766	297,732	–	–	9,831,445	10,816,307
Techno-centre	893,516	–	–	–	–	–	893,516	893,516
Residential/serviced apartment	546,467	–	51,517	63,789	–	–	597,984	661,773
Hotels	358,371	384,796	753,647	293,240	–	258,750	1,112,018	2,048,804
	12,235,207	1,171,622	5,396,815	1,748,877	–	258,750	17,632,022	20,811,271
Property developments for investment								
Retail	–	–	–	548,452	490,000	–	490,000	1,038,452
Office	1,575,035	191,250	–	918,271	260,000	–	1,835,035	2,944,556
Residential/serviced apartment	–	–	–	73,718	109,000	–	109,000	182,718
Hotels	–	–	–	194,027	218,000	–	218,000	412,027
Under planning	–	95,540	–	–	1,444,000*	–	1,444,000	1,539,540
	1,575,035	286,790	–	1,734,468	2,521,000	–	4,096,035	6,117,293
Completed properties for sale								
Retail	–	3,820	–	–	–	–	–	3,820
Residential	91,927	–	–	–	5,359	–	97,286	97,286
Retail/office	–	–	–	301,252	12,586	–	12,586	313,838
	91,927	3,820	–	301,252	17,945	–	109,872	414,944
Property developments for sale								
Office	–	–	–	–	–	–	–	–
Residential	195,533	–	–	–	2,207,000	–	2,402,533	2,402,533
Under planning	–	–	–	–	825,000	–	825,000	825,000
	195,533	–	–	–	3,032,000	–	3,227,533	3,227,533
	14,097,702	1,462,232	5,396,815	3,784,597	5,570,945	258,750	25,065,462	30,571,041

* 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), MOUNT PARKER RESIDENCES (80% owned), Brickell City Centre (Retail: 61.5% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these six 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 about 9,400 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. represent saleable/leasable areas for completed and nearly completed properties, which exclude car parking spaces; there are about 450 completed car parking spaces held by other companies for investment.
7. Properties in U.K. were all sold at 31st December 2015.

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 2015

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)	333,529	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			**10,424,541**	**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 2015

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	ML 703 sI	2881	8,664	Serviced apartment: Retail:	62,756 12,312 75,068	–	2014	111 serviced suites above 3 storeys retail podium.
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 area shown represents the retail portion, of which the Group owns 50%.
6. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	1,248,738	1,056	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, of which the Group owns 50%.
	Total held through joint venture companies			**2,188,231**	**1,671**		
	– of which attributable to the Group			**1,094,116**			

Schedule of Principal Group Properties

At 31st December 2015

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 51,517 635,701	– –	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 areas shown represent the hotel and serviced apartment portions, 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%.
4. The Temple House	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Hotel: Serviced apartment:	228,210 127,579 355,789	– –	Fitout in progress	100-room hotel and 42 serviced apartments. Floor areas shown represent the hotel and serviced apartment portions, of which the Group owns 50%.
	Total held through joint venture companies				**714,058**	**240**		
	– of which attributable to the Group				**357,029**			

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**			

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	222	Substructure & Superstructure 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	Excavation and Foundation in progress	2018	Floor area shown is an approximation.
	Total held through subsidiaries				**1,575,035**	**314**			
3. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11	2063	107,919	Retail and hotel:	477,700	127	Excavation and Foundation 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 61,900 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%.

Schedule of Principal Group Properties

At 31st December 2015

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
4. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 461	2064	25,500	Office:	382,499	137	Excavation and Foundation 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				**860,199**	**264**			
	– of which attributable to the Group				**286,790**				

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. HKRI Taikoo Hui (formerly known as 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: Serviced apartment:	1,096,905 1,836,543 388,053 147,435	1,200	Superstructure in progress	2016/ 2017	Floor areas shown represent the whole development, of which the Group owns 50%.
	Total held through joint venture companies				**3,468,936**	**1,200**			
	– of which attributable to the Group				**1,734,468**				

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 –	2016	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, with completion expected during 2016. The Group owns 61.5% interest in the retail portion.
	123,347	Phase II	Under planning:	1,444,000	To be determined	2021	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 1.4 million square feet is planned as an 80-storey luxury high rise tower.
				2,521,000	1,624		
	Total held through subsidiaries			**2,521,000**	**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. MOUNT PARKER RESIDENCES, Quarry Bay	SIL 761 RP	2057	28,490	3,140	66	2013	At 31st December 2015, 91 units were closed and/or sold after the issuance of Certificate of Compliance. Floor area shown represents the remaining 1 residential unit and 66 unsold car parking spaces, of which the Group owns 80%.
2. 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	26,923	–	2015	At 31st December 2015, 112 units were closed and/or sold. Floor area shown represents the remaining 15 residential units.
3. WHITESANDS, 160 South Lantau Road, Cheung Sha	Lot 724 and Lot 726 in DD332	2062	161,029	61,864	27	2015	The development comprises 28 detached houses and 28 car parking spaces. At 31st December 2015, 1 unit was sold. Floor area shown represents the remaining 27 units and 27 unsold car parking spaces.
	Total held through subsidiaries			**91,927**	**93**		
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. Pinnacle One	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Office: 602,504	447	2014	Floor area shown represents the unsold office portion, of which the Group owns 50%.
	Total held through joint venture companies			**602,504**	**447**		
	– of which attributable to the Group			**301,252**			

Schedule of Principal Group Properties

At 31st December 2015

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. At 31st December 2015, 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. ALASSIO (formerly known as 100 Caine 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.
	Total held through subsidiaries				**195,533**	**43**			

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:	550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	182,191	Under planning:	825,000	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	2016	Two residential development sites in Brickell City Centre, an urban mixed use development located in the Brickell financial district. Construction commenced in July 2012, with completion expected during 2016.
	380,670 (part)	Condominium:	523,000	544	–	The development on the North Square site is currently on hold.
	Total held through subsidiaries		**3,032,000**	**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.

Net assets employed Total equity plus net debt.

Net debt Gross borrowings net of bank deposits and bank balances.

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

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

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

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

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2016

Share trade ex-dividend	6th April
Annual Report available to shareholders	7th April
Share register closed for 2015 second interim dividend entitlement	8th April
Payment of 2015 second interim dividend	5th May
Share register closed for attending and voting at Annual General Meeting	5th – 10th May
Annual General Meeting	10th May
Interim results announcement	August 2016
2016 first interim dividend payable	October 2016

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