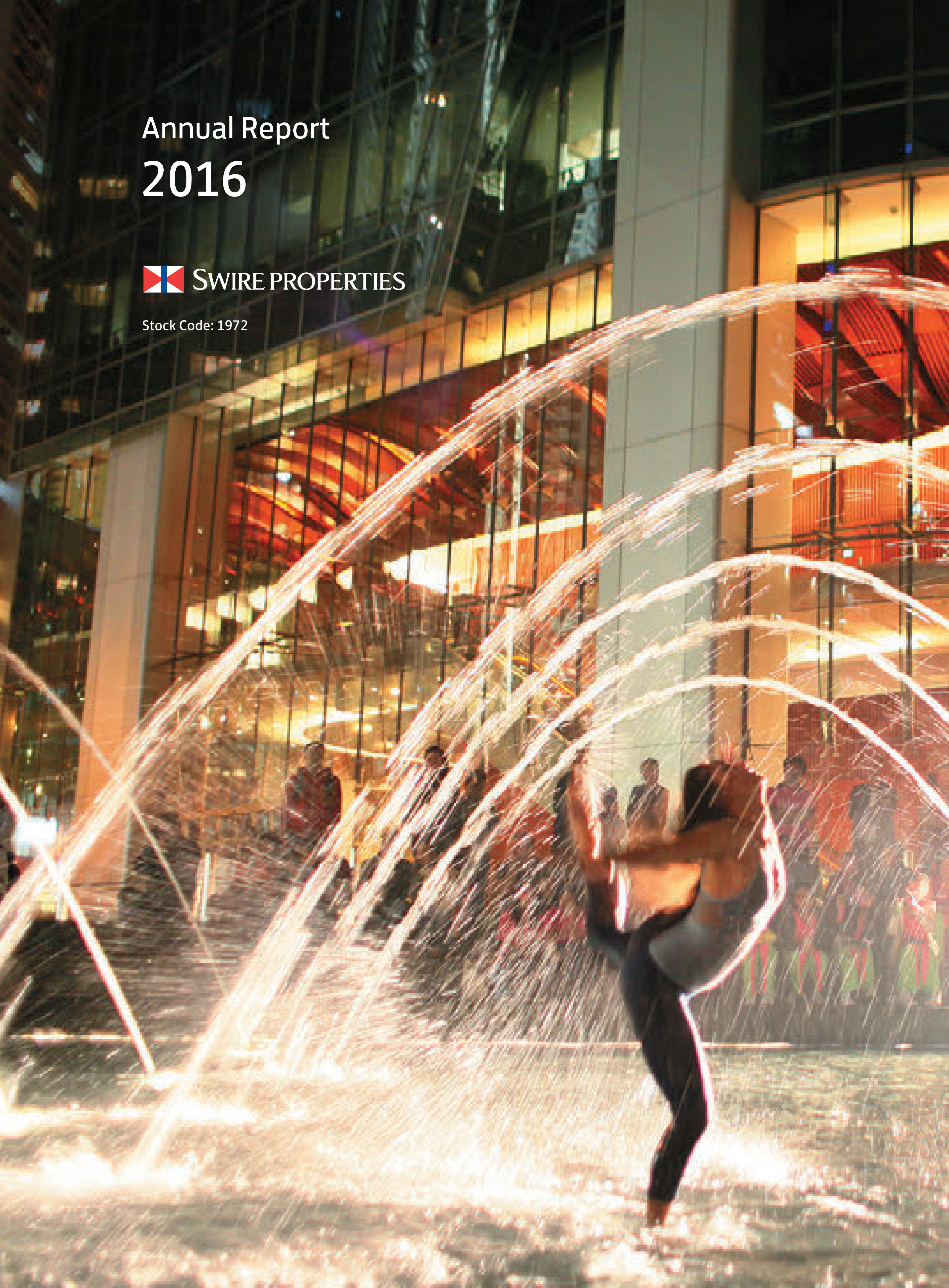
Annual Report
2016

SWIRE PROPERTIES

Stock Code: 1972



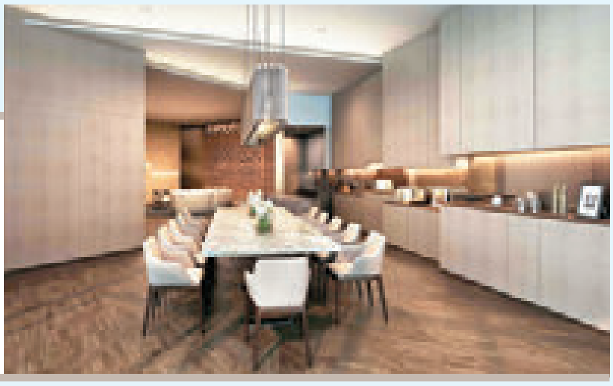
We are a leading developer, owner and operator of mixed-use, principally commercial, properties in Hong Kong and Mainland China, with a record of creating long-term value by transforming urban areas.

Our business comprises three main elements:

- Property Investment
- Property Trading
- Hotel Investment

One Island East
Hong Kong

2016 Highlights



Announcement of the sales arrangement for ALASSIO, a residential development in Mid-Levels West

April – Hong Kong

details on page 35

Launch of the new Swire Properties Sustainability Strategy 2030 with internal campaign, "SD Starts with Me"

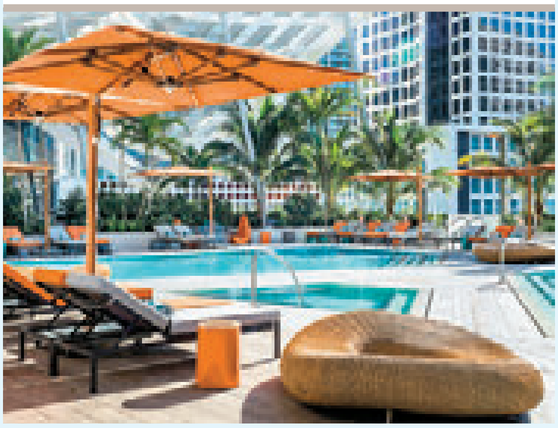
April – Hong Kong

details on page 80

Opening of EAST, Miami hotel at the Brickell City Centre development in Miami, U.S.A.

June – Miami

details on page 37



Announcement of the vision and new designs for the HK$15 billion Taikoo Place Redevelopment Project

July – Hong Kong

details on page 25

TaiKoo Hui, Guangzhou launched a new “Elites Club” membership programme to celebrate its **fifth anniversary**

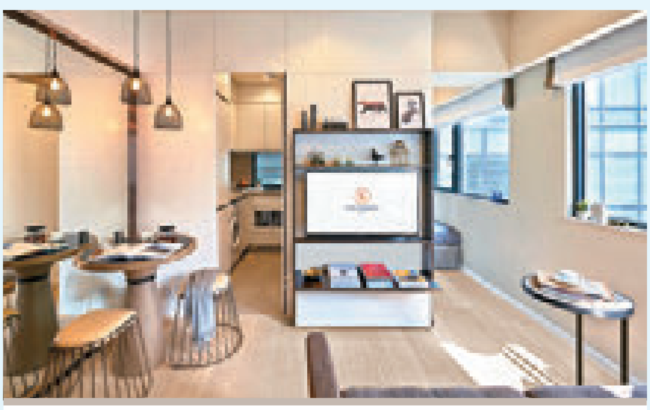
September – Guangzhou

details on page 28

The Community Ambassador Programme launched the three-day charity bazaar to celebrate **15 years of volunteer work with the community**

October – Hong Kong

details on page 81



STAR STUDIOS, a newly renovated residential development in the Pacific Place neighbourhood, was introduced in the residential leasing market

October – Hong Kong

details on page 25

Grand opening of **Brickell City Centre** in Miami, U.S.A.

November – Miami

details on page 31

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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 over 5,000 people.

In Hong Kong, we have spent over 40 years developing an industrial area into what is now Taikoo Place and Cityplaza, one of Hong Kong's largest business districts comprising office space, the largest shopping mall on Hong Kong Island and a hotel. 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, 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	**2016** **HK$M**	2015 HK$M	Change
Revenue		**16,792**	16,447	+2%
Operating profit		**17,320**	16,207	+7%
Profit attributable to the Company's shareholders				
Underlying	*(a), (b)*	**7,112**	7,078	+1%
Reported		**15,050**	14,072	+7%
Cash generated from operations		**10,767**	10,616	+1%
Net cash inflow before financing		**1,998**	3,745	-47%
		HK$	HK$	
Earnings per share				
Underlying	*(c)*	**1.22**	1.21	+1%
Reported	*(c)*	**2.57**	2.41	+7%
Dividends per share				
First interim		**0.23**	0.23	–
Second interim		**0.48**	0.48	–

Financial Position **At 31st December**		**HK$M**	HK$M	
Total equity (including non-controlling interests)		**227,225**	217,949	+4%
Net debt		**35,377**	33,348	+6%
Gearing ratio	*(a)*	**15.6%**	15.3%	+0.3%pt.
		HK$	HK$	
Equity attributable to the Company's shareholders per share	*(a)*	**38.52**	36.97	+4%

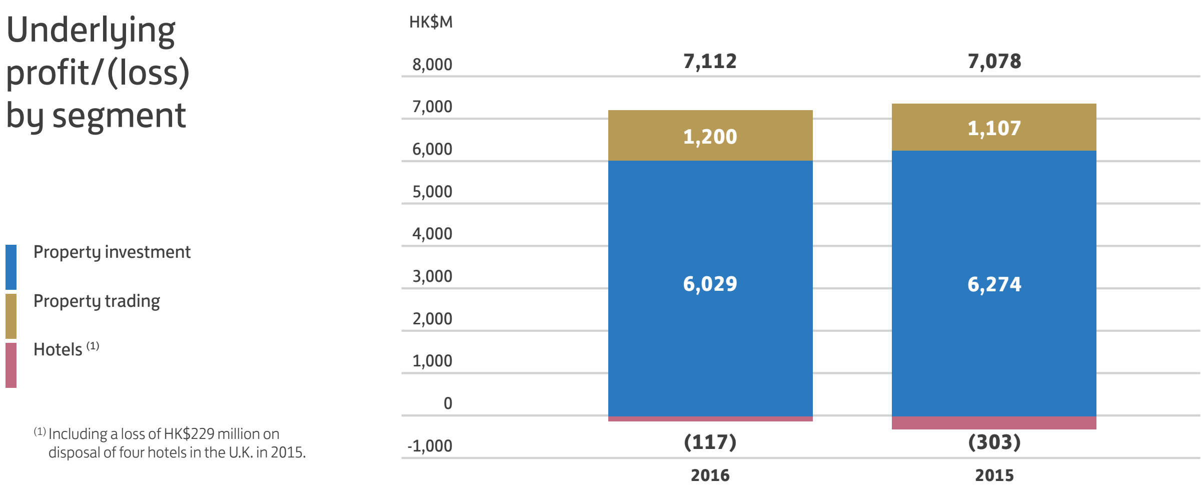
Notes:

(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.

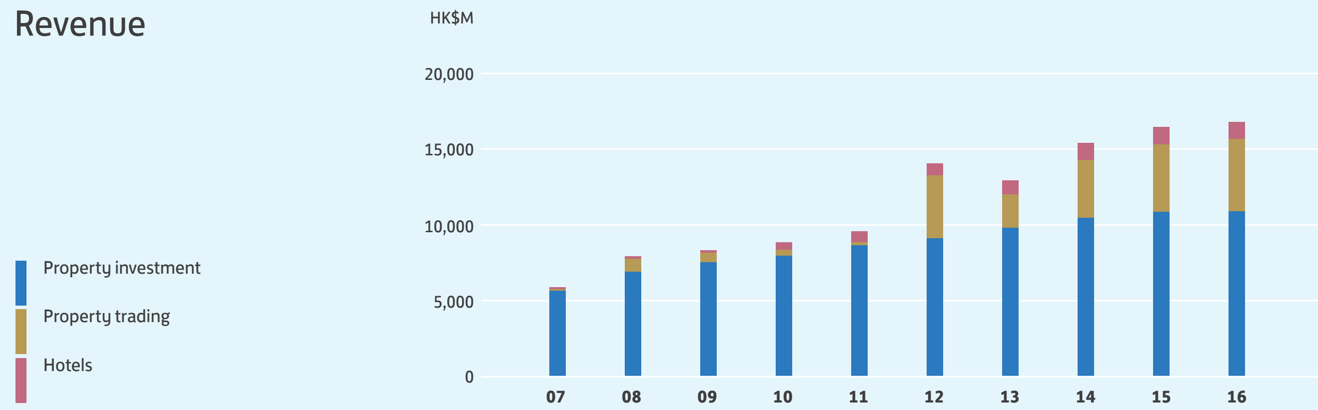
Ten-Year Financial Summary

	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$M	**2016 HK$M**
STATEMENT OF PROFIT OR LOSS										
Revenue										
Property investment	5,663	6,901	7,516	7,953	8,651	9,123	9,786	10,456	10,857	**10,902**
Property trading	10	889	643	400	213	4,147	2,207	3,842	4,463	**4,760**
Hotels	148	156	172	518	717	782	942	1,089	1,127	**1,130**
	5,821	7,946	8,331	8,871	9,581	14,052	12,935	15,387	16,447	**16,792**
Profit Attributable to the Company's Shareholders										
Property investment	3,054	3,318	3,965	4,574	4,638	4,896	5,426	6,029	6,231	**5,938**
Property trading	(43)	95	23	87	7	1,659	720	1,020	1,089	**1,199**
Hotels	175	73	(332)	(109)	(33)	14	(46)	30	(303)	**(117)**
Change in fair value of investment properties	19,530	(236)	13,596	21,478	20,496	12,184	6,425	2,437	7,055	**8,030**
	22,716	3,250	17,252	26,030	25,108	18,753	12,525	9,516	14,072	**15,050**
Dividends for the year	1,652	2,966	25	2,426	11,067	3,510	3,510	3,861	4,154	**4,154**
Retained profit	21,064	284	17,227	23,604	14,041	15,243	9,015	5,655	9,918	**10,896**
STATEMENT OF FINANCIAL POSITION										
Net Assets Employed										
Property investment	133,492	140,440	155,374	183,062	191,116	207,577	218,556	226,607	235,917	**248,466**
Property trading	2,762	3,496	3,772	6,303	6,581	7,309	9,408	8,210	7,452	**6,616**
Hotels	3,624	4,037	5,523	5,797	6,421	7,111	7,200	7,801	7,928	**7,520**
	139,878	147,973	164,669	195,162	204,118	221,997	235,164	242,618	251,297	**262,602**
Financed by										
Equity attributable to the Company's shareholders	109,643	110,235	129,778	157,847	175,886	192,434	202,350	207,691	216,247	**225,369**
Non-controlling interests	801	1,068	424	479	532	642	800	856	1,702	**1,856**
Net debt	29,434	36,670	34,467	36,836	27,700	28,921	32,014	34,071	33,348	**35,377**
	139,878	147,973	164,669	195,162	204,118	221,997	235,164	242,618	251,297	**262,602**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	**HK$**
Earnings per share	4.14	0.59	3.14	4.57	4.40	3.21	2.14	1.63	2.41	**2.57**
Dividends per share	0.30	0.54	–	0.43	1.94	0.60	0.60	0.66	0.71	**0.71**
Equity attributable to shareholders per share	19.96	20.07	23.60	27.74	30.07	32.89	34.59	35.50	36.97	**38.52**
RATIOS										
Return on average equity attributable to the Company's shareholders	23.0%	3.0%	14.4%	18.1%	15.0%	10.2%	6.3%	4.6%	6.6%	**6.8%**
Gearing ratio	26.7%	33.0%	26.5%	23.3%	15.7%	15.0%	15.8%	16.3%	15.3%	**15.6%**
Interest cover – times	33.69	4.79	17.56	21.79	18.23	15.72	10.02	8.96	13.56	**15.48**
Dividend cover – times	13.75	1.10	N/A	10.73	2.27	5.34	3.57	2.46	3.39	**3.62**
UNDERLYING										
Profit (HK$M)	3,291	3,540	3,721	4,767	12,914	6,935	6,348	7,152	7,078	**7,112**
Return on average equity attributable to the Company's shareholders	3.3%	3.2%	3.1%	3.3%	7.7%	3.8%	3.2%	3.5%	3.3%	**3.2%**
Earnings per share (HK$)	0.60	0.64	0.68	0.84	2.26	1.19	1.09	1.22	1.21	**1.22**
Interest cover – times	5.93	4.48	4.33	5.37	12.01	7.90	6.43	7.58	7.75	**8.89**
Dividend cover – times	1.99	1.19	N/A	1.96	1.17	1.98	1.81	1.85	1.70	**1.71**

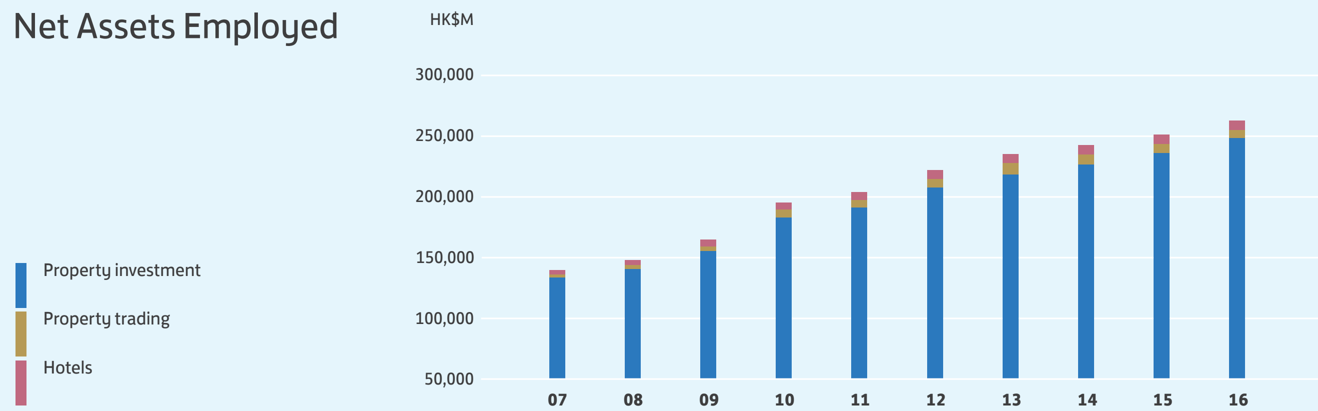
Notes:

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 2016 may be different from those originally presented.
2. The equity attributable to the Company's shareholders and the returns by segment for 2016 and 2015 are shown in the Financial Review – Investment Appraisal and Performance Review on page 48.
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.

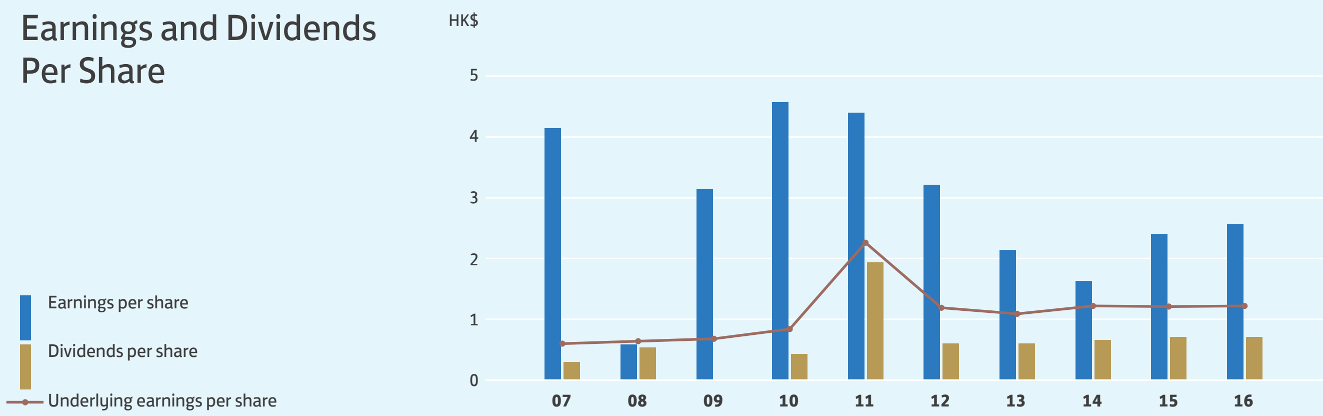
Revenue



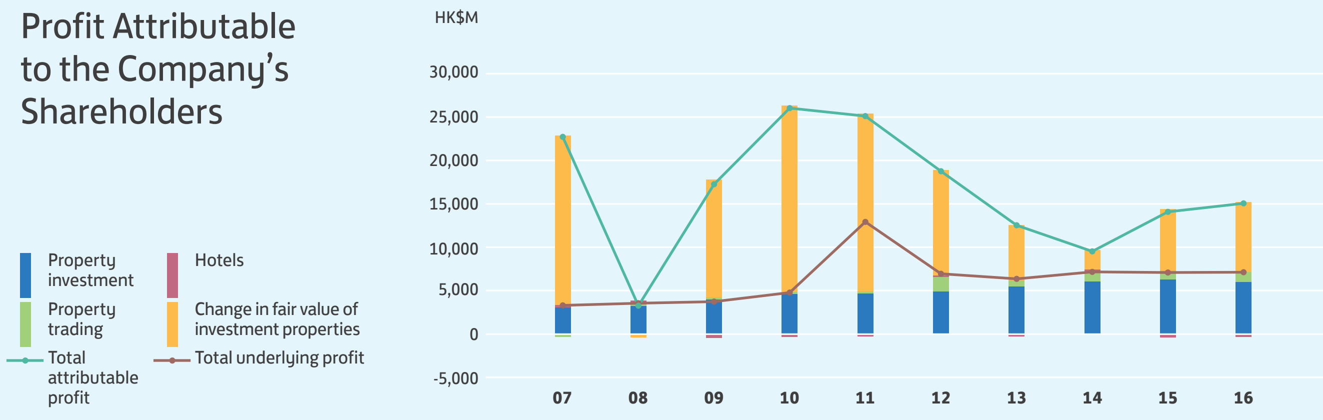
Net Assets Employed



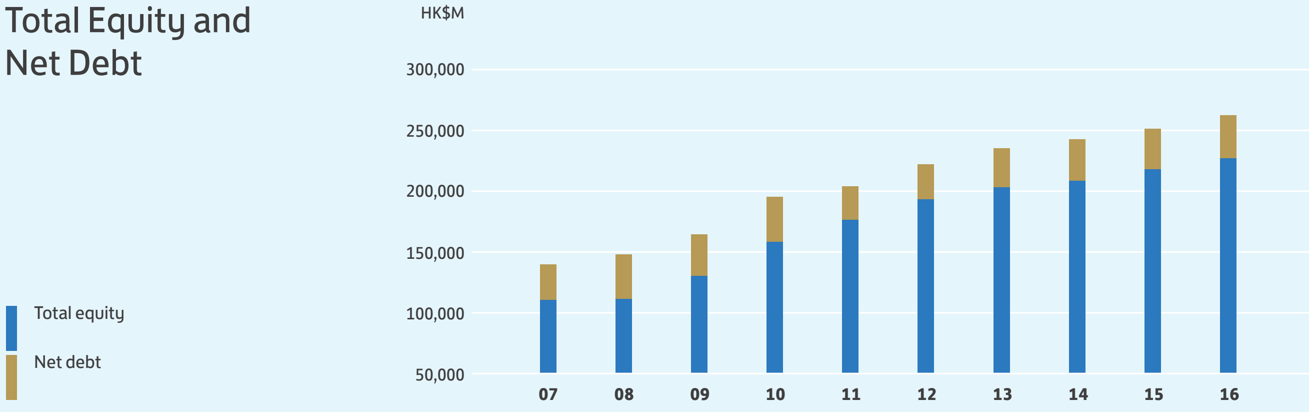
Earnings and Dividends Per Share



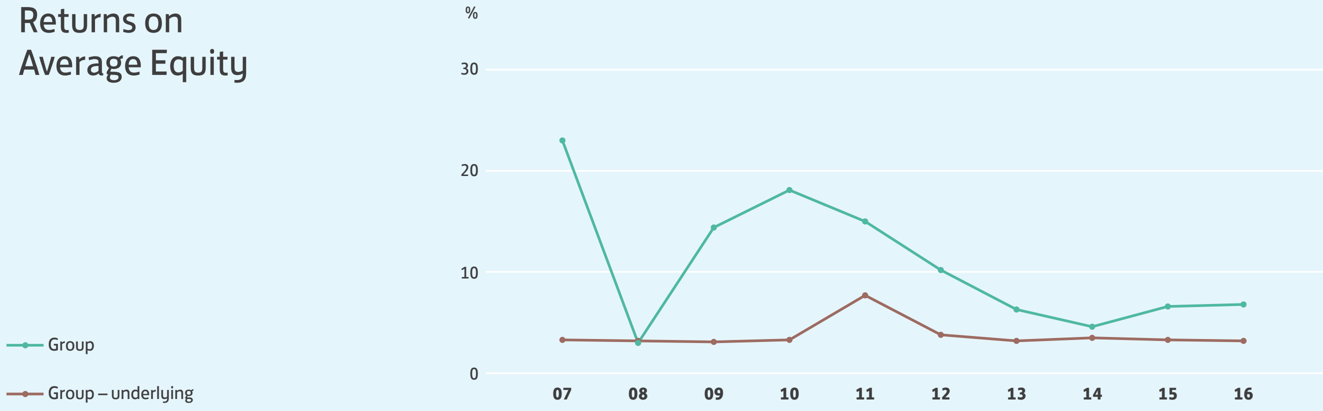
Profit Attributable to the Company's Shareholders



Total Equity and Net Debt



Returns on Average Equity



Chairman's Statement

Our consolidated profit attributable to shareholders for 2016 was HK$15,050 million, compared to HK$14,072 million in 2015. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$34 million from HK$7,078 million in 2015 to HK$7,112 million in 2016.

Dividends

The Directors have declared a second interim dividend of HK$0.48 (2015: HK$0.48) per share which, together with the first interim dividend of HK$0.23 per share paid in October 2016, amounts to full year dividends of HK$0.71 (2015: HK$0.71) per share. The second interim dividend, which totals HK$2,808 million (2015: HK$2,808 million), will be paid on Thursday, 11th May 2017 to shareholders registered at the close of business on the record date, being Friday, 7th April 2017. Shares of the Company will be traded ex-dividend from Wednesday, 5th April 2017.

Key Developments

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

In April 2016, Swire Properties started to pre-sell units in ALASSIO, a residential development in Mid-Levels West, Hong Kong. The development consists of a 50-storey tower of 197 residential units. All units have been pre-sold.

In June 2016, EAST, Miami opened at the Brickell City Centre development in Miami, U.S.A. It has 352 rooms including 89 serviced apartments.

In July 2016, Swire Properties announced the HK$15 billion redevelopment of Taikoo Place. Two new Grade-A office buildings, each with an aggregate gross floor area ("GFA") of around one million square feet, are expected to be completed, the first (One Taikoo Place) in 2018 and the second (Two Taikoo Place) in 2021 or 2022.

In August 2016, the shopping mall and one of the two premium Grade-A office towers (HKRI Centre One) at the HKRI Taikoo Hui development in Puxi, Shanghai were completed. Handover to tenants is in progress.

In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns an uncompleted investment property development in Kowloon Bay, Hong Kong for a cash consideration of HK$6,528 million, subject to adjustments. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

In November 2016, Swire Properties opened its 60.9% owned 500,000 square feet shopping centre in the Brickell City Centre development in Miami, U.S.A.

Operating Performance

The underlying profit in 2016 (HK$7,112 million) recorded a marginal increase from that in 2015 (HK$7,078 million). The 2015 profit included a loss of HK$229 million on disposal of four hotels in the U.K. In 2016, there was a small decrease in underlying profit from property investment and a small increase in underlying profit from property trading. Disregarding the loss on disposal in 2015, the underlying loss from hotels was little changed in 2016.

Gross rental income was HK$10,773 million in 2016 compared to HK$10,716 million in 2015. Gross rental income fell in Hong Kong and increased in Mainland China and the U.S.A. The reduction in Hong Kong largely reflected lower retail rental income consequent on lower retail sales. Office rental income in Hong Kong increased despite the loss of rental income resulting from the Taikoo Place redevelopment. In Mainland China, gross rental income increased by 2% despite a 6% depreciation of the Renminbi against the Hong Kong dollar.

Profit from property trading in 2016 included that recognised on the sales of residential units in the U.S.A. Fewer residential properties were sold in Hong Kong. No sales of office property took place in Mainland China.

The performance of the hotels in Mainland China improved, while at the same time hotels in Hong Kong were adversely affected by a reduction in the number of visitors to Hong Kong.

On an attributable basis, net investment property valuation gains in 2016, after deferred tax relating to investment properties in Mainland China and the U.S.A., were HK$8,030 million, compared to net gains of HK$7,055 million in 2015.

Finance

Net debt at 31st December 2016 was HK$35,377 million, compared with HK$33,348 million at 31st December 2015. Gearing increased from 15.3% at 31st December 2015 to 15.6% at 31st December 2016. The increase in net debt was mainly due to expenditure on investment and trading properties in Hong Kong and on the Brickell City Centre development in Miami in the U.S.A., partially offset by sales proceeds from trading properties in Hong Kong and Miami. Cash and undrawn committed facilities totalled HK$10,178 million at 31st December 2016, compared with HK$12,193 million at 31st December 2015.

Sustainable Development

In 2016, Swire Properties launched a new sustainable development strategy. For further details, please see pages 80 to 83. Swire Properties is included in the Dow Jones Sustainability Indices, the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI World ESG Index.

Prospects

In the central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2017. High occupancy is expected to result in office rents in our Taikoo Place and Cityplaza developments being resilient despite increased supply in Kowloon East and other districts. In Guangzhou, office rents are expected to be stable in 2017 despite a substantial supply of new office space. In Beijing, office rents are expected to be weak in 2017, with only modest demand and increased supply. In Shanghai, there will be limited new supply of office space in the Puxi business district. In Miami, there is limited new supply of Grade-A office space.

Demand for space from Hong Kong retailers dependent on tourism is likely to remain weak in 2017. Demand for space from other retailers is likely to be stable. Retail sales are expected to grow modestly in Guangzhou and Beijing and more briskly in Chengdu. In Shanghai, demand for retail space is expected to remain firm except for space for luxury goods. In the U.S.A., weak retail sales have made some retailers cautious about expansion.

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates, overall demand for residential property remains resilient. Trading profits are expected to be recognised in 2017 from the handover of pre-sold units at ALASSIO and sales of units at WHITESANDS. In Miami, profits are expected to be recognised on the sales of units at the Reach and Rise developments.

Trading conditions for our hotels are expected to remain difficult in 2017.

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, 16th March 2017

Key Business Strategies

As a leading developer, owner and operator of mixed-use, principally 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, and by engagement with tenants and others with whom we do business.

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 our success 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, 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

HKRI Taikoo Hui
Shanghai

Review of Operations

	2016 HK$M	2015 HK$M
Revenue		
Gross Rental Income derived from		
Offices	**6,053**	5,972
Retail	**4,304**	4,366
Residential	**416**	378
Other Revenue [1]	**129**	141
Property Investment	**10,902**	10,857
Property Trading	**4,760**	4,463
Hotels	**1,130**	1,127
Total Revenue	**16,792**	16,447
Operating Profit/(Loss) derived from		
Property investment	**7,752**	8,097
Valuation gains on investment properties	**8,418**	7,116
Property trading	**1,332**	1,328
Hotels [2]	**(182)**	(334)
Total Operating Profit	**17,320**	16,207
Share of Post-tax Profits from Joint Venture and Associated Companies	**1,419**	1,241
Profit Attributable to the Company's Shareholders	**15,050**	14,072

[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	**2016 HK$M**	2015 HK$M
Underlying Profit			
Profit attributable to the Company's shareholders per financial statements		**15,050**	14,072
Adjustments in respect of investment properties:			
Revaluation of investment properties	*(a)*	**(9,610)**	(8,186)
Deferred tax on investment properties	*(b)*	**1,459**	1,090
Realised profit on sale of properties	*(c)*	**3**	28
Depreciation of investment properties occupied by the Group	*(d)*	**20**	17
Non-controlling interests' share of revaluation movements less deferred tax		**121**	41
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)*	**69**	16
Underlying Profit Attributable to the Company's Shareholders		**7,112**	7,078
Loss on disposal of four hotels in the U.K.		**–**	229
Adjusted Underlying Profit Attributable to the Company's Shareholders		**7,112**	7,307

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 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.

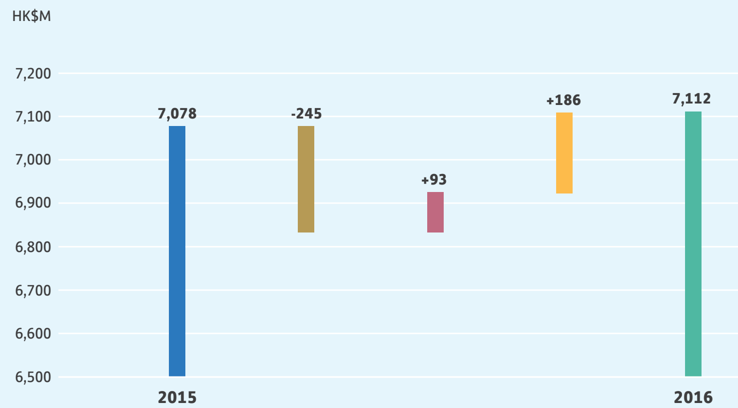
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement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

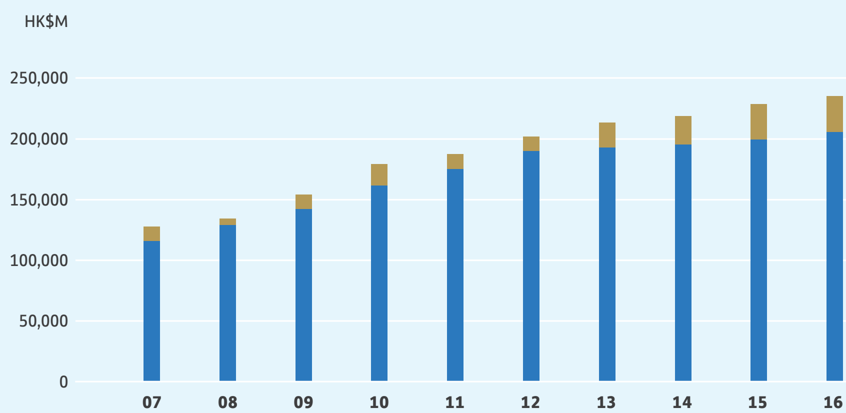


Underlying profit in 2015 [1]
Decrease in profit from property investment
Increase in profit from property trading
Increase in profit from hotels
Underlying profit in 2016

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

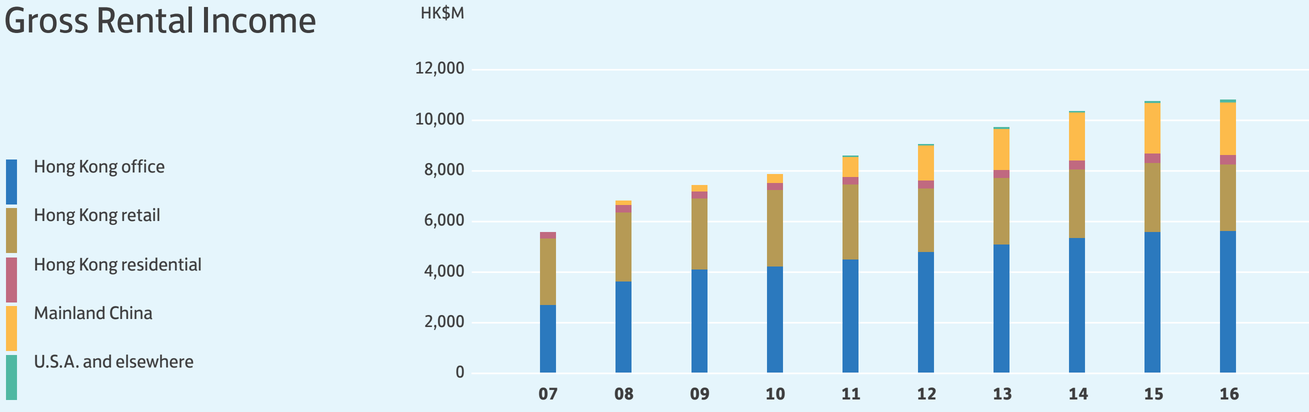
The underlying profit in 2016 (HK$7,112 million) recorded a marginal increase from that in 2015 (HK$7,078 million). The 2015 profit included a loss of HK$229 million on disposal of four hotels in the U.K. In 2016, there was a small decrease in underlying profit from property investment and a small increase in underlying profit from property trading. Disregarding the loss on disposal in 2015, the underlying loss from hotels was little changed in 2016. Gross rental income fell in Hong Kong and increased in Mainland China and the U.S.A. The reduction in Hong Kong largely reflected lower retail rental income consequent on lower retail sales. Office rental income in Hong Kong increased despite the loss of rental income resulting from the Taikoo Place redevelopment. In Mainland China, gross rental income increased. Profit from property trading in 2016 included that recognised on the sales of residential units in the U.S.A. Fewer residential properties were sold in Hong Kong. No sales of office property took place in Mainland China. The performance of the hotels in Mainland China improved, while at the same time hotels in Hong Kong were adversely affected by a reduction in the number of visitors to Hong Kong.

Valuation of Investment Properties

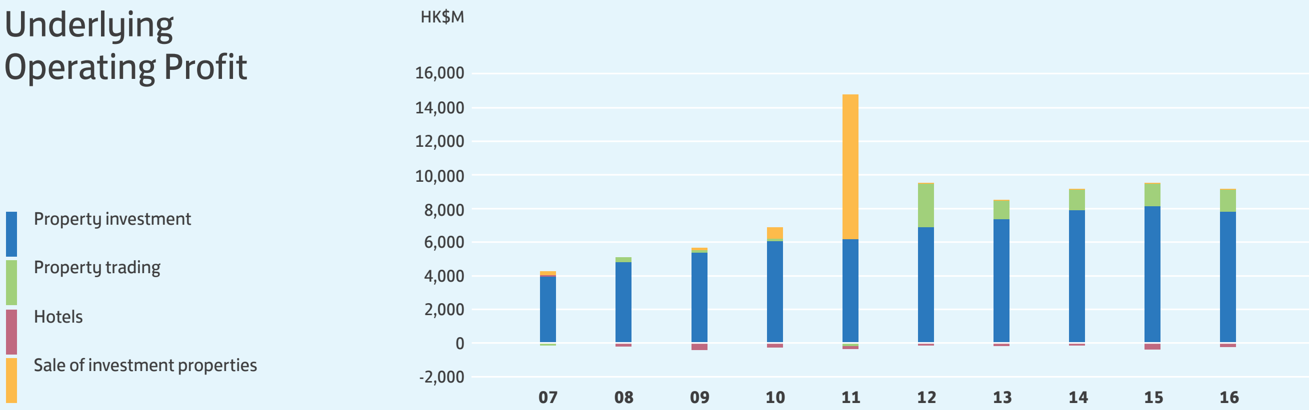


Completed
Under development

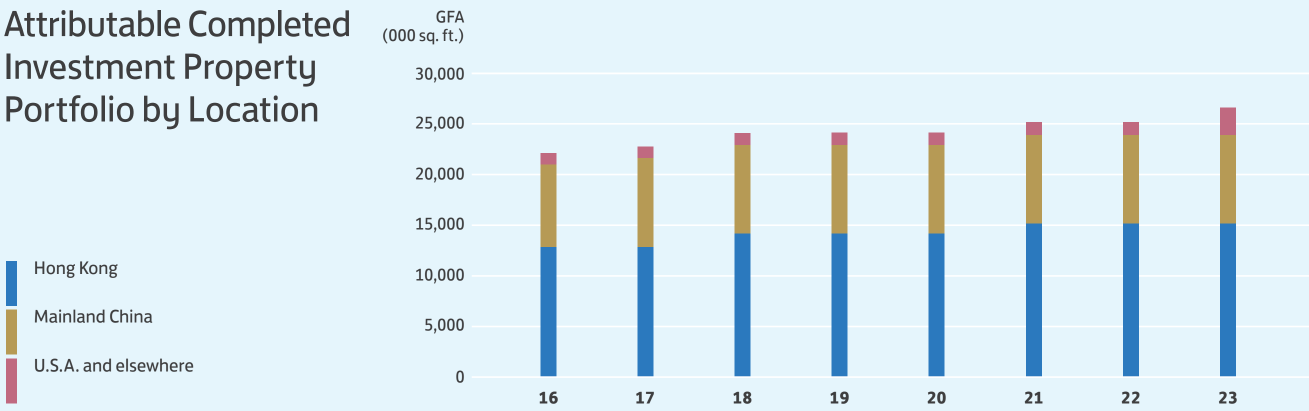
Gross Rental Income



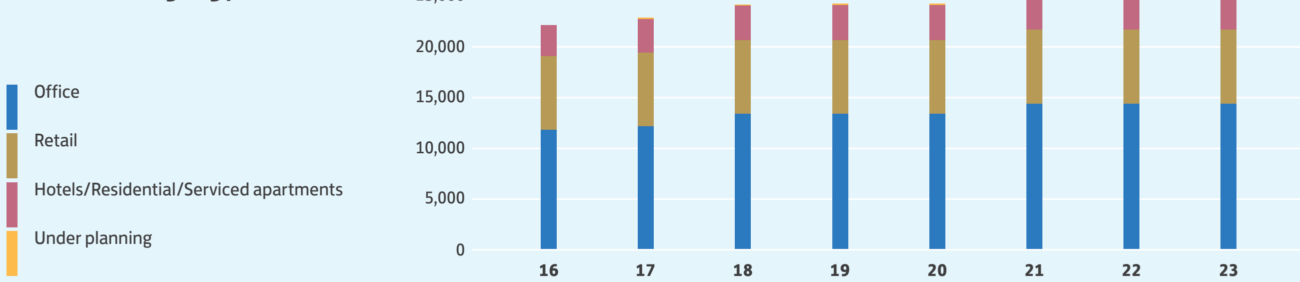
Underlying Operating Profit



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 2016 was approximately 29.4 million square feet.

Of the aggregate GFA attributable to the Group, approximately 26.5 million square feet are investment properties, comprising completed investment properties of approximately 22.1 million square feet and investment properties under development or held for future development of approximately 4.4 million square feet. In Hong Kong, the investment property portfolio comprises approximately 15.1 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, Guangzhou, Chengdu and Shanghai. 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 development and interests in hotels in Miami in the U.S.A.

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property portfolio at 31st December 2016.

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

	Office	Retail	Hotels (1)	Residential/ Serviced Apartments	Under Planning	**Total**
Hong Kong	9.0	2.5	0.7	0.6	–	**12.8**
Mainland China	2.5	4.5	1.0	0.1	–	**8.1**
U.S.A.	0.3	0.3	0.5	0.1	–	**1.2**
Total	**11.8**	**7.3**	**2.2**	**0.8**	**–**	**22.1**

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	2.2	0.1	–	–	–	**2.3**
Mainland China	0.3	–	0.2	0.1	–	**0.6**
U.S.A. and elsewhere	–	–	–	0.1	1.4[2]	**1.5**
Total	**2.5**	**0.1**	**0.2**	**0.2**	**1.4**	**4.4**

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	**14.3**	**7.4**	**2.4**	**1.0**	**1.4**	**26.5**

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

[2] The site is accounted for under properties held for development in the financial statements.

[3] The above excludes an uncompleted office building in Kowloon Bay, which was conditionally agreed to be sold in October 2016. This site is accounted for under other non-current assets in the financial statements.

The trading portfolio comprises a luxury residential development fully pre-sold on Hong Kong Island (ALASSIO) and completed developments available for sale in Hong Kong, Mainland China and Miami, U.S.A. The principal completed developments available for sale are the WHITESANDS development in Hong Kong, the remaining portion of the office property at Sino-Ocean Taikoo Li Chengdu (Pinnacle One) in Mainland China and the Reach and Rise developments at Brickell City Centre 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 2016.

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

	Completed	Under Development or Held for Development	Total
Hong Kong	0.3	–	**0.3**
Mainland China	0.3	–	**0.3**
U.S.A.	0.4	1.9	**2.3**
Total	**1.0**	**1.9**	**2.9**

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 9.3 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK$5,956 million in 2016. At 31st December 2016, our office properties in Hong Kong were valued at HK$135,622 million. Of this amount, Swire Properties' attributable interest was HK$129,019 million.

Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Pacific Place	2,186,433	100%	100%
Cityplaza [1]	1,398,361	100%	100%
Taikoo Place Office Towers [2]	3,136,717	98%	50%/100%
One Island East	1,537,011	100%	100%
Others [3]	1,077,161	99%	20%/50%/100%
Total	**9,335,683**		

(1) Excluding 10 floors in Cityplaza Three owned by the Hong Kong Government.

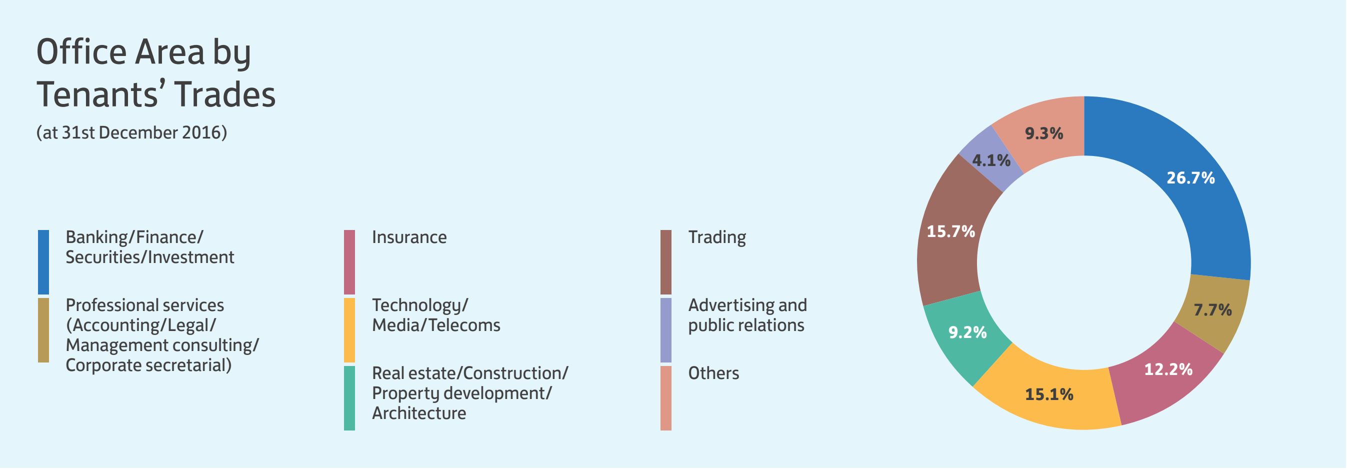
(2) Including PCCW Tower, of which Swire Properties owns 50%.

(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).

(4) Warwick House and Cornwall House were transferred from "Completed Investment Properties" to "Investment Properties Under Development" as part of the Taikoo Place Redevelopment at 31st December 2016.

Gross rental income from the Hong Kong office portfolio in 2016 was HK$5,629 million, a slight increase from 2015. This reflected positive rental reversions and improved occupancy. At 31st December 2016, the office portfolio was 99% let. Demand for the Group's office space in Hong Kong was strong in all districts. However, gross rental income decreased at Warwick House and Cornwall House, as space was vacated ahead of Taikoo Place redevelopment, and at Cityplaza, as 10 floors in Cityplaza Three were handed over to the Hong Kong Government.

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 2016.



At 31st December 2016, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2016) together occupied approximately 21% 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 2016. Demand from Mainland China entities was strong. The occupancy rate was almost 100% at 31st December 2016. ING Bank, Resona Bank, Bank of Jinzhou, SPDB International, Huarong Financial, Huarong Investment Stock, Haiyin Wealth Management, Hong Kong Agile Property, SinoAero Leasing, HongDa Financial, Jason Pow Chambers, Rifa Securities and Dragonite International became tenants. CLSA, ICBC Standard Bank, Citic PE, Temple Chambers, Matthews Global, Anchor Equity and Yanchang Petroleum leased more space. HKMA, CLSA, China Overseas, PineBridge Investment, Sino Ocean, Evergrande, Jones Lang Lasalle, Global Enterprises, IG Investment, Heidrick & Struggles, Cigna Insurance, Net-A-Porter and Nekkei renewed their leases.

Cityplaza

The three office towers (Cityplaza One, Three and Four) were almost fully let at 31st December 2016. Luxury Hotels International, Allianz Global Corporate & Specialty, Euler Hermes and Sun Life Assurance leased more space. Wells Fargo, adidas and Next Sourcing renewed their leases.

Taikoo Place

There are six office towers at Taikoo Place (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 98% at 31st December 2016. Allegis, Berwin Leighton Paisner, Burberry, FCA (HK) Automotive Ltd, Gucci, Gravitas, Norwegian Cruise Line and Stryker China became tenants. HKT Services, The Wrigley Company and Bupa International leased more space. LVMH, BNP Paribas, WPP, Continental Engineering Corporation, Polycom Hong Kong, Paramount Vintage, Lanxess, World Standard, Excellent Management and First Data Merchant Solutions renewed their leases.

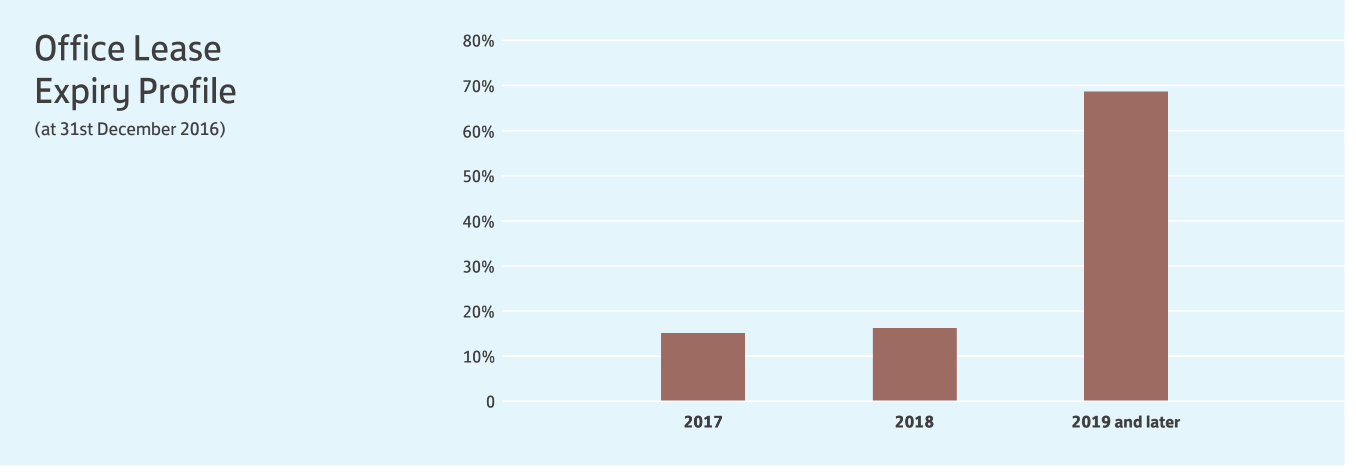
One Island East, our landmark property in Taikoo Place, had an occupancy rate of 100% at 31st December 2016. Accenture, Ince & Co and Taubman Asia became tenants. Facebook leased more space. Tiffany & Co and La Prairie renewed their leases.

Warwick House and Cornwall House were transferred from "Completed Investment Properties" to "Investment Properties Under Development" as part of the Taikoo Place redevelopment at 31st December 2016. Demolition of Warwick House has started. Demolition of Cornwall House will start in the second quarter of 2017.

Hong Kong Office Market Outlook

In the central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2017. High occupancy is expected to result in office rents in our Taikoo Place and Cityplaza developments being 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 2016, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 15.1% of rental income in the month of December 2016 are due to expire in 2017, with tenancies accounting for a further 16.2% of such rental income due to expire in 2018.



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$2,687 million in 2016. At 31st December 2016, our retail properties in Hong Kong were valued at HK$51,892 million. Of this amount, Swire Properties' attributable interest was HK$45,486 million.

Hong Kong Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	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 decreased from HK$2,725 million in 2015 to HK$2,609 million in 2016. This reflected weak retail sales in Hong Kong. The Group's malls were almost fully let throughout the year.

Retail sales decreased by 13% at The Mall, Pacific Place, by 4% at Cityplaza and by 8% at Citygate. This reflected reduced spending by tourists and more space being allocated to food and beverage outlets.

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 2016.

Retail Area by Tenants' Trades

(at 31st December 2016)

At 31st December 2016, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2016) together occupied approximately 26% of our total attributable retail area in Hong Kong.

The Mall, Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The offices and the four hotels at Pacific Place provide a secure flow of shoppers for the Mall. There was a 13% decrease in retail sales at The Mall in 2016. This was caused by void periods during which more space was allocated to food and beverage outlets and reduced spending by tourists, especially on luxury goods.

The Mall was fully let during the year, with the only void periods resulting from tenant changes and reconfiguration works. Drivepro, Moncler, Nike and The North Face Urban Exploration became tenants during the year. Apinara Thai Cuisine and Bar, BIZOU American Brasserie, Commissary, Fuel Espresso, Le Pain Quotidien, Operetta Italian Restaurant & Cocktail Bar and Starbucks Reserve opened during the year.

The MTR South Island Line started to operate at the end of 2016, connecting The Mall, via Admiralty station, with the south side of Hong Kong Island. When the MTR Shatin to Central Link opens, it will provide a further connection to The Mall.

Cityplaza

Hong Kong

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 fully let in 2016, except for void periods during tenancy changes and reconfiguration works. Retail sales decreased by 4%. This was mainly due to void periods during changes in the mix of food and beverage outlets. Starbucks Reserve, Venchi, Jade Garden, Garrett Popcorn and CIAK-All Day Italian started operating. New food and beverage outlets, including Jardin de Jade, Mango Tree Café, Passion by Gérard Dubois, and Hokkaidon, took over the previous Food Republic space. TREATS food hall, an agnès b full concept store with café and Go Wild (a travel and outdoor gear shop) opened at the end of the year.

Citygate Outlets

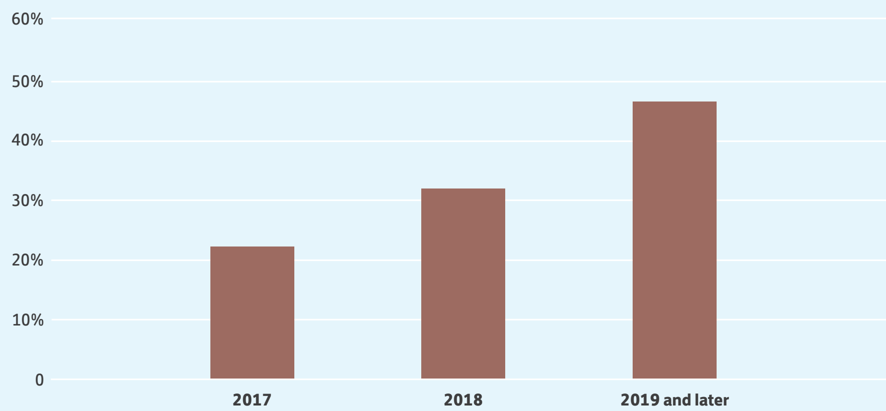
Citygate Outlets was almost fully let in 2016. Retail sales decreased by 8%. This reflected reduced spending by tourists and the closure of the cinema, food court and some shops in September. The area occupied by the tenants of these outlets will be reconstructed and reconfigured with the adjacent Tung Chung Town Lot 11 development. Citygate is in a good location near tourist attractions and transport links. It continues to attract tourists, albeit fewer of them, and local shoppers. Hugo Boss, Sandro and Snidel opened in 2016. So did PizzaExpress, TeaWood Taiwanese Café & Restaurant, Nha Trang Vietnamese Cuisine, Moon Lok Chiu Chow and Starbucks. Demand from retailers for space remains relatively strong.

Hong Kong Retail Market Outlook

Demand for space from Hong Kong retailers dependent on tourism is likely to remain weak in 2017. Demand for space from other retailers is likely to be stable.

The following chart 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 2016, 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 2016 are due to expire in 2017, with tenancies accounting for a further 31.7% of such rental income due to expire in 2018.

Retail Lease Expiry Profile
(at 31st December 2016)



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments at Taikoo Place, STAR STUDIOS in Wanchai and a small number of luxury houses and apartments on Hong Kong Island, with an aggregate GFA of 593,543 square feet. Occupancy in the residential portfolio (excluding STAR STUDIOS) was approximately 85% at 31st December 2016. Demand for furnished accommodation at Pacific Place Apartments and Taikoo Place Apartments is expected to remain stable in 2017.

Leasing of the refurbished STAR STUDIOS development began in October 2016. 50% of the 120 units in the development had been leased at 31st December 2016.

Investment Properties Under Development

Tung Chung Town Lot No. 11

This commercial site next to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel GFA of approximately 475,000 square feet. Excavation, substructure and superstructure works are in progress. The development is expected to be completed in 2018. Swire Properties has a 20% interest in the development.

Taikoo Place Redevelopment

The first phase of the Taikoo Place redevelopment (the redevelopment of Somerset House) is the construction of a 48-storey Grade-A office building with an aggregate GFA of approximately 1,020,000 square feet, to be called One Taikoo Place. Substructure and superstructure works are in progress. 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) is the construction of an office building with an aggregate GFA of approximately 1,000,000 square feet, to be called Two Taikoo Place. The acquisition of the Hong Kong Government's interest in Cornwall House was completed at the end of 2016. Demolition of Warwick House has started. Demolition of Cornwall House will start in the second quarter of 2017. Completion of the redevelopment is expected in 2021 or 2022.

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. Substructure and superstructure works are in progress. The development is expected to be completed in 2018. Swire Properties has a 50% 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. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this uncompleted investment property development. The property was transferred to other non-current assets at fair value in the financial statements at the same time. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

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 11.7 million square feet are completed properties, with the remaining 1.3 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China grew by 6% to HK$2,614 million in 2016 (despite a 6% depreciation of Renminbi against the Hong Kong dollar). At 31st December 2016, our investment property portfolio in Mainland China was valued at HK$60,581 million. Of this amount, Swire Properties' attributable interest was HK$42,627 million.

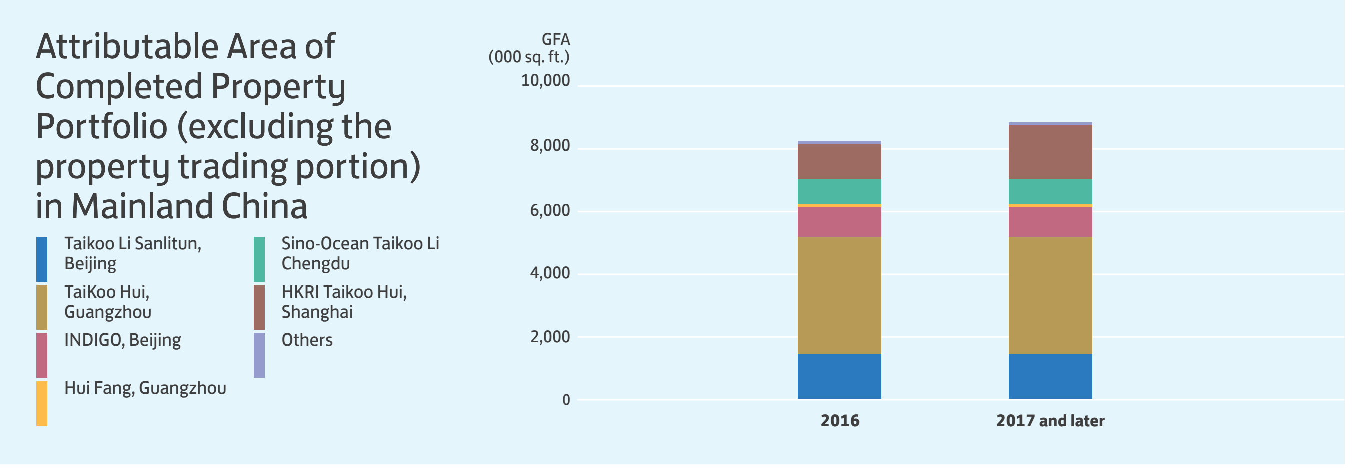
Mainland China Property Portfolio [1]

	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]	2,195,410	1,374,061	821,349	50%
HKRI Taikoo Hui, Shanghai [3]	2,231,549	2,231,549	–	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	4,349	1,442	2,907	100%
Sub-Total	**11,721,349**	**9,785,177**	**1,936,172**	
Under Development				
HKRI Taikoo Hui, Shanghai [3]	1,237,845	848,134	389,711	50%
Total	**12,959,194**	**10,633,311**	**2,325,883**	

(1) Including the hotel and property trading portions of these developments.
(2) The office portion of Sino-Ocean Taikoo Li Chengdu, Pinnacle One, was developed for trading purposes.
(3) Construction of the shopping mall and one of the office towers at HKRI Taikoo Hui was completed in 2016. Construction of another office tower, hotels and serviced apartments is expected to be completed in phases in 2017.

The Group's gross rental income from investment properties in Mainland China increased by 2% to HK$2,062 million in 2016 (despite a 6% depreciation of the Renminbi against the Hong Kong dollar). HK$1,688 million was from retail properties and HK$361 million was from office properties.

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



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 in Mainland China. It comprises two neighbouring retail sites, South and North.

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 and a 1,597-seat Megabox cinema. In 2016, Abercrombie & Fitch and MADNESS opened their first stores in Beijing in Taikoo Li Sanlitun. 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. Delvaux, Gentle Monster, Golden Goose Deluxe Brand, Lululemon, MSGM, Philipp Plein, RIMOWA, Versus and SpaceCycle became tenants in 2016.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2016, reflecting positive growth in reversionary rents. Retail sales grew by 6%. The occupancy rate was 94% at 31st December 2016.

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

Beijing Retail Market Outlook

Retail sales are expected to grow modestly in Beijing in 2017. Demand for space for luxury goods is weak, but demand for space for fashion and lifestyle brands and food and beverages is expected to remain solid.

Taikoo Li Sanlitun, Beijing	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Taikoo Li Sanlitun	1,296,308	94%	100%

TaiKoo Hui

Guangzhou

TaiKoo Hui, Guangzhou	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Retail	1,472,730	99%	97%
Office	1,731,766	99%	97%
Serviced apartments	51,517	89%	97%
Total	**3,256,013**		**97%**

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 Mandarin Oriental hotel. The hotel has 287 rooms, including 24 serviced apartments.

Gross rental income grew satisfactorily in 2016, reflecting in part improvements to the tenant mix. Retail sales increased by 10% in 2016. Tenants include Chanel, Hermes, I.T, Louis Vuitton, Uniqlo, Fangsuo bookstore and Ole Supermarket. Bottega Veneta, Cartier, Dolce & Gabbana and Gucci became tenants in 2016. At 31st December 2016, the occupancy rate of the shopping mall was 99%.

At 31st December 2016, the occupancy rate of the office towers at TaiKoo Hui was 99%.

The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Its performance improved in 2016.

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

Retail sales are expected to grow modestly in Guangzhou in 2017. Demand for retail space for high quality brands and food and beverage outlets is strong.

Office rents are expected to be stable in 2017 despite a substantial supply of new office space.

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). The development is directly linked to the Beijing Metro Line 14 and is near the airport expressway.

Occupancy at the shopping mall was 98% at 31st December 2016 and 97% of the shops were open. Retail sales increased by 20% in 2016. Tenants include H&M, Massimo Dutti, GAP, Muji, BHG supermarket and a seven-house, 1,000-seat CGV cinema. Dyson, L'OCCITANE, Miss Sixty, PUTIEN Restaurant, Superdry, Swarovski and Tesla became tenants in 2016.

The occupancy of ONE INDIGO was 90% at 31st December 2016. Business at EAST, Beijing improved during the year.

INDIGO is a 50:50 joint venture with Sino-Ocean Group Holding Limited.

INDIGO, Beijing	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Retail	939,493	98%	50%
Office	595,464	90%	50%
Total	**1,534,957**		**50%**

Beijing Office Market Outlook

Office rents in Beijing are expected to be weak in 2017, with only modest demand and increased supply.

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 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	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Retail	1,246,482	92%	50%
Serviced apartments	127,579	50%	50%
Total	**1,374,061**		**50%**

Sino-Ocean Taikoo Li Chengdu

Chengdu

Sino-Ocean Taikoo Li Chengdu is our second Taikoo Li project in Mainland China. It opened in 2015. Tenants include adidas, Apple, Cartier, Gucci, Hermes, I.T, Muji, Nike, Tiffany & Co., ZARA, Fangsuo bookstore, Ole Supermarket and a 1,720-seat Palace Cinema. Retail sales increased by 78% in 2016. At 31st December 2016, tenants had committed (including by way of letters of intent) to take 92% of the retail space and 87% of the total lettable retail space was open for business.

Sino-Ocean Taikoo Li Chengdu is a 50:50 joint venture with Sino-Ocean Group Holding Limited.

Chengdu Retail Market Outlook

Retail sales are expected to grow more briskly in Chengdu in 2017. Demand for retail space for high quality brands and food and beverage outlets is firm.

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, two hotels and a serviced apartment tower. It is expected to become a landmark development in Shanghai.

HKRI Taikoo Hui, Shanghai	GFA (sq. ft.) (100% Basis)	Attributable Interest
Retail	1,102,535	50%
Office	1,828,060	50%
Hotels [1]	389,711	50%
Serviced apartments	149,088	50%
Total	**3,469,394**	**50%**

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

Construction of the shopping mall and one of the office towers was completed in August 2016. Fit-out of some of the space to be occupied by retail and office tenants is in progress. Interior decoration and mechanical and electrical installation works for another office tower, two hotels and a serviced apartment tower are in progress. These works are expected to be completed in phases in 2017.

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

Shanghai Market Outlook

In the retail sector, demand for space for luxury goods is weak, but demand for space for fashion and lifestyle brands and food and beverage outlets is expected to remain firm.

There will be limited new supply of office space in the Puxi business district in the next few years. Domestic demand for office space is strong. Foreign demand is weak.

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).

Brickell City Centre consists of a shopping centre, two office buildings (Two Brickell City Centre and Three Brickell City Centre), a hotel and serviced apartments (EAST, Miami) managed by Swire Hotels and two residential towers (Reach and Rise). The residential towers have been developed for sale.

The development was completed in 2016. Three Brickell City Centre opened in March, followed by EAST, Miami and serviced apartments in June and the shopping centre in November. Construction of Two Brickell City Centre was completed in September. It opened in February 2017. At 31st December 2016, occupancy rates at Two Brickell City Centre, Three Brickell City Centre and the shopping centre were 61%, 100% and 91% (in each case including space which is the subject of letters of intent) respectively.

The shopping centre was developed jointly with Bal Harbour Shops and Simon Property Group. Swire Properties is the primary developer of the Brickell City Centre project.

At 31st December 2016, Swire Properties owned 100% of the office, hotel and remaining unsold residential portions and 60.9% of the shopping centre at the Brickell City Centre development. The remaining interest in the shopping centre was held by Simon Property Group (25%) and Bal Harbour Shops (14.1%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the shopping centre, to sell its interest to Swire Properties.

One Brickell City Centre is planned to be a mixed-use development comprising retail, office, hotel and residential space in an 80-storey tower. It will incorporate the site at 700 Brickell Avenue acquired by Swire Properties in 2013. Development of this site will connect the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of One Brickell City Centre.

Miami Market Outlook

Retail sales have declined since 2015. This has made some retailers more cautious about expansion.

There is limited new supply of Grade-A office space in Miami.

Brickell City Centre

Miami

Brickell City Centre, Miami

	GFA (sq. ft.)[3] (100% Basis)	Attributable Interest
Completed		
Shopping centre	496,508	60.9%
Two and Three Brickell City Centres	260,000	100%
EAST, Miami – hotel [1]	218,000	100%
EAST, Miami – serviced apartments	109,000	100%
Reach and Rise [2]	376,397	100%
Sub-Total	**1,459,905**	
Future Development		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
Total	**3,426,905**	

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

[2] Remaining unsold units at 31st December 2016.

[3] Represents leasable/saleable area except for the carpark, roof top and circulation areas.

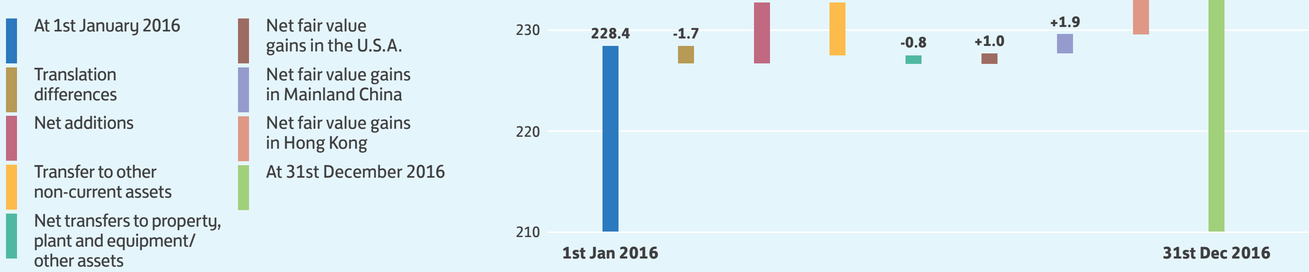
Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2016 on the basis of open market value (93% by value were valued by DTZ Cushman & Wakefield Limited and 2% by value were valued by another independent valuer). The amount of this valuation was HK$235,101 million, compared to HK$228,449 million at 31st December 2015.

The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong, partially offset by a decrease in the valuation of the retail properties in Hong Kong.

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

Movement in Investment Properties



Property Trading

The trading portfolio comprises a luxury residential project fully pre-sold on Hong Kong Island (ALASSIO) and completed developments available for sale in Hong Kong, Mainland China and Miami, U.S.A. The principal completed developments available for sale are the WHITESANDS development in Hong Kong, the remaining portion of the office property at Sino-Ocean Taikoo Li Chengdu (Pinnacle One) in Mainland China and the Reach and Rise developments at Brickell City Centre in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

Property Trading Portfolio (At 31st December 2016)

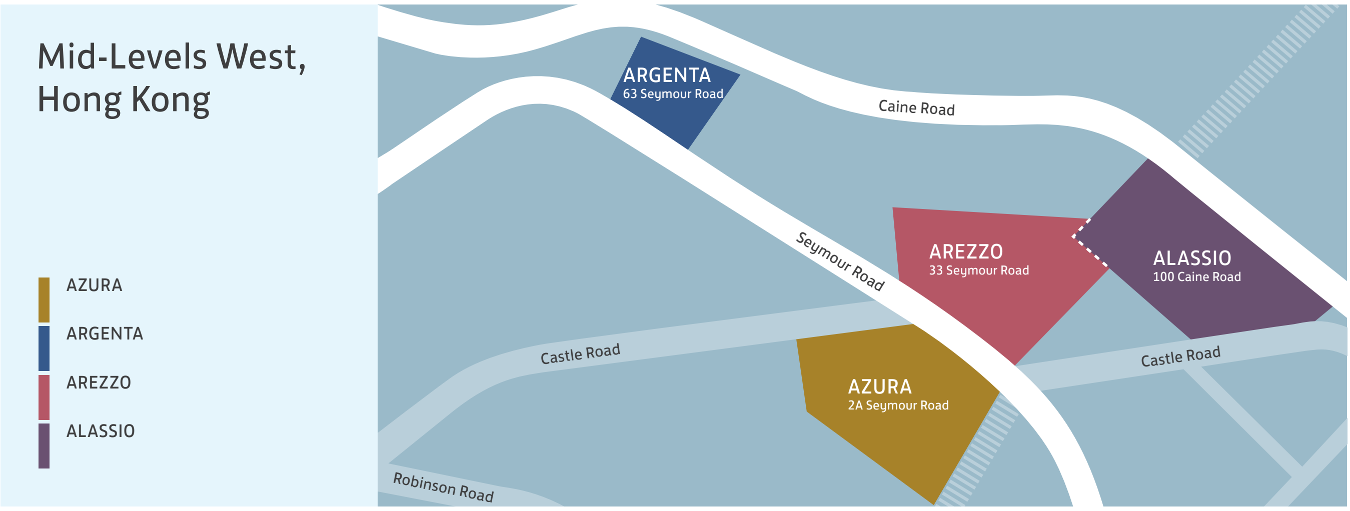
	GFA (sq. ft.) (100% Basis)	Actual Construction Completion Date	Attributable Interest
Completed [1]			
Hong Kong			
– 5 Star Street	408[2]	2010	100%
– WHITESANDS	60,647[2]	2015	100%
– ALASSIO	–	2016	100%
Mainland China			
– Pinnacle One, Chengdu	593,139[3]	2014	50%
U.S.A.			
– ASIA, Miami	5,359[2]	2008	100%
– Reach, Miami	73,059[2]	2016	100%
– Rise, Miami	303,338[2]	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 Squared site	523,000	N/A	100%

(1) Remaining unsold portion.
(2) Remaining saleable area.
(3) Including pre-sold portion but not yet handed over.

Hong Kong

Residential Developments in Mid-Levels West, Hong Kong

Swire Properties has 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.



ALASSIO

Hong Kong

AREZZO, 33 Seymour Road
All 127 units at the AREZZO development at 33 Seymour Road had been sold at 31st December 2016. The profit from the sales of 15 units was recognised in 2016. The property is managed by Swire Properties.

ALASSIO, 100 Caine Road
The occupation permit was issued in December 2016. The development consists of a 50-storey tower of 197 residential units with an aggregate GFA of 195,533 square feet. Presales of the units commenced in April 2016. All 197 units had been pre-sold at 31st December 2016. The profit from the sales of pre-sold units is expected to be recognised in 2017.

MOUNT PARKER RESIDENCES, 1 Sai Wan Terrace
All 92 units at the MOUNT PARKER RESIDENCES development in Quarry Bay had been sold at 31st December 2016. The profit from the sales of one unit and 66 carparking spaces was recognised in 2016. 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. Two houses had been sold at 14th March 2017. The profit from the sale of one house was recognised in 2016. The property is managed by Swire Properties.

Hong Kong Residential Market Outlook
In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates, demand overall remains resilient. Trading profits are expected to be recognised in 2017 from the handover of pre-sold units at ALASSIO and sales of units at WHITESANDS.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total GFA (approximately 1.15 million square feet) and 350 carparking spaces were pre-sold in 2013. The profit from the sales of approximately 52% of the pre-sold GFA was recognised in 2015. Application has been made to the court to cancel the sale of the remaining pre-sold GFA and 350 carparking spaces as part of the consideration was not received on time.

U.S.A.

The residential portion of the Brickell City Centre development was developed for trading purposes. There are 780 units in Reach and Rise, with an aggregate GFA of 1,134,078 square feet.

The Reach and Rise developments were completed and started to be handed over to purchasers in April and September 2016 respectively. 355 units at Reach and 187 units at Rise had been sold at 14th March 2017. The profits from the sales of 347 units at Reach and 171 units at Rise were recognised in 2016.

Since the ASIA development was completed in 2008, 122 out of the 123 units have been sold. One penthouse unit remains unsold.

Miami Residential Market Outlook

In Miami, the strength of the US dollar against other major currencies has adversely affected demand and the availability of financing for condominiums by non-US buyers. Condominium development has slowed down in Miami. Further profits are expected to be recognised in 2017 from the sales of units at the Reach and Rise developments.

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 Properties owns and manages (through Swire Hotels) 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 2016, trading conditions in Hong Kong were difficult because of a reduction in the number of visitors to Hong Kong. The performance of our hotels in Mainland China improved. EAST, Miami in the U.S.A. opened in June 2016.

A hotel and a serviced apartment tower at HKRI Taikoo Hui in Shanghai are expected to open in the second half of 2017.

Hotel Portfolio (managed by Swire Hotels)

	No. of Rooms (100% Basis)	Attributable Interest
Completed		
Hong Kong		
– The Upper House	117	100%
– EAST, Hong Kong	345	100%
– Headland Hotel [(1)]	501	0%
Mainland China		
– The Opposite House	99	100%
– EAST, Beijing	369	50%
– The Temple House [(2)]	142	50%
U.S.A.		
– EAST, Miami [(2)]	352	100%
Under Development		
Mainland China		
– One hotel and one serviced apartment tower at HKRI Taikoo Hui, Shanghai	213	50%
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 in the hotel tower.

Plat du Jour

Hong Kong

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room was stable in 2016. During the year, the hotel received awards from Condé Nast Traveller and The Telegraph. Café Gray Deluxe received an award from Wine Luxe.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel in Taikoo Shing, revenue per available room was stable in 2016, but food and beverage business declined. During the year, the hotel received an award from Luxury Travel Guide. The hotel's Sugar bar received awards from TripAdvisor and Concierge Hong Kong magazine.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Its revenue per available room and occupancy improved in 2016. During the year, the hotel received awards from Best Travel Magazine and Travel + Leisure. The hotel's Jing Yaa Tang and Sureño restaurants received awards from TATLER.

EAST, Beijing

EAST, Beijing is a 369-room business hotel at INDIGO in Beijing, in which Swire Properties holds a 50% interest. Revenue per available room was stable in 2016. During the year, the hotel received an award from Forbes Travel. The hotel's Xian bar received an award from Travel + Leisure.

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 2015 and is part of the Sino-Ocean Taikoo Li Chengdu project, in which Swire Properties holds a 50% interest. Revenue per available room and occupancy improved in 2016. During the year, the hotel received awards from Travel + Leisure, Condé Nast Traveller and Ctrip. The hotel's MI XUN Spa received an award from Asia Spa Awards.

EAST, Miami

EAST, Miami consists of 263 hotel rooms and 89 serviced apartments. It opened in June 2016 and is building up its occupancy levels.

Swire Restaurants

Swire Hotels operates restaurants in Hong Kong. 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. The Plat du Jour restaurants are French bistros at Pacific Place and in Quarry Bay. During the year, Mr & Mrs Fox and The Continental received awards from the South China Morning Post.

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 in the hotel tower.

The performance of the non-managed hotels in Hong Kong was adversely affected by the reduced number of visitors to Hong Kong in 2016. The performance of the Mandarin Oriental, Miami in the U.S.A. improved in 2016 due to better food and beverage results. The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Its performance improved in 2016 despite an over-supply of hotel rooms in Guangzhou.

There is a non-managed hotel under development at HKRI Taikoo Hui in Shanghai. It is expected to open in the second half of 2017.

Hotels Market Outlook

Trading conditions for our hotels are expected to remain difficult in 2017.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in 2016 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$5,549 million (2015: HK$2,731 million). Outstanding capital commitments at 31st December 2016 were HK$15,711 million (2015: HK$16,029 million), including the Group's share of the capital commitments of joint venture companies of HK$1,214 million (2015: HK$1,363 million). The Group is committed to funding HK$588 million (2015: HK$689 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2016 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK$1,070 million (2015: HK$1,497 million). Outstanding capital commitments at 31st December 2016 were HK$1,882 million (2015: HK$2,520 million), including the Group's share of the capital commitments of joint venture companies of HK$1,279 million (2015: HK$1,885 million). The Group is committed to funding HK$226 million (2015: HK$501 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2016 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK$950 million (2015: HK$2,372 million). Outstanding capital commitments at 31st December 2016 were HK$735 million (2015: HK$1,249 million).

Profile of Capital Commitments for Investment Properties and Hotels

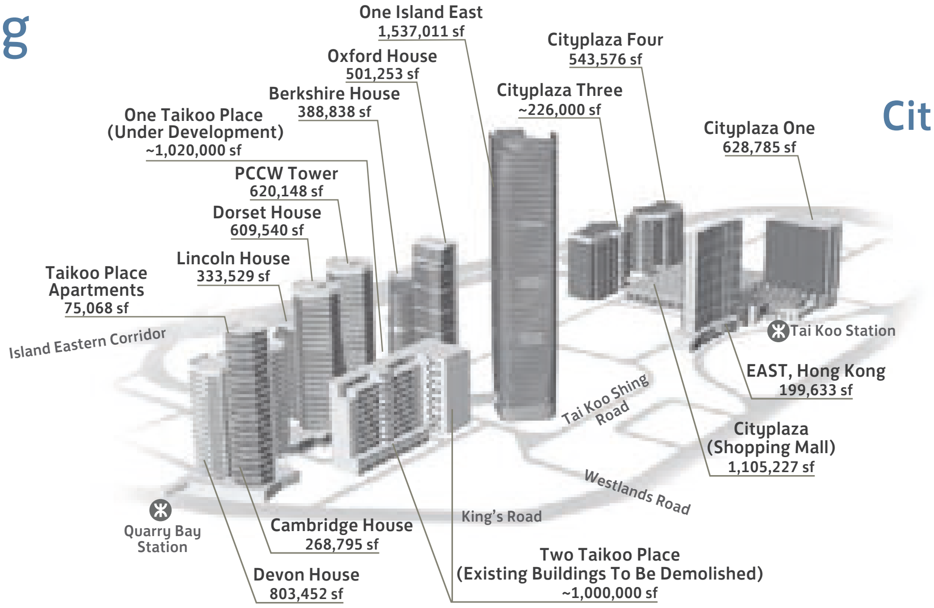
	Expenditure	Forecast Year of Expenditure				Commitments[1]
	2016 HK$M	2017 HK$M	2018 HK$M	2019 HK$M	2020 and later HK$M	**At 31st December 2016 HK$M**
Hong Kong	**5,549**	5,673	2,747	1,750	5,541	**15,711**
Mainland China	**1,070**	1,087	567	181	47	**1,882**
U.S.A. and elsewhere	**950**	360	255	67	53	**735**
Total	**7,569**	7,120	3,569	1,998	5,641	**18,328**

[1] The capital commitments represent the Group's capital commitments of HK$15,835 million plus the Group's share of the capital commitments of joint venture companies of HK$2,493 million. The Group is committed to funding HK$814 million of the capital commitments of joint venture companies.

Hong Kong

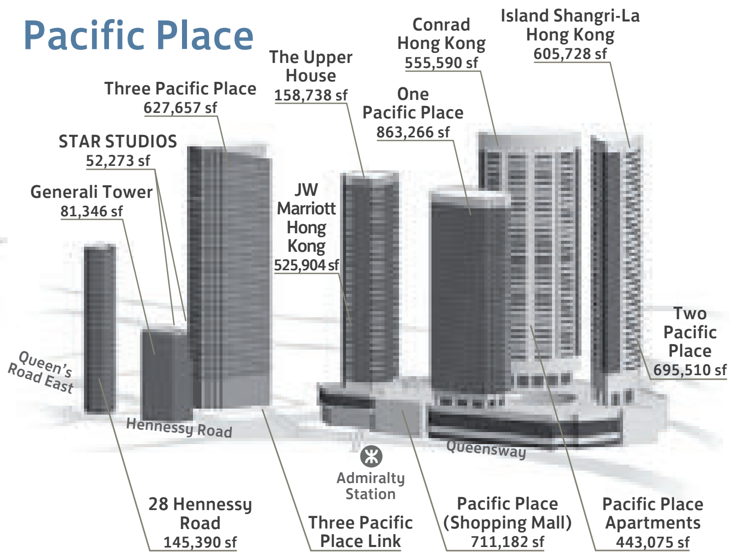
Taikoo Place

Cityplaza



Citygate

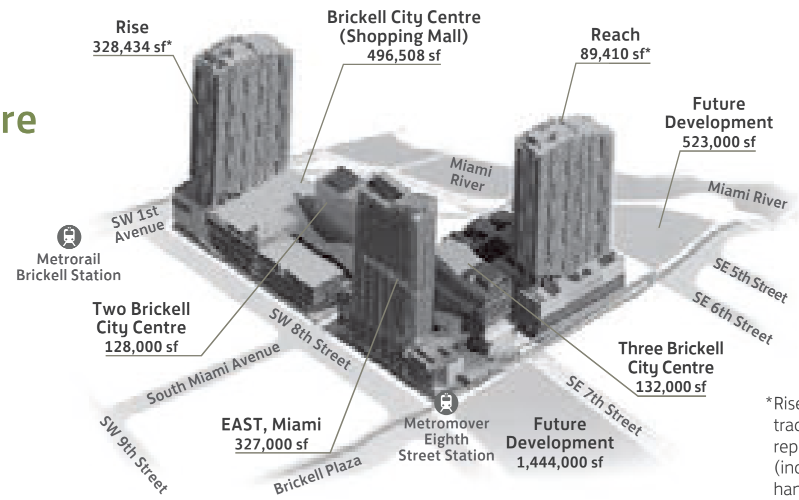
Pacific Place



U.S.A.

Brickell City Centre

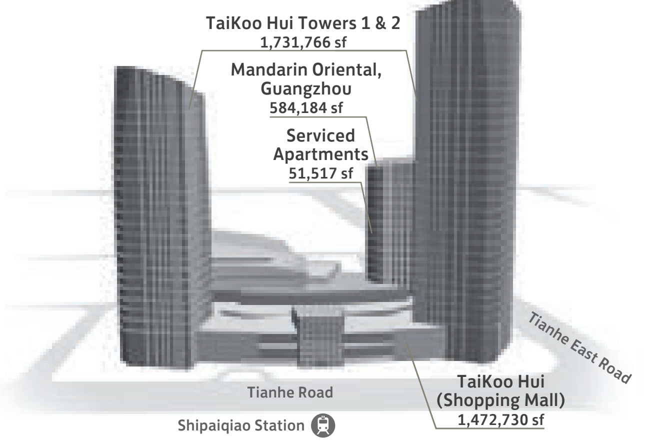
Miami, Florida



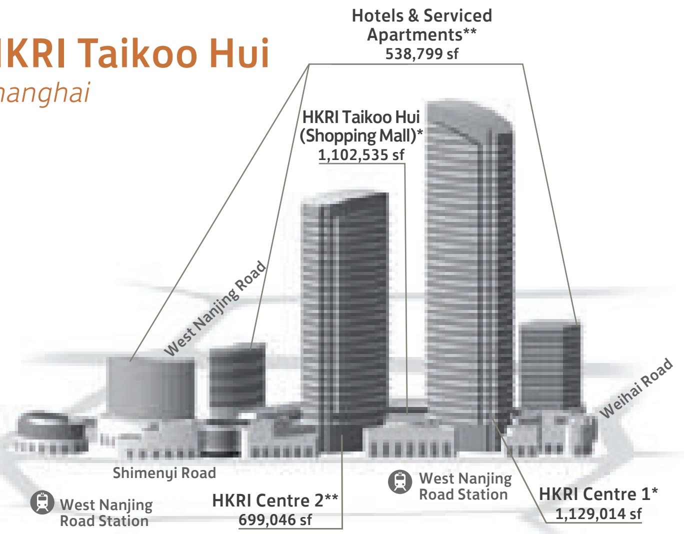
*Rise and Reach are developed for trading purpose. Floor area shown represents the unsold portion (including sold units but not yet handed over).

Mainland China

TaiKoo Hui
Guangzhou

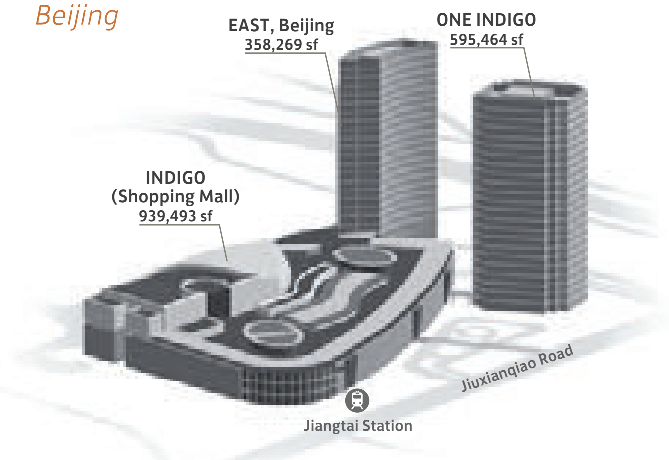


HKRI Taikoo Hui
Shanghai

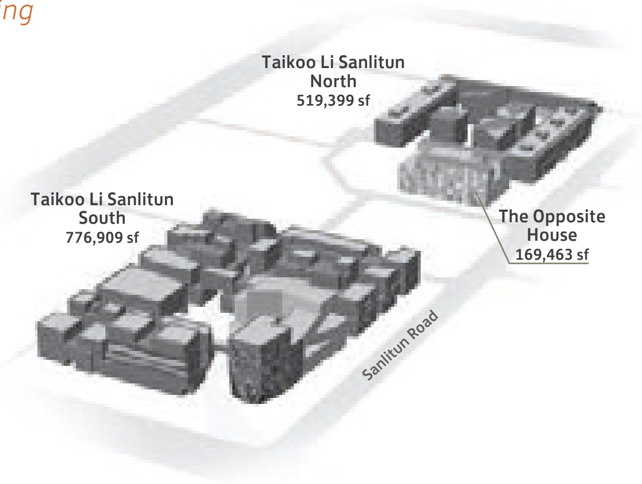


* Shopping mall and HKRI Centre 1 were completed in 2016.
** HKRI Centre 2 and Hotels & Serviced Apartments are expected to complete in 2017.

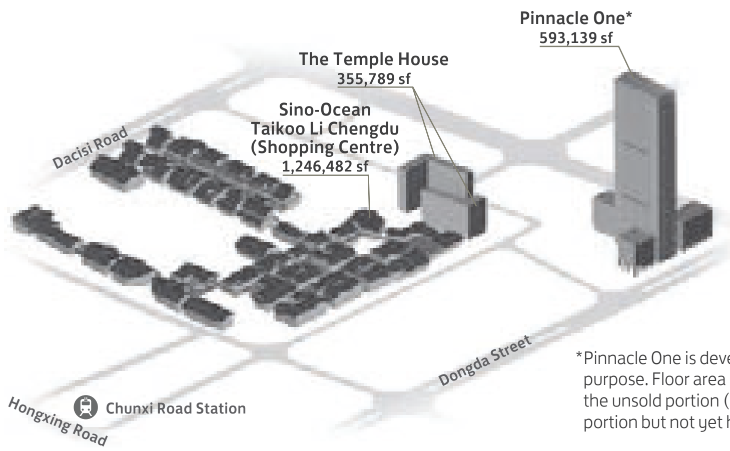
INDIGO
Beijing



Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



*Pinnacle One is developed for trading purpose. Floor area shown represents the unsold portion (including pre-sold portion but not yet handed over).

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.

Financial Review

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

Consolidated Statement of Profit or Loss

	2016 HK$M	2015 HK$M	Reference
Revenue The increase in revenue of HK$345 million compared to 2015 was principally due to higher sales revenue from the sale of residential units in Miami, U.S.A. and higher rental income from investment properties. Revenue from property trading increased by HK$297 million from 2015. In 2016, revenue was recognised from the handover of 347 Reach units and 171 Rise units in Miami, U.S.A. In addition, 15 AREZZO units, one MOUNT PARKER RESIDENCES unit and one WHITESANDS unit in Hong Kong were sold. In 2015, 112 AREZZO units, nine MOUNT PARKER RESIDENCES units, four AZURA units, three ARGENTA units and one WHITESANDS unit were sold. Rental income from investment properties increased by HK$57 million. In the U.S.A., gross rental income increased by HK$55 million due to the contribution from the newly completed office tower and shopping centre at the Brickell City Centre development. In Mainland China, gross rental income increased by HK$48 million, reflecting higher retail rents. In Hong Kong, gross rental income decreased by HK$44 million, mainly reflecting lower gross rental income from The Mall at Pacific Place, partially offset by higher gross rental income from the offices at Pacific Place and Taikoo Place. Revenue from hotels increased by HK$3 million. Additional revenue from the newly opened EAST, Miami was largely offset by the absence of revenue from the four hotels in the U.K. which were sold in December 2015.	**16,792**	16,447	Note 4

Consolidated Statement of Profit or Loss *(continued)*

	2016 HK$M	2015 HK$M	Reference
Gross Profit Gross profit decreased by HK$360 million. Gross profit from property trading decreased by HK$206 million, due to fewer sales of residential units in Hong Kong partially offset by profit recognised from the handover of units at the Reach and Rise developments in the U.S.A. Gross profit from investment properties decreased by HK$111 million, reflecting lower net rental income from The Mall at Pacific Place in Hong Kong and pre-opening costs at the Brickell City Centre development in the U.S.A., which more than offset higher net rental income from the office portfolio in Hong Kong and from Mainland China. Gross profit from hotels declined by HK$36 million, due mainly to pre-opening costs at EAST, Miami and the absence of contributions from the four hotels in the U.K., partially offset by higher gross profit at the Mandarin Oriental, Guangzhou.	**10,306**	10,666	
Operating Profit The increase in operating profit of HK$1,113 million was principally due to higher net revaluation gains on investment properties, partially offset by lower gross profit from residential sales and investment properties. A net revaluation gain on investment properties of HK$8,418 million was recorded in 2016, HK$1,302 million more than in 2015. Investment properties in Hong Kong recorded a net revaluation gain of HK$5,481 million, principally due to higher rents at the offices in Taikoo Place and Pacific Place, partially offset by the adverse effect of lower retail rents on the valuation of the retail properties in Hong Kong. Investment properties in Mainland China recorded a revaluation gain of HK$1,961 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$1,059 million. Administrative and selling expenses increased by HK$128 million compared to 2015, principally due to higher staff costs and general cost inflation. Other net gains increased by HK$297 million compared to 2015, mainly due to the absence of the loss of HK$229 million on disposal of four hotels in the U.K. and an increase of HK$63 million in the profit on disposal of sundry investment properties.	**17,320**	16,207	Notes 6 and 8(a)
Net Finance Charges The decrease of HK$76 million principally reflected a reduction in the cost of borrowings, which led to lower net finance charges of HK$141 million and HK$93 million in Mainland China and Hong Kong respectively. This was partly offset by an increase in net finance charges of HK$156 million in the U.S.A. arising from the change in the fair value of a put option in respect of a non-controlling interest in the Brickell City Centre development and interest on loans which funded the Brickell City Centre development no longer being capitalised upon completion of part of the development.	**1,119**	1,195	Note 10

Consolidated Statement of Profit or Loss *(continued)*

	2016 HK$M	2015 HK$M	Reference
Share of Profits Less Losses of Joint Venture Companies The increase of HK$180 million principally reflected higher net revaluation gains of HK$154 million and higher net rental income from investment properties held by joint venture companies in Hong Kong and Mainland China.	**1,280**	1,100	Note 8(a)
Taxation The increase in taxation of HK$354 million was due to higher operating profit, after excluding non-assessable income (principally revaluation gains on Hong Kong investment properties).	**2,411**	2,057	Note 11
Profit Attributable to the Company's Shareholders The increase of HK$978 million reflected higher net revaluation gains from investment properties, lower net finance charges, a higher share of profits from joint venture companies and the absence of a loss on disposal of four hotels in the U.K., partially offset by lower profit from investment properties and higher taxation.	**15,050**	14,072	Note 8(a)

Consolidated Statement of Financial Position

	2016 HK$M	2015 HK$M	Reference
Property, Plant and Equipment The increase in property, plant and equipment of HK$419 million was principally due to capital expenditure on EAST, Miami at the Brickell City Centre development and the reclassification of certain investment properties as owner-occupied properties in Hong Kong.	**8,471**	8,052	Note 15
Investment Properties The increase in investment properties of HK$6,728 million was principally due to a revaluation gain of HK$8,418 million and additions during the year of HK$6,087 million (including capital expenditure at the Taikoo Place redevelopment and other projects in Hong Kong and at the Brickell City Centre development), partially offset by a foreign exchange translation loss of HK$1,711 million (principally on investment properties in Mainland China) and the transfer of an uncompleted property in Kowloon Bay, Hong Kong to other non-current assets (at fair value of HK$5,200 million) upon signing of a sale and purchase agreement for the sale of the subsidiary company owning the development.	**235,368**	228,640	Note 16

Consolidated Statement of Financial Position *(continued)*

	2016 HK$M	2015 HK$M	Reference
Properties Held for Development The increase of HK$337 million principally reflected the transfer of a property (to be redeveloped as part of the One Brickell City Centre development) from investment property under development to properties held for development.	**1,279**	942	Note 18
Investment in Joint Venture Companies The increase of HK$593 million principally reflected (i) funding advanced for projects in Hong Kong and (ii) the Company's share of profits of joint venture companies (including revaluation gains), partially offset by the Company's share of foreign exchange translation losses arising from joint venture companies in Mainland China.	**19,985**	19,392	Note 19
Other Non-current Assets Other non-current assets arose from the transfer of an uncompleted property in Kowloon Bay, Hong Kong from investment properties (at fair value of HK$5,200 million) upon signing of a sale and purchase agreement for the sale of the subsidiary company owning the development. The carrying value of the property at 31st December 2016 represents its fair value at the date of transfer plus the development costs incurred from the date of transfer to 31st December 2016.	**5,479**	–	Note 33
Properties Under Development and For Sale The decrease of HK$1,946 million reflected the sales of residential units at the AREZZO, MOUNT PARKER RESIDENCES and WHITESANDS developments in Hong Kong and at the Reach and Rise developments at Brickell City Centre in the U.S.A., partially offset by development expenditure on the ALASSIO development in Hong Kong and on the Reach and Rise developments in the U.S.A.	**5,669**	7,615	Note 23
Trade and Other Payables (including non-current portion) The decrease of HK$284 million principally reflected a HK$645 million decrease in trade creditors and a HK$558 million decrease in other current payables, partially offset by the receipt of deposits of HK$653 million in respect of the sale of a subsidiary owning an uncompleted property in Kowloon Bay, Hong Kong and a HK$161 million increase in the value of a put option in respect of a non-controlling interest.	**9,168**	9,452	Note 28
Long-Term Loans and Bonds (including the component due within one year) The increase of HK$4,072 million was principally due to the issue of medium term notes of US$500 million and HK$1,200 million to refinance the medium term notes issued by Swire Finance Limited maturing during the year and to fund capital and development expenditure in Hong Kong, partly offset by prepayment of bank loans in Mainland China.	**29,054**	24,982	Note 29

Consolidated Statement of Financial Position *(continued)*

	2016 HK$M	2015 HK$M	Reference
Loans Due to a Fellow Subsidiary Company – Swire Finance Limited (including the component due within one year) The decrease of HK$4,656 million reflected repayment of amounts corresponding to medium term notes issued by Swire Finance Limited maturing during the year.	**7,504**	12,160	Note 30
Deferred Tax Liabilities The increase of HK$1,053 million principally reflected deferred tax on depreciation allowances relating to investment properties and on revaluation gains on investment properties in Mainland China and the U.S.A.	**7,840**	6,787	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$13,276 million), as reduced by dividends paid to the Company's shareholders.	**225,369**	216,247	Notes 35 and 36
Non-Controlling Interests The increase in non-controlling interests of HK$154 million reflected capital contributions of HK$90 million from the owner of a non-controlling interest 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.	**1,856**	1,702	Note 38

Consolidated Statement of Cash Flows

	2016 HK$M	2015 HK$M	Reference
Cash Generated from Operations Cash generated from operations of HK$10,767 million principally comprised cash inflows from investment properties of approximately HK$8,806 million in Hong Kong and Mainland China, from property trading of approximately HK$3,877 million and from the deposit of HK$653 million received on the sale of the subsidiary company which owns an uncompleted investment property in Kowloon Bay, Hong Kong, partially offset by expenditure on properties under development and for sale of approximately HK$1,300 million and operating expenses of approximately HK$961 million.	**10,767**	10,616	Note 43(a)

Consolidated Statement of Cash Flows *(continued)*

	2016 HK$M	2015 HK$M	Reference
Profits Tax Paid The increase principally reflected the tax paid on the assessable profits arising from property trading in Hong Kong.	**1,413**	1,267	
Dividends Received from Joint Venture and Associated Companies and Available-for-sale Assets The increase of HK$264 million principally reflected higher dividends received from hotel investment and other joint venture companies.	**499**	235	
Purchase of Property, Plant and Equipment The amount of HK$349 million in 2016 principally reflected capital expenditure on the newly completed EAST, Miami at the Brickell City Centre development.	**349**	558	Note 43(b)
Additions to Investment Properties The amount of HK$5,883 million in 2016 principally reflected the capital expenditure at the Taikoo Place redevelopment and other projects in Hong Kong and at the Brickell City Centre development.	**5,883**	3,616	
Additions to Other Non-current Assets The amount of HK$254 million represented the development costs incurred on the uncompleted property in Kowloon Bay, Hong Kong following its transfer from Investment Properties.	**254**	–	
Loans (Net of Repayment) to Joint Venture Companies The amount of HK$72 million in 2016 principally reflected the advance of funding for projects in Hong Kong.	**72**	669	
Loans Drawn and Refinancing (Net of Repayment) The amount of HK$4,190 million in 2016 principally reflected the issue of medium term notes of US$500 million and HK$1,200 million to refinance the medium term notes issued by Swire Finance Limited maturing during the year and to fund capital and development expenditure in Hong Kong, partly offset by prepayment of bank loans in Mainland China. Refer to Financing section on pages 49 to 57 for further details.	**4,190**	2,784	
Decrease in Loans Due to a Fellow Subsidiary Company – Swire Finance Limited The decrease of HK$4,658 million reflected repayment of amounts corresponding to medium term notes issued by Swire Finance Limited maturing during the year.	**4,658**	1,800	

Investment Appraisal and Performance Review

	Net Assets Employed		Capital Commitments [1]	
	2016 HK$M	2015 HK$M	**2016 HK$M**	2015 HK$M
Property investment	**248,466**	235,917	**17,628**	19,564
Property trading	**6,616**	7,452	**–**	–
Hotels	**7,520**	7,928	**700**	234
Total net assets employed	**262,602**	251,297	**18,328**	19,798
Less: net debt	**(35,377)**	(33,348)		
Less: non-controlling interests	**(1,856)**	(1,702)		
Equity attributable to the Company's shareholders	**225,369**	216,247		

	Equity Attributable to the Company's Shareholders [2]		Return on Average Equity Attributable to the Company's Shareholders [2]	
	2016 HK$M	2015 HK$M	**2016**	2015
Property investment	**216,723**	206,211	**6.6%**	6.6%
Property trading	**2,060**	2,912	**48.2%**	39.9%
Hotels	**6,586**	7,124	**-1.7%**	-4.2%
Total	**225,369**	216,247	**6.8%**	6.6%

[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 Debt
- 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 two 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 53 to 55. 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 obtains new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.

Medium Term Note Programme

In 2012, Swire Properties MTN Financing Limited, a wholly-owned subsidiary of the Company, established a US$3 billion Medium Term Note ("MTN") Programme. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. The MTN Programme is rated A by Fitch, (P)A2 by Moody's and A- by Standard & Poor's, in each case in respect of notes with a maturity of more than one year.

The MTN Programme enables the Group to raise money directly from the capital markets. Under the MTN Programme, notes may be issued in US dollars or in other currencies, in various amounts and for various tenors.

Changes in Financing

During the year, the Group raised approximately HK$12,436 million. This comprised:

- three five-year term and revolving loan facilities aggregating HK$4,250 million
- medium term notes of US$500 million and HK$1,200 million
- refinancing of a revolving loan facility of US$300 million
- refinancing of a term loan facility of RMB700 million

During the year, the Group made various repayments of debt (including of amounts due under the Loan Agreements corresponding to HK$4,658 million medium term notes issued by Swire Finance and maturing during the year) and prepaid approximately RMB770 million under term loan facilities.

Subsequent to 31st December 2016, the Group issued medium term notes of HK$660 million.

Audited Financial Information	**2016 HK$M**	2015 HK$M
Bank loans, bonds and loans from Swire Finance		
At 1st January	**37,734**	36,945
Loans drawn and refinancing	**5,470**	3,689
Bonds issued	**5,078**	1,740
Repayment of loans	**(6,358)**	(2,645)
Decrease in loans due to Swire Finance	**(4,658)**	(1,800)
Other non-cash movements	**(208)**	(195)
At 31st December	**37,058**	37,734

Net Debt

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings as at 31st December 2016 and 2015 were as follows:

Audited Financial Information	**2016 HK$M**	2015 HK$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	**8,984**	12,144
Bonds – unsecured	**15,400**	10,828
Borrowings from Swire Finance – unsecured	**5,175**	7,502
Borrowings included in current liabilities		
Bank borrowings – unsecured	**4,670**	2,602
Bonds – unsecured	**500**	–
Borrowings from Swire Finance – unsecured	**2,329**	4,658
Total borrowings	**37,058**	37,734
Less: short-term deposits and bank balances	**1,681**	4,386
Net debt	**35,377**	33,348

Sources of Finance

At 31st December 2016, committed loan facilities and debt securities amounted to HK$45,233 million, of which HK$8,497 million (18.8%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$1,149 million. Sources of funds at 31st December 2016 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				
Term loans	**10,365**	**9,715**	**–**	**650**
Revolving loans	**11,388**	**3,541**	**1,000**	**6,847**
Bonds	**15,974**	**15,974**	**–**	**–**
Facilities from Swire Finance				
Bonds	**5,177**	**5,177**	**–**	**–**
Perpetual capital securities	**2,329**	**2,329**	**–**	**–**
Total committed facilities	**45,233**	**36,736**	**1,000**	**7,497**
Uncommitted facilities				
Bank loans and overdrafts	**1,649**	**500**	**1,149**	**–**
Total	**46,882**	**37,236**	**2,149**	**7,497**

Note:
The figures above are stated before unamortised loan fees of HK$178 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:

Audited Financial Information	**2016**			2015		
	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						
Uncommitted bank loans and overdrafts						
– unsecured	**500**	**–**	**500**	592	–	592
Long-term loans and bonds at amortised cost						
– unsecured	**36,736**	**(178)**	**36,558**	37,299	(157)	37,142
Less: amount due within one year included under current liabilities	**7,005**	**(6)**	**6,999**	6,673	(5)	6,668
	29,731	**(172)**	**29,559**	30,626	(152)	30,474

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.

The Issuer has given notice of its intention to redeem the perpetual capital securities at par on 13th May 2017. They are listed on the Luxembourg Stock Exchange.

ii) Bank Balances and Short-term Deposits

The Group had bank balances and short-term deposits of HK$1,681 million at 31st December 2016, compared to HK$4,386 million at 31st December 2015.

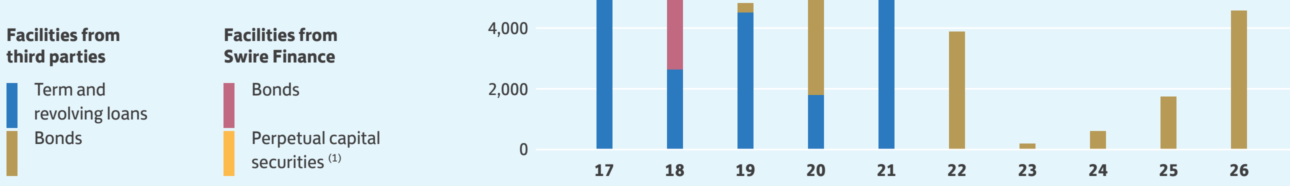
Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2026 (2015: up to 2025). The weighted average term and cost of the Group's debt are:

	2016	2015
Weighted average term of debt	**3.7 years**	3.1 years
Weighted average term of debt (excluding perpetuals)	**3.9 years**	3.2 years
Weighted average cost of debt	**4.1%**	4.3%
Weighted average cost of debt (excluding perpetuals)	**3.8%**	4.0%

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:

Audited Financial Information	2016 HK$M		2015 HK$M	
Bank borrowings and bonds from third parties due				
Within 1 year	**5,170**	**14%**	2,602	7%
1-2 years	**2,423**	**7%**	8,009	21%
2-5 years	**11,021**	**30%**	7,783	21%
After 5 years	**10,940**	**29%**	7,180	19%
Borrowings from Swire Finance due				
Within 1 year	**2,329**	**6%**	4,658	12%
1-2 years	**5,175**	**14%**	2,329	6%
2-5 years	**–**	**–**	5,173	14%
Total	**37,058**	**100%**	37,734	100%
Less: Amount due within one year included under current liabilities	**7,499**		7,260	
Amount due after one year included under non-current liabilities	**29,559**		30,474	

Currency Profile

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

Audited Financial Information	2016 HK$M		2015 HK$M	
Currency				
Hong Kong dollars	**27,315**	**74%**	26,718	71%
United States dollars	**6,775**	**18%**	6,917	18%
Renminbi	**2,689**	**7%**	3,858	10%
Singapore dollars	**279**	**1%**	241	1%
Total	**37,058**	**100%**	37,734	100%

Finance Charges

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

Audited Financial Information	2016 HK$M		2015 HK$M	
Fixed	**23,480**	**63%**	23,055	61%
Floating	**13,756**	**37%**	14,836	39%
Sub-total	**37,236**	**100%**	37,891	100%
Less: Unamortised loan fee	**178**		157	
Total	**37,058**		37,734	

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

Audited Financial Information	Floating Interest Rates HK$M	Fixed Interest Rates Maturing in: 1 year or Less HK$M	1 to 5 Years HK$M	Over 5 Years HK$M	Total HK$M
At 31st December 2016	**13,654**	**2,829**	**9,635**	**10,940**	**37,058**
At 31st December 2015	14,745	4,658	12,156	6,175	37,734

Interest charged and earned during the year was as follows:

Audited Financial Information	2016 HK$M	2015 HK$M
Interest charged on:		
Bank loans and overdrafts	**349**	441
Bonds	**516**	337
Loans from fellow subsidiary companies	**507**	699
Loans from joint venture and related companies	**7**	8
Fair value (gain)/loss on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	**(5)**	2
Other financing costs	**146**	148
	1,520	1,635
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	**114**	16
Capitalised on:		
Investment properties	**(248)**	(199)
Properties under development and for sale	**(140)**	(150)
Hotels	**(5)**	(11)
Other non-current assets	**(25)**	–
	1,216	1,291
Interest income on:		
Short-term deposits and bank balances	**(26)**	(28)
Loans to joint venture companies	**(69)**	(67)
Others	**(2)**	(1)
	(97)	(96)
Net finance charges	**1,119**	1,195

The capitalised interest rates on funds both borrowed generally and used for the development of investment properties, properties under development and for sale, hotels and other non-current assets were between 1.3% and 4.3% per annum (2015: 1.4% and 4.2% per annum).

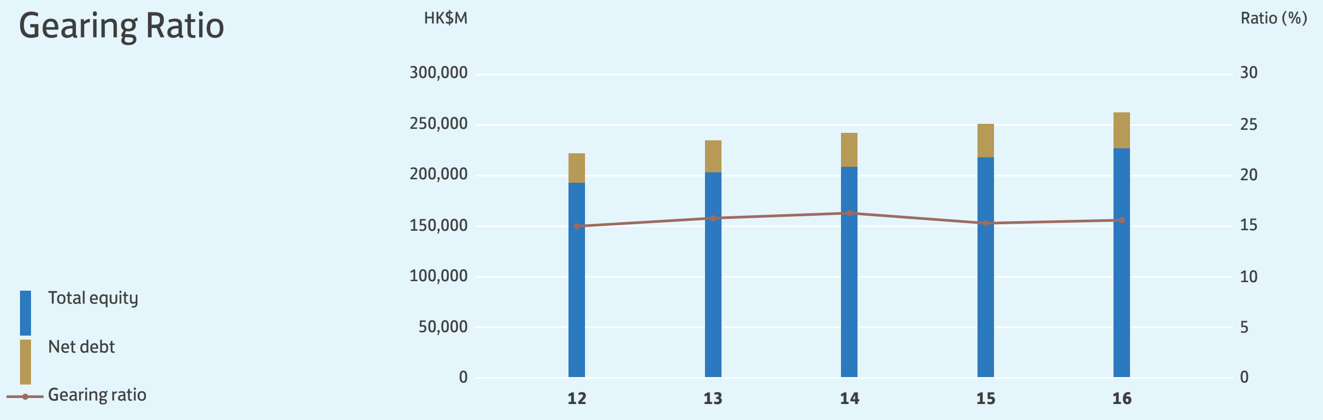
The interest rates per annum (after cross-currency swaps) at 31st December were as follows:

Audited Financial Information	2016 HK$ %	2016 US$ %	2016 RMB %	2016 SGD %	2015 HK$ %	2015 US$ %	2015 RMB %	2015 SGD %
Uncommitted bank loans and overdrafts	–	–	3.8	1.5	–	–	3.8	1.8
Long-term loans and bonds	1.2-5.2	1.2-2.5	4.3-4.4	1.4	1.0-5.4	1.7-2.1	4.7-5.2	1.6
Perpetual capital securities	–	7.2-8.8	–	–	–	7.2-8.8	–	–

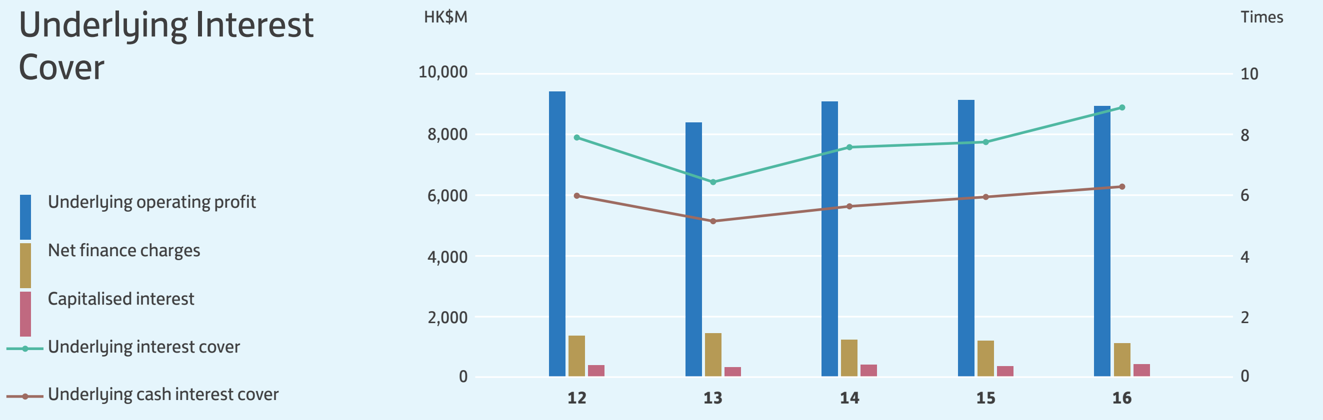
Gearing Ratio and Interest Cover

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

Gearing Ratio



Underlying Interest Cover



	2016	2015
Gearing ratio [(1)]	**15.6%**	15.3%
Interest cover – times [(1)]		
Per financial statements	**15.5**	13.6
Underlying	**8.9**	7.8
Cash interest cover – times [(1)]		
Per financial statements	**11.3**	10.4
Underlying	**6.3**	5.9

[(1)] 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 2016 and 31st December 2015 were as follows:

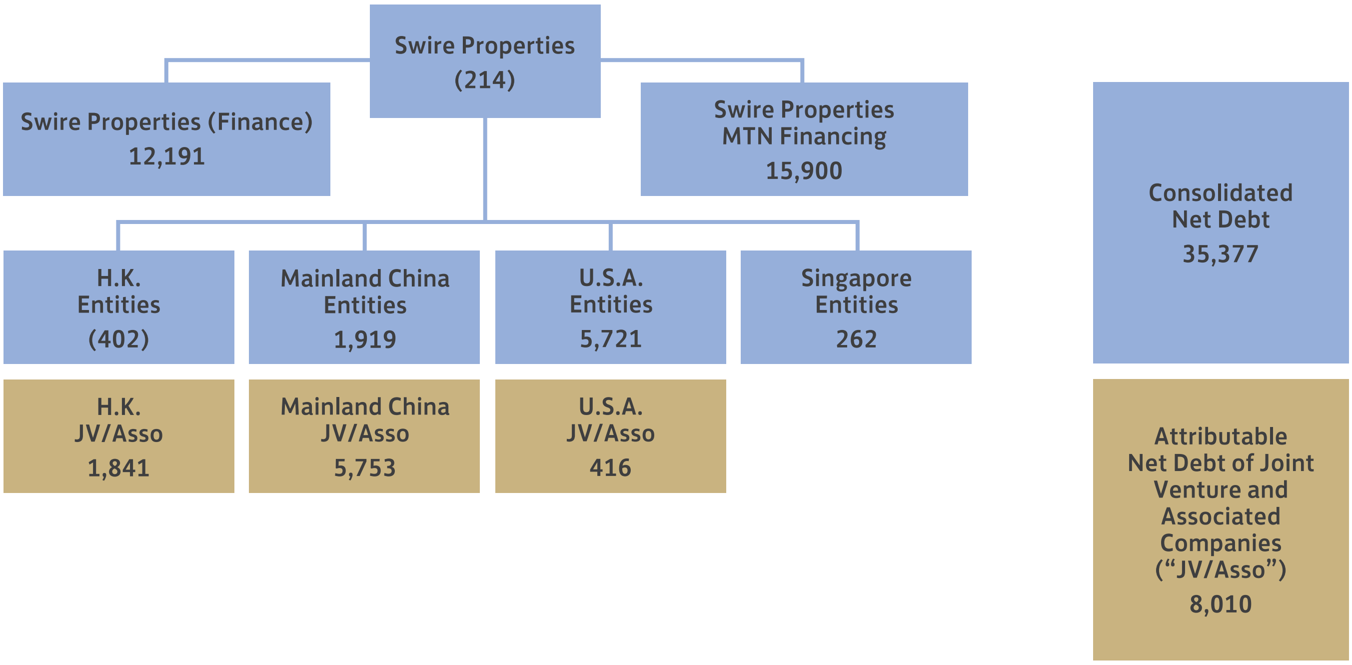
	2016 HK$M	2015 HK$M
Total borrowings	**37,058**	37,734
Less: Short-term deposits and bank balances	**1,681**	4,386
Net debt	**35,377**	33,348
Total equity	**227,225**	217,949
Gearing ratio	**15.6%**	15.3%

The increase in the gearing ratio during 2016 principally reflected expenditure on investment and trading properties in Hong Kong and on the Brickell City Centre development in Miami in the U.S.A., partially offset by sales proceeds from trading properties in Hong Kong and Miami.

The Group has certain covenants in respect of a number of its facilities from third-parties, including maintenance of a minimum amount 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$ million):



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 2016 and 2015:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	2016 HK$M	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M
Hong Kong Entities	**3,826**	2,987	**1,841**	1,641	**975**	975
Mainland China Entities	**11,506**	10,098	**5,753**	5,049	**–**	1,803
U.S.A. Entities	**555**	568	**416**	426	**484**	493
	15,887	13,653	**8,010**	7,116	**1,459**	3,271

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

Corporate Governance & Sustainability

15th Anniversary Celebration of the Swire Properties Community Ambassador Programme
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 the 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 67 to 68) and the Remuneration Committee (see pages 64 to 65).

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, two other Executive Directors and nine Non-Executive Directors. Their biographical details are set out in the section of this annual report headed Directors and Officers 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 to management and other 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 section of this annual report headed Directors' Report.

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 in the section of this annual report headed Directors and Officers.

Board Processes

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

The dates of the 2016 Board meetings were determined in 2015 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 2016. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 63. Average attendance at Board meetings was 98%. 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**	**2016 Annual General Meeting**	**Type of Training (Note)**
Executive Directors					
J.R. Slosar – Chairman	5/5			√	A
G.M.C. Bradley	5/5			√	A
M.M.S. Low	5/5			√	A
D.C.Y. Ho (resigned on 13th April 2016)	2/2			N/A	A
G.J. Ongley (retired on 10th May 2016)	2/2			x	A
Non-Executive Directors					
M. Cubbon	5/5	3/3		√	A
P. Healy	4/5			x	A
R.S.K. Lim	5/5			√	A
M.B. Swire	5/5		2/2	√	A
Independent Non-Executive Directors					
S.E. Bradley	5/5		1/2	√	A
J.C.C. Chan	5/5	3/3		√	A
P.K. Etchells	5/5	3/3		√	A
S.T. Fung	5/5			√	A
S.C. Liu	5/5		2/2	√	A
Average attendance	98%	100%	83%	93%	

Note:

A: All the Directors received training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors. They also kept abreast of matters relevant to their role as directors by such means as attendance at seminars and conferences and reading and viewing materials about financial, commercial, economic, legal, regulatory and business affairs.

Continuous Professional Development

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

Directors' and Officers' Insurance

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

Conflicts of Interest

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

Delegation by the Board

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

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

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

Securities Transactions

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

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

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

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

Directors' interests at 31st December 2016 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 in the section of this annual report headed Directors' Report.

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 2016.

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 October 2016. 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	**2016 HK$**	2017 HK$
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 67 to 68.

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 68 and 69.

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 2016.

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 2016. 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 valuer (DTZ Cushman & Wakefield Limited) also attended two of the meetings.

The work of the Committee during 2016 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2015 annual and 2016 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 2017 annual Internal Audit programme and review of progress on the 2016 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 69
- the Company's compliance with the CG Code

In 2017, the Committee has reviewed, and recommended to the Board for approval, the 2016 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 21 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 23 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 23 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. Eleven assignments were conducted for Swire Properties in 2016.

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 10th May 2016. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 63.

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 2015
- 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 2017 are set out in the section of this annual report headed Financial Calendar and Information for Investors 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 66 to 67, pages 67 to 68 and pages 68 to 69 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 two Executive Directors and eight 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 60, 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 51, 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 56, 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.

Non-Executive Directors

CUBBON, Martin, aged 59, 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 51, 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 57, 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 and Raffles Medical Group Limited. He was a Member of the Singapore Parliament from 2001 to 2015.

SWIRE, Merlin Bingham, aged 43, has been a Director of the Company since January 2009. He is also Deputy Chairman and Chief Executive and a 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 58, has been a Director of the Company since April 2010. He is Vice Chairman of RKR Capital Pte Ltd., Director of Shanghai CFETS-ICAP International Money Broking Co. Ltd and Husky Energy Inc.

Dr. CHAN, Cho Chak John, GBS, JP, aged 73, 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.

CHENG, Lily Ka Lai, aged 38, has been appointed as a Director of the Company with effect from 17th March 2017. She is a Member of the Global Travel Distribution Advisory Board of Kuoni Reisen Holding AG. She was President, Asia Pacific of TripAdvisor, Inc. from July 2014 to June 2016.

ETCHELLS, Paul Kenneth, aged 66, 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 43, 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 61, 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.

WU, May Yihong, aged 49, has been appointed as a Director of the Company with effect from 15th May 2017. She is Chief Strategy Officer of Homeinns Hotel Group and an Independent Director of Noah Holdings Limited.

Company Secretary

FU, Yat Hung David, aged 53, 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. He is also a member of the Standing Committee on Company Law Reform.

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 2016, 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$0.48 per share for the year ended 31st December 2016. Together with the first interim dividend of HK$0.23 per share paid on 5th October 2016, this makes a total dividend for the year of HK$0.71 (2015: HK$0.71) 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 (2015: HK$2,808 million), will be paid on 11th May 2017 to shareholders registered at the close of business on the record date, being Friday, 7th April 2017. Shares of the Company will be traded ex-dividend as from Wednesday, 5th April 2017.

Closure of Register of Members

The register of members will be closed on Friday, 7th April 2017, 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, 6th April 2017.

To facilitate the processing of proxy voting for the annual general meeting to be held on 16th May 2017, the register of members will be closed from 11th May 2017 to 16th May 2017, 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, 10th May 2017.

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, Key Business Strategies, Review of Operations, Financial Review and Financing 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. 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, Corporate Governance and Directors' Report.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 36 and 37 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 2016, 5,850,000,000 shares were in issue (31st December 2015: 5,850,000,000 shares). Details of the movement of share capital are set out in note 35 to the financial statements.

Accounting Policies

The principal accounting policies of the Group are set out in the section of this annual report headed Principal Accounting Policies.

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 in the section of this annual report headed Financial Review. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown in the section of this annual report headed Ten-Year Financial Summary.

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 in the section of this annual report headed Corporate Governance.

Environmental, Social and Governance

The Company will comply with all the applicable provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report.

Donations

During the year, the Group made donations for charitable purposes of HK$22 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 Cushman & Wakefield Limited and 2% by value were valued by another independent valuer) on the basis of open market value at 31st December 2016. This valuation resulted in an increase of HK$8,418 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 in the section of this annual report headed Schedule of Principal Group Properties.

Borrowings

For details of the Group's borrowings refer to the section of this annual report headed Financing.

Interest

For details of the amount of interest capitalised by the Group refer to page 54.

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

L.K.L. Cheng and M.Y. Wu were appointed as Directors of the Company with effect from 17th March 2017 and 15th May 2017 respectively. J.C.C. Chan resigned as a Director of the Company with effect from 17th March 2017. All the other present Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the calendar year 2016. D.C.Y. Ho resigned as a Director of the Company with effect from 14th April 2016. G.J. Ongley retired as a Director of the Company at the conclusion of the 2016 annual general meeting held on 10th May 2016.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (listed in the section of this annual report headed Directors and Officers) 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, J.R. Slosar, R.S.K. Lim and M.M.S. Low retire this year and, being eligible, offer themselves for re-election. L.K.L. Cheng and M.Y. Wu, having been appointed to the Board under Article 91 since the last annual general meeting, also retire this year and offer themselves for election.

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

Fees and Emoluments

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

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

Directors' Interests

At 31st December 2016, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited and Swire Pacific Limited:

	Capacity					
	Beneficial Interest		Trust Interest	Total No. of Shares	Percentage of Voting Shares (%)	Note
	Personal	Family				
Swire Properties Limited						
S.E. Bradley	700	–	–	700	0.00001	
P.K. Etchells	–	8,400	–	8,400	0.00014	

	Capacity					
	Beneficial Interest		Trust Interest	Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
	Personal	Family				
John Swire & Sons Limited						
Ordinary Shares of £1						
M.B. Swire	2,075,023	130,000	22,146,927	24,351,950	24.35	(1)
8% Cum. Preference Shares of £1						
M.B. Swire	2,769,489	–	17,189,190	19,958,679	22.18	(1)

	Capacity					
	Beneficial Interest		Trust Interest	Total No. of Shares	Percentage of Voting Shares (comprised in the class) (%)	Note
	Personal	Family				
Swire Pacific Limited						
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
P.K. Etchells	–	12,000	–	12,000	0.0013	

Note:
(1) M.B. Swire is a trustee of trusts which held 10,823,591 ordinary shares and 6,976,788 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 2016 or during the period from 1st January 2017 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 2016 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 2016:

(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 55.00% of the equity of Swire Pacific Limited and controlling 63.75% 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 2016, 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, 14th November 2013 and 1st October 2016. The current term of the Services Agreement is from 1st January 2017 to 31st December 2019 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 2016 are given in note 42 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. 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 took effect from 1st January 2014 and was renewed on 1st October 2015. The current term of the Tenancy Framework Agreement is from 1st January 2016 to 31st December 2018 and it 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 2016, the aggregate rentals payable to the Group under the tenancies subject to the Tenancy Framework Agreement totalled HK$203 million.

At 31st December 2016, the Swire group was interested in 55.00% of the equity of Swire Pacific and controlled 63.75% 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 19th August 2016 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 the relevant annual caps have been exceeded.

On behalf of the Board

John Slosar

Chairman

Hong Kong, 16th March 2017

Sustainable Development

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

In 2016, Swire Properties launched a new sustainable development strategy ("SD 2030 Strategy"). The strategy incorporates specific commitments. Working closely with all relevant parties, the strategy is designed to build sustainable development ("SD") capability in all of our business activities. Our SD 2030 Strategy is built on five strategic pillars:

Places | People | Partners | Performance (Environment) | Performance (Economic)

In 2016, we established a new sustainable development management structure. The Chief Executive became the chairman of our sustainable development steering committee ("SD Steering Committee"). The SD Steering Committee comprises the Chief Executive, the Finance Director and certain other members of senior management. It is responsible for reviewing Swire Properties' sustainable development strategy and ensuring that Swire Properties' operations and practices are carried out in line with such strategy. Working groups and a sub-committee (comprising representatives of different parts of the business and reporting to the SD Steering Committee) were established to focus on different areas of SD and to recommend targets and initiatives (including any changes to policies) to the SD Steering Committee.

Places

Places are at the heart of, and central to, the achievement of our SD 2030 Strategy.

Our objective: Through effective placemaking and long-term placekeeping, to continue to transform the places in which we invest so as to create value, whilst retaining their character, supporting communities and enhancing people's lives.

Communities and Local Economy

In spring and autumn 2016, Taikoo Place collaborated with social enterprise Honestly Green to host Tong Chong Street Market in Tong Chong Street, Quarry Bay.

In April 2016, we held our annual charity book sale, Books for Love @ HK$10. There were more than 25,000 visitors. All proceeds raised were donated to help support The Boys' and

Held annual charity book sale "Books for Love @ HK$10"

Hong Kong

Launched White Christmas Street Fair 2016 in Tong Chong Street

Hong Kong

Girls' Clubs Association of Hong Kong's Treasure Trove project, which creates educational opportunities for underprivileged children.

In December 2016, Swire Properties held its fourth annual White Christmas Street Fair on Tong Chong Street in Hong Kong.

Swire Properties has sponsored the annual Beijing Music Festival in Mainland China for the past seven years. In 2016, we hosted 14 performances at Taikoo Li Sanlitun.

Volunteering

Our Community Ambassador Programme celebrated its 15th anniversary in 2016. In celebration of this, Swire Properties joined with 15 non-governmental non-profit organisations ("NGOs") to host the LOVE'S TEAM charity bazaar. Over 1,350 volunteers participated in this event. With the help of matching funds from the Swire Group Charitable Trust, we raised over HK$870,000 for the 15 NGOs.

People

The contributions of our employees are critical to our success.

Our objective: To create an environment where our employees will be healthier, happier and more productive. To invest in our employees and to provide rewarding career paths so as to develop a diverse and industry leading team.

Employees – Talent

Swire Properties employs over 5,000 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 2016, we provided over 66,000 hours of training and development for our frontline and office employees on topics including leadership and management, health and safety, and employee wellness.

Health and Safety

In 2016, our lost time injury rate decreased by 4.3% and our lost day rate decreased by 40.8% compared to 2015. We conducted safety inspections and organised safety talks to frontline staff on the prevention of slips, trips and falls.

Two employees in Hong Kong, a senior technician and a senior building advisor, received a bronze award in the frontline employee category and a merit award in the supervisor category respectively from the Hong Kong Labour Department under the Occupational Safety & Health Employees Award Scheme in 2016.

Sponsored the annual Beijing Music Festival in Taikoo Li Sanlitun

Beijing

Provided over 66,000 hours of training and development courses for employees

Hong Kong

Partners

Our business partners play a critical part in the success of our SD 2030 Strategy.

Our objective: To continue to develop long-term, mutually beneficial relationships with our business partners and other key parties so as to improve our environmental, social and economic performance.

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 address sustainability and manage risk in our supply chain through our supplier monitoring and evaluation system, supported by our supplier code of conduct.

We have been monitoring our Group's green purchasing via our Green Procurement Tracking System since 2015. In 2016, 12 types of building materials, building services equipment and office supplies were monitored. Over HK$34 million worth of green products was procured.

Performance (Environment)

As a leading property developer, we are committed to building and managing our developments sustainably.

Our objective: To continue to design, construct and manage high quality developments that contribute positively to the communities in which we operate and the environment.

Energy

In 2016, our energy intensity* decreased by 2%, compared to 2015, in our Hong Kong and Mainland China property portfolios. The reduction was mainly due to retrofitting air conditioning systems and installing energy efficient lighting.

We intend to reduce our energy consumption* in our Hong Kong property portfolio by 64 million kWh per year by 2020, as compared to the baseline year of 2008. We intend to reduce the energy consumption* in our Mainland China property portfolio by 23 million kWh per year by 2020 from its amount in the first complete calendar year for which electricity consumption data was collected.

We provide free energy audits to our tenants at Taikoo Li Sanlitun, Beijing and TaiKoo Hui, Guangzhou, covering more than 140,000 square metres of tenanted area.

At 31st December 2016, tenants occupying approximately 53% of the office space in TaiKoo Hui, Guangzhou had signed sustainability memoranda with Swire Properties.

Won awards at the 2016 Occupational Safety & Health Employees Award Scheme
Hong Kong

Won Grand Award in Green Building Leadership Category at the Green Building Award 2016
Hong Kong

Awards, Ratings and Certifications

Swire Properties was awarded the Grand Award in the Green Building Leadership Category at the Green Building Award 2016, which was organised by the Hong Kong Green Building Council.

32 of our buildings** have Building Environmental Assessment Method ("BEAM") or BEAM Plus certifications. 20 of them have been given a Final Platinum rating. 12 of our buildings have Leadership in Energy and Environmental Design ("LEED") certifications. Sino-Ocean Taikoo Li Chengdu, Mainland China and Brickell City Centre, Miami, U.S.A. achieved gold ratings under LEED for Neighborhood Development (Stage 2).

In Hong Kong, WHITESANDS obtained BEAM Plus Final Platinum rating and Taikoo Place Apartments in Quarry Bay obtained BEAM Plus Final Gold rating. The fit-out of our Cityplaza management office obtained BEAM Plus Interior Final Platinum rating and LEED Platinum certification for Commercial Interiors.

In 2016, we received ISO 50001 Energy Management System accreditations for Taikoo Li Sanlitun, Beijing and TaiKoo Hui, Guangzhou in Mainland China, and recertification for Citygate, Cityplaza, Pacific Place and Taikoo Place in Hong Kong.

Performance (Economic)

We believe that long-term value creation depends on the sustainable development of our business.

The objective of the Performance (Economic) component of our SD 2030 Strategy: To deliver sustainable economic performance coupled with good corporate governance and high ethical standards.

Details of our financial performance in 2016 are set out in the rest of this report.

Swire Properties is included in the Dow Jones Sustainability Indices, the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI World ESG Index. The 2016 Channel NewsAsia Sustainability Ranking recognised us as one of the 100 most sustainable corporations in Asia and one of the top three sustainable corporations in Hong Kong.

Further details of our sustainable development performance, including details of our new SD 2030 Strategy, are to be contained in our Sustainable Development Report 2016.

* Energy intensity/consumption refers to electricity consumption intensity/electricity consumption for the provision of shared services for and in the common parts of our buildings.

** "Buildings" for this purpose refers to buildings which were built after BEAM was established in 1996 and which are either managed or at least half owned by Swire Properties. Small-scale low-rise buildings in the same development, WHITESANDS for example, are counted as one building and not as individual buildings.

Financial Contents

AUDITOR'S REPORT AND ACCOUNTS

SUPPLEMENTARY INFORMATION

Brickell City Centre
Miami

Independent Auditor's Report

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

Opinion

What 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 as at 31st December 2016;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2016, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements as at and for the year ended 31st December 2016. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and 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$235,368 million at 31st December 2016, with a revaluation gain for the year ended 31st December 2016 recorded in the consolidated statement of profit or loss of HK$8,418 million. Independent external valuations were obtained in respect of 95% 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. 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$4,760 million for the year ended 31st December 2016. 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.	Our procedures in relation to property trading included selecting a sample of transactions and: • 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; • Reconciling 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 was 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 2016 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 judgement 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, 16th March 2017

Consolidated Statement of Profit or Loss

For the year ended 31st December 2016

	Note	2016 HK$M	2015 HK$M
Revenue	4	**16,792**	16,447
Cost of sales	5	**(6,486)**	(5,781)
Gross profit		**10,306**	10,666
Administrative and selling expenses		**(1,294)**	(1,166)
Other operating expenses		**(213)**	(215)
Other net gains/(losses)	6	**103**	(194)
Change in fair value of investment properties		**8,418**	7,116
Operating profit		**17,320**	16,207
Finance charges		**(1,216)**	(1,291)
Finance income		**97**	96
Net finance charges	10	**(1,119)**	(1,195)
Share of profits less losses of joint venture companies		**1,280**	1,100
Share of profits less losses of associated companies		**139**	141
Profit before taxation		**17,620**	16,253
Taxation	11	**(2,411)**	(2,057)
Profit for the year		**15,209**	14,196
Profit for the year attributable to:			
The Company's shareholders	36	**15,050**	14,072
Non-controlling interests	38	**159**	124
		15,209	14,196
		HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	14	**2.57**	2.41

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 2016

	2016 HK$M	2015 HK$M
Profit for the year	**15,209**	14,196
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
Defined benefit plans		
– remeasurement gains/(losses) recognised during the year	**50**	(79)
– deferred tax (charge)/credit	**(8)**	13
	42	(53)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
– gains/(losses) recognised during the year	**300**	(110)
– (gains)/losses transferred to net finance charges	**(5)**	2
– deferred tax (charge)/credit	**(49)**	18
Share of other comprehensive losses of joint venture and associated companies	**(591)**	(462)
Net translation differences on foreign operations		
– movement during the year	**(1,494)**	(1,168)
– reclassification to profit or loss on disposal of four hotels in the U.K.	**–**	142
	(1,839)	(1,578)
Other comprehensive losses for the year, net of tax	**(1,797)**	(1,631)
Total comprehensive income for the year	**13,412**	12,565
Total comprehensive income attributable to:		
The Company's shareholders	**13,276**	12,460
Non-controlling interests	**136**	105
	13,412	12,565

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 2016

	Note	2016 HK$M	2015 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	8,471	8,052
Investment properties	16	235,368	228,640
Intangible assets	17	154	127
Properties held for development	18	1,279	942
Joint venture companies	19	19,985	19,392
Associated companies	20	361	534
Available-for-sale assets	22	–	6
Derivative financial instruments	31	219	–
Deferred tax assets	32	73	90
Other non-current assets	33	5,479	–
		271,389	257,783
Current assets			
Properties under development and for sale	23	5,669	7,615
Stocks and work in progress	24	79	72
Trade and other receivables	25	2,881	2,848
Amount due from immediate holding company – Swire Pacific Limited	26	9	20
Short-term deposits maturing after three months		–	28
Cash and cash equivalents	27	1,681	4,358
		10,319	14,941
Current liabilities			
Trade and other payables	28	7,845	8,943
Tax payable		279	541
Bank overdrafts and short-term loans	29	500	592
Long-term loans and bonds due within one year	29	4,670	2,010
Loans due to a fellow subsidiary company – Swire Finance Limited	30	2,329	4,658
		15,623	16,744
Net current liabilities		(5,304)	(1,803)
Total assets less current liabilities		266,085	255,980
Non-current liabilities			
Long-term loans and bonds	29	24,384	22,972
Loans due to a fellow subsidiary company – Swire Finance Limited	30	5,175	7,502
Other payables	28	1,323	509
Derivative financial instruments	31	–	84
Deferred tax liabilities	32	7,840	6,787
Retirement benefit liabilities	34	138	177
		38,860	38,031
NET ASSETS		227,225	217,949
EQUITY			
Share capital	35	10,449	10,449
Reserves	36	214,920	205,798
Equity attributable to the Company's shareholders		225,369	216,247
Non-controlling interests	38	1,856	1,702
TOTAL EQUITY		227,225	217,949

John R. Slosar
Paul K. Etchells
Directors

Hong Kong, 16th March 2017

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 2016

	Note	2016 HK$M	2015 HK$M
Operating activities			
Cash generated from operations	*43(a)*	**10,767**	10,616
Interest paid		**(1,324)**	(1,510)
Interest received		**96**	96
Profits tax paid		**(1,413)**	(1,267)
		8,126	7,935
Dividends received from joint venture and associated companies and available-for-sale assets		**499**	235
Net cash from operating activities		**8,625**	8,170
Investing activities			
Purchase of property, plant and equipment	*43(b)*	**(349)**	(558)
Additions to investment properties		**(5,883)**	(3,616)
Additions to other non-current assets		**(254)**	–
Purchase of intangible assets		**(17)**	(18)
Purchase of available-for-sale assets		**–**	(4)
Proceeds from disposals of property, plant and equipment		**1**	1
Proceeds from disposals of investment properties		**55**	34
Proceeds from disposal of subsidiary companies – U.K. hotels		**–**	373
Proceeds from disposal of an associated company		**–**	1
Proceeds from disposal of an available-for-sale asset		**–**	98
Loans to joint venture companies		**(246)**	(836)
Repayment of loans by joint venture companies		**174**	167
Repayment of loans by associated companies		**–**	31
Decrease/(Increase) in deposits maturing after three months		**26**	(28)
Initial leasing costs incurred		**(134)**	(70)
Net cash used in investing activities		**(6,627)**	(4,425)
Net cash inflow before financing		**1,998**	3,745
Financing activities			
Loans drawn and refinancing		**5,470**	3,689
Bonds issued		**5,078**	1,740
Repayment of loans		**(6,358)**	(2,645)
	43(c)	**4,190**	2,784
Capital contribution from a non-controlling interest	*38*	**90**	767
Decrease in loans due to a fellow subsidiary company		**(4,658)**	(1,800)
Dividends paid to the Company's shareholders	*36*	**(4,154)**	(3,920)
Dividends paid to non-controlling interests	*43(c)*	**(72)**	(10)
Net cash used in financing activities		**(4,604)**	(2,179)
(Decrease)/Increase in cash and cash equivalents		**(2,606)**	1,566
Cash and cash equivalents at 1st January		**4,358**	2,874
Currency adjustment		**(71)**	(82)
Cash and cash equivalents at end of the year		**1,681**	4,358
Represented by:			
Bank balances and short-term deposits maturing within three months	*27*	**1,681**	4,358

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 2016

	Note	Attributable to the Company's shareholders				Non-controlling interests HK$M	Total equity HK$M
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M		
At 1st January 2016		**10,449**	**204,380**	**1,418**	**216,247**	**1,702**	**217,949**
Profit for the year		**–**	**15,050**	**–**	**15,050**	**159**	**15,209**
Other comprehensive income		**–**	**42**	**(1,816)**	**(1,774)**	**(23)**	**(1,797)**
Total comprehensive income for the year	*36, 38*	**–**	**15,092**	**(1,816)**	**13,276**	**136**	**13,412**
Dividends paid		**–**	**(4,154)**	**–**	**(4,154)**	**(72)**	**(4,226)**
Capital contribution from a non-controlling interest		**–**	**–**	**–**	**–**	**90**	**90**
At 31st December 2016		**10,449**	**215,318**	**(398)**	**225,369**	**1,856**	**227,225**

	Note	Attributable to the Company's shareholders				Non-controlling interests HK$M	Total equity HK$M
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M		
At 1st January 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	*36, 38*	–	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

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 2016:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 1 (Amendment)	Disclosure Initiative
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations

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

(b) The Group has not early adopted the following relevant new and revised standards that have been issued but are effective for annual periods beginning after 1st January 2016 and have not been applied in preparing these consolidated financial statements:

HKAS 7 (Amendment)	Disclosure Initiative[1]
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 To be applied by the Group from 1st January 2017
2 To be applied by the Group from 1st January 2018
3 To be applied by the Group from 1st January 2019
4 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 is assessing the impact of the new standard.

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 is assessing the impact of the new standard.

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

HKFRS 16 replaces HKAS 17 and related interpretations and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The distinction between operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised on the balance sheet for all leases by lessees. The standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. In the Group's profit or loss, operating lease rentals will be replaced with depreciation and interest expenses. The Group is assessing the 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 has entered into cross-currency swap contracts in relation to US dollar medium-term notes 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 2016		
Impact on statement of profit or loss: (loss)/gain	**(121)**	**113**
Impact on other comprehensive income: (loss)/gain	**(38)**	**42**
At 31st December 2015		
Impact on statement of profit or loss: (loss)/gain	(104)	104
Impact on other comprehensive income: gain/(loss)	7	(3)

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

– Changes in market interest rates affect the interest income or expense of floating rate financial instruments
– Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
– Changes in market interest 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 US dollar medium-term notes 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 7.7557 (2015: 7.7512), 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 2016		
Impact on statement of profit or loss: gain	**–**	**1**
Impact on other comprehensive income: (loss)/gain	**(1)**	**15**
At 31st December 2015		
Impact on statement of profit or loss: gain	–	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 a continuous basis by reference to 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 the head office. The 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 2016

	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	**565**	**565**	**565**	**–**	**–**	**–**
Rental deposits from tenants	28	**2,494**	**2,494**	**731**	**526**	**894**	**343**
Other current payables	28	**4,786**	**4,786**	**4,786**	**–**	**–**	**–**
Put option in respect of a non-controlling interest	28	**670**	**789**	**–**	**–**	**789**	**–**
Deposit from the sale of a subsidiary company	28	**653**	**653**	**–**	**653**	**–**	**–**
Borrowings (including interest obligations)	29	**29,554**	**33,484**	**5,924**	**3,113**	**12,563**	**11,884**
Loans due to a fellow subsidiary company (including interest obligations)	30	**7,504**	**7,979**	**2,696**	**5,283**	**–**	**–**
Financial guarantee contracts	40	**–**	**1,634**	**1,634**	**–**	**–**	**–**
		46,226	**52,384**	**16,336**	**9,575**	**14,246**	**12,227**

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	–	–	–
Rental deposits from tenants	28	2,389	2,389	647	562	887	293
Other current payables	28	5,344	5,344	5,344	–	–	–
Put option in respect of a non-controlling interest	28	509	644	–	–	644	–
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	40	–	3,448	3,448	–	–	–
		47,270	54,968	19,156	11,805	15,835	8,172

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 (note 34)

4. Revenue

Accounting Policy

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

Rental income is recognised on a straight-line basis over the 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 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:

	2016 HK$M	2015 HK$M
Gross rental income from investment properties	10,773	10,716
Property trading	4,760	4,463
Hotels	1,130	1,127
Rendering of other services	129	141
	16,792	16,447

5. Cost of Sales

	2016 HK$M	2015 HK$M
Direct rental outgoings in respect of investment properties that		
– generated rental income	**1,879**	1,750
– did not generate rental income	**249**	210
	2,128	1,960
Property trading	**3,236**	2,733
Hotels	**1,091**	1,052
Rendering of other services	**31**	36
	6,486	5,781

6. Other Net Gains/(Losses)

	2016 HK$M	2015 HK$M
Loss on disposal of four hotels in the U.K.	**–**	(229)
Profit on disposal of investment properties	**76**	13
Loss on disposal of property, plant and equipment	**(4)**	–
Net foreign exchange losses	**(8)**	(12)
Recognition of income on forfeited deposits on trading properties	**5**	12
Others	**34**	22
	103	(194)

7. Expenses by Nature

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

	2016 HK$M	2015 HK$M
Depreciation of property, plant and equipment (note 15)	**300**	266
Amortisation of		
– intangible assets (note 17)	**14**	12
– initial leasing costs in respect of investment properties	**60**	67
Staff costs	**1,687**	1,474
Operating lease rentals		
– properties	**52**	68
– plant and equipment	**6**	3
Auditors' remuneration		
– audit services	**11**	11
– tax services	**4**	6
– 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	Taxation 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 2016												
Property investment	**10,902**	**38**	**7,752**	**(1,158)**	**94**	**339**	**–**	**7,027**	**(1,087)**	**5,940**	**5,938**	**(158)**
Property trading	**4,760**	**–**	**1,332**	**(22)**	**3**	**(6)**	**–**	**1,307**	**(70)**	**1,237**	**1,199**	**–**
Hotels	**1,130**	**3**	**(182)**	**(36)**	**–**	**(35)**	**139**	**(114)**	**(5)**	**(119)**	**(117)**	**(216)**
Change in fair value of investment properties	**–**	**–**	**8,418**	**–**	**–**	**982**	**–**	**9,400**	**(1,249)**	**8,151**	**8,030**	**–**
Inter-segment elimination	**–**	**(41)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	16,792	**–**	**17,320**	**(1,216)**	**97**	**1,280**	**139**	**17,620**	**(2,411)**	**15,209**	**15,050**	**(374)**
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)

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$M	Additions to non-current assets HK$M
At 31st December 2016						
Property investment	**245,670**	**18,476**	**–**	**1,399**	**265,545**	**6,469**
Property trading and development	**7,656**	**493**	**–**	**161**	**8,310**	**34**
Hotels	**6,355**	**1,016**	**361**	**121**	**7,853**	**253**
	259,681	**19,985**	**361**	**1,681**	**281,708**	**6,756**
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

Note:
Additions to non-current assets 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 2016					
Property investment	**7,584**	**8,096**	**31,573**	**47,253**	**1,569**
Property trading and development	**1,510**	**23**	**4,452**	**5,985**	**265**
Hotels	**212**	**–**	**1,033**	**1,245**	**22**
	9,306	**8,119**	**37,058**	**54,483**	**1,856**
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

(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	
	2016 HK$M	2015 HK$M	**2016 HK$M**	2015 HK$M
Hong Kong	**10,514**	13,917	**213,639**	202,797
Mainland China	**2,383**	2,335	**27,248**	27,254
U.S.A.	**3,895**	26	**8,908**	6,740
U.K. and others	**–**	169	**956**	970
	16,792	16,447	**250,751**	237,761

Note:
The above non-current assets exclude 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$'000	Total 2016 HK$'000	Total 2015 HK$'000
For the year ended 31st December 2016									
Executive Directors									
J.R. Slosar (Chairman)	251	–	230	4	83	68	209	845	985
C.D. Pratt (note (ii))	–	–	–	–	–	–	–	–	140
G.M.C. Bradley	4,224	–	3,200	702	1,394	1,337	2,865	13,722	11,304
M.M.S. Low	2,821	–	4,375	2,153	637	–	–	9,986	9,628
D.C.Y. Ho (note (iii))	595	–	1,482	900	–	–	86	3,063	5,276
G.J. Ongley (note (iv))	2,200	–	2,865	198	9	–	66	5,338	7,358
Non-Executive Directors									
M. Cubbon	–	–	–	–	–	–	–	–	6,753
P. Healy	–	–	–	–	–	–	–	–	–
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 2016	**10,091**	**4,028**	**12,152**	**3,957**	**2,123**	**1,405**	**3,226**	**36,982**	N/A
Total 2015	13,894	4,028	15,718	3,549	2,083	2,825	3,375	N/A	45,472

Notes:
(i) The bonuses disclosed above are 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) D.C.Y. Ho resigned as an executive director on 14th April 2016.
(iv) G.J. Ongley retired as an executive director on 10th May 2016.
(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 2016 and 2015 are as follows:

	Year ended 31st December	
	2016	2015
Number of individuals:		
Executive directors (note (i))	**2**	3
Executive officers (note (ii))	**3**	2
	5	5

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

	Year ended 31st December	
	2016 HK$'000	2015 HK$'000
Cash:		
Salary	**7,441**	5,076
Discretionary bonus	**3,101**	2,061
Allowance and benefits	**2,299**	1,933
Non-cash:		
Retirement scheme contributions	**1,483**	1,122
Bonus paid into retirement scheme	**255**	355
Housing and other benefits	**4,836**	2,541
	19,415	13,088

Note:
The bonuses disclosed above are 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	
	2016	2015
HK$6,500,001 – HK$7,000,000	**2**	1
HK$6,000,001 – HK$6,500,000	**1**	1
	3	2

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 54 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.

	2016		2015	
	HK$M	**HK$M**	HK$M	HK$M
Current taxation:				
Hong Kong profits tax	**843**		1,107	
Overseas taxation	**240**		196	
Under/(Over)-provisions in prior years	**72**		(2)	
		1,155		1,301
Deferred taxation: (note 32)				
Changes in fair value of investment properties	**902**		592	
Origination and reversal of temporary differences	**354**		164	
		1,256		756
		2,411		2,057

Hong Kong profits tax is calculated at 16.5% (2015: 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:

	2016 HK$M	2015 HK$M
Profit before taxation	**17,620**	16,253
Calculated at a tax rate of 16.5% (2015: 16.5%)	**2,907**	2,682
Results of joint venture and associated companies reported net of tax	**(234)**	(205)
Effect of different tax rates in other countries	**592**	234
Fair value gains on investment properties	**(904)**	(797)
Income not subject to tax	**(24)**	(44)
Expenses not deductible for tax purposes	**88**	115
Unused tax losses not recognised	**40**	134
Utilisation of previously unrecognised tax losses	**(59)**	(6)
Recognition of previously unrecognised tax losses	**(67)**	(54)
Under/(Over)-provisions in prior years	**72**	(2)
Tax charge	**2,411**	2,057

The Group's share of joint venture and associated companies' tax charges of HK$223 million (2015: HK$251 million) and HK$29 million (2015: HK$29 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$7,407 million (2015: HK$3,870 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.

	2016 HK$M	2015 HK$M
First interim dividend paid on 5th October 2016 of HK$0.23 per share (2015: HK$0.23)	**1,346**	1,346
Second interim dividend declared on 16th March 2017 of HK$0.48 per share (2015: HK$0.48)	**2,808**	2,808
	4,154	4,154

The second interim dividend is not accounted for in 2016 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 2017.

The Directors have declared a second interim dividend of HK$0.48 (2015: HK$0.48) per share which, together with the first interim dividend of HK$0.23 per share paid in October 2016, amounts to full year dividends of HK$0.71 (2015: HK$0.71) per share. The second interim dividend, which totals HK$2,808 million (2015: HK$2,808 million), will be paid on Thursday, 11th May 2017 to shareholders registered at the close of business on the record date, being Friday, 7th April 2017. Shares of the Company will be traded ex-dividend from Wednesday, 5th April 2017.

The register of members will be closed on Friday, 7th April 2017, 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, 6th April 2017.

To facilitate the processing of proxy voting for the annual general meeting to be held on 16th May 2017, the register of members will be closed from 11th May 2017 to 16th May 2017, 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, 10th May 2017.

14. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK$15,050 million (2015: HK$14,072 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2016 (2015: 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 loss is 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 2016	3,154	5,361	1,421	9,936
Translation differences	–	(130)	(31)	(161)
Additions	–	192	156	348
Disposals	–	(2)	(43)	(45)
Transfer to other assets	–	–	(7)	(7)
Net transfers from investment properties	393	96	1	490
At 31st December 2016	3,547	5,517	1,497	10,561
Accumulated depreciation and impairment:				
At 1st January 2016	130	729	1,025	1,884
Translation differences	–	(32)	(22)	(54)
Charge for the year (note 7)	23	139	138	300
Disposals	–	–	(39)	(39)
Transfers to investment properties	–	(1)	–	(1)
At 31st December 2016	153	835	1,102	2,090
Net book value:				
At 31st December 2016	3,394	4,682	395	8,471

At 31st December 2016 and 2015, 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. There was no valuation increase from carrying amount to fair value in respect of such transfers during the year ended 31st December 2016 (2015: a HK$13 million valuation increase was recognised in other comprehensive income and the property revaluation reserve).

Refer to the table with heading "Audited financial information" on page 54 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 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

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 an operating lease and classified as 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 in respect 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 Cushman & Wakefield Limited, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2016. 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 2016	**199,380**	**29,069**	**228,449**
Translation differences	**(1,691)**	**(20)**	**(1,711)**
Additions	**438**	**5,649**	**6,087**
Cost written back	**(141)**	**(1)**	**(142)**
Disposals	**(6)**	**–**	**(6)**
Transfer to properties held for development	**–**	**(303)**	**(303)**
Transfer to other non-current assets	**–**	**(5,200)**	**(5,200)**
Net transfers between categories	**2,234**	**(2,234)**	**–**
Net transfers to property, plant and equipment	**(228)**	**(263)**	**(491)**
Net fair value gains	**5,619**	**2,799**	**8,418**
	205,605	**29,496**	**235,101**
Add: Initial leasing costs	**267**	**–**	**267**
At 31st December 2016	**205,872**	**29,496**	**235,368**
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

Note:

The net fair value gains on investment properties under development of HK$2,799 million include a valuation gain of HK$1,170 million on an uncompleted property in Kowloon Bay, Hong Kong from 30th June 2016 to 28th October 2016 (being the date of its transfer, at fair value of HK$5,200 million, to other non-current assets) (note 33). The transfer occurred on the signing of a conditional agreement dated 28th October 2016 between the Company and a third party for the sale of the Company's 100% interest in a subsidiary company owning the property.

Geographical Analysis of Investment Properties

	2016 HK$M	2015 HK$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	**29,282**	31,138
On long-term leases (over 50 years)	**173,375**	166,502
	202,657	197,640
Held in Mainland China:		
On medium-term leases (10 to 50 years)	**25,390**	25,199
Held in U.S.A. and elsewhere:		
Freehold	**7,054**	5,610
	235,101	228,449

Refer to the table with heading "Audited financial information" on page 54 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 2016. 93% by value were valued by DTZ Cushman & Wakefield Limited and 2% by value were valued by another independent valuer, in each case 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	U.S.A. HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2016 Total HK$M
Fair value hierarchy								
Level 2	**3,127**	**173**	**–**	**3,300**	**13,144**	**–**	**13,144**	**16,444**
Level 3	**170,990**	**25,217**	**6,098**	**202,305**	**15,396**	**956**	**16,352**	**218,657**
Total	**174,117**	**25,390**	**6,098**	**205,605**	**28,540**	**956**	**29,496**	**235,101**
Add: initial leasing costs								**267**
At 31st December 2016								**235,368**

	Completed				Under Development			
	Hong Kong HK$M	Mainland China HK$M	U.S.A. 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

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 which was completed in 2016. 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 2016 and 2015, 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	U.S.A. HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2016 Total HK$M
Fair value – Level 3:								
At 1st January 2016	**171,088**	**25,010**	**–**	**196,098**	**11,761**	**5,611**	**17,372**	**213,470**
Translation differences	**–**	**(1,677)**	**(1)**	**(1,678)**	**–**	**(20)**	**(20)**	**(1,698)**
Additions	**304**	**59**	**73**	**436**	**2,120**	**810**	**2,930**	**3,366**
Cost written back	**(9)**	**(116)**	**–**	**(125)**	**–**	**–**	**–**	**(125)**
Transfer to properties held for development	**–**	**–**	**–**	**–**	**–**	**(303)**	**(303)**	**(303)**
Transfer to other non-current assets	**–**	**–**	**–**	**–**	**(5,200)**	**–**	**(5,200)**	**(5,200)**
Transfer between categories	**(3,713)**	**–**	**5,947**	**2,234**	**3,713**	**(5,947)**	**(2,234)**	**–**
Net transfers to property, plant and equipment	**(136)**	**(1)**	**(91)**	**(228)**	**–**	**–**	**–**	**(228)**
Fair value gains	**3,456**	**1,942**	**170**	**5,568**	**3,002**	**805**	**3,807**	**9,375**
At 31st December 2016	**170,990**	**25,217**	**6,098**	**202,305**	**15,396**	**956**	**16,352**	**218,657**

	Completed				Under Development			
	Hong Kong HK$M	Mainland China HK$M	U.S.A. 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

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 2016				
Completed				
Hong Kong	**170,717**	**Income capitalisation**	**Less than 10 – Low 500's**	**2.50% – 4.88%**
Hong Kong	**273**	**Residual [2]**	**Low 50's**	**2.00%**
Mainland China	**25,217**	**Income capitalisation**	**Less than 10 – High 100's**	**6.50% – 7.00%**
U.S.A.	**5,547**	**Income capitalisation**	**Low 10's – Low 100's**	**4.75% – 5.50%**
U.S.A.	**551**	**Sales comparison**	**–**	**–**
Sub-total	**202,305**			
Under development				
Hong Kong	**15,396**	**Residual [2]**	**High 50's – Low 60's**	**4.13%**
Others	**956**	**Sales comparison**	**–**	**–**
Sub-total	**16,352**			
Total (Level 3)	**218,657**			
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 [3]	6.50% – 7.00% [3]
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			

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, 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.

3 Fair market rents and capitalisation rates in Mainland China for the year ended 31st December 2015 have been restated to reflect the "net of tax" basis under the new VAT Regime effective from 2016.

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 2016	**98**	**99**	**197**
Additions	**16**	**25**	**41**
At 31st December 2016	**114**	**124**	**238**
Accumulated amortisation:			
At 1st January 2016	**70**	**–**	**70**
Amortisation for the year (note 7)	**11**	**3**	**14**
At 31st December 2016	**81**	**3**	**84**
Net book value:			
At 31st December 2016	**33**	**121**	**154**

	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

Amortisation of HK$14 million (2015: HK$12 million) is included in cost of sales and 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 or developed within the Group's normal operating cycle and are classified as non-current assets.

	2016 HK$M	2015 HK$M
Properties held for development		
Freehold land	**1,119**	795
Development cost	**160**	147
	1,279	942

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.

	2016 HK$M	2015 HK$M
Share of net assets, unlisted	**6,351**	5,829
Loans due from joint venture companies less provisions		
– Interest-free	**12,376**	12,277
– Interest bearing at 1.7% to 7.5% (2015: 1.7% to 7.5%)	**1,258**	1,286
	19,985	19,392

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:

	2016 HK$M	2015 HK$M
Non-current assets	**30,395**	28,310
Current assets	**1,732**	2,211
Current liabilities	**(4,062)**	(4,462)
Non-current liabilities	**(21,714)**	(20,230)
Net assets	**6,351**	5,829
Revenue	**1,556**	2,014
Change in fair value of investment properties	**1,192**	1,071
Expenses	**(1,245)**	(1,734)
Profit before taxation	**1,503**	1,351
Taxation	**(223)**	(251)
Profit for the year	**1,280**	1,100
Other comprehensive losses for the year	**(591)**	(462)
Total comprehensive income for the year	**689**	638

Capital commitments and contingencies in respect of joint venture companies are disclosed in Notes 39 and 40.

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.

	2016 HK$M	2015 HK$M
Share of net assets, unlisted	**361**	534

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

	2016 HK$M	2015 HK$M
Non-current assets	**551**	553
Current assets	**279**	316
Current liabilities	**(86)**	(81)
Non-current liabilities	**(383)**	(254)
Net assets	**361**	534
Revenue	**586**	587
Profit and total comprehensive income for the year	**139**	141

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 in respect of 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. The accounting for realised and unrealised gains and losses arising from changes in the fair value of derivatives is 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 2016							
Amount due from immediate holding company	**–**	**–**	**–**	**9**	**–**	**9**	**9**
Trade and other receivables excluding prepayments (note 25)	**–**	**–**	**–**	**2,572**	**–**	**2,572**	**2,572**
Cash and cash equivalents (note 27)	**–**	**–**	**–**	**1,681**	**–**	**1,681**	**1,681**
Derivative financial assets (note 31)	**–**	**219**	**–**	**–**	**–**	**219**	**219**
Total	**–**	**219**	**–**	**4,262**	**–**	**4,481**	**4,481**
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 excluding prepayments (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
Liabilities as per consolidated statement of financial position							
At 31st December 2016							
Trade and other payables (note 28)	**670**	**–**	**–**	**–**	**8,482**	**9,152**	**9,152**
Bank overdrafts and short-term loans (note 29)	**–**	**–**	**–**	**–**	**500**	**500**	**500**
Long-term loans and bonds (note 29)	**–**	**–**	**–**	**–**	**29,054**	**29,054**	**29,280**
Loans due to a fellow subsidiary company (note 30)	**–**	**–**	**–**	**–**	**7,504**	**7,504**	**7,504**
Total	**670**	**–**	**–**	**–**	**45,540**	**46,210**	**46,436**
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

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 carrying amount HK$M
Assets as per consolidated statement of financial position			
At 31st December 2016			
Derivative used for hedging (note 31)	**219**	**–**	**219**
At 31st December 2015			
Available-for-sale assets – unlisted investments (note 22)	–	6	6
Liabilities as per consolidated statement of financial position			
At 31st December 2016			
Put option in respect of a non-controlling interest (note 28)	**–**	**670**	**670**
At 31st December 2015			
Derivative used for hedging (note 31)	84	–	84
Put option in respect of a non-controlling interest (note 28)	–	509	509
Total	84	509	593

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 2015. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels 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 2016:

	2016 HK$M	2015 HK$M
(a) Put options in respect of non-controlling interests in subsidiary companies		
At 1st January	**509**	470
Addition during the year	**47**	23
Change in fair value recognised as net finance charges	**114**	16
At 31st December	**670**	509
Total losses for the year included in profit or loss in respect of financial liabilities held at 31st December	**114**	16

	2016 HK$M	2015 HK$M
(b) Available-for-sale assets		
At 1st January	**6**	98
Addition during the year	**–**	4
Decrease/disposal during the year	**(6)**	(96)
At 31st December	**–**	6

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

The fair value estimate of the put option in respect of a non-controlling interest in the retail portion of Brickell City Centre is classified within Level 3 because it is based on 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 in 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 2016. 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.

	2016 HK$M	2015 HK$M
Unlisted investments	–	6

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.

	2016 HK$M	2015 HK$M
Properties for sale		
Properties under development		
– development costs	–	4,205
– freehold land	–	349
– leasehold land	–	1,433
Completed properties		
– development costs	3,760	1,045
– freehold land	130	1
– leasehold land	1,779	582
	5,669	7,615

Refer to the table with heading "Audited financial information" on page 54 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.

	2016 HK$M	2015 HK$M
Stores and spare parts	67	62
Work in progress	12	10
	79	72

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.

	2016 HK$M	2015 HK$M
Trade debtors	471	293
Prepayments and accrued income	309	488
Other receivables	2,101	2,067
	2,881	2,848

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

	2016 HK$M	2015 HK$M
Under three months	465	287
Between three and six months	4	4
Over six months	2	2
	471	293

25. Trade and Other Receivables *(continued)*

Other receivables include receivables for rent free periods of HK$858 million (2015: HK$919 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 2016, trade debtors of HK$145 million (2015: HK$198 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 2016 and 31st December 2015 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 2016 was HK$2,494 million (2015: HK$2,389 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.

	2016 HK$M	2015 HK$M
Short-term deposits maturing within three months	**91**	437
Bank balances	**1,590**	3,921
	1,681	4,358

The effective interest rates on short-term deposits of the Group ranged from 0.4% to 0.7% (2015: 0.2% to 1.5%); these deposits have maturities from 13 to 32 days (2015: 7 to 93 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2016 and 31st December 2015 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 respect 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 respect of non-controlling interests in subsidiary companies are measured at the fair value of the expected redemption amounts, and are designated at fair value through profit or loss.

	2016 HK$M	2015 HK$M
Trade and other payables – current:		
Trade creditors	565	1,210
Rental deposits from tenants	2,494	2,389
Other current payables		
Accrued capital expenditure	1,190	1,171
Deposits received on the sale of trading properties	806	1,496
Amounts due to intermediate holding company	112	96
Amounts due to a fellow subsidiary company	75	76
Amounts due to an associated company	50	70
Interest-bearing advances from fellow subsidiary companies at 3.3% to 4.1% (2015: 3.5% to 4.6%)	100	382
Interest-bearing advances from joint venture and related companies at 2.8% (2015: 2.8% to 3.4%)	223	239
Advances from a non-controlling interest	34	34
Others	2,196	1,780
	4,786	5,344
	7,845	8,943
Other payables – non-current:		
Put option in respect of a non-controlling interest	670	509
Deposit received on the sale of a subsidiary company	653	–
	1,323	509

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:

	2016 HK$M	2015 HK$M
Under three months	565	1,210

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 commissions 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.

	2016 HK$M	2015 HK$M
Bank overdrafts and short-term loans – unsecured	**500**	592
Long-term bank loans – unsecured:		
Repayable within one year	**4,170**	2,010
Repayable between one and two years	**2,423**	7,510
Repayable between two and five years	**6,561**	3,629
Repayable after five years	**–**	1,005
	13,154	14,154
Other borrowings – unsecured:		
Repayable within one year	**500**	–
Repayable between one and two years	**–**	499
Repayable between two and five years	**4,460**	4,154
Repayable after five years	**10,940**	6,175
	15,900	10,828
Amount due within one year included under current liabilities	**(4,670)**	(2,010)
	24,384	22,972

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

	2016				2015			
	HK$ %	**US$ %**	**RMB %**	**SGD %**	HK$ %	US$ %	RMB %	SGD %
Bank overdrafts/ Short-term loans	**–**	**–**	**3.8**	**1.5**	–	–	3.8	1.8
Long-term loans and bonds	**1.2-3.6**	**1.2-4.4**	**4.3-4.4**	**1.4**	1.0-3.6	1.7-4.4	4.7-5.2	1.6

Bank loans and other borrowings are repayable on various dates up to 2026 (2015: up to 2025).

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:

	2016 HK$M	2015 HK$M
Hong Kong dollars	**8,995**	7,617
United States dollars	**17,590**	13,858
Renminbi	**2,262**	3,340
Singapore dollars	**207**	167
	29,054	24,982

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 5.8% per annum at 31st December 2016 (2015: 5.6% per annum).

	2016 HK$M	2015 HK$M
Repayable within one year	**2,329**	4,658
Repayable between one and two years	**5,175**	2,329
Repayable between two and five years	**–**	5,173
	7,504	12,160
Loans due within one year included under current liabilities	**(2,329)**	(4,658)
	5,175	7,502

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 this is the case, 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 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 portions of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gains or losses relating to ineffective portions are 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 gains or losses relating to effective portions of cross-currency swaps hedging foreign currency borrowings are recognised in the statement of profit or loss within finance costs. The gains or losses relating to ineffective portion of cross-currency swaps are 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)*

	2016		2015	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges – due after one year	219	–	–	84

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 2016 are expected to affect the statement of profit or loss in the years to redemption of the notes (up to and including 2026). For the year ended 31st December 2016 and 31st December 2015, all cash flow hedges were 100% effective.

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

	2016 HK$M	2015 HK$M
Cross currency swaps	11,634	7,751

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 is 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 and the U.S.A., 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 and the U.S.A. is determined on the basis of recovery through use.

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

	2016 HK$M	2015 HK$M
At 1st January	6,697	6,042
Translation differences	(243)	(70)
Charged to statement of profit or loss (note 11)	1,256	756
Charged/(Credited) to other comprehensive income	57	(31)
At 31st December	7,767	6,697

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. These were recognised as these entities are expected to generate sufficient taxable profits in the future. The Group has unrecognised tax losses of HK$1,827 million (2015: HK$2,874 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Unrecognised tax losses	
	2016 HK$M	2015 HK$M
No expiry date	**1,069**	921
Expiring within 1 year	**54**	314
Expiring between 1 – 5 years	**487**	930
Expiring between 5 – 10 years	**–**	–
Expiring between 10 – 20 years	**217**	709
	1,827	2,874

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

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of Investment Properties		Others		Total	
	2016 HK$M	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M
At 1st January	**3,154**	2,923	**3,341**	2,795	**448**	492	**6,943**	6,210
Translation differences	**(33)**	–	**(210)**	(46)	**(6)**	(24)	**(249)**	(70)
Charged/(Credited) to statement of profit or loss	**416**	231	**902**	592	**37**	(14)	**1,355**	809
Charged/(Credited) to other comprehensive income	**–**	–	**–**	–	**36**	(6)	**36**	(6)
At 31st December	**3,537**	3,154	**4,033**	3,341	**515**	448	**8,085**	6,943

32. Deferred Taxation *(continued)*

Deferred tax assets

	Tax losses		Others		Total	
	2016 HK$M	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M
At 1st January	**110**	80	**136**	88	**246**	168
Exchange difference	**(5)**	–	**(1)**	–	**(6)**	–
Credited to statement of profit or loss	**55**	30	**44**	23	**99**	53
(Charged)/Credited to other comprehensive income	**–**	–	**(21)**	25	**(21)**	25
At 31st December	**160**	110	**158**	136	**318**	246

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:

	2016 HK$M	2015 HK$M
Deferred tax assets:		
– to be recovered after more than 12 months	**(73)**	(90)
– to be recovered within 12 months	**–**	–
	(73)	(90)
Deferred tax liabilities:		
– to be settled after more than 12 months	**7,840**	6,787
– to be settled within 12 months	**–**	–
	7,840	6,787
	7,767	6,697

33. Other Non-current Assets

Other non-current assets comprise an uncompleted property in Kowloon Bay, Hong Kong transferred from investment properties under development (note 16) at fair value on 28th October 2016. The carrying value of the property at 31st December 2016 represents its fair value at the date of transfer plus the development costs incurred subsequently. The transfer to other non-current assets occurred on the signing of an agreement dated 28th October 2016 between the Company and a third party for the sale of the Company's 100% interest in a subsidiary company owning the property. The consideration for the sale is HK$6,528 million, subject to adjustment. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

34. 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 differences 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 periods 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 have an impact on 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.

34. 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 the 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 ongoing basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued by qualified actuaries for funding purposes under the provisions of Hong Kong's Occupational Retirement Schemes Ordinance. The latest actuarial valuations indicate that the funding level for the year was 105% (2015: 105%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$68 million to its defined benefit schemes in 2017.

Total retirement benefit costs recognised in the consolidated statement of profit or loss for the year ended 31st December 2016 amounted to HK$94 million (2015: HK$82 million), including HK$17 million (2015: HK$14 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 valuations prepared by Mercer (Hong Kong) Limited at 31st December 2015. For the year ended 31st December 2016, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2015, which were updated to reflect the position at 31st December 2016 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:

	2016 HK$M	2015 HK$M
Present value of funded obligations	**907**	867
Fair value of plan assets	**(769)**	(690)
Net retirement benefit liabilities	**138**	177
Represented by:		
Retirement benefit liabilities	**138**	177

34. Retirement Benefits *(continued)*

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

	2016 HK$M	2015 HK$M
At 1st January	**867**	789
Current service cost	**72**	67
Interest cost	**28**	25
Remeasurements from changes in:		
– demographic assumptions	**–**	1
– financial assumptions	**(45)**	4
Experience losses	**16**	36
Transfer	**8**	(1)
Benefits paid	**(39)**	(54)
At 31st December	**907**	867

The weighted average duration of the defined benefit obligations is 11.59 years (2015: 11.58 years).

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

	2016 HK$M	2015 HK$M
At 1st January	**690**	698
Interest income	**23**	24
Remeasurements of plan assets	**21**	(38)
Contributions by employers	**66**	61
Transfer	**8**	(1)
Benefits paid	**(39)**	(54)
At 31st December	**769**	690

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:

	2016 HK$M	2015 HK$M
Current service cost	**72**	67
Net interest cost	**5**	1
	77	68

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 gain of HK$44 million (2015: HK$14 million loss).

34. Retirement Benefits *(continued)*

(e) The plan assets are invested in the Swire Group Unitised Trust ("the Trust"). The Trust has three sub-funds in which the assets may be 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	
	2016 HK$M	2015 HK$M
Equities		
Asia Pacific	**128**	138
Europe	**72**	63
North America	**149**	129
Emerging markets	**151**	96
Bonds		
Global	**228**	212
Emerging markets	**10**	7
Cash	**31**	45
	769	690

At 31st December 2016, the prices of 96% of equities and 45% of bonds were quoted on active markets (2015: 96% and 38% respectively). The remainder of the prices were not quoted on active markets. The percentage of bonds quoted on active markets at 31st December 2015 has been restated to reflect a change in the basis of assessment.

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 appointed investment managers. 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.

34. Retirement Benefits *(continued)*

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

	2016	2015
Discount rate	3.64%	3.22%
Expected rate of future salary increases	4.00%	4.00%

The sensitivity of the defined benefit obligations 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%	(51)	54
Expected rate of future salary increases	0.5%	53	(51)

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 obligations to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the statement of financial position.

35. Share Capital

	Ordinary shares	HK$M
Issued and fully paid:		
At 1st January 2016 and 31st December 2016	**5,850,000,000**	**10,449**
At 1st January 2015 and 31st December 2015	5,850,000,000	10,449

There was no purchase, sale or redemption by the Company of its shares during the years ended 31st December 2016 and 31st December 2015.

36. Reserves

	Revenue reserve HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2016	204,380	(1,108)	1,689	(66)	903	205,798
Profit for the year	15,050	–	–	–	–	15,050
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year	50	–	–	–	–	50
– deferred tax charge	(8)	–	–	–	–	(8)
Cash flow hedges						
– gains recognised during the year	–	–	–	300	–	300
– gains transferred to net finance charges	–	–	–	(5)	–	(5)
– deferred tax charge	–	–	–	(49)	–	(49)
Share of other comprehensive gains/(losses) of joint venture and associated companies	–	–	–	1	(592)	(591)
Net translation differences on foreign operations	–	–	–	–	(1,471)	(1,471)
Total comprehensive income/(losses) for the year	15,092	–	–	247	(2,063)	13,276
2015 second interim dividend (note 13)	(2,808)	–	–	–	–	(2,808)
2016 first interim dividend (note 13)	(1,346)	–	–	–	–	(1,346)
At 31st December 2016	215,318	(1,108)	1,689	181	(1,160)	214,920

36. Reserves *(continued)*

	Revenue reserve HK$M	Merger reserve HK$M	Property revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 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						
– gains recognised during the year	–	–	13	–	–	13
Defined benefit plans						
– remeasurement losses recognised during the year	(79)	–	–	–	–	(79)
– deferred tax credit	13	–	–	–	–	13
Cash flow hedges						
– losses recognised during the year	–	–	–	(110)	–	(110)
– losses transferred to net finance charges	–	–	–	2	–	2
– deferred tax credit	–	–	–	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	(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

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$4,324 million (2015: HK$3,215 million) and retained revenue reserves from associated companies amounting to HK$267 million (2015: HK$440 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 (2015: HK$2,808 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 subsidiaries of the immediate holding company of Swire Properties Limited.

37. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

At 31st December 2016	Note	2016 HK$M	2015 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		41	37
Intangible assets		33	28
Subsidiary companies		55,019	50,574
Joint venture companies		2,588	2,462
Associated companies		3	3
Deferred tax assets		17	24
		57,701	53,128
Current assets			
Trade and other receivables		254	241
Cash and cash equivalents		214	2,300
		468	2,541
Current liabilities			
Trade and other payables		5,963	6,724
Taxation payable		12	6
		5,975	6,730
Net current liabilities		(5,507)	(4,189)
Total assets less current liabilities		52,194	48,939
Non-current liabilities			
Retirement benefit liabilities		118	152
NET ASSETS		52,076	48,787
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	*35*	10,449	10,449
Reserves	*37(b)*	41,627	38,338
TOTAL EQUITY		52,076	48,787

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Paul K. Etchells
Directors

Hong Kong, 16th March 2017

37. 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
Company	
At 1st January 2016	**38,338**
Profit for the year (note 12)	**7,407**
Other comprehensive income	
Defined benefit plans	
– remeasurement gains recognised during the year	**43**
– deferred tax charge	**(7)**
Total comprehensive income for the year	**7,443**
2015 second interim dividend (note 13)	**(2,808)**
2016 first interim dividend (note 13)	**(1,346)**
At 31st December 2016	**41,627**
Company	
At 1st January 2015	38,438
Profit for the year (note 12)	3,870
Other comprehensive income	
Defined benefit plans	
– remeasurement losses recognised during the year	(61)
– deferred tax credit	11
Total comprehensive income for the year	3,820
2014 second interim dividend	(2,574)
2015 first interim dividend (note 13)	(1,346)
At 31st December 2015	38,338

(i) Distributable reserves of the Company at 31st December 2016 amounted to HK$41,627 million (2015: HK$38,338 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 (2015: HK$2,808 million) (note 13).

38. Non-controlling Interests

	2016 HK$M	2015 HK$M
At 1st January	**1,702**	856
Share of profits less losses for the year	**159**	124
Share of translation differences on foreign operations	**(23)**	(19)
Share of total comprehensive income	**136**	105
Dividends paid and payable	**(72)**	(10)
Capital contribution from a non-controlling interest	**90**	767
Change in composition of the Group	**–**	(16)
At 31st December	**1,856**	1,702

39. Capital Commitments

	2016 HK$M	2015 HK$M
Outstanding capital commitments at the year-end in respect of:		
Property, plant and equipment		
Contracted for	**3**	154
Authorised by Directors but not contracted for	**103**	80
Investment properties		
Contracted for	**5,577**	3,186
Authorised by Directors but not contracted for	**10,152**	13,130
	15,835	16,550
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**1,540**	411
Authorised by Directors but not contracted for	**953**	2,837
	2,493	3,248

* of which the Group is committed to funding HK$814 million (2015: HK$1,190 million).

At 31st December 2016, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$219 million (2015: HK$171 million).

40. 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 an 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.

	2016 HK$M	2015 HK$M
Guarantees provided in respect of bank loans and other liabilities of joint venture companies	**1,459**	3,271
Bank guarantees given in lieu of utility deposits and others	**175**	177
	1,634	3,448

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.

41. 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$286 million (2015: HK$347 million).

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

	2016 HK$M	2015 HK$M
Investment properties:		
Not later than one year	8,020	8,079
Later than one year but not later than five years	15,406	15,129
Later than five years	4,516	3,133
	27,942	26,341

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

	2016 HK$M	2015 HK$M
Investment properties at fair value	205,605	199,380

(b) Lessee

The Group leases land and buildings, and equipment 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:

	2016 HK$M	2015 HK$M
Land and buildings:		
Not later than one year	41	63
Later than one year but not later than five years	64	90
Later than five years	4	60
	109	213
Equipment:		
Not later than one year	4	–
Later than one year but not later than five years	7	–
	11	–

42. 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, expired on 31st December 2016. The Services Agreement was renewed on 1st October 2016 and will last for another three years on the same terms and conditions commencing on 1st January 2017. For the year ended 31st December 2016, service fees payable amounted to HK$213 million (2015: HK$215 million). Expenses of HK$57 million (2015: HK$50 million) were reimbursed at cost; in addition, HK$69 million (2015: HK$60 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 an initial 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 2016, 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$105 million (2015: HK$101 million) and HK$98 million (2015: HK$89 million) respectively.

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

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	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M
Purchases of services	*(a)*	**–**	–	**22**	20	**–**	–	**–**	–	**–**	–
Rental revenue	*(b)*	**–**	5	**99**	92	**12**	12	**92**	85	**9**	11
Revenue from hotels		**–**	–	**1**	1	**–**	–	**1**	1	**1**	1
Other revenue	*(a)*	**–**	–	**5**	5	**2**	7	**1**	1	**–**	–
Interest income	*(c)*	**69**	67	**–**	–	**–**	–	**–**	–	**–**	–
Interest charges	*(c)*	**–**	–	**507**	699	**–**	–	**–**	–	**7**	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 2016 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 49 to 57. 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 2016 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.

43. Notes to the Consolidated Statement of Cash Flows

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

	2016 HK$M	2015 HK$M
Operating profit	17,320	16,207
Change in fair value of investment properties	(8,418)	(7,116)
Depreciation	300	266
Amortisation of initial leasing costs on investment properties	60	67
Amortisation of intangible assets	14	12
Loss on disposal of four hotels in the U.K.	–	229
Profit on disposal of investment properties	(76)	(13)
Loss on disposal of property, plant and equipment	4	–
Dividend income from available-for-sale assets	(14)	–
Other items	(116)	(75)
Operating profit before working capital changes	9,074	9,577
Decrease/(Increase) in amount due from immediate holding company	11	(12)
Decrease in properties under development and for sale	2,052	472
(Increase)/Decrease in stocks and work in progress	(7)	4
Increase in trade and other receivables	(7)	(47)
(Decrease)/Increase in trade and other payables	(367)	615
Increase in retirement benefit liabilities	11	7
Cash generated from operations	10,767	10,616

(b) Purchase of property, plant and equipment

	2016 HK$M	2015 HK$M
Land and buildings	195	367
Plant and equipment	154	191
Total	349	558

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

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

(c) Analysis of changes in financing during the year

	Loans and bonds		Non-controlling interests	
	2016 HK$M	2015 HK$M	**2016 HK$M**	2015 HK$M
At 1st January	**25,574**	22,990	**1,702**	856
Net cash inflow from financing	**4,190**	2,784	**–**	–
Non-controlling interests' share of total comprehensive income	**–**	–	**136**	105
Dividends paid to non-controlling interests	**–**	–	**(72)**	(10)
Capital contribution from non-controlling interests	**–**	–	**90**	767
Other non-cash movements	**(210)**	(200)	**–**	(16)
At 31st December	**29,554**	25,574	**1,856**	1,702

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

44. 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 in relation to the revaluation of certain investment properties, put options in respect of non-controlling interests, 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 represents 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 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 owner of the non-controlling interest, which is not part of a business combination, the Group records a financial liability in respect of 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 associated company 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 in respect of 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 respect of 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 2016

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/ Registered capital	Principal activities
Subsidiary companies:					
Incorporated in Hong Kong with limited liability and operating 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
Keen Well Holdings Limited	80	–	100	1 share	Property trading
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 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 operating 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 the accounts of which are not audited by PricewaterhouseCoopers. These companies accounted for approximately 1.1% of attributable net assets at 31st December 2016.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2016

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/ Registered capital	Principal activities
Subsidiary companies (continued):					
Incorporated in the United States with limited liability and operating 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	60.88	–	85.88	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 operating 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
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 operating 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
Incorporated in the United States with limited liability and operating 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 shares/ Registered capital	Principal activities
Joint venture companies (continued):					
Incorporated in the British Virgin Islands with limited liability:					
Dazhongli Properties Limited (operating in Mainland China)	50	–	50	1,000 shares of US$1 each	Holding company
Great City China Holdings Limited (operating in Mainland China)	50	–	50	100 shares of US$1 each	Holding company
Island Land Development Limited (operating in Hong Kong)	50	50	–	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited (operating in Hong Kong)	20	–	20	5 shares of US$1 each	Holding company
Incorporated in Mainland China with limited liability and operating 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 operating 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 2016

	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	1,644,255	496,508	–	5,693,567	7,437,518
Office	7,865,110	687,130	1,731,766	862,239	260,000	–	9,856,876	11,406,245
Residential/serviced apartment	593,543	–	51,517	63,790	109,000	–	754,060	817,850
Hotels	358,371	384,796	753,647	293,240	218,000	258,750	1,330,018	2,266,804
	11,154,198	1,171,622	5,396,815	2,863,524	1,083,508	258,750	17,634,521	21,928,417
Property developments for investment								
Retail	–	69,600	–	–	–	–	–	69,600
Office	2,020,000	191,250	–	349,523	–	–	2,020,000	2,560,773
Residential/serviced apartment	–	–	–	74,544	–	–	–	74,544
Hotels	–	25,400	–	194,856	–	–	–	220,256
Under planning	–	–	–	–	1,444,000*	–	1,444,000	1,444,000
	2,020,000	286,250	–	618,923	1,444,000	–	3,464,000	4,369,173
Completed properties for sale								
Retail	–	–	–	–	–	–	–	–
Residential	255,128	–	–	–	423,203	–	678,331	678,331
Office	–	–	–	296,570	–	–	–	296,570
	255,128	–	–	296,570	423,203	–	678,331	974,901
Property developments for sale								
Office	–	–	–	–	–	–	–	–
Residential	–	–	–	–	1,073,000	–	1,073,000	1,073,000
Under planning	–	–	–	–	825,000	–	825,000	825,000
	–	–	–	–	1,898,000	–	1,898,000	1,898,000
	13,429,326	1,457,872	5,396,815	3,779,017	4,848,711	258,750	23,674,852	29,170,491

* One Brickell City Centre is currently under planning. The site 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, Guangzhou (97% owned), Brickell City Centre (Retail: 60.875% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these five properties on a 100% basis.
2. "Other companies" comprise joint venture or associated companies. 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 carparking spaces; there are about 9,400 completed carparking 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 U.S.A. are freehold.
6. Gross floor areas for all properties in the U.S.A. represent saleable/leasable areas for completed and nearly completed properties, which exclude carparking spaces; there are about 1,976 completed carparking spaces held by subsidiaries and other companies for investment.
7. For NKIL 6312 in Kowloon Bay, Hong Kong, a sale and purchase agreement for the sale of the company owning the property under development was signed in October 2016. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018. The property was transferred to "Other non-current assets" in the financial statements on the date of agreement. Accordingly, it is not included in the summary above.

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
Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	
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	Linked to The Mall at Pacific Place and Admiralty MTR station.
3. 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	Above part of Cityplaza shopping centre.
4. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK ss18 (part)	2899	33,734 (part)	226,000	10	1992	Linked by a footbridge to Cityplaza shopping centre. Floor area is approximation and excludes ten floors which were assigned to the Government on 30th December 2016.
5. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	543,576	–	1991	Linked by a footbridge to Cityplaza shopping centre.
6. 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	Linked to Dorset House and Cambridge House.
7. 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	Linked to Devon House.

Schedule of Principal Group Properties

At 31st December 2016

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
Office *(continued)*							
8. 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	Linked to PCCW Tower.
9. 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	Linked to Cornwall House.
10. 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	Linked to Devon House.
11. 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	Linked to Cornwall House.
12. Generali Tower, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/2113	4,612	81,346	–	2013 (Refurbishment)	With ground floor retail.
13. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	
	Total held through subsidiaries			**7,865,110**	**993**		
14. 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	Linked to Dorset House. Floor area shown represents the whole development, in which the Group owns a 50% interest.
15. Berkshire House, Taikoo Place	IL 8854	2047	25,926	388,838	84	1998	Floor area shown represents the whole development, in which the Group owns a 50% interest.
16. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Floor area shown represents the whole development, in which the Group owns a 50% interest.
17. Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	160,522	63	1999/ 2000	Above Citygate shopping centre. Floor area shown represents the whole of the office area of the development, in which the Group owns a 20% interest. Citygate also comprises a hotel, details of which are given in the Hotel Category below.
	Held through joint venture companies			**1,470,573**	**448**		
	– of which attributable to the Group			**687,130**			

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							
1. Pacific Place, 88 Queensway, Central							
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. 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.
3. 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 carparking spaces.
4. 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, in which the Group owns a 60% interest.
5. 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 podium.
6. 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.
7. Taikoo Place Apartments, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	12,312	–	2014	Floor area shown represents the whole of a 3-storey retail podium (excluding serviced suites above).
	Total held through subsidiaries			**2,337,174**	**5,461**		

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At 31st December 2016

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 *(continued)*							
8. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/99	Floor area shown represents the retail space, in which the Group owns a 20% interest.
9. Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	462,428	1,093	1999/ 2000	Floor area shown represents the whole of the retail area of the development, in which the Group owns a 20% interest. Approximately 120,000 square feet of the shopping centre is currently under major renovation.
	Held through joint venture companies			**498,481**	**1,168**		
	– of which attributable to the Group			**99,696**			
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 (part)	2881	8,664 (part)	62,756	–	2014	111 serviced suites above a 3-storey retail podium. Floor area shown excludes retail portion.
3. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street	IL 47 sF (part) IL 47 sG (part) IL 47 sH (part) IL 47 sI (part) IL 8464 (part)	2056/2852	6,775 (part)	47,076	–	2016 (Refurbishment)	120 apartments above ground floor shops. Floor area shown excludes retail area (5,197 square feet).
4. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
5. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
6. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	Seven apartment units.
	Total held through subsidiaries			**593,543**	**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 (Refurbishment)	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	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 carparking 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, in which the Group owns a 97% interest.
	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, in which the Group owns a 50% interest.
6. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	1,246,482	1,056	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Group owns a 50% interest.
7. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2049	676,091 (part)	1,102,535	240	2016	Floor area shown represents the retail portion, in which the Group owns a 50% interest.
	Total held through joint venture companies			**3,288,510**	**1,911**		
	– of which attributable to the Group			**1,644,255**			

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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
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, in which the Group owns a 97% interest.
	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, in which the Group owns a 50% interest.
3. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2059	676,091 (part)	1,129,014	491	2016	Floor area shown represents the office portion (HKRI Centre 1), in which the Group owns a 50% interest.
	Total held through joint venture companies			**1,724,478**	**881**		
	– of which attributable to the Group			**862,239**			
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: 584,184 Serviced apartment: 51,517 635,701	– –	2012	263-room hotel and 24 serviced apartments, in which the Group owns a 97% interest.
	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, in which the Group owns a 50% interest.
4. The Temple House	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Hotel: 228,210 Serviced apartment: 127,579 355,789	– –	2015	100-room hotel and 42 serviced apartments, in which the Group owns a 50% interest.
	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
Retail						
1. Brickell City Centre Retail	701 S Miami Avenue Miami, Florida	380,670 (part)	496,508	1,137	2016	Floor area shown represents the whole shopping centre, in which the Group owns a 60.875% interest.
	Total held through subsidiaries		**496,508**	**1,137**		
Office						
1. Two Brickell City Centre	78 SW 7th Street Miami, Florida	380,670 (part)	128,000	145	2016	
2. Three Brickell City Centre	98 Southeast Seventh Street Miami, Florida	380,670 (part)	132,000	144	2016	
	Total held through subsidiaries		**260,000**	**289**		
Serviced apartments						
1. EAST, Residences	788 Brickell Plaza Miami, Florida	380,670 (part)	109,000	20	2016	89 serviced suites within the EAST, Miami Hotel tower.
	Total held through subsidiaries		**109,000**	**20**		
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 owns a 75% interest.
	Total held through joint venture company		**345,000**	**600**		
	– of which attributable to the Group		**258,750**			
2. EAST, Miami	788 Brickell Plaza Miami, Florida	380,670 (part)	218,000	80	2016	263-room hotel.
	Total held through subsidiaries		**218,000**	**80**		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Office								
1. One Taikoo Place, 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)	1,020,000	82	Substructure and superstructure in progress	2018	Floor area shown is an approximation.
2. Two Taikoo Place, 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)	1,000,000	184	Works preparatory to demolition of Warwick House in progress	2021/ 2022	Floor area shown is an approximation. Number of car parks is subject to Government approval. Acquisition of the Hong Kong Government's interest in Cornwall House was completed at the end of December 2016.
	Total held through subsidiaries			**2,020,000**	**266**			

Schedule of Principal Group Properties

At 31st December 2016

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Office *(continued)*								
3. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 461	2064	25,500	382,499	137	Substructure and superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the total gross floor area permitted for the whole development, in which the Group owns a 50% interest.
	Held through joint venture companies			**382,499**	**137**			
	– of which attributable to the Group			**191,250**				
Retail								
1. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	348,000	122	Excavation, substructure and superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the retail portion of the development, in which the Group owns a 20% interest, and excludes the area of a public transport terminus. The area is an approximation and is subject to change. A public transport terminus of approximately 64,200 square feet is to be built and handed over to the Government upon completion.
	Held through joint venture companies			**348,000**	**122**			
	– of which attributable to the Group			**69,600**				
Hotel								
1. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	127,000	5	Excavation, substructure and superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the hotel portion of the development, in which the Group owns a 20% interest, and excludes the area of a public transport terminus. The area is an approximation and is subject to change.
	Held through joint venture companies			**127,000**	**5**			
	– of which attributable to the Group			**25,400**				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2049 (for Hotel/ Serviced apartment); 2059 (for Office)	676,091 (part)	Office: 699,046 Hotel: 389,711 Serviced apartment: 149,088	Office: 307 Hotel: 117 Serviced apartment: 45	Construction in progress	2017	Floor areas shown represent the office portion (HKRI Centre 2) and the hotel and serviced apartment portion, which are under development and in which the Group owns a 50% interest.
	Total held through joint venture companies			**1,237,845**	**469**			
	– of which attributable to the Group			**618,923**				

Property developments for investment in the United States	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. One Brickell City Centre, Miami, Florida	123,347	Under planning 1,444,000	To be determined	2023	One Brickell City Centre is being planned as a future mixed-use development comprised of retail, Grade A office space, condominiums and a hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre (comprising approximately 1.4 million square feet) is planned as an 80-storey luxury high rise tower.
	Total held through subsidiaries	**1,444,000**	**–**		

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
Residential							
1. ALASSIO, 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	195,533	43	2016	At 31st December 2016, all 197 units and 5 carparking spaces had been pre-sold. No sale had been completed. Floor area shown represents all 197 units and 43 carparking spaces.
2. WHITESANDS, 160 South Lantau Road, Cheung Sha	Lot 724 and Lot 726 in DD332	2062	161,029	59,595	26	2015	The development comprises 28 detached houses and 28 carparking spaces. At 31st December 2016, 2 units and 2 carparking spaces had been sold. Floor area shown represents the remaining 26 units and 26 carparking spaces.
	Total held through subsidiaries			**255,128**	**69**		

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
Office							
1. Pinnacle One	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	702,243 (part)	593,139	447	2014	Floor area shown represents the unsold office portion (including pre-sold portion but not yet handed over), in which the Group owns a 50% interest.
	Total held through joint venture companies			**593,139**	**447**		
	– of which attributable to the Group			**296,570**			

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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
Residential						
1. ASIA	900 Brickell Key, Miami, Florida	173,531	5,359	4	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. At 31st December 2016, sales of 122 units had been closed.
2. Reach, Brickell City Centre, Miami, Florida	68 SE 6th Street, Miami, Florida	380,670 (part)	89,410	62	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2016, sales of 347 units had been closed.
3. Rise, Brickell City Centre, Miami, Florida	1 SW 8 Street, Miami, Florida	380,670 (part)	328,434	326	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2016, sales of 171 units had been closed.
	Total held through subsidiaries		**423,203**	**392**		

Property developments for sale in the United States	Site area in square feet	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	203,941	Under planning: 825,000	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Group owns a 75% interest.
3. North Squared, Miami, Florida	380,670 (part)	Residential: 523,000	544	–	The development on the North Squared site is currently on hold.
Total held through subsidiaries		**1,898,000**	**1,989**		

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 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 2017

Shares trade ex-dividend	5th April
Share register closed for 2016 second interim dividend entitlement	7th April
Annual Report available to shareholders	11th April
Payment of 2016 second interim dividend	11th May
Share register closed for attending and voting at Annual General Meeting	11th – 16th May
Annual General Meeting	16th May
Interim results announcement	August 2017
2017 first interim dividend payable	October 2017

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