


Annual Report 2017

 **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

2017 Highlights

Staff engagement event in Hong Kong called **“Making Swire Places”**, as part of our SD 2030 Strategy

April – Hong Kong
details on page 80



ALASSIO units handed over to purchasers

April onwards – Hong Kong
details on page 35

Naming of Swire Hotels’ fourth House hotel, **“The Middle House”**

May – Shanghai
details on page 36



Opening of the new **ArtisTree** at Taikoo Place, a 7,000 sq ft space dedicated to arts and culture

June – Hong Kong
details on page 81



Swire Properties listed in **Dow Jones Sustainability World Index** and **Global Real Estate Sustainability Benchmark**

September – Hong Kong
details on page 83

Relaunch of the **Blueprint** co-working hub at Taikoo Place

October – Hong Kong
details on page 37



Grand opening of **HKRI Taikoo Hui** in Shanghai

November – Shanghai
details on page 30

Fifth annual **White Christmas Street Fair** at Taikoo Place

December – Hong Kong
details on page 81



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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 and in Miami in the U.S.A. Swire Hotels develops and manages hotels in Hong Kong and Mainland China and in Miami in the U.S.A.

The Company has a significant presence in Miami, U.S.A. where it develops investment and residential trading properties. The first phase of Brickell City Centre, a large scale mixed-use project in the Brickell financial district in Miami, was completed in 2016 and its components opened between March 2016 and February 2017. The Company has an office in Singapore to explore opportunities in the property markets in Southeast Asia.

Financial Highlights

Results For the year	Note	2017 HK\$M	2016 HK\$M	Change
Revenue		18,558	16,792	+11%
Operating profit		34,930	17,320	+102%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	7,834	7,112	+10%
Reported		33,957	15,050	+126%
Cash generated from operations		13,680	10,767	+27%
Net cash inflow before financing		4,869	1,998	+144%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	1.34	1.22	+10%
Reported	(c)	5.80	2.57	+126%
Dividends per share				
First interim		0.25	0.23	+9%
Second interim		0.52	0.48	+8%
Financial Position At 31st December		HK\$M	HK\$M	
Total equity (including non-controlling interests)		259,378	227,225	+14%
Net debt		35,347	35,377	-0%
Gearing ratio	(a)	13.6%	15.6%	-2.0%pt.
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share	(a)	44.00	38.52	+14%

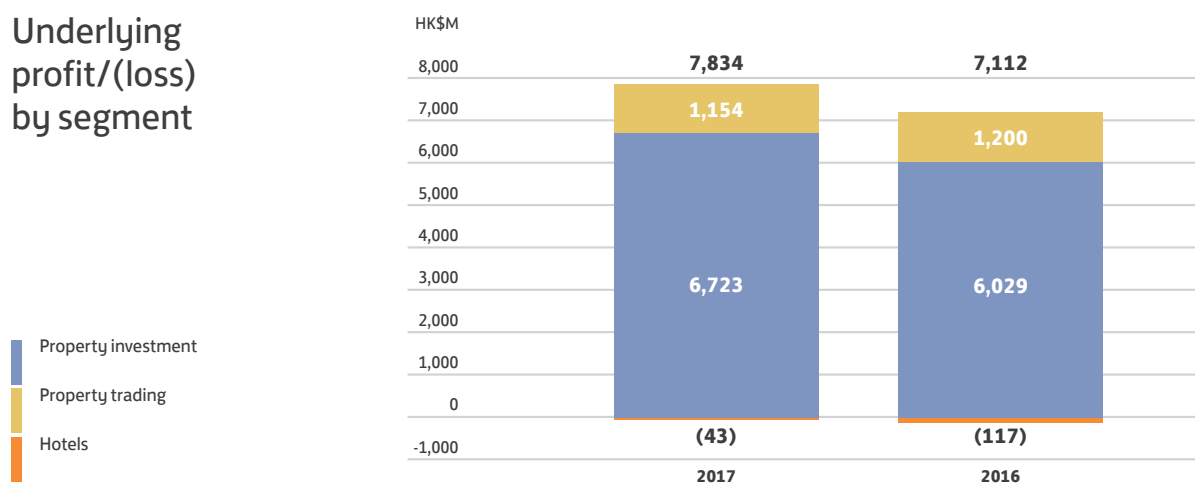
Notes:

(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



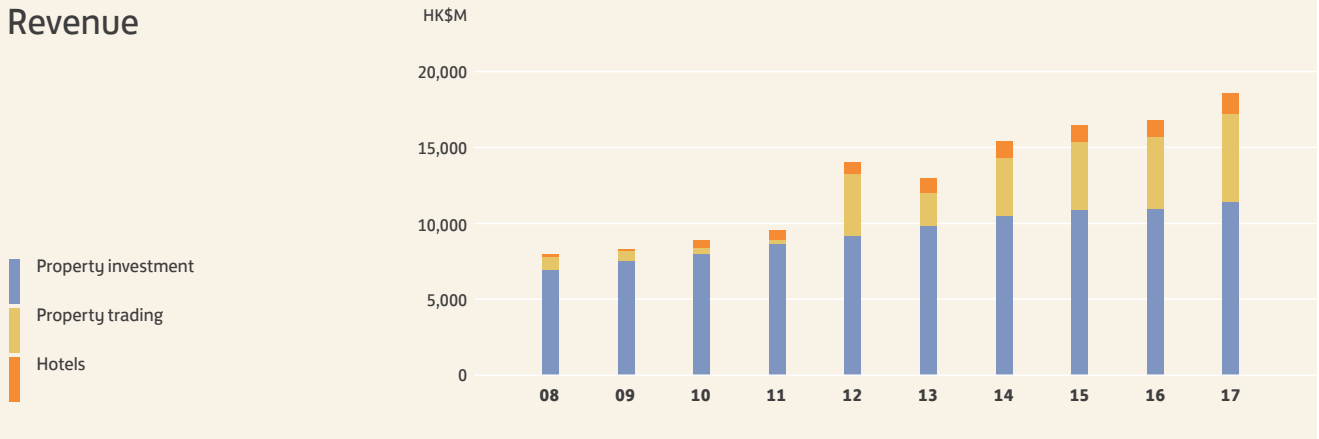
Ten-Year Financial Summary

	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	2017 HK\$M
STATEMENT OF PROFIT OR LOSS										
Revenue										
Property investment	6,901	7,516	7,953	8,651	9,123	9,786	10,456	10,857	10,902	11,380
Property trading	889	643	400	213	4,147	2,207	3,842	4,463	4,760	5,833
Hotels	156	172	518	717	782	942	1,089	1,127	1,130	1,345
	7,946	8,331	8,871	9,581	14,052	12,935	15,387	16,447	16,792	18,558
Profit Attributable to the Company's Shareholders										
Property investment	3,318	3,965	4,574	4,638	4,896	5,426	6,029	6,231	5,938	6,671
Property trading	95	23	87	7	1,659	720	1,020	1,089	1,199	1,111
Hotels	73	(332)	(109)	(33)	14	(46)	30	(303)	(117)	(43)
Change in fair value of investment properties	(236)	13,596	21,478	20,496	12,184	6,425	2,437	7,055	8,030	26,218
	3,250	17,252	26,030	25,108	18,753	12,525	9,516	14,072	15,050	33,957
Dividends for the year	2,966	25	2,426	11,067	3,510	3,510	3,861	4,154	4,154	4,505
Retained profit	284	17,227	23,604	14,041	15,243	9,015	5,655	9,918	10,896	29,452
STATEMENT OF FINANCIAL POSITION										
Net Assets Employed										
Property investment	140,440	155,374	183,062	191,116	207,577	218,556	226,607	235,917	248,466	283,045
Property trading	3,496	3,772	6,303	6,581	7,309	9,408	8,210	7,452	6,616	3,942
Hotels	4,037	5,523	5,797	6,421	7,111	7,200	7,801	7,928	7,520	7,738
	147,973	164,669	195,162	204,118	221,997	235,164	242,618	251,297	262,602	294,725
Financed by										
Equity attributable to the Company's shareholders	110,235	129,778	157,847	175,886	192,434	202,350	207,691	216,247	225,369	257,381
Non-controlling interests	1,068	424	479	532	642	800	856	1,702	1,856	1,997
Net debt	36,670	34,467	36,836	27,700	28,921	32,014	34,071	33,348	35,377	35,347
	147,973	164,669	195,162	204,118	221,997	235,164	242,618	251,297	262,602	294,725
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	0.59	3.14	4.57	4.40	3.21	2.14	1.63	2.41	2.57	5.80
Dividends per share	0.54	–	0.43	1.94	0.60	0.60	0.66	0.71	0.71	0.77
Equity attributable to shareholders per share	20.07	23.60	27.74	30.07	32.89	34.59	35.50	36.97	38.52	44.00
RATIOS										
Return on average equity attributable to the Company's shareholders	3.0%	14.4%	18.1%	15.0%	10.2%	6.3%	4.6%	6.6%	6.8%	14.1%
Gearing ratio	33.0%	26.5%	23.3%	15.7%	15.0%	15.8%	16.3%	15.3%	15.6%	13.6%
Interest cover – times	4.79	17.56	21.79	18.23	15.72	10.02	8.96	13.56	15.48	38.81
Dividend cover – times	1.10	N/A	10.73	2.27	5.34	3.57	2.46	3.39	3.62	7.54
UNDERLYING										
Profit (HK\$M)	3,540	3,721	4,767	12,914	6,935	6,348	7,152	7,078	7,112	7,834
Return on average equity attributable to the Company's shareholders	3.2%	3.1%	3.3%	7.7%	3.8%	3.2%	3.5%	3.3%	3.2%	3.2%
Earnings per share (HK\$)	0.64	0.68	0.84	2.26	1.19	1.09	1.22	1.21	1.22	1.34
Interest cover – times	4.48	4.33	5.37	12.01	7.90	6.43	7.58	7.75	8.89	10.68
Dividend cover – times	1.19	N/A	1.96	1.17	1.98	1.81	1.85	1.70	1.71	1.74

Notes:

- 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 2017 may be different from those originally presented.
- The equity attributable to the Company's shareholders and the returns by segment for 2017 and 2016 are shown in the Financial Review – Investment Appraisal and Performance Review on page 48.
- Underlying profit is discussed on pages 15 to 17.
- 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.
- Refer to Glossary on page 167 for definitions and ratios.

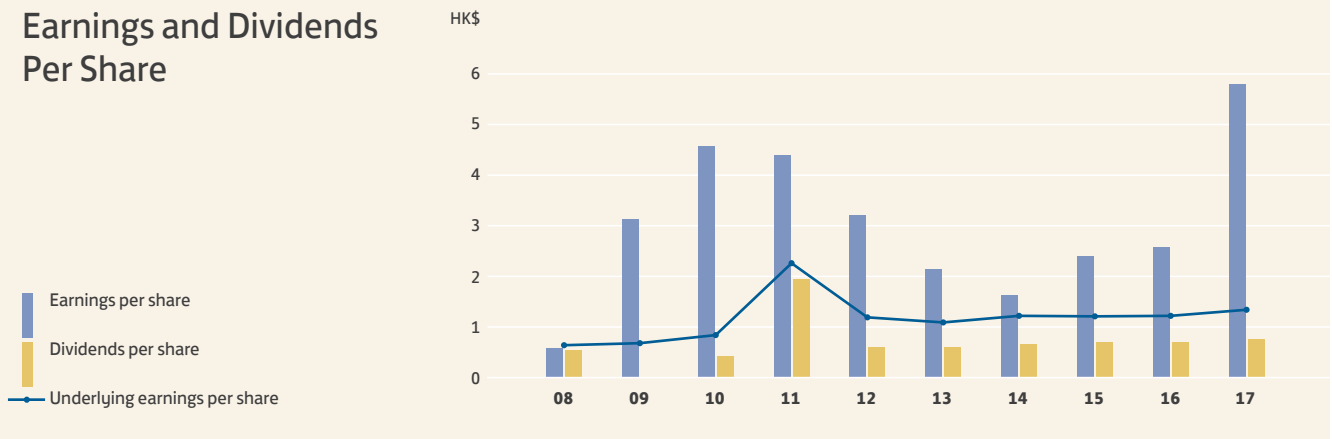
Revenue



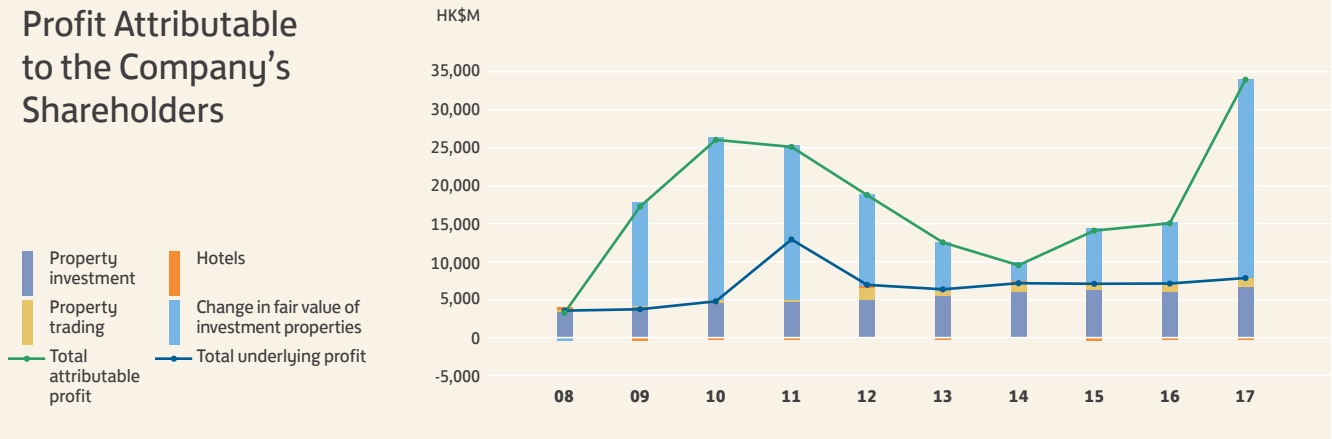
Net Assets Employed



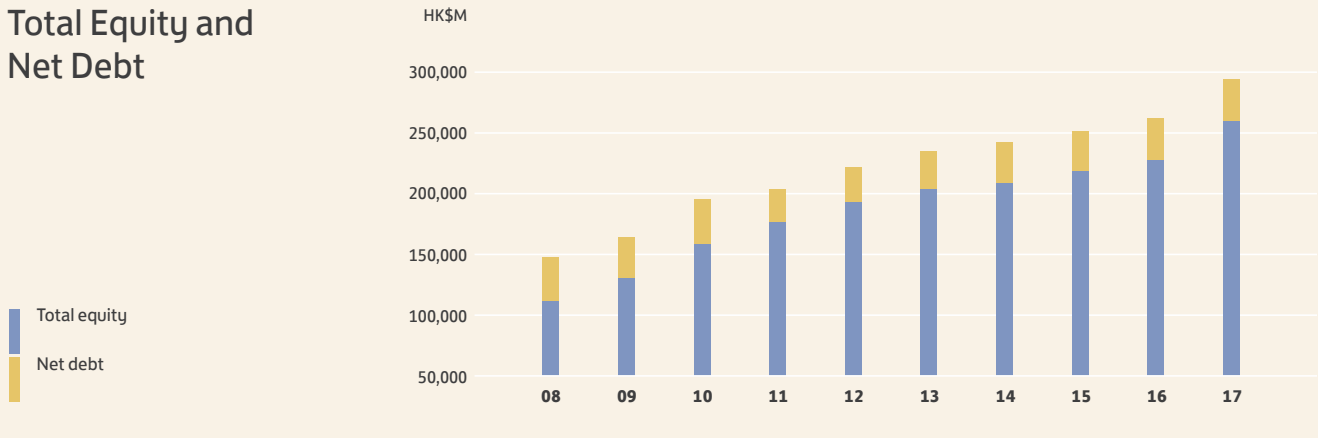
Earnings and Dividends Per Share



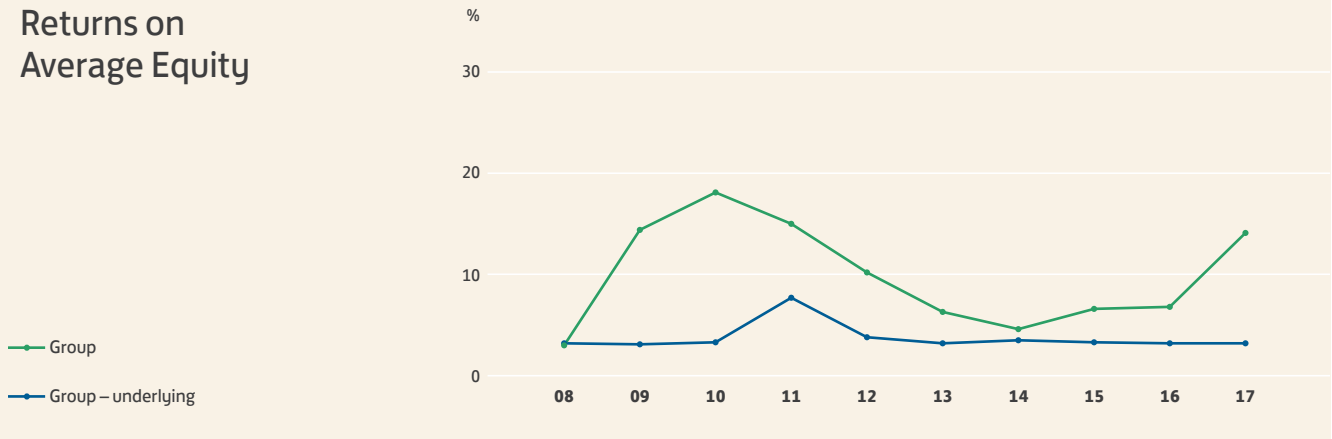
Profit Attributable to the Company's Shareholders



Total Equity and Net Debt



Returns on Average Equity



Chairman's Statement

Our consolidated profit attributable to shareholders for 2017 was HK\$33,957 million, compared to HK\$15,050 million in 2016. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$722 million from HK\$7,112 million in 2016 to HK\$7,834 million in 2017.

Dividends

The Directors have declared a second interim dividend of HK\$0.52 (2016: HK\$0.48) per share which, together with the first interim dividend of HK\$0.25 per share paid in October 2017, amounts to full year dividends of HK\$0.77 (2016: HK\$0.71) per share. The second interim dividend, which totals HK\$3,042 million (2016: HK\$2,808 million), will be paid on Thursday, 3rd May 2018 to shareholders registered at the close of business on the record date, being Friday, 6th April 2018. Shares of the Company will be traded ex-dividend from Tuesday, 3rd April 2018.

Key Developments

In April 2017, pre-sold units at ALASSIO, the Company's fourth residential development in Mid-Levels West on Hong Kong Island, started to be handed over to the purchasers. All units in the development were handed over by the end of June.

In November 2017, Swire Properties and HKR International celebrated the grand opening of their joint venture development in Shanghai, HKRI Taikoo Hui. With an aggregate gross floor area ("GFA") of approximately 3,469,000 square feet, the development comprises a shopping mall, two Grade-A office towers, two luxury hotels and one serviced apartment building. The two hotels and serviced apartment building are expected to open later in the first half of 2018.

In December 2017, Swire Properties entered into a long-term agreement for the lease of the Beijing Sanlitun Yashow Building. The retail building has an aggregate GFA of approximately 296,000 square feet and will be redeveloped as an extension to Taikoo Li Sanlitun.

In January 2018, One Taikoo Place, the first of two premium Grade-A office buildings in the Taikoo Place redevelopment, was topped out. One Taikoo Place has an aggregate GFA of around one million square feet, and is expected to be completed later in 2018.

In February 2018, Swire Properties entered into an equity transfer agreement for the acquisition of a 50% interest in Shanghai Qianxiu Company Limited ("Shanghai Qianxiu") from a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. ("LJZ"), subject to satisfaction of conditions precedent. If the acquisition is completed, Swire Properties and LJZ will each hold a 50% interest in Shanghai Qianxiu, and the joint venture will develop a retail project with an aggregate GFA of approximately 1,250,000 square feet in Qiantan, Pudong New District in Shanghai.

Operating Performance

Underlying profit increased to HK\$7,834 million in 2017 from HK\$7,112 million in 2016, mainly because of a higher profit from property investment. The underlying profit from property investment increased by 12%. The underlying profit from property trading decreased slightly. Hotel losses decreased.

Gross rental income was HK\$11,252 million in 2017, compared to HK\$10,773 million in 2016. In Hong Kong, office rental income increased due to positive rental reversions and firm occupancy. This was despite the loss of rental income resulting from the Taikoo Place redevelopment. Retail rental income in Hong Kong was little changed in 2017. In Mainland China, gross rental income increased by 12%, mainly due to positive rental reversions and improved occupancy. In the U.S.A., gross rental income increased following the opening of the first phase of the Brickell City Centre development in 2016.

Underlying profit from property trading in 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong. Property sales slowed in the U.S.A.

Hotels reported reduced losses in 2017, reflecting improved results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.

On an attributable basis, net investment property valuation gains in 2017, after deferred tax relating to investment properties in Mainland China and the U.S.A., were HK\$26,218 million, compared to net gains of HK\$8,030 million in 2016.

Finance

Net debt at 31st December 2017 was HK\$35,347 million, compared with HK\$35,377 million at 31st December 2016. Gearing decreased from 15.6% at 31st December 2016 to 13.6% at 31st December 2017. The small decrease in net debt was mainly due to the receipt of rental income from investment properties and the receipt of sales proceeds from the ALASSIO development in Hong Kong, almost fully offset by expenditure on investment properties in Hong Kong and dividends paid. Cash and undrawn committed facilities totalled HK\$12,269 million at 31st December 2017, compared with HK\$10,178 million at 31st December 2016.

Sustainable Development

In 2017, Swire Properties continued with its sustainable development 2030 strategy. Swire Properties is included in the Dow Jones Sustainability World Index (“DJSI World”), the Global Real Estate Sustainability Benchmark (“GRESB”), the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI World ESG Leaders Index.

In January 2018, Swire Properties issued its first green bond, raising US\$500 million for 10 years at a coupon rate of 3.5%. Proceeds from the bond will be used to finance or refinance green projects.

Prospects

In the central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2018. High occupancy is expected to result in office rents in our Pacific Place and Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts. In Guangzhou, with the absence of significant new supply together with strong demand from Mainland Chinese companies, we expect office vacancy rates to decrease and rents to increase in 2018. In Beijing, with increased supply, we expect office rents to come under pressure in 2018. In Shanghai, with limited new supply in the Jingan district and stable demand, we expect office rents to be stable in 2018. In Miami, new supply of Grade-A office space is limited and demand is stable. We therefore expect rents to increase.

Demand for retail space in Hong Kong is forecast to be stable in 2018. We expect retail sales to grow satisfactorily in Beijing and Guangzhou, and to be robust in Chengdu. In Shanghai, post the opening of HKRI Taikoo Hui, retail sales should continue to grow steadily. Retail rents in Chengdu and Shanghai are expected to grow moderately despite increased supply of space and competition. In the U.S.A., weak retail sales in Miami have made some retailers cautious about expansion.

In Hong Kong, demand for furnished accommodation at Pacific Place Apartments and Taikoo Place Apartments is expected to be stable in 2018.

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and increased private housing supply, we believe that demand for residential property will remain resilient. In Miami, the exchange rate of the US dollar against major South American currencies is strong compared with what it was earlier in the decade. The strength will continue to suppress demand for condominiums by non-US buyers. Trading profits are expected to be recognised in 2018 from sales of houses at WHITESANDS in Hong Kong and units at the Reach and Rise developments in Miami.

Trading conditions for our existing hotels are expected to be stable in 2018. A managed hotel (The Middle House) and a non-managed hotel (The Sukhothai Shanghai) are expected to open in Shanghai later in the first half of 2018. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open early in 2019.

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, 15th March 2018

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 trading and investment in the 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 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 and medium term notes.

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.

A multi-level shopping mall with glass railings and storefronts. The image shows a curved glass railing on the left side, with people walking on the upper levels. The lower levels feature glass storefronts for various shops, including one with a sign that says "JEWELLERY". The overall atmosphere is bright and modern.

Management Discussion & Analysis



Pacific Place
Hong Kong

Review of Operations

	2017 HK\$M	2016 HK\$M
Revenue		
Gross Rental Income derived from		
Offices	6,124	6,053
Retail	4,616	4,304
Residential	512	416
Other Revenue ⁽¹⁾	128	129
Property Investment	11,380	10,902
Property Trading	5,833	4,760
Hotels	1,345	1,130
Total Revenue	18,558	16,792
Operating Profit/(Loss) derived from		
Property investment	8,172	7,752
Valuation gains on investment properties	25,463	8,418
Property trading	1,397	1,332
Hotels	(102)	(182)
Total Operating Profit	34,930	17,320
Share of Post-tax Profits from Joint Venture and Associated Companies	1,792	1,419
Profit Attributable to the Company's Shareholders	33,957	15,050

⁽¹⁾ Other revenue is mainly estate management fees.

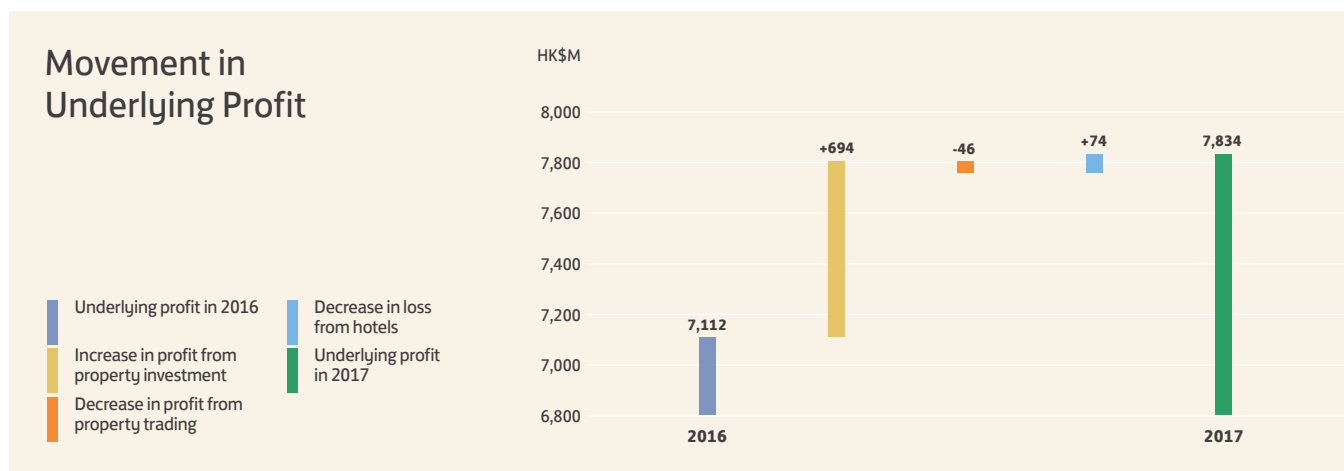
Additional information is provided in the following section to reconcile reported and underlying profit attributable to the Company's shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the 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.

	<i>Note</i>	2017 HK\$M	2016 HK\$M
Underlying Profit			
Profit attributable to the Company's shareholders per financial statements		33,957	15,050
Adjustments in respect of investment properties:			
Revaluation of investment properties	<i>(a)</i>	(26,846)	(9,610)
Deferred tax on investment properties	<i>(b)</i>	574	1,459
Realised profit on sale of properties	<i>(c)</i>	50	3
Depreciation of investment properties occupied by the Group	<i>(d)</i>	20	20
Non-controlling interests' share of revaluation movements less deferred tax		54	121
Movements in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	<i>(e)</i>	25	69
Underlying Profit Attributable to the Company's Shareholders		7,834	7,112

Notes:

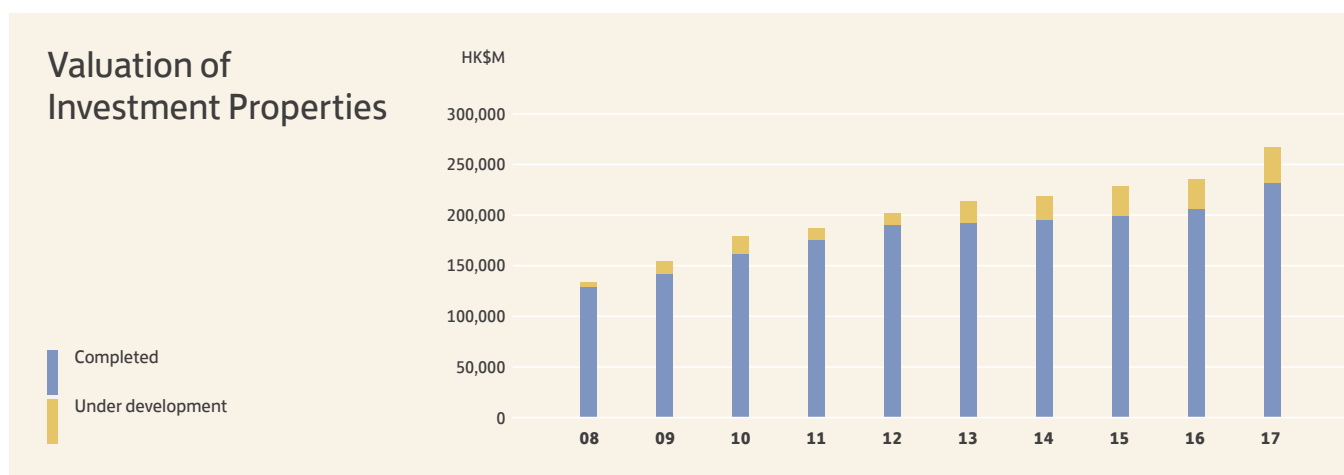
- (a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss and the Group's share of net revaluation movements of joint venture companies.
- (b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred 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

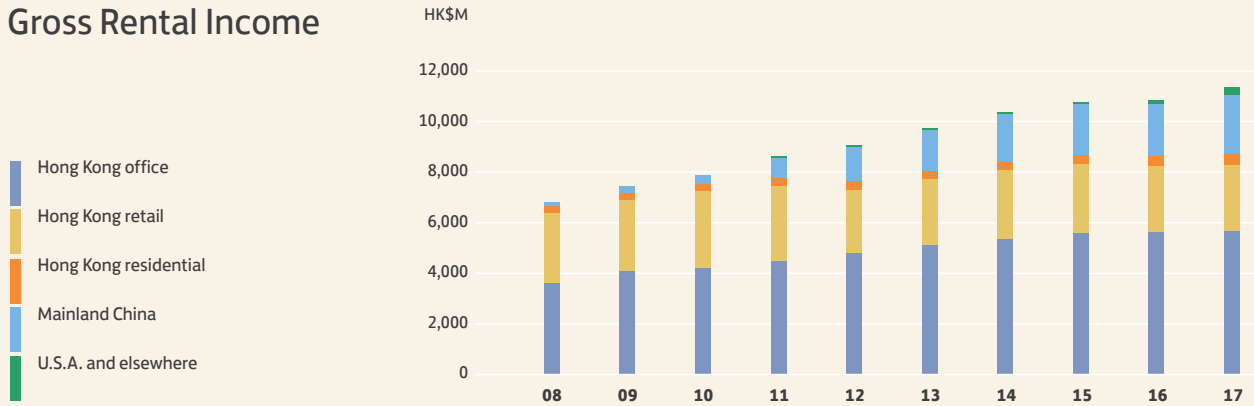


Underlying profit increased to HK\$7,834 million in 2017 from HK\$7,112 million in 2016, mainly because of a higher profit from property investment. The underlying profit from property investment increased by 12%. The underlying profit from property trading decreased slightly. Hotel losses decreased. Gross rental income was HK\$11,252 million in 2017, compared to HK\$10,773 million in 2016. In Hong Kong, office rental income increased due to positive rental reversions and firm occupancy. This was despite the loss of rental income resulting from the Taikoo Place redevelopment. Retail rental income in Hong Kong was little

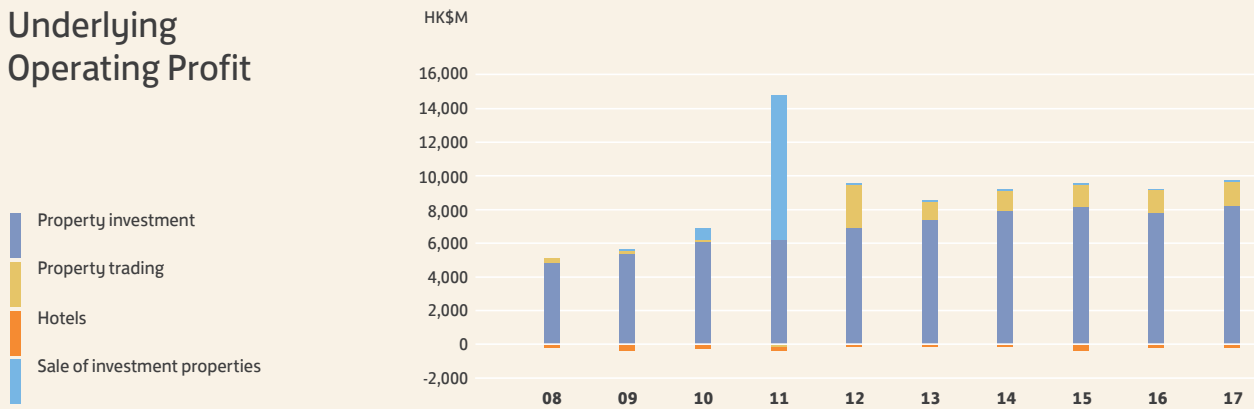
changed in 2017. In Mainland China, gross rental income increased by 12%, mainly due to positive rental reversions and improved occupancy. In the U.S.A., gross rental income increased following the opening of the first phase of the Brickell City Centre development in 2016. Underlying profit from property trading in 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong. Property sales slowed in the U.S.A. Hotels reported reduced losses in 2017, reflecting improved results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.



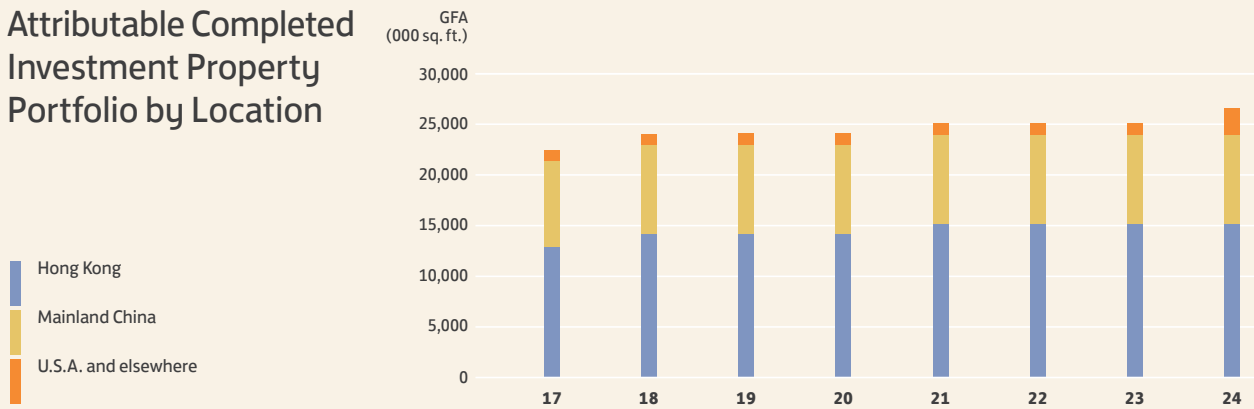
Gross Rental Income

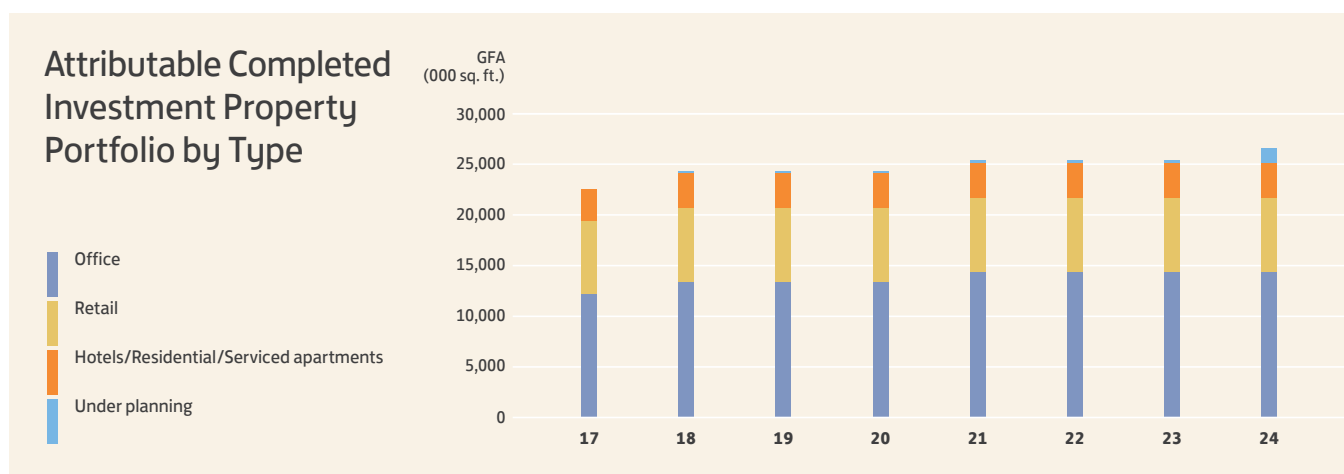


Underlying Operating Profit



Attributable Completed Investment Property Portfolio by Location





Portfolio Overview

The aggregate GFA attributable to the Group at 31st December 2017 was approximately 29.2 million square feet.

Of the aggregate GFA attributable to the Group, approximately 26.6 million square feet are investment properties, comprising completed investment properties of approximately 22.5 million square feet and investment properties under development or held for future development of approximately 4.1 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 8.8 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 2017.

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	2.9	4.5	1.0	0.1	–	8.5
U.S.A.	0.3	0.3	0.5	0.1	–	1.2
Total	12.2	7.3	2.2	0.8	–	22.5

**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	–	–	0.2	0.1	–	0.3
U.S.A. and elsewhere	–	–	–	0.1	1.4 ⁽²⁾	1.5
Total	2.2	0.1	0.2	0.2	1.4	4.1

**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	14.4	7.4	2.4	1.0	1.4	26.6

⁽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 office building in Kowloon Bay, the holding company of which was conditionally agreed to be sold in 2016. This site was initially accounted for under other non-current assets in 2016 and was reclassified to other current assets in the 2017 financial statements.

The trading portfolio comprises 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, Pinnacle One at Sino-Ocean Taikoo Li Chengdu 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 2017.

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

	Completed	Under Development or Held for Development	Total
Hong Kong ⁽¹⁾	–	–	–
Mainland China	0.3	–	0.3
U.S.A.	0.4	1.9	2.3
Total	0.7	1.9	2.6

⁽¹⁾ The aggregate GFA in Hong Kong is less than 0.1 million.

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\$5,990 million in 2017. At 31st December 2017, our office properties in Hong Kong were valued at HK\$157,167 million. Of this amount, Swire Properties' attributable interest was HK\$149,803 million.

Hong Kong Office Portfolio			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Pacific Place	2,186,433	100%	100%
Cityplaza ⁽¹⁾	1,398,421	97%	100%
Taikoo Place Office Towers ⁽²⁾	3,136,717	99%	50%/100%
One Island East	1,537,011	100%	100%
Others ⁽³⁾	1,077,161	99%	20%/50%/100%
Total	9,335,743		

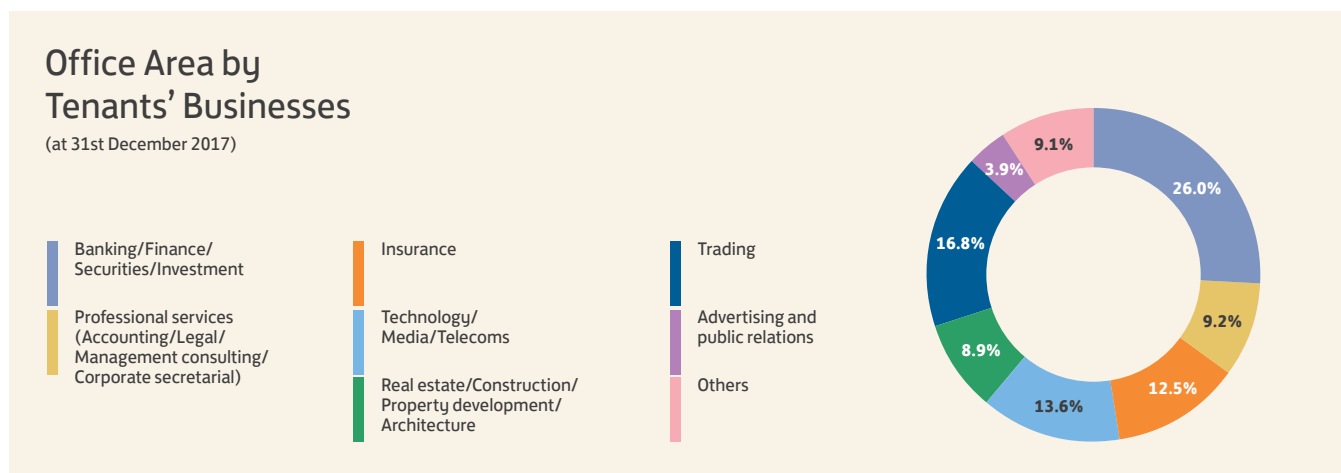
⁽¹⁾ Excluding 10 floors in Cityplaza Three owned by the Hong Kong government.

⁽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).

Gross rental income from the Hong Kong office portfolio in 2017 was HK\$5,660 million, a slight increase from 2016 despite loss of gross rental income at Warwick House and Cornwall House as a result of the Taikoo Place redevelopment. There were positive rental reversions and occupancy was firm. At 31st December 2017, the office portfolio was 99% let. Demand for the Group's office space in Hong Kong was strong in all districts.

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 2017.



At 31st December 2017, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2017) together occupied approximately 20% 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 2017. Occupancy and rental rates were robust, mainly because existing tenants wanted more space. Demand from Mainland China entities was strong. The occupancy rate was almost 100% at 31st December 2017. Joicap Securities, Tai Chong Cheang Steamship and Willsun Fertility HK became tenants. CLSA, Temple Chambers, Sino-Ocean, FIL Asia, Moelis & Co., TD Bank, Huarong Investment Stock and

China Overseas leased more space. Hogan Lovells, Sotheby's, CIFI Holdings, Chiba Bank, Parkside Chambers, Industrial Bank of Korea, Matthews Global Investors, CTI Capital, Bird & Bird, Richard Mille and Tencent renewed their leases.

Cityplaza

The occupancy rate at the three office towers (Cityplaza One, Three and Four) was 97% at 31st December 2017. Avaya became a tenant. Juniper Networks, Fortinet, Nikon, MSIG, BBDO, SAS and Mitsubishi Electric renewed their leases. The Hong Kong government occupied all of its 10 floors at Cityplaza Three.

Taikoo Place

There are six office towers at Taikoo Place (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 99% at 31st December 2017. Ageas, Balenciaga, Boston Scientific, Coty, Crestron Electronics, Fubon Life, LG Chem, Luxury Timepieces, IMG, Ingersoll Rand and Western Digital became tenants. BNP Paribas, FWD and LVMH leased more space. ANZ, Bank of China (Hong Kong), Berkshire Hathaway Specialty Insurance, Bluebell, China Airlines, Dairy Farm, DC Holdings, Extrawell Pharmaceutical, Galderma, HKT, Nobel Biocare, Schindler Lifts (Hong Kong), Somp Insurance, TBWA Hong Kong and The Executive Centre renewed their leases.

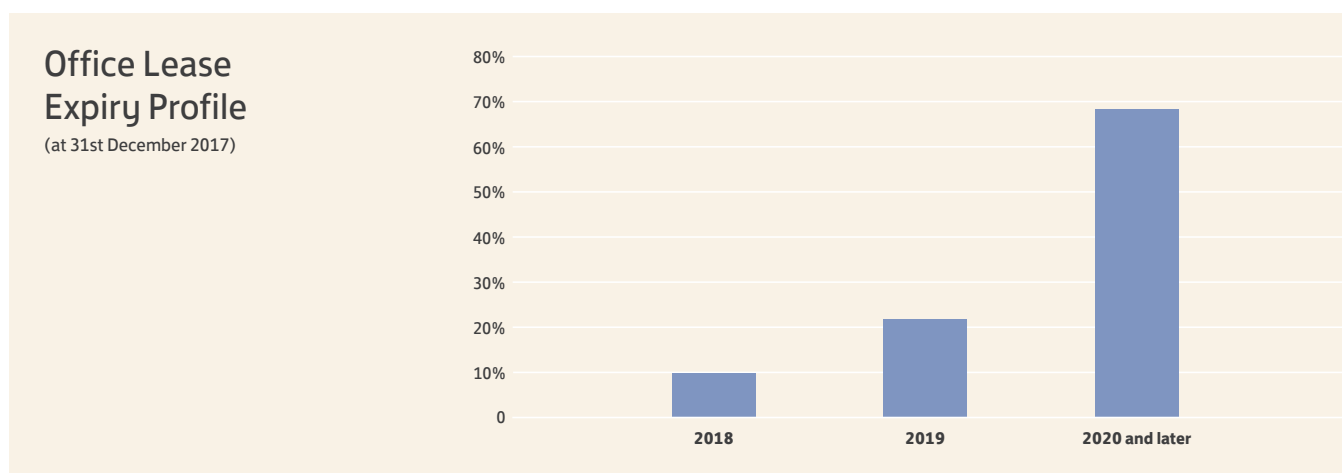
One Island East, our landmark property in Taikoo Place, had an occupancy rate of 100% at 31st December 2017. AllianceBernstein, Biostime, Covestro, Freshfields Bruckhaus Deringer and Pfizer became tenants. Accenture leased more space. Neo Derm and Zurich renewed their leases.

Demolition of Warwick House has been completed and demolition of Cornwall House is in progress. Construction of One Taikoo Place is in progress, with completion expected later in 2018. Tenants have committed to lease 75% of the space in the building.

Hong Kong Office Market Outlook

In the central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2018. High occupancy is expected to result in office rents in our Pacific Place and Taikoo Place 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 2017, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 9.8% of rental income in the month of December 2017 are due to expire in 2018, with tenancies accounting for a further 21.9% of such rental income due to expire in 2019.



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 at 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\$2,681 million in 2017. At 31st December 2017, our retail properties in Hong Kong were valued at HK\$54,504 million. Of this amount, Swire Properties' attributable interest was HK\$47,016 million.

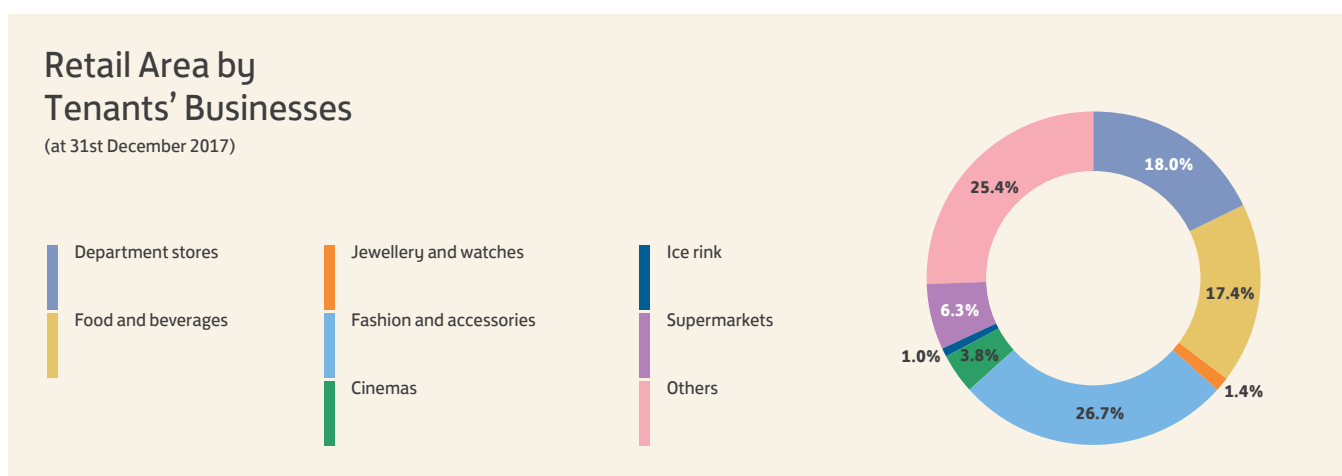
Hong Kong Retail Portfolio			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others ⁽¹⁾	542,779	100%	20%/60%/100%
Total	2,821,616		

⁽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 was HK\$2,609 million, little changed from that in 2016. The Group's malls were almost fully let throughout the year.

Retail sales increased by 7% at The Mall, Pacific Place and by 0.2% at Citygate, but decreased by 3% at Cityplaza. The decrease was largely due to temporary closure of shops and reconfiguration works.

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 2017.



At 31st December 2017, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2017) together occupied approximately 25% of our total attributable retail area in Hong Kong.

The Mall at 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 7% increase in retail sales at The Mall in 2017. The retail market improved moderately, the tenant mix was changed and a customer loyalty programme was introduced.

The Mall was fully let during the year, with the only void periods resulting from tenant changes and reconfiguration works. Pure Yoga, Caviar House & Prunier, Dalloyau, Nakamura Tokichi, J Select, Puyi Optical, The Kooples, COS,

Phase Eight, Tasaki, Columbia, Saloon by Hair Corner, Hon 10 and Whistles became tenants. DVF, iBlues, Jimmy Choo, Kent & Curwen and Roger Dubuis were relocated. Ye Shanghai was refitted.

The MTR South Island Line (which started to operate at the end of 2016) provides a connection to The Mall from the south side of Hong Kong Island. When the MTR Shatin to Central Link opens, it will provide an additional 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, with a total floor area of approximately 1.1 million square feet. It is accessible from Tai Koo MTR Station. There are more than 170 shops including 30 restaurants, a cinema, an indoor ice rink and more than 800 parking spaces. Cityplaza principally serves customers who live or work in the eastern part of Hong Kong Island. Patronage is also derived from business and leisure travellers who stay at the EAST, Hong Kong hotel.

Cityplaza was almost fully let in 2017, except for void periods during tenancy changes and reconfiguration works. Retail sales decreased by 3%, largely because of the temporary closure of some shops and the cinema. ABC Cooking Studio, Patagonia, Chanel Beauté, APM Monaco, innisfree, Zoff, JC Shop, Dan Ryan's, The Night

Market, SP Flower & Tea Room, MO&Co., Stride Rite, initial, Clémence by rue Madame, Juicy Couture, Regina Miracle, Covermark and Yiu Fung Store became tenants, as did a new cinema tenant, MOVIE MOVIE Cityplaza.

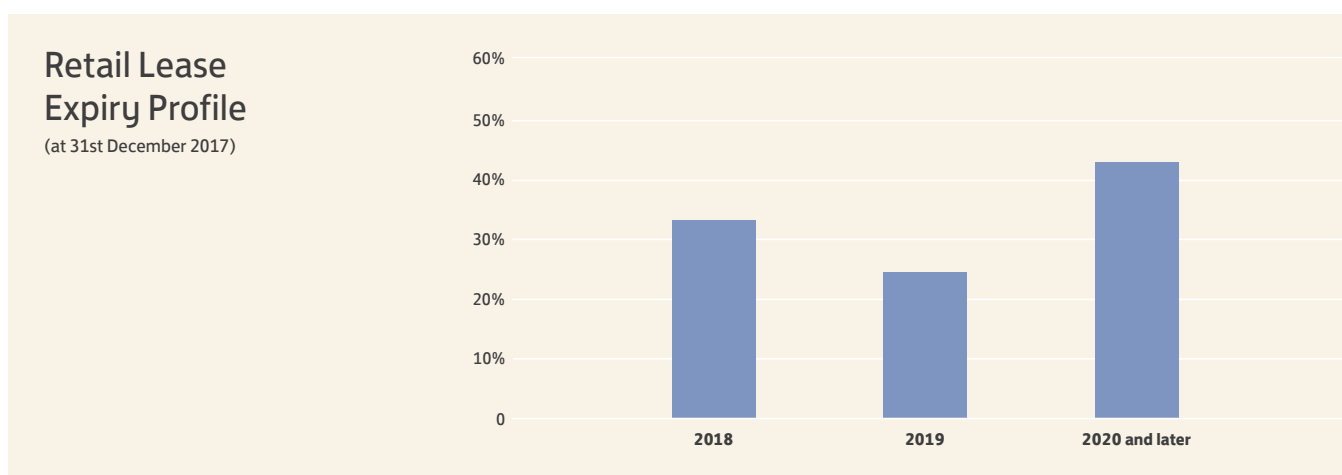
Citygate Outlets

Citygate Outlets was fully let in 2017, except for the area being reconstructed as part of the adjacent Tung Chung Town Lot No. 11 development. Citygate is in a good location near tourist attractions and transport links. It attracts tourists and local shoppers. Retail sales increased by 0.2%, despite the closure of the area which is being reconstructed. The new development is expected to open later this year or early in 2019.

Hong Kong Retail Market Outlook

Demand for retail space in Hong Kong is forecast to be stable in 2018.

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 2017, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 33.0% of rental income in the month of December 2017 are due to expire in 2018, with tenancies accounting for a further 24.4% of such rental income due to expire in 2019.



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. Gross rental income increased compared with that of 2016, due to improved occupancy at the serviced apartments and rental income from STAR STUDIOS since its opening in 2016. Occupancy at the residential portfolio was approximately 85% at 31st December 2017. Demand for furnished accommodation at Pacific Place Apartments and Taikoo Place Apartments is expected to be stable in 2018.

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 474,000 square feet. Superstructure works are in progress. The development is expected to be completed later this year. 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 (above 2-storey basement) Grade-A office building with an aggregate GFA of approximately 1,020,000 square feet, to be called One Taikoo Place. The building was topped out in January 2018. The facade and finishing works are in progress. The redevelopment is expected to be completed later 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. Demolition of Warwick House has been completed, and demolition of Cornwall House and foundation works for Two Taikoo Place are in progress. Completion of the redevelopment is expected in 2021 or 2022.

South Island Place

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. Superstructure works are in progress. The development is expected to be completed later in 2018. Swire Properties has a 50% interest in the development.

Po Wah Building, 1-11 Landale Street and 2-12 Anton Street

In December 2017, Swire Properties successfully bid in the compulsory sale of a site (Po Wah Building, 1-11 Landale Street and 2-12 Anton Street) at the junction of Queen's Road East, Landale Street and Anton Street in Hong Kong. Redevelopment of this site is being planned. The site area is approximately 14,400 square feet. There are six tenement blocks and a 13-storey composite building on the site.

Other

The development of an office building at the commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay with an aggregate GFA of approximately 555,000 square feet was completed and the occupation permit was issued in December 2017. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this investment property development. The property was transferred to other non-current assets at fair value in the financial statements at the

same time and was reclassified to other current assets in the 2017 financial statements. Completion of the sale is conditional upon the relevant 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 12.9 million square feet of space at 31st December 2017, 9.1 million square feet of which is attributable to the Group. Completed properties amount to 12.4 million square feet, with 0.5 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China grew by 27% to HK\$3,311 million in 2017. At 31st December 2017, our investment property portfolio in Mainland China was valued at HK\$69,134 million. Of this amount, Swire Properties' attributable interest was HK\$48,871 million.

Mainland China Property Portfolio ⁽¹⁾	GFA (sq. ft.) (100% Basis)			Attributable Interest
	Total	Investment Properties	Hotels, Trading Properties and Others	
<i>Completed</i>				
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⁾	2,184,018	1,362,669	821,349	50%
HKRI Taikoo Hui, Shanghai ⁽³⁾	2,930,595	2,930,595	–	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	2,917	1,458	1,459	100%
Sub-Total	12,407,571	10,472,847	1,934,724	
<i>Under Development</i>				
HKRI Taikoo Hui, Shanghai ⁽³⁾	538,799	149,088	389,711	50%
Total	12,946,370	10,621,935	2,324,435	

⁽¹⁾ Including the hotel and property trading portions of these projects.

⁽²⁾ The office portion of Sino-Ocean Taikoo Li Chengdu, Pinnacle One, was developed for trading purposes.

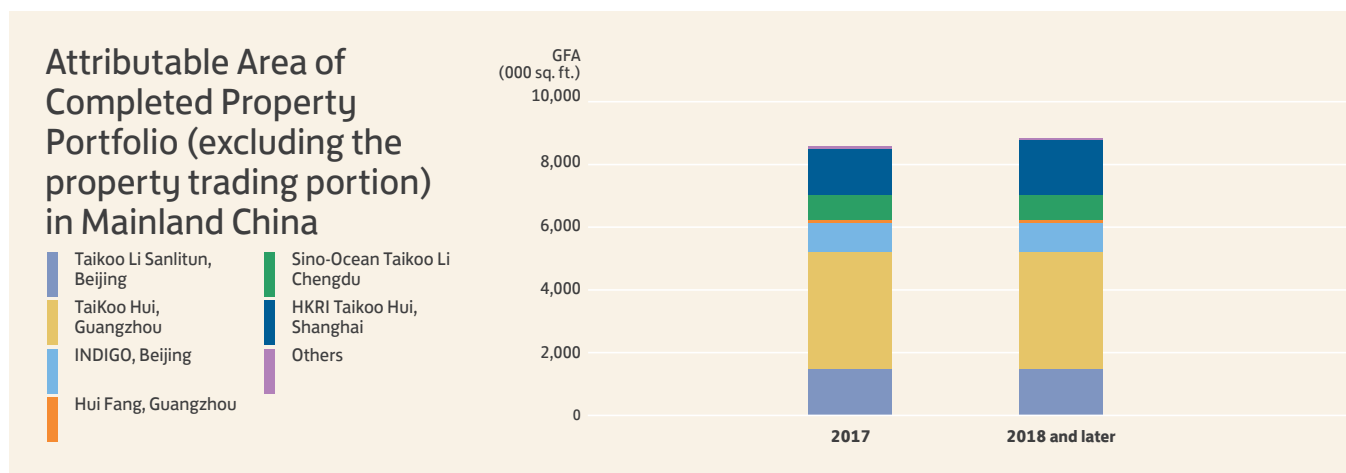
⁽³⁾ Construction of the shopping mall and the office towers at HKRI Taikoo Hui has been completed. Construction of the remainder of the development was completed in January 2018.

The Group's gross rental income from investment properties in Mainland China increased by 12% to HK\$2,303 million in 2017. HK\$1,922 million was from retail properties and HK\$369 million was from office properties.

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 2017.



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. There are approximately 250 retail outlets.

Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands, with tenants including the largest adidas store in the world, the first Apple store in Mainland China, H&M, Starbucks, Uniqlo, and a 1,597-seat Megabox cinema. In 2017, Kiehl's Coffee Shop and Popcorn General Store opened their first Mainland China stores in Taikoo Li Sanlitun South. Chanel Beauty Boutique, Coach, G-SHOCK and HEYTEA Black became tenants. Tenants in Taikoo Li Sanlitun North are principally retailers of luxury, designer fashion and lifestyle brands, including Alexander McQueen, Christian Louboutin, Givenchy, I.T Beijing Market, Kenzo, Moncler and Miu Miu. Comme Moi, Giuseppe Zanotti Design, OFF-WHITE, Roberto Cavalli and Thom Browne became tenants in 2017.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2017, reflecting positive growth in reversionary rents. Retail sales grew by 4%. The occupancy rate was 99% at 31st December 2017.

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

In December 2017, Swire Properties entered into a long-term agreement for the lease of the Beijing Sanlitun Yashow Building. The retail building has an aggregate GFA of approximately 296,000 square feet and will be redeveloped as an extension to Taikoo Li Sanlitun.

Beijing Retail Market Outlook

Retail sales are expected to grow satisfactorily in Beijing in 2018. Demand for luxury goods remains weak, but demand 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 2017)	Attributable Interest
Taikoo Li Sanlitun	1,296,308	99%	100%

TaiKoo Hui, Guangzhou

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

Gross rental income grew satisfactorily in 2017. Retail sales increased by 27% in 2017, reflecting in part improvements to the tenant mix and a customer loyalty programme. Tenants include Bottega Veneta, Cartier, Chanel, Gucci, Hermes, I.T, Louis Vuitton, Uniqlo, Fangsuo bookstore, and Ole Supermarket. Dolce & Gabbana (menswear), Gentle Monster, Lululemon, Qeelin, Salvatore Ferragamo (menswear) and Victoria's Secret became tenants in 2017. At 31st December 2017, the occupancy rate at the shopping mall was 99%.

At 31st December 2017, the occupancy rate at the office towers at TaiKoo Hui was 99%.

The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Occupancy improved in 2017 and its performance was good.

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

In Guangzhou, with the absence of significant new supply together with strong demand from Mainland Chinese companies, office vacancy rates are expected to decrease and rents to increase in 2018.

Retail sales are expected to grow satisfactorily in Guangzhou in 2018. Demand for retail space from international retailers and food and beverage operators is strong.

TaiKoo Hui, Guangzhou			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Retail	1,472,730	99%	97%
Office	1,731,766	99%	97%
Serviced apartments	51,517	88%	97%
Total	3,256,013		97%



INDIGO

Beijing

INDIGO, Beijing	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Retail	939,493	99%	50%
Office	595,464	98%	50%
Total	1,534,957		50%

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 99% at 31st December 2017. 93% of the lettable retail space was open. Retail sales increased by 60% in 2017. H&M, Massimo Dutti, Muji, Page One bookstore, BHG supermarket and a seven-house, 1,000-seat CGV cinema are tenants. Armani Exchange, BANXIAOXUE, Joseph, MO&Co., Stella Luna, Tanni, Koyama, Meat Mate, B&O, Chow Tai Fook, Make Up Forever, Fresh, Origin and Roseonly became tenants in 2017. The mall is becoming a significant lifestyle shopping centre in north-east Beijing.

ONE INDIGO was 98% leased at 31st December 2017. Business at EAST, Beijing improved in 2017.

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

Beijing Office Market Outlook

With increased supply, office rents in Beijing are expected to come under pressure in 2018.

Sino-Ocean Taikoo Li Chengdu

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

Sino-Ocean Taikoo Li Chengdu is our second Taikoo Li project in Mainland China. adidas, Apple, Cartier, Gucci, Hermes, I.T/i.t, Muji, ZARA, Fangsuo bookstore, Ole Supermarket and a 1,720-seat Palace Cinema are tenants. Atelier Cologne, Delvaux, Gentle Monster, Jo Malone, Lululemon and Thom Browne opened their first stores in south-west Mainland

China in 2017. Retail sales increased by 49% in 2017. The development is gaining popularity as a shopping destination in Chengdu. At 31st December 2017, occupancy at the mall was 95%. 92% of the lettable retail space was open.

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

Chengdu Retail Market Outlook

Retail sales in Chengdu are expected to be robust in 2018. Demand for retail space in prime locations is solid and is expected to grow in 2018. Chengdu is attractive to international retailers, particularly of luxury brands. Retail rents are expected to grow moderately despite increased supply of space and competition.

Sino-Ocean Taikoo Li Chengdu			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Retail	1,235,090	95%	50%
Serviced apartments	127,579	65%	50%
Total	1,362,669		50%

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 and is expected to become a landmark development in Shanghai.

HKRI Taikoo Hui, Shanghai			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Retail	1,102,535	96%	50%
Office	1,828,060	82%	50%
Hotels ⁽¹⁾	389,711	N/A	50%
Serviced apartments	149,088	N/A	50%
Total	3,469,394		50%

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

HKRI Taikoo Hui is our second Taikoo Hui project in Mainland China. The shopping mall officially opened in November 2017. The world's largest Starbucks Reserve Roastery and a city's super supermarket have opened. Chanel Beauty, COS, Dior, G Givenchy, i.t, Kenzo, La Mer, Lancome, McQ, SpaceCycle and Tesla have become tenants. At 31st December 2017, tenants had committed (including by way of letters of intent) to take 96% of the retail space. 86% of the lettable retail space was open.

The two office towers at HKRI Taikoo Hui have been completed and are now occupied. At 31st December 2017, tenants had committed (including by way of letter of intent) to take 82% of the office space.

Interior decoration works at the two hotels and a serviced apartment tower are in progress. They are expected to open later in the first half of 2018.

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

Shanghai Market Outlook

Post the opening of HKRI Taikoo Hui, retail sales should continue to grow steadily. Retail rents are expected to grow moderately despite increased supply of space and competition.

With limited new supply in the Jingan district and stable demand, office rents are expected to be stable in 2018.

Other

In January 2014, Swire Properties China Holdings Limited (a wholly-owned subsidiary of the Company) entered into a framework agreement with CITIC Real Estate Co., Ltd. (a subsidiary of CITIC Limited) and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian through a joint venture. The proposed joint venture and development were subject to certain conditions precedent, which were not satisfied. Accordingly, the proposed joint venture and development will not proceed.

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).

The first phase of the Brickell City Centre development 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 first phase of the Brickell City Centre development was completed in 2016, and its components opened between March 2016 and February 2017. At 31st December 2017, Two and Three Brickell City Centre were fully leased and the shopping centre was 88% leased. 70% of the space at the shopping centre was open.

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

At 31st December 2017, Swire Properties owned 100% of the office, hotel and remaining unsold residential portions and 60.25% 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 (14.75%). 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 first phase of the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of One Brickell City Centre.



Brickell City Centre

Miami

Brickell City Centre, Miami	GFA (sq. ft.) ⁽³⁾ (100% Basis)	Attributable Interest
<i>Completed</i>		
Shopping centre	496,508	60.3%
Two and Three Brickell City Centre	263,384	100%
EAST, Miami – hotel ⁽¹⁾	218,000	100%
EAST, Miami – serviced apartments	109,000	100%
Reach and Rise ⁽²⁾	322,564	100%
Sub-Total	1,409,456	
<i>Future Development</i>		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
Total	3,376,456	

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

⁽²⁾ Remaining unsold units at 31st December 2017.

⁽³⁾ Represents leasable/saleable area except for carpark, roof top and circulation areas.

Miami Market Outlook

Weak retail sales have made some retailers cautious about expansion.

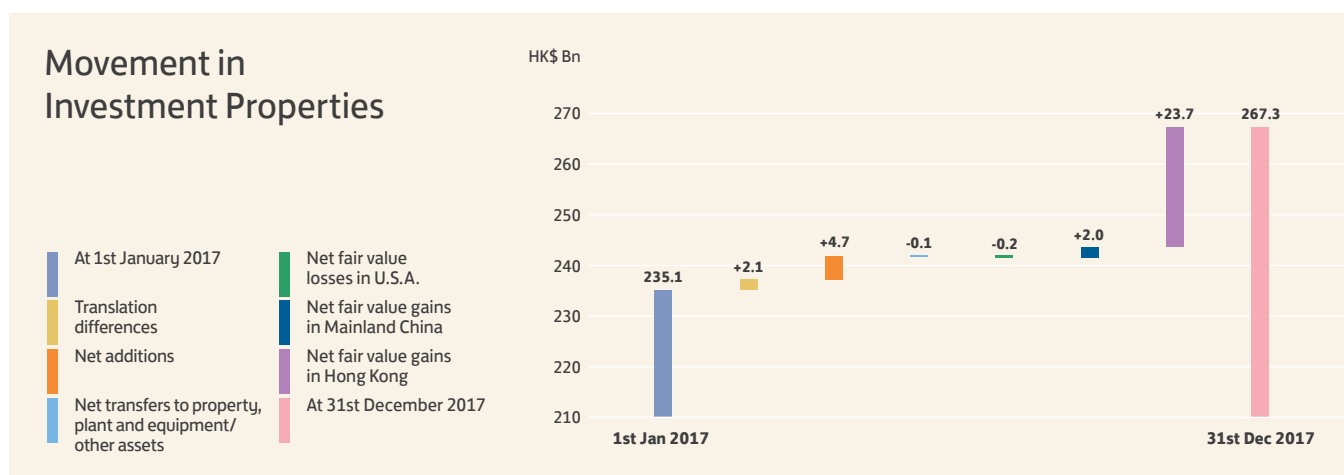
New supply of Grade-A office space is limited and demand is stable. Office rents are expected to increase.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2017 on the basis of market value (94% by value having been valued by Cushman & Wakefield Limited and 3% by value having been valued by another independent valuer). The amount of this valuation was HK\$267,292 million, compared to HK\$235,101 million at 31st December 2016.

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 following rental increases and a reduction of 25 basis points in the capitalisation rate applicable to office 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.



Property Trading

The trading portfolio comprises 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, Pinnacle One at Sino-Ocean Taikoo Li Chengdu 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 2017)

	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<i>Completed</i> ⁽¹⁾			
Hong Kong			
– WHITESANDS	26,710 ⁽²⁾	2015	100%
Mainland China			
– Pinnacle One, Chengdu	593,139 ⁽³⁾	2014	50%
U.S.A.			
– ASIA, Miami	5,359 ⁽²⁾	2008	100%
– Reach, Miami	51,053 ⁽²⁾	2016	100%
– Rise, Miami	271,511 ⁽²⁾	2016	100%
<i>Held for Development</i>			
Hong Kong			
– 21-31 Wing Fung Street	29,928	2021	100%
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.

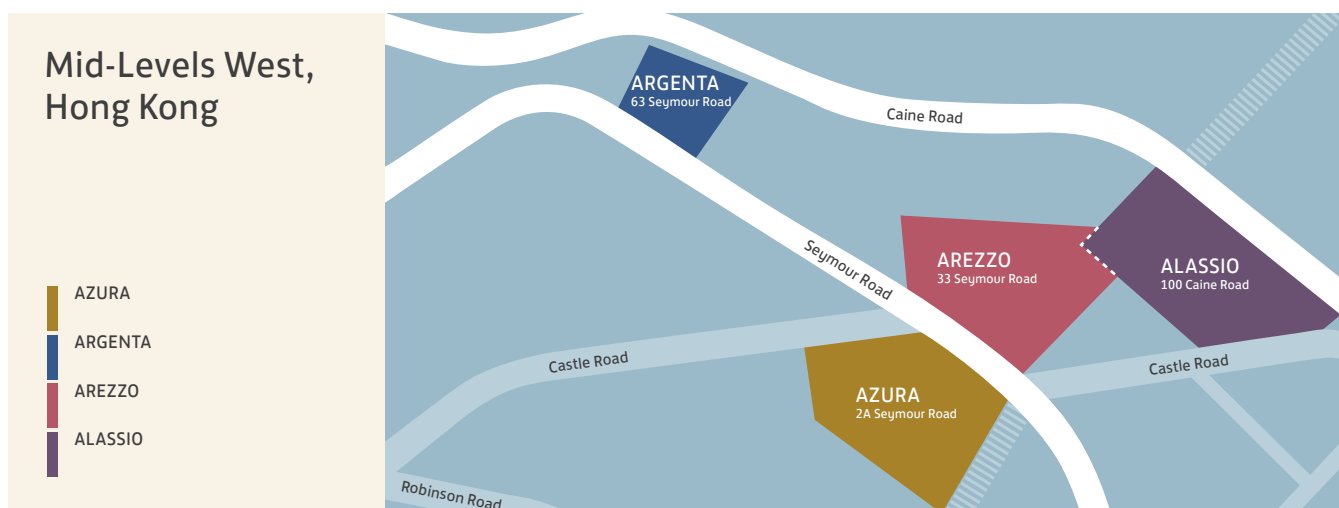
(2) Remaining saleable area.

(3) Including portion which is subject to the outcome of court proceedings.

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.





WHITESANDS

Hong Kong

ALASSIO, 100 Caine Road

All 197 units at the ALASSIO development had been sold at 31st December 2017. The profit from the sales of all the units was recognised in 2017. 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. 21 houses had been sold at 13th March 2018. The profit from the sale of two houses was recognised before 2017 and the profit from the sale of 14 houses was recognised in 2017. The property is managed by Swire Properties.

21-31 Wing Fung Street

In August 2017, Swire Properties acquired a 100% interest in a property at 21-31 Wing Fung Street, Hong Kong. The property has the potential to be redeveloped into a 34,000 square feet residential block with a retail podium.

Hong Kong Residential Market Outlook

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and increased private housing supply, demand is expected to remain resilient. Trading profits are expected to be recognised in 2018 from sales of houses 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 was 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. The application succeeded. The buyer has appealed.

U.S.A.

The residential portion of the first phase 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 handover to purchasers commenced, in 2016. 363 units at Reach and 214 units at Rise had been sold at 13th March 2018. The profits from the sales of 12 units at Reach and 28 units at Rise were recognised in 2017.

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 exchange rate of the US dollar against major South American currencies is strong compared with what it was earlier in the decade. The strength will continue to suppress demand for condominiums by non-US buyers.

Estate Management

Swire Properties manages 19 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 luxury hotels. EAST are business hotels in Hong Kong, Beijing and Miami.

In 2017, trading conditions in Hong Kong were stable. The performance of our hotels in Mainland China and in the U.S.A. improved. Earlier this year, TripAdvisor named The Upper House number 3 in its “Top 25 Luxury Hotels in the World” category and number 1 in its “Top 25 Hotels in China” category. TripAdvisor also named The Opposite House and The Temple House as number 4 and number 6 respectively in its “Top 25 Hotels in China” category.

The Middle House (including serviced apartments known as The Middle House Residences) at HKRI Taikoo Hui in Shanghai is expected to open later in the first half of 2018.

Hotel Portfolio (managed by Swire Hotels)		
	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
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%
<i>Under Development</i>		
Mainland China		
– The Middle House at HKRI Taikoo Hui, Shanghai ⁽³⁾	213	50%
Total	2,138	

⁽¹⁾ Headland Hotel is owned by Airline Property Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.

⁽²⁾ Including serviced apartments in the hotel tower.

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



REPUBLIC

Hong Kong

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room improved in 2017. During the year, the hotel received awards from Condé Nast Traveler and The Telegraph. Café Gray Deluxe received awards from Taste of Hong Kong.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel in Taikoo Shing, revenue per available room was stable in 2017. The food and beverage business was difficult, because of disruption caused by the Taikoo Place redevelopment. During the year, the hotel received awards from Clean the World and TripAdvisor. The hotel's Sugar bar received an award from hkclubbing.com.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Its occupancy improved slightly in 2017, but its revenue per available room was adversely affected by increased competition. During the year, the hotel received awards from Condé Nast Traveler and Forbes. Jing Yaa Tang and Sureño restaurants received awards from Time Out and City Weekend.

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 and occupancy improved in 2017. During the year, the hotel received awards from City Weekend and Sohu. The hotel's Feast (Food by EAST) restaurant received awards from Tatler and The Beijinger.

The Temple House

The Temple House consists of 100 hotel rooms and 42 serviced apartments, the latter known as The Temple House Residences. It 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 2017. During the year, the hotel received awards from Travel + Leisure and Condé Nast Traveler. TIVANO restaurant and Jing bar received awards from China Wine List of the Year. The hotel's MI XUN Spa received an award from SpaChina.

EAST, Miami

EAST, Miami at the Brickell City Centre Development in Miami consists of 263 hotel rooms and 89 serviced apartments. It opened in 2016 and is building up its occupancy levels. Revenue per available room is improving. During the year, the hotel received awards from Condé Nast Traveler and AIA Miami.

Swire Restaurants

Swire Hotels operates restaurants in Hong Kong. There are PUBLIC cafés at One Island East and North Point, and a REPUBLIC café at Devon House. 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. Tong Bar & Café operates in Blueprint, our co-working space at Taikoo Place. During the year, Mr & Mrs Fox and The Continental received awards from the South China Morning Post and the Luxury Travel Guide.

Non-managed Hotels

Overview

Swire Properties has ownership interests in (but does not manage) hotels with 3,140 rooms in aggregate.

Hotel Portfolio (not managed by the Group)	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
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%
<i>Under Development</i>		
Hong Kong		
– Hotel at Tung Chung Town Lot No. 11	206	20%
Mainland China		
– The Sukhothai Shanghai	201	50%
Total	3,140	

⁽¹⁾ Including serviced apartments in the hotel tower.

The performance of the non-managed hotels in Hong Kong was stable, as was that of the Mandarin Oriental, Miami in the U.S.A. The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Occupancy improved in 2017 and its performance was good.

Hotels Market Outlook

Trading conditions for our hotels are expected to be stable in 2018. At HKRI Taikoo Hui in Shanghai, two hotels (The Middle House – managed, and the Sukhothai – non-managed) and a serviced apartment tower (The Middle House Residences) are expected to open later in the first half of 2018. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open early in 2019.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in 2017 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$5,017 million (2016: HK\$5,549 million). Outstanding capital commitments at 31st December 2017 were HK\$12,170 million (2016: HK\$15,711 million), including the Group's share of the capital commitments of joint venture companies of HK\$775 million (2016: HK\$1,214 million). The Group was committed to funding HK\$305 million (2016: HK\$588 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2017 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$917 million (2016: HK\$1,070 million). Outstanding capital commitments at 31st December 2017 were HK\$1,553 million (2016: HK\$1,882 million), including the Group's share of the capital commitments of joint venture companies of HK\$652 million (2016: HK\$1,279 million). The Group was committed to funding HK\$36 million (2016: HK\$226 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2017 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK\$926 million (2016: HK\$950 million). Outstanding capital commitments at 31st December 2017 were HK\$477 million (2016: HK\$735 million).

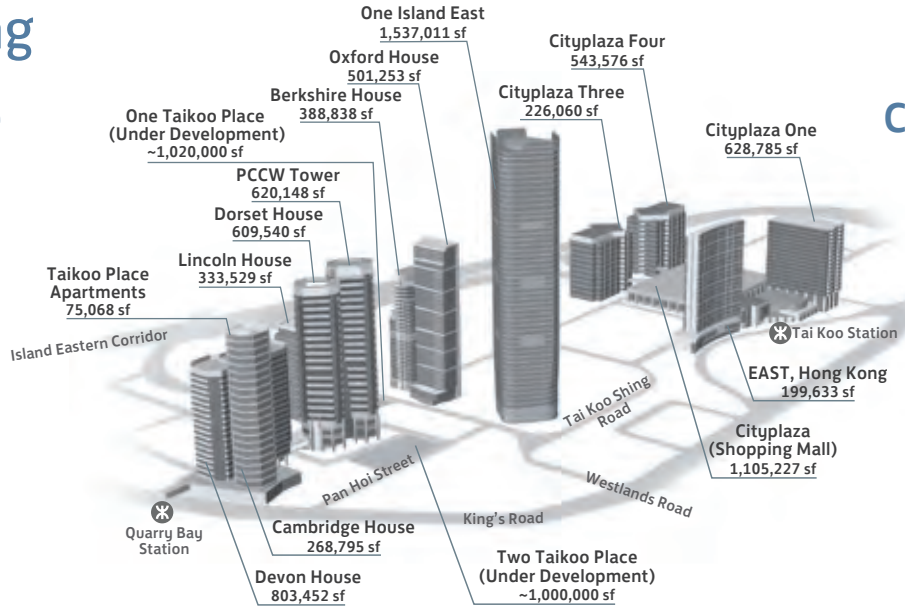
Profile of Capital Commitments at 31st December 2017 for Investment Properties and Hotels						
	Expenditure	Forecast year of expenditure				Commitments ⁽¹⁾
	2017 HK\$M	2018 HK\$M	2019 HK\$M	2020 HK\$M	2021 and later HK\$M	At 31st December 2017 HK\$M
Hong Kong	5,017	4,047	1,361	2,768	3,994	12,170
Mainland China	917	789	646	118	–	1,553
U.S.A. and elsewhere	926	151	281	26	19	477
Total	6,860	4,987	2,288	2,912	4,013	14,200

⁽¹⁾ The capital commitments represent the Group's capital commitments of HK\$12,773 million plus the Group's share of the capital commitments of joint venture companies of HK\$1,427 million. The Group was committed to funding HK\$341 million of the capital commitments of joint venture companies.

Hong Kong

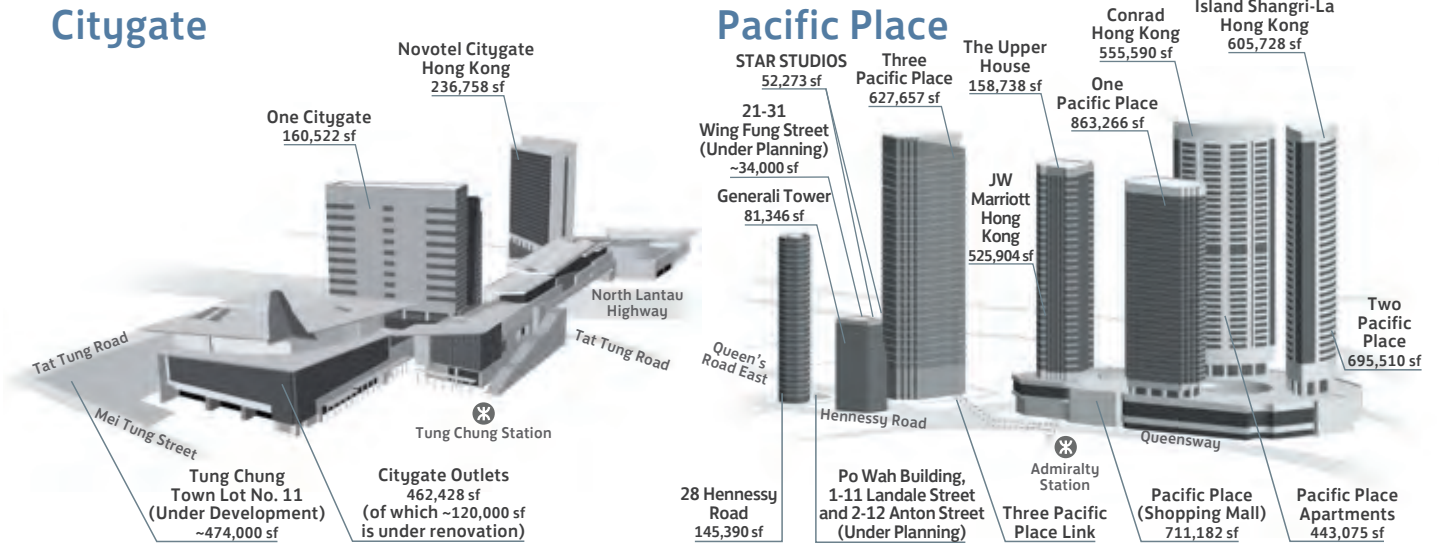
Taiko Place

Cityplaza



Citygate

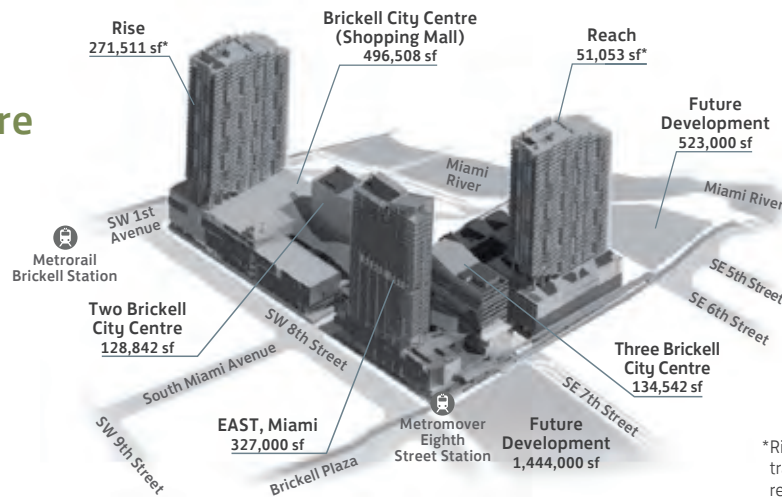
Pacific Place



U.S.A.

Brickell City Centre

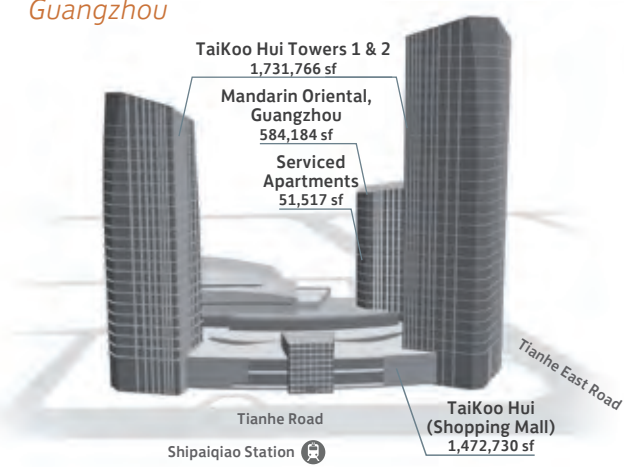
Miami, Florida



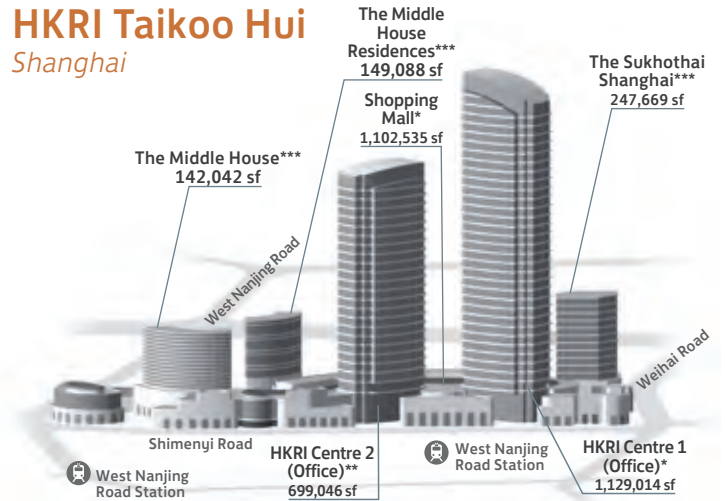
*Rise and Reach are developed for trading purpose. Floor area shown represents the unsold portion.

Mainland China

TaiKoo Hui Guangzhou

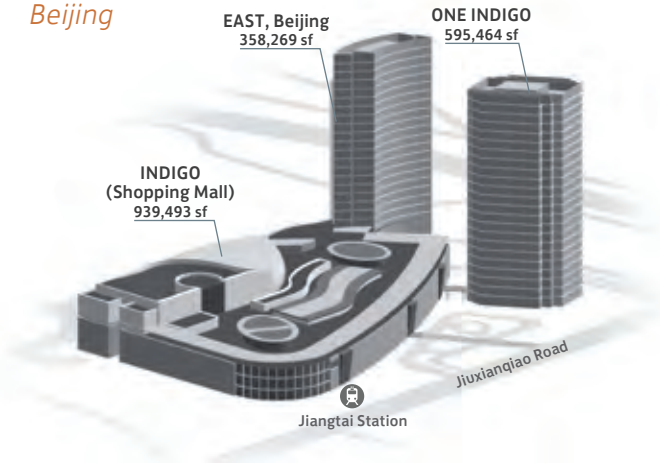


HKRI Taikoo Hui Shanghai

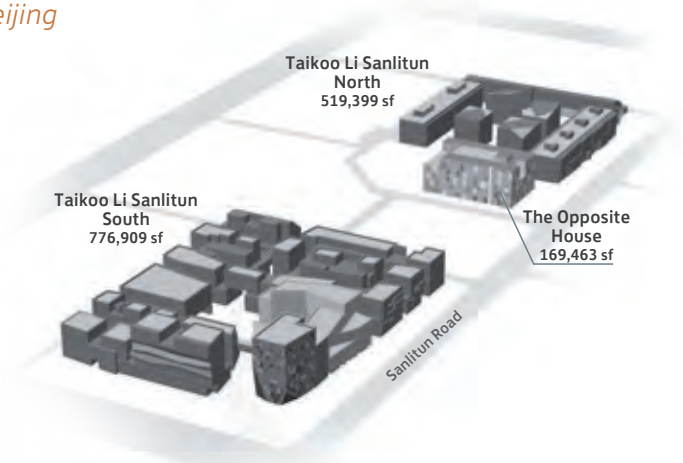


* Shopping mall and HKRI Centre 1 were completed in 2016.
 ** HKRI Centre 2 was completed in 2017.
 *** Hotels & Serviced Apartments were completed in January 2018 and are expected to open later in the first half of 2018.

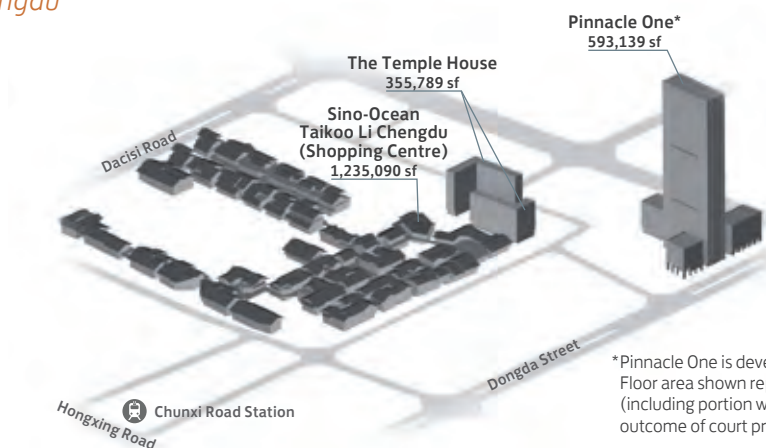
INDIGO Beijing



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 portion which is subject to the outcome of court proceedings).

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

	2017 HK\$M	2016 HK\$M	Reference
Revenue	18,558	16,792	Note 4
<p>The increase in revenue of HK\$1,766 million compared to 2016 was principally due to higher revenue from the sale of residential units in Hong Kong and higher rental income from investment properties.</p> <p>Revenue from property trading increased by HK\$1,073 million from 2016. In 2017, revenue was recognised from 197 ALASSIO units and 14 WHITESANDS houses in Hong Kong and from 12 Reach units and 28 Rise units in Miami, U.S.A. In 2016, revenue was recognised from 347 Reach units and 171 Rise units in Miami, U.S.A., and from 15 AREZZO units, one MOUNT PARKER RESIDENCES unit and one WHITESANDS house in Hong Kong.</p> <p>Rental income from investment properties increased by HK\$479 million. In Mainland China, gross rental income increased by HK\$241 million, reflecting higher retail rents. In the U.S.A., gross rental income increased by HK\$154 million following the opening of the office towers and shopping centre in the first phase of the Brickell City Centre development in 2016. In Hong Kong, gross rental income increased by HK\$84 million, reflecting higher gross rental income from the office and residential portfolios.</p> <p>Revenue from hotels increased by HK\$215 million, largely due to better results from EAST, Miami since its opening in 2016.</p>			

Consolidated Statement of Profit or Loss *(continued)*

	2017 HK\$M	2016 HK\$M	Reference
<p>Gross Profit</p> <p>Gross profit increased by HK\$683 million. Gross profit from investment properties increased by HK\$340 million, reflecting better performances from the retail portfolio in Mainland China and the office portfolio in Hong Kong and a full year of operations at the first phase of the Brickell City Centre development in the U.S.A. Gross profit from property trading increased by HK\$229 million. This reflected the recognition of profits on the sale of units at ALASSIO and houses at WHITESANDS in Hong Kong, partially offset by lower profits on the sale of units at the Reach and Rise developments in the U.S.A. Gross profit from hotels increased by HK\$122 million, due mainly to a full year of operations at EAST, Miami and a better performance at the Mandarin Oriental, Guangzhou.</p>	10,989	10,306	
<p>Operating Profit</p> <p>The increase in operating profit of HK\$17,610 million was principally due to higher net revaluation gains on investment properties and a higher gross profit from investment properties.</p> <p>A net revaluation gain on investment properties of HK\$25,463 million was recorded in 2017, HK\$17,045 million more than in 2016. Investment properties in Hong Kong recorded a net revaluation gain of HK\$23,650 million, principally due to higher rents at the offices in Pacific Place and Taikoo Place, and a reduction of 25 basis points in the capitalisation rate applicable to office properties in Hong Kong. Investment properties in Mainland China recorded a revaluation gain of HK\$2,042 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 loss of HK\$168 million mainly due to slightly lower retail rents.</p> <p>Administrative and selling expenses increased by HK\$75 million compared to 2016, principally due to a full year of depreciation charges at EAST, Miami and higher staff costs.</p>	34,930	17,320	Notes 6 and 8(a)
<p>Net Finance Charges</p> <p>The reduction of HK\$219 million principally reflected a decrease in the amount and cost of borrowings in Hong Kong and Mainland China and a reduced change in the fair value of a put option in favour of the owner of a non-controlling interest in Brickell City Centre. This was partially offset by an increase in finance charges as a result of interest ceasing to be capitalised in respect of Brickell City Centre as it was completed.</p>	900	1,119	Note 10

Consolidated Statement of Profit or Loss (continued)

	2017 HK\$M	2016 HK\$M	Reference
Share of Profits Less Losses of Joint Venture Companies The increase of HK\$366 million principally reflected higher net revaluation gains of HK\$219 million, higher operating profit from HKRI Taikoo Hui following its phased opening in 2016 and higher operating profit from Sino-Ocean Taikoo Li in Mainland China.	1,646	1,280	Note 8(a)
Taxation The decrease of HK\$604 million was principally due to deferred tax credits arising from the change in tax rate in the U.S.A. and an increase in the fair value of investment properties in Mainland China, partly offset by higher operating profit after excluding non-assessable income (principally revaluation gains on Hong Kong investment properties) and the effect of a reduction in the fair value of investment properties in the U.S.A.	1,807	2,411	Note 11
Profit Attributable to the Company's Shareholders The increase of HK\$18,907 million reflected higher net revaluation gains from investment properties, higher profits from investment properties, a higher share of profits from joint venture companies, and lower losses from hotels.	33,957	15,050	Note 8(a)

Consolidated Statement of Financial Position

	2017 HK\$M	2016 HK\$M	Reference
Property, Plant and Equipment The decrease in property, plant and equipment was principally due to depreciation and reclassification of certain owner-occupied properties in Hong Kong as investment properties, partially offset by additions to plant and equipment and other capital expenditure at EAST, Miami at the Brickell City Centre development in the U.S.A.	8,371	8,471	Note 15
Investment Properties The increase in investment properties of HK\$32,163 million was principally due to a revaluation gain of HK\$25,463 million and additions during the year of HK\$4,749 million (including capital expenditure at the Taikoo Place redevelopment and other projects in Hong Kong and at the Brickell City Centre development). In addition, there was a foreign exchange translation gain of HK\$2,117 million (principally in respect of investment properties in Mainland China).	267,531	235,368	Note 16

Consolidated Statement of Financial Position *(continued)*

	2017 HK\$M	2016 HK\$M	Reference
<p>Properties Held for Development</p> <p>The increase of HK\$63 million principally reflected development expenditure at and a foreign exchange translation gain in respect of the Brickell City Centre development.</p>	1,342	1,279	Note 18
<p>Investment in Joint Venture Companies</p> <p>The increase of HK\$3,041 million principally reflected (i) funding advanced for projects in Hong Kong, (ii) the Company's share of profits of joint venture companies (including revaluation gains) and (iii) the Company's share of foreign exchange translation gains arising from joint venture companies in Mainland China.</p>	23,026	19,985	Note 19
<p>Other Current Assets and Other Non-current Assets</p> <p>The increase represents development costs incurred in respect of the Kowloon Bay development in 2017.</p>	6,262	5,479	Note 32
<p>Properties Under Development and For Sale</p> <p>The decrease of HK\$3,369 million reflected sales of residential units at the ALASSIO and houses at the WHITESANDS developments in Hong Kong and at the Reach and Rise developments at Brickell City Centre in the U.S.A., partially offset by reclassification of the Wing Fung Street property (which was previously classified as an investment property) as a property under development.</p>	2,300	5,669	Note 22
<p>Trade and Other Payables (including non-current portion)</p> <p>The decrease of HK\$632 million principally reflected a HK\$651 million decrease in accrued capital expenditure and a HK\$703 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 a property in Kowloon Bay, Hong Kong and a HK\$46 million increase in the value of a put option in respect of a non-controlling interest.</p>	8,536	9,168	Note 27
<p>Long-Term Loans and Bonds (including the component due within one year)</p> <p>The increase of HK\$2,326 million was principally due to the issue of medium term notes of HK\$2,090 million and the drawdown of additional bank loans to repay the amount due to Swire Finance Limited by reason of the redemption of that company's US\$300 million perpetual capital securities and to fund capital and development expenditure in Hong Kong, partly offset by prepayment of bank loans in Mainland China.</p>	31,380	29,054	Note 28

Consolidated Statement of Financial Position *(continued)*

	2017 HK\$M	2016 HK\$M	Reference
Loans Due to a Fellow Subsidiary Company – Swire Finance Limited (including the component due within one year) The decrease of HK\$2,328 million reflected repayment of the amount due to Swire Finance Limited by reason of the redemption of that company's US\$300 million perpetual capital securities.	5,176	7,504	Note 29
Deferred Tax Liabilities The increase of HK\$683 million principally reflected deferred tax in respect of depreciation allowances relating to investment properties and in respect of revaluation gains on investment properties in Mainland China, partly offset by the effect of revaluation losses on investment properties and the change in tax rate in the U.S.A.	8,523	7,840	Note 31
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\$36,283 million), as reduced by dividends paid to the Company's shareholders.	257,381	225,369	Notes 34 and 35
Non-Controlling Interests The increase in non-controlling interests of HK\$141 million reflected capital contributions of HK\$241 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.	1,997	1,856	Note 37

Consolidated Statement of Cash Flows

	2017 HK\$M	2016 HK\$M	Reference
Cash Generated from Operations Cash generated from operations of HK\$13,680 million principally comprised cash inflows from investment properties of approximately HK\$9,060 million in Hong Kong and Mainland China, from property trading of approximately HK\$5,168 million and from a deposit of HK\$653 million received on the sale of the subsidiary company which owns an investment property in Kowloon Bay, Hong Kong, partially offset by operating expenses of approximately HK\$1,145 million and expenditure on properties under development and for sale of approximately HK\$689 million.	13,680	10,767	Note 42(a)

Consolidated Statement of Cash Flows (continued)

	2017 HK\$M	2016 HK\$M	Reference
Tax Paid The decrease principally reflected less assessable profits arising from property trading in Hong Kong.	1,044	1,413	
Dividends Received from Joint Venture and Associated Companies and Available-for-sale Assets The decrease of HK\$250 million principally reflected less dividends received from hotel investment and other joint venture companies.	249	499	
Purchase of Property, Plant and Equipment The amount of HK\$217 million in 2017 principally reflected additions to plant and equipment and other capital expenditure at EAST, Miami at the Brickell City Centre development in the U.S.A.	217	349	Note 42(b)
Additions to Investment Properties The amount of HK\$5,179 million in 2017 principally reflected capital expenditure at the Taikoo Place redevelopment and other projects in Hong Kong and at the Brickell City Centre development in the U.S.A.	5,179	5,883	
Additions to Other Current Assets/Other Non-current Assets The amount of HK\$623 million represented development costs incurred on the property in Kowloon Bay, Hong Kong, the sale of the subsidiary owning which has been agreed.	623	254	
Equity and Loans (Net of Repayment) to Joint Venture Companies The amount of HK\$865 million in 2017 principally reflected funding by way of debt and equity for projects in Hong Kong and Mainland China.	865	72	
Loans Drawn and Refinancing (Net of Repayment) The amount of HK\$1,889 million in 2017 principally reflected the issue of medium term notes of HK\$2,090 million and the drawdown of additional bank loans to repay the amount due to Swire Finance Limited by reason of the redemption of that company's US\$300 million perpetual capital securities 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.	1,889	4,190	
Decrease in Loans Due to a Fellow Subsidiary Company – Swire Finance Limited The amount of HK\$2,329 million in 2017 reflected repayment of the amount due to Swire Finance Limited by reason of the redemption of that company's US\$300 million perpetual capital securities.	2,329	4,658	

Investment Appraisal and Performance Review

	Net Assets Employed		Capital Commitments ⁽¹⁾	
	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M
Property investment	283,045	248,466	13,940	17,628
Property trading	3,942	6,616	–	–
Hotels	7,738	7,520	260	700
Total net assets employed	294,725	262,602	14,200	18,328
Less: net debt	(35,347)	(35,377)		
Less: non-controlling interests	(1,997)	(1,856)		
Equity attributable to the Company's shareholders	257,381	225,369		

	Equity Attributable to the Company's Shareholders ⁽²⁾		Return on Average Equity Attributable to the Company's Shareholders ⁽²⁾	
	2017 HK\$M	2016 HK\$M	2017	2016
Property investment	248,783	216,723	14.1%	6.6%
Property trading	1,853	2,060	56.8%	48.2%
Hotels	6,745	6,586	-0.6%	-1.7%
Total	257,381	225,369	14.1%	6.8%

⁽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

A loan agreement entered into in 2010 between Swire Properties (Finance) Limited, the Company and Swire Finance Limited ("Swire Finance", a wholly-owned subsidiary of Swire Pacific Limited) recorded the terms on which the Group borrowed from Swire Finance amounts equivalent to amounts borrowed by Swire Finance under the Swire Pacific group's medium term note programme. Those terms substantially mirrored the terms of the bonds issued under that medium term note programme. Those bonds mature on various dates in 2018. No security has been given by the Group in respect of its obligations under that loan agreement. Upon maturity of the bonds to which that loan agreement relates, the Group will obtain new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.

Medium Term Note Programme

In 2012, Swire Properties MTN Financing Limited, a wholly-owned subsidiary of the Company, established a US\$3 billion Medium Term Note (“MTN”) Programme. The aggregate nominal amount of the MTN Programme was increased to US\$4 billion in May 2017. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed

by the Company. At 31st December 2017, the MTN Programme was rated A by Fitch and (P)A2 by Moody's, in each case in respect of notes with a maturity of more than one year.

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

Changes in Financing

Audited Financial Information

During the year, the Group raised approximately HK\$10,498 million. This comprised:

- term and revolving loan facilities aggregating HK\$4,500 million
- medium term notes of HK\$2,090 million
- refinancing of a term loan facility of US\$500 million

During the year, the Group made various repayments of debt including of the amount due under a loan agreement with Swire Finance corresponding to US\$300 million perpetual capital securities which were redeemed at par in May 2017 by Swire Finance.

Subsequent to 31st December 2017, the Group issued medium term notes of US\$500 million.

	Loans and bonds		Loans due to Swire Finance		2017 HK\$M	2016 HK\$M
	due within one year HK\$M	due after one year HK\$M	due within one year HK\$M	due after one year HK\$M		
Bank loans, bonds and loans from Swire Finance						
At 1st January	5,170	24,384	2,329	5,175	37,058	37,734
Loans drawn and refinanced	195	6,280	–	–	6,475	5,470
Bonds issued	–	2,090	–	–	2,090	5,078
Bonds matured	(500)	–	–	–	(500)	–
Repayment of loans	(4,267)	(1,909)	(2,329)	–	(8,505)	(11,016)
Reclassification	2,423	(2,423)	5,175	(5,175)	–	–
Currency adjustment	130	237	–	–	367	(249)
Other non-cash movements	10	59	1	–	70	41
At 31st December	3,161	28,718	5,176	–	37,055	37,058

Net Debt

Audited Financial Information

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings at 31st December 2017 and 2016 were as follows:

	2017 HK\$M	2016 HK\$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	11,136	8,984
Bonds – unsecured	17,582	15,400
Borrowings from Swire Finance – unsecured	–	5,175
Borrowings included in current liabilities		
Bank borrowings – unsecured	3,161	4,670
Bonds – unsecured	–	500
Borrowings from Swire Finance – unsecured	5,176	2,329
Total borrowings	37,055	37,058
Less: short-term deposits and bank balances	1,708	1,681
Net debt	35,347	35,377

Sources of Finance

Audited Financial Information

At 31st December 2017, committed loan facilities and debt securities amounted to HK\$47,323 million, of which HK\$10,561 million (22%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$804 million. Sources of funds at 31st December 2017 comprised:

	Available HK\$M	Drawn HK\$M	Undrawn Expiring Within One Year HK\$M	Undrawn Expiring After One Year HK\$M
Facilities from third parties				
Term loans	9,688	9,688	–	–
Revolving loans	14,804	4,243	–	10,561
Bonds	17,654	17,654	–	–
Facilities from Swire Finance				
Bonds	5,177	5,177	–	–
Total committed facilities	47,323	36,762	–	10,561
Uncommitted facilities				
Bank loans and overdrafts	1,303	499	804	–
Total	48,626	37,261	804	10,561

Note:

The figures above are stated before unamortised loan fees of HK\$206 million.

i) Loans and Bonds

Audited Financial Information

For accounting purposes, loans and bonds are classified as follows:

	2017			2016		
	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	499	–	499	500	–	500
Long-term loans and bonds at amortised cost						
– unsecured	36,762	(206)	36,556	36,736	(178)	36,558
Less: amount due within one year included under current liabilities	7,842	(4)	7,838	7,005	(6)	6,999
	28,920	(202)	28,718	29,731	(172)	29,559

ii) Bank Balances and Short-term Deposits

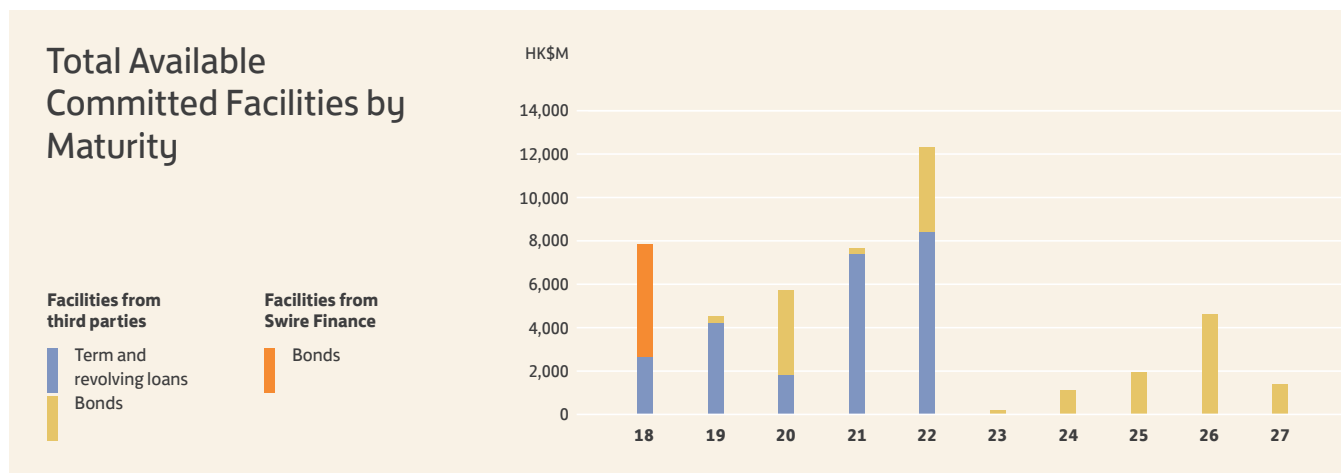
The Group had bank balances and short-term deposits of HK\$1,708 million at 31st December 2017, compared to HK\$1,681 million at 31st December 2016.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2027 (2016: up to 2026). The weighted average term and cost of the Group's debt are:

	2017	2016
Weighted average term of debt	3.8 years	3.7 years
Weighted average term of debt (excluding perpetuals)	3.8 years	3.9 years
Weighted average cost of debt	3.6%	4.1%
Weighted average cost of debt (excluding perpetuals)	3.5%	3.8%

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



Audited Financial Information

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

	2017		2016	
	HK\$M		HK\$M	
Bank borrowings and bonds from third parties due				
Within 1 year	3,161	9%	5,170	14%
1-2 years	2,232	6%	2,423	7%
2-5 years	17,297	46%	11,021	30%
After 5 years	9,189	25%	10,940	29%
Borrowings from Swire Finance due				
Within 1 year	5,176	14%	2,329	6%
1-2 years	–	–	5,175	14%
Total	37,055	100%	37,058	100%
Less: Amount due within one year included under current liabilities	8,337		7,499	
Amount due after one year included under non-current liabilities	28,718		29,559	

Currency Profile

Audited Financial Information

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

	2017		2016	
	HK\$M		HK\$M	
Currency				
Hong Kong dollars	28,639	77%	27,315	74%
United States dollars	6,215	17%	6,775	18%
Renminbi	1,826	5%	2,689	7%
Singapore dollars	375	1%	279	1%
Total	37,055	100%	37,058	100%

Finance Charges

Audited Financial Information

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

	2017		2016	
	HK\$M		HK\$M	
Fixed	24,394	65%	23,480	63%
Floating	12,867	35%	13,756	37%
Sub-total	37,261	100%	37,236	100%
Less: Unamortised loan fee	206		178	
Total	37,055		37,058	

Audited Financial Information *(continued)*

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

	Floating Interest Rates HK\$M	Fixed Interest Rates Maturing in:			Total HK\$M
		1 Year or Less HK\$M	1 to 5 Years HK\$M	Over 5 Years HK\$M	
At 31st December 2017	12,748	5,176	9,943	9,188	37,055
At 31st December 2016	13,654	2,829	9,635	10,940	37,058

Interest charged and earned during the year was as follows:

	2017 HK\$M	2016 HK\$M
Interest charged on:		
Bank loans and overdrafts	291	349
Bonds	572	516
Loans from fellow subsidiary companies	328	507
Loans from joint venture and related companies	6	7
Net fair value losses/(gains) on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	2	(5)
Other financing costs	150	146
	1,349	1,520
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	6	114
Capitalised on:		
Investment properties	(212)	(248)
Properties under development and for sale	–	(140)
Hotels	–	(5)
Other current assets/other non-current assets	(160)	(25)
	983	1,216
Interest income on:		
Short-term deposits and bank balances	(14)	(26)
Loans to joint venture companies	(69)	(69)
Others	–	(2)
	(83)	(97)
Net finance charges	900	1,119

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 current assets/other non-current assets were between 1.4% and 3.9% per annum (2016: 1.3% and 4.3% per annum).

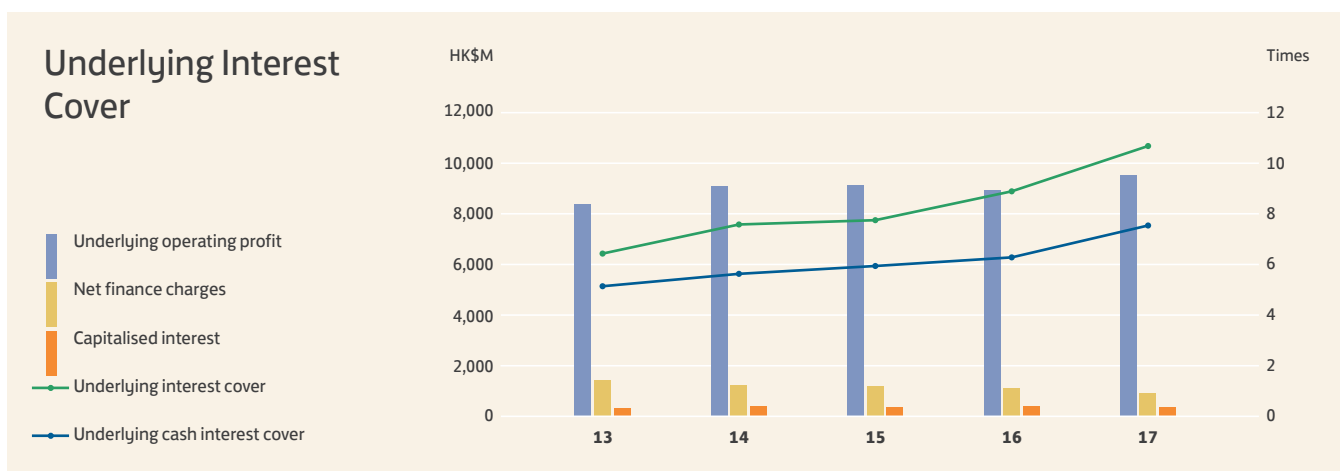
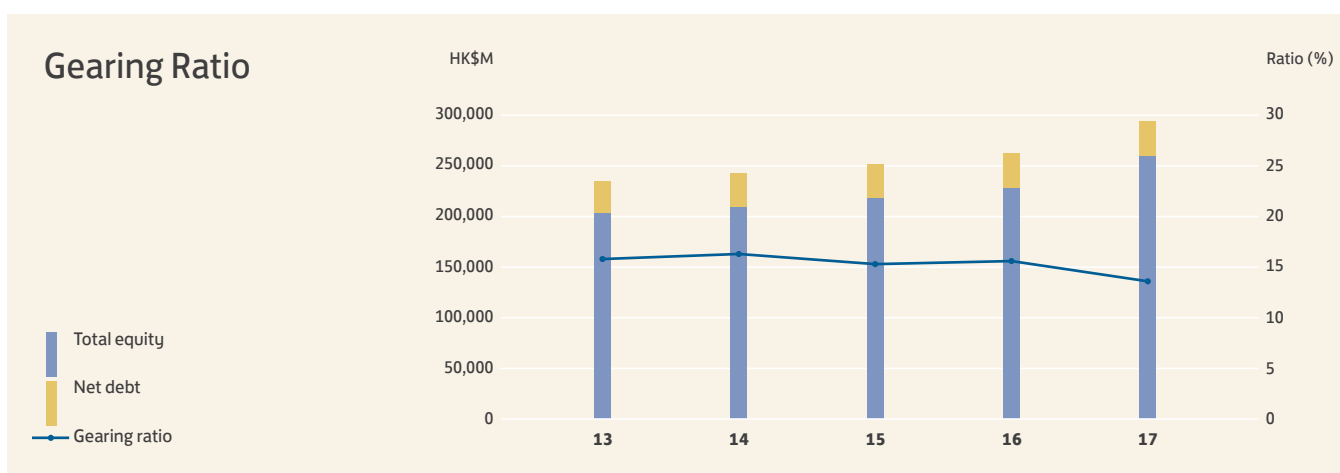
Audited Financial Information (continued)

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

	2017				2016			
	HK\$ %	US\$ %	RMB %	SGD %	HK\$ %	US\$ %	RMB %	SGD %
Uncommitted bank loans and overdrafts	–	–	4.1-4.4	1.8	–	–	3.8	1.5
Long-term loans and bonds	1.3-5.2	2.0-2.9	4.3-4.4	1.8-2.0	1.2-5.2	1.2-2.5	4.3-4.4	1.4
Perpetual capital securities	–	–	–	–	–	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:



	2017	2016
Gearing ratio⁽¹⁾	13.6%	15.6%
Interest cover – times⁽¹⁾		
Per financial statements	38.8	15.5
Underlying	10.7	8.9
Cash interest cover – times⁽¹⁾		
Per financial statements	27.5	11.3
Underlying	7.5	6.3

⁽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.

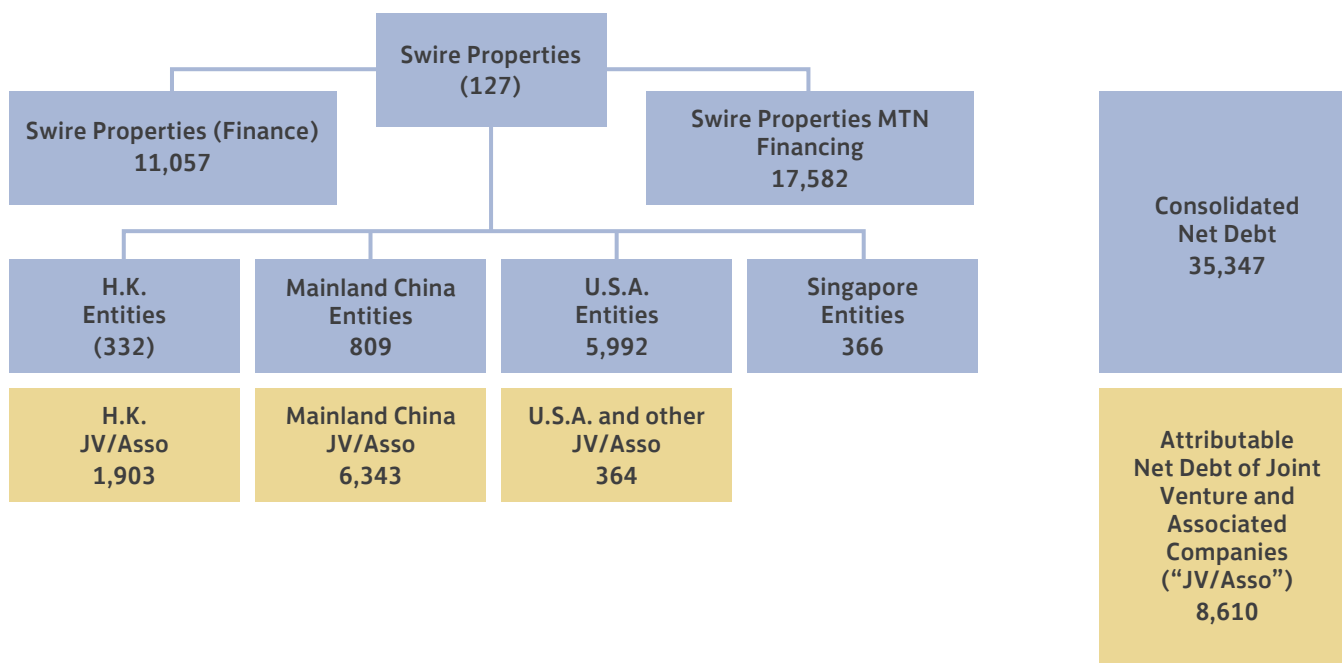
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2017 and 31st December 2016 were as follows:

	2017 HK\$M	2016 HK\$M
Total borrowings	37,055	37,058
Less: Short-term deposits and bank balances	1,708	1,681
Net debt	35,347	35,377
Total equity	259,378	227,225
Gearing ratio	13.6%	15.6%

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 2017 and 2016:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M
Hong Kong Entities	4,189	3,826	1,903	1,841	1,005	975
Mainland China Entities	12,686	11,506	6,343	5,753	–	–
U.S.A. and other Entities	459	555	364	416	478	484
Total	17,334	15,887	8,610	8,010	1,483	1,459

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 16.9%.

Corporate
Governance &
Sustainability

WHITE CHRISTMAS



SWIRE PROPERTIES

CHRISTMAS STREET FAIR



Taikoo Place
Hong Kong

Corporate Governance

Governance Culture

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

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

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

Corporate Governance Statement

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

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

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

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

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

The Board of Directors

Role of the Board

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

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

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including financial statements
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of the Group's risk management and internal control systems
- ensuring the adequacy of 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, P. Healy, M.M.S. Low, F.N.Y. Lung 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 represents 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 2017 Board meetings were determined in 2016 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 2017. 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.

Directors	Meetings Attended/Held				Continuous Professional Development
	Board	Audit Committee	Remuneration Committee	2017 Annual General Meeting	Type of Training (Note)
Executive Directors					
J.R. Slosar – Chairman	5/5			✓	A
G.M.C. Bradley	5/5			✓	A
F.N.Y. Lung (appointed on 1st October 2017)	1/1			N/A	A
Non-Executive Directors					
M. Cubbon (resigned on 30th September 2017)	4/4	2/2		✓	A
P. Healy	5/5			✓	A
R.S.K. Lim	5/5			✓	A
M.M.S. Low (re-designated on 1st October 2017)	5/5	1/1		✓	A
M.B. Swire	5/5		2/2	✓	A
Independent Non-Executive Directors					
S.E. Bradley	5/5		2/2	✓	A
J.C.C. Chan (resigned on 16th March 2017)	2/2	1/1		N/A	A
L.K.L. Cheng (appointed on 17th March 2017)	3/3	2/2		✓	A
P.K. Etchells (resigned on 16th May 2017)	2/2	1/1		✓	A
S.T. Fung	5/5			✓	A
S.C. Liu	5/5		2/2	✓	A
M.Y. Wu (appointed on 15th May 2017)	2/3	2/2		✓	A
Average attendance	98%	100%	100%	100%	

Note:

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

Continuous Professional Development

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

Directors’ and Officers’ Insurance

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

Conflicts of Interest

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

Delegation by the Board

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

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

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

Securities Transactions

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

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

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

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

Directors’ interests at 31st December 2017 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 2017.

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 (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 management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in October 2017. 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	2017 HK\$	2018 HK\$
Director's Fee	575,000	575,000
Fee for Audit Committee Chairman	260,000	268,000
Fee for Audit Committee Member	180,000	186,000
Fee for Remuneration Committee Chairman	80,000	83,000
Fee for Remuneration Committee Member	58,000	60,000

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, M.Y. Wu, L.K.L. Cheng and M.M.S. Low, 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, M.Y. Wu, is Chairman. M.Y. Wu succeeded P.K. Etchells as Chairman of the Audit Committee with effect from the conclusion of the Company's 2017 Annual General Meeting held on 16th May 2017. L.K.L. Cheng and M.M.S. Low succeeded J.C.C. Chan and M. Cubbon as members of the Audit Committee with effect from 17th March 2017 and 1st October 2017 respectively.

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 2017. 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 (Cushman & Wakefield Limited) also attended two of the meetings.

The work of the Committee during 2017 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2016 annual and 2017 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 2018 annual Internal Audit programme and review of progress on the 2017 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 2018, the Committee has reviewed, and recommended to the Board for approval, the 2017 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 22 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 25 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 25 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. 14 assignments were conducted for Swire Properties in 2017.

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 are not, and are 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 16th May 2017. 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 2016
- electing/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 2018 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 nine 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 61, 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, The Hongkong and Shanghai Banking Corporation Limited and PureCircle 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 52, 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. 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. He is a chartered surveyor and a member of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors.

LUNG, Ngan Yee Fanny, aged 51, has been Finance Director of the Company since October 2017. She was previously Group Director Finance of Hong Kong Aircraft Engineering Company Limited. She joined the Swire group in 1992.

Non-Executive Directors

HEALY, Patrick, aged 52, 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 58, has been a Director of the Company since July 2013. He is also Senior Adviser to John Swire & Sons (H.K.) Limited. He is Executive Chairman of APS Asset Management Pte Ltd and a Director of Hong Leong Finance Limited and Raffles Medical Group Ltd. He was a Member of the Singapore Parliament from 2001 to 2015.

LOW, Mei Shuen Michelle, aged 57, has been a Director of the Company since September 2010. She is also Finance Director of Swire Pacific Limited and a Director of John Swire & Sons (H.K.) Limited and Cathay Pacific Airways Limited. She joined the Swire group in 1987.

SWIRE, Merlin Bingham, aged 44, 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 59, has been a Director of the Company since April 2010. He is Vice Chairman of RKR Capital Pte. Ltd. and a Director of Shanghai CFETS-NEX International Money Broking Co., Ltd. and Husky Energy Inc.

CHENG, Lily Ka Lai, aged 39, has been a Director of the Company since March 2017. She is an Independent Non-Executive Director of Octopus Cards Limited as well as a Board Observer and Adviser to HotelBeds Group. She is an Executive Director of Hubel Labs Limited. She served in senior management roles at TripAdvisor, Inc. and Expedia, Inc. from 2008 to 2016.

FUNG, Spencer Theodore, aged 44, 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 62, 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 50, has been a Director of the Company since 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 54, 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 and President of The Hong Kong Institute of Chartered Secretaries.

Notes:

1. The Audit Committee comprises M.Y. Wu (committee chairman), L.K.L. Cheng and M.M.S. Low.
2. The Remuneration Committee comprises S.C. Liu (committee chairman), S.E. Bradley and M.B. Swire.
3. G.M.C. Bradley, P. Healy, M.M.S. Low, F.N.Y. Lung, 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 2017, 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 in notes 19 and 20 to the financial statements.

Dividends

The Directors have declared a second interim dividend of HK\$0.52 per share for the year ended 31st December 2017. Together with the first interim dividend of HK\$0.25 per share paid on 11th October 2017, this makes a total dividend for the year of HK\$0.77 (2016: HK\$0.71) per share. This represents a total distribution for the year of HK\$4,505 million. The second interim dividend, which totals HK\$3,042 million (2016: HK\$2,808 million), will be paid on 3rd May 2018 to shareholders registered at the close of business on the record date, being Friday, 6th April 2018. Shares of the Company will be traded ex-dividend as from Tuesday, 3rd April 2018.

Closure of Register of Members

The register of members will be closed on Friday, 6th April 2018, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 4th April 2018.

To facilitate the processing of proxy voting for the annual general meeting to be held on 8th May 2018, the register of members will be closed from 3rd May 2018 to 8th May 2018, 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, 2nd May 2018.

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 and 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 35 and 36 to the financial statements.

Share Capital

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

At 31st December 2017, 5,850,000,000 shares were in issue (31st December 2016: 5,850,000,000 shares). Details of the movement of share capital are set out in note 34 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 has complied or 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\$18 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 (94% by value having been valued by Cushman & Wakefield Limited and 3% by value having been valued by another independent valuer) on the basis of open market value at 31st December 2017. This valuation resulted in an increase of HK\$25,463 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

The Directors of the Company at the date of this report are listed in the section of this annual report headed Directors and Officers. L.K.L. Cheng, M.Y. Wu and F.N.Y. Lung were appointed as Directors of the Company with effect from 17th March 2017, 15th May 2017 and 1st October 2017 respectively. J.C.C. Chan and M. Cubbon resigned as Directors of the Company with effect from 17th March 2017 and 1st October 2017 respectively. P.K. Etchells resigned as a Director of the Company with effect from the conclusion of the Company's 2017 Annual General Meeting held on 16th May 2017. All the other Directors at the date of this report served throughout the calendar year 2017.

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, P. Healy retires this year and, being eligible, offers himself for re-election. F.N.Y. Lung, having been appointed to the Board under Article 91 since the last annual general meeting, also retires this year and offers herself 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 2017, 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			Total No. of Shares	Percentage of Voting Shares (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
Swire Properties Limited						
S.E. Bradley	700	–	–	700	0.00001	
L.K.L. Cheng	1,000	–	–	1,000	0.00002	

	Capacity			Total No. of Shares	Percentage of Issued Share Capital (comprised in the class) (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
John Swire & Sons Limited						
Ordinary Shares of £1						
M.B. Swire	2,075,023	130,000	17,546,068	19,751,091	19.75	(1)
8% Cum. Preference Shares of £1						
M.B. Swire	2,769,489	–	12,175,623	14,945,112	16.61	(1)

	Capacity			Total No. of Shares	Percentage of Voting Shares (comprised in the class) (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
Swire Pacific Limited						
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
L.K.L. Cheng	10,000	–	–	10,000	0.0011	

Note:

(1) M.B. Swire is a trustee and/or a potential beneficiary of trusts which held 6,222,732 ordinary shares and 1,963,221 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 2017 or during the period from 1st January 2018 to the date of this Report are available on the Company's website www.swireproperties.com.

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 2017 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 2017:

- (1) Swire Pacific Limited was interested in 4,796,765,835 shares of the Company as beneficial owner;
- (2) John Swire & Sons Limited and its wholly owned subsidiary John Swire & Sons (H.K.) Limited were deemed to be interested in a total of 4,796,765,835 shares of the Company, in which Swire Pacific Limited was interested, by virtue of the John Swire & Sons Limited group being interested in 55.06% of the equity of Swire Pacific Limited and controlling 63.88% 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.

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.

Continuing Connected Transactions

During the year ended 31st December 2017, 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 2017 are given in note 41 to the financial statements.

(b) Tenancy Framework Agreement

The Company, JSSHK and Swire Pacific entered into a tenancy framework agreement ("Tenancy Framework Agreement") on 14th August 2014 to govern existing and future tenancy agreements between members of the Group, members of the JSSHK group and members of the Swire Pacific group. 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 2017, the aggregate rentals payable to the Group under the tenancies subject to the Tenancy Framework Agreement totalled HK\$215 million.

At 31st December 2017, the Swire group was interested in 55.06% of the equity of Swire Pacific and controlled 63.88% 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, P. Healy, R.S.K. Lim, M.M.S. Low, F.N.Y. Lung, J.R. Slosar and M.B. Swire are interested in the Services Agreement and the Tenancy Framework Agreement. Before he ceased to be a director of the Company, M. Cubbon was so interested as a director and an employee of the Swire group. M.B. Swire is so interested as a shareholder of Swire.

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

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

On behalf of the Board

John Slosar
Chairman

Hong Kong, 15th March 2018

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 2017, Swire Properties continued with its sustainable development 2030 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 sustainable development management structure. The Chief Executive became the chairman of our sustainable development steering committee (“SD Steering Committee”). Through its chairman, the SD Steering Committee reports to the Board of Directors of the Company on significant sustainable development matters. 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 were established to focus on different areas of SD and to recommend targets and initiatives 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.

Making Swire Places

In April 2017, we held a staff engagement event in Hong Kong called “Making Swire Places”. Colleagues formed teams to design their ideal place to live, stay and work. There were similar employee engagement events at Taikoo Li Sanlitun in Beijing and TaiKoo Hui in Guangzhou later in the year. More than 400 colleagues participated in these engagements.

In May 2017, we opened “The Loop”, a sustainable development exhibition and recycling centre at Taikoo Place. The centre has a food waste composter and an urban farming area. It aims to increase environmental awareness and to encourage sustainable practices.

Communities and Local Economy

During our art month (in March 2017) we worked with Art Basel for the fifth year, hosted a VIP Lounge designed by Hugh Dutton at the Hong Kong Convention and Exhibition Centre and a multimedia art installation (*BIT.FALL*) by German artist Julius Popp at Pacific Place.



Opened “The Loop” sustainable development exhibition centre in Taikoo Place

Hong Kong

In April 2017, Brickell City Centre held the ‘A Mindful Miami’ mass meditation in honour of Earth Day. More than 1,500 people participated.

In June 2017, the new ArtisTree opened at Taikoo Place. Over 1,000 people attended four productions.

In October 2017, we co-organised the Beijing Music Festival (BMF) at Taikoo Li Sanlitun. This was the BMF’s 20th anniversary.

In April, November and December 2017, we joined with social enterprise Honestly Green, celebrity chefs and local organic farmers to promote food sustainability at the Tong Chong Street Market.

In November and December 2017, Swire Properties held its fifth annual White Christmas Street Fair at the Starstreet Precinct and on Tong Chong Street, in order to raise funds for Operation Santa Claus. More than 80,000 visitors attended.

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



Held “A Mindful Miami” mass meditation in Brickell City Centre

Miami

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 2017, we provided around 75,000 hours of training and development on leadership and management, health and safety and employee wellness.

Health and Safety

In 2017, our lost time injury rate decreased by 20.6% but our lost day rate increased by 33.7% compared to 2016. The increase reflected a higher incidence of long term injuries.

Our 2016 sustainable development report won the Bronze Award at the Occupational Safety & Health Annual Report Award. Two of our employees won Merit awards at the 9th Outstanding Occupational Safety and Health Employee Award Scheme organised by the Hong Kong Occupational Safety and Health Council.

Volunteering

In 2017, 2,290 of our community ambassadors participated in 74 activities, contributing more than 6,750 hours of service in Hong Kong and Mainland China. In March 2017, Swire Properties and the China Children and Teenagers’ Fund completed construction of a community centre in Pengzhou, Sichuan. Doing this accords with our wish to promote rural sustainable development and to support earthquake-affected residents. Our Chengdu colleagues took part in the first volunteer activity at the centre.



Promoted sustainable foods at Tong Chong Street Market

Hong Kong



Won awards from the Outstanding Occupational Safety and Health Employee Award Scheme

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 and our supplier code of conduct.

We monitor our green purchasing with a green procurement tracking system. In 2017, 12 types of building materials, building services equipment and office supplies were monitored. Over HK\$388 million worth of green products was procured.

Tenants

We aim to work closely with our commercial tenants to integrate sustainability practices into their operations. We offer office tenants in Hong Kong, Taikoo Li Sanlitun and INDIGO in Beijing, TaiKoo Hui in Guangzhou and Sino-Ocean Taikoo Li Chengdu free energy audits to help them identify energy saving opportunities. At 31st December 2017, our energy audits had covered more than five million square feet of tenanted area.

At 31st December 2017, tenants occupying approximately 53% of the office space in TaiKoo Hui, Guangzhou had signed sustainability memoranda with Swire Properties.

Over 70 of our Hong Kong retail tenants have joined the Green Shop Alliance, which is intended to embed sustainability in their daily operations.

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.

Climate Change

We recognise that climate change poses risks to and opportunities for our business. We aim to reduce carbon emissions from our buildings and operations. In December 2017, we started to assess climate risks for our portfolios, with a view to protecting them from the impact of climate change and to building climate resilience into our business.

Energy

In 2017, our energy intensity* decreased by 2% compared to 2016 in our Hong Kong and Mainland China portfolios. The reduction was mainly due to monitoring-based commissioning of heating, ventilation and air conditioning systems, introducing electrically-commutated motor plug



Completed construction of a community centre in Pengzhou, Sichuan

Mainland China

fans, retrofitting air conditioning systems and using more 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 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.

Waste

We aim to reduce waste as much as we can. To help our tenants to prepare for municipal solid waste charging, we piloted a waste programme with more than 130 Cityplaza tenants and at EAST, Hong Kong. There was an 18% reduction in waste and a 15% increase in recycling rate.

Green Building

In 2017, One Taikoo Place achieved a BEAM Plus New Buildings Version 1.2 Provisional Platinum rating. Lincoln House in Taikoo Place, One and Two Pacific Place and The Mall at Pacific Place obtained final Platinum ratings under the BEAM Plus Existing Buildings Version 2.0 Comprehensive Scheme.

The TaiKoo Hui mall and office towers in Guangzhou achieved LEED Final Platinum certification under the LEED for Existing Buildings: Operations and Maintenance rating system.

Swire Properties was a platinum sponsor of the World Sustainable Built Environment Conference 2017. We received two awards, “Organization with the most BEAM Plus FINAL



Won awards at the World Sustainable Built Environment Conference 2017

Hong Kong

PLATINUM Projects” and “Highest Score for Residential Projects of BEAM Plus New Buildings”, the latter for the AREZZO development.

Performance (Economic)

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

Our objective: To deliver sustainable economic performance coupled with good corporate governance and high ethical standards.

Details of our financial performance in 2017 are set out in the rest of this report.

Swire Properties is included in the DJSI World, the GRESB, the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI World ESG Leaders Index. The Company is the only developer and multinational corporation from Hong Kong and Mainland China in the DJSI World.

In January 2018, Swire Properties issued its first green bond, raising US\$500 million for 10 years at a coupon rate of 3.5%. Proceeds from the bond will be used to finance or refinance green projects.

Further details of our sustainable development performance, including details of our SD 2030 Strategy, will be in our Sustainable Development Report 2017.

* 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.

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The Middle House
Shanghai

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 2017;
- 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 cash flows for the year then ended;
- The consolidated statement of changes in equity for the year then ended; and
- The notes to the 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 2017, 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 2017. 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

Revenue recognised from property trading

Refer to note 4 in the Group financial statements

The Group recognised revenue from property trading of HK\$5,833 million for the year ended 31st December 2017. 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.

How our audit addressed the Key Audit Matter

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 payments to the bank statements.

We found that the amount and timing of the revenue recognised was supported by the available evidence.

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\$267,531 million at 31st December 2017, with a revaluation gain for the year ended 31st December 2017 recorded in the consolidated statement of profit or loss of HK\$25,463 million. External valuations were obtained in respect of 97% 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.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's valuation of investment properties included:

- Evaluation of the external property 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 the accuracy of the rental data provided by the Group to the external property valuers by agreeing them on a sample basis to the Group's records.

We found the key assumptions were supported by the available evidence. We found the disclosures in note 16 to be appropriate.

Independent Auditor's Report

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 2017 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 HKSAAs 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 HKSAAs, 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, 15th March 2018

Consolidated Statement of Profit or Loss

For the year ended 31st December 2017

	Note	2017 HK\$M	2016 HK\$M
Revenue	4	18,558	16,792
Cost of sales	5	(7,569)	(6,486)
Gross profit		10,989	10,306
Administrative and selling expenses		(1,369)	(1,294)
Other operating expenses		(227)	(213)
Other net gains	6	74	103
Change in fair value of investment properties		25,463	8,418
Operating profit		34,930	17,320
Finance charges		(983)	(1,216)
Finance income		83	97
Net finance charges	10	(900)	(1,119)
Share of profits less losses of joint venture companies		1,646	1,280
Share of profits less losses of associated companies		146	139
Profit before taxation		35,822	17,620
Taxation	11	(1,807)	(2,411)
Profit for the year		34,015	15,209
Profit for the year attributable to:			
The Company's shareholders	35	33,957	15,050
Non-controlling interests	37	58	159
		34,015	15,209
		HK\$	HK\$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	14	5.80	2.57

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 2017

	2017 HK\$M	2016 HK\$M
Profit for the year	34,015	15,209
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	128	–
– deferred tax charge	(2)	–
Defined benefit plans		
– remeasurement (losses)/gains recognised during the year	(6)	50
– deferred tax credit/(charge)	1	(8)
	121	42
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
– (losses)/gains recognised during the year	(294)	300
– losses/(gains) transferred to net finance charges	2	(5)
– deferred tax credit/(charge)	48	(49)
Share of other comprehensive income/(losses) of joint venture and associated companies	645	(591)
Net translation differences on foreign operations	1,839	(1,494)
	2,240	(1,839)
Other comprehensive income/(losses) for the year, net of tax	2,361	(1,797)
Total comprehensive income for the year	36,376	13,412
Total comprehensive income attributable to:		
The Company's shareholders	36,283	13,276
Non-controlling interests	93	136
	36,376	13,412

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 2017

	Note	2017 HK\$M	2016 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	8,371	8,471
Investment properties	16	267,531	235,368
Intangible assets	17	178	154
Properties held for development	18	1,342	1,279
Joint venture companies	19	23,026	19,985
Associated companies	20	374	361
Derivative financial instruments	30	51	219
Deferred tax assets	31	85	73
Other non-current assets	32	–	5,479
		300,958	271,389
Current assets			
Properties under development and for sale	22	2,300	5,669
Stocks and work in progress	23	80	79
Trade and other receivables	24	2,996	2,881
Other current assets	32	6,262	–
Amount due from immediate holding company – Swire Pacific Limited	25	5	9
Cash and cash equivalents	26	1,708	1,681
		13,351	10,319
Current liabilities			
Trade and other payables	27	7,820	7,845
Tax payable		638	279
Bank overdrafts and short-term loans	28	499	500
Long-term loans and bonds due within one year	28	2,662	4,670
Loans due to a fellow subsidiary company – Swire Finance Limited	29	5,176	2,329
		16,795	15,623
Net current liabilities		(3,444)	(5,304)
Total assets less current liabilities		297,514	266,085
Non-current liabilities			
Long-term loans and bonds	28	28,718	24,384
Loans due to a fellow subsidiary company – Swire Finance Limited	29	–	5,175
Other payables	27	716	1,323
Derivative financial instruments	30	34	–
Deferred tax liabilities	31	8,523	7,840
Retirement benefit liabilities	33	145	138
		38,136	38,860
NET ASSETS		259,378	227,225
EQUITY			
Share capital	34	10,449	10,449
Reserves	35	246,932	214,920
Equity attributable to the Company's shareholders		257,381	225,369
Non-controlling interests	37	1,997	1,856
TOTAL EQUITY		259,378	227,225

John R. Slosar

May Y. Wu

Directors

Hong Kong, 15th March 2018

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 2017

	Note	2017 HK\$M	2016 HK\$M
Operating activities			
Cash generated from operations	42(a)	13,680	10,767
Interest paid		(1,213)	(1,324)
Interest received		84	96
Tax paid		(1,044)	(1,413)
		11,507	8,126
Dividends received from joint venture and associated companies and available-for-sale assets		249	499
Net cash from operating activities		11,756	8,625
Investing activities			
Purchase of property, plant and equipment	42(b)	(217)	(349)
Additions to investment properties		(5,179)	(5,883)
Additions to other current assets/other non-current assets		(623)	(254)
Purchase of intangible assets		(21)	(17)
Proceeds from disposals of property, plant and equipment		–	1
Proceeds from disposals of investment properties		40	55
Proceeds from disposal of a subsidiary company		2	–
Equity and loans to joint venture companies		(989)	(246)
Repayment of loans by joint venture companies		124	174
Decrease in deposits maturing after three months		–	26
Initial leasing costs incurred		(24)	(134)
Net cash used in investing activities		(6,887)	(6,627)
Net cash inflow before financing		4,869	1,998
Financing activities			
Loans drawn and refinanced		6,475	5,470
Bonds issued		2,090	5,078
Repayment of loans and bonds		(6,676)	(6,358)
		1,889	4,190
Capital contribution from a non-controlling interest		–	90
Repayment of loans to a fellow subsidiary company		(2,329)	(4,658)
Dividends paid to the Company's shareholders	35	(4,271)	(4,154)
Dividends paid to non-controlling interests	37	(193)	(72)
Net cash used in financing activities		(4,904)	(4,604)
Decrease in cash and cash equivalents		(35)	(2,606)
Cash and cash equivalents at 1st January		1,681	4,358
Currency adjustment		62	(71)
Cash and cash equivalents at end of the year		1,708	1,681
Represented by:			
Bank balances and short-term deposits maturing within three months	26	1,708	1,681

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 2017

	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 2017		10,449	215,318	(398)	225,369	1,856	227,225
Profit for the year		–	33,957	–	33,957	58	34,015
Other comprehensive income		–	(5)	2,331	2,326	35	2,361
Total comprehensive income for the year	35, 37	–	33,952	2,331	36,283	93	36,376
Transfer		–	3	(3)	–	–	–
Dividends paid		–	(4,271)	–	(4,271)	(193)	(4,464)
Capital contribution from a non-controlling interest accrued		–	–	–	–	241	241
At 31st December 2017		10,449	245,002	1,930	257,381	1,997	259,378

	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	35, 37	–	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

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 its shares are 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 Policies and Disclosures

(a) The following amendments to standards were required to be adopted by the Group effective from 1st January 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

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 and new interpretations that have been issued but are effective for annual periods beginning after 1st January 2018 and have not been applied in preparing these consolidated financial statements:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
HKFRS 9	Financial Instruments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKAS 40 (Amendment)	Transfers of Investment Property ¹
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) 23	Uncertainty over Income Tax Treatments ²

¹ To be applied by the Group from 1st January 2018

² To be applied by the Group from 1st January 2019

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

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 will use the modified retrospective approach by adjusting opening retained earnings when it adopts HKFRS 15 effective 1st January 2018 without restatement of prior periods. Management has assessed the impact of the new standard on the Group's financial statements and has concluded that adoption is not expected to have a significant impact on the recognition of the Group's main revenue streams. Rental income from lease agreements is specifically excluded from the scope of the new standard. The nature of the Group's current trading property sales in its primary markets in Hong Kong and the U.S.A., terms of the contracts and the associated laws, means that revenue from these sales will continue to be recognised at the point in time of transfer of effective ownership. The transfer of control in future property sales may occur over time or at a point in time, and this will be assessed on a case by case and territory by territory basis. As a result, the impact of adopting HKFRS 15 on the Group's opening retained earnings will not be significant.

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

HKFRS 9

The complete version of HKFRS 9 replaces 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. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if the cash flow represents solely payments of principal and interest. Non-substantial modifications or exchange of financial liabilities that do not result in derecognition are required to be recognised in profit or loss. 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. The Group will adopt the classification and measurements aspects of HKFRS 9 from 1st January 2018, without restatement of prior periods with any effects of implementation recognised as an adjustment to opening retained earnings. 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 will adopt the hedge accounting aspects of HKFRS 9 prospectively from 1st January 2018. Management has assessed the impact of adopting the new standard on the Group's financial statements and has concluded that neither the new requirements related to the classification and measurement nor the requirements related to impairment will have a material impact to the financial statements although may impact disclosures.

HKFRS 16

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 is 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. HKFRS 16 also amends the definition of investment property under HKAS 40 to include property held by a lessee as a right-of-use asset to earn rentals or for capital appreciation or both, and the Group will be required to apply the fair value method under HKAS 40 for such right-of-use assets. 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 in note 40. In the Group's statement of profit or loss, operating lease rentals will be replaced with depreciation and interest expenses. The Group has yet to finalise the assessment of the full impact of the new standard.

The amendment to HKAS 40 clarifies that a property is transferred to, or from, investment property when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendment is not expected to have a significant impact on the Group's financial statements.

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. The Group has entered into interest rate swaps to manage its long-term interest rate exposure.

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 2017		
Impact on statement of profit or loss: (loss)/gain	(112)	112
Impact on other comprehensive income: gain/(loss)	38	(38)
At 31st December 2016		
Impact on statement of profit or loss: (loss)/gain	(121)	113
Impact on other comprehensive income: (loss)/gain	(38)	42

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 7.8157 (2016: 7.7557), 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 2017		
Impact on statement of profit or loss	–	–
Impact on other comprehensive income: (loss)/gain	(5)	7
At 31st December 2016		
Impact on statement of profit or loss: gain	–	1
Impact on other comprehensive income: (loss)/gain	(1)	15

The analysis is based on a 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 contractual maturity date.

At 31st December 2017

	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	27	542	542	542	–	–	–
Rental deposits from tenants	27	2,616	2,616	669	576	1,004	367
Other current payables	27	3,356	3,356	3,356	–	–	–
Put option in respect of a non-controlling interest	27	716	813	–	–	813	–
Deposit from the sale of a subsidiary company	27	1,306	1,306	1,306	–	–	–
Borrowings (including interest obligations)	28	31,879	36,236	5,639	3,033	17,480	10,084
Loans due to a fellow subsidiary company (including interest obligations)	29	5,176	5,272	5,272	–	–	–
Financial guarantee contracts	39	–	1,668	663	975	30	–
		45,591	51,809	17,447	4,584	19,327	10,451

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	27	565	565	565	–	–	–
Rental deposits from tenants	27	2,494	2,494	731	526	894	343
Other current payables	27	4,786	4,786	4,786	–	–	–
Put option in respect of a non-controlling interest	27	670	789	–	–	789	–
Deposit from the sale of a subsidiary company	27	653	653	–	653	–	–
Borrowings (including interest obligations)	28	29,554	33,484	5,924	3,113	12,563	11,884
Loans due to a fellow subsidiary company (including interest obligations)	29	7,504	7,979	2,696	5,283	–	–
Financial guarantee contracts	39	–	1,634	1,634	–	–	–
		46,226	52,384	16,336	9,575	14,246	12,227

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 33)

4. Revenue

Accounting Policy

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

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

	2017 HK\$M	2016 HK\$M
Gross rental income from investment properties	11,252	10,773
Property trading	5,833	4,760
Hotels	1,345	1,130
Rendering of other services	128	129
	18,558	16,792

5. Cost of Sales

	2017 HK\$M	2016 HK\$M
Direct rental outgoings in respect of investment properties that		
– generated rental income	2,090	1,879
– did not generate rental income	177	249
	2,267	2,128
Property trading	4,080	3,236
Hotels	1,184	1,091
Rendering of other services	38	31
	7,569	6,486

6. Other Net Gains

	2017 HK\$M	2016 HK\$M
Profit on disposal of investment properties	9	76
Profit on disposal of a subsidiary company	2	–
Loss on disposal of property, plant and equipment	(1)	(4)
Net foreign exchange gains/(losses)	32	(8)
Recognition of income on forfeited deposits on trading properties	2	5
Others	30	34
	74	103

7. Expenses by Nature

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

	2017 HK\$M	2016 HK\$M
Depreciation of property, plant and equipment (note 15)	348	300
Amortisation of		
– intangible assets (note 17)	27	14
– initial leasing costs in respect of investment properties	51	60
Staff costs	1,795	1,687
Operating lease rentals		
– properties	52	52
– plant and equipment	7	6
Auditors' remuneration		
– audit services	12	11
– tax services	3	4
– other services	3	1

8. Segment Information

The Group is organised on a divisional basis: Property investment, Property trading 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.

Notes to the Financial Statements

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 2017												
Property investment	11,380	34	8,172	(908)	82	500	–	7,846	(1,170)	6,676	6,671	(167)
Property trading	5,833	–	1,397	(36)	1	(11)	–	1,351	(240)	1,111	1,111	–
Hotels	1,345	5	(102)	(39)	–	(44)	146	(39)	(5)	(44)	(43)	(259)
Change in fair value of investment properties	–	–	25,463	–	–	1,201	–	26,664	(392)	26,272	26,218	–
Inter-segment elimination	–	(39)	–	–	–	–	–	–	–	–	–	–
	18,558	–	34,930	(983)	83	1,646	146	35,822	(1,807)	34,015	33,957	(426)
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)

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 2017						
Property investment	278,862	21,119	–	1,440	301,421	4,946
Property trading	3,976	670	–	103	4,749	53
Hotels	6,363	1,237	374	165	8,139	86
	289,201	23,026	374	1,708	314,309	5,085
At 31st December 2016						
Property investment	245,670	18,476	–	1,399	265,545	6,469
Property trading	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

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 2017					
Property investment	8,101	8,835	33,812	50,748	1,890
Property trading	378	326	2,110	2,814	82
Hotels	236	–	1,133	1,369	25
	8,715	9,161	37,055	54,931	1,997
At 31st December 2016					
Property investment	7,584	8,096	31,573	47,253	1,569
Property trading	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

(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	
	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M
Hong Kong	14,947	10,514	235,350	213,639
Mainland China	2,627	2,383	31,323	27,248
U.S.A.	984	3,895	9,656	8,908
Others	–	–	1,093	956
	18,558	16,792	277,422	250,751

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			Total 2017 HK\$'000	Total 2016 HK\$'000
	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 (ii)) HK\$'000		
For the year ended 31st December 2017									
Executive Directors									
J.R. Slosar (Chairman)	878	–	–	14	258	–	713	1,863	845
G.M.C. Bradley	4,489	–	2,818	615	1,322	1,152	2,718	13,114	13,722
F.N.Y. Lung (note (iv))	689	–	–	–	119	–	16	824	–
D.C.Y. Ho (note (v))	–	–	253	–	–	–	–	253	3,063
G.J. Ongley (note (vi))	–	–	1,459	–	1	–	–	1,460	5,338
Non-Executive Directors									
M. Cubbon (note (vii))	–	–	–	–	–	–	–	–	–
M.M.S. Low (note (iii))	1,981	–	3,446	1,499	717	–	–	7,643	9,986
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 (note (viii))	–	155	–	–	–	–	–	155	755
L.K.L. Cheng (note (ix))	–	600	–	–	–	–	–	600	–
P.K. Etchells (note (x))	–	311	–	–	–	–	–	311	835
S.T. Fung	–	575	–	–	–	–	–	575	575
S.C. Liu	–	655	–	–	–	–	–	655	655
M.Y. Wu (note (xi))	–	528	–	–	–	–	–	528	–
Total 2017	8,037	4,032	7,976	2,128	2,417	1,152	3,447	29,189	N/A
Total 2016	10,091	4,028	12,152	3,957	2,123	1,405	3,226	N/A	36,982

Notes:

- (i) The bonuses disclosed above are related to services as executive directors for the previous year.
- (ii) Other benefits include medical and insurance benefits and overseas tax subsidies.
- (iii) M.M.S. Low was Finance Director until 30th September 2017 and was re-designated as a non-executive director from 1st October 2017. Her emoluments as an executive director (in respect of the period before her redesignation) were HK\$7,643,000.
- (iv) F.N.Y. Lung was appointed as Finance Director on 1st October 2017.
- (v) D.C.Y. Ho resigned as an executive director on 14th April 2016 with 2016 final bonus payment made in 2017.
- (vi) G.J. Ongley retired as an executive director on 10th May 2016 with 2016 final bonus payment made in 2017.
- (vii) M. Cubbon resigned as a non-executive director on 30th September 2017.
- (viii) J.C.C. Chan resigned as an independent non-executive director on 16th March 2017.
- (ix) L.K.L. Cheng was appointed as an independent non-executive director on 17th March 2017.
- (x) P.K. Etchells resigned as an independent non-executive director on 16th May 2017.
- (xi) M.Y. Wu was appointed as an independent non-executive director on 15th May 2017.

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 2017 and 2016 are as follows:

	Year ended 31st December	
	2017	2016
Number of individuals:		
Executive directors (note (i))	2	2
Executive officers (note (ii))	3	3
	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	
	2017 HK\$'000	2016 HK\$'000
Cash:		
Salary	7,579	7,441
Discretionary bonus	3,786	3,101
Allowance and benefits	2,207	2,299
Non-cash:		
Retirement scheme contributions	1,489	1,483
Bonus paid into retirement scheme	688	255
Housing and other benefits	6,962	4,836
	22,711	19,415

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	
	2017	2016
HK\$7,500,001 – HK\$9,000,000	1	–
HK\$7,000,001 – HK\$7,500,000	1	–
HK\$6,500,001 – HK\$7,000,000	1	2
HK\$6,000,001 – HK\$6,500,000	–	1
	3	3

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 pages 53 to 55 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.

	2017		2016	
	HK\$M	HK\$M	HK\$M	HK\$M
Current taxation:				
Hong Kong profits tax	1,104		843	
Overseas taxation	271		240	
Under-provisions in prior years	25		72	
		1,400		1,155
Deferred taxation: (note 31)				
Changes in fair value of investment properties	460		902	
Origination and reversal of temporary differences	215		354	
Effect of change in tax rate in the U.S.A.	(268)		–	
		407		1,256
		1,807		2,411

Hong Kong profits tax is calculated at 16.5% (2016: 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:

	2017 HK\$M	2016 HK\$M
Profit before taxation	35,822	17,620
Calculated at a tax rate of 16.5% (2016: 16.5%)	5,911	2,907
Results of joint venture and associated companies reported net of tax	(296)	(234)
Effect of different tax rates in other countries	252	592
Effect of change in tax rate in the U.S.A.	(268)	–
Fair value gains on investment properties	(3,859)	(904)
Income not subject to tax	(91)	(24)
Expenses not deductible for tax purposes	103	88
Unused tax losses not recognised	140	40
Utilisation of previously unrecognised tax losses	(20)	(59)
Recognition of previously unrecognised tax losses	(14)	(67)
Reversal of temporary differences	(78)	–
Withholding tax	2	–
Under-provisions in prior years	25	72
Tax charge	1,807	2,411

The Group's share of joint venture and associated companies' tax charges of HK\$219 million (2016: HK\$223 million) and HK\$29 million (2016: 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\$7,733 million (2016: HK\$7,407 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.

	2017 HK\$M	2016 HK\$M
First interim dividend paid on 11th October 2017 of HK\$0.25 per share (2016: HK\$0.23)	1,463	1,346
Second interim dividend declared on 15th March 2018 of HK\$0.52 per share (2016: HK\$0.48)	3,042	2,808
	4,505	4,154

The second interim dividend is not accounted for in 2017 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 2018.

The Directors have declared a second interim dividend of HK\$0.52 (2016: HK\$0.48) per share which, together with the first interim dividend of HK\$0.25 per share paid in October 2017, amounts to full year dividends of HK\$0.77 (2016: HK\$0.71) per share. The second interim dividend, which totals HK\$3,042 million (2016: HK\$2,808 million), will be paid on Thursday, 3rd May 2018 to shareholders registered at the close of business on the record date, being Friday, 6th April 2018. Shares of the Company will be traded ex-dividend from Tuesday, 3rd April 2018.

The register of members will be closed on Friday, 6th April 2018, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 4th April 2018.

To facilitate the processing of proxy voting for the annual general meeting to be held on 8th May 2018, the register of members will be closed from 3rd May 2018 to 8th May 2018, 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, 2nd May 2018.

14. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK\$33,957 million (2016: HK\$15,050 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2017 (2016: 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	10% 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 of disposal 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 2017	3,547	5,517	1,497	10,561
Translation differences	–	151	37	188
Additions	–	69	142	211
Disposals	–	–	(51)	(51)
Net transfers from other assets	–	–	3	3
Revaluation surplus	124	4	–	128
Net transfers to investment properties	(183)	(45)	(1)	(229)
At 31st December 2017	3,488	5,696	1,627	10,811
Accumulated depreciation and impairment:				
At 1st January 2017	153	835	1,102	2,090
Translation differences	–	37	26	63
Charge for the year (note 7)	26	176	146	348
Disposals	–	–	(50)	(50)
Transfers to investment properties	(1)	(10)	–	(11)
At 31st December 2017	178	1,038	1,224	2,440
Net book value:				
At 31st December 2017	3,310	4,658	403	8,371

At 31st December 2017 and 2016, none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

Properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from carrying amount to fair value in respect of such transfers during the year ended 31st December 2017 was HK\$128 million (2016: Nil).

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
<i>Cost:</i>				
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
<i>Accumulated depreciation and impairment:</i>				
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
<i>Net book value:</i>				
At 31st December 2016	3,394	4,682	395	8,471

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 HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors and are on the basis of market value, 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

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 2017. This valuation was carried out in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of 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 2017	205,605	29,496	235,101
Translation differences	2,028	89	2,117
Additions	1,311	3,438	4,749
Cost written back	(2)	(1)	(3)
Disposals	(8)	(7)	(15)
Transfer to properties under development and for sale	–	(338)	(338)
Net transfers from property, plant and equipment	25	193	218
Net fair value gains	22,336	3,127	25,463
	231,295	35,997	267,292
Add: Initial leasing costs	239	–	239
At 31st December 2017	231,534	35,997	267,531
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

Geographical Analysis of Investment Properties

	2017 HK\$M	2016 HK\$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	33,224	29,282
On long-term leases (over 50 years)	196,740	173,375
	229,964	202,657
Held in Mainland China:		
On medium-term leases (10 to 50 years)	29,468	25,390
Held in U.S.A. and elsewhere:		
Freehold	7,860	7,054
	267,292	235,101

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 2017. 94% by value were valued by Cushman & Wakefield Limited and 3% by value were valued by another independent valuer, in each case on the basis of 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 valuers for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuers 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			2017 Total HK\$M
	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	
Fair value hierarchy								
Level 2	3,442	196	–	3,638	12,217	–	12,217	15,855
Level 3	191,618	29,272	6,767	227,657	22,687	1,093	23,780	251,437
Total	195,060	29,468	6,767	231,295	34,904	1,093	35,997	267,292
Add: initial leasing costs								239
At 31st December 2017								267,531

	Completed				Under Development			2016 Total HK\$M
	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	
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

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 the first phase of 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.

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			2017 Total HK\$M
	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	
Fair value – Level 3:								
At 1st January 2017	170,990	25,217	6,098	202,305	15,396	956	16,352	218,657
Translation differences	–	1,966	46	2,012	–	89	89	2,101
Additions	479	40	791	1,310	2,658	109	2,767	4,077
Cost written back	–	(1)	–	(1)	–	–	–	(1)
Net transfers from property, plant and equipment	–	16	–	16	197	–	197	213
Transfer from Level 2	–	–	–	–	1,380	–	1,380	1,380
Transfer to properties under development and for sale	–	–	–	–	(338)	–	(338)	(338)
Fair value gains/(losses)	20,149	2,034	(168)	22,015	3,394	(61)	3,333	25,348
At 31st December 2017	191,618	29,272	6,767	227,657	22,687	1,093	23,780	251,437

	Completed				Under Development			2016 Total HK\$M
	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	
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

16. Investment Properties *(continued)*

Information about Level 3 fair value measurements using significant unobservable inputs

	Fair value HK\$M	Valuation technique	Market rent per month ¹ HK\$ per sq. ft. (lettable)	Capitalisation rate
At 31st December 2017				
Completed				
Hong Kong	191,618	Income capitalisation	Less than 10 – Low 500's	2.50% – 4.88% ³
Mainland China	29,272	Income capitalisation	Less than 10 – Low 200's	6.50% – 7.00%
U.S.A.	6,242	Income capitalisation	Low 10's – Low 100's	4.75% – 5.50%
U.S.A.	525	Sales comparison	–	–
Sub-total	227,657			
Under development				
Hong Kong	22,687	Residual ²	High 50's – Mid 60's	3.88%
Others	1,093	Residual ²	–	–
Sub-total	23,780			
Total (Level 3)	251,437			
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			

¹ Market rent is determined in accordance with the definition of that term in the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors, which is “the estimated amount for which an interest in real property should 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.

³ Within the disclosed capitalisation rates, there was a reduction of 25 basis points in the capitalisation rate applicable to office portfolio investment properties in Hong Kong.

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 2017	114	124	238
Additions	19	32	51
At 31st December 2017	133	156	289
Accumulated amortisation:			
At 1st January 2017	81	3	84
Amortisation for the year (note 7)	13	14	27
At 31st December 2017	94	17	111
Net book value:			
At 31st December 2017	39	139	178

	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

Amortisation of HK\$27 million (2016: HK\$14 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.

	2017 HK\$M	2016 HK\$M
Properties held for development		
Freehold land	1,126	1,119
Development cost	216	160
	1,342	1,279

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.

	2017 HK\$M	2016 HK\$M
Share of net assets, unlisted	8,651	6,351
Loans due from joint venture companies less provisions		
– Interest-free	12,997	12,376
– Interest-bearing at 1.7% to 7.5% (2016: 1.7% to 7.5%)	1,378	1,258
	23,026	19,985

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

Notes to the Financial Statements

19. Joint Venture Companies *(continued)*

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

	2017 HK\$M	2016 HK\$M
Non-current assets	34,759	30,395
Current assets	2,392	1,732
Current liabilities	(4,643)	(4,062)
Non-current liabilities	(23,857)	(21,714)
Net assets	8,651	6,351
Revenue	2,013	1,556
Change in fair value of investment properties	1,383	1,192
Expenses	(1,531)	(1,245)
Profit before taxation	1,865	1,503
Taxation	(219)	(223)
Profit for the year	1,646	1,280
Other comprehensive gains/(losses) for the year	645	(591)
Total comprehensive income for the year	2,291	689

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

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

20. Associated Companies

Accounting Policy

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights. The use of the equity method by the Group to account for the investment in associated companies is disclosed in the “Basis of Consolidation” of the Principal Accounting Policies on pages 150 to 152.

	2017 HK\$M	2016 HK\$M
Share of net assets, unlisted	374	361

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

	2017 HK\$M	2016 HK\$M
Non-current assets	552	551
Current assets	267	279
Current liabilities	(110)	(86)
Non-current liabilities	(335)	(383)
Net assets	374	361
Revenue	598	586
Profit and total comprehensive income for the year	146	139

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 or 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 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 30.

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	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 2017						
Amount due from immediate holding company	–	–	5	–	5	5
Trade and other receivables excluding prepayments (note 24)	–	–	2,745	–	2,745	2,745
Cash and cash equivalents (note 26)	–	–	1,708	–	1,708	1,708
Derivative financial assets (note 30)	–	51	–	–	51	51
Total	–	51	4,458	–	4,509	4,509
At 31st December 2016						
Amount due from immediate holding company	–	–	9	–	9	9
Trade and other receivables excluding prepayments (note 24)	–	–	2,572	–	2,572	2,572
Cash and cash equivalents (note 26)	–	–	1,681	–	1,681	1,681
Derivative financial assets (note 30)	–	219	–	–	219	219
Total	–	219	4,262	–	4,481	4,481
Liabilities as per consolidated statement of financial position						
At 31st December 2017						
Trade and other payables excluding non-financial liabilities (note 27)	716	–	–	7,804	8,520	8,520
Bank overdrafts and short-term loans (note 28)	–	–	–	499	499	499
Long-term loans and bonds (note 28)	–	–	–	31,380	31,380	31,731
Loans due to a fellow subsidiary company (note 29)	–	–	–	5,176	5,176	5,176
Derivative financial liabilities (note 30)	–	34	–	–	34	34
Total	716	34	–	44,859	45,609	45,960
At 31st December 2016						
Trade and other payables excluding non-financial liabilities (note 27)	670	–	–	8,482	9,152	9,152
Bank overdrafts and short-term loans (note 28)	–	–	–	500	500	500
Long-term loans and bonds (note 28)	–	–	–	29,054	29,054	29,280
Loans due to a fellow subsidiary company (note 29)	–	–	–	7,504	7,504	7,504
Total	670	–	–	45,540	46,210	46,436

Notes to the Financial Statements

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 makers 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 2017			
Derivatives used for hedging (note 30)	51	–	51
At 31st December 2016			
Derivatives used for hedging (note 30)	219	–	219
Liabilities as per consolidated statement of financial position			
At 31st December 2017			
Derivatives used for hedging (note 30)	34	–	34
Put option in respect of a non-controlling interest (note 27)	–	716	716
	34	716	750
At 31st December 2016			
Put option in respect of a non-controlling interest (note 27)	–	670	670

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. 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 2017:

	2017 HK\$M	2016 HK\$M
(a) Put options in respect of non-controlling interests in subsidiary companies		
At 1st January	670	509
Translation differences	5	–
Addition during the year	35	47
Change in fair value recognised as net finance charges	6	114
At 31st December	716	670
Total losses for the year included in profit or loss in respect of financial instruments held at 31st December	6	114
	2017 HK\$M	2016 HK\$M
(b) Available-for-sale assets		
At 1st January	–	6
Addition during the year	–	–
Decrease/disposal during the year	–	(6)
At 31st December	–	–

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 2017. 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. 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.

	2017 HK\$M	2016 HK\$M
Properties for sale		
Properties under development		
– development costs	17	–
– leasehold land	338	–
Completed properties		
– development costs	1,658	3,760
– freehold land	120	130
– leasehold land	167	1,779
	2,300	5,669

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.

23. 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.

	2017 HK\$M	2016 HK\$M
Stores and spare parts	66	67
Work in progress	14	12
	80	79

24. 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.

	2017 HK\$M	2016 HK\$M
Trade debtors	370	471
Prepayments and accrued income	254	309
Other receivables	2,372	2,101
	2,996	2,881

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

	2017 HK\$M	2016 HK\$M
Under three months	368	465
Between three and six months	2	4
Over six months	–	2
	370	471

Notes to the Financial Statements

24. Trade and Other Receivables *(continued)*

Other receivables include receivables for rent free periods of HK\$915 million (2016: HK\$858 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. The Group also holds non-interest bearing rental deposits as security against trade debtors. At 31st December 2017, trade debtors of HK\$214 million (2016: HK\$145 million) were past due but not impaired. The majority of the amount past due but not impaired is under three months. 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 2017 and 31st December 2016 is the carrying value of trade debtors and other receivables disclosed above. The value of rental deposits from tenants at 31st December 2017 was HK\$2,616 million (2016: HK\$2,494 million).

25. 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.

26. 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.

	2017 HK\$M	2016 HK\$M
Short-term deposits maturing within three months	122	91
Bank balances	1,586	1,590
	1,708	1,681

The effective interest rates on short-term deposits of the Group ranged from 0.6% to 1.8% (2016: 0.4% to 0.7%); these deposits have maturities from 2 to 78 days (2016: 13 to 32 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2017 and 31st December 2016 is the carrying value of the bank balances and short-term deposits disclosed above.

27. 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.

	2017 HK\$M	2016 HK\$M
Trade and other payables – current:		
Trade creditors	542	565
Rental deposits from tenants	2,616	2,494
Deposit received on the sale of a subsidiary company	1,306	–
Other current payables		
Accrued capital expenditure	539	1,190
Deposits received on the sale of trading properties	25	806
Amounts due to intermediate holding company	90	112
Amounts due to a fellow subsidiary company	51	75
Amounts due to an associated company	31	50
Interest-bearing advances from fellow subsidiary companies at 3.3% (2016: 3.3% to 4.1%)	72	100
Interest-bearing advances from joint venture and related companies at 2.8% (2016: 2.8%)	240	223
Advances from a non-controlling interest	34	34
Others	2,274	2,196
	3,356	4,786
	7,820	7,845
Other payables – non-current:		
Put option in respect of a non-controlling interest	716	670
Deposit received on the sale of a subsidiary company	–	653
	716	1,323

In relation to other current payables, 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:

	2017 HK\$M	2016 HK\$M
Under three months	542	565

28. 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.

Refer to the tables with the headings “Audited Financial Information” on pages 50 to 53 for details of the Group’s borrowings.

	2017 HK\$M	2016 HK\$M
Bank overdrafts and short-term loans – unsecured	499	500
Long-term bank loans – unsecured:		
Repayable within one year	2,662	4,170
Repayable between one and two years	1,933	2,423
Repayable between two and five years	9,203	6,561
	13,798	13,154
Other borrowings – unsecured:		
Repayable within one year	–	500
Repayable between one and two years	299	–
Repayable between two and five years	8,094	4,460
Repayable after five years	9,189	10,940
	17,582	15,900
Amount due within one year included under current liabilities	(2,662)	(4,670)
	28,718	24,384

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

	2017				2016			
	HK\$ %	US\$ %	RMB %	SGD %	HK\$ %	US\$ %	RMB %	SGD %
Uncommitted bank loans and overdrafts	–	–	4.1-4.4	1.8	–	–	3.8	1.5
Long-term loans and bonds	1.3-3.6	2.0-4.4	4.3-4.4	1.8-2.0	1.2-3.6	1.2-4.4	4.3-4.4	1.4

Bank loans and other borrowings are repayable on various dates up to 2027 (2016: up to 2026).

28. 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:

	2017 HK\$M	2016 HK\$M
Hong Kong dollars	11,772	8,995
United States dollars	17,905	17,590
Renminbi	1,406	2,262
Singapore dollars	297	207
	31,380	29,054

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

The loans due to a fellow subsidiary company are unsecured, repayable on various dates in 2018 and bear interest at a rate of 5.0% per annum at 31st December 2017 (2016: 5.8% per annum).

	2017 HK\$M	2016 HK\$M
Repayable within one year	5,176	2,329
Repayable between one and two years	–	5,175
	5,176	7,504
Loans due within one year included under current liabilities	(5,176)	(2,329)
	–	5,175

30. 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 interest rate and 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 portions of interest rate and 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.

Notes to the Financial Statements

30. Derivative Financial Instruments *(continued)*

	2017		2016	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Interest rate and cross-currency swaps – cash flow hedges – due after one year	51	34	219	–

The interest rate swaps hedge the long-term interest rate exposure. The cross-currency swaps hedge the foreign currency risk relating to US dollar note issues. Gains and losses recognised in other comprehensive income on interest rate and cross-currency swaps at 31st December 2017 are expected to affect the statement of profit or loss in the years to redemption of the notes and expiry of loans (up to and including 2026). For the year ended 31st December 2017 and 31st December 2016, all cash flow hedges were 100% effective.

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

	2017 HK\$M	2016 HK\$M
Cross-currency swaps	11,724	11,634
Interest rate swaps	1,563	–

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

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

	2017 HK\$M	2016 HK\$M
At 1st January	7,767	6,697
Translation differences	311	(243)
Charged to statement of profit or loss (note 11)	407	1,256
(Credited)/Charged to other comprehensive income	(47)	57
At 31st December	8,438	7,767

31. 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\$2,303 million (2016: HK\$1,827 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Unrecognised tax losses	
	2017 HK\$M	2016 HK\$M
No expiry date	1,291	1,069
Expiring within 1 year	160	54
Expiring between 1 – 5 years	151	487
Expiring between 5 – 10 years	–	–
Expiring between 10 – 20 years	701	217
	2,303	1,827

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	
	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M
At 1st January	3,537	3,154	4,033	3,341	515	448	8,085	6,943
Translation differences	33	(33)	278	(210)	6	(6)	317	(249)
Charged to statement of profit or loss	163	416	224	902	1	37	388	1,355
(Credited)/Charged to other comprehensive income	–	–	–	–	(35)	36	(35)	36
At 31st December	3,733	3,537	4,535	4,033	487	515	8,755	8,085

Notes to the Financial Statements

31. Deferred Taxation *(continued)*

Deferred tax assets

	Tax losses		Others		Total	
	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M
At 1st January	160	110	158	136	318	246
Exchange difference	4	(5)	2	(1)	6	(6)
(Charged)/Credited to statement of profit or loss	(8)	55	(11)	44	(19)	99
Credited/(Charged) to other comprehensive income	–	–	12	(21)	12	(21)
At 31st December	156	160	161	158	317	318

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:

	2017 HK\$M	2016 HK\$M
Deferred tax assets:		
– to be recovered after more than 12 months	(85)	(73)
– to be recovered within 12 months	–	–
	(85)	(73)
Deferred tax liabilities:		
– to be settled after more than 12 months	8,523	7,840
– to be settled within 12 months	–	–
	8,523	7,840
	8,438	7,767

32. Other Current Assets/Other Non-current Assets

Other current assets comprise a property in Kowloon Bay, Hong Kong. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this property development. The consideration for the sale is HK\$6,528 million, subject to adjustment. The property was transferred to other non-current assets at fair value in the financial statements on signing the agreement in 2016 and was reclassified to other current assets in the 2017 financial statements. The carrying value of the property at 31st December 2017 represents its fair value at the date of transfer plus the development costs incurred subsequently. Completion of the sale is conditional upon the relevant certificate of compliance being obtained on or before 31st December 2018.

33. Retirement Benefits

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

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

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

Accounting Policy

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

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

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

33. Retirement Benefits *(continued)*

Most new employees are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and 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 98% (2016: 105%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK\$81 million to its defined benefit schemes in 2018.

Total retirement benefit costs recognised in the consolidated statement of profit or loss for the year ended 31st December 2017 amounted to HK\$97 million (2016: HK\$94 million), including HK\$18 million (2016: HK\$17 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 years ended 31st December 2017 and 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 2017 and 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:

	2017 HK\$M	2016 HK\$M
Present value of funded obligations	1,086	907
Fair value of plan assets	(941)	(769)
Net retirement benefit liabilities	145	138
Represented by:		
Retirement benefit liabilities	145	138

33. Retirement Benefits *(continued)*

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

	2017 HK\$M	2016 HK\$M
At 1st January	907	867
Current service cost	76	72
Interest cost	33	28
Remeasurements from changes in:		
– demographic assumptions	–	–
– financial assumptions	98	(45)
Experience losses	27	16
Transfer	(2)	8
Benefits paid	(53)	(39)
At 31st December	1,086	907

The weighted average duration of the defined benefit obligations is 11.61 years (2016: 11.59 years).

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

	2017 HK\$M	2016 HK\$M
At 1st January	769	690
Interest income	30	23
Remeasurements of plan assets	119	21
Contributions by employers	78	66
Transfer	(2)	8
Benefits paid	(53)	(39)
At 31st December	941	769

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:

	2017 HK\$M	2016 HK\$M
Current service cost	76	72
Net interest cost	3	5
	79	77

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\$149 million (2016: HK\$44 million gain).

33. Retirement Benefits *(continued)*

(e) The plan assets are invested in the Swire Group Unitised Trust (“the Trust”). The Trust has three sub-funds in which the assets 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	
	2017 HK\$M	2016 HK\$M
Equities		
Asia Pacific	175	128
Europe	91	72
North America	174	149
Emerging markets	179	151
Bonds		
Global	305	228
Emerging markets	16	10
Cash	1	31
	941	769

At 31st December 2017, the prices of 96% of equities and 54% of bonds were quoted on active markets (2016: 96% and 45% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the 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.

33. Retirement Benefits *(continued)*

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

	2017	2016
Discount rate	2.84%	3.64%
Expected rate of future salary increases	4.00%	4.00%

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

	2017 Increase/(Decrease) in defined benefit obligation			2016 Increase/(Decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK\$M	Decrease in assumption HK\$M	Change in assumption	Increase in assumption HK\$M	Decrease in assumption HK\$M
Discount rate	0.5%	(62)	67	0.5%	(51)	54
Expected rate of future salary increases	0.5%	66	(61)	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.

34. Share Capital

	Ordinary shares	HK\$M
<i>Issued and fully paid:</i>		
At 1st January 2017 and 31st December 2017	5,850,000,000	10,449
At 1st January 2016 and 31st December 2016	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 2017 and 31st December 2016.

35. 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 2017	215,318	(1,108)	1,689	181	(1,160)	214,920
Profit for the year	33,957	–	–	–	–	33,957
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
– gains recognised during the year	–	–	128	–	–	128
– deferred tax charge	–	–	(2)	–	–	(2)
Defined benefit plans						
– remeasurement losses recognised during the year	(6)	–	–	–	–	(6)
– deferred tax credit	1	–	–	–	–	1
Cash flow hedges						
– losses recognised during the year	–	–	–	(294)	–	(294)
– losses transferred to net finance charges	–	–	–	2	–	2
– deferred tax credit	–	–	–	48	–	48
Share of other comprehensive income of joint venture and associated companies	–	–	–	1	644	645
Net translation differences on foreign operations	–	–	–	–	1,804	1,804
Total comprehensive income/(losses) for the year	33,952	–	126	(243)	2,448	36,283
Transfer	3	–	(3)	–	–	–
2016 second interim dividend (note 13)	(2,808)	–	–	–	–	(2,808)
2017 first interim dividend (note 13)	(1,463)	–	–	–	–	(1,463)
At 31st December 2017	245,002	(1,108)	1,812	(62)	1,288	246,932

35. 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 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 income/(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	(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

- (a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK\$5,855 million (2016: HK\$4,324 million) and retained revenue reserves from associated companies amounting to HK\$279 million (2016: HK\$267 million).
- (b) The Group revenue reserve has not yet deducted the second interim dividend for the year of HK\$3,042 million declared after the year end date (2016: 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.

Notes to the Financial Statements

36. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

At 31st December 2017	<i>Note</i>	2017 HK\$M	2016 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		50	41
Intangible assets		40	33
Subsidiary companies		62,726	55,019
Joint venture companies		1,718	2,588
Associated companies		3	3
Deferred tax assets		16	17
		64,553	57,701
Current assets			
Trade and other receivables		225	254
Cash and cash equivalents		127	214
		352	468
Current liabilities			
Trade and other payables		9,235	5,963
Taxation payable		11	12
		9,246	5,975
Net current liabilities		(8,894)	(5,507)
Total assets less current liabilities		55,659	52,194
Non-current liabilities			
Retirement benefit liabilities		128	118
NET ASSETS		55,531	52,076
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	34	10,449	10,449
Reserves	36(b)	45,082	41,627
TOTAL EQUITY		55,531	52,076

John R. Slosar

May Y. Wu

Directors

Hong Kong, 15th March 2018

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

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

	Revenue reserve HK\$M
Company	
At 1st January 2017	41,627
Profit for the year (note 12)	7,733
Other comprehensive income	
Defined benefit plans	
– remeasurement losses recognised during the year	(9)
– deferred tax credit	2
Total comprehensive income for the year	7,726
2016 second interim dividend (note 13)	(2,808)
2017 first interim dividend (note 13)	(1,463)
At 31st December 2017	45,082
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	(2,808)
2016 first interim dividend (note 13)	(1,346)
At 31st December 2016	41,627

- (i) Distributable reserves of the Company at 31st December 2017 amounted to HK\$45,082 million (2016: HK\$41,627 million).
- (ii) The Company revenue reserve has not yet deducted the second interim dividend for the year of HK\$3,042 million declared after the year end date (2016: HK\$2,808 million) (note 13).

Notes to the Financial Statements

37. Non-controlling Interests

	2017 HK\$M	2016 HK\$M
At 1st January	1,856	1,702
Share of profits less losses for the year	58	159
Share of translation differences on foreign operations	35	(23)
Share of total comprehensive income	93	136
Dividends paid and payable	(193)	(72)
Capital contribution from a non-controlling interest accrued	241	90
At 31st December	1,997	1,856

38. Capital Commitments

	2017 HK\$M	2016 HK\$M
Outstanding capital commitments at the year-end in respect of:		
Property, plant and equipment		
Contracted for	–	3
Authorised by Directors but not contracted for	5	103
Investment properties		
Contracted for	3,961	5,577
Authorised by Directors but not contracted for	8,807	10,152
	12,773	15,835
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	776	1,540
Authorised by Directors but not contracted for	651	953
	1,427	2,493

* of which the Group is committed to funding HK\$341 million (2016: HK\$814 million).

At 31st December 2017, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK\$190 million (2016: HK\$219 million).

39. Provisions and Contingencies

Accounting Policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

	2017 HK\$M	2016 HK\$M
Guarantees provided in respect of bank loans and other liabilities of joint venture companies	1,483	1,459
Bank guarantees given in lieu of utility deposits and others	185	175
	1,668	1,634

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

40. Operating Lease Arrangements

Accounting Policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognised as income or expense in the statement of profit or loss on a straight-line basis over the period of the lease.

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

(a) Lessor

The Group leases out investment properties under operating leases. The leases for investment properties typically run for periods of three to six years. The turnover-related rental income received during the year amounted to HK\$389 million (2016: HK\$286 million).

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

	2017 HK\$M	2016 HK\$M
Investment properties:		
Not later than one year	8,633	8,020
Later than one year but not later than five years	18,503	15,406
Later than five years	5,987	4,516
	33,123	27,942

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

	2017 HK\$M	2016 HK\$M
Investment properties at fair value	231,295	205,605

40. Operating Lease Arrangements *(continued)*

(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:

	2017 HK\$M	2016 HK\$M
Land and buildings:		
Not later than one year	75	41
Later than one year but not later than five years	238	64
Later than five years	507	4
	820	109
Equipment:		
Not later than one year	4	4
Later than one year but not later than five years	4	7
	8	11

41. Related Party Transactions

Accounting Policy

Related parties are individuals and companies, including subsidiary, fellow subsidiary, joint venture and associated companies and key management (including close members of their families), where the individual, company or Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

There is an agreement for services (“Services Agreement”), in respect of which John Swire & Sons (H.K.) Limited (“JSSHK”), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group’s relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement commenced on 1st January 2017 for a period of three years, expiring on 31st December 2019. For the year ended 31st December 2017, service fees payable amounted to HK\$227 million (2016: HK\$213 million). Expenses of HK\$59 million (2016: HK\$57 million) were reimbursed at cost; in addition, HK\$63 million (2016: HK\$69 million) in respect of shared administrative services was reimbursed.

Notes to the Financial Statements

41. Related Party Transactions (continued)

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 the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the year ended 31st December 2017, 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\$100 million (2016: HK\$105 million) and HK\$115 million (2016: HK\$98 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.

	Notes	Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
		2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M
Purchases of services	(a)	–	–	17	22	–	–	–	–	–	–
Rendering of services	(a)	–	–	1	5	–	2	2	1	–	–
Rental revenue	(b)	–	–	102	99	13	12	100	92	6	9
Revenue from hotels		–	–	1	1	–	–	2	1	1	1
Interest income	(c)	69	69	–	–	–	–	–	–	–	–
Interest charges	(c)	–	–	328	507	–	–	–	–	6	7

Notes:

- 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.
- 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.
- Loans advanced to joint venture and associated companies at 31st December 2017 are disclosed in notes 19 and 20 respectively. Advances from fellow subsidiary, joint venture, associated and related companies are disclosed in note 27. 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 29.

Amount due from the immediate holding company at 31st December 2017 are disclosed in note 25. These balances arise in the normal course of business, are non-interest-bearing and repayable within one year. Remuneration of key management, which includes executive and non-executive directors and executive officers, is disclosed in note 9.

42. Notes to the Consolidated Statement of Cash Flows

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

	2017 HK\$M	2016 HK\$M
Operating profit	34,930	17,320
Change in fair value of investment properties	(25,463)	(8,418)
Depreciation	348	300
Amortisation of initial leasing costs on investment properties	51	60
Amortisation of intangible assets	27	14
Profit on disposal of a subsidiary company	(2)	–
Profit on disposal of investment properties	(9)	(76)
Loss on disposal of property, plant and equipment	1	4
Dividend income from available-for-sale assets	–	(14)
Other items	130	(116)
Operating profit before working capital changes	10,013	9,074
Decrease in amount due from immediate holding company	4	11
Decrease in properties under development and for sale	3,644	2,052
Increase in stocks and work in progress	(1)	(7)
Decrease/(Increase) in trade and other receivables	111	(7)
Decrease in trade and other payables	(92)	(367)
Increase in retirement benefit liabilities	1	11
Cash generated from operations	13,680	10,767

(b) Purchase of property, plant and equipment

	2017 HK\$M	2016 HK\$M
Land and buildings	75	195
Plant and equipment	142	154
Total	217	349

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

Refer to the tables with the headings “Audited Financial Information” on page 50 for details of the changes in financing during the year.

43. Immediate and Ultimate Holding Company

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

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

Principal Accounting Policies

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

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements include “Audited Financial Information” in the Financing section on pages 49 to 57. 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, defined benefits 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 of disposal 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 a 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 2017

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up shares/Registered capital	Principal activities
<i>Subsidiary companies:</i>					
Incorporated in Hong Kong with limited liability and operating in Hong Kong:					
Cathay Limited	100	100	–	807 shares (HK\$8,070)	Property investment
Citiluck Development Limited	100	–	100	1,000 shares (HK\$1,000)	Property investment
Cityplaza Holdings Limited	100	100	–	100 shares (HK\$1,000)	Property investment
Coventry Estates Limited	100	–	100	4 shares (HK\$40)	Property investment
Keen Well Holdings Limited	80	–	100	1 share (HK\$1)	Property trading
One Island East Limited	100	100	–	2 shares (HK\$2)	Property investment
One Queen's Road East Limited	100	100	–	2 shares (HK\$2)	Property investment
Oriental Landscapes Limited	100	100	–	60,000 shares (HK\$600,000)	Landscaping services
Pacific Place Holdings Limited	100	100	–	2 shares (HK\$2)	Property investment
Redhill Properties Limited	100	100	–	250,000 shares (HK\$7,300,000)	Property investment
Super Gear Investment Limited	100	100	–	2 shares (HK\$2)	Property investment
Swire Properties (Finance) Limited	100	100	–	1,000,000 shares (HK\$1,000,000)	Financial services
Swire Properties Management Limited	100	100	–	2 shares (HK\$20)	Property management
Swire Properties MTN Financing Limited	100	100	–	1 share (HK\$1)	Financial services
Swire Properties Real Estate Agency Limited	100	100	–	2 shares (HK\$20)	Real estate agency
Taikoo Place Holdings Limited	100	100	–	2 shares (HK\$2)	Property investment
Incorporated in Mainland China with limited liability and operating in Mainland China:					
<i>(Sino-foreign joint venture)</i>					
TaiKoo Hui (Guangzhou) Development Company Limited (b)	97	–	97	Registered capital of RMB3,050,000,000	Property investment
<i>(Wholly foreign owned enterprises)</i>					
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
<i>(Domestic company)</i>					
Beijing Tianlian Real Estate Company Limited (b)(d)	100	–	100	Registered capital of RMB865,000,000	Holding company

Notes:

- 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.
- Translated name.
- Group interest held through joint venture and associated companies.
- Companies the accounts of which are not audited by Pricewaterhousecoopers. These companies accounted for approximately 1.1% of attributable net assets at 31st December 2017.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2017

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued and fully paid up shares/Registered capital	Principal activities
<i>Subsidiary companies (continued):</i>					
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	60.25	–	85.25	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
<i>Joint venture companies:</i>					
Incorporated in Hong Kong with limited liability and operating in Hong Kong:					
Hareton Limited	50	–	50	100 shares (HK\$1,000)	Property investment
Pacific Grace Limited	50	–	(c)	2 shares (HK\$2)	Property investment
Richly Leader Limited	50	–	50	1,000,000,000 shares (HK\$700,000,000)	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 and fully paid up shares/Registered capital	Principal activities
<i>Joint venture companies (continued):</i>					
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:					
<i>(Domestic company)</i>					
Beijing Linlian Real Estate Company Limited (b)	50	–	50	Registered capital of RMB400,000,000	Property investment
<i>(Wholly foreign owned enterprises)</i>					
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
<i>Associated companies:</i>					
Incorporated in Hong Kong with limited liability and operating in Hong Kong:					
Greenroll Limited (d)	20	20	–	45,441,000 shares (HK\$454,410,000)	Hotel investment
Queensway Hotel Limited (d)	20	–	(c)	100,000 shares (HK\$1,000,000)	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	20	20	–	10,005,000 shares (HK\$10,005,000)	Hotel investment

Schedule of Principal Group Properties

At 31st December 2017

	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	2,323,135	99,696	2,859,885	1,638,559	496,508	–	5,679,528	7,417,783
Office	7,865,170	687,130	1,731,766	1,211,762	263,384	–	9,860,320	11,759,212
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
	11,140,219	1,171,622	5,396,815	3,207,351	1,086,892	258,750	17,623,926	22,261,649
Property developments for investment								
Retail	4,292	68,514	–	–	–	–	4,292	72,806
Office	2,020,000	191,250	–	–	–	–	2,020,000	2,211,250
Residential/serviced apartment	–	–	–	74,544	–	–	–	74,544
Hotels	–	26,302	–	194,856	–	–	–	221,158
Under planning	–	–	–	–	1,444,000*	–	1,444,000	1,444,000
	2,024,292	286,066	–	269,400	1,444,000	–	3,468,292	4,023,758
Completed properties for sale								
Retail	–	–	–	–	–	–	–	–
Residential	26,264	–	–	–	327,923	–	354,187	354,187
Office	–	–	–	296,570	–	–	–	296,570
	26,264	–	–	296,570	327,923	–	354,187	650,757
Property developments for sale								
Office	–	–	–	–	–	–	–	–
Residential	29,928	–	–	–	1,073,000	–	1,102,928	1,102,928
Under planning	–	–	–	–	825,000	–	825,000	825,000
	29,928	–	–	–	1,898,000	–	1,927,928	1,927,928
	13,220,703	1,457,688	5,396,815	3,773,321	4,756,815	258,750	23,374,333	28,864,092

* One Brickell City Centre is currently under planning. The site is included under “Land held for development” in the financial statements.

Notes:

- All properties held through subsidiary companies are wholly-owned except for Island Place (60% owned), TaiKoo Hui, Guangzhou (97% owned), Brickell City Centre (Retail: 60.25% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these five properties in 100%.
- “Other companies” comprise joint venture or associated companies. The floor areas of properties held through such companies are shown on an attributable basis.
- Gross floor areas in Hong Kong and Mainland China exclude carparking spaces; there are about 10,300 completed carparking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
- When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
- All properties in the U.S.A. are freehold.
- 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.
- For the development of an office building 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. The occupation permit was issued in December 2017. Completion of the sale is conditional upon the relevant 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 and was reclassified to “Other current assets” in the 2017 financial statements. 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)	226,060	10	1992	Linked by a footbridge to Cityplaza shopping centre.
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 2017

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	
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	
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				7,865,170	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.
Total 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. Taikoo Place Apartments, 23 Tong Chong Street, Taikoo Place	ML 703 sl (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				2,323,135	5,461		

Schedule of Principal Group Properties

At 31st December 2017

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)							
7. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/1999	Floor area shown represents the retail space, in which the Group owns a 20% interest.
8. 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.
Total 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 sl (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 sl (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)	1,235,090	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				3,277,118	1,911		
– of which attributable to the Group				1,638,559			

Schedule of Principal Group Properties

At 31st December 2017

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)	1,828,060	798	2016	Floor area shown represents the office portion, in which the Group owns a 50% interest.
Total held through joint venture companies				2,423,524	1,188		
– of which attributable to the Group				1,211,762			
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 60.25% interest.
Total held through subsidiaries				496,508	1,137		

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	
Office							
1.	Two Brickell City Centre	78 SW 7th Street Miami, Florida	380,670 (part)	128,842	145	2016	
2.	Three Brickell City Centre	98 Southeast Seventh Street Miami, Florida	380,670 (part)	134,542	144	2016	
Total held through subsidiaries			263,384	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	2881	238,582 (part)	1,020,000	82	Facade and finishing works are in progress	2018	The building was topped out in January 2018. Floor area shown is an approximation.
2.	Two Taikoo Place, Taikoo Place	2881	238,582 (part)	1,000,000	351	Demolition of Warwick House has been completed, and demolition of Cornwall House and foundation works for Two Taikoo Place are in progress	2021/ 2022	Floor area shown is an approximation.
Total held through subsidiaries			2,020,000	433				
3.	South Island Place	2064	25,500	382,499	137	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.
Total held through joint venture companies			382,499	137				
– of which attributable to the Group			191,250					

Schedule of Principal Group Properties

At 31st December 2017

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	
Retail									
1.	21-31 Wing Fung Street	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 IL 526 sA RP	2856	3,612 (part)	4,292	–	Redevelopment under planning	2021	Residential block over retail podium is proposed. Floor area shown represents the retail portion of the development. The area shown is subject to change.
Total held through subsidiaries				4,292	–				
2.	Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	342,569	122	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 65,000 square feet is to be built and handed over to the Government upon completion.
Total held through joint venture companies				342,569	122				
– of which attributable to the Group				68,514					
Residential									
1.	Po Wah Building, 1-11 Landale Street and 2-12 Anton Street	IL 2242 IL 2244 sA IL 2244 sB IL 2244 sC IL 2245 sA IL 2245 sB IL 2245 sC IL 2245 sD IL 2245 sE IL 2245 sF	2843	14,433	To be determined	To be determined	Redevelopment under planning	N/A	
Total held through subsidiaries				–	–				
Hotel									
1.	Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	131,510	5	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.
Total held through joint venture companies				131,510	5				
– of which attributable to the Group				26,302					

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	676,091 (part)	Hotel: 389,711 Serviced apartment: 149,088	Hotel: 117 Serviced apartment: 45	Interior decoration works in progress	2018	The construction works were completed in January 2018. Floor areas shown represent the hotel and serviced apartment portion, in which the Group owns a 50% interest.
Total held through joint venture companies				538,799	162			
– of which attributable to the Group				269,400				

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	To be determined	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. WHITESANDS, 160 South Lantau Road, Cheung Sha	Lot 724 and Lot 726 in DD332	2062	161,029	26,264	11	2015	The development comprises 28 detached houses and 28 carparking spaces. At 31st Dec 2017, 17 units and 17 carparking spaces had been sold. Floor area shown represents the remaining 11 units and 11 carparking spaces.
Total held through subsidiaries				26,264	11		

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 portion which is subject to the outcome of court proceedings), 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			

Schedule of Principal Group Properties

At 31st December 2017

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 2017, sales of 122 units had been closed.
2. Reach, Brickell City Centre, Miami, Florida	68 SE 6th Street Miami, Florida	380,670 (part)	51,053	50	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2017, 363 units had been sold.
3. Rise, Brickell City Centre, Miami, Florida	1 SW 8 Street, Miami, Florida	380,670 (part)	271,511	288	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2017, 207 units had been sold.
Total held through subsidiaries			327,923	342		

Property developments for sale in Hong Kong	Lot No	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. 21-31 Wing Fung Street	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 IL 526 sA RP	2856	3,612 (part)	Residential: 29,928	–	2021	Residential block over retail podium is proposed. Floor area shown represents the residential portion of the development. The area shown is subject to change.
Total held through subsidiaries				29,928	–		

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 100%, with 75% defined profits.
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

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

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

$$\text{Equity attributable to the Company's shareholders per share} = \frac{\text{Equity before non-controlling interest}}{\text{Number of shares in issue at the end of the year}}$$

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

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2018

Shares trade ex-dividend	3rd April
Share register closed for 2017 second interim dividend entitlement	6th April
Annual Report available to shareholders	6th April
Payment of 2017 second interim dividend	3rd May
Share register closed for attending and voting at Annual General Meeting	3rd – 8th May
Annual General Meeting	8th May
Interim results announcement	August 2018
2018 first interim dividend payable	October 2018

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