SWIRE PACIFIC

ANNUAL REPORT 2015

Stock Codes: 'A' Shares 00019 'B' Shares 00087

CONTENTS

Note: Definitions of the terms and ratios used in this report can be found in the Glossary.

SUSTAINABLE GROWTH

Swire Pacific has its headquarters in Hong Kong.
It is one of the leading companies in Hong Kong, with five operating divisions:
Property, Aviation, Beverages, Marine Services and Trading & Industrial.
The Group's operations are predominantly in Greater China,
where the name Swire or 太古 has been established for 150 years.

The Group has a long history in the region. We take a long-term perspective in formulating strategy and this is reflected in the nature of our investments. We pride ourselves on being forward-looking and innovative. These qualities have helped us to grow and have enabled us to set benchmarks in the industries in which we operate.

Swire Pacific is a highly diversified group. We have a wide range of commercial activities and conduct them internationally. We have interests in three other listed companies, Swire Properties Limited ("Swire Properties"), Cathay Pacific Airways Limited ("Cathay Pacific") and Hong Kong Aircraft Engineering Company Limited ("HAECO").

Swire Properties is one of Hong Kong's largest commercial landlords and operators of retail space, with a portfolio totalling 13.4 million square feet of lettable space. In Mainland China, Swire Properties' mixed-use property developments in Guangzhou, Shanghai, Beijing and Chengdu will, when they are all completed, have 8.9 million square feet of lettable space. In the USA, Swire Properties' mixed-use development in Miami, Florida will have 2.5 million square feet of lettable space upon completion after two phases of development.

In 2015, our airlines (which are based in Hong Kong) carried 34.1 million passengers and flew to 193 destinations. Through Cathay Pacific, we have an interest of more than 20% in Air China Limited ("Air China"). Hong Kong Dragon Airlines Limited ("Dragonair") (a wholly-owned subsidiary of Cathay Pacific) flies to 53 destinations in Mainland China and elsewhere in Asia. The HAECO group is a leading provider of international aircraft engineering services. In 2015, it performed 9.3 million manhours of airframe maintenance in Hong Kong, Mainland China and the USA.

In 2015, our Beverages Division sold 1,083 million unit cases of Coca-Cola products to a franchise population of over 450 million people in Greater China and the USA.

The Swire Pacific Offshore group ("SPO") operates a fleet of 92 specialist vessels supporting the offshore energy industry in every major offshore production and exploration region outside the USA.

At 31st December 2015, we operated 213 retail outlets in Hong Kong, Macau and Mainland China. We have joint ventures in Hong Kong and Mainland China with Akzo Nobel in paint manufacturing. Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Its largest business is in Taiwan where it sells (among other vehicles) Volkswagen, Škoda, Mercedes-Benz and Audi cars. We are building a network of cold stores in Mainland China. Five are completed and two are under construction.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 41,000 employees. In Mainland China, in ventures under our own management, we have approximately 24,000 employees. Globally, we employ over 82,000 staff.

OUR STRATEGY

We concentrate on businesses where we have expertise, and where our expertise can add value. Our aim is sustainable long-term growth in shareholder value.

- We deploy capital and people where we see opportunities to generate returns which exceed our cost of capital over the long term.
- We invest in existing and new businesses, focussing on those where we have a competitive advantage and where our capital and people can generate long-term value.
- We divest from businesses which have reached their full potential and deploy the capital released to existing or new businesses.
- Our people, and our ability to deploy them across our businesses (which is facilitated by services agreements with our principal shareholder), are critical to our ability to generate long-term value. We recruit the best people and invest heavily in their training and development.
- We are conservative financial managers. This lets us execute long-term investment plans irrespective of short-term financial market volatility.
- We provide premium quality products and services, so as to differentiate ourselves from our competitors.
- We invest in sustainable development, not just because it is the right thing to do, but because it helps to achieve long-term growth through innovation and improved efficiency.
- We are committed to the highest standards of corporate governance and to the preservation and development of the Swire brand.

In implementing the above strategy, 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.

We are and intend to remain a conglomerate with diverse businesses capable of generating sustainable long-term growth in value.

2015 PERFORMANCE HIGHLIGHTS

Attributable Profit
21% increase from 2014

HK$13.4 bn

Underlying Profit
2% increase from 2014

HK$9.9 bn

Net Assets Employed
1% increase from 2014

HK$323.6 bn

Underlying Return on Net Assets Employed
0.1 percentage point decrease from 2014

3.6%

Dividends Per Share
Unchanged from 2014

HK$3.90 per 'A' share
HK$0.78 per 'B' share

Underlying Return on Net Assets Employed by Division

PROPERTY	AVIATION	BEVERAGES	MARINE SERVICES	TRADING & INDUSTRIAL
2.9%	7.9%	18.8%	-5.5%	4.2%

2015 2014

GHG Emissions
Tonnes of CO_2e
(Millions)

LTIR
(No. of injuries per 100 full-time equivalent employees)

Water Consumed
cbm
(Millions)

2015 FINANCIAL PERFORMANCE

	Note	2015 HK$M	2014 HK$M	Change %
Revenue		60,885	61,301	-1%
Operating profit		16,461	13,697	+20%
Profit attributable to the Company's shareholders		13,429	11,069	+21%
Cash generated from operations		14,362	16,250	-12%
Net cash inflow/(outflow) before financing		6,824	(215)	N/A
Total equity (including non-controlling interests)		263,986	262,130	+1%
Net debt		59,584	58,624	+2%

	Note	HK$	HK$	
Earnings per share	(a)			
'A' share		8.93	7.36	+21%
'B' share		1.79	1.47	
Dividends per share				
'A' share		3.90	3.90	–
'B' share		0.78	0.78	
Equity attributable to the Company's shareholders per share	(a)			
'A' share		145.22	145.40	-0%
'B' share		29.04	29.08	

UNDERLYING PROFIT

	Note	HK$M	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(b)	9,892	9,739	+2%

	Note	HK$	HK$	
Underlying earnings per share	(a)			
'A' share		6.58	6.47	+2%
'B' share		1.32	1.29	

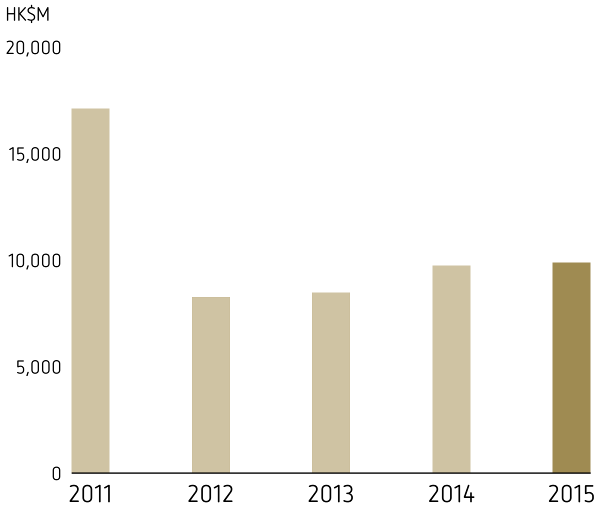
2015 SUSTAINABLE DEVELOPMENT PERFORMANCE

	2015	2014	Change %
GHG emissions (Million tonnes of CO_2e)	18.3	17.7	+3%
Energy consumed (GJ Millions)	250.4	239.3	+5%
Water consumed (cbm Millions)	10.0	9.4	+6%
LTIR (Number of injuries per 100 full-time equivalent employees)	1.64	2.03	-19%
Expenditure on community programmes (HK$ Millions)	56	56	–

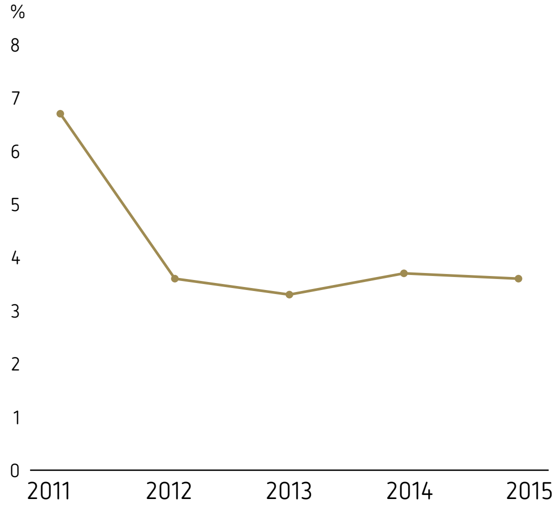
Notes:
(a) Refer to note 13 in the financial statements for the weighted average number of shares.
(b) Refer to note 11 in the financial statements for a reconciliation between the reported and underlying profit attributable to the Company's shareholders.

SUMMARY OF PAST PERFORMANCE

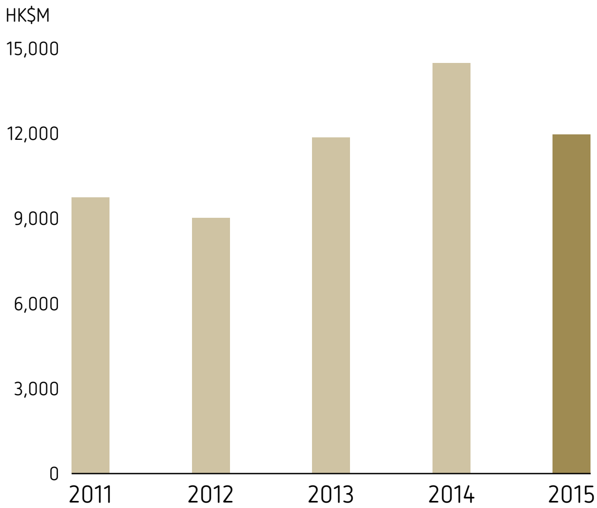
Underlying Profit Attributable to the Company's Shareholders



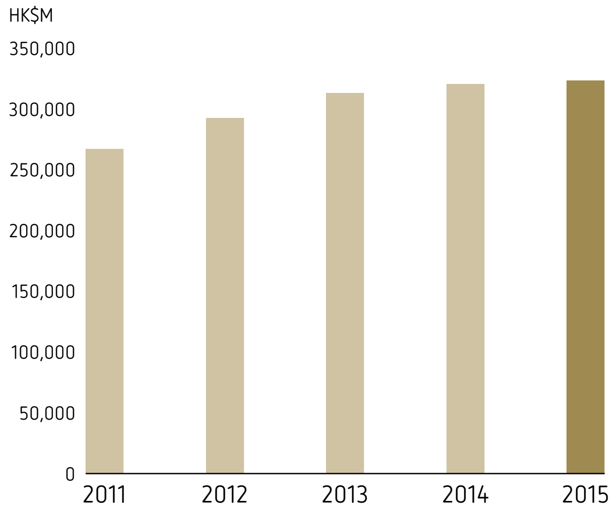
Underlying Return on Net Assets Employed



Net Cash Generated from Operating Activities



Net Assets Employed

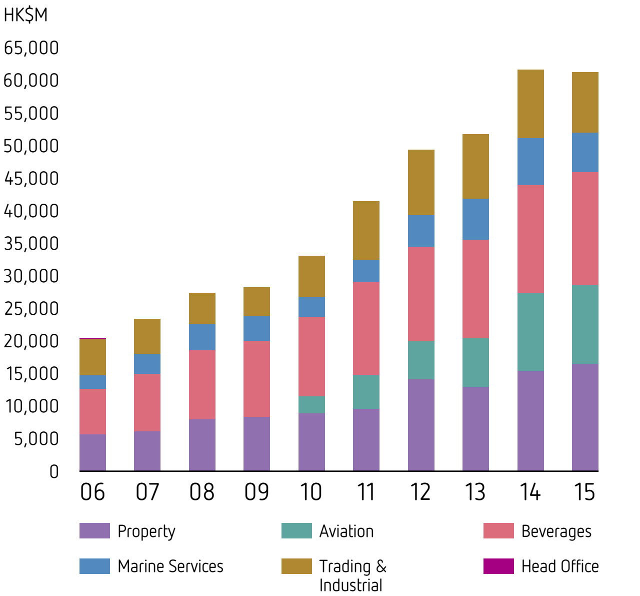


Note: The same measures of performance are presented for each Division in the 2015 Performance Review and Outlook section.

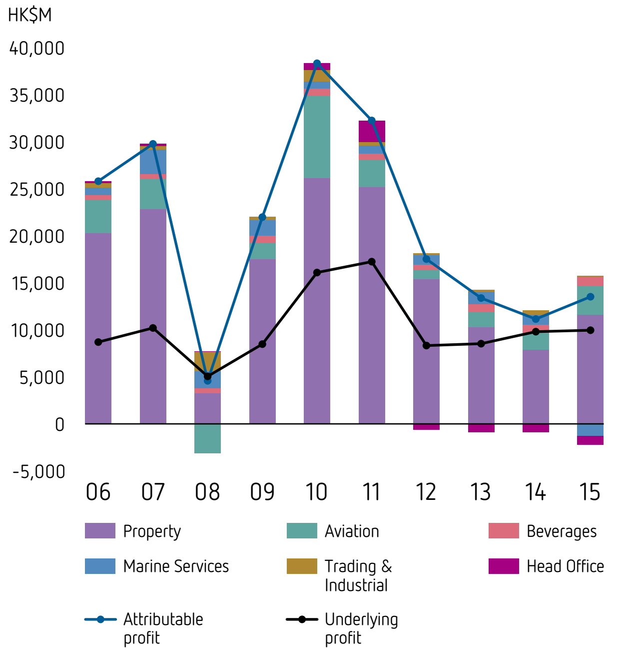
	2006 HK$M	2007 HK$M	2008 HK$M	2009 HK$M	2010 HK$M	2011 HK$M	2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M
Statement of Profit or Loss										
Revenue										
Property	5,595	6,060	7,903	8,288	8,809	9,518	13,988	12,856	15,297	16,351
Aviation	–	–	–	–	2,574	5,171	5,830	7,387	11,927	12,095
Beverages	6,987	8,771	10,534	11,560	12,189	14,105	14,396	15,053	16,382	17,172
Marine Services	1,997	3,104	4,007	3,892	3,046	3,505	4,864	6,292	7,234	5,988
Trading & Industrial	5,554	5,306	4,746	4,320	6,212	8,862	9,956	9,836	10,430	9,245
Head Office	215	17	13	10	7	8	6	13	31	34
	20,348	23,258	27,203	28,070	32,837	41,169	49,040	51,437	61,301	60,885
Profit attributable to the Company's shareholders										
Property	20,116	22,669	3,190	17,356	25,925	24,981	15,282	10,207	7,786	11,494
Aviation	3,546	3,220	(3,088)	1,772	8,767	2,869	984	1,627	1,822	3,017
Beverages	475	492	571	760	705	664	556	802	854	976
Marine Services	828	2,541	1,756	1,631	782	854	964	1,307	1,072	(1,255)
Trading & Industrial	449	401	2,088	350	1,197	416	247	237	423	155
Head Office	223	256	28	(29)	719	2,269	(623)	(889)	(888)	(958)
	25,637	29,579	4,545	21,840	38,095	32,053	17,410	13,291	11,069	13,429
Dividends for the year	4,321	4,898	3,591	4,213	5,266	9,780	5,266	5,266	5,868	5,867
Share repurchases	–	1,296	649	–	–	–	–	–	–	35
Retained profit less share repurchases	21,316	23,385	305	17,627	32,829	22,273	12,144	8,025	5,201	7,527
Statement of Financial Position										
Net assets employed										
Property – cost and working capital	45,376	57,333	66,229	68,444	75,491	71,868	76,907	84,035	88,491	89,009
– valuation surplus	62,864	82,343	82,712	96,807	119,072	131,609	144,176	151,019	154,116	162,217
Aviation	20,157	22,216	16,583	21,715	38,306	39,689	40,304	43,801	41,195	39,311
Beverages	3,340	3,555	4,039	4,605	5,205	5,662	6,200	6,032	6,048	5,833
Marine Services	6,025	6,487	7,416	7,862	8,872	11,233	17,631	21,412	23,537	22,293
Trading & Industrial	1,711	1,780	3,615	1,511	1,004	1,594	2,663	2,286	3,950	4,445
Head Office	(79)	1,181	(139)	363	2,657	5,631	4,755	4,428	3,417	462
	139,394	174,895	180,455	201,307	250,607	267,286	292,636	313,013	320,754	323,570
Financed by										
Equity attributable to the Company's shareholders	126,683	151,099	148,402	168,745	204,464	226,380	208,467	220,297	218,775	218,449
Non-controlling interests	772	1,328	1,649	1,098	4,922	5,138	39,915	42,211	43,355	45,537
Net debt	11,939	22,468	30,404	31,464	41,221	35,768	44,254	50,505	58,624	59,584
	139,394	174,895	180,455	201,307	250,607	267,286	292,636	313,013	320,754	323,570

	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $
'A' Shares										
Earnings per share	16.75	19.45	3.00	14.52	25.32	21.30	11.57	8.83	7.36	8.93
Dividends per share	2.83	3.23	2.38	2.80	3.50	6.50	3.50	3.50	3.90	3.90
Equity attributable to shareholders per share	82.75	99.65	98.63	112.15	135.89	150.46	138.55	146.41	145.40	145.22
'B' Shares										
Earnings per share	3.35	3.89	0.60	2.90	5.06	4.26	2.31	1.77	1.47	1.79
Dividends per share	0.57	0.65	0.48	0.56	0.70	1.30	0.70	0.70	0.78	0.78
Equity attributable to shareholders per share	16.55	19.93	19.73	22.43	27.18	30.09	27.71	29.28	29.08	29.04
Ratios										
Return on average equity attributable to the Company's shareholders	22.3%	21.3%	3.0%	13.8%	20.4%	14.9%	8.0%	6.2%	5.0%	6.1%
Return on average equity attributable to the Company's shareholders (historic cost)	14.1%	15.2%	7.4%	12.0%	19.9%	18.9%	8.9%	8.9%	10.1%	11.2%
Gearing ratio	9.4%	14.7%	20.3%	18.5%	19.7%	15.4%	17.8%	19.2%	22.4%	22.6%
Interest cover – times	46.8	54.0	10.1	23.4	27.1	19.6	13.0	8.4	6.8	7.7
Dividend cover – times	5.9	6.0	1.3	5.2	7.2	3.3	3.3	2.5	1.9	2.3
Underlying										
Profit (HK$M)	8,638	10,131	5,019	8,422	15,986	17,135	8,270	8,471	9,739	9,892
Return on average equity attributable to the Company's shareholders	7.5%	7.3%	3.4%	5.3%	8.6%	8.0%	3.8%	4.0%	4.4%	4.5%
Earnings per 'A' share (HK$)	5.6	6.7	3.3	5.6	10.6	11.4	5.5	5.6	6.5	6.6
Earnings per 'B' share (HK$)	1.1	1.3	0.7	1.1	2.1	2.3	1.1	1.1	1.3	1.3
Interest cover – times	13.5	14.8	9.9	8.3	10.3	10.4	6.7	5.5	6.1	5.4
Dividend cover – times	2.0	2.1	1.4	2.0	3.0	1.8	1.6	1.6	1.7	1.7

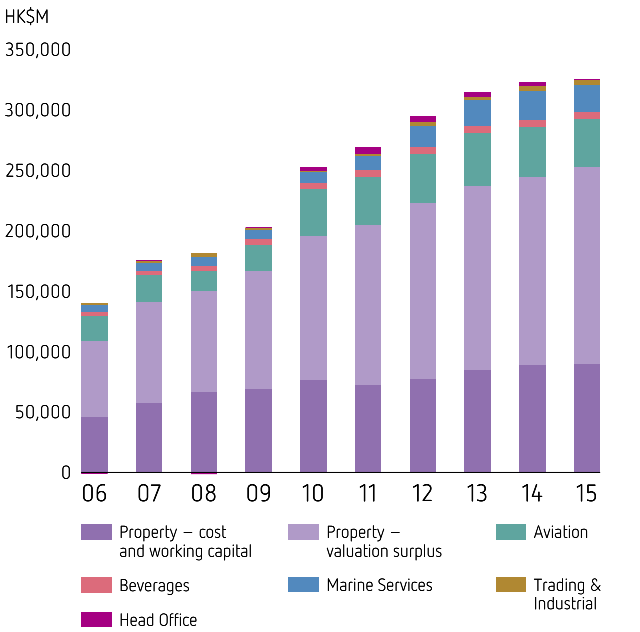
Revenue



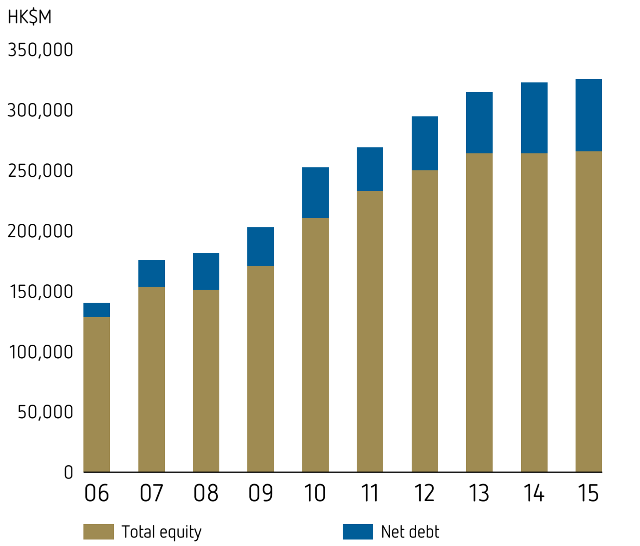
Profit Attributable to the Company's Shareholders



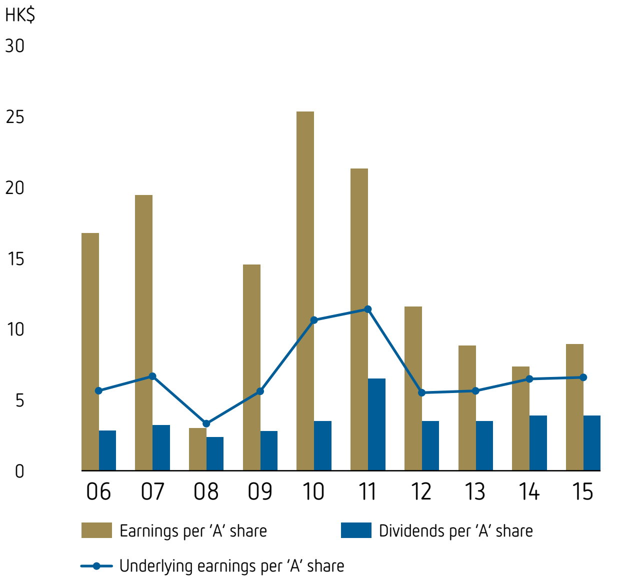
Net Assets Employed



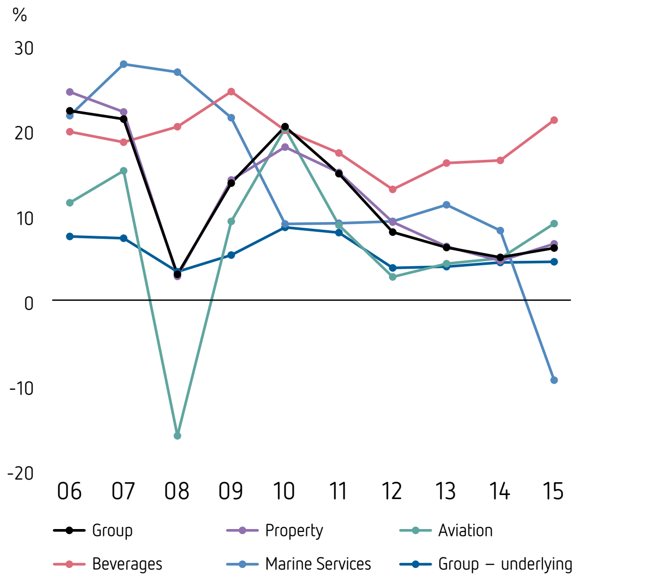
Total Equity and Net Debt



Earnings and Dividends Per 'A' Share

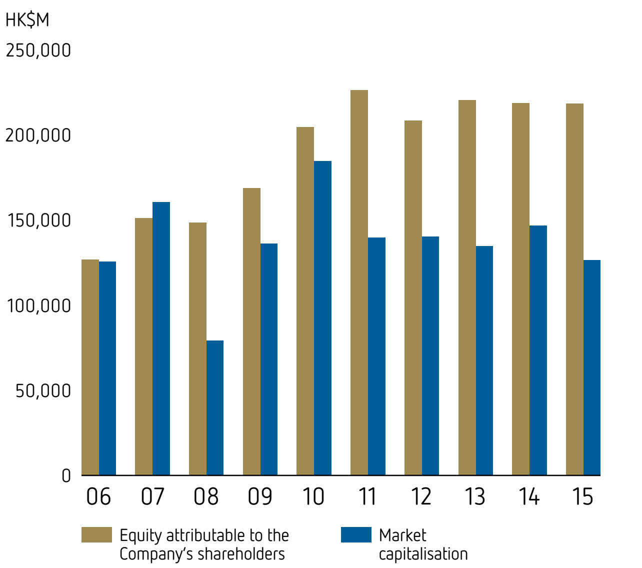


Returns on Average Equity*

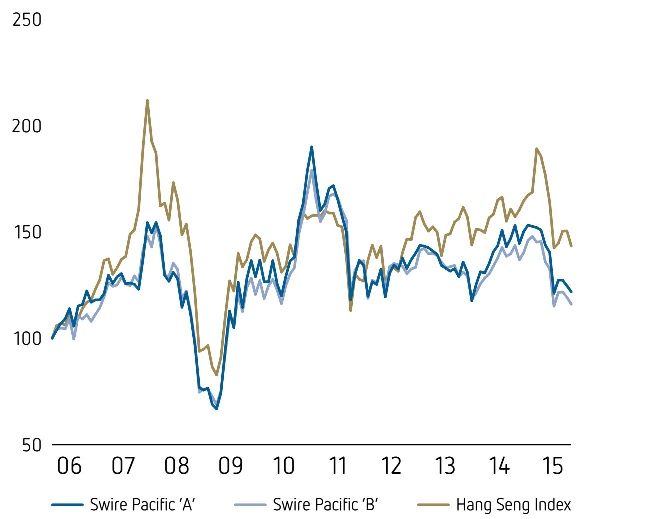


* Returns on average equity for the Trading & Industrial Division are not shown on the graph as restructuring within the division has rendered the comparison of returns between years unmeaningful.

Equity Attributable to the Company's Shareholders and Market Capitalisation at Year-end



Swire Pacific Share Price Relative to Hang Seng Index



CHAIRMAN'S STATEMENT

Year in Review

The global economy in 2015 was affected by uncertainty over the timing of the rise in interest rates in the USA and slower economic growth in Mainland China. Economic growth in the USA remained robust and economies in the Eurozone showed some improvement. Financial markets were volatile, in particular in Mainland China. The Renminbi weakened unexpectedly in August. Consumer spending was weak in Hong Kong. Currency movements had an adverse impact on tourism. Consumer spending was relatively robust in major Chinese cities. Oil prices were low throughout the year.

Results Summary

The 2015 results of the Group were affected by the global economic factors described above. Consolidated profit attributable to shareholders for 2015 was HK$13,429 million, HK$2,360 million higher than in 2014. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$153 million or 2% to HK$9,892 million.

The Property Division was the largest contributor to underlying profits. The profits of Swire Properties fell, principally on account of a loss on the disposal of four hotels in the UK. Excluding this loss, the profits of Swire Properties rose compared to those of 2014. The business benefited from strong sales of luxury residential properties in Hong Kong for much of the year. Rental income in Hong Kong benefited from strong demand for office space. Retail properties in Mainland China performed well. Significant underlying profits were recorded on the sale of eight units in OPUS HONG KONG, a property owned directly by Swire Pacific.

The results of the Aviation Division improved, principally as a result of higher profits from the airlines and higher attributable profits from Cathay Pacific's associate, Air China. Cathay Pacific's own results improved but were affected by pressure on passenger yield, weak cargo demand and higher fuel hedging losses. HAECO's results were affected by higher losses from its business in the USA.

Swire Beverages' results were mixed. The business in Mainland China was affected by slowing economic growth. Other territories, in particular in the USA, produced good results. The Marine Services Division performed poorly in a weak market. Swire Pacific Offshore ("SPO") recorded significant impairment charges in relation to older vessels in the fleet and the cancellation of shipbuilding contracts in Brazil. The Trading & Industrial Division's profits were lower.

Dividends

The Directors have declared second interim dividends of HK¢278.0 per 'A' share and HK¢55.6 per 'B' share which, together with the first interim dividends paid in October 2015, amount to full year dividends of HK¢390.0 per 'A' share and HK¢78.0 per 'B' share.

Dividends paid in respect of 2015 are unchanged from those paid in respect of 2014. The Group's policy is to pay out approximately half of underlying profits attributable to shareholders over the economic cycle.

Implementing Our Strategy

The Group's aim is to generate sustainable long-term growth in shareholder value. This can be measured by capital appreciation and a rising dividend. Over the last ten years, the Group has seen equity attributable to shareholders and dividends (excluding special distributions) increase by compound average rates of 6% and 4% per year respectively.

In order to achieve our stated aim, we deploy capital (and people) where we see opportunities to generate long-term value. We make such deployments in our businesses with a view to maximising the returns on our capital over the long term.

The largest recipient of capital is Swire Properties. This reflects its size and the identified opportunities in the property sector. In Hong Kong, we are reinforcing our successful Quarry Bay development by redeveloping older buildings into prime office space. In Mainland China, we intend to undertake a retail and residential development in Dalian and a second (retail) development in Shanghai. Our mixed-use project in Miami is nearing completion and will open in phases this year.

The Aviation Division is a significant investment for the Group. We are supportive of the long term investment plans of the Cathay Pacific group, which include investments in new aircraft and in maintaining a significant ownership interest in Air China. Cathay Pacific finances its investments itself.

In 2014 HAECO invested in an aircraft maintenance business in the USA. This extended HAECO's capabilities and geographical coverage. The acquired business underperformed in 2015 due to the termination of some major airframe maintenance contracts. We are concentrating on integrating the acquired business within the HAECO group.

The Beverages Division earns an attractive return on investment. In 2015 we acquired the minority interests held by the CITIC group in our beverages companies in Mainland China. We also agreed to acquire additional distribution rights in Arizona and additional production assets in Arizona and Colorado. The former acquisition is expected to be completed later this year, the latter no later than 2018.

In the Marine Services Division, SPO has, since 2011, made major investments in new offshore support vessels. Weak market conditions make further significant commitments to purchase new vessels unlikely in the short term.

The Trading & Industrial Division has been a large recipient of capital relative to its size. In 2013, we started to expand our motor dealership business and the number of brands of vehicles which we represent. In 2014 we acquired a majority interest in a bakery business in southwest China. Swire Pacific Cold Storage has been investing in cold stores in Mainland China. Five are operating and two are due to open in 2016.

Our strategy of allocating surplus capital to a diversified range of businesses continues. New investments in businesses other than property have increased in recent years. This reflects our belief that attractive returns are available over the long term in these businesses and the scarcity of opportunities for investment in property on sufficiently favourable terms. Current allocations of capital reflect our belief that this state of affairs is likely to continue in the medium term.

Outlook

In the Property Division, rental income in Hong Kong is expected to benefit from continued high occupancy. Demand for retail space, however, is expected to weaken. Investment property results in Mainland China are expected to be better as retail sales continue to grow. Overall profits from the investment property business are expected to grow slowly until new properties are completed and opened in 2017 and 2018. Property trading profits are expected to be recognised on sales of units in the USA.

In the Aviation Division, the Cathay Pacific group is expected to continue to face pressure on passenger yield and weak cargo demand. Fuel prices are expected to remain low. This is expected to continue to provide a benefit to Cathay Pacific and its associated companies, Air China and Air China Cargo.

The HAECO group is expected to benefit from a significant one-off gain resulting from the restructuring of its interests in Rolls-Royce engine overhaul facilities in Hong Kong and Singapore. The prospects for the HAECO group's different businesses in 2016 are mixed.

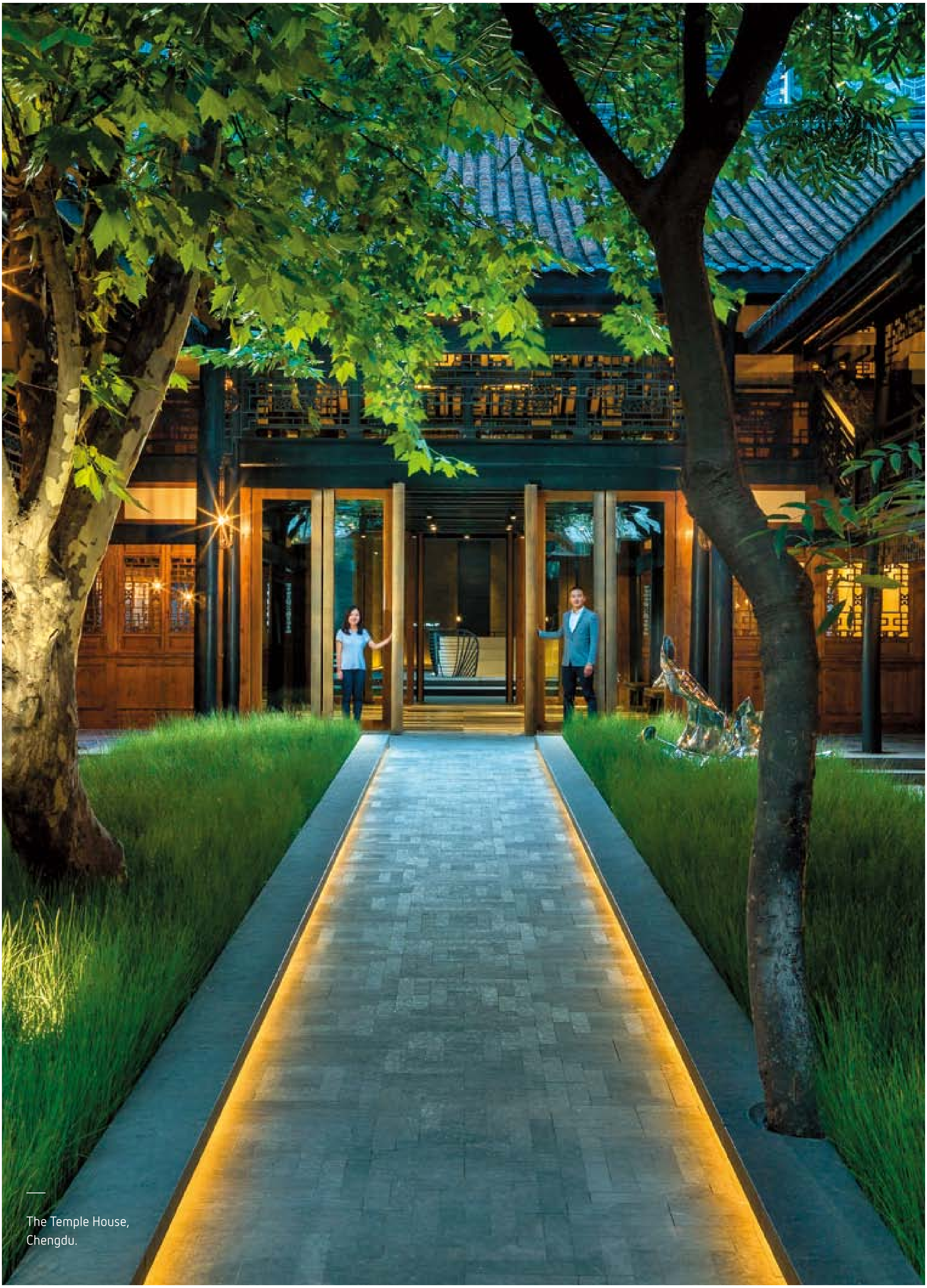
The Beverages Division expects overall sales volume growth in 2016 as a result of new territories assumed in the USA and modest growth in existing markets. Results will also benefit from the acquisition of minority interests in Mainland China completed during 2015. Raw material costs are expected to remain favourable.

The oil price is expected to remain low in 2016. This will adversely affect the results of the Marine Services Division. It is difficult to know when oil prices will recover. Until they do, exploration and production activity will remain at low levels. In order to address weak demand, SPO has adjusted its fleet size by stacking older vessels. This will reduce operating costs and preserve cash flow. SPO is well positioned to take advantage of market opportunities when conditions improve.

The Trading & Industrial Division will continue to develop its portfolio of businesses. The results of the division as a whole will be affected by the cost of new business development, in particular start-up costs relating to the Swire Pacific Cold Storage business.

The commitment and hard work of employees of the Group and its joint venture and associated companies are central to our continuing success. I take this opportunity to thank them.

John Slosar
Chairman
Hong Kong, 10th March 2016



The Temple House,
Chengdu.

PROPERTY DIVISION

TRANSFORMING URBAN AREAS

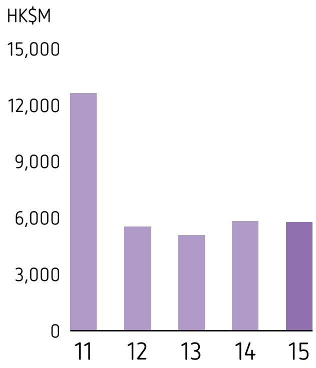
Swire Properties'
growing portfolio of offices,
retail space and hotels is continuing
to transform urban areas.

OVERVIEW OF THE BUSINESS

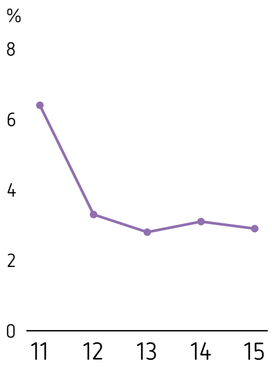
PROPERTY DIVISION

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.

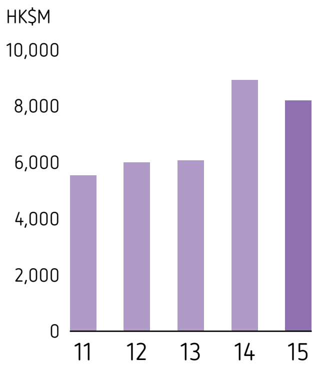
Underlying Profit Attributable to the Company's Shareholders



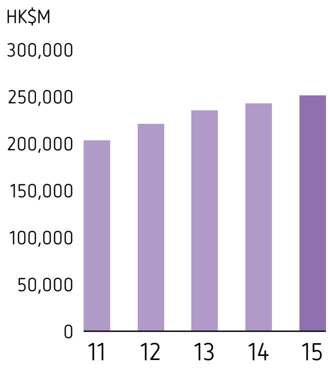
Underlying Return on Net Assets Employed



Net Cash Generated from Operating Activities



Net Assets Employed



Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury residential accommodation in prime locations. The completed portfolio in Hong Kong totals 13.4 million square feet of gross floor area with an additional 1.9 million square feet under development. In Mainland China, Swire Properties owns and operates major commercial mixed-use developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in certain cases, which will total 8.9 million square feet on completion. Of this, 7.1 million square feet has already been completed. In the USA, Swire Properties is the primary developer undertaking a mixed-use commercial development at Brickell City Centre in Miami, Florida that will comprise 2.5 million square feet after two phases of development have been completed.

Hotel Investment

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST, Hong Kong at Taikoo Shing. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In Mainland China, Swire Hotels manages three hotels. The Opposite House at Taikoo Li Sanlitun in Beijing is wholly-owned by Swire Properties; 50% interests are owned in EAST at INDIGO in Beijing and in The Temple House at Sino-Ocean Taikoo Li Chengdu. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental. In the USA, the company owns a 75% interest in the Mandarin Oriental in Miami.

Property Trading

Swire Properties' trading portfolio comprises a luxury residential project under development (ALASSIO) on Hong Kong Island, two residential towers under development (Reach and Rise) at Brickell City Centre in Miami, the remaining portion of the office property (Pinnacle One) at Sino-Ocean Taikoo Li Chengdu and the remaining units at other completed developments. The completed developments available for sale are the WHITESANDS, AREZZO and MOUNT PARKER RESIDENCES developments in Hong Kong. There are also land banks in Miami and Fort Lauderdale in Florida in the USA.

Swire Properties is listed on The Stock Exchange of Hong Kong Limited.

Particulars of the Group's key properties are set out on pages 217 to 227.

STRATEGY

The strategic objective of Swire Properties (as a listed company in its own right) is sustainable growth in shareholder value over the long-term as a leading developer, owner and operator of principally mixed-use commercial properties in Hong Kong and Mainland China. The strategies employed in order to achieve this objective are these:

- **The creation of long-term value through conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas.**
- **Maximisation of the earnings and value of its completed properties through active asset management, including reinforcing its assets through enhancement, redevelopment and new additions.**
- **Continuing its luxury residential property activities.**
- **Remaining focused principally on Hong Kong and Mainland China.**
- **Conservative management of its capital base.**

Principal Property Investment Portfolio – Gross Floor Area

('000 Square Feet)

	At 31st December 2015						At 31st December 2014
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,451*	12	–	63	–	5,526	5,526
Cityplaza	1,633	1,105	200	–	–	2,938	2,938
Others	410	608	47	41	–	1,106	1,152
– Hong Kong	9,680	2,436	743	547	–	13,406	13,452
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	298	470	179	–	–	947	947
Sino-Ocean Taikoo Li Chengdu	–	624	114	64	–	802	613
Others	–	91	–	–	–	91	91
– Mainland China	2,030	3,954	1,046	116	–	7,146	6,957
– USA	–	–	259	–	–	259	259
– UK	–	–	–	–	–	–	208
Total completed	11,710	6,390	2,048	663	–	20,811	20,876
Under and pending development							
– Hong Kong	1,766	–	–	–	96	1,862	1,858
– Mainland China	918	548	194	74	–	1,734	1,896
– USA	260	490	218	109	1,444	2,521	2,377
Total	14,654	7,428	2,460	846	1,540	26,928	27,007

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies.

* Includes 894,000 square feet at two techno-centres (Warwick House and Cornwall House).

2015 PERFORMANCE

Financial Highlights

	2015 HK$M	2014 HK$M
Revenue		
Gross rental income derived from		
Office	5,972	5,707
Retail	4,366	4,260
Residential	378	353
Other revenue *	141	136
Property investment	10,857	10,456
Property trading	4,463	3,842
Hotels	1,127	1,089
Total revenue	16,447	15,387
Operating profit/(loss) derived from		
Property investment	8,090	7,870
Valuation gains on investment properties	7,067	1,942
Property trading	1,328	1,180
Hotels	(334)	(22)
Total operating profit	16,151	10,970
Share of post-tax profits from joint venture and associated companies	1,241	1,604
Attributable profit	14,017	9,495
Swire Pacific share of attributable profit	11,494	7,786

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2015 HK$M	2014 HK$M
Property Investment	6,258	6,046
Property Trading	1,107	1,049
Hotels	(303)	29
Total underlying attributable profit	7,062	7,124

Sustainable Development Highlights

	2015	2014
Energy intensity (kWh per sqm)	135	139
LTIR	1.90	1.95

Note: Energy intensity disclosed above relates to investment properties in Hong Kong and Mainland China. Energy intensity includes electricity consumed in the common areas of buildings and by building air conditioning systems. It generally excludes electricity consumed by tenants through their own connections to the electricity grid.

2015 PERFORMANCE (continued)

Reconciliation of Attributable to Underlying Profit

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the USA, and for other deferred tax provisions in relation to investment properties.

	Note	2015 HK$M	2014 HK$M
Reported attributable profit		14,017	9,495
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(8,137)	(3,134)
Deferred tax on investment properties	(b)	1,090	710
Realised profit on sale of investment properties	(c)	28	29
Depreciation of investment properties occupied by the Group	(d)	23	23
Non-controlling interests' share of revaluation movements less deferred tax		41	1
Underlying attributable profit		7,062	7,124
Swire Pacific share of underlying attributable profit		5,791	5,841

Notes:
(a) This represents the Group's net revaluation movements 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 and 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 USA, 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 statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

PROPERTY INDUSTRY BACKGROUND

Office and Retail

Hong Kong

OFFICE | Demand for office space improved in 2015, though there was a slowdown in demand from Mainland Chinese entities in Central towards the end of the year. Occupancy levels were high.

RETAIL | Retail sales in Hong Kong were adversely affected by reduced spending by tourists.

Mainland China

RETAIL | In Mainland China, retail sales of luxury goods were weak but those of non-luxury goods were satisfactory. Demand for retail space was generally firm in 2015.

OFFICE | In Guangzhou, despite substantial new supply, rents were stable in 2015 as a result of high occupancy. In Beijing, office rents were weak against a background of reduced demand and increased supply.

Property Sales Markets

In Hong Kong, demand for residential properties for sale was strong in the first nine months of the year but buyers became more cautious in the light of expected interest rate increases and general economic uncertainties.

2015 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$11,494 million compared to HK$7,786 million in 2014. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK$8,137 million and HK$3,134 million in 2015 and 2014 respectively. Attributable underlying profit, which principally adjusts for changes in the valuation of investment properties, decreased by HK$50 million or 1% to HK$5,791 million.

The decrease in underlying profit principally reflects a loss on disposal of four hotels in the UK. Underlying profit from investment properties increased, reflecting good performances from the office portfolio in Hong Kong and from the retail portfolio in Mainland China.

Gross rental income was HK$10,716 million in 2015 compared to HK$10,320 million in 2014. Rental income increased both in Hong Kong and in Mainland China, as rental reversions were generally positive.

In Hong Kong, office occupancy levels were firm but retail sales were adversely affected by reduced spending by tourists. In Mainland China, retail sales of luxury goods were weak but demand for retail space was firm.

There were higher trading profits, principally because of the completion of the sales of the majority of the units at the AREZZO development in Hong Kong.

The hotel results were adversely affected by the loss on disposal referred to above and pre-opening costs at hotels in Chengdu in Mainland China and in Miami in the USA.

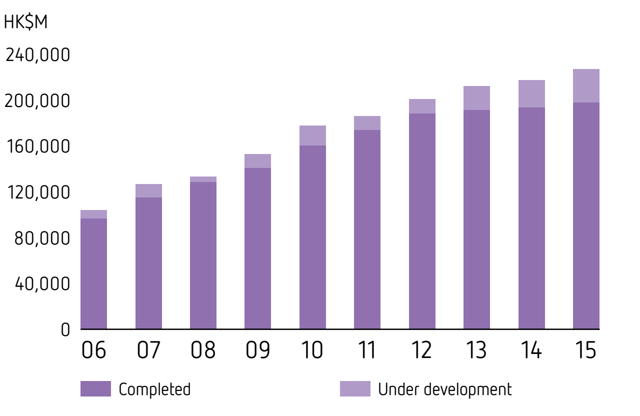
KEY CHANGES TO THE PROPERTY PORTFOLIO

In April 2015, Swire Properties, Bal Harbour Shops and Simon Property Group agreed to develop the retail component of Brickell City Centre in Miami, USA. Under the agreement, Swire Properties will remain the primary developer of Brickell City Centre.

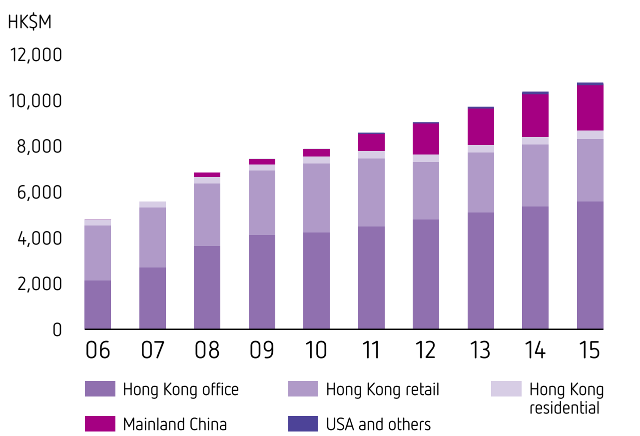
In May 2015, Swire Properties entered into a joint venture with China Motor Bus Company, Limited ("CMB"). The joint venture was formed to acquire, subject to certain conditions (including the agreement of a land premium with the Hong Kong Government), a plot of land in Chai Wan, Hong Kong. The land,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

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

Valuation of Investment Properties



Gross Rental Income



The lobbies at One and Two Pacific Place were refurbished as part of the Pacific Place contemporisation project.

INVESTMENT PROPERTIES

Hong Kong

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

Pacific Place

The offices at One, Two and Three Pacific Place performed well in 2015. The occupancy rate was 100% at 31st December 2015.

Cityplaza

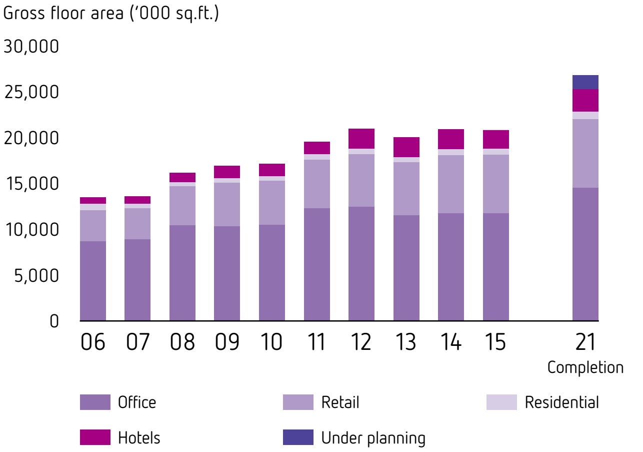
Demand for space in the three office towers (Cityplaza One, Three and Four) was strong in 2015. They were almost fully let at 31st December 2015.

Taikoo Place

The office portfolio in Taikoo Place recorded positive rental reversions during the year. The occupancy rate was 99% at 31st December 2015.

Underlying Operating Profit

Completed Property Investment Portfolio



RETAIL | The Hong Kong retail portfolio's gross rental income increased marginally, to HK$2,725 million in 2015. This reflected positive rental reversions. The Group's malls were almost fully let throughout the year.

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

RESIDENTIAL | Average occupancy at Pacific Place Apartments improved in 2015.

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

The remaining eight units at OPUS HONG KONG were sold during the year. The net proceeds from the sale of units (including amounts receivable) were HK$3,187 million. OPUS HONG KONG is accounted for as an investment property and sales proceeds are recorded in the consolidated statement of cash flows under proceeds from disposals of investment properties.

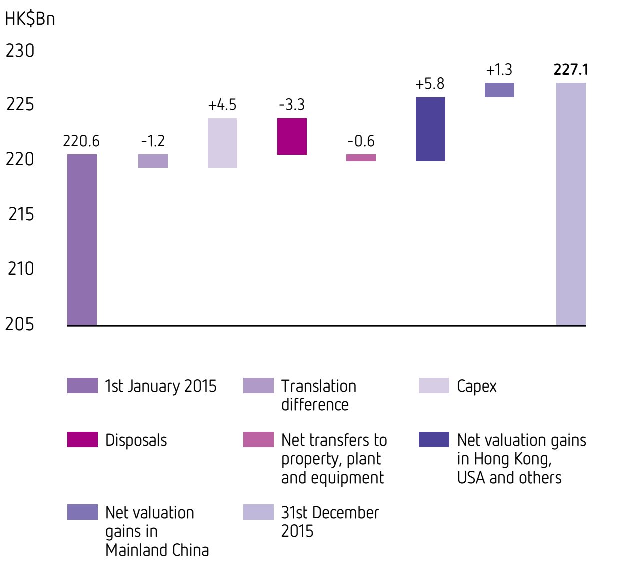
INVESTMENT PROPERTIES UNDER DEVELOPMENT | The commercial site (Tung Chung Town Lot No. 11) adjacent to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel gross floor area of approximately 477,700 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017. Swire Properties has a 20% interest in the development.

The commercial site (New Kowloon Inland Lot No. 6312) at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate gross floor area of approximately 555,000 square feet. Substructure and superstructure works are proceeding. The development is expected to be completed in 2017.

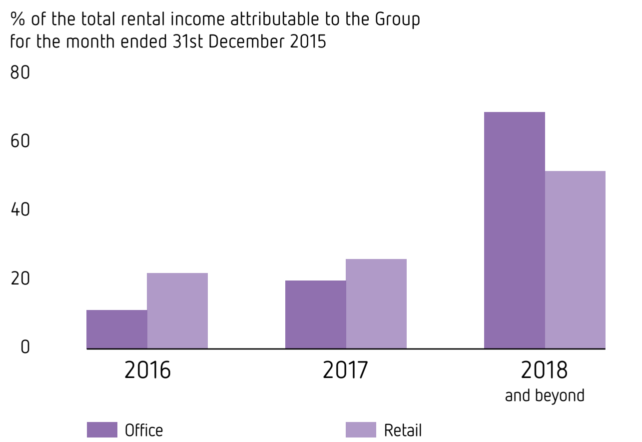
Somerset House in Taikoo Place is being redeveloped into a 50-storey office building with an aggregate gross floor area of approximately 1,020,000 square feet. Excavation and foundation works are proceeding. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment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

The commercial site at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate gross floor area of approximately 382,500 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

Movement in Investment Properties



Hong Kong Lease Expiry Profile – at 31st December 2015



Sino-Ocean Taikoo Li Chengdu was officially opened in April 2015. The retail-led mixed use development consists of an open-plan mall, a boutique hotel and a Grade-A office tower.

Mainland China

RETAIL | The Mainland China retail portfolio's gross rental income for 2015 increased by 6% compared with 2014, to HK$1,641 million.

The occupancy rate was 94% at Taikoo Li Sanlitun at 31st December 2015. Retail sales grew by 3% in 2015. Demand for retail space in Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination.

The occupancy rate at TaiKoo Hui was 99% at 31st December 2015. Retail sales at the mall increased by 16% in 2015.

The occupancy rate at the mall at INDIGO was 97% at 31st December 2015 and 94% of the shops were open. Retail sales increased by 30% in 2015.

Sino-Ocean Taikoo Li Chengdu was officially opened in April 2015. At 31st December 2015, tenants had committed (including by way of letters of intent) to take 88% of the retail space and 83% of the space was open for business.

OFFICE | The Mainland China office portfolio's gross rental income for 2015 increased by 9% compared with 2014, to HK$360 million.

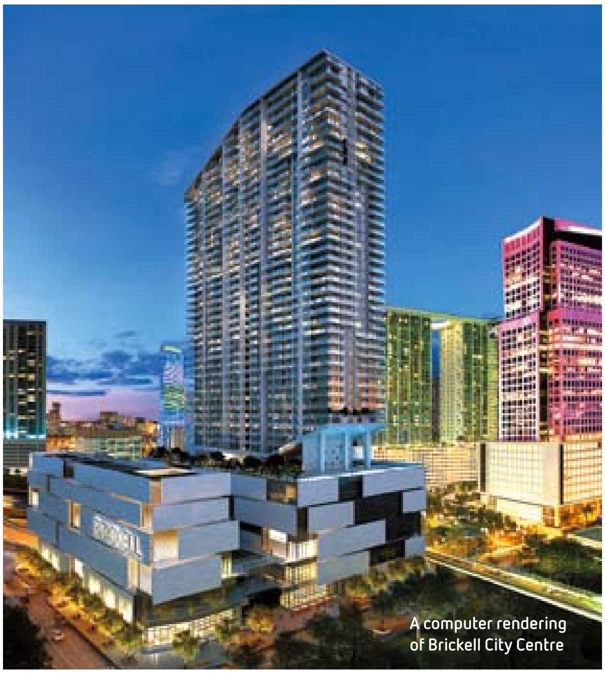
At 31st December 2015, the occupancy rates at the office towers at TaiKoo Hui and at ONE INDIGO were 100% and 92% respectively.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | Structural work at HKRI Taikoo Hui (formerly known as the Dazhongli project) in Shanghai has been substantially completed. Interior decoration and mechanical and electrical installation works for the two office towers and the shopping mall are proceeding. The development is expected to open in phases from 2016.

USA

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

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


A computer rendering of Brickell City Centre

Construction of Phase I of Brickell City Centre is expected to be completed later in 2016.

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

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

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2015 (93% by value were valued by DTZ Debenham Tie Leung, an independent valuer, and 96% by value in total were valued by independent valuers) on the basis of open market value. The amount of this valuation was HK$227,109 million compared to HK$220,634 million at 31st December 2014 and HK$225,591 million at 30th June 2015.

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

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

HOTELS

On an underlying basis, losses from the hotel portfolio were recorded in 2015, compared with profits in 2014. This mainly reflected a loss attributable to Swire Properties of HK$229 million on the disposal of four hotels in the UK. Pre-opening costs were also incurred at new hotels in Mainland China and the USA.

The performance of the managed and non-managed hotels in Hong Kong was adversely affected by the reduced number of visitors to Hong Kong in 2015.

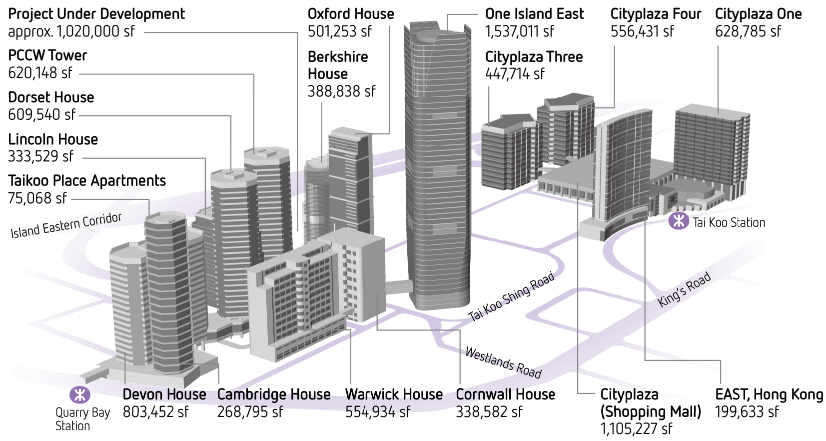
The Temple House hotel (including serviced apartments) at Sino-Ocean Taikoo Li Chengdu opened in July 2015.

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

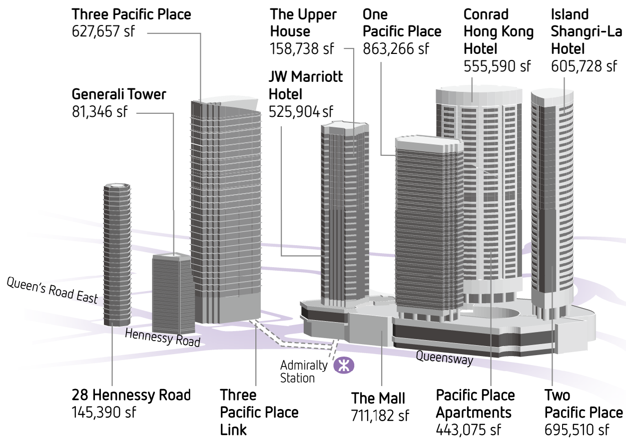
Hong Kong

Taikoo Place

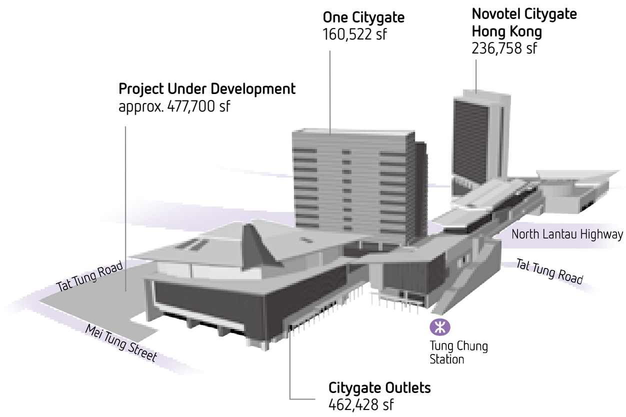
Cityplaza



Pacific Place



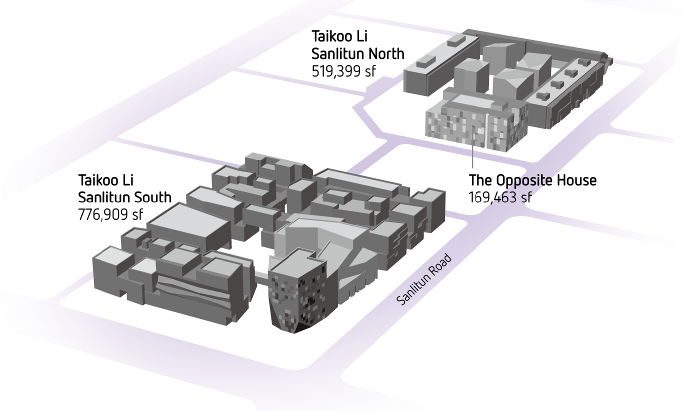
Citygate



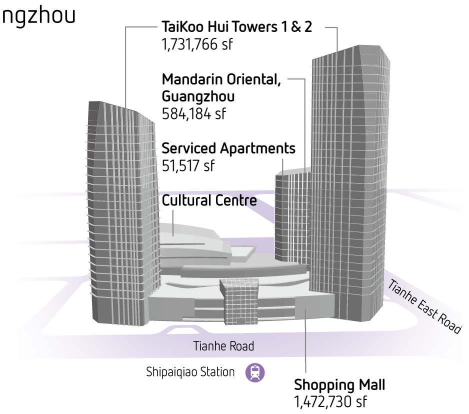
Note:
These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 217 to 227.

Mainland China

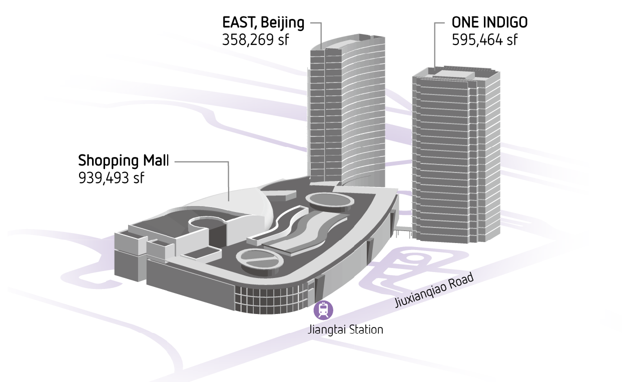
Taikoo Li Sanlitun
Beijing



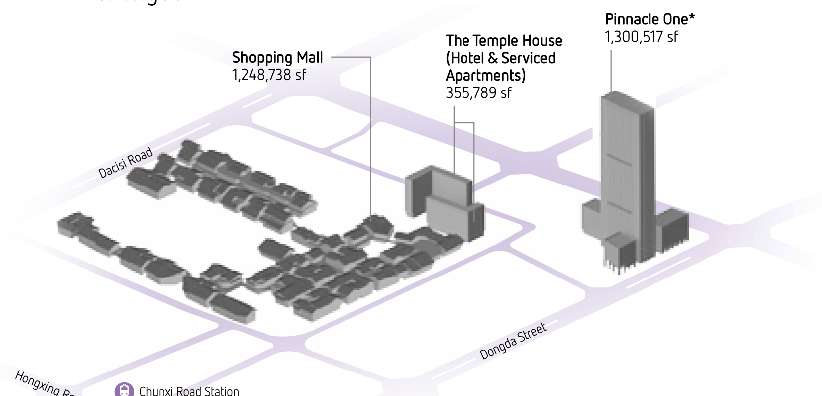
TaiKoo Hui
Guangzhou



INDIGO
Beijing



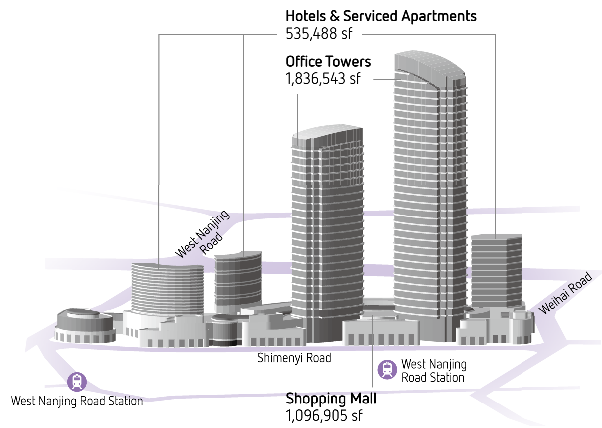
Sino-Ocean Taikoo Li Chengdu
Chengdu



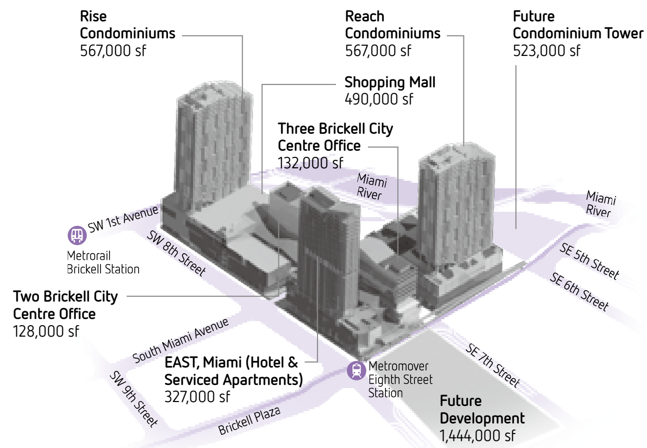
* Pinnacle One is developed for trading purposes. Part of the tower was handed over to the buyer in 2015.

Projects Under Development

HKRI Taikoo Hui
Shanghai, Mainland China



Brickell City Centre
Miami, Florida, USA

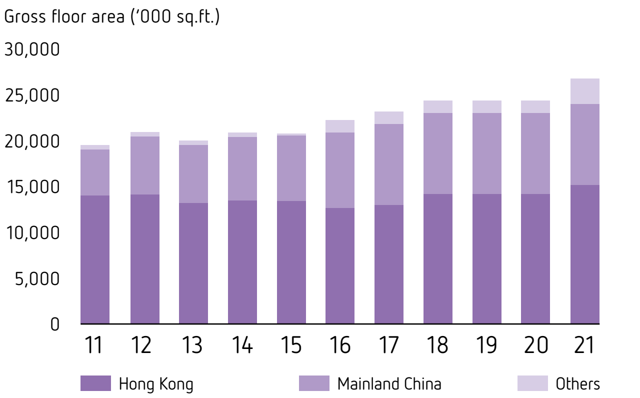


Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast year of expenditure				Total Commitments	Commitments relating to joint venture companies *
	2015 HK$M	2016 HK$M	2017 HK$M	2018 HK$M	2019 and later HK$M	At 31st Dec 2015 HK$M	At 31st Dec 2015 HK$M
Hong Kong	**2,731**	4,436	3,477	2,530	5,586	**16,029**	**1,363**
Mainland China	**1,497**	1,416	633	461	10	**2,520**	**1,885**
USA and others	**2,372**	828	162	156	103	**1,249**	**–**
Total	**6,600**	6,680	4,272	3,147	5,699	**19,798**	**3,248**

Note: The capital commitments represent 100% of the Group's capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies.
* The Group is committed to funding HK$689 million and HK$501 million of the capital commitments of joint venture companies in Hong Kong and Mainland China, respectively.

Completed Property Investment Portfolio



SUSTAINABLE DEVELOPMENT

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

Lost time injury rates decreased by 3% in 2015 despite a larger workforce.

PROPERTY TRADING

Hong Kong

The profit from the sale of 17 units at the AZURA, ARGENTA, DUNBAR PLACE and MOUNT PARKER RESIDENCES developments was recognised during the year. All the units at these developments (except one at MOUNT PARKER RESIDENCES) had been sold at 31st December 2015.

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

Superstructure work is in progress at ALASSIO (formerly known as 100 Caine Road) and the development is expected to be completed in 2016 and available for handover to purchasers in 2017. The development consists of a 50-storey tower of 197 residential units. The development is wholly-owned by Swire Properties.

The WHITESANDS development consists of 28 detached houses at Cheung Sha, on Lantau Island. The development was completed and sales began in September 2015. One of the 28 houses had been sold at 8th March 2016, with the profit recognised in 2015. WHITESANDS is wholly-owned by Swire Properties.

Mainland China

Construction of the Grade A office tower at Sino-Ocean Taikoo Li Chengdu, Pinnacle One, was completed in December 2014.

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

USA

The residential portion of Phase I of the Brickell City Centre development is being developed for trading purposes. There will be 780 units in two towers (Reach and Rise).

WHITESANDS
consists of 28 houses in Cheung Sha, South Lantau.

Swire Properties started to sell units in Reach in June 2014 and units in Rise in November 2014. In 2015, a total of 150 units were sold in Reach and Rise. 335 units in Reach and 160 units in Rise had been sold at 8th March 2016. The development is almost completed and will be available for handover to purchasers in the first half of 2016.

OUTLOOK

Office and Retail

Hong Kong

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

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

Mainland China

RETAIL | Overall retail sales are expected to grow modestly in Guangzhou and Beijing and steadily in Chengdu.

OFFICE | In Guangzhou, office rents are expected to be stable in 2016 despite a substantial supply of new office space. In Beijing, office rents are expected to weaken in 2016 as substantial amounts of new office space become available and demand falls.

Hotels

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

Property Trading

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

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

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

Guy Bradley

Cathay Pacific introduced a new livery as part of the airline's effort to enhance customer experience.

AVIATION DIVISION

ADVANCING WORLD-CLASS SERVICE

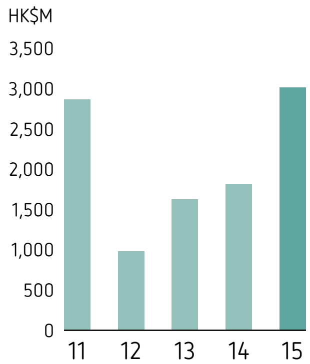
We aim to continue to improve our products and services on the ground and in the air, to expand our fleet by acquiring fuel efficient aircraft and to strengthen our aircraft engineering business.

OVERVIEW OF THE BUSINESS

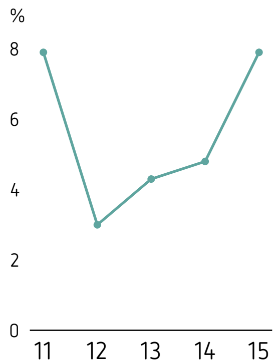
AVIATION DIVISION

The Aviation Division comprises significant investments in the Cathay Pacific group and the HAECO group.

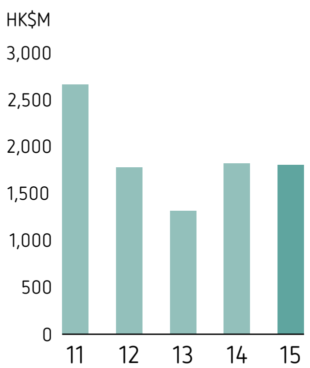
Profit Attributable to the Company's Shareholders



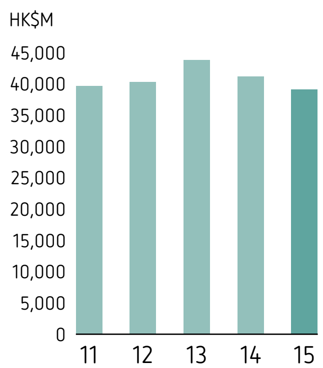
Return on Net Assets Employed



Net Cash Generated from Operating Activities



Net Assets Employed



The Cathay Pacific group

The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiary Dragonair, its 60%-owned subsidiary AHK Air Hong Kong Limited ("Air Hong Kong"), an associate interest in Air China and an interest in Air China Cargo Co., Ltd. ("Air China Cargo"). Cathay Pacific has interests in companies providing flight catering and ramp and cargo handling services, and owns and operates a cargo terminal at Hong Kong International Airport. It is listed on The Stock Exchange of Hong Kong Limited.

Cathay Pacific offers scheduled passenger and cargo services to 179 destinations in 43 countries and territories. At 31st December 2015, it operated 146 aircraft and had 70 new aircraft due for delivery up to 2024.

Dragonair is a regional airline registered and based in Hong Kong. It operates 42 aircraft on scheduled services to 53 destinations in Mainland China and elsewhere in Asia.

Cathay Pacific owns 20.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. At 31st December 2015, Air China operated 245 domestic and 115 international, including regional, routes. Cathay Pacific has a cargo joint venture with Air China (Air China Cargo), which operated 15 freighters at 31st December 2015 and carries cargo in the bellies of Air China's passenger aircraft.

Air Hong Kong, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities. At 31st December 2015, Air Hong Kong operated 13 freighters.

Cathay Pacific and its subsidiaries employ more than 33,600 people worldwide (around 25,800 of them in Hong Kong).

The HAECO group

The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO Hong Kong), in Xiamen (by HAECO Xiamen) and in the USA (by HAECO Americas).

Engine overhaul work is performed by HAECO's joint venture company Hong Kong Aero Engine Services Limited ("HAESL"), by HAESL's joint venture company Singapore Aero Engine Services Pte. Limited ("SAESL"), by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited ("TEXL") and by HAECO Americas. The HAECO group has other subsidiaries and joint venture companies in Mainland China, which offer a range of aircraft engineering services and has a 70% interest in HAECO ITM Limited ("HAECO ITM"), an inventory technical management joint venture with Cathay Pacific in Hong Kong.

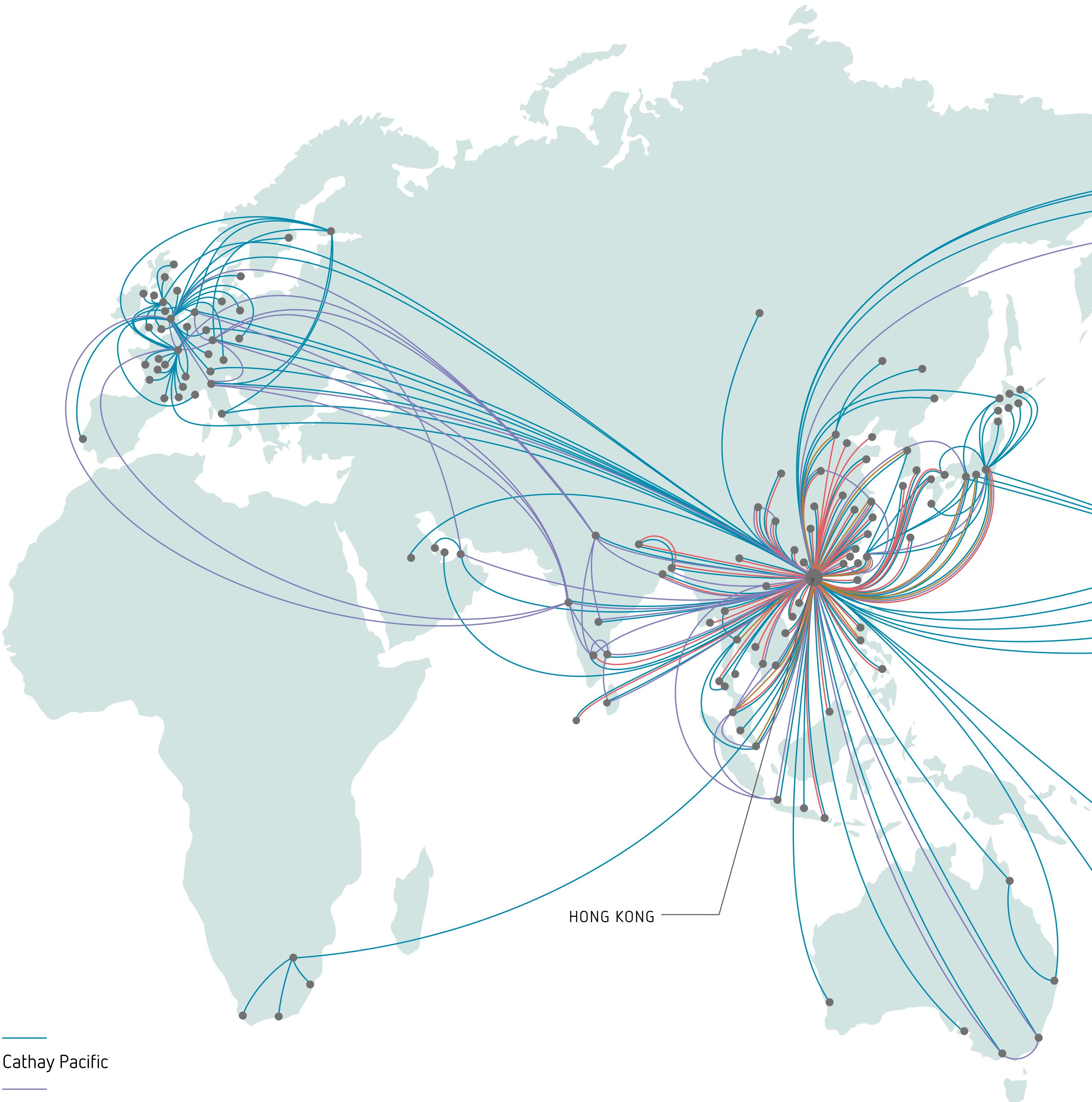
HAECO is listed on The Stock Exchange of Hong Kong Limited.

STRATEGY

The strategic objective of Cathay Pacific and HAECO (as listed companies in their own right) is sustainable growth in shareholder value over the long-term. The strategies employed in order to achieve this objective are these:

- **The development and strengthening of Hong Kong as a centre for aviation services, including passenger, cargo and aircraft engineering services.**
- **The development and strengthening of the airline (Cathay Pacific and Dragonair) and aircraft engineering (HAECO) brands.**
- **Developing the fleets of Cathay Pacific and Dragonair (by investing in modern fuel efficient aircraft) with a view to their becoming two of the youngest, most fuel efficient fleets in the world.**
- **Maintaining and enhancing high standards of service to passenger, cargo and aircraft engineering customers.**
- **Strengthening the airlines' passenger and cargo networks and improving what they do on the ground and in the air.**
- **Continuing to build the strategic relationship with Air China.**
- **Increasing the range and depth of aircraft engineering services offered by HAECO.**
- **Endeavouring to minimise the impact of the airlines and of HAECO on the environment.**

Cathay Pacific group – Network Coverage

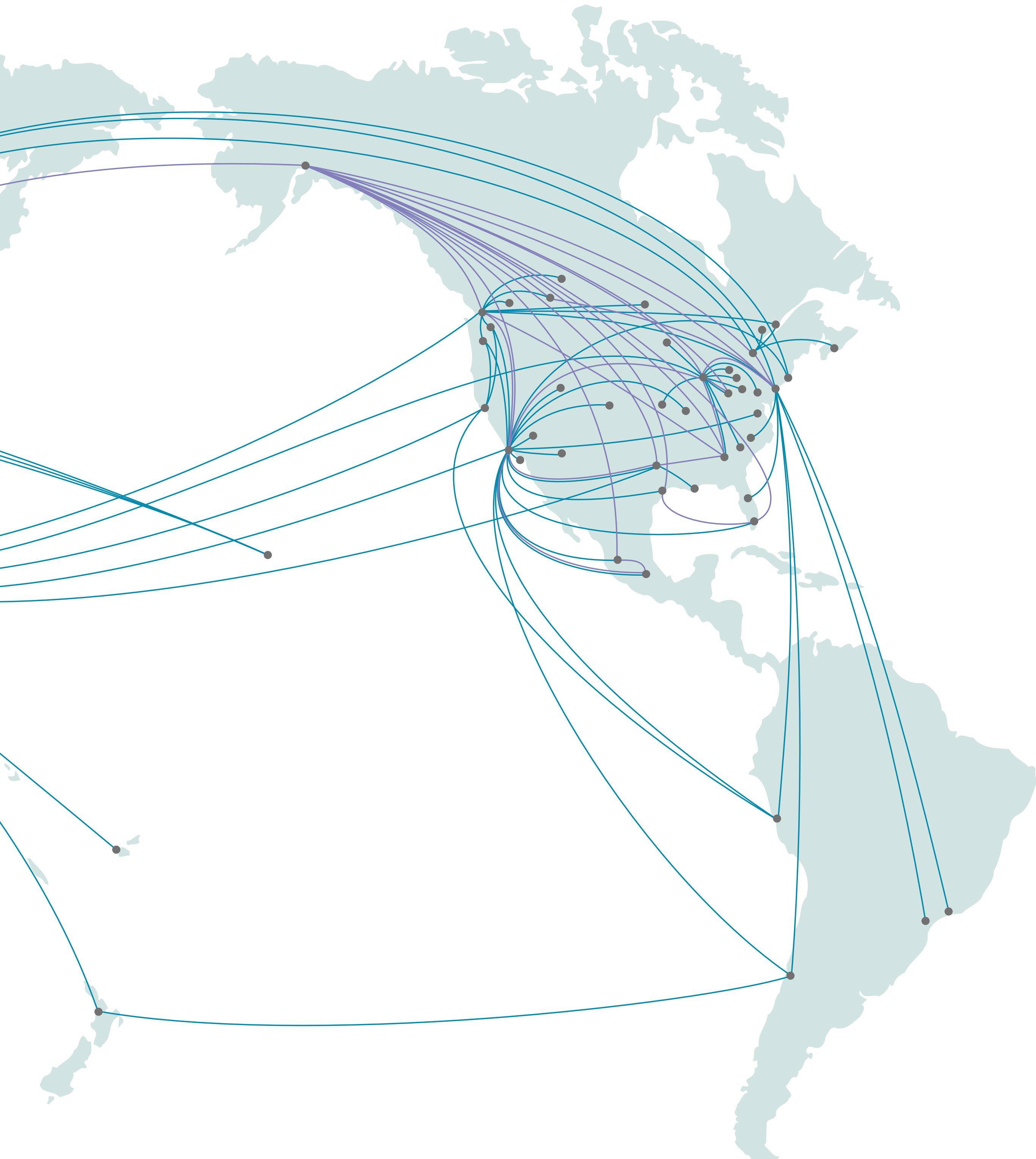


Cathay Pacific

Cathay Pacific Freighter

Dragonair

Air Hong Kong



2015 PERFORMANCE

Financial Highlights

	2015 HK$M	2014 HK$M
HAECO group		
Revenue	**12,095**	11,927
Operating profit	**415**	509
Attributable profit	**349**	430
Cathay Pacific group		
Share of post-tax profits from associated companies	**2,700**	1,418
Attributable profit	**3,017**	1,822

Accounting for the Aviation Division
The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss. For more information on the results and financial position of the Cathay Pacific group, please refer to the abridged financial statements on pages 197 and 198. The figures above do not include consolidation adjustments.

CATHAY PACIFIC GROUP

Operating Highlights – Cathay Pacific and Dragonair

		2015	2014	Change
Available tonne kilometres ("ATK")	Million	**30,048**	28,440	+5.7%
Available seat kilometres ("ASK")	Million	**142,680**	134,711	+5.9%
Passenger revenue	HK$M	**73,047**	75,734	-3.5%
Revenue passenger kilometres ("RPK")	Million	**122,330**	112,257	+9.0%
Revenue passengers carried	'000	**34,065**	31,570	+7.9%
Passenger load factor	%	**85.7**	83.3	+2.4%pt
Passenger yield	HK¢	**59.6**	67.3	-11.4%
Cargo revenue – group	HK$M	**23,122**	25,400	-9.0%
Cargo revenue – Cathay Pacific and Dragonair	HK$M	**20,079**	22,035	-8.9%
Cargo and mail carried	Tonnes '000	**1,798**	1,723	+4.4%
Cargo and mail load factor	%	**64.2**	64.3	-0.1%pt
Cargo and mail yield	HK$	**1.90**	2.19	-13.2%
Cost per ATK (with fuel)	HK$	**3.14**	3.50	-10.3%
Cost per ATK (without fuel)	HK$	**2.06**	2.12	-2.8%
Aircraft utilisation	Hours per day	**12.2**	12.2	–
On-time performance	%	**64.7**	70.1	-5.4%pt
Average age of fleet	Years	**9.1**	9.1	–
Number of destinations at year end	Destinations	**193**	210	-17
Fuel consumption – group	Barrels (million)	**43.5**	41.7	+4.3%

Sustainable Development Highlights

	2015	2014
GHG emissions per ATK (Grammes of CO_2e)	**569**	576
LTIR	**2.77**	3.67

Note: Greenhouse gas emissions disclosed above are from jet fuel combustion only.

Cathay Pacific offers world-class service.

AIRLINE INDUSTRY BACKGROUND

The operating environment in 2015 was better than in 2014. The airline industry benefited from low fuel prices, but yields were under pressure. Air cargo demand, which came under pressure during the second quarter of the year, remained weak in the second half.

2015 RESULTS SUMMARY

The Cathay Pacific group's attributable profit on a 100% basis was HK$6,000 million in 2015, compared with a profit of HK$3,150 million in 2014. The airlines' profit after tax was HK$3,572 million (2014: HK$1,846 million), and the share of profits from subsidiaries and associates was HK$2,428 million (2014: HK$1,304 million).

Passenger Services

Passenger revenue in 2015 was HK$73,047 million, a decrease of 4% compared with 2014. 34.1 million passengers were carried, an increase of 8% compared to the previous year.

Capacity increased by 6%, reflecting the introduction of new routes (to Boston, Düsseldorf, Hiroshima and Zurich) and increased frequency on some other routes.

The passenger load factor increased by 2.4 percentage points. Economy class demand was strong. Premium class demand improved on regional routes, but was not as strong as expected on some long-haul routes.

Strong competition, a significant reduction in fuel surcharges, unfavourable foreign currency movements and the fact that a higher proportion of passengers were connecting through Hong Kong put downward pressure on yield, which decreased by 11% to HK59.6 cents.

Cargo Services

Cathay Pacific and Dragonair

Cathay Pacific and Dragonair's cargo revenue in 2015 was HK$20,079 million, a decrease of 9% compared to 2014. This principally reflected a reduction in fuel surcharges consequent upon low fuel prices. The tonnage carried in 2015 increased by 4% to 1.8 million tonnes compared to 2014.

The cargo capacity of Cathay Pacific and Dragonair increased by 5%.

The cargo load factor decreased by 0.1 percentage point to 64.2%. Cargo demand was strong in the first quarter of 2015, assisted by industrial action at ports on the west coast of the USA. Overall demand was weak for the rest of the year, particularly on European routes. Freighter capacity was reduced on some routes in line with reduced demand.

Strong competition, overcapacity, unfavourable foreign currency movements and the reduction in fuel surcharges put pressure on yield, which decreased by 13%, to HK$1.90. A higher proportion (57%) of total cargo shipments was carried in the bellies of passenger aircraft in 2015.

The Pier first class lounge at Hong Kong International Airport was reopened following an extensive renovation.

Air Hong Kong

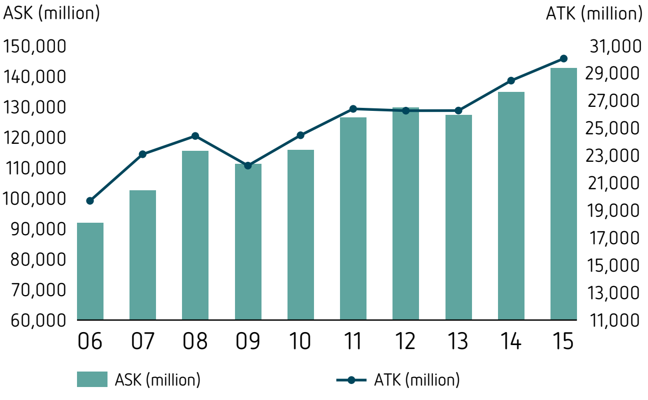
Air Hong Kong achieved an increase in profit for 2015 compared with 2014. Capacity in terms of available tonne kilometres increased by 1% to 776 million. The load factor increased by 0.4 percentage points to 66.5%.

Operating Costs

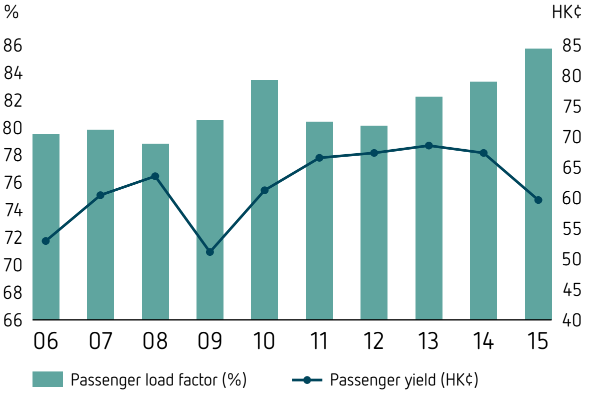
Total fuel costs for the Cathay Pacific group (before the effect of fuel hedging) decreased by HK$14,894 million (or 38%) compared to 2014, despite increases in capacity. A 40% decrease in average fuel prices was partially offset by a 4% increase in consumption. Fuel is still the Cathay Pacific group's most significant cost, accounting for 34% of total operating costs in 2015 (compared with 39% in 2014).

Cathay Pacific hedges some of its fuel costs in an effort to manage the risk associated with changing fuel prices. In 2015, a loss of HK$8,474 million was recognised in Cathay Pacific's profit and loss account from fuel hedging activities. This partially offset the benefit of lower fuel costs. After taking hedging losses into account, net fuel costs decreased by HK$7,331 million (or 18%) compared to 2014.

Capacity – Available Seat Kilometres and Available Tonne Kilometres



Passenger Services Load Factor and Yield



The continued decline in fuel prices gave rise to additional unrealised hedging losses of HK$5,417 million for Cathay Pacific. Swire Pacific's share of these losses (amounting to HK$2,438 million) is reflected in Swire Pacific's consolidated statement of financial position at 31st December 2015 under associated companies.

Non-fuel costs increased by 2% in 2015 compared to 2014.

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances.

In December 2015, the General Court annulled the European Commission's finding against Cathay Pacific in November 2010. The fine of €57 million previously imposed on Cathay Pacific was refunded in February 2016. The refund has been recognised in Cathay Pacific's 2015 results.

Fleet Profile

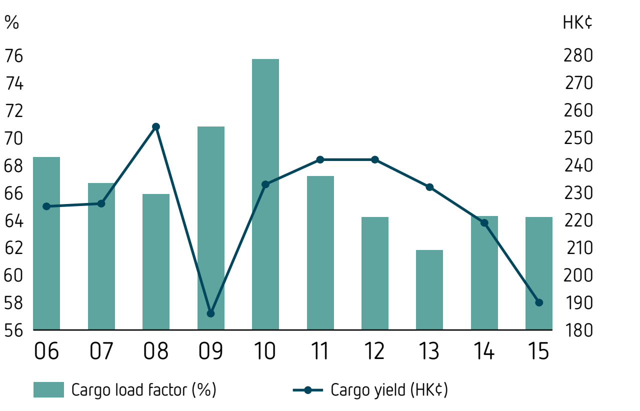
At 31st December 2015, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 188, the same number as at 31st December 2014.

In 2015, Cathay Pacific took delivery of six Boeing 777-300ER aircraft and three Airbus A330-300 aircraft. The Boeing 777-300ER aircraft delivered in late September 2015 was the 53rd and final aircraft of this type to join the fleet.

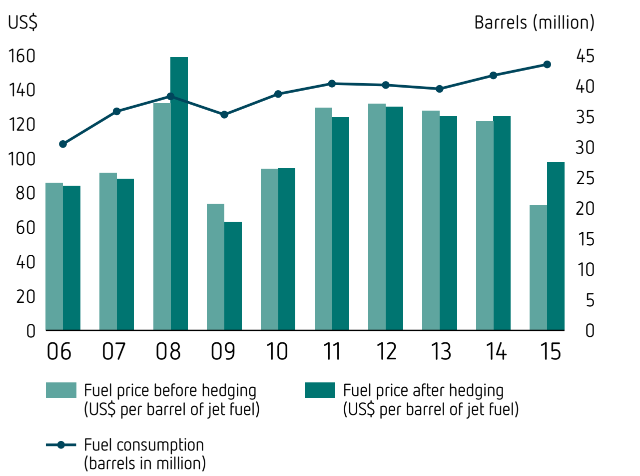
Four Boeing 747-400 passenger aircraft and four Airbus A340 aircraft were retired in 2015. The retirement of the remaining three Boeing 747-400 passenger aircraft has been brought forward from 2017 to 2016. In 2013, Cathay Pacific agreed to sell six Boeing 747-400F freighters to The Boeing Company. Two of these aircraft have been delivered. The other four will be delivered by the end of 2016.

At 31st December 2015, the Cathay Pacific group had 70 new aircraft on order for delivery up to 2024. Cathay Pacific's first Airbus A350-900 aircraft is scheduled to be delivered in May 2016. 12 of these aircraft are scheduled to be delivered in 2016.

Cargo Services Load Factor and Yield



Fuel Price and Consumption



Fleet Profile*

	Number at 31st December 2015				Firm orders				Expiry of operating leases						
		Leased													
Aircraft type	Owned	Finance	Operating	**Total**	'16	'17	'18 and beyond	**Total**	'16	'17	'18	'19	'20	'21 and beyond	Options
Aircraft operated by Cathay Pacific															
A330-300	23	13	6	**42**							3	1	2		
A340-300	5	2		**7**[(a)]											
A350-900					12[(b)]	10		**22**							
A350-1000							26	**26**							
747-400	3			**3**											
747-400F	4			**4**[(c)]											
747-400BCF			1[(d)]	**1**							1				
747-400ERF		6		**6**											
747-8F	2	11		**13**	1[(c)]			**1**							
777-200	5			**5**											
777-200F															5[(e)]
777-300	11	1		**12**											
777-300ER	19	11	23	**53**						2	2			19	
777-9X							21[(c)]	**21**							
Total	72	44	30	**146**	13	10	47	**70**		2	6	1	2	19	5
Aircraft operated by Dragonair															
A320-200	5		10	**15**							2	1	1	6	
A321-200	2		6	**8**									1	5	
A330-300	10		9[(f)]	**19**					3	4		2			
Total	17		25	**42**					3	4	2	3	2	11	
Aircraft operated by Air Hong Kong															
A300-600F	2	6	2	**10**							2				
747-400BCF			3[(f)]	**3**					1	2					
Total	2	6	5	**13**					1	2	2				
Grand total	**91**	**50**	**60**[(f)]	**201**	**13**	**10**	**47**	**70**	**4**	**8**	**10**	**4**	**4**	**30**	**5**

* Includes parked aircraft. The table does not reflect aircraft movements after 31st December 2015.

(a) One Airbus A340-300 was sold in February 2016.
(b) Including two aircraft on 12-year operating leases.
(c) In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F freighter and to sell six existing Boeing 747-400F freighters. Three Boeing 777-300ER aircraft have been delivered to Cathay Pacific, one in April 2015, one in July 2015 and the third in September 2015. Two of the Boeing 747-400F freighters have been delivered to The Boeing Company, one in November 2014, the other in July 2015. Of the remaining four, one was parked in January 2014.
(d) The aircraft was parked in August 2013 and returned to service in September 2015.
(e) Purchase options in respect of five Boeing 777-200F freighters.
(f) Of the total 60 operating lease aircraft, 55 are leased from external parties and five are under leasing arrangement within the group (three Boeing 747-400BCFs and two Airbus A330-300s).

Sustainable Development

Greenhouse gas emissions per unit of capacity (measured in available tonne kilometres) decreased by 1% in 2015. The reduction reflects the introduction of more fuel efficient aircraft and the retirement of less fuel efficient aircraft.

The lost time injury rate fell by 25% in 2015, principally due to a reduction in the number of injuries to cabin crew.

Other Operations

Air China

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, the 2015 results include Air China's results for the 12 months ended 30th September 2015, adjusted for any significant events or transactions for the period from 1st October 2015 to 31st December 2015.

In the year ended 30th September 2015, Air China's results improved, principally as a result of low fuel prices and strong passenger demand, which more than offset the effect of foreign exchange losses caused by the depreciation of the Renminbi. The group recorded a significantly higher profit from Air China in 2015.

Air China Cargo

Air China Cargo's 2015 financial results were in line with those of 2014. The adverse effects of exchange losses on retranslation of US dollar loans and lower yield in the highly competitive air cargo market were offset by savings from low fuel prices.

OUTLOOK

The operating environment was better in 2015 than in 2014, but some significant challenges were faced, which are expected to continue in 2016. Strong competition from other airlines in the region, foreign currency movements and weak premium class passenger demand will put pressure on passenger yield. Cargo demand will be adversely affected by industry overcapacity. Overall passenger demand remains strong and the airlines expect to continue to benefit from low fuel prices. Cathay Pacific's subsidiaries and associates are expected to perform well.

The Cathay Pacific group is confident of longer term success, and will continue to help passengers to travel well. Dragonair is being rebranded as Cathay Dragon, as part of an effort to create a more consistent travel experience between the two airlines. Investments will continue in aircraft, in products and in the development of the network. The financial position is strong. Supported by its world-class team, Cathay Pacific remains deeply committed to strengthening the aviation hub in Hong Kong, the home city of Cathay Pacific for the past 70 years.

Ivan Chu

HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

Financial Highlights

	2015 HK$M	2014 HK$M
Revenue		
HAECO Hong Kong	3,628	3,178
HAECO Americas	2,554	2,885
HAECO Xiamen	1,712	1,924
TEXL	3,719	3,538
Others	482	402
Net operating profit	339	439
Profit attributable to the Company's shareholders		
HAECO Hong Kong	167	103
HAECO Americas	(158)	(45)
HAECO Xiamen	69	89
TEXL	149	166
Share of profit/(loss) of:		
HAESL and SAESL	194	267
Other subsidiary and joint venture companies	43	(7)
Total	464	573
Swire Pacific share	349	430

Operating Highlights

		2015	2014
Airframe services manhours sold			
HAECO Hong Kong	Million	2.80	2.46
HAECO Americas	Million	3.02	3.66
HAECO Xiamen	Million	3.46	3.55
Line services movements handled			
HAECO Hong Kong	Average per day	303	328
Engines overhauled			
TEXL		89	71
HAESL		115	147

Sustainable Development Highlights

	2015	2014
LTIR	1.40	1.57
Energy intensity (kWh per manhour)	3.81	3.61

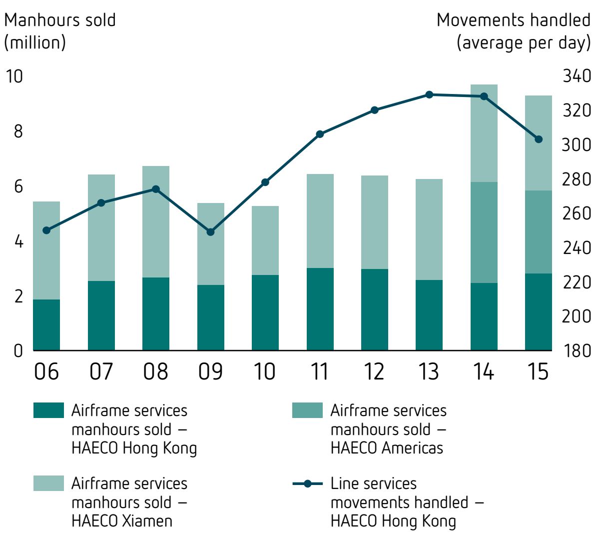
Note: Energy intensity measures the electricity consumption for every manhour at the group's principal operations.

The HAECO group was one of the first independent maintenance, repair and overhaul service providers to perform airframe maintenance and line services checks on Boeing 787 Dreamliner aircraft.

AVIATION MAINTENANCE AND REPAIR INDUSTRY BACKGROUND

Orders for new aircraft are firm. Aircraft manufacturers have record order books and are increasing production. More aircraft means in principle more demand for their maintenance, repair and overhaul ("MRO"). But new aircraft need less MRO than older aircraft. On balance, MRO demand is still expected to grow in the medium and longer term.

HAECO Group – Key Operating Highlights



2015 RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in 2015 on a 100% basis was HK$464 million, a decrease of 19% compared to the corresponding figure in 2014 of HK$573 million. The decrease principally reflects weaker results at HAECO Americas, HAECO Xiamen, HAESL and SAESL, partially offset by better results from HAECO Hong Kong and HAECO ITM.

A total of 9.28 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in 2015, 4% fewer than in 2014. The most significant decline, which had a consequential adverse impact on the results of the group, was at HAECO Americas.

HAECO Hong Kong

HAECO Hong Kong recorded a 62% increase in attributable profit in 2015 to HK$167 million.

Manhours sold for airframe services increased from 2.46 million in 2014 to 2.80 million in 2015. This reflected strong demand and an increase in staff numbers.

The average number of aircraft movements handled decreased in 2015 by 8% to 303 per day. But line services manhours sold increased because more work was done per movement.

Manhours sold in 2015 for component and avionics work (together with those sold by HAECO Component Overhaul (Xiamen)) were 0.20 million, a decrease of 12% compared to 2014. The decrease reflected the retirement of Boeing 747-400 aircraft.

HAECO Americas

HAECO Americas recorded a loss of HK$158 million in 2015 compared to a loss of HK$45 million for the 11 month post-acquisition period in 2014. The increased loss principally reflected a decline in airframe services manhours sold.

Demand for HAECO Americas' airframe services fell to 3.02 million manhours in 2015 from 3.66 million in the post-acquisition period in 2014. The decrease principally reflected completion of large, high work scope contracts and their replacement with lower work scope contracts.

In 2015, HAECO Americas worked on 40 cabin integration programmes compared with 44 in the post-acquisition period in 2014, but this was partly compensated for by more Panasonic global communication suite kit work. HAECO Americas shipped approximately 4,200 premium economy and economy class seats compared with 8,600 in the post-acquisition period in 2014. Demand for HAECO Americas' old seats declined and its new seats were not in commercial production.

HAECO Xiamen

HAECO Xiamen recorded a 22% decrease in attributable profit in 2015 to HK$69 million. There was less demand for airframe services, particularly for heavy maintenance work. Fewer airframe services manhours were sold in 2015 (3.46 million compared with 3.55 million in 2014) and there was very little private jet work.

TEXL

In 2015, TEXL completed 59 quick turn repairs on GE90 aircraft engines (56 of them being heavy or medium repairs) and 30 performance restorations on such engines, compared to 34 quick turn repairs and 37 performance restorations in 2014. Its after tax profit fell as it no longer had tax losses to utilise.

HAESL and SAESL

HAESL recorded a 26% decrease in profit in 2015. Fewer engines were overhauled. This reflected the retirement of aircraft operating Trent 500 engines and a reduction in the frequency of scheduled maintenance of Trent 700 engines. Engine output was 115 in 2015 compared with 147 in 2014.

SAESL recorded a 32% decrease in profit in 2015.

In November 2015, conditional agreements were entered into for the restructuring of shareholdings in HAESL and SAESL. As part of the restructuring (and subject to satisfaction of the conditions to which the agreements are subject), HAESL will sell its 20% shareholding in SAESL. This sale is expected to result in a gain to HAESL. The amount of the gain will depend on (inter alia) when the agreements are completed. For illustrative purposes only, if (which is not certain) the agreements are completed by the end of April 2016, the gain to HAESL is expected to be approximately US$229 million). 45% of the gain to HAESL (equivalent to approximately HK$804 million if the agreements are completed by the end of April 2016) is expected to be reported as a profit by HAECO. As part of the restructuring, HAECO agreed to increase its shareholding in HAESL from 45% to 50%. On completion of the restructuring, HAESL will be owned 50% by HAECO and 50% by Rolls-Royce and HAESL will no longer be interested in SAESL.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 259 aircraft in 2015, compared with 257 in 2014. Profits increased in 2015. This reflected a higher utilisation of rotable parts as operations increased.

The losses of HAECO Landing Gear Services were slightly less than in 2014. It did more work in 2015 than in 2014, but better operating results were largely offset by unrealised foreign exchange losses on loans.

Sustainable Development

The HAECO group's lost time injury rate decreased by 11% between 2014 and 2015, reflecting improvements in most group companies.

The group's energy intensity increased by 6% between 2014 and 2015 mainly as a result of more electricity consumption in Hong Kong and Mainland China.

OUTLOOK

The prospects for the HAECO group's different businesses in 2016 are mixed.

HAECO Hong Kong's airframe and line services capacity are expected to grow in 2016, with more staff being hired. Training them will increase costs in the short term. Further growth in capacity will be constrained by lack of hangar space. Demand for line services in Hong Kong in 2016 is expected to remain strong.

Demand for HAECO Americas' airframe services is expected to be similar to that in 2015. Results are expected to benefit from more efficient performance of contracts entered into in 2015. HAECO Americas will start to deliver its new Vector seats this year. The cabin integration order book is strong.

HAECO Xiamen expects to do less airframe services work in 2016 than in 2015.

Demand for TEXL's overhaul services is expected to remain firm in 2016.

HAESL is expected to do less work per engine in 2016.

The municipal government of Xiamen has announced that the proposed new airport at Xiang'an will commence operations in 2020. This is subject to the National Development and Reform Commission's approval. Management maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO group in Xiamen.

Augustus Tang


Coca-Cola
Coca-Cola

BEVERAGES DIVISION

DELIVERING REFRESHING SOFT DRINKS

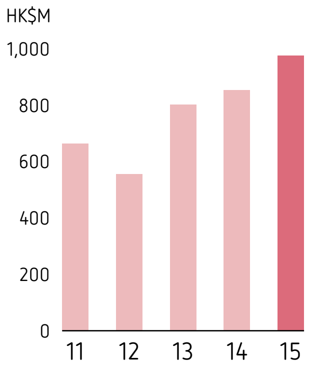
Swire Beverages manufactures, markets and distributes refreshing soft drinks to consumers in Hong Kong, Taiwan, Mainland China and the USA.

OVERVIEW OF THE BUSINESS

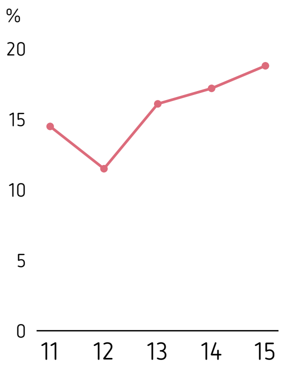
BEVERAGES DIVISION

Swire Beverages has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company ("TCCC") in Hong Kong, Taiwan, seven provinces in Mainland China and an extensive area of the mid-western USA.

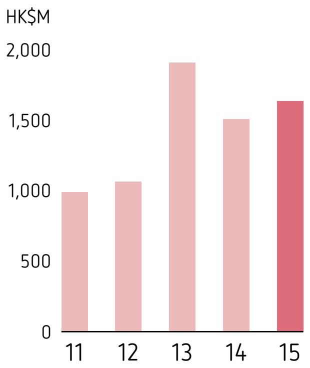
Profit Attributable to the Company's Shareholders



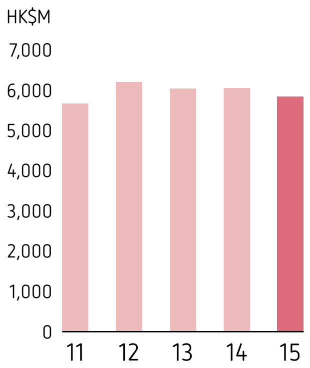
Return on Net Assets Employed



Net Cash Generated from Operating Activities



Net Assets Employed



Swire Beverages has two wholly-owned franchise businesses, in Taiwan and the USA, and five majority-owned franchise businesses, in Hong Kong and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China. It has joint venture interests in three other franchises in Mainland China and an associate interest in a manufacturing company, Coca-Cola Bottlers Manufacturing Holdings Limited ("CCBMH"), which supplies still beverages to all Coca-Cola franchises in Mainland China.

Swire Beverages manufactures 58 beverage brands and distributes them to a franchise population of over 450 million people.

STRATEGY

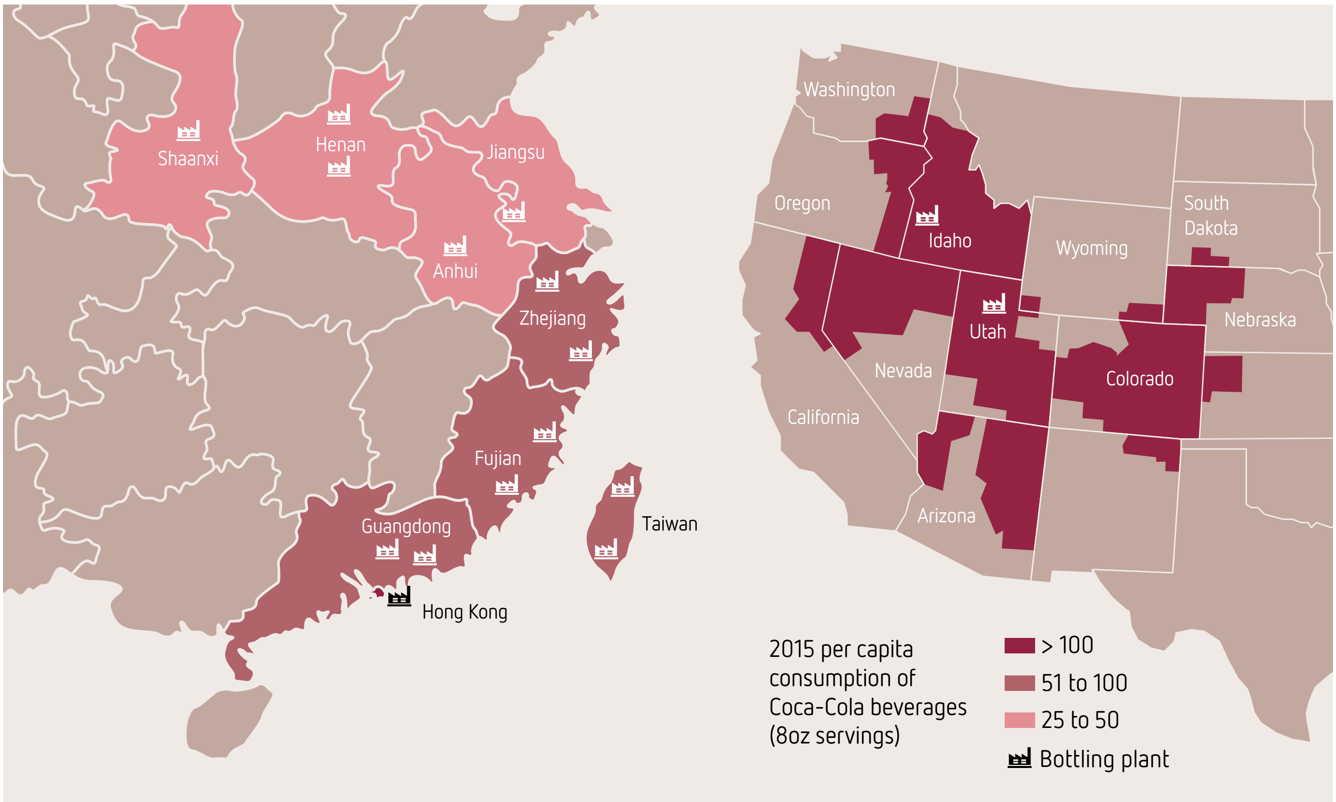
The strategic objective of Swire Beverages is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. The strategies employed in order to achieve this objective are:

- **An uncompromising commitment to safety and quality.**
- **A commitment to work with TCCC to improve our understanding of our customers' businesses, and to use that understanding to create value for our customers and consumers.**
- **A focus on market execution in sales outlets, recognising that our business depends critically on selling to millions of consumers through such outlets in our franchise territories.**
- **Effective revenue management, through volume growth and optimisation of pricing and product mix, and product innovation.**
- **Effective management of costs, through improvements in productivity and efficiency in our supply chain and in sales and distribution.**
- **A commitment to sustainability, by seeking to reduce the environmental impact of our operations, with a particular focus on water conservation, and by engaging with the communities in which we operate.**

Franchise Territories

GREATER CHINA

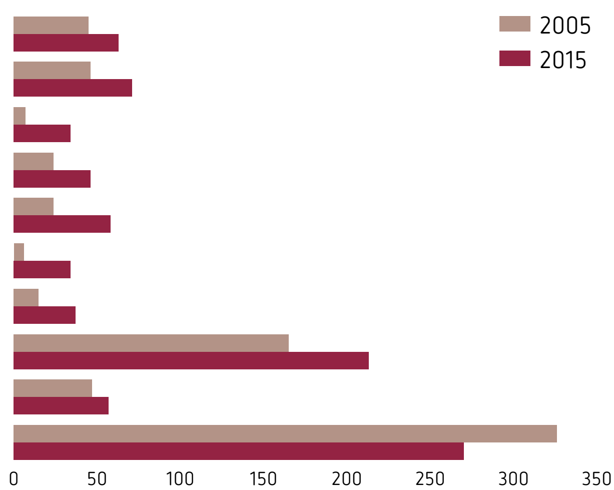
USA



Per Capita Consumption in Franchise Territories

	Franchise population (millions)	GDP per capita (US$)	Sales volume (million unit cases) 2015	2005
Mainland China				
Guangdong	78.8	12,750	208	105
Zhejiang	50.6	12,215	150	88
Henan	94.6	6,186	134	28
Jiangsu	55.4	11,757	106	54
Fujian	38.4	10,670	93	35
Anhui	61.3	5,798	86	16
Shaanxi	37.9	7,866	59	22
Hong Kong	7.3	41,149	65	48
Taiwan	23.5	21,688	56	44
USA	11.2	46,959	126	79

Per capita consumption of Coca-Cola Beverages (8oz servings)



Note: A unit case comprises 24 8oz servings.

2015 PERFORMANCE

Financial Highlights

	2015 HK$M	2014 HK$M
Revenue	17,174	16,383
Operating profit	1,164	1,095
Share of post-tax profits from joint venture and associated companies	262	291
Attributable profit	976	854

Sustainable Development Highlights

	2015	2014
Water use ratio	1.74	1.77
LTIR	0.56	0.69

Segment Financial Highlights

	Revenue		Attributable Profit	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Mainland China	7,617	7,856	391	395
Hong Kong	2,200	2,164	204	185
Taiwan	1,392	1,415	34	23
USA	5,965	4,948	273	208
Central costs	–	–	74	43
	17,174	16,383	976	854

Accounting for the Beverages Division

The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China) are accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue and operating profit shown above, therefore, are attributable to these franchise businesses only. The division's joint venture interests in three other franchises in Mainland China and its associate interest in CCBMH are accounted for using the equity method of accounting. Swire Pacific recognises its share of net profit or loss from each of these interests as a single line-item in the consolidated statement of profit or loss.

For reference, the total revenue and operating profit from the joint venture interests in three franchises in Mainland China was HK$8,930 million and HK$469 million, respectively, in 2015 (2014: HK$9,187 million and HK$512 million, respectively). The revenue of CCBMH, excluding sales to the seven Mainland China franchises, was HK$4,324 million in 2015 (2014: HK$5,073 million).

The sales volume for Mainland China shown in the chart on page 50 represents sales in the seven franchises, including products supplied by CCBMH.

Central costs are arrived at after crediting gains on disposal of available-for-sale investments of HK$103 million (2014: HK$78 million).

Segment Performance

		Percentage Change				
		Mainland China**	Hong Kong	Taiwan	USA	Swire Beverages
Quality	Production Quality Index	-1.4%	2.2%	0.1%	-0.2%	N/A
Customers	Active Outlets	4.8%	-1.8%	-9.8%	-1.6%	3.5%
Revenue Management	Sales Volume	2.4%	0.1%	1.5%	17.3%	3.8%
	Revenue*	-4.4%	2.3%	2.5%	4.2%	-1.7%
Cost Management	Gross Margin*	0.6%	7.6%	8.2%	3.7%	2.6%
	Operating Profit	-10.2%	13.6%	44.6%	30.4%	0.7%
Sustainability	Water Use Ratio	-1.0%	1.0%	-10.0%	-5.0%	-2.0%
	Energy Use Ratio	0.0%	2.0%	-8.0%	-11.0%	-3.0%
Safety	LTIR	-14.0%	-44.0%	-61.0%	7.0%	-19.0%

* Per unit case.
** Segment Performance for Mainland China represents performance in the seven franchises.

2015 BEVERAGE INDUSTRY REVIEW

In Mainland China, the total volume of non-alcoholic ready-to-drink beverages sold grew by 4% in 2015. The volume of sparkling beverages sold grew by 2%, that of water by 8% and that of other still beverages by 1%. Within other still beverages, the sales volume of juice declined by 7%.

In Hong Kong, the total volume of non-alcoholic ready-to-drink beverages sold grew by 1% in 2015. Still beverages volume grew by 2%. Sparkling beverages volume declined (by 1%). Ready-to-drink coffee, tea and water were the strongest growing categories.

In Taiwan, the total volume of non-alcoholic ready-to-drink beverages sold grew by 2% in 2015. The volume of water and sparkling beverages sold grew by 13% and 2% respectively. The volume of tea and juice sold declined by 4% and 2% respectively.

In the USA, the total volume of sparkling beverages sold declined by 3% in 2015. The volume of energy drinks and water sold increased by 11% and 13% respectively.

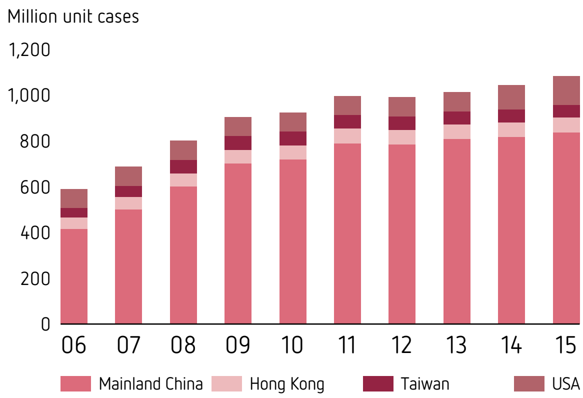
2015 RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$976 million in 2015, a 14% increase from 2014. Excluding non-recurring gains on disposal of available-for-sale investments in 2014 and 2015 (accounted for as a credit to central costs), attributable profit increased by 13% to HK$873 million in 2015.

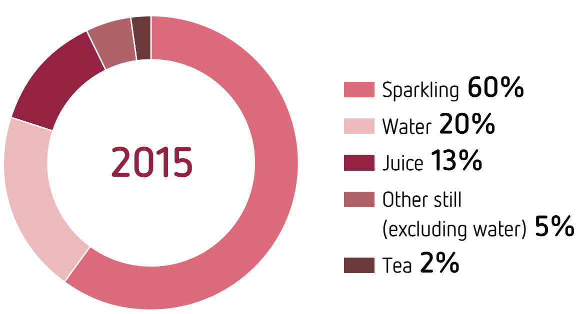
The increase in attributable profit principally reflected higher profits in Hong Kong, Taiwan and the USA.

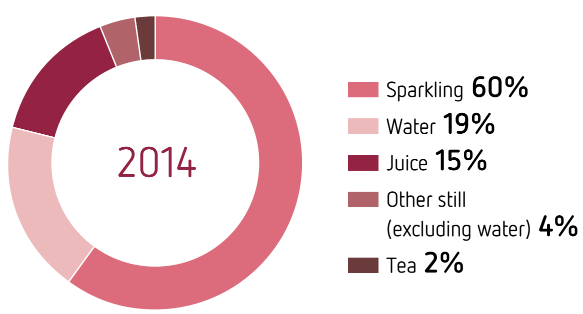
Overall sales volume increased by 4% to 1,083 million unit cases, compared with an increase of 3% in 2014. Volume grew in Mainland China, Taiwan and the USA and was unchanged in Hong Kong. Growth was particularly strong in the USA, reflecting the inclusion of sales for a full year from territories assumed in 2014.

Sales Volume



Breakdown of Total Volume by Category





Swire Beverages Holdings Limited acquired additional interests in three of its subsidiaries in Mainland China in 2015.

Mainland China

Attributable profit from Mainland China was HK$391 million, a 1% decrease from 2014.

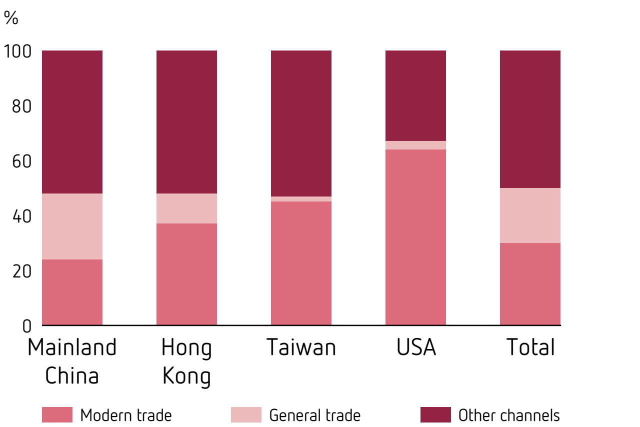
Total sales volume increased modestly (by 2%) compared with 2014. Sparkling sales volume grew by 4%. Water sales volume grew by 12%. Juice sales volume declined by 12%. Changes in the sales mix and promotional pricing resulted in a 4% decline in revenue per unit case.

Gross margins per unit case improved by 1%. This was due to lower raw material costs (mainly resin and aluminium). The increase in gross margins was more than offset by an increase in operating costs, in particular staff costs and depreciation.

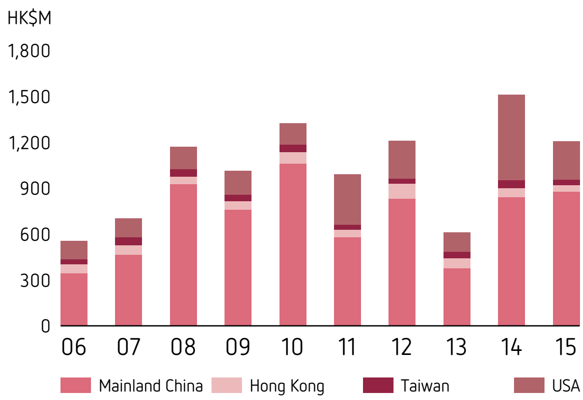
In September 2015, Swire Beverages Holdings Limited completed the acquisition of additional interests in three of its subsidiaries in Mainland China. The acquisition (which was accounted for from July 2015, when the agreement was signed) resulted in attributable profits being higher by HK$21 million than they would otherwise have been.

A decline in the share of profit from an associated company, CCBMH, was recorded in 2015. This reflected weak juice sales.

Breakdown of Total Volume by Channel



Capital Expenditure



Hong Kong

Attributable profit from Hong Kong in 2015 was HK$204 million, a 10% increase from 2014.

Total sales volume was unchanged in 2015. Sparkling sales volume decreased by 1%. Still sales volume increased by 1%. Tea and coffee sales volume increased by 7% and 6% respectively. These increases were offset in part by declines in juice sales volume.

Revenue per unit case increased by 2%, due to price increases. A 3% decrease in raw material costs contributed to an increase in gross margin of 8% per unit case.

Taiwan

Attributable profit from Taiwan was HK$34 million, a 48% increase from 2014.

Sales volume in 2015 increased by 2%. Sparkling sales volume increased by 1%. Still sales volume increased by 2%. Tea sales increased by 4%. This principally reflected the introduction of new products. Existing tea products also did well. Juice sales were weak.

Revenue per unit case in local currency increased by 3%, due to a favourable sales mix. A 2% decrease in raw material costs per case (in particular of resin) contributed to an increase in gross margins. Higher selling and marketing costs partly offset the beneficial effect of the increase in gross margins.

USA

Attributable profit from the USA was HK$273 million, a 31% increase from 2014.

Sales volume in the USA increased by 17% in 2015. This principally reflected a full year's contribution from the new franchise territories in Denver and Colorado Springs (these territories having been assumed in May 2014). Attributable profit from the new territories for 2015 was HK$56 million.

Sparkling sales volume increased by 11%. Still sales volume increased by 33%, principally due to increases in sales of energy and water drinks of 59% and 20% respectively.

Revenue per unit case increased by 4%, due to price increases. Cost of goods per unit case increased by 5%. Gross margins benefited from higher selling prices and higher sales volume. These were partially offset by higher operating costs in the newly assumed territories.

In September 2015, Swire Beverages conditionally agreed to acquire certain distribution assets from TCCC in Arizona and the right to distribute the beverage products of TCCC in Arizona (including the Phoenix and Tucson markets). In December 2015, Swire Beverages conditionally agreed to acquire from TCCC certain production assets in Phoenix, Arizona and Denver, Colorado. Completion of the acquisitions is conditional upon, among other things, all necessary approvals being obtained. Completion of the acquisition of the distribution assets is expected to take place in 2016. Completion of the acquisition of the production assets is expected to take place no later than 2018.

In February 2016, a letter of intent was signed with TCCC in relation to the grant of additional territory rights to Swire Coca-Cola USA in the states of Washington, Oregon and Idaho and including the cities of Seattle and Spokane in Washington and the city of Portland in Oregon. The letter also contemplates the acquisition of production facilities near Seattle and Portland and distribution facilities.

Sustainable Development

The water use ratio (which measures the amount of water used to produce each unit of production) improved by 2% compared with 2014. The improvement is mainly due to replacing and repairing pipes, using water more efficiently in cleaning and reusing treated waste water.

OUTLOOK

Sales volume in the Swire Beverages franchise territories in Mainland China is expected to grow modestly in 2016. Revenue is expected to grow at a faster rate, reflecting a better sales mix, strong sales for immediate consumption, the introduction of new products and strong marketing support for existing products. Increases in costs, in particular staff and compliance costs, will put pressure on margins.

In Hong Kong, moderate growth in sales volume and revenue is expected, reflecting the introduction of new products and effective marketing. Raw material costs are expected to remain favourable. Lack of capacity and labour shortages are problems.

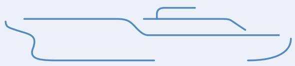
The retail background in Taiwan is expected to be difficult. However, sales of sparkling beverages and tea are expected to benefit from the introduction of new products.

In the USA, the beverages market is expected to grow moderately in 2016. Sales of energy drinks and water are expected to continue to grow, assisted by the introduction of additional flavours. The business is expected to benefit from additional profits derived from the bottling territories acquired in Colorado and Arizona.

—

Patrick Healy

Pacific Legacy, one of Swire Pacific Offshore's L-Class vessels.



MARINE SERVICES DIVISION

BROADENING OFFSHORE SUPPORT

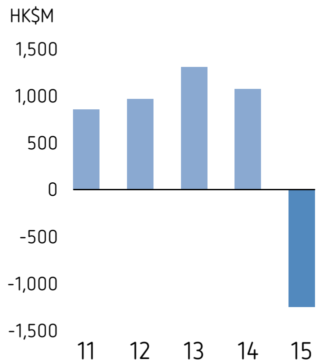
We invest in vessels and equipment and develop our services with a view to providing outstanding specialised offshore support to the global oil and gas industry.

OVERVIEW OF THE BUSINESS

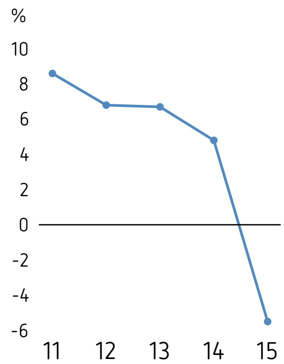
MARINE SERVICES DIVISION

The Marine Services Division, through SPO, operates offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA. SPO has a windfarm installation business, a subsea inspection, maintenance and repair ("IMR") business and a logistics business working in the oil and gas industry.

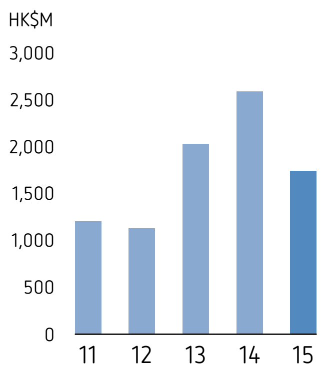
Profit/(Loss) Attributable to the Company's Shareholders



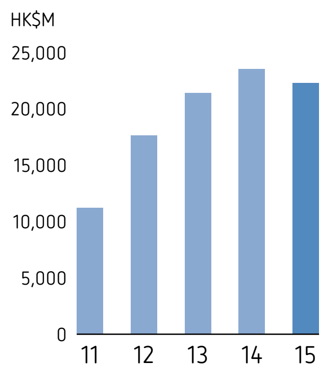
Return on Net Assets Employed



Net Cash Generated from Operating Activities



Net Assets Employed



SPO can support drilling, production, exploration, pipe-laying, subsea construction and floating production, storage and offloading operations. SPO and its subsidiaries can carry out seismic survey support, marine salvage, oil spill preparedness and response, offshore wind farm construction and servicing, oil rig decommissioning, subsea remotely operated vehicle support and supply base logistics.

The division has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

SPO

SPO's Fleet

At 31st December 2015, SPO had 92 offshore support vessels. The fleet consists of anchor handling tug supply vessels ("AHTSs"), platform supply vessels ("PSVs") and construction and specialist vessels ("CSVs"). The CSVs consist of inspection, maintenance and repair vessels, seismic survey vessels, wind farm installation vessels ("WIVs") and accommodation barges.

Except for those committed to long-term charters, SPO's vessels can be relocated from one operating region to another to take advantage of attractive employment opportunities.

SPO's Geographical Distribution

SPO is headquartered in Singapore, with shore support for its vessels provided by outport offices in Angola, Australia, Azerbaijan, Brazil, Brunei, Cameroon, Canada, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Kenya, Malaysia, New Zealand, Norway, Qatar, the Philippines, Russia, Scotland and the United Arab Emirates. Altus Oil & Gas Services provides logistics services to clients from offices in Australia, Indonesia, Malaysia, Singapore, the USA and Vietnam.

HUD

HUD, a joint venture between Hutchison Whampoa and Swire Pacific, provides engineering, harbour towage and salvage services from its facilities on Tsing Yi Island in Hong Kong. It is the largest towage operator in Hong Kong, operating 13 tugs and providing 24-hour service.

SPO – Fleet Size

		Additions	Disposals	Year-end	Vessels expected to be received in:	
Vessel class	2014		2015		2016	2017
Anchor Handling Tug Supply Vessels	40	–	–	40	–	–
Large Anchor Handling Tug Supply Vessels	23	1	1	23	–	–
Platform Supply Vessels	9	3	–	12	3	3
Large Platform Supply Vessels	7	1	–	8	–	–
Construction and Specialist Vessels	9	–	–	9	1	–
	88	5	1	92	4	3

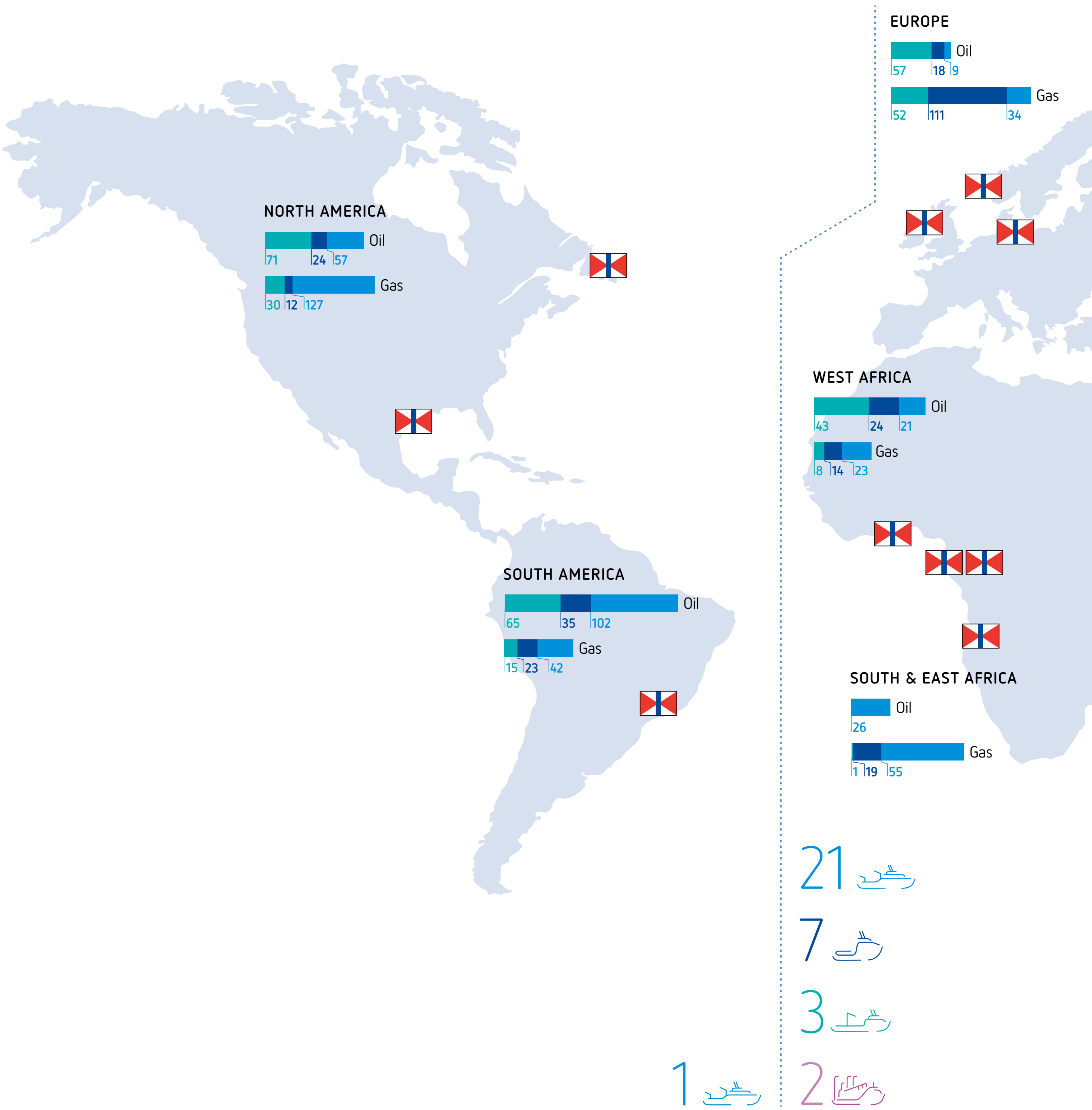
Note: SPO's fleet includes one PSV and one CSV chartered from external parties.

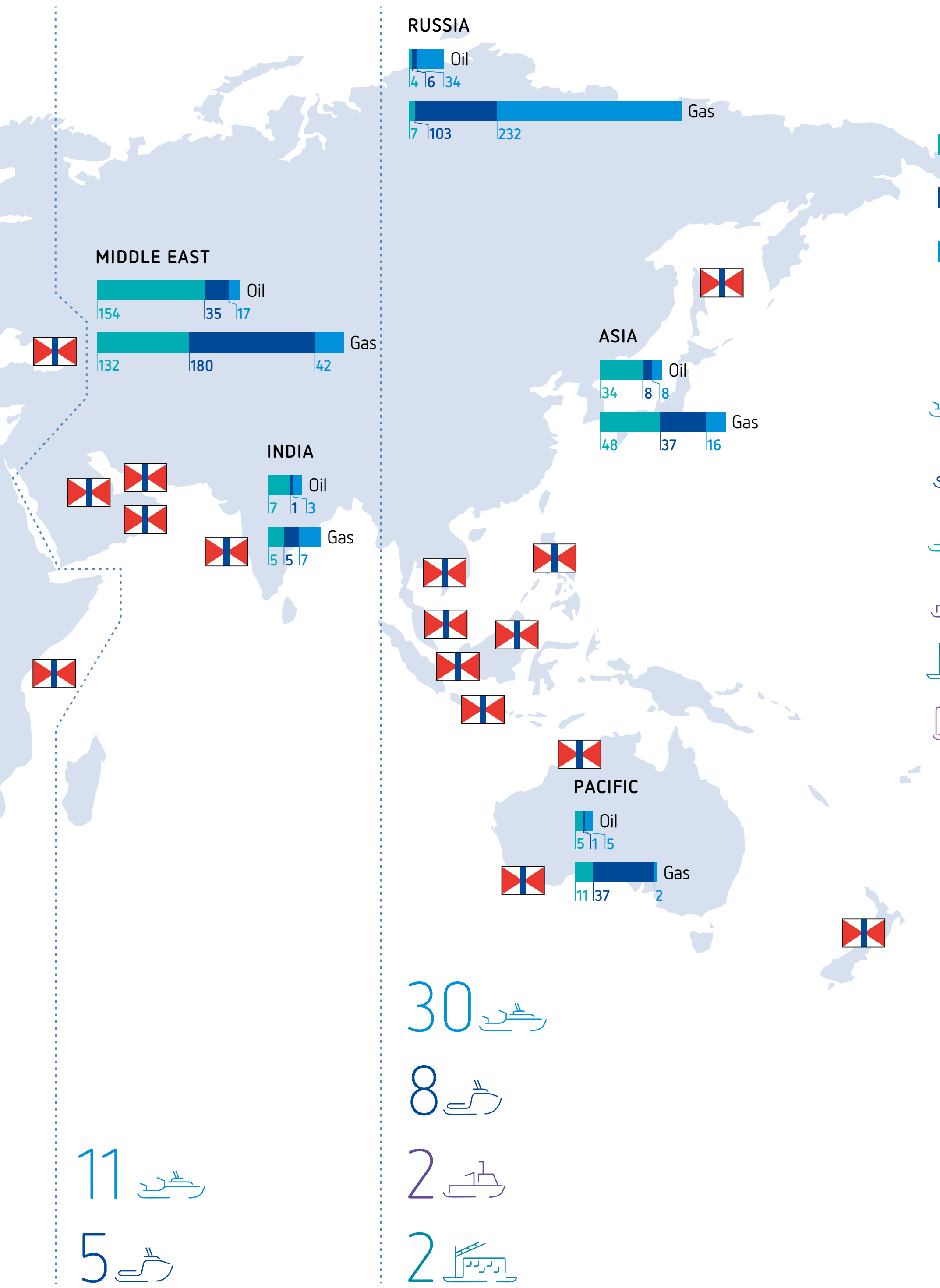
STRATEGY

The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leader in the offshore energy supply industry. The strategies employed in order to achieve this objective are these:

- A commitment to operational excellence, to maintaining and enhancing high standards of service to clients and to placing major emphasis on safety and training.
- Selective investment in the provision of complementary marine services with a view to increasing the range of services offered to clients and the opportunities to utilise assets and resources.
- Operating commercial joint ventures with local partners where necessary or appropriate.

SPO – Global Footprint and Offshore Oil & Gas Reserves





SPO Group Office

Offshore reserves in billion barrels of oil equivalent (BOE) for main hydrocarbon regions

Onstream

Discovered, not onstream

Undiscovered

Number of Vessels at 31st December 2015

Anchor Handling Tug Supply Vessels

Platform Supply Vessels

Inspection, Maintenance and Repair Vessels

Seismic Survey Vessels

Accommodation Barges

Wind Farm Installation Vessels

Source: RS Platou
Note: Vessel locations at 31st December 2015

2015 PERFORMANCE

Financial Highlights

	2015 HK$M	2014 HK$M
Swire Pacific Offshore group		
Revenue	5,990	7,234
Operating (loss)/profit	(846)	1,320
Operating activities	432	1,320
Impairment charges	(1,278)	–
Attributable (loss)/profit	(1,285)	1,041
Share of post-tax profits from joint venture companies		
HUD group	30	31
Attributable (loss)/profit	(1,255)	1,072

Sustainable Development Highlights

	2015	2014
Swire Pacific Offshore group		
LTIR	0.13	0.14
HUD group		
LTIR	1.47	1.86

Fleet Size

	2015	2014
Number of vessels		
Swire Pacific Offshore group	92	88
HUD group	19	19
Total	111	107

SPO's newest platform supply vessel, *Pacific Grackle*, was delivered in September 2015.

SWIRE PACIFIC OFFSHORE GROUP

OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Oil prices have declined significantly since 2014, adversely affecting the offshore exploration market. Oil majors have reduced spending on exploration and production. Too many offshore support vessels are chasing too little work. Utilisation and day rates have declined accordingly.

2015 RESULTS SUMMARY

SPO reported an attributable loss of HK$1,285 million in 2015, compared to a profit of HK$1,041 million in 2014.

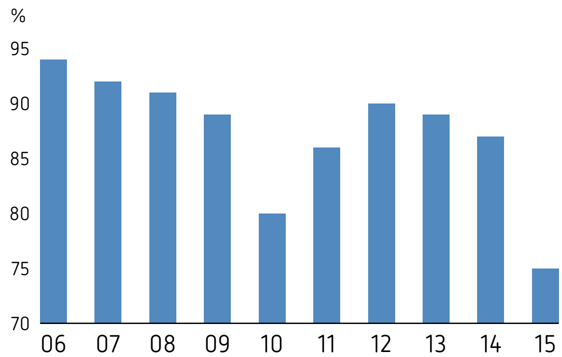
Following a review of the business and having regard in particular to the outlook for the offshore oil services industry assuming that oil prices will not recover for some time, it was concluded that the book value of SPO's fleet would be subject to significant impairment charges. The results for the year include impairment charges of HK$793 million accordingly, of which HK$743 million relates to vessels and equipment and HK$50 million relates to goodwill and intangible assets.

The results for the year also include an impairment charge of HK$485 million arising from the cancellation of contracts with a Brazilian shipyard for the construction of four large PSVs. The contracts were cancelled by SPO due to the shipyard's failure to deliver the vessels in accordance with the contractually agreed schedule. The matter is the subject of arbitration proceedings in Brazil.

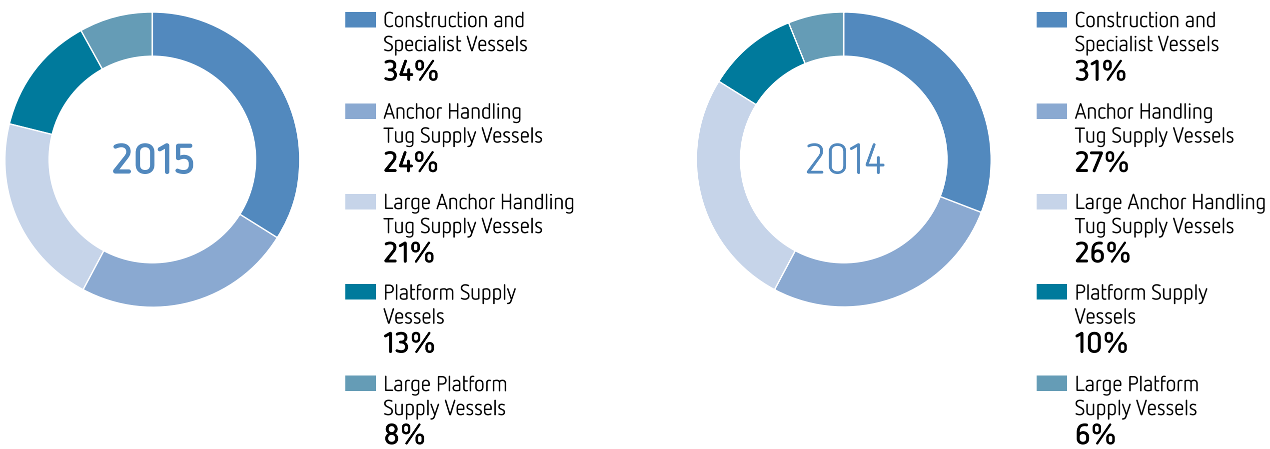
Excluding the impairment charges of HK$1,278 million, SPO reported an attributable loss of HK$7 million in 2015. These results reflect the difficult conditions in the offshore industry.

SPO continued to generate net cash from operating activities (in an amount of HK$1,692 million) in 2015.

SPO – Average Utilisation Rates



SPO – Charter Hire Revenue by Vessel Class



Charter Hire

Charter hire revenue decreased by 17% to HK$5,161 million in 2015.

SPO had a fleet utilisation rate of 74.9% in 2015, a decline of 11.7 percentage points from 2014. Average charter hire rates declined by 10% to USD27,100 per day.

The oversupply of tonnage in the market has put pressure on charter hire rates and utilisation.

Core Fleet

The utilisation rate of SPO's AHTSs and PSVs decreased by 12.1 percentage points to 75.2%. Charter hire rates for the core fleet decreased by 13% to USD20,000 per day. This reflected the decline in offshore oil and gas exploration activity.

Specialist Fleet

The utilisation rate of SPO's CSVs decreased by 8.6 percentage points to 72.0% and charter hire rates for the CSVs decreased by 3% to USD94,200 per day. During the first half of 2015, upgrades to the jacking systems of the two wind farm installation vessels were completed. This resulted in off-hire periods. Both vessels were subsequently on charter installing wind farm foundations and turbines in the North Sea for most of the rest of 2015. One of the vessels also completed a decommissioning contract in the North Sea. The utilisation rate of seismic survey and IMR vessels fell. Two of the three IMR vessels are now on long-term charters.

Non-charter Hire

Non-charter hire income was HK$829 million, a decline of 20% compared to 2014. This mainly reflected lower revenue from Altus Oil & Gas Services.

Operating Costs

Total operating costs in 2015 decreased by HK$373 million (or 6%) to HK$5,413 million. SPO reduced operating costs by stacking eight vessels (one seismic survey vessel, four AHTSs and three large AHTSs). The vessels will be returned to service (when opportunities for their employment arise and deferred maintenance is completed) or sold.

Foreign exchange losses of HK$167 million were recognised during the year, mainly due to the revaluation of cash held in Brazilian Reais and of claims made arising out of the termination of shipbuilding contracts denominated in the same currency. The cash was held in order to meet payments which, but for the cancellation, would have been due in respect of the terminated contracts.

Sustainable Development

Lost time injury rates decreased by 7% to 0.13 in 2015. SPO is committed to operating vessels in a safe and sustainable manner. SPO invests in training facilities with a view to ensuring high levels of technical and safety awareness.

FLEET

Total capital expenditure on new vessels and other fixed assets in 2015 was HK$1,490 million, compared to HK$3,286 million in 2014.

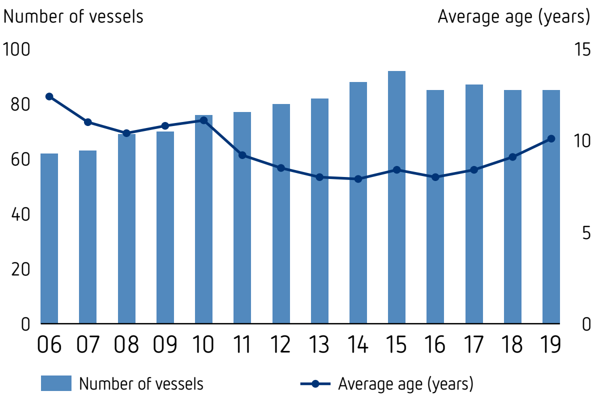
The delivery of one PSV which was due in 2015 has been delayed until 2016, when two additional PSVs are also expected to be delivered. During 2015, SPO committed to purchase a high-speed catamaran crew boat, which is expected to be delivered in 2016. SPO is expecting to dispose of its older vessels in the coming years when opportunities arise.

At 31st December 2015, SPO had total capital expenditure commitments of HK$2,670 million (31st December 2014: HK$5,177 million).

SPO – Profile of Capital Commitments

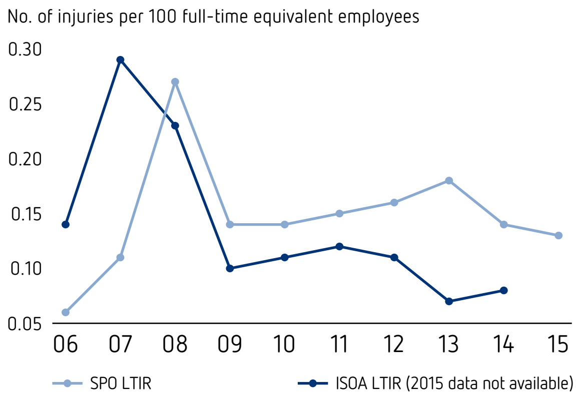
	Expenditure	Forecast year of expenditure			Commitments
	2015 HK$M	2016 HK$M	2017 HK$M	2018 HK$M	at 31st Dec 2015 HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**1,273**	958	904	322	**2,184**
Construction and Specialist Vessels	**157**	145	81	25	**251**
Other fixed assets	**60**	154	65	16	**235**
Total	**1,490**	1,257	1,050	363	**2,670**

SPO – Fleet Size and Average Age of Vessels*



* Includes two vessels chartered from external parties.

SPO – LTIR



OUTLOOK

A recovery in the offshore industry is not expected in the short term, on the assumption that low oil prices will continue to depress offshore exploration activity. Oil majors are postponing projects and reducing expenditure on existing projects. All this is likely to affect SPO's results adversely.

SPO is well positioned to take advantage of market opportunities when conditions improve. SPO has a modern, highly specified and fuel efficient fleet which is capable of meeting the needs of its customers, and is confident of its long term future.

HONGKONG UNITED DOCKYARDS GROUP

INDUSTRY BACKGROUND

The shipping industry was weaker than expected in 2015. Freight rates remained under pressure. Shipping lines cut costs and are expected to continue to do so.

Demand for engineering services for port equipment maintenance, infrastructure projects and logistics support was firm.

2015 RESULTS SUMMARY

The attributable profit of the HUD group for 2015 was HK$30 million, similar to 2014.

The salvage and towage division's profit (before tax and interest and on a 100% basis) was HK$138 million in 2015, compared with HK$152 million in 2014. The 2014 profit included a profit on disposal of a tug of HK$16 million. Fewer container ship movements meant fewer tug moves, but the effect of this was offset in part by more sea-going work and lower fuel costs.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2015 of HK$58 million, compared with a loss of HK$70 million in 2014. More engineering contracts were obtained, both marine and non-marine. But revenues were affected by delays in starting work on contracts and labour shortages. Higher labour costs affected profitability.

Hong Kong Salvage & Towage ("HKST") has 19 vessels in its fleet, including six container vessels.

The lost time injury rate in 2015 was 21% lower than last year.

OUTLOOK

Demand for marine engineering work is expected to remain under pressure in 2016. However, the engineering division has been awarded a significant non-marine contract by the Drainage Services Department of the Hong Kong government. The contract is for three years and commenced in February 2016.

HKST will aim to maintain its position as a leading tug operator in Hong Kong, both in the harbour and on the ocean, and will seek additional types of work in Hong Kong.

J B Rae-Smith

Catalog retail store at Langham Place, Hong Kong.

TRADING & INDUSTRIAL DIVISION

MAXIMISING BRAND POTENTIAL

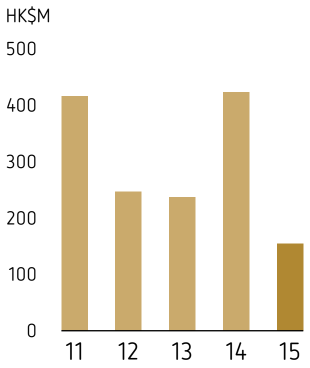
We market and sell internationally branded goods to today's discerning consumers.

OVERVIEW OF THE BUSINESS

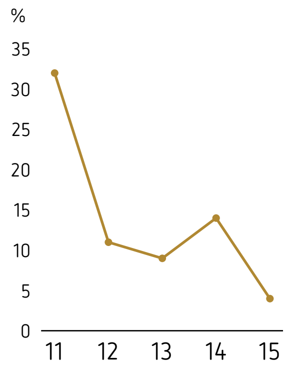
TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in the following companies: Swire Retail group, Taikoo Motors group, Swire Foods group, Swire Pacific Cold Storage group, Akzo Nobel Swire Paints and Swire Environmental Services group.

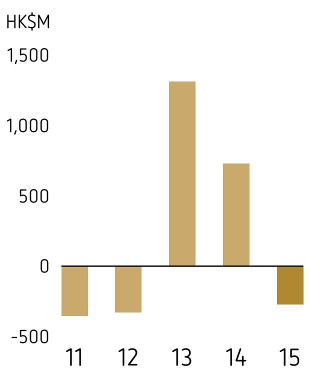
Profit Attributable to the Company's Shareholders



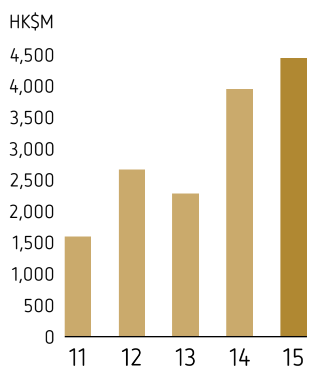
Return on Net Assets Employed



Net Cash Generated from/ (Used in) Operating Activities



Net Assets Employed



SWIRE RETAIL GROUP

Swire Resources group

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2015, it operated 188 retail outlets in Hong Kong and Macau and 25 retail outlets in Mainland China.

Swire Brands group

Swire Brands holds investments in brand-owning companies. It has an interest in an associated company with Columbia, which distributes and retails Columbia products in Mainland China, and a 9.4% minority interest in Rebecca Minkoff, which sells apparel, handbags and accessories.

TAIKOO MOTORS GROUP

Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Taikoo Motors' largest business is in Taiwan, where it sells Volkswagen, Škoda, Mercedes-Benz and Audi cars, Volkswagen light commercial vehicles, Volvo trucks and buses, Harley-Davidson motorcycles and Vespa scooters. Taikoo Motors also distributes cars, motorcycles and commercial vehicles in Hong Kong, Macau, Mainland China and Malaysia.

SWIRE FOODS GROUP

Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery")

Swire Foods holds a 65% interest in Qinyuan Bakery, a leading bakery chain in southwest China, with over 500 stores in Chongqing, Guiyang and Chengdu.

Swire Foods (including Taikoo Sugar)

Swire Foods distributes food products in Mainland China. Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand.

Campbell Swire

Campbell Swire is a joint venture with The Campbell Soup Company which distributes soup and broth products in Mainland China under the Campbell's and Swanson brands. Swire Foods has a 40% interest in the venture.

SWIRE PACIFIC COLD STORAGE GROUP

Swire Pacific Cold Storage wholly owns cold storage facilities in Shanghai, Hebei, Nanjing and Ningbo and owns a 60% equity interest in a cold storage facility in Guangzhou. It owns land in Chengdu and (with a 35% joint venture partner) Xiamen, on which cold storage facilities are being built.

AKZO NOBEL SWIRE PAINTS

Akzo Nobel Swire Paints is a joint venture with Akzo Nobel which manufactures and distributes decorative paints, primarily under the Dulux brand, in Mainland China and Hong Kong. The joint venture has manufacturing plants in Guangzhou, Shanghai and Hebei. It has a plant under construction in Chengdu.

SWIRE ENVIRONMENTAL SERVICES GROUP

Swire Waste Management

Swire Waste Management is a 50:50 joint venture with a subsidiary of Waste Management Inc. The joint venture seeks waste management contracts in Hong Kong. It has a contract to provide waste management services to seven outlying islands.

Swire sustainability fund

The Swire sustainability fund has an associate interest in Green Biologics and minority equity interests in NanoSpun Technologies and Avantium. Green Biologics is a biotechnology company which is developing renewable chemical and biofuel technology. NanoSpun Technologies is a company which is developing a water treatment process using nanotechnology. Avantium is a biotechnology company that develops and commercialises bioplastics and chemicals.

STRATEGY

The strategic objective of the Trading & Industrial Division is to expand the trading and industrial businesses which it operates and to seek new business opportunities in related fields where advantage can be taken of existing skills, assets or relationships. The strategies employed in order to achieve this objective are these:

- **Strengthening the capability of Swire Resources in branded footwear, apparel and related accessories by expanding the range and quality of those branded goods and by increasing the number of retail outlets and sales channels (including online channels) through which products are sold.**
- **Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to brands represented.**
- **Using Taikoo Motors' existing capability in order to expand into other motor-related businesses.**
- **Broadening the range of products sold by Swire Foods.**
- **Increasing the range of products sold by the Qinyuan Bakery.**
- **Expanding the network of the cold storage business in Mainland China in order to improve operating efficiency and customer service and thereby to acquire new customers.**
- **Expanding and strengthening the distribution network and sales channels of Akzo Nobel Swire Paints in Mainland China.**
- **Increasing the number of waste management contracts awarded to Swire Waste Management.**

INDUSTRY BACKGROUND

Retailing in Hong Kong and Mainland China

Hong Kong retail sales declined in 2015. The growth in retail sales in Mainland China slowed in 2015.

Car sales in Taiwan

Car registrations in Taiwan decreased by 1% to 415,855 units in 2015.

Food sales in Mainland China

The packaged food market in Mainland China is estimated to have grown by 8% in 2015.

Cold storage demand in Mainland China

Demand for frozen food and concerns for food safety are increasing. These factors are increasing demand for high standard cold storage facilities.

Paint sales in Mainland China

Total sales of decorative paints in Mainland China increased by 4% to 2,906 million litres in 2015.

2015 PERFORMANCE

Financial Highlights

	2015 HK$M	2014 HK$M
Revenue		
Swire Retail group	3,208	3,020
Taikoo Motors group	4,498	6,706
Swire Foods group	1,589	795
Swire Pacific Cold Storage group	34	3
	9,329	10,524
Operating profits/(losses)		
Swire Retail group	53	58
Taikoo Motors group	38	270
Swire Foods group	105	24
Swire Pacific Cold Storage group	(94)	(79)
Swire Environmental Services group	(1)	1
Other subsidiary companies and central costs	(33)	(25)
	68	249
Attributable profits/(losses)		
Swire Retail group	93	82
Taikoo Motors group	3	213
Swire Foods group	41	1
Swire Pacific Cold Storage group	(102)	(73)
Swire Environmental Services group	(44)	(5)
Akzo Nobel Swire Paints	197	230
Other subsidiary companies and central costs	(33)	(25)
Attributable profit	155	423

Sustainable Development Highlights

	2015	2014
Staff turnover	45%	43%
LTIR	1.61	1.35

2015 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2015 decreased by 63% to HK$155 million. The decrease principally reflects poor results from Taikoo Motors, weaker results from Akzo Nobel Swire Paints, costs associated with developing the businesses of Swire Pacific Cold Storage and losses from Swire Environmental Services. The profits of Swire Foods and Swire Retail increased.

Swire Retail group

Attributable profit increased by 13% in 2015 to HK$93 million. The increase mainly reflected reduced losses from Mainland China following the closure of certain loss-making businesses.

Revenue in Hong Kong and Macau was 6% higher than in 2014. The gross margin rate declined due to more discounting. Operating costs, in particular occupancy and staff costs, rose. The group managed 188 retail outlets in Hong Kong and Macau at the end of 2015, four more than at the end of 2014.

Revenue in Mainland China was similar to that of 2014. The gross margin rate declined due to more discounting. Operating costs were lower (because 25 Rockport and 12 Chevignon stores were closed). The number of retail outlets operated in Mainland China decreased by 40 to 25 at the end of 2015.

The attributable profit of the Columbia China associated company in 2015 was HK$42 million, 17% higher than in 2014.

Taikoo Motors started selling Mercedes-Benz passenger cars in Kaohsiung, Taiwan in 2015.

Taikoo Motors group

Attributable profit in 2015 was HK$3 million, compared with a profit of HK$213 million in 2014. The decrease principally reflected the termination of the Volkswagen and Škoda importerships in Taiwan at the end of 2014.

Profits for the year included non-recurring income relating to the termination of the above importerships of HK$80 million (compared with HK$126 million in 2014) and were reduced by losses of HK$61 million relating to the restructuring of certain loss-making businesses in Mainland China.

In total, 17,495 cars, commercial vehicles and motorcycles were sold in 2015, 32% less than in 2014. 89% of these units were sold by businesses in Taiwan. Sales of Volkswagen cars were adversely affected by the Volkswagen emissions issue.

The gross margin rate improved due to favourable foreign exchange rates for the commercial vehicle business in Hong Kong. Operating costs were lower. This mainly reflected the termination of the Volkswagen and Škoda importerships in Taiwan.

Swire Foods group

Swire Foods reported an attributable profit of HK$41 million in 2015, compared with a profit of HK$1 million in 2014. The increase principally reflected the inclusion of full year attributable results of Qinyuan Bakery in 2015.

A 65% equity interest in Qinyuan Bakery was acquired in December 2014. Qinyuan Bakery operated 501 stores in southwest China at the end of 2015, a net increase of 36 stores since 31st December 2014. The performance of the business was satisfactory.

Swire Foods has agreed to acquire the remaining 35% interest in Qinyuan Bakery in 2016 if certain conditions are met.

Volumes of sugar sold in Hong Kong and Mainland China in 2015 rose by 22% and 35% respectively.

Campbell Swire's attributable loss in 2015 was HK$3 million, compared with a loss of HK$14 million in 2014. The volume of soup and broth products sold increased by 4% in the year.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss of HK$102 million in 2015 compared with a loss of HK$73 million in 2014. The loss principally reflected operating losses at the Shanghai, Hebei and Ningbo cold stores, and the cost of developing new cold stores in Nanjing and Chengdu. These costs were partly offset by an attributable profit of HK$6 million from Guangdong Swire Cold Chain Logistics Co. Ltd.

The Ningbo facility started operating in July 2015. The businesses in Shanghai, Hebei and Ningbo are growing. Occupancy rates at these facilities at the end of 2015 were 40%, 36% and 31% respectively.

The Nanjing facility started operating in January 2016. A 65% equity interest in a joint venture building a cold storage facility in Xiamen was acquired in December 2015. The Xiamen and Chengdu facilities are expected to be completed in 2016.

The capital commitments of the Swire Pacific Cold Storage group at 31st December 2015 were HK$1,508 million.


A computer rendering of Swire Pacific Cold Storage in Ningbo

Swire Pacific Cold Storage's Ningbo facility commenced operations in 2015.

Swire Environmental Services group

Swire Environmental Services reported an attributable loss of HK$44 million in 2015, compared with a loss of HK$5 million in 2014.

Swire Waste Management recorded a breakeven result in 2015, compared with a profit of HK$2 million in 2014. The operating profit from a waste management contract was offset by administrative costs and tender costs for new projects.

The Swire sustainability fund's attributable loss for 2015 was HK$43 million. This reflected an attributable loss from Green Biologics, which became an associated company in 2014. The fund's other investments are accounted for at cost.

Akzo Nobel Swire Paints

The attributable profit for 2015 was HK$197 million, compared with a profit of HK$230 million in 2014.

Sales volume in Mainland China increased by 1% from 2014. Gross margins decreased as a result of an unfavourable sales mix. Akzo Nobel Swire Paints distributed paint in approximately 574 cities in Mainland China at the end of 2015.

Sustainable Development

Staff turnover rates in 2015 increased by 2 percentage points to 45% compared with 2014. This principally reflected higher staff turnover at Swire Pacific Cold Storage.

Lost time injury rates increased by 19% to 1.61 in 2015. This reflected an increase in the number of minor injuries, in particular at Swire Resources.

OUTLOOK

The retail market in Hong Kong is expected to remain relatively weak. Increased staff and occupancy costs are expected to put pressure on profit margins.

Taikoo Motors expects its business to be adversely affected by the Volkswagen emissions issue. However, it will continue to open new dealerships and workshops on a selective basis.

Swire Foods' business is expected to grow as a result of growth at the Qinyuan Bakery business. A new factory in Chongqing is expected to be operational in 2016.

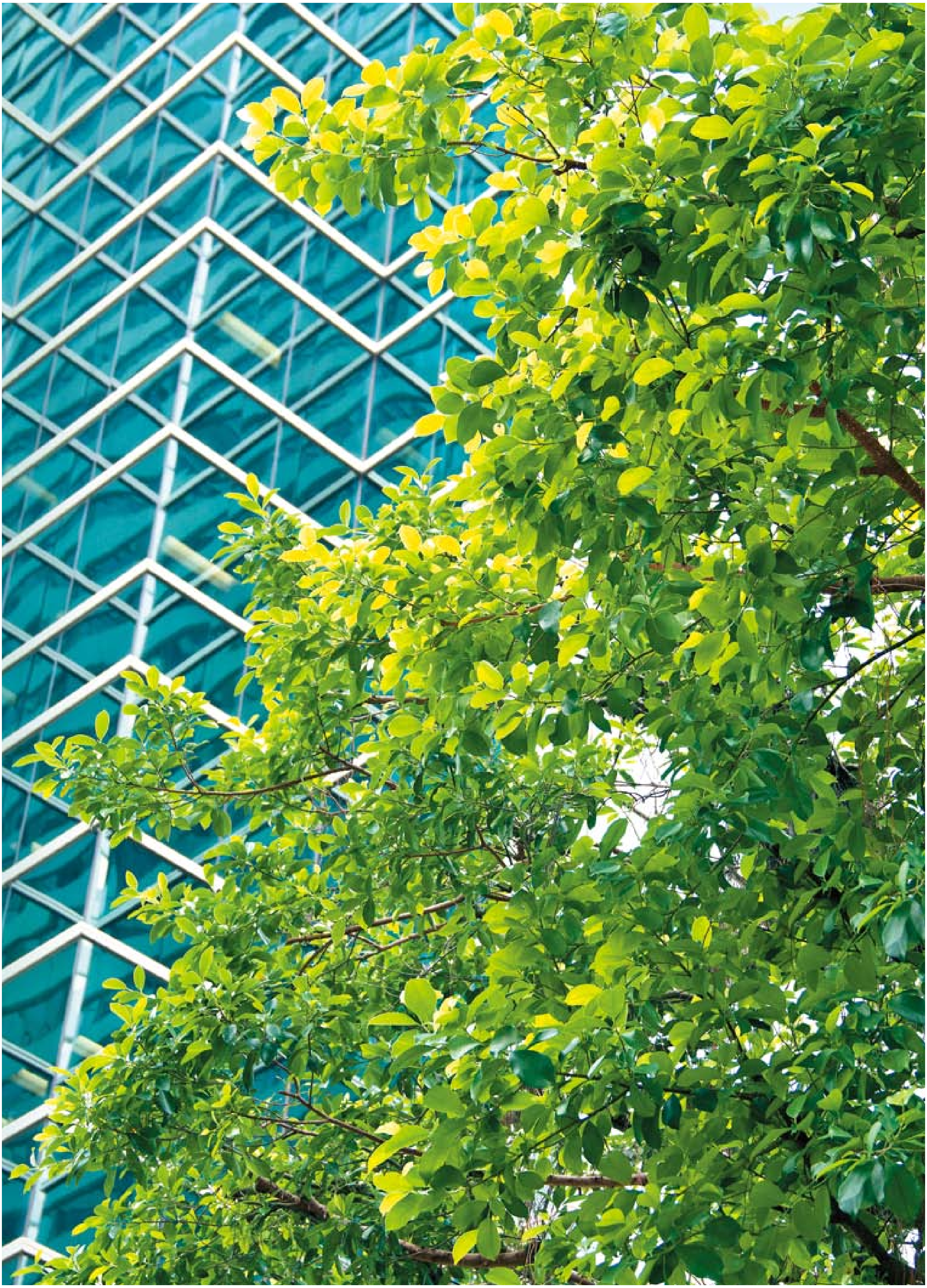
Taikoo Sugar expects moderate sales growth in 2016. A 34% owned sugar refinery in Guangdong is expected to start operating in 2016.

Swire Pacific Cold Storage expects to acquire land for a new cold store facility in Wuhan in 2016.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network and sales channels in Mainland China. A fourth plant (in Chengdu) is expected to start operating in 2016.

The overall profits of the Trading & Industrial Division are expected to increase but to continue to be affected by the cost of new business development.

J B Rae-Smith



2015 SUSTAINABLE DEVELOPMENT REVIEW

MANAGING FOR THE LONG TERM

We develop our businesses along sustainable lines with a view to maximising long-term shareholder value.

SUSTAINABLE DEVELOPMENT

Sustainable development is a key strategic objective for Swire Pacific. We believe that safeguarding natural resources, reducing our environmental impact, supporting the communities in which we operate, concentrating on health and safety and on our staff and their wellbeing (and that of others with whom we engage) help to create long term value for our shareholders. Swire Pacific does not view sustainability as a cost, but as an opportunity for innovation, growth and improved efficiency.

Through its sustainable development office, Swire Pacific sets policy and monitors its implementation by business units. Policies are set to reflect key sustainability trends, the risks to which the Group is subject and opportunities in sustainability available to the Group. The sustainable development office coordinates committees and working groups that enable operating companies to exchange information and best practices with a view to improving efficiency, reducing costs and engaging with staff. The Head of Sustainable Development reports directly to the Chairman.

Our sustainability reporting follows the Global Reporting Initiative's ("GRI") G4 reporting guidelines at the core level. For further information about this, please refer to the Swire Pacific reporting methodology, which can be found at http://www.swirepacific.com/en/sd/sd/gri_report2016.pdf.

We identify topics that reflect the impact that our businesses have inside and outside our operations. We engage with those that have an interest in or are affected by what we do – staff, investors, financial institutions, NGOs, academics, government departments and the media. The topics covered in this report are those that have been identified as being of particular importance to Swire Pacific.

ENVIRONMENT

Swire Pacific's objective is to minimise the adverse consequences of its impact on the environment, concentrating on greenhouse gas emissions, water and waste. The objective is consistent with our approach to long-term sustainable business development. To help us get there, we are improving efficiency, innovating and investing.

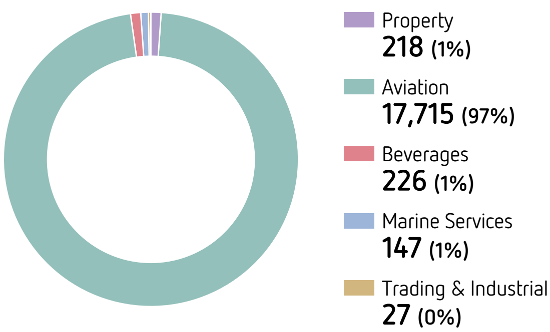
Greenhouse Gas Emissions

Mitigating the effects of climate change is one of our major challenges as a business. We believe that climate change poses a risk to our operations. We disclose our carbon footprint through the Carbon Disclosure Project and work with industry groups and regulators to support emissions reductions.

In 2015, our greenhouse gas emissions were 18.3 million tonnes of CO_2e, an increase from 17.7 million tonnes of CO_2e in 2014. This increase is principally attributable to more jet fuel consumption by the Cathay Pacific group, as a result of more flights being operated.

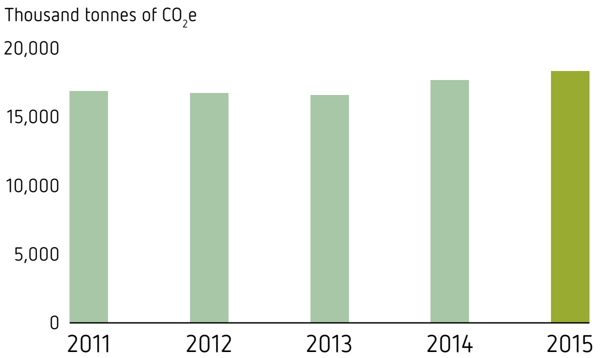
Total GHG Emissions by Division

Thousand tonnes of CO_2e

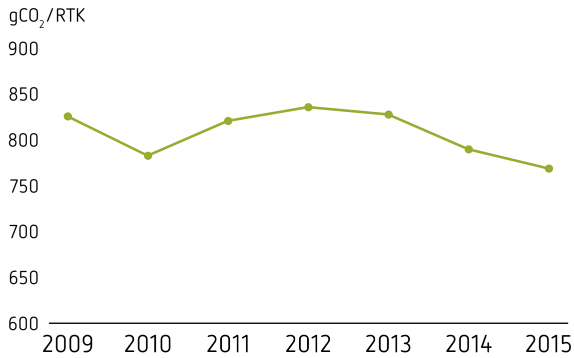


Note: The figures above consist of Scope 1 and Scope 2 greenhouse gas emissions as defined by the Greenhouse Gas Protocol.

Total GHG Emissions



GHG Intensity at Cathay Pacific



The aviation division accounts for 97% of our total emissions. Cathay Pacific seeks to manage emissions in accordance with IATA's four pillar strategy. The airline has set a target of improving fuel efficiency by 2% per annum up to 2020, and achieving carbon neutral growth thereafter. In 2015, Cathay Pacific increased fuel efficiency by 3%, principally as a result of using more fuel efficient aircraft.

IATA's Four Pillar Strategy:

TECHNOLOGY
Innovations in aircraft and engine design, biofuels

OPERATIONS
Fuel consumption monitoring, weight reduction by using lightweight materials, engine washing

INFRASTRUCTURE
Optimising airport procedures, route planning to minimise fuel consumption

ECONOMIC INSTRUMENTS
Carbon trading and carbon offsetting

We encourage the use of biofuels in the engines of our aircraft, vehicles and vessels. Cathay Pacific is a member of the Round Table on Sustainable Biomaterials and of the Sustainable Aviation Fuel Users Group Asia. Cathay Pacific has a minority stake in Fulcrum BioEnergy Inc., a company which converts municipal solid waste into sustainable aviation fuel. Our use of electric vehicles is increasing.

Cathay Pacific's FLY greener programme offset 15,600 tonnes of CO_2 in 2015, by investing in offsets generated by a clean cook stove project in Shaanxi Province, Mainland China, and a wind project in Taiwan.

Energy

Electricity consumption is our second largest source of greenhouse gas emissions. Our emissions from using electricity in 2015 were 593,000 tonnes of CO_2e, a 1% decrease from 2014.

Making our buildings and operations more energy efficient is a priority. Our sustainable building design policy requires new and substantially renovated buildings to try to obtain the highest or, as a minimum, the second highest international or local building environmental certification. At the end of 2015, 71 of our buildings had received Beam plus or LEED certification.

Operating companies are encouraged to reduce energy use and to set energy efficiency targets. Having reached its previous target two years ahead of schedule, Swire Properties has increased its energy reduction target to 64 million kWh per year by 2020. The Swire Properties energy management plan, which has been in place since 2001, has resulted in a 16% decrease in energy usage from 2001 to 2015 despite a 14% increase in gross floor area. Energy intensity in Hong Kong (excluding hotels) has decreased by 29% since 2001.

In 2015, energy audits were conducted in six operating companies, with savings of 5 million kWh per year identified. Swire Properties also offers free energy audits to tenants. Since 2008, audits have covered 393,575m^2 of commercial office space, identifying savings of 5 million kWh per year.

We encourage the use of renewable energy in our operations. 56 million kWh of electricity was generated by solar panels in SPO, Swire Beverages and HAECO Xiamen in 2015. The amount of renewable energy produced by the group is small, but we are looking for opportunities to install renewable capacity in new and existing projects.

A number of our operating companies have systems designed to manage their environmental impact. Each of our divisions has operations covered by ISO 14001.

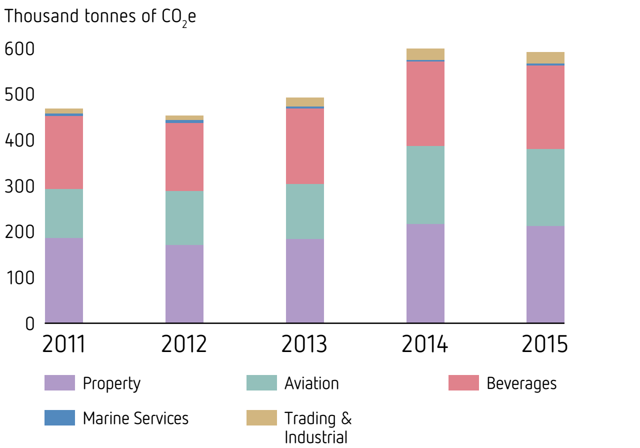
We work with others to provide innovative solutions to our energy needs. In 2015, Swire Properties extended its partnership with Tsinghua University, exploring energy efficiency and management.

Water

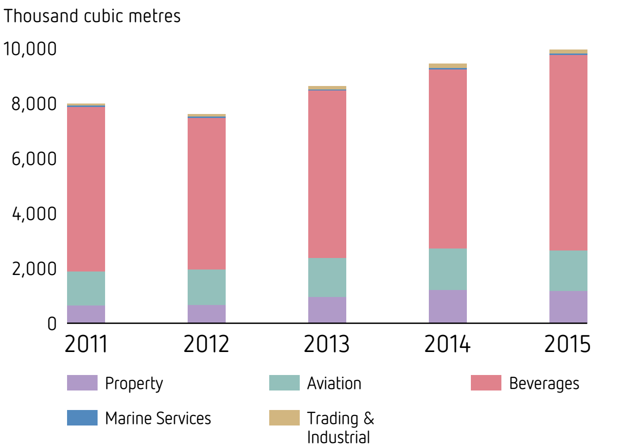
In 2015, we consumed 10.0 million cubic metres of water, an increase from 9.4 million cubic metres in 2014. We set water intensity targets and encourage operating companies to use water more efficiently. Some of our operations capture rainwater for irrigation and cleaning.

The Beverages Division accounts for 71% of our water use, using water to make beverages and maintain hygiene. Swire Beverages has increased its water efficiency by 39% since 2004. It has a target of a 25% improvement in water efficiency by 2020 over 2010 levels. In 2015, water intensity at the Beverages Division, which reflects the amount of water needed to produce a litre of beverage product, decreased slightly due to the upgrading of infrastructure and reusing treated waste water.

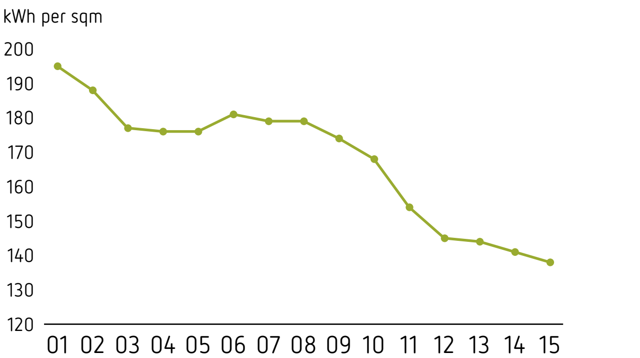
Indirect GHG Emissions by Division



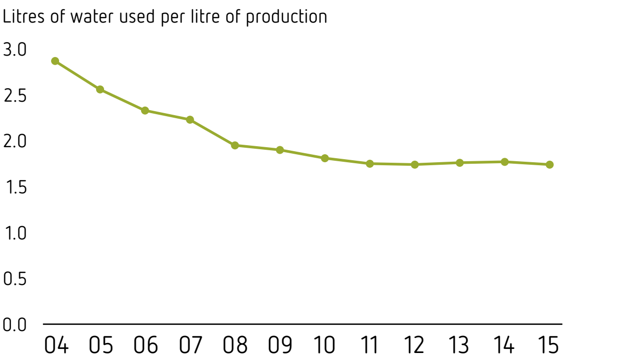
Water Consumption by Division



Energy Intensity at Swire Properties



Water Efficiency at Swire Beverages



All waste water is required to be treated so that it meets or exceeds legal requirements and can be returned to the environment. In the Zhengzhou bottling plant in Mainland China, 100% of waste water is treated before being used by the municipal government in an urban wetland.

Swire Beverages aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020. Projects of TCCC and its bottlers (including Swire Beverages) in the Haihe River basin in Mainland China in 2015 have resulted in 10 billion litres of water being replenished.

Waste

We started reporting the amounts of waste disposed of and recycled at a group level in 2014. In 2015 there was an increase of 6% in the amount of waste disposed of and an increase of 3% in the amount of waste recycled. Operating companies manage waste by improving procurement and by using less packaging. We aim to recycle more paper, plastic, metal, glass, construction material, food and electronic items. Management and use of waste can be an opportunity. Our investments in Fulcrum BioEnergy is designed to take advantage of this.

Aircraft Recycling

In 2015, four Cathay Pacific A340-300 aircraft were recycled at a facility in South West France on their retirement from the Cathay Pacific fleet. Up to 90% of the weight of the aircraft was recycled. Aluminium accounts for 40% of an aircraft's weight. This is melted down and reused. Engines and landing gear are dismantled and made available for reuse.

Waste Disposed of by Division

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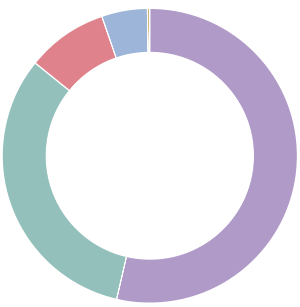
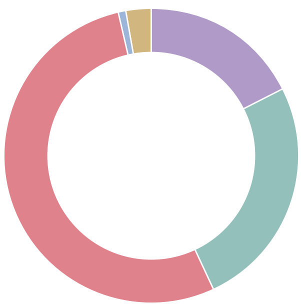


- Property **32,304** (54%)
- Aviation **19,265** (32%)
- Beverages **5,345** (9%)
- Marine Services **3,077** (5%)
- Trading & Industrial **1** (0%)

Waste Recycled by Division

Tonnes



- Property **3,282** (18%)
- Aviation **4,769** (26%)
- Beverages **9,874** (53%)
- Marine Services **182** (1%)
- Trading & Industrial **489** (2%)

HEALTH AND SAFETY

The health and safety of our employees, visitors and partners is of critical importance. We believe that all incidents are preventable. We aim to improve our health and safety management systems with a view to causing zero harm.

Our Performance

In 2015 the number of injuries per 100 full-time employees (lost time injury rate or 'LTIR') decreased to 1.64. This represents a 19% decrease from 2014 and a 43% decrease over the past 5 years.

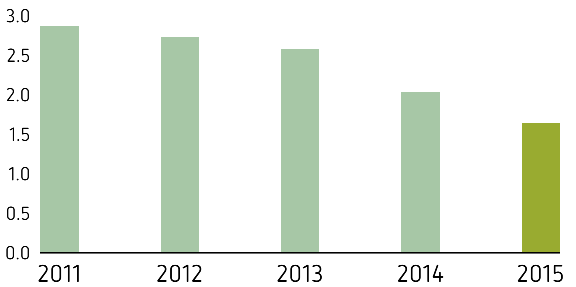
The lost day rate (LDR) is used to track the severity of injuries. LDR fell by 4% in 2015 and by 29% over the last five years.

The reduction in LTIR and LDR reflects safer behaviour by staff and rehabilitation by operating companies. Cathay Pacific and Hong Kong Airport Services started a three-year slips, trips and manual handling campaign in 2015, with a view to reducing relevant injuries by raising staff awareness and training staff on manual handling techniques.

There were no fatalities in 2015.

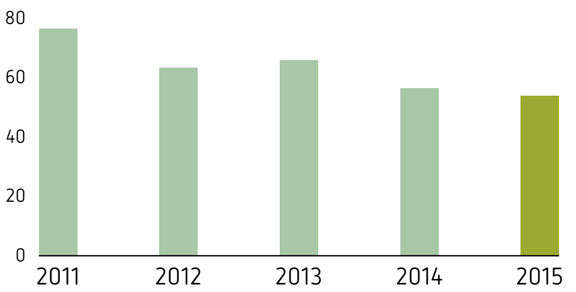
Lost Time Injury Rate

No. of injuries per 100 full-time equivalent employees



Lost Day Rate

No. of lost scheduled working days per 100 full-time equivalent employees



Towards Zero Harm

The Swire Pacific Health & Safety Policy was updated in 2015 to reflect our aim of causing zero harm. Safety is the first agenda item at Group Risk Management Committee meetings.

Establishing a strong safety culture, where employees take responsibility for their own safety and the safety of others, is key to achieving zero harm. We aim to identify and manage potential hazards before an incident occurs by reporting near misses and conducting regular safety audits.

In 2015, Swire Properties obtained OHSAS 18001 certification for two operations in Mainland China. The HAECO Group standardised safety management in all HAECO Group companies. All HAECO Group companies in Mainland China aim to obtain OHSAS 18001 safety management certification by the end of 2016.

Developing a Safety Culture

A safety culture assessment developed in conjunction with DuPont in 2014 has been extended to all Swire Beverages bottling plants in Mainland China. This provides management with a guide to what needs to be done in order to improve safety and a baseline against which to monitor improvements.

COMMUNITY INVOLVEMENT

We believe that if the communities in which we operate prosper, so do our businesses. We support the communities in which we operate through the Swire Group Charitable Trust and through the community programmes of our operating companies.

The Swire Group Charitable Trust ("The Trust")

The Trust was established in 1983. It is overseen by a Philanthropy Council chaired by an executive director of Swire Pacific. The Trust receives all its income from companies in the Swire group and provides funds for charitable purposes to non-profit organisations, mainly in Hong Kong and Mainland China. Its principal focus is on education, the environment, and arts and culture. In 2015, the Trust established the Seeds in Education Fund (which is intended to encourage diverse views and approaches in the education field), started to concentrate on areas of extreme hardship in Hong Kong (in order to support the needs of highly vulnerable groups) and donated HK$38.8 million to charity.

The following grants were made or renewed during 2015:

Recipient	Grant Amount	Grant Purpose
Arts and Culture		
Arts with the Disabled Association in Hong Kong	HK$1.5 million annually	To promote the arts and artistic talent among persons with disabilities, to create equal opportunities for them in the world of art and to foster social integration
Hong Kong Maritime Museum Limited	HK$1.0 million	To pay transport costs for pupils at disadvantaged schools so as to enable them to participate in the museum's education programme
Music Children Foundation Limited Project Name | Drum Fun	HK$0.8 million	To provide free Chinese drum classes to primary students in Sham Shui Po
Education		
The British Council Project Name | World Voice	HK$0.9 million	To provide primary school teachers with singing tools and techniques designed to enable them to provide a creative and inclusive learning environment for their pupils
Hong Kong English Foundation Limited Project Name | Community English Language Laboratory	HK$2.0 million annually	To improve English language capabilities in Hong Kong through a community centre offering free English language training
Life Education Activity Programme	HK$6.0 million annually	To help prevent substance abuse by providing health-based education programmes for children
Taikoo Primary School	HK$2.0 million annually	To strengthen the school's English and Mandarin language teaching and support special projects
Various (16 NGOs) Project Name | Seeds in Education Fund	HK$11.2 million	To encourage diverse views and approaches in the education field
Environment		
ADM Capital Foundation Limited Project Name | Ocean Asia Project	HK$1.2 million	To increase public knowledge of and demand for sustainable seafood
Bloom Association Hong Kong Limited Project Name | HK Reef Fish Survey	HK$2.7 million	To increase knowledge of reef fish in Hong Kong waters through underwater surveys
The University of Hong Kong Project Name | Swire Institute of Marine Science	HK$30.0 million	To expand and upgrade a marine research station
World Wide Fund for Nature Hong Kong Project Name | Sea For Future	HK$7.9 million	To safeguard Hong Kong's future marine life and restore fisheries through increased marine protection
Extreme Hardship		
Christian Action Project Name | Centre for Refugees	HK$1.9 million	To provide basic needs, financial aid for children's education and psychosocial support for refugees and asylum seekers
Po Leung Kuk Project Name | Community Canteen	HK$2.0 million	To provide free or low priced hot meals so as to ensure that elderly and other people with severely limited financial means have proper and nutritious meals

Swire in the Community

Operating companies arrange their own community programmes in the communities in which they operate. In 2015, staff and their families and friends in Hong Kong contributed over 13,000 hours of voluntary service.

We align our community programmes with our businesses. The Dragonair Journey of Dreams provided over 50 young beneficiaries of the Child Development Fund with the chance to experience the thrill of flying with their families and mentors. Cathay Pacific's community flight took some 200 residents from less-advantaged families into the skies over Hong Kong. With Feeding Hong Kong, Cathay Pacific Catering Services collects unopened food items and beverages from inbound flights to Hong Kong. 116,000 kilograms of food has been collected and given to the less fortunate since collections started in October 2015. 11,200 people participated in 'Walk for Love' events in 2015, organised by Swire Beverages in Mainland China. Over RMB 3.5 million was raised at these events to enable schools in remote villages to purchase water purifiers to provide safe drinking water to pupils. Swire Coca-Cola HK promotes the importance of hydration and a balanced diet for over 10,000 primary school students in Hong Kong.

We support local communities near where we operate. SPO supports the Propeller Club of Manila, a non-profit organisation which offers training to young people from underprivileged families in the Philippines. They are trained to become fitters, mechanics or cooks. With the Regional Maritime University in Ghana, SPO provides scholarships, internships, exchange programmes and employment opportunities to students from Cameroon, Cote d'Ivoire, Ghana, Nigeria and Sierra Leone. Swire Properties' annual White Christmas Street Fair was held on Tong Chong Street in Taikoo Place in Hong Kong in December 2015. It attracted over 25,000 visitors with the support of over 290 community ambassadors and raised HK$1.1 million for Operation Santa Claus. Staff of operating companies clean beaches in Hong Kong and plant mangroves in Taiwan.

We use the expertise of our staff. With the Hong Kong Housing Society, Swire Properties community ambassadors operate the Welcome Home: Elderly Safe Living Scheme. In 2015, more than 80 homes of elderly residents in Quarry Bay were visited. Technical staff from Swire Properties installed handrails and non-slip flooring in order to make the homes safer for the residents. Since 2007, more than 600 volunteers from Cathay Pacific have taught English under the English on Air programme to more than 2,200 teenagers in Tung Chung. Under the Dragonair aviation certificate programme, Dragonair pilots mentor potential aviators by giving them first hand knowledge of the aviation industry.

We engage with our customers. In 2015, Asia Miles members redeemed over 300 gift packages. The packages contained HIV diagnostic test kits for 4,800 pregnant women and 32,000 doses of Tetanus Toxoid vaccine to support UNICEF's Aids to Zero campaign. Asia Miles members donated miles for conversion into warm sweaters for 400 elderly persons in Hong Kong. Cathay Pacific's Change For Good Programme has raised over HK$155 million for UNICEF since inception. Swire Properties raised over HK$500,000 for the Boys' & Girls' Clubs Association of Hong Kong by selling 60,000 books donated by users and tenants of Swire Properties developments.

Measuring our impact. SPO uses a social return on investment methodology to assess the impact of its community programmes. Cathay Pacific uses the London Benchmarking Group guidelines to measure the impact of the English on Air programme. Over 70% of participants indicated that the programme had encouraged them and increased their confidence in speaking English.

Recognition. In 2015 Swire Pacific was awarded the 10+ Caring Company Award by the Hong Kong Council of Social Service for good corporate citizenship.

STAFF

We recognise that our success is dependent on the wellbeing of our staff. We try to be an employer of choice by providing an environment in which all employees are treated fairly and with respect. We want talented individuals to want to work for us. We try to recruit the best people, to offer competitive remuneration and benefits and to provide training to enable staff to fulfil their potential.

Employee Profile

Swire Pacific employs over 82,000 staff globally, an increase of 0.1% from 2014. Most staff are based in Hong Kong or Mainland China.

Equal Opportunities and Diversity

Swire believes in equal opportunities for all its employees. We recognise that our businesses (which are themselves commercially diverse) benefit from the diversity of our workforce. So it follows naturally that Swire encourages diversity and its concomitant, equal opportunities. A properly diverse workforce is one whose members are not discriminated against. Employees are required to be fully compliant with applicable employment and other laws and must not tolerate unlawful discrimination, harassment or other breaches of applicable law. We have a diversity council (the members of which include the heads of each division) and a gender diversity committee.

The majority of our staff are in Hong Kong and Mainland China. In Hong Kong, there is no legal framework for collective bargaining with trade unions. In Mainland China, we are normally required to deal with official trade unions. Employees can present grievances through established channels.

Code of Conduct

We have a publicly available corporate code of conduct, which can be viewed at http://www.swirepacific.com/en/governance/code.php.

Staff Retention

In order to recruit and retain talented staff, we offer competitive remuneration and benefits, even in difficult economic times. Decisions on remuneration are made by reference to job responsibilities, individual and business performance, conditions in the job market and the economy. We operate a 24-hour counselling and consultation hotline for employees. We recognise the importance of engagement and communication (in both directions) with staff. We communicate with staff through our intranet, newsletters, surveys and staff forums. We monitor staff turnover with a view to identifying and managing problems.

Swire Women's Network

The Swire Women's Network was launched in November 2015. The aim of the network is to attract talented female employees to join the group and to develop and retain them within the group.

Training and Education

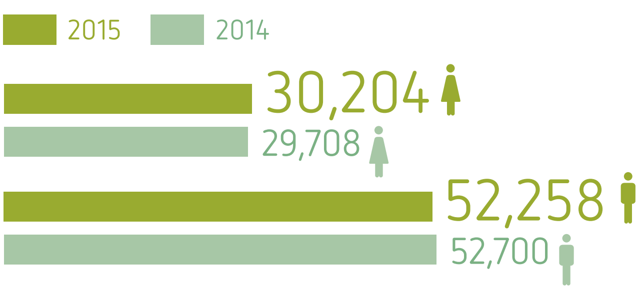
We try to provide all training necessary for staff to develop their full potential. We try to provide more (and more targeted) training every year. All training required by law is provided. Ethos International, Swire's in-house leadership development company, provides training for promising staff.

Managing for the Future

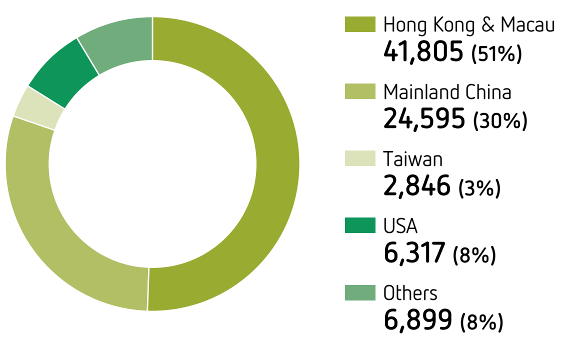
Under our management trainee programme, we select high calibre graduates to work in our operating companies in general management roles. Over the following 15 years we coach and mentor them, send them on courses and plan the steps in their careers. Trainees are expected to be highly flexible, open minded and capable of dealing with new challenges.

Our summer internship programme gives exceptional students the opportunity to gain experience of working with us. Interns first learn about what we do and our values. They are then posted to operating companies to work on business projects.

Employee Breakdown by Gender



Employee Numbers by Region



WORKING WITH OTHERS

Our operating companies are responsible for their own supply chain management. They are supported by our supply chain sustainability working group, which assists operating companies by sharing best practices and developing sustainability policies and guidelines for suppliers.

Our supplier corporate social responsibility code of conduct has been adopted by all Swire Pacific operating companies. It deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting. Suppliers' compliance with the code is assessed.

Operating companies use a risk matrix based on the above supplier code of conduct, with a view to managing and mitigating risks. Attention is focused on high risk suppliers and suppliers with whom we spend the most. The results determine which suppliers need to be audited in order to ensure compliance.

Our sustainable procurement policy commits operating companies to purchasing where possible products which do not adversely affect the environment. It can be difficult to source sustainable products. Our guidelines on doing so are in accordance with international standards. We include sustainability criteria in procurement decisions where possible. With Business For Social Responsibility, Cathay Pacific has identified ways to procure more sustainable plastic containers and cutlery. Suppliers were requested to disclose weight, recycled content, polymer type and energy and water used and carbon emitted during production.

Recognition

Swire Pacific and Swire Properties are in the Dow Jones Sustainability Index – Asia Pacific. Swire Pacific and HAECO are in the Climate Disclosure Leadership Index. SPO won the Leadership in Sustainability Award at the 16th Annual Business Awards organised by the British Chamber of Commerce, Singapore and the Environment Protection Award at the Seatrade Maritime Awards Asia 2015.

Description of Our Supply Chain by Division

PROPERTY

Swire Properties' principal suppliers perform or assist in the planning, design, construction, marketing, sale, leasing, management, maintenance and demolition of properties.

AVIATION

The principal suppliers to our airlines are manufacturers of aircraft and engines and suppliers of fuel and engineering services.

BEVERAGES

Supplies obtained by the beverages division directly from TCCC include juices, concentrates and other ingredients, fountain packaging and advertising materials. Things which TCCC authorises third parties to supply to the beverages division include packaging, speciality merchandise, sales and marketing equipment, sweeteners and carbon dioxide.

MARINE SERVICES

The principal suppliers to SPO and HUD are shipyards, engine manufacturers and suppliers of fuel.

TRADING & INDUSTRIAL

The principal suppliers of footwear and apparel to Swire Resources and of vehicles to Taikoo Motors are international brand-owning companies, with their own sustainability policies and standards.

Financial Review

Commentary on and Analysis of Major Balances and Year on Year Variances in the Financial Statements

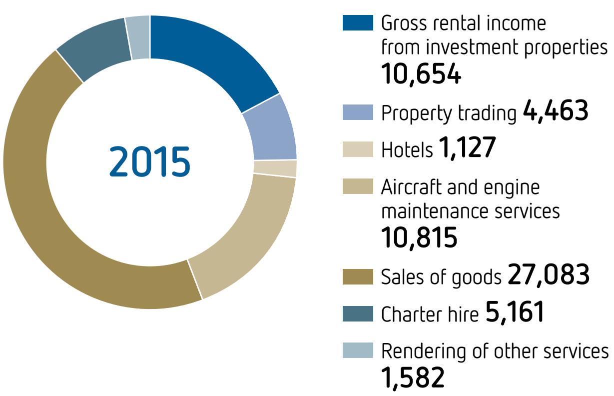
Consolidated Statement of Profit or Loss

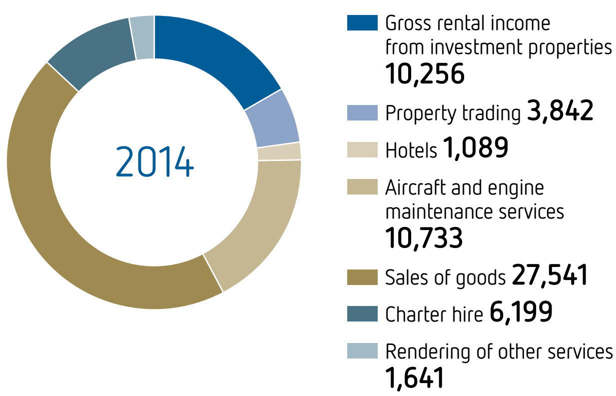
	Notes to the Financial Statements	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	Increase / (Decrease) %
Revenue	4	60,885	61,301	(416)	-1%
Cost of sales	6	(38,000)	(38,313)	(313)	-1%
Expenses	6	(13,311)	(11,258)	2,053	18%
Other net (losses)/gains	5	(166)	71	(237)	-334%
Change in fair value of investment properties		7,053	1,896	5,157	272%
Operating profit		16,461	13,697	2,764	20%
Net finance charges	9	(2,146)	(2,025)	121	6%
Share of profits less losses of joint venture companies	19(a)	1,795	2,253	(458)	-20%
Share of profits less losses of associated companies	19(b)	2,887	1,678	1,209	72%
Taxation	10	(2,574)	(2,218)	356	16%
Profit for the year		16,423	13,385	3,038	23%
Profit attributable to the Company's shareholders	33	13,429	11,069	2,360	21%
Underlying profit	11	9,892	9,739	153	2%
Adjusted underlying profit		9,143	9,371	(228)	-2%

Revenue

Revenue by Category

HK$M





The decrease in revenue of HK$416 million compared to 2014 reflects lower revenue from the Marine Services Division (HK$1,246 million) and the Trading & Industrial Division (HK$1,185 million). These reductions were partially offset by increases in revenue from the Property Division (HK$1,054 million), the Aviation Division (HK$168 million) and the Beverages Division (HK$790 million).

In the Property Division, revenue from property trading increased by HK$621 million compared to 2014. This principally reflected the sales of 112 units at the AREZZO residential development in Hong Kong, partially offset by the fact that fewer units were sold at the MOUNT PARKER RESIDENCES and ARGENTA residential developments in Hong Kong. Gross rental income from property investment increased by HK$396 million.

In Hong Kong, there were positive rental reversions at Taikoo Place and Cityplaza offices and improvements in occupancy. There was higher rental income in Mainland China reflecting positive rental revisions and higher occupancy. Revenue from hotels increased by HK$38 million, principally reflecting higher revenue from the restaurant business in Hong Kong, partially offset by lower revenue from the managed hotels.

In the Aviation Division, the increase in revenue from the HAECO group was principally due to higher line and airframe services revenue at HAECO Hong Kong and more engine repair work at TEXL. This was partially offset by a reduction in airframe services revenue at HAECO Americas and less private jet work at HAECO Xiamen.

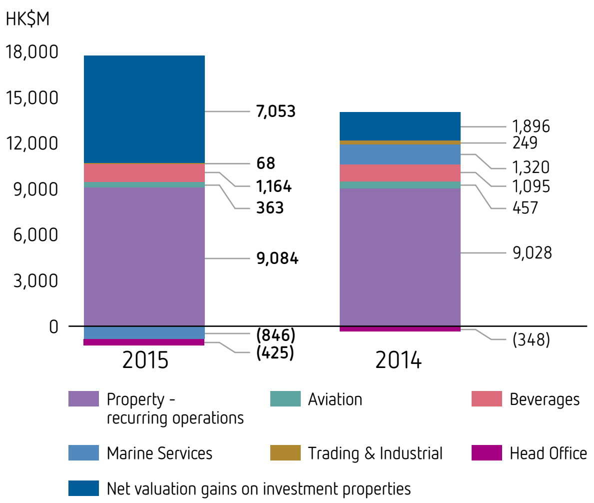
In the Beverages Division, the increase in revenue was principally due to increased sales volume in the USA which in turn principally reflected the first full year's contribution from the new franchise territories in Denver and Colorado Springs. The increase also reflected price increases in Hong Kong. Revenue was lower in Mainland China, principally due to adverse changes to the sales mix and promotional pricing.

In the Marine Services Division, the decrease in revenue at SPO was due to lower fleet utilisation and charter hire rates.

In the Trading & Industrial Division, the Swire Foods group's revenue increased by HK$804 million, which principally reflected the first full year's contribution from Qinyuan Bakery. Revenue from the Swire Retail group increased by HK$188 million, reflecting higher sales in Hong Kong. The Taikoo Motors group's revenue decreased by HK$2,208 million, principally due to the termination of the Volkswagen and Škoda vehicle importerships at Taikoo Motors in Taiwan at the end of 2014.

Operating Profit

Operating Profit by Division



The increase in operating profit of HK$2,764 million compared to 2014 principally reflected an increase in net revaluation gains on investment properties of HK$5,157 million. The increase in net revaluation gains on investment properties principally reflects higher rents in Hong Kong and Mainland China. Excluding net revaluation gains, operating profit decreased by HK$2,393 million.

The Property Division's operating profit from recurring operations increased by HK$56 million. Profit from property investment increased by HK$220 million due to higher net rental income. Profit from property trading increased by HK$148 million, principally reflecting the fact that more residential properties were sold in Hong Kong. The losses from hotels increased by HK$312 million, principally due to a loss on the disposal of four hotels in the UK and pre-opening costs at new hotels in Mainland China and the USA.

In the Aviation Division, the decrease in operating profit from the HAECO group was principally due to increased losses at HAECO Americas and lower profits at HAECO Xiamen. This was partially offset by higher profits at HAECO Hong Kong, TEXL and HAECO ITM.

In the Beverages Division, the higher operating profit included a larger gain on the sale of investments. Excluding this gain, the increase in operating profit was principally due to higher sales volume and price increases in the USA. There were higher profits in Hong Kong (principally due to price increases and lower raw material costs) and Taiwan (principally due to lower raw material costs and a favourable sales mix). These were partially offset by lower profits in Mainland China, which principally reflected adverse changes to the sales mix and promotional pricing.

In the Marine Services Division, the operating loss (compared to an operating profit in 2014) at SPO principally reflected significant impairment charges on vessels and on cancelled vessel construction contracts, and lower fleet utilisation and charter hire rates.

In the Trading & Industrial Division, the reduction in operating profit was principally due to the termination of the Volkswagen and Škoda vehicle importerships at Taikoo Motors in Taiwan at the end of 2014 and losses relating to the restructuring of loss-making Taikoo Motors businesses in Mainland China. This was partially offset by an increase in operating profit at Swire Foods, which reflected the first full year's contribution from Qinyuan Bakery.

Net Finance Charges

The increase in net finance charges was principally due to a decrease in the capitalisation of interest on properties for sale and vessels.

Share of Profits Less Losses of Joint Venture Companies

In the Property Division, net revaluation gains recorded on investment properties held by joint venture companies decreased by HK$128 million compared to 2014. The reduction also reflected the absence of most of 2014's substantial profits arising from the sale of units at the DUNBAR PLACE joint venture development in Hong Kong.

In the Aviation Division, profits from joint venture companies in the HAECO group decreased by HK$68 million, principally reflecting a reduction in engine output at HAESL. This reduction resulted from the retirement of older aircraft types and reduction in the required frequency of maintenance of certain engines.

In the Beverages Division, there was a decrease in the contribution from joint venture companies in Mainland China. This principally reflected adverse changes to the sales mix and promotional pricing, partially offset by lower raw material costs.

In the Trading & Industrial Division, there were lower profits from Akzo Nobel Swire Paints. This reflected an unfavourable sales mix in Mainland China.

Share of Profits Less Losses of Associated Companies

The Cathay Pacific group contributed a profit of HK$2,700 million in 2015 compared to a profit of HK$1,418 million in 2014. The increase principally reflected lower net fuel costs and increases in profits from non-airline subsidiaries and associates, partially offset by lower passenger and cargo revenue. Passenger and cargo revenue were adversely affected by a reduction in fuel surcharges and foreign currency movements and, in the case of cargo revenue, weak demand. Profit from Cathay Pacific's associated company, Air China, was higher in 2015, principally reflecting lower fuel prices, partially offset by foreign exchange losses caused by the depreciation of the Renminbi.

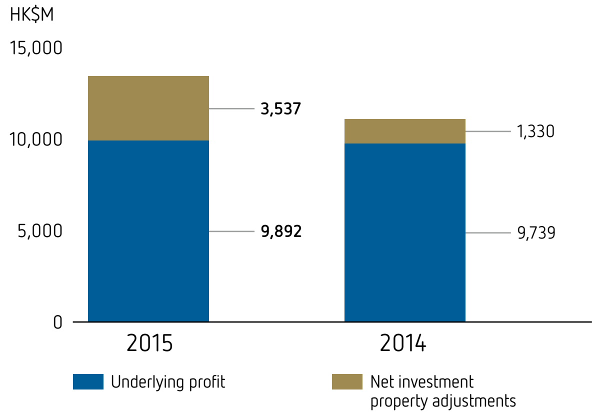
In the Property Division, the four associate hotels in Hong Kong contributed lower profits in 2015.

In the Beverages Division, there was a decrease in the contribution from Coca-Cola Bottlers Manufacturing Holdings Limited in Mainland China. This was principally due to lower sales volume in 2015.

Taxation

The increase in taxation principally reflected higher deferred tax recorded on net revaluation gains on investment properties and higher taxable profits in the Property Division.

Profit and Underlying Profit Attributable to the Company's Shareholders



The increase in profit attributable to the Company's shareholders was principally due to higher net revaluation gains on investment properties. Excluding net investment property adjustments, underlying profit increased by HK$153 million. The increase principally reflected significantly higher underlying profits within Head Office resulting from the sale of eight units at OPUS HONG KONG (2014: two units) and higher profits from the Cathay Pacific group and the Beverages Division. This was partially offset by losses from SPO and lower profits from the Property and Trading & Industrial Divisions and the HAECO group.

Adjusted Underlying Profit

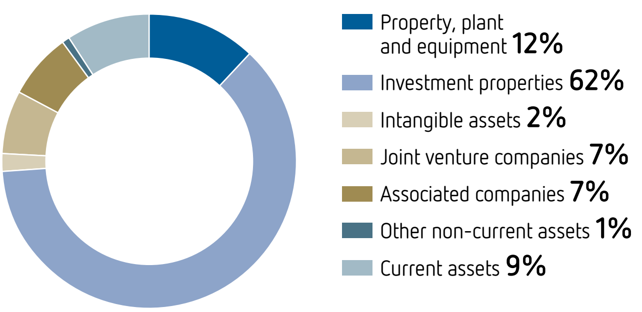
	2015 HK$M	2014 HK$M
Underlying profit attributable to the Company's shareholders	9,892	9,739
Other significant items		
Profit on sale of investment properties	(2,023)	(529)
Profit on sale of property, plant and equipment and other investments	(74)	(93)
Net impairment of property, plant and equipment, leasehold land and intangible assets	1,348	254
Adjusted underlying profit	9,143	9,371

Adjusted underlying profit principally adjusts for capital profits and losses less impairments. Profit on sale of investment properties in 2015 included gains on the sale of eight units at OPUS HONG KONG (2014: two units). Net impairment in 2015 included the impairment charges at SPO referred to above.

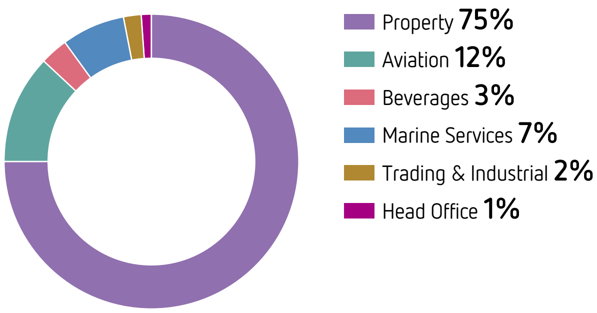
Consolidated Statement of Financial Position

	Notes to the Financial Statements	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Property, plant and equipment	14	42,935	43,601	(666)	-2%
Investment properties	15	227,300	220,869	6,431	3%
Intangible assets	17	7,377	7,442	(65)	-1%
Joint venture companies	19(a)	24,988	23,703	1,285	5%
Associated companies	19(b)	24,321	26,039	(1,718)	-7%
Properties for sale	23	7,615	7,941	(326)	-4%
Stocks and work in progress	24	4,599	3,860	739	19%
Trade and other receivables	25	10,428	9,610	818	9%
Bank balances and short-term deposits	26	8,985	10,115	(1,130)	-11%
Other assets		3,817	4,155	(338)	-8%
Total assets		362,365	357,335	5,030	1%
Trade and other payables	27	20,008	17,933	2,075	12%
Loans, bonds and perpetual capital securities	28, 29	68,617	68,788	(171)	0%
Deferred tax liabilities	30	7,605	6,938	667	10%
Other liabilities		2,149	1,546	603	39%
Total liabilities		98,379	95,205	3,174	3%
Net assets		263,986	262,130	1,856	1%
Equity attributable to the Company's shareholders	32, 33	218,449	218,775	(326)	0%
Non-controlling interests	34	45,537	43,355	2,182	5%
Total equity		263,986	262,130	1,856	1%

Total Assets by Category



Total Assets by Division



Property, Plant and Equipment

The decrease in property, plant and equipment principally reflected impairment charges at SPO and the disposal of four hotels in the UK. This was partially offset by capital expenditure in the Group (net of depreciation) and the transfer of certain investment properties to owner-occupied properties.

Investment Properties

The increase in investment properties principally reflected net revaluation gains and construction and renovation costs incurred on existing investment properties. This was partially offset by the disposal of eight units at OPUS HONG KONG, foreign exchange translation losses on investment properties in Mainland China and the transfer of certain investment properties to property, plant and equipment.

Investments in Joint Venture Companies

The increase in investments in joint venture companies principally reflected advances of loans to fund joint venture property projects in Mainland China. There were also increases in retained profits in the Property Division (principally as a result of valuation gains on investment properties held by joint venture companies), the Beverages Division and HAESL, partially offset by dividends paid and foreign exchange translation losses from joint venture companies in Mainland China.

Investments in Associated Companies

The decrease in investments in associated companies principally reflected a decrease in the share of net assets of the Cathay Pacific group. The decrease in net assets of the Cathay Pacific group is principally due to increases in unrealised losses from fuel hedging contracts, partially offset by profits retained for the year.

Properties for Sale

The decrease in properties for sale principally reflected the sales of residential properties at the AREZZO, MOUNT PARKER RESIDENCES, ARGENTA and AZURA developments in Hong Kong, partially offset by construction and development costs incurred during the year on the Reach and Rise developments at Brickell City Centre, Miami, and on the ALASSIO and WHITESANDS developments in Hong Kong.

Stocks and Work in Progress

The increase in stocks and work in progress was principally due to an increase in the stock of aircraft materials and spare parts and engine work-in-progress in the HAECO group and higher stocks of vehicles at Taikoo Motors.

Trade and Other Receivables

The increase in trade and other receivables principally reflected receivables from the sale of units at OPUS HONG KONG and claims relating to the cancellation of vessel construction contracts. These were partially offset by lower trade receivables at SPO and a decrease in dividends receivable from joint venture companies in the Beverages Division.

Trade and Other Payables

The increase in trade and other payables principally reflected an overall net increase in deposits from pre-sales of residential properties at Brickell City Centre and in Hong Kong, an increase in accrued capital expenditure on property projects and the recognition of contingent consideration in the Swire Foods group.

Deferred Tax Liabilities

The increase in deferred tax liabilities was principally attributable to higher deferred tax relating to depreciation allowances on investment properties and on revaluation gains on investment properties held by the Group in Mainland China.

Equity Attributable to the Company's Shareholders

In each year, the movement in equity attributable to the Company's shareholders principally represents the total comprehensive income for the year attributable to the Company's shareholders (HK$7,445 million in 2015) less dividends paid to shareholders (HK$5,898 million in 2015). In 2015, the movement in equity attributable to the Company's shareholders also included the effect of acquiring additional interests in three subsidiaries in the Beverages Division in Mainland China (HK$1,310 million) and the recognition of contingent consideration in the Swire Foods group (HK$541 million).

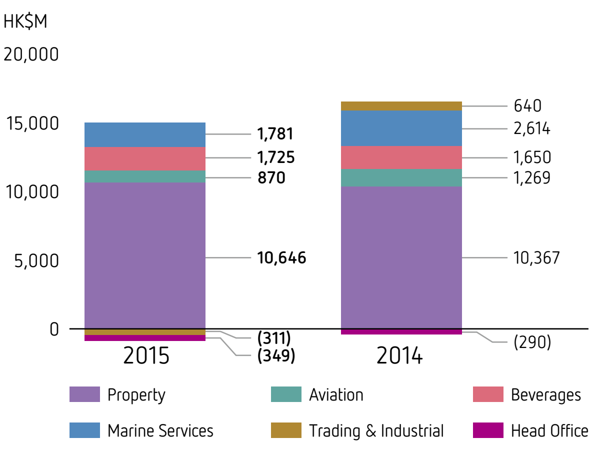
Non-controlling Interests

The non-controlling interests principally reflect the 18% non-controlling interest in Swire Properties and the 25% non-controlling interest in HAECO.

Consolidated Statement of Cash Flows

	Notes to the Financial Statements	2015 HK$M	2014 HK$M	Increase/ (Decrease) HK$M
Cash generated from operations	41(a)	14,362	16,250	(1,888)
Net interest paid		(2,297)	(2,316)	(19)
Tax paid		(1,909)	(1,358)	551
Dividends received		1,807	1,898	(91)
Investing activities				
Purchase of property, plant and equipment	41(b)	(4,245)	(6,181)	(1,936)
Additions of investment properties		(3,624)	(4,362)	(738)
Proceeds from disposals of investment properties		2,543	834	1,709
Proceeds from disposals of subsidiary companies	41(c)	373	–	373
Proceeds from disposals of available-for sale assets		209	82	127
Purchase of shares in new subsidiary companies	36	(116)	(3,530)	(3,414)
Purchase of shares in joint venture companies		(114)	(43)	71
Purchase of shares in associated companies		(39)	(208)	(169)
Purchase of new businesses		–	(117)	(117)
Purchase of available-for-sale assets		(4)	(245)	(241)
Net loans to joint venture companies		(438)	(1,347)	(909)
Others		316	428	(112)
Net cash generated from/(used in) businesses and investments		6,824	(215)	7,039
Dividends paid	33, 41(d)	(6,924)	(6,425)	499
Loans drawn and refinancing		12,993	19,714	(6,721)
Repayment of loans and bonds		(12,979)	(12,697)	282
Capital contributions from non-controlling interests		767	4	763
Repurchase of the Company's shares	32	(35)	–	35
Proceeds from disposal of shares in an existing subsidiary company		–	79	(79)
Purchase of shares in existing subsidiary companies	34(b)	(1,541)	(1,256)	285
Cash paid to shareholders and net funding by external debt		(7,719)	(581)	7,138
Decrease in cash and cash equivalents		(895)	(796)	99

Cash Generated from Operations by Division



Dividends Received

Dividends received in 2015 principally reflected dividends from Cathay Pacific, HAESL, Akzo Nobel Swire Paints and the Beverages Division's joint venture companies in Mainland China.

Purchase of Property, Plant and Equipment

Purchase of property, plant and equipment in 2015 principally reflected the acquisition of new vessels by SPO, the cost of construction of cold storage facilities in Mainland China and of the EAST hotel at Brickell City Centre, Miami and purchase of new production and marketing equipment in the Beverages Division and of rotable and repairable spare parts in the HAECO group.

Additions of Investment Properties

The additions of investment properties in 2015 principally reflected capital expenditure on the Brickell City Centre development in the USA, and on the Kowloon Bay development and the Taikoo Place office redevelopment in Hong Kong.

Proceeds from Disposals of Investment Properties

Proceeds from the disposals of investment properties included those from the disposal of eight units at OPUS HONG KONG (2014: two units).

Proceeds from Disposals of Subsidiary Companies

In 2015, the Group disposed of subsidiary companies owning four hotels in the UK.

Net Loans to Joint Venture Companies

Loans to joint venture companies in 2015 principally reflects funding to joint venture property projects.

Loans Drawn and Refinancing

In 2015, loans drawn and refinancing comprised new financing under the Group's medium term note programmes and new loans and drawdowns of existing financing from banks. Refer to the Financing section on page 90 for further details.

Capital Contributions from Non-controlling Interests

In 2015, a minority shareholder in the retail portion of the Brickell City Centre project made a contribution of HK$767 million.

Purchase of Shares in Existing Subsidiary Companies

In 2015, the Beverages Division purchased additional interests in three of its subsidiaries in Mainland China for HK$1,541 million.

Investment Appraisal and Performance Review

	Net assets employed		Capital commitments*	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Property investment	235,846	226,596	19,564	23,659
Property trading	7,452	8,210	–	–
Hotels	7,928	7,801	234	481
Property – overall	251,226	242,607	19,798	24,140
Aviation	39,311	41,195	2,184	1,575
Beverages	5,833	6,048	2,098	420
Marine Services	22,293	23,537	2,770	5,209
Trading & Industrial	4,445	3,950	1,736	1,553
Head Office	462	3,417	–	–
Total net assets employed	323,570	320,754	28,586	32,897
Less: net debt	(59,584)	(58,624)		
Less: non-controlling interests	(45,537)	(43,355)		
Equity attributable to the Company's shareholders	218,449	218,775		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2015 HK$M	2014 HK$M	2015	2014
Property investment	168,721	161,812	6.6%	4.4%
Property trading	2,388	2,084	39.9%	29.3%
Hotels	5,842	6,074	-4.2%	0.4%
Property – overall	176,951	169,970	6.6%	4.6%
Aviation	32,557	34,445	9.0%	4.9%
Beverages	4,247	4,970	21.2%	16.4%
Marine Services	12,873	13,830	-9.4%	8.2%
Trading & Industrial	4,818	5,664	3.0%	9.2%
Head Office	(12,997)	(10,104)		
Total	218,449	218,775	6.1%	5.0%

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of joint venture companies.

Financing

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A3 to A1 on Moody's scale, A- to A+ on Standard & Poor's scale and A- to A+ on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to macro-economic or other circumstances. At 31st December 2015 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, and Swire Properties' long-term credit ratings were A2 from Moody's, A- from Standard & Poor's and A from Fitch.

Changes in Financing

Analysis of Changes in Financing During The Year

Audited Financial Information

	2015 HK$M	2014 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	68,788	61,844
Loans drawn and refinancing	12,993	19,714
Repayment of loans and bonds	(12,979)	(12,697)
Change in composition of the Group	–	20
Currency adjustment	(291)	(200)
Other non-cash movements	106	107
At 31st December	68,617	68,788

During the year, the Group raised financing amounting to HK$27,045 million. This principally comprised issues of medium-term notes aggregating HK$6,771 million, and term and revolving loan facilities aggregating HK$20,274 million.

The Group repaid early term loan facilities aggregating HK$8,168 million during the year. Term and revolving loan facilities aggregating HK$9,634 million expired during the year.

Sources of Finance

At 31st December 2015, committed loan facilities and debt securities amounted to HK$90,526 million, of which HK$22,140 million (24%) were undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$9,387 million. Sources of funds at 31st December 2015 comprised:

Audited Financial Information

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	43,807	43,807	–	–
Bank loans, overdrafts and other loans	44,394	22,254	1,215	20,925
Perpetual capital securities	2,325	2,325	–	–
Total committed facilities	90,526	68,386	1,215	20,925
Uncommitted facilities				
Bank loans, overdrafts and other loans	10,056	669	9,387	–
Total	100,582	69,055	10,602	20,925

i) Loans and Bonds

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

Audited Financial Information

	2015			2014		
	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
Short-term loans – unsecured	669	–	669	1,123	–	1,123
Long-term loans and bonds at amortised cost	66,061	(438)	65,623	65,682	(344)	65,338
Less: amount due within one year included under current liabilities	(6,847)	6	(6,841)	(4,828)	8	(4,820)
	59,214	(432)	58,782	60,854	(336)	60,518

The maturity of long-term loans and bonds is as follows:

Audited Financial Information

	2015 HK$M	2014 HK$M
Bank loans (secured):		
Repayable between one and two years	–	3
Repayable between two and five years	–	89
Repayable after five years	–	443
Bank loans (unsecured):		
Repayable within one year	2,188	4,817
Repayable between one and two years	8,610	7,872
Repayable between two and five years	10,179	12,911
Repayable after five years	1,005	2,274
Other borrowings (unsecured):		
Repayable within one year	4,653	3
Repayable between one and two years	502	4,654
Repayable between two and five years	13,193	9,838
Repayable after five years	25,293	22,434
	65,623	65,338
Amount due within one year included under current liabilities	(6,841)	(4,820)
	58,782	60,518

ii) Perpetual Capital Securities

Audited Financial Information

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

The perpetual capital securities are recorded in the statement of financial position at amortised cost. At 31st December 2015 the fair value was HK$2,575 million (2014: HK$2,466 million). The perpetual capital securities are listed on the Luxembourg Stock Exchange.

iii) Bank Balances and Short-Term Deposits

The Group had bank balances and short-term deposits of HK$8,985 million at 31st December 2015 compared to HK$10,115 million at 31st December 2014.

Maturity Profile and Refinancing

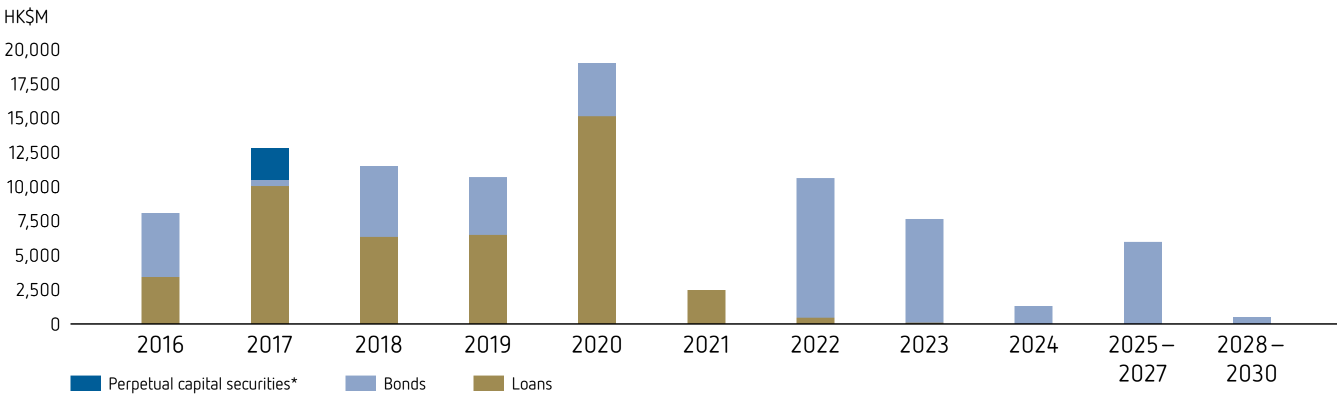
Bank loans and other borrowings are repayable on various dates up to 2030 (2014: 2034).

The weighted average term and cost of the Group's debt is:

	2015	2014
Weighted average term of debt	4.3 years	4.1 years
Weighted average term of debt (excluding perpetuals)	4.4 years	4.2 years
Weighted average cost of debt	4.0%	4.1%
Weighted average cost of debt (excluding perpetuals)	3.8%	3.9%

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

Total Available Committed Facilities by Maturity
(at 31st December 2015)



* The perpetual capital securities have no fixed maturity date. In the above graph their maturity has been assumed to be their first call date, 13th May 2017.

Currency Profile

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

Audited Financial Information

	2015		2014	
	HK$M		HK$M	
Currency				
Hong Kong dollar	43,829	64%	43,417	63%
Renminbi	4,507	7%	5,921	9%
United States dollar	20,019	29%	19,418	28%
Others	262	–	32	–
Total	68,617	100%	68,788	100%

Finance Charges

At 31st December 2015, 72% of the Group's gross borrowings were on a fixed rate basis and 28% were on a floating rate basis (2014: 63% and 37%).

The exposure of the Group's loans and bonds to interest rate changes (after interest rate swaps) can be illustrated as follows:

Audited Financial Information

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2015	19,059	4,653	17,288	25,292	66,292
At 31st December 2014	25,603	3	17,978	22,877	66,461

Interest charged and earned during the year was as follows:

Audited Financial Information

	2015 HK$M	2014 HK$M
Interest charged:		
Bank loans and overdrafts	642	753
Other loans, bonds and perpetual capital securities	1,988	1,889
Fair value gains on derivative instruments:		
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	(93)	(95)
Interest rate swaps not qualifying as hedges	(30)	–
Amortised loan fees – loans at amortised cost	106	107
	2,613	2,654
Fair value loss on put options over non-controlling interests in subsidiary companies	18	29
Other financing costs	136	117
Capitalised on:		
Investment properties	(199)	(185)
Properties for sale	(150)	(221)
Hotel and other properties	(16)	(7)
Vessels	(29)	(100)
	2,373	2,287
Less interest income:		
Short-term deposits and bank balances	107	149
Fair value gain on put options over non-controlling interests in subsidiary companies	–	1
Other loans	120	112
	227	262
Net finance charges	2,146	2,025

The capitalised interest rates on funds borrowed generally and used for the development of investment properties, properties for sale and vessels were between 1.43% and 4.18% per annum (2014: 1.40% and 4.19% per annum).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$2,613 million (2014: HK$2,654 million).

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

Audited Financial Information

	2015				2014			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Short-term loans	–	2.20-2.27	3.83	1.79-2.84	0.88-2.70	1.48-2.80	5.04	1.21-2.23
Long-term loans and bonds	1.00-5.05	1.15-6.25	3.90-5.23	1.64	0.77-5.05	0.89-6.25	3.90-6.77	–
Perpetual capital securities	–	8.84	–	–	–	8.84	–	–

Covenants and Credit Triggers

Audited Financial Information

There are no specific covenants given by the Group for its debt facilities which would require debt repayment or termination of a facility should its credit rating be revised by the credit rating agencies.

The Company has entered into financial covenants in respect of gearing limits and maintenance of minimum consolidated net worth, to secure funding for itself and its subsidiaries. These covenants are set out below:

	Covenant limits	2015	2014
Gearing			
Consolidated borrowed money/adjusted consolidated net worth	≤ 200%	22.6%	22.4%

	HK$M	HK$M	HK$M
Maintenance of minimum adjusted consolidated tangible net worth			
Adjusted consolidated tangible net worth	≥ 20,000	256,609	254,688

These financial covenants, together with the long-term credit rating objective, establish the framework within which the capital structure of the Group is determined.

To date, none of the covenants have been breached.

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.

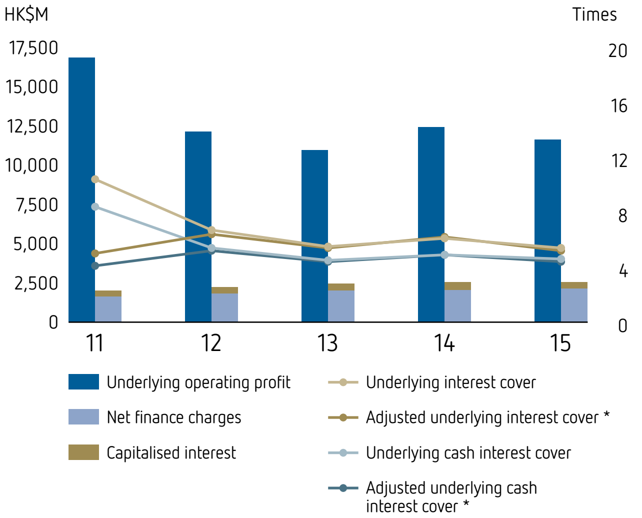
The Group considers a number of factors in monitoring its capital structure, principally the gearing ratio, cash interest cover and the return cycle of its investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings (comprising borrowings net of security deposits plus perpetual capital securities issued by the Group) less short-term deposits and bank balances and certain available-for-sale investments. Capital comprises total equity, as shown in the consolidated statement of financial position.

In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2015 and 31st December 2014 were as follows:

	2015 HK$M	2014 HK$M
Total borrowings	68,617	68,788
Less: Short-term deposits, bank balances and certain available-for-sale investments	(9,033)	(10,164)
Net debt	59,584	58,624
Total equity	263,986	262,130
Gearing ratio	22.6%	22.4%
Interest cover – times	7.7	6.8
Cash interest cover – times	6.5	5.4
Underlying cash interest cover – times	4.6	4.9
Return on average equity attributable to the Company's shareholders	6.1%	5.0%

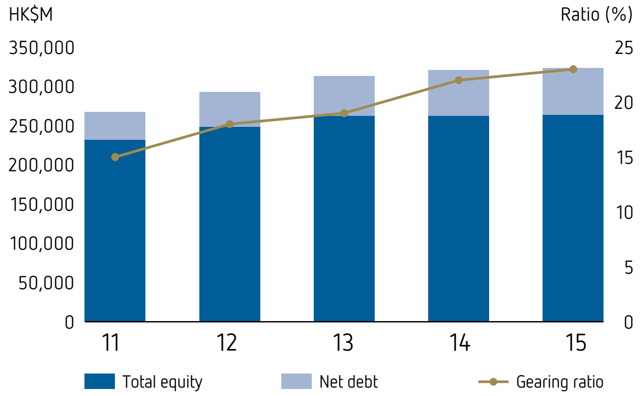
The following graphs illustrate the underlying interest cover and the gearing ratios for each of the last five years:

Underlying Interest Cover



* Calculated using adjusted underlying operating profit which excludes the effect of capital profits less impairments.

Gearing Ratio



Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at the end of 2015 and 2014:

	Total net debt / (cash) of joint venture and associated companies		Portion of net debt / (cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Property Division	13,653	11,327	5,836	4,792	3,271	1,477
Aviation Division						
Cathay Pacific group	42,458	43,998	19,106	19,799	–	–
HAECO group	2,098	1,375	342	184	–	–
Others	6	3	3	1	–	–
Beverages Division	1,282	1,335	453	440	–	–
Marine Services Division	833	822	416	411	500	500
Trading & Industrial Division	(3,527)	(3,215)	(1,188)	(1,077)	–	–
	56,803	55,645	24,968	24,550	3,771	1,977

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 32.0%.

Corporate Governance Report

Governance Culture

Swire Pacific 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 Pacific 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:

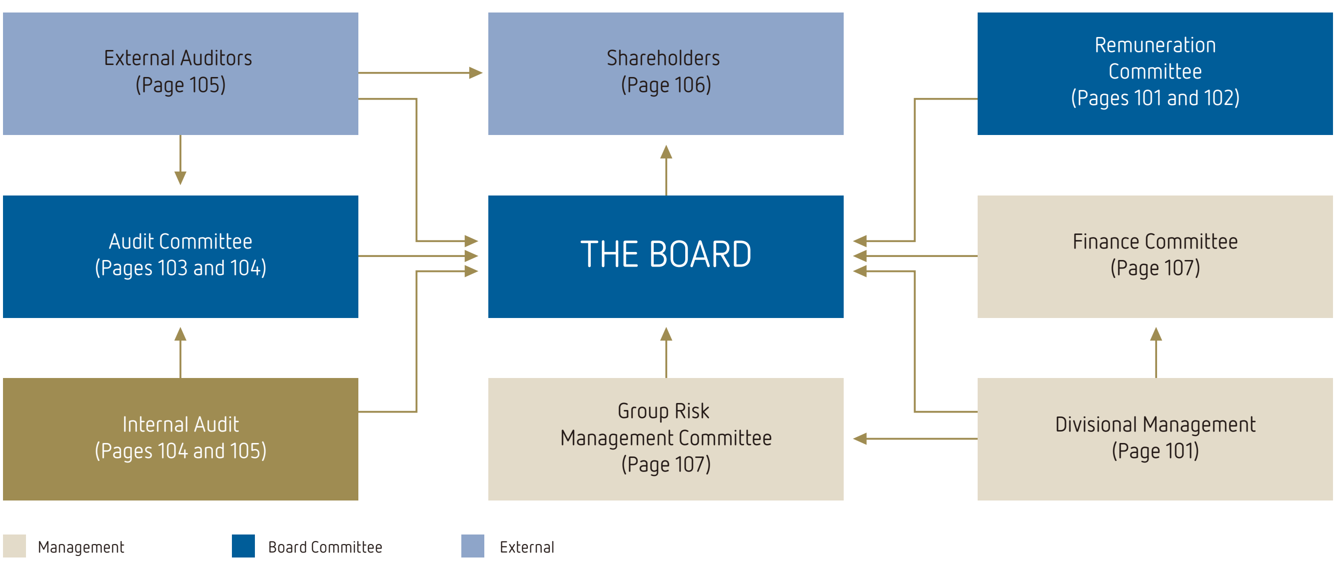
- code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only

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 Pacific has adopted its own corporate governance code which is available on its website www.swirepacific.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. As part of its commitment to enhance corporate governance standards within the region, Swire Pacific is a member of the Asian Corporate Governance Association.

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.

Governance Structure



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 divisional management. The Board exercises a number of reserved powers which include:

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

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see pages 103 and 104) and the Remuneration Committee (see pages 101 and 102).

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.

Each division of the Group has one or more Executive Directors or Officers who are 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 individual businesses (see page 101). During the year, these executives were: G M C Bradley (Property), I K L Chu and Augustus Tang (Aviation), P Healy (Beverages) and J B Rae-Smith (Marine Services and Trading & Industrial).

Throughout the year, there was a clear division of responsibilities between the Chairman and the management executives named above.

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, six other Executive Directors and nine Non-Executive Directors. Their biographical details are set out on pages 110 to 111 of this report and are posted on the Company's website.

G M C Bradley, I K L Chu, M Cubbon, I S C Shiu, J R Slosar and A K W Tang are directors and employees of the John Swire & Sons Limited ("Swire") group. M B Swire and S C Swire are shareholders, directors and employees of Swire and so was Baroness Dunn. J B Rae-Smith is a director and employee of the Swire group and a shareholder 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 six 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. C Lee, M C C Sze and M M T Yang have served as Non-Executive Directors for more than nine years. The Directors are of the opinion that they remain independent, notwithstanding their length of tenure. C Lee, M C C Sze and M M T Yang continue to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that their tenure has had any impact on their independence. The Board believes that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company, and that they maintain an independent view of its affairs.

Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors:

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

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

Appointment and Re-election

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

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

Full details of changes in the Board during the year and to the date of this report are provided in the Directors' Report on page 113.

Board Diversity

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

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

Responsibilities of Directors

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

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

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

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

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

Details of Directors' other appointments are shown in their biographies on pages 110 and 111.

Board Processes

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

The dates of the regular 2015 Board meetings were determined in 2014 and any amendments to this schedule were notified to Directors at least 14 days before the regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met six times in 2015. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 100. Average attendance at Board meetings was 86%. 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 each Executive Director or Officer 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. One such meeting was held in 2015.

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

	Meetings Attended/Held				Continuous Professional Development
Directors	Board	Audit Committee	Remuneration Committee	2015 Annual General Meeting	Type of Training (Notes)
Executive Directors					
J R Slosar – Chairman	6/6			√	A, B
G M C Bradley	5/6			√	A, B
I K L Chu	5/6			√	A, B
M Cubbon	6/6			√	A, B
J B Rae-Smith	5/6			√	A, B
I S C Shiu	5/6			√	A, B
A K W Tang	5/6			√	A, B
Non-Executive Directors					
Baroness Dunn (resigned on 21st May 2015)	2/2			x	A, B
P A Johansen	5/6	3/3	2/2	√	A, B
M B Swire	5/6			√	A, B
S C Swire	5/6			√	A, B
Independent Non-Executive Directors					
T G Freshwater	6/6	2/2		√	A, B
C K M Kwok (retired on 21st May 2015)	2/2	1/1	1/1	x	A, B
C Lee	5/6	3/3	2/2	√	A, B
R W M Lee	5/6		1/1	√	A, B
G R H Orr (appointed on 21st August 2015)	1/1			N/A	A
M C C Sze	5/6			√	A, B
M M T Yang	4/6			x	A, B
Average attendance	86%	100%	100%	82%	

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

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

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

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

Delegation By The Board
Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the Executive Director or Officer at the head of each business unit. These individuals have been given clear guidelines and directions as to their powers and, in particular, the circumstances under which they should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

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

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

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

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

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

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

Directors' interests at 31st December 2015 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 114 to 116.

Remuneration Committee
Full details of the remuneration of the Directors and an Executive Officer are provided in note 8 to the financial statements.

The Remuneration Committee comprises three Non-Executive Directors, C Lee, R W M Lee and P A Johansen. Two of the Committee members are Independent Non-Executive Directors, one of whom, C Lee is Chairman. R W M Lee succeeded C K M Kwok as a member of the Remuneration Committee with effect from the conclusion of the Company's 2015 Annual General Meeting held on 21st May 2015. All the other members served for the whole of 2015.

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

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

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

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 entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability profiles of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre senior management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors and an Executive Officer at its meeting in November 2015. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors and an Executive Officer, as disclosed in note 8 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

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

The following fee levels have been approved by the Board:

Fee	2015 HK$	2016 HK$
Director's Fee	690,000	690,000
Fee for Audit Committee Chairman	260,000	260,000
Fee for Audit Committee Member	180,000	180,000
Fee for Remuneration Committee Chairman	80,000	80,000
Fee for Remuneration Committee Member	58,000	58,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

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

Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 103 and 104.

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.

There are two key management committees which monitor risk processes throughout the Group; the Group Risk Management Committee ("GRMC") and the Finance Committee. These primarily comprise senior management and both are chaired by the Corporate Development and Finance Director, who reports to the Board on matters of significance that arise.

The GRMC, discussed further on page 107, focuses on business, operational, safety, security, legal and reputational risks. The Finance Committee, discussed further on page 107, focuses on broad financial and treasury risks.

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 the management in each material business unit 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 adopted by Group companies 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 104 and 105.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, T G Freshwater, C Lee and P A Johansen, 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, T G Freshwater, is Chairman. T G Freshwater succeeded C K M Kwok as Chairman of the Audit Committee with effect from the conclusion of the Company's 2015 Annual General Meeting held on 21st May 2015. All the other members served for the whole of 2015.

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

The Audit Committee met three times in 2015. Regular attendees at the meetings are the Corporate Development and Finance Director, the Head of Internal Audit 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 Group Risk Management Committee, the external auditors and Internal Audit. Other attendees during the year included the Group Finance Manager and the Head of Group Risk Management.

The work of the Committee during 2015 included reviews of the following matters:

– the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2014 annual and 2015 interim reports and announcements, with recommendations to the Board for approval
– the Group's compliance with regulatory and statutory requirements
– the Group's risk management and internal control systems
– the Group's risk management processes
– the approval of the 2016 annual Internal Audit programme and review of progress on the 2015 programme
– periodic reports from Internal Audit and progress in resolving any matters identified in them
– significant accounting and audit issues
– the Company's policy regarding connected transactions and the nature of such transactions
– the relationship with the external auditors as discussed on page 105
– the Company's compliance with the CG Code.

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

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

This assessment considers:

– the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems, the work and effectiveness of Internal Audit and the assurances provided by the Corporate Development and 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 and the Group Risk Management Committee
– work programmes proposed by both Internal Audit and the external auditors
– significant issues arising from internal and external audit reports
– the results of management's control self assessment exercise.

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

Company Secretary

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

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 20 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 22 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 22 professionals include a team based in Mainland China which reports to IA in Hong Kong.

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

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

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

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway

Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the 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. 41 assignments were conducted for Swire Pacific in 2015.

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

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

Audit Conclusion and Response
Copies of IA reports are sent to the Chairman of the Board, the Corporate Development and 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"). PricewaterhouseCoopers, the auditors, have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

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

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

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

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

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

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

The fees in respect of audit and non-audit services provided to the Group by the auditors for 2015 amounted to approximately HK$42 million and HK$17 million respectively. Fees paid to the auditors are disclosed in note 6 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 Corporate Development and Finance Director makes himself 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 2015 the Corporate Development and Finance Director held sixteen meetings or calls with analysts and investors, conducted two analyst briefings, six overseas roadshows and spoke at one investor conference.
– 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@swirepacific.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 21st May 2015. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 100.

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

– receiving the report of the Directors and the audited financial statements for the year ended 31st December 2014
– re-electing Directors
– re-appointing the auditors and authorising the Directors to set their remuneration
– a general mandate authorising the Directors to make on-market share buy-backs
– a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares of any class then in issue, provided that the aggregate number of the shares of any class so allotted wholly for cash would not exceed 5% of the number of the shares of that class then in issue.

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

Shareholder Engagement

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

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

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

Other Information for Shareholders

Key shareholder dates for 2016 are set out on page 232 of this report and in the Financial Calendar on the Company's website.

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

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital is held by the public. Details of the shareholder profile of the Company are included in the Directors' Report on pages 114 to 116.

Risk Management

The Board of Directors and the management of each division 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.

There are two key management committees which seek to monitor the risks to which the Group is subject; the Group Risk Management Committee ("GRMC") and the Finance Committee. These are made up of members of senior management and both are chaired by the Corporate Development and Finance Director, who reports to the Board on matters of significance that arise.

Group Risk Management Committee

The GRMC provides oversight of all the risks to which the Group is subject (except for those expressly covered by the Finance Committee) including setting risk management policies and strategies. The GRMC reports via the Audit Committee to the Board. It comprises the Corporate Development and Finance Director and the Executive Directors and the Executive Officer with responsibility for the operating divisions.

The GRMC oversees a number of committees and working groups. These cover the following areas: Insurance, Human Resources, Health and Safety, Legal, Information Technology, Sustainability, Environmental Best Practices, Supply Chain Sustainability, Energy and Enterprise Risk Management. The GRMC's oversight role includes those areas which can be collectively categorised as sustainable development.

In 2015, the GRMC met three times and its functional Group committees and working groups met a total of 38 times.

The members of the functional Group committees and working groups are specialists in their respective areas and each committee is chaired by an individual with relevant experience. The role of the functional Group committees and working groups is to identify risks and opportunities which fall within their respective functional areas and to draw up policy recommendations for GRMC review and approval. The policies approved by the GRMC apply to all companies in which Swire Pacific has a controlling interest. The boards of these operating companies are required to adopt these policies and to establish procedures to ensure compliance with them. Joint venture and associated companies are encouraged to adopt Group policies.

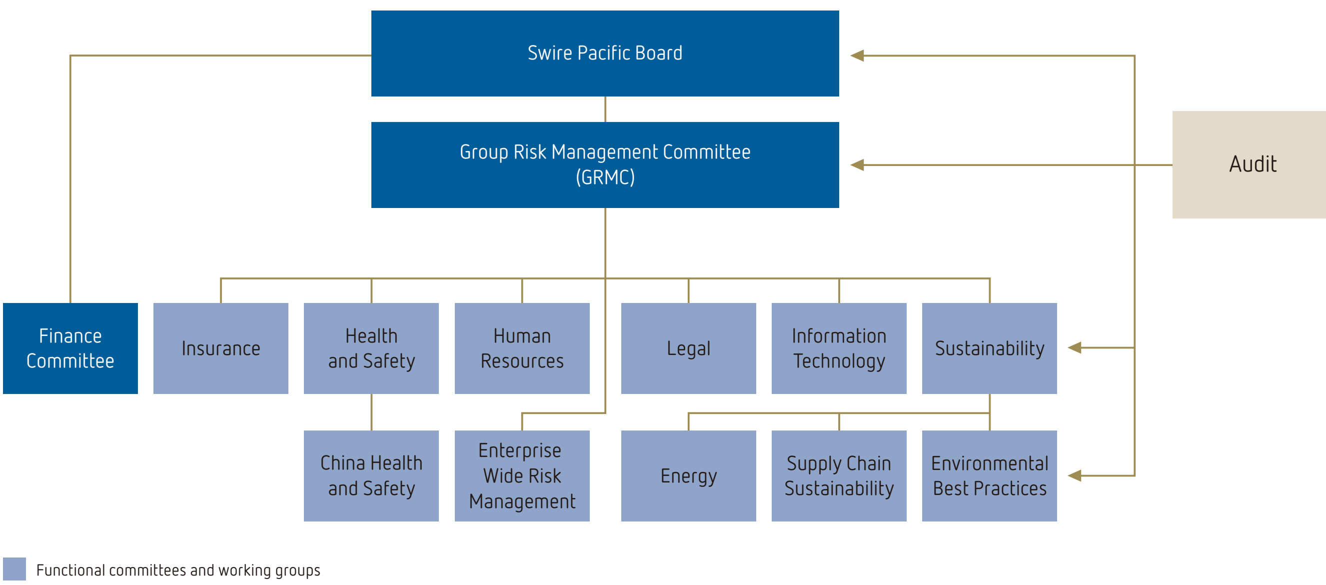
The management of risks is subject to audit by the Group's Internal Audit department, with support from specialist external consultants where necessary.

Finance Committee

The role of the Finance Committee is to provide oversight of the Group's financial risks, including setting the Group's financial risk management policies and procedures. These are implemented within both the Group's central financial reporting function and the divisional finance functions.

The Finance Committee consists of the Corporate Development and Finance Director, five Divisional Finance Directors, the Director of the Office for Financial Planning, the Corporate Finance Director, the Group Treasurer, the Group Finance Manager and the Group Taxation Manager. In 2015, the Finance Committee met four times.

Risk Governance Structure



The Group's approach to financial risk management is discussed below.

Financial Risk Management

Audited Financial Information

Structure and Policies
In the normal course of business the Group is exposed to financial risks attributable to interest rates, currencies, credit and liquidity.

The Finance Committee maintains and develops the Group's financial risk management policies and procedures. These policies and procedures are implemented by the head office treasury department, within an agreed framework authorised by the Board.

The treasury department manages the funding needs of the Group's non-listed subsidiaries, as well as resulting interest rate, currency, credit and liquidity risks. Operating subsidiaries manage currency and credit exposures that are specific to their trading transactions.

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk by applying hedge accounting for derivative instruments. By applying hedge accounting, gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 168 and 169.

The Group's listed companies and its joint venture and associated companies arrange their financial and treasury affairs on a stand-alone basis. The Company may provide financial support by way of guarantees to its non-listed joint venture and associated companies in cases where significant cost savings are available and risks are acceptable.

Interest Rate Exposure
The Group's interest rate risk arises primarily from borrowings. 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.

The Group maintains a significant proportion of debt on a fixed rate basis with a view to increasing certainty of funding costs. The level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and the expected cash flows of the Group's businesses and investments. The Group uses interest rate swaps to manage its long-term interest rate exposure. The Corporate Development and Finance Director approves all interest rate hedges prior to implementation.

On a quarterly basis, the treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing with varying forecast interest rates. The treasury department reports the results of this testing to the Finance Committee. Refer to page 133 for details of the sensitivity testing performed at 31st December 2015.

Currency Exposure
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Chinese Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations.

The Group's policy is to hedge in full all highly probable transactions in each major currency where their value or time to execution gives rise to a significant currency exposure, provided that the cost of the foreign exchange forward or other derivative contract is not prohibitively expensive having regard to the underlying exposure.

Financial Risk Management (continued)

Audited Financial Information (continued)

Exposure to movements in exchange rates on transactions is minimised by using appropriate hedging instruments where active markets for the relevant currencies exist. At 31st December 2015, the Group had hedged its significant foreign currency funding exposures, by fixing the foreign exchange rates with forward contracts.

Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Foreign currency funding and deposit exposure is monitored by the treasury department on a continuous basis and hedging proposals are presented to the Finance Committee. Refer to page 134 for details of the foreign currency sensitivity testing performed at 31st December 2015.

Credit Exposure

The Group's credit risk is primarily attributable to trade and other receivables with wholesale customers, derivative financial instruments and cash and deposits with banks and financial institutions. Individual operating entities are responsible for setting credit terms appropriate to their industry and assessing the credit profile of individual customers.

Standard settlement terms within the HAECO group, the Beverages Division and SPO are 30 days from the date of invoice. In accordance with the provisions of Swire Properties' standard tenancy agreements, rentals and other charges are due on the first day of each calendar month. Typically sales to retail customers within Swire Resources are made by cash or major credit cards. The Group has no significant credit risk with any one customer.

When depositing surplus funds or entering into derivative contracts, the Group controls its exposure to non-performance by counterparties by dealing with investment grade counterparties, setting approved counterparty limits and applying monitoring procedures. Counterparty credit exposure limits for financial institutions are proposed by the treasury department and approved by the Corporate Development and Finance Director. The treasury department monitors the counterparties' credit ratings and issues an approved list of counterparties with their limits on a quarterly basis to all subsidiaries. Group companies require prior approval from the Group's treasurer to deal with banks not on the approved list.

The Group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of derivatives. There are no specific conditions that would require the termination of derivative contracts should the credit rating of Swire Pacific be downgraded.

The maximum credit risk in respect of contingencies is disclosed in note 38(a) to the financial statements.

Liquidity Risk

The Group takes liquidity risk into consideration when deciding its sources of funds and their tenors, so as to avoid over reliance on funds from any one source and to prevent substantial refinancing in any one period. The Group maintains significant undrawn committed revolving credit facilities and cash deposits in order to reduce liquidity risk further and to allow for flexibility in meeting funding requirements.

The Group aims to maintain immediate access to committed funds to meet its refinancing and capital commitments for the following 12 months on a rolling basis, excluding its onshore Renminbi debt funding, where forward commitments are not readily available. The Group does not have significant offshore Renminbi debt funding.

The treasury department produces a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Group's treasurer presents the forecast funding plan together with funding proposals to the Corporate Development and Finance Director on a regular basis, and to the Finance Committee. Refer to page 134 for details of the Group's contractual obligations at 31st December 2015.

Price Risk

The Group is exposed to price risk in relation to listed equity securities held as available-for-sale investments. Management regularly reviews the expected returns from holding such investments, on an individual basis.

Directors and Officers

Executive Directors

SLOSAR, John Robert, aged 59, has been a Director of the Company since May 2006 and its Chairman since March 2014. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited and a Director of Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. He joined the Swire group in 1980 and has worked with the group in Hong Kong, the United States and Thailand.

BRADLEY, Guy Martin Coutts, aged 50, has been a Director of the Company since January 2015. He is also a Director and Chief Executive of Swire Properties 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.

CHU, Kwok Leung Ivan, aged 54, has been a Director of the Company since March 2014. He is also a Director and Chief Executive of Cathay Pacific Airways Limited and Chairman of Hong Kong Dragon Airlines Limited. He joined the Swire group in 1984 and has worked with the group in Hong Kong, Mainland China, Taiwan, Thailand and Australia.

CUBBON, Martin, aged 58, has been a Director of the Company since September 1998. He was Finance Director from September 1998 to March 2009 and Executive Director responsible for the Property Division from May 2009 to December 2014. He became Corporate Development and Finance Director in January 2015. He is also a Director of Swire Properties Limited and Cathay Pacific Airways Limited. He joined the Swire group in 1986.

RAE-SMITH, John Bruce, aged 52, has been a Director of the Company since January 2013. He is Executive Director of the Marine Services Division and the Trading & Industrial Division. He joined the Swire group in 1985 and has worked with the group in Australia, Papua New Guinea, Japan, Taiwan, Hong Kong, the United States and Singapore.

SHIU, Ian Sai Cheung, aged 61, has been a Director of the Company since August 2010. He is also a Director of Cathay Pacific Airways Limited, Hong Kong Dragon Airlines Limited and Air China Limited. He joined Cathay Pacific Airways Limited in 1978 and has worked with the group in Hong Kong, the Netherlands, Singapore and the United Kingdom.

TANG, Kin Wing Augustus, aged 57, has been a Director of the Company since August 2011. He is also a Director and Chief Executive Officer of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1982 and has worked with Cathay Pacific Airways Limited in Hong Kong, Malaysia and Japan.

Non-Executive Directors

JOHANSEN, Peter André, aged 73, has been a Director of the Company since January 1983 and was Finance Director until April 1997. He joined the Swire group in 1973 and worked in Hong Kong, Japan and the United Kingdom before retiring from John Swire & Sons Limited on 31st December 2008.

SWIRE, Merlin Bingham, aged 42, has been a Director of the Company since January 2009. He is also Chief Executive and a Director and shareholder of John Swire & Sons Limited and a Director of Swire Properties 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. He is brother to S C Swire, a Non-Executive Director of the Company.

SWIRE, Samuel Compton, aged 35, has been a Director of the Company since January 2015. He is also a Director and shareholder of John Swire & Sons Limited and a Director of Cathay Pacific Airways Limited. He joined the Swire group in 2003 and has worked with the group in Hong Kong, Singapore, Mainland China, Sri Lanka and London. He is brother to M B Swire, a Non-Executive Director of the Company.

Independent Non-Executive Directors

FRESHWATER, Timothy George, aged 71, has been a Director of the Company since January 2008. He is a Non-Executive Director of Aquarius Platinum Limited and Savills Plc. He is also an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited.

LEE, Chien, aged 62, has been a Director of the Company since January 1993. He is a Non-Executive Director of Hysan Development Company Limited. He is a Council member of the Chinese University of Hong Kong and St. Paul's Co-educational College and also a Trustee Emeritus of Stanford University and Director of Stanford Health Care.

LEE, Wai Mun Rose, JP, aged 63, has been a Director of the Company since July 2012. She is Vice-Chairman and Chief Executive of Hang Seng Bank Limited, a Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-Executive Director of CK Hutchison Holdings Limited. She is also Vice President of The Hong Kong Institute of Bankers, Executive Vice-Chairman of the Finance Professional Committee of Guangdong's Association for Promotion of Cooperation between Guangdong, Hongkong & Macao, Vice-Chairman of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen and a member of the Consulting Committee of Qianhai & Shekou Area of Shenzhen, China (Guangdong) Pilot Free Trade Zone, and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation

Zone of Shenzhen. In addition, she is a Board member, Second Vice President, a member of the Executive Committee and Chairman of the Campaign Committee of the Community Chest of Hong Kong, a member of the court of The Hong Kong University of Science and Technology and a member of the Financial Services Advisory Committee of Hong Kong Trade Development Council.

ORR, Gordon Robert Halyburton, aged 53, has been a Director of the Company since August 2015. He joined McKinsey & Company in 1986 and retired in 2015. He was a member of McKinsey's global shareholder board from 2003 to 2015. He is a Non-Executive Director of Lenovo Group Limited and a Board member of the China-Britain Business Council.

SZE, Cho Cheung Michael, GBS, CBE, ISO, JP, aged 70, has been a Director of the Company since November 2004. He is a former Executive Director of the Hong Kong Trade Development Council, a position he held for eight years prior to his retirement on 1st May 2004. Before that, he worked for 25 years in various capacities in the Hong Kong Government. He is also a Consultant to the Board of Lee Kum Kee Co., Ltd., a Director of SADS HK Foundation Limited and an Independent Non-Executive Director of Yangtzekiang Garment Limited and YGM Trading Limited.

YANG, Mun Tak Marjorie, aged 63, has been a Director of the Company since October 2002. She is Chairman of Esquel Group, and a Director of The Hongkong and Shanghai Banking Corporation Limited. She is also a Deputy Chairman of the Seoul International Business Advisory Council. She is a member of the Massachusetts Institute of Technology Corporation, and sits on advisory boards at Harvard Business School and Tsinghua School of Economics and Management.

Executive Officer

HEALY, Patrick, aged 50, has been Executive Director of the Beverages Division since January 2013. He is also a Director of Swire Properties Limited. He joined the Swire group in 1988 and has worked with the group in Hong Kong, Germany and Mainland China.

Company Secretary

FU, Yat Hung David, aged 52, has been Company Secretary since January 2006. He joined the Swire group in 1988. He is a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission of Hong Kong.

Notes:
1. The Audit Committee comprises T G Freshwater (committee chairman), C Lee and P A Johansen.
2. The Remuneration Committee comprises C Lee (committee chairman), P A Johansen and R W M Lee.
3. All the Executive Directors and the Executive Officer are also Directors of John Swire & Sons (H.K.) Limited.
4. All the Executive Directors, the Executive Officer, M B Swire and S C Swire are employees of the John Swire & Sons Limited group.

The Directors submit their report together with the audited financial statements for the year ended 31st December 2015, which are set out on pages 127 to 210.

Principal Activities

The principal activity of Swire Pacific Limited (the "Company") is that of a holding company, and the principal activities of its major subsidiary, joint venture and associated companies are shown on pages 199 to 210. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 7 to the financial statements.

Consolidated Financial Statements

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

Dividends

The Directors have declared second interim dividends of HK¢278.0 per 'A' share and HK¢55.6 per 'B' share which, together with the first interim dividends of HK¢112.0 per 'A' share and HK¢22.4 per 'B' share paid in October 2015, amount to full year dividends of HK¢390.0 per 'A' share and HK¢78.0 per 'B' share, the same as those paid in respect of 2014. The second interim dividends will be paid on 6th May 2016 to shareholders registered at the close of business on the record date, being Friday, 15th April 2016. Shares of the Company will be traded ex-dividend from Wednesday, 13th April 2016.

Closure of Register of Members

The register of members will be closed on Friday, 15th April 2016, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 14th April 2016.

To facilitate the processing of proxy voting for the annual general meeting to be held on 12th May 2016, the register of members will be closed from 9th May 2016 to 12th May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 6th May 2016.

Business Review

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chairman's Statement (on pages 9 to 11), 2015 Performance Review and Outlook (on pages 12 to 71), Financial Review (on pages 83 to 89), Financing (on pages 90 to 96) and Risk Management (on pages 107 to 109) 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 2015 Sustainable Development Review (on pages 72 to 82). 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 2015 Sustainable Development Review (on pages 72 to 82), Corporate Governance Report (on pages 97 to 106), Risk Management (on pages 107 to 109) and Directors' Report (on pages 112 to 118).

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

Share Capital

During the year under review, the Company bought back 372,500 'A' shares and no 'B' shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate cost of HK$34,590,975. The buy-back of these 'A' shares was made for the benefit of the Company and shareholders taking into account relevant factors and circumstances at the time. All the 'A' shares bought back were cancelled. Particulars of this share buy-back and details of the Company's share capital are set out in note 32 to the financial statements.

Other than as stated above, 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.

Accounting Policies

The principal accounting policies of the Group are set out in the relevant Notes to the Financial Statements on pages 132 to 193 (if they relate to a particular item) and on pages 194 to 196.

Auditors

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

Financial Review

A review of the consolidated results, financial position and cash flows is shown on pages 83 to 89. A ten-year financial summary of the Group is shown on pages 6 to 8.

Corporate Governance

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

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

Details of the Company's corporate governance practices are set out on pages 97 to 106.

Donations

During the year, the Group made donations for charitable purposes of HK$39 million and donations towards various scholarships of HK$5 million.

Fixed Assets

For details of movements in fixed assets refer to notes 14 and 15 to the financial statements.

The annual valuation of the Group's investment property portfolio, whether complete or in the course of development, was carried out by professionally qualified valuers (93% by value were valued by DTZ Debenham Tie Leung and 96% by value in total were valued by independent valuers) on the basis of open market value at 31st December 2015. This valuation resulted in an increase of HK$7,053 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given on pages 217 to 227.

Borrowings

For details of the Group's borrowings refer to pages 90 to 96.

Interest

For details of the amount of interest capitalised by the Group refer to page 94.

Major Customers and Suppliers

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

Directors

The Directors of the Company at the date of this report are listed on pages 110 and 111. With the exception of G R H Orr, who was appointed as an Independent Non-Executive Director on 21st August 2015, all the Directors at the date of this report served throughout the calendar year 2015. Baroness Dunn and C K M Kwok retired as Directors of the Company with effect from the conclusion of the 2015 annual general meeting held on 21st May 2015.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors listed on pages 110 and 111 confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

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, R W M Lee, J B Rae-Smith and J R Slosar retire this year and, being eligible, offer themselves for re-election. P A Johansen also retires this year but does not offer himself for re-election. G R H Orr, having been appointed to the Board under Article 91 since the last annual general meeting, also retires this year and offers himself for election.

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

Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 8 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$4.5 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2015, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
T G Freshwater	41,000	–	–	41,000	0.0045	
P A Johansen	31,500	–	–	31,500	0.0035	
G R H Orr	9,000	–	–	9,000	0.0010	
J B Rae-Smith	–	–	5,000	5,000	0.0006	1
M C C Sze	20,000	–	–	20,000	0.0022	
'B' shares						
P A Johansen	200,000	–	–	200,000	0.0067	
C Lee	950,000	–	21,605,000	22,555,000	0.7530	2
J B Rae-Smith	17,500	–	–	17,500	0.0006	
I S C Shiu	–	20,000	–	20,000	0.0007	

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
J B Rae-Smith	97,066	–	97,659	194,725	0.19	1
M B Swire	3,151,773	–	19,222,920	22,374,693	22.37	3
S C Swire	1,298,555	–	19,222,920	20,521,475	20.52	3
8% Cum. Preference Shares of £1						
J B Rae-Smith	18,821	–	9,628	28,449	0.09	1
M B Swire	846,476	–	5,655,441	6,501,917	21.67	3
S C Swire	291,240	–	5,655,441	5,946,681	19.82	3

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Swire Properties Limited						
Ordinary Shares						
T G Freshwater	28,700	–	–	28,700	0.00049	
P A Johansen	50,050	–	–	50,050	0.00086	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	2
J B Rae-Smith	2,450	–	3,500	5,950	0.00010	1
I S C Shiu	–	2,800	–	2,800	0.00005	
M C C Sze	4,200	–	–	4,200	0.00007	

	Capacity			
	Beneficial interest			
	Personal	Family	Total no. of shares	Percentage of voting shares (%)
Cathay Pacific Airways Limited				
Ordinary Shares				
I S C Shiu	1,000	–	1,000	0.00003

	Capacity			
	Beneficial interest			
	Personal	Other	Total no. of shares	Percentage of voting shares (%)
Hong Kong Aircraft Engineering Company Limited				
Ordinary Shares				
T G Freshwater	10,000	–	10,000	0.0060
I S C Shiu	1,600	–	1,600	0.0010
M C C Sze	12,800	–	12,800	0.0077

Notes:
1. All the shares held by J B Rae-Smith under "Trust interest" are held by him as beneficiary of trusts.
2. All the shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
3. M B Swire and S C Swire are trustees of trusts which held 7,899,584 ordinary shares and 2,237,039 preference shares in John Swire & Sons Limited included under "Trust interest" and do not have any beneficial interest in those shares.

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

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

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

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

Directors' Interests in Competing Businesses

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

Directors of Subsidiaries

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

Permitted Indemnity

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

Substantial Shareholders' and Other Interests

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

Long position	'A' shares	Percentage of voting shares (comprised in the class) (%)	'B' shares	Percentage of voting shares (comprised in the class) (%)	Note
John Swire & Sons Limited	390,027,220	43.09	2,051,533,782	68.49	1
Aberdeen Asset Management plc	90,408,886	9.99	419,326,926	14.00	2

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 390,027,220 'A' shares and 2,051,533,782 'B' shares of the Company at 31st December 2015, comprising
   (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 300,072,200 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 9,140,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 27,716,500 'A' shares held by Waltham Limited.
2. Aberdeen Asset Management plc is interested in the 'A' shares and 'B' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.

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

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 a waiver from strict compliance with Listing Rule 8.08(1) such that the Company's public float percentage continues to be calculated based on its issued share capital as if its shares still had nominal values. From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 25% of the Company's total issued share capital (calculated as described in the previous sentence) is held by the public.

Connected Transactions

On 21st July 2015, Swire Beverages Holdings Limited, a wholly owned subsidiary of the Company, entered into equity transfer agreements with CITIC Corporation Limited ("CITIC") for the acquisition of CITIC's 15% interest in the registered capital of Swire BCD Co., Ltd., 20% interest in the registered capital of Swire Coca-Cola Beverages Hefei Limited and 12.86% interest in the registered capital of Swire Coca-Cola Beverages Zhengzhou Limited for a total cash consideration of RMB1,250 million. As CITIC was a substantial shareholder of Swire BCD Co., Ltd., Swire Coca-Cola Beverages Hefei Limited and Swire Coca-Cola Beverages Zhengzhou Limited and such companies are subsidiaries of the Company, CITIC was a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the equity transfer agreements constituted a connected transaction of the Company, in respect of which an announcement dated 21st July 2015 was published.

On 31st July 2015, the Company and R W M Lee, an Independent Non-Executive Director, entered into a preliminary agreement for sale and purchase in respect of the sale by the Company to R W M Lee of the residential unit on the 6th floor (together with an air-conditioning plant room on the lower ground floor) and parking spaces nos. 13 and 14 on the lower ground floor of OPUS HONG KONG, No. 53 Stubbs Road, Hong Kong for a cash consideration of HK$375,375,000. On completion of the transaction, R W M Lee was entitled to a cash benefit of HK$28,153,000 subject to proof of due payment of ad valorem stamp duty payable on the transaction. As R W M Lee is a Director of the Company, the transaction under the preliminary agreement for sale and purchase constituted a connected transaction of the Company, in respect of which an announcement dated 31st July 2015 was published.

Continuing Connected Transactions

There are agreements for services ("Services Agreements"), 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 some of its subsidiary and associated companies 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.

In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associated and joint venture companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits 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 Agreements, which took effect from 1st January 2005 and were renewed on 1st October 2007 and 1st October 2010, were renewed again on 14th November 2013 for a term of three years from 1st January 2014 to 31st December 2016. They are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Under the Services Agreement between JSSHK and the Company, JSSHK is obliged to procure 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. This procuration obligation would fall away if the Services Agreement between JSSHK and the Company were terminated or not renewed.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2015 are given in note 39 to the financial statements.

The Company, JSSHK and Swire Properties Limited ("Swire Properties") 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 Properties group for a term of two years ending on 31st December 2015. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JSSHK group and members of the Swire Properties group enter into tenancy agreements from time to time on normal commercial terms based on prevailing market rentals.

The Tenancy Framework Agreement was renewed for a term of three years from 1st January 2016 to 31st December 2018 and is renewable for successive periods of three years thereafter unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December.

Particulars of the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement for the year ended 31st December 2015 are given in note 40 to the financial statements.

The Swire group was interested in 53.20% of the equity of the Company and controlled 62.60% of the voting rights attached to shares in the Company at 31st December 2015. JSSHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Services Agreements and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 14th November 2013 and 20th August 2015 respectively were published.

As directors and employees of the Swire group, G M C Bradley, I K L Chu, M Cubbon, I S C Shiu, J R Slosar and A K W Tang are interested in the Services Agreements and the Tenancy Framework Agreement. Baroness Dunn, M B Swire and S C Swire were so interested as shareholders, directors and employees of Swire during the year. J B Rae-Smith is so interested as a director and employee of the Swire group and 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 the continuing connected transactions as set out above and have confirmed that they have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Discloseable Transaction

On 24th September 2015,

(i) Swire Coca-Cola, USA (a wholly owned subsidiary of the Company, as Purchaser) and Coca-Cola Refreshments USA, Inc. (as Seller) entered into a sale and purchase agreement, under which the Purchaser conditionally agreed to acquire from the Seller certain distribution assets and working capital for the sale of beverages products of The Coca-Cola Company in Arizona, U.S.A., including the Phoenix and Tucson markets, for a consideration of US$133 million (together with the other elements of the transaction, the "Distribution Transaction"); and

(ii) The Coca-Cola Company, the Seller and the Purchaser entered into a comprehensive beverage agreement, which contains the rights granted by the Seller to the Purchaser to distribute beverages products of The Coca-Cola Company in Arizona (including the Phoenix and Tucson markets) and (in substitution for those presently in place) on which the Purchaser is granted the rights to distribute such beverage products in the existing franchise territories in Denver and Colorado Springs.

On 8th December 2015, the Purchaser and the Seller entered into a sale and purchase agreement, under which the Purchaser conditionally agreed to acquire from the Seller certain manufacturing assets, working capital and associated manufacturing and packaging rights for the manufacture and sale of beverages products of The Coca-Cola Company in Phoenix, Arizona and in Denver, Colorado for a consideration of US$106 million (together with the other elements of the transaction, the "Production Transaction"). In connection with the Production Transaction, the Purchaser will enter into (i) a regional manufacturing agreement with The Coca-Cola Company, (ii) finished goods supply agreements with other bottlers of Coca-Cola beverages in the U.S.A. and (iii) a national product supply governance agreement with the Seller, The Coca-Cola Company and certain other parties. Under (iii), Swire Coca-Cola, USA will become a member of Coca-Cola's U.S. National Product Supply Group that will administer key national product supply activities.

Under the Distribution Transaction and the Production Transaction, certain quarterly sub-bottler payments are due by the Purchaser to the Seller. The net present value of such payments on 8th December 2015 was estimated to be US$32.8 million.

The Distribution Transaction and the Production Transaction together constituted a discloseable transaction for the Company under the Listing Rules, in respect of which announcements dated 24th September 2015 and 9th December 2015 were published.

On behalf of the Board

John Slosar
Chairman
Hong Kong, 10th March 2016

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Independent Auditor's Report

To the Shareholders of Swire Pacific Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Swire Pacific Limited ("the Group financial statements") and its subsidiaries ("the Group") set out on pages 127 to 210, which comprise the consolidated statement of financial position as at 31st December 2015, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and impairment of property, plant and equipment *Refer to note 14 in the Group financial statements.* Swire Pacific Offshore ("SPO") has vessels with aggregate carrying values of HK$21,348 million as at 31st December 2015. Following a review of the business, the outlook for the industry and SPO's operating plans, management has assessed these carrying values. An impairment provision of HK$743 million has been recorded to reduce the carrying values of certain vessels to their estimated recoverable values, which is the higher of fair value less costs of disposal and value in use. For the remaining vessels, management concluded that the recoverable amount was higher than their carrying values such that no impairment provision was required. These conclusions are dependent upon significant management judgement, including in respect of: – Estimated resale values, provided by an independent external valuer; and – Estimated utilisation, disposal values, charter hire rates and discount rates applied to future cash flows.	Our procedures in relation to management's impairment assessment of vessels included: – Assessing the methodologies used by the external valuer to estimate resale values and by management to estimate values in use; – Evaluating the independent external valuer's competence, capabilities and objectivity; – Checking, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer; – Considering the appropriateness of the resale values estimated by the external valuer based on our knowledge of the offshore oil services industry and values obtained by the group in respect of vessels that have been disposed of during the year; – Checking on a sample basis the accuracy and relevance of the input data used by management to estimate values in use; – Assessing management's key assumptions used to estimate values in use based on our knowledge of the offshore oil services industry; and – Considering the potential impact of reasonably possible downside changes in these key assumptions. Based on available evidence we found management's assumptions in relation to the fair value less costs of disposal and value in use calculations to be reasonable. We found the disclosures in note 14 to be appropriate.
The HAECO group has assets of HK$1,494 million located at Xiamen Airport, Mainland China. The Municipal Government of Xiamen has announced its proposal to build a new airport with a planned opening date of 2020. The proposal is subject to the approval of the National Development and Reform Commission of the People's Republic of China. If the proposal is implemented, the HAECO group expects to receive compensation. If the present value of the compensation together with the present value of future cash flows from the relevant assets were assessed to be less than the carrying value of the relevant assets, impairment would arise. Management has concluded that there is no impairment in respect of these assets of the proposed airport relocation. This conclusion required significant management judgement and was based on the current status of the approval process, discussions with representatives from the Municipal Government of Xiamen and preliminary compensation assessments performed by management with the assistance of an independent consultant.	Our procedures in relation to management's assessment of the carrying value of the assets included: – Evaluating management's preliminary compensation assessment; – Discussing the status of the airport relocation with the HAECO group's project team; – Assessing correspondence between the HAECO group and the Xiamen Municipal Government; and – Assessing the terms of the existing land use rights. We consider management's conclusion to be consistent with the available information.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 15 in the Group financial statements.* Management has estimated the fair value of the Group's investment properties to be HK$227,300 million as at 31st December 2015 with a revaluation gain for the year ended 31st December 2015 recorded in the consolidated statement of profit or loss of HK$7,053 million. Independent external valuations were obtained in respect of 96% of the portfolio in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement including capitalisation rates and fair market rents. Capitalisation rates were substantially unchanged since 31st December 2014 and the increase in fair values mainly relates to movements in fair market rents. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.	Our procedures in relation to management's valuation of investment properties included: – Evaluation of the independent external valuers' competence, capabilities and objectivity; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts; and – Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. The fair market rents were supported by recent renewals and capitalisation rates were in line with our expectations. We found the disclosures in note 15 to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill and other asset impairment assessment – HAECO Americas *Refer to note 17 in the Group financial statements.* The HAECO group has goodwill of HK$1,387 million relating to HAECO USA Holdings, Inc.'s acquisition of TIMCO Aviation Services, Inc. (together "HAECO Americas") in 2014 for HK$2,876 million. HAECO Americas incurred losses in the year ended 31st December 2015. This has increased the risk that the carrying values of goodwill and other assets may be impaired. Management has concluded that there is no impairment in respect of the HAECO Americas goodwill and other assets. This conclusion was based on a value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth.	Our procedures in relation to management's impairment assessment included: – Assessing the valuation methodology; – Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and – Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets. We found the assumptions made by management in relation to the value in use calculations to be reasonable based on available evidence. The significant inputs have been appropriately disclosed in note 17.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited, ("Cathay Pacific") *Refer to note 19 in the Group financial statements and the abridged financial statements of Cathay Pacific on pages 197 and 198.* The Group's 45% interest in Cathay Pacific is accounted for under the equity method. The Group's share of the profit after tax from Cathay Pacific for the year ended 31st December 2015 was HK$2,700 million and the Group's share of Cathay Pacific's net assets was HK$22,048 million as at 31st December 2015. The amounts noted below are those in the Cathay Pacific financial statements (i.e. on a 100% basis). In the context of our audit of the Group's financial statements, the key audit matters relating to the Group's share of the profits and net assets of Cathay Pacific are summarised below:	Cathay Pacific is a significant associate of the Group and is audited by a non-PwC auditor ("the CX Auditor"). We have met with the CX Auditor and discussed their identified audit risks and audit approach and have reviewed their working papers and discussed with them the results of their work. Together with their reporting to us in accordance with our instructions we have determined that the audit work performed and evidence obtained were sufficient for our purpose. We have met with the CX Auditor and Swire Pacific management and have discussed with them and evaluated the impact on the Group financial statements of the key audit matters relating to Cathay Pacific. The procedures performed on the respective key audit matters included:
Revenue recognition – Cathay Pacific's revenue amounted to HK$102,342 million for the year ended 31st December 2015. Revenue from passenger and cargo sales is recorded when the related transportation service is provided, using complex information technology systems to track the point of service delivery and, where necessary, estimates of fair values for the services provided that involve a significant degree of management judgement.	– Testing controls over Cathay Pacific's information technology revenue systems; – Conducting substantive analytical procedures on revenue; and – Scrutinising manual journals related to revenue to assess the timing and fair values of revenues recorded.
Derivative instruments and hedge accounting – Cathay Pacific enters into a high volume of derivative financial instrument contracts to manage its exposure to fuel price risk, foreign currency risk and interest rate risk. These contracts gave rise to derivative financial assets of HK$2,778 million and liabilities of HK$21,871 million as at 31st December 2015. These contracts are recorded at fair value and for the majority of them hedge accounting is applied, such that gains and losses arising from fair value changes are deferred in equity and recognised in the consolidated statement of profit or loss when hedges mature. The high volume of contracts necessitates a sophisticated system to record and track each contract and calculate the related valuations at each financial reporting date. The valuation of hedging instruments and consideration of hedge effectiveness can involve a significant degree of both complexity and management judgement and are subject to an inherent risk of error.	– Testing Cathay Pacific's management's controls over derivative financial instruments and hedge accounting; – Inspecting, on a sample basis, Cathay Pacific's management's hedge documentation and contracts; – Re-performing the year end valuations of derivative financial instruments and calculations of hedge effectiveness; and – Obtaining confirmation of year end derivative financial instruments from counterparties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited, ("Cathay Pacific") (continued) *Refer to note 19 in the Group financial statements and the abridged financial statements of Cathay Pacific on pages 197 and 198.*	
Provisions for taxation, litigation and claims – As at 31st December 2015, Cathay Pacific had provisions in respect of taxation disputes, litigation (including anti-trust proceedings in various jurisdictions) and claims amounting to HK$1,338 million. These provisions are estimated using a significant degree of management judgement.	– Assessing the adequacy of Cathay Pacific's tax provisions by reviewing correspondence with the tax authorities; – Reviewing previous judgements made by the taxation authorities in the relevant jurisdictions; and relevant opinions given by Cathay Pacific's third party advisers; – Discussing significant litigation and claims with Cathay Pacific's internal legal counsel; and – Obtaining letters from Cathay Pacific's external legal advisors regarding the likely outcome and magnitude of and exposure to the relevant litigation and claims.
Carrying value of aircraft and related equipment – The carrying value of Cathay Pacific's aircraft and related equipment as at 31st December 2015 was HK$89,299 million and the related depreciation charge for the year ended 31st December 2015 was HK$7,565 million. The carrying value and depreciation rates are reviewed annually by management with reference to fleet composition, current and forecast market values and relevant technical factors. This involves a significant degree of management judgement.	– Assessing the reasonableness of Cathay Pacific's management's assertions and estimates regarding estimated useful lives and residual values using valuation reports published by third party specialists, the policies of other comparable airlines and Cathay Pacific's historical experience and future operating plans; – Discussing indicators of possible impairment with Cathay Pacific's management and, where such indicators were identified, assessing Cathay Pacific's management's impairment testing; and – Challenging the assumptions and critical judgements used by Cathay Pacific's management by assessing the reliability of Cathay Pacific's management's past estimates and taking into account recent industry developments and Cathay Pacific's future operating plans.
Aircraft maintenance provisions – Cathay Pacific is contractually committed to return 55 aircraft held under operating leases to the lessors in a physical condition agreed at the inception of each lease. Management estimates the maintenance costs and the costs associated with the restitution of life-limited parts and accrues such costs over the lease term on a systematic basis. The associated provisions amounted to HK$1,561 million as at 31st December 2015. Determining the provisions requires significant management judgement and complex estimates, including the utilisation of the aircraft, the expected cost of maintenance and the estimated lifespans of life-limited parts.	– Testing Cathay Pacific's management's controls over recording provisions for maintenance of aircraft held under operating leases; – Performing substantive procedures relating to the provisioning; – Recalculating the provision; and – Evaluating key assumptions adopted by Cathay Pacific's management through reviewing the terms of the operating leases and comparing assumptions to contract terms, information from lessors and Cathay Pacific's maintenance cost experience by having regard to the expected useful lives of life-limited parts of the aircraft and assessing the reliability of Cathay Pacific's management's past assumptions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited, ("Cathay Pacific") (continued) *Refer to note 19 in the Group financial statements and the abridged financial statements of Cathay Pacific on pages 197 and 198.*	
	We found that, in the context of our audit of the consolidated financial statements of Swire Pacific Limited, Cathay Pacific's management judgements and estimates associated with the key audit matters noted in respect of the Group's share of the profit and net assets of Cathay Pacific were supported by the available evidence.

Other Information in the Annual Report

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

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

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

Responsibilities of the directors for the Group Financial Statements

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

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

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

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

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

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

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

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

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 10th March 2016

Consolidated Statement of Profit or Loss

For the year ended 31st December 2015

	Note	2015 HK$M	2014 HK$M
Revenue	4	60,885	61,301
Cost of sales		(38,000)	(38,313)
Gross profit		22,885	22,988
Distribution costs		(6,848)	(6,154)
Administrative expenses		(6,124)	(4,771)
Other operating expenses		(339)	(333)
Other net (losses)/gains	5	(166)	71
Change in fair value of investment properties		7,053	1,896
Operating profit		16,461	13,697
Finance charges		(2,373)	(2,287)
Finance income		227	262
Net finance charges	9	(2,146)	(2,025)
Share of profits less losses of joint venture companies	19(a)	1,795	2,253
Share of profits less losses of associated companies	19(b)	2,887	1,678
Profit before taxation		18,997	15,603
Taxation	10	(2,574)	(2,218)
Profit for the year		16,423	13,385
Profit for the year attributable to:			
The Company's shareholders	33	13,429	11,069
Non-controlling interests	34	2,994	2,316
		16,423	13,385
Underlying profit attributable to the Company's shareholders	11	9,892	9,739
Dividends			
First Interim – paid		1,685	1,655
Second Interim – declared/paid		4,182	4,213
	12	5,867	5,868
		HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	13		
'A' share		8.93	7.36
'B' share		1.79	1.47

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2015

	2015 HK$M	2014 HK$M
Profit for the year	**16,423**	13,385
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group		
gains recognised during the year	**30**	8
deferred tax	**(3)**	(2)
Defined benefit plans		
remeasurement losses recognised during the year	**(411)**	(499)
deferred tax	**69**	109
Share of other comprehensive income of joint venture and associated companies	**(130)**	(146)
	(445)	(530)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
(losses)/gains recognised during the year	**(430)**	48
transferred to net finance charges	**(93)**	(95)
transferred to operating profit	**52**	9
transferred to initial cost of non-financial assets	**–**	93
deferred tax	**60**	6
Net fair value changes on available-for-sale assets		
losses recognised during the year	**(74)**	(53)
transferred to profit or loss on disposal	**(99)**	(91)
Share of other comprehensive income of joint venture and associated companies	**(3,978)**	(6,016)
Net translation differences on foreign operations		
losses recognised during the year	**(1,589)**	(782)
reclassified to profit or loss on disposal	**142**	–
	(6,009)	(6,881)
Other comprehensive income for the year, net of tax	**(6,454)**	(7,411)
Total comprehensive income for the year	**9,969**	5,974
Total comprehensive income attributable to:		
The Company's shareholders	**7,445**	3,888
Non-controlling interests	**2,524**	2,086
	9,969	5,974

The notes on pages 132 to 210 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2015

	Note	2015 HK$M	2014 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	42,935	43,601
Investment properties	15	227,300	220,869
Leasehold land and land use rights	16	1,146	1,170
Intangible assets	17	7,377	7,442
Properties held for development	23	942	920
Joint venture companies	19(a)	24,988	23,703
Associated companies	19(b)	24,321	26,039
Available-for-sale assets	21	508	771
Other receivables	25	466	58
Derivative financial instruments	22	230	508
Deferred tax assets	30	847	652
Retirement benefit assets	31	76	122
		331,136	325,855
Current assets			
Properties for sale	23	7,615	7,941
Stocks and work in progress	24	4,599	3,860
Trade and other receivables	25	9,962	9,552
Derivative financial instruments	22	68	12
Bank balances and short-term deposits	26	8,985	10,115
		31,229	31,480
Current liabilities			
Trade and other payables	27	18,810	16,739
Taxation payable		662	661
Derivative financial instruments	22	23	34
Short-term loans	29	669	1,123
Long-term loans and bonds due within one year	29	6,841	4,820
		27,005	23,377
Net current assets		4,224	8,103
Total assets less current liabilities		335,360	333,958
Non-current liabilities			
Perpetual capital securities	28	2,325	2,327
Long-term loans and bonds	29	58,782	60,518
Derivative financial instruments	22	201	40
Other payables	27	1,198	1,194
Deferred tax liabilities	30	7,605	6,938
Deferred income		78	57
Retirement benefit liabilities	31	1,185	754
		71,374	71,828
NET ASSETS		263,986	262,130
EQUITY			
Share capital	32	1,294	1,294
Reserves	33	217,155	217,481
Equity attributable to the Company's shareholders		218,449	218,775
Non-controlling interests	34	45,537	43,355
TOTAL EQUITY		263,986	262,130

John R Slosar
Martin Cubbon
Timothy G Freshwater
Directors
Hong Kong, 10th March 2016

The notes on pages 132 to 210 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2015

	Note	2015 HK$M	2014 HK$M
Operating activities			
Cash generated from operations	41(a)	14,362	16,250
Interest paid		(2,526)	(2,582)
Interest received		229	266
Tax paid		(1,909)	(1,358)
		10,156	12,576
Dividends received from joint venture and associated companies and available-for-sale assets		1,807	1,898
Net cash generated from operating activities		11,963	14,474
Investing activities			
Purchase of property, plant and equipment	41(b)	(4,245)	(6,181)
Additions of investment properties		(3,624)	(4,362)
Purchase of intangible assets		(54)	(41)
Proceeds from disposals of property, plant and equipment		275	242
Proceeds from disposals of investment properties		2,543	834
Proceeds from disposals of subsidiary companies	41(c)	373	–
Proceeds from disposals of joint venture companies		–	32
Proceeds from disposals of available-for-sale assets		209	82
Purchase of shares in new subsidiary companies	36	(116)	(3,530)
Purchase of shares in joint venture companies		(114)	(43)
Purchase of shares in associated companies		(39)	(208)
Purchase of new businesses		–	(117)
Purchase of available-for-sale assets		(4)	(245)
Loans to joint venture companies		(909)	(2,063)
Repayment of loans by joint venture companies		471	716
Net loans from associated companies		113	25
Decrease in deposits maturing after more than three months		52	235
Initial leasing costs incurred		(70)	(65)
Net cash used in investing activities		(5,139)	(14,689)
Net cash inflow/(outflow) before financing		6,824	(215)
Financing activities			
Loans drawn and refinancing		12,993	19,714
Repayment of loans and bonds		(12,979)	(12,697)
	41(d)	14	7,017
Capital contributions from non-controlling interests		767	4
Repurchase of the Company's shares	32	(35)	–
Proceeds from disposal of shares in an existing subsidiary company		–	79
Purchase of shares in existing subsidiary companies	34(b)	(1,541)	(1,256)
Dividends paid to the Company's shareholders	33	(5,898)	(5,416)
Dividends paid to non-controlling interests	41(d)	(1,026)	(1,009)
Net cash used in financing activities		(7,719)	(581)
Decrease in cash and cash equivalents		(895)	(796)
Cash and cash equivalents at 1st January		10,013	10,950
Currency adjustment		(182)	(141)
Cash and cash equivalents at 31st December		8,936	10,013
Represented by:			
Bank balances and short-term deposits maturing within three months	26	8,936	10,013

The notes on pages 132 to 210 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2015

		Attributable to the Company's shareholders					
	Note	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2015		1,294	214,880	2,601	218,775	43,355	262,130
Profit for the year		–	13,429	–	13,429	2,994	16,423
Other comprehensive income		–	(400)	(5,584)	(5,984)	(470)	(6,454)
Total comprehensive income for the year		–	13,029	(5,584)	7,445	2,524	9,969
Dividends paid		–	(5,898)	–	(5,898)	(876)	(6,774)
Repurchase of the Company's shares	32	–	(35)	–	(35)	–	(35)
Acquisition of additional interests in subsidiary companies	34(b)	–	(1,310)	–	(1,310)	(231)	(1,541)
Change in composition of the Group		–	13	–	13	(2)	11
Capital contribution from non-controlling interests		–	–	–	–	767	767
Recognition of contingent consideration		–	(541)	–	(541)	–	(541)
At 31st December 2015		1,294	220,138	(2,983)	218,449	45,537	263,986

		Attributable to the Company's shareholders					
		Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2014		903	209,682	9,712	220,297	42,211	262,508
Profit for the year		–	11,069	–	11,069	2,316	13,385
Other comprehensive income		–	(461)	(6,720)	(7,181)	(230)	(7,411)
Total comprehensive income for the year		–	10,608	(6,720)	3,888	2,086	5,974
Transition to no-par value regime on 3rd March 2014	32	391	–	(391)	–	–	–
Dividends paid		–	(5,416)	–	(5,416)	(1,158)	(6,574)
Change in composition of the Group		–	6	–	6	212	218
Capital contribution from non-controlling interests		–	–	–	–	4	4
At 31st December 2014		1,294	214,880	2,601	218,775	43,355	262,130

The notes on pages 132 to 210 form part of these 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 199 to 210.

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 2015:

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

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

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

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

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

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

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

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

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

1. Changes in Accounting Policies and Disclosures (continued)

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

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 108 and 109 under the heading "Audited Financial Information".

Interest rate exposure

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

	100 basis-points increase in interest rates HK$M	100 basis-points decrease in interest rates HK$M
At 31st December 2015		
Impact on profit or loss: (loss)/gain	**(126)**	**126**
Impact on other comprehensive income: gain/(loss)	**74**	**(66)**
At 31st December 2014		
Impact on profit or loss: (loss)/gain	(151)	151
Impact on other comprehensive income: gain/(loss)	59	(67)

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 financial assets and liabilities are held constant

2. Financial Risk Management (continued)

Currency exposure

The impact on the Group's profit or loss and other comprehensive income of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.7512 (2014: 7.756), with all other variables held constant, would have been:

	Strengthening in HK$ to lower peg limit (7.750) HK$M	Weakening in HK$ to upper peg limit (7.850) HK$M
At 31st December 2015		
Impact on profit or loss: gain/(loss)	**2**	**(153)**
Impact on other comprehensive income: gain	**3**	**40**
At 31st December 2014		
Impact on profit or loss: gain/(loss)	4	(161)
Impact on other comprehensive income: gain	2	39

This 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

Liquidity risk

The tables below analyse the contractual undiscounted cash flows of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities by relevant maturity groupings based on the remaining period at the year-end date to the earliest contractual maturity date.

At 31st December 2015

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade and other payables	27	**20,008**	**21,104**	**17,073**	**610**	**1,930**	**1,491**
Borrowings (including interest obligations)	28, 29	**68,617**	**80,922**	**10,388**	**13,769**	**27,613**	**29,152**
Derivative financial instruments	22	**224**	**224**	**23**	**1**	**25**	**175**
Financial guarantee contracts	38	**–**	**3,948**	**3,948**	**–**	**–**	**–**
		88,849	**106,198**	**31,432**	**14,380**	**29,568**	**30,818**

At 31st December 2014

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade and other payables	27	17,933	19,477	14,911	758	1,306	2,502
Borrowings (including interest obligations)	28, 29	68,788	80,717	8,340	14,671	29,573	28,133
Derivative financial instruments	22	74	74	34	2	15	23
Financial guarantee contracts	38	–	2,123	2,123	–	–	–
		86,795	102,391	25,408	15,431	30,894	30,658

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:

(a) Taxation (Note 10)
(b) Impairment of assets (Notes 14 and 17)
(c) Estimates of fair value of investment properties (Note 15)
(d) Accounting for Cathay Pacific Airways Limited (Note 19(b))
(e) Retirement benefits (Note 31)
(f) Provisions and contingencies for Cathay Pacific Airways Limited (Note 38(b))

4. Revenue

Accounting Policy

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

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

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

(c) Sales of services, including aircraft and engine maintenance services and services provided by hotel operations, are recognised when the services are rendered.

(d) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership.

(e) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements.

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

	2015 HK$M	2014 HK$M
Gross rental income from investment properties	**10,654**	10,256
Property trading	**4,463**	3,842
Hotels	**1,127**	1,089
Aircraft and engine maintenance services	**10,815**	10,733
Sales of goods	**27,083**	27,541
Charter hire	**5,161**	6,199
Rendering of other services	**1,582**	1,641
Total	**60,885**	61,301

5. Other Net (Losses)/Gains

Other net (losses)/gains include the following:

	2015 HK$M	2014 HK$M
Loss on disposal of four hotels in the UK	**(229)**	–
Loss on sale of investment properties	**(135)**	(39)
Loss on sale of property, plant and equipment	**–**	(19)
Profit on sale of available-for-sale assets	**105**	78
Net foreign exchange losses	**(182)**	(168)
Fair value (losses)/gains on cross-currency swaps transferred from cash flow hedge reserve	**(7)**	3
Fair value losses on forward foreign exchange contracts transferred from cash flow hedge reserve	**(32)**	–
Fair value gains/(losses) on forward foreign exchange contracts not qualifying as hedges	**8**	(1)
Dividend income on available-for-sale assets	**11**	5
Other income	**295**	212
Total	**(166)**	71

6. Expenses by Nature

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

	Note	2015 HK$M	2014 HK$M
Direct operating expenses of investment properties that			
– generated rental income		**1,762**	1,698
– did not generate rental income		**210**	88
Cost of stocks sold		**22,969**	23,647
Write-down of stocks and work in progress		**102**	65
Impairment losses recognised on:			
– property, plant and equipment	14	**1,302**	27
– intangible assets	17	**104**	89
– trade receivables		**28**	49
Impairment reversals on properties held for development		**–**	(45)
Depreciation of property, plant and equipment	14	**2,833**	2,566
Amortisation of			
– leasehold land and land use rights	16	**34**	33
– intangible assets	17	**138**	136
– initial leasing costs on investment properties		**67**	89
– others		**87**	–
Staff costs		**11,578**	11,206
Operating lease rentals			
– properties		**1,029**	887
– vessels		**142**	137
– plant and equipment		**41**	35
Auditors' remuneration			
– audit services		**42**	40
– tax services		**12**	12
– other services		**5**	8
Other expenses		**8,826**	8,804
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**51,311**	49,571

7. Segment Information

The Group is organised on a divisional basis: Property, Aviation, Beverages, Marine Services and Trading & Industrial.

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 discloseable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

The reportable segments within each of the five divisions are classified according to the nature of the business. The Head Office is also considered to be a reportable segment as discrete financial information is available for the Head Office activities and regularly provided to the executive directors of the Board.

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated statement of profit or loss in note 7(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of the Annual Report.

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2015

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) 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$M	Tax (charge)/credit HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property												
Property investment	10,761	96	8,090	(1,242)	92	274	–	(965)	6,249	5,104	5,131	(160)
Change in fair value of investment properties	–	–	7,067	–	–	828	–	(848)	7,047	5,745	–	–
Property trading	4,463	–	1,328	(6)	3	57	–	(231)	1,151	893	908	–
Hotels	1,127	–	(334)	(43)	1	(59)	141	(12)	(306)	(248)	(248)	(192)
	16,351	**96**	**16,151**	**(1,291)**	**96**	**1,100**	**141**	**(2,056)**	**14,141**	**11,494**	**5,791**	**(352)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	2,700	–	2,700	2,700	2,700	–
HAECO group	12,095	–	415	(96)	20	246	–	(33)	552	349	349	(601)
Others	–	–	(52)	–	–	4	(11)	–	(59)	(32)	(32)	(52)
	12,095	**–**	**363**	**(96)**	**20**	**250**	**2,689**	**(33)**	**3,193**	**3,017**	**3,017**	**(653)**
Beverages												
Mainland China	7,617	–	405	(65)	28	203	59	(116)	514	391	391	(287)
Hong Kong	2,198	2	246	–	–	–	–	(20)	226	204	204	(73)
Taiwan	1,392	–	48	(6)	–	–	–	(8)	34	34	34	(49)
USA	5,965	–	392	(1)	–	–	–	(118)	273	273	273	(228)
Central costs	–	–	73	–	–	–	–	–	73	74	74	(3)
	17,172	**2**	**1,164**	**(72)**	**28**	**203**	**59**	**(262)**	**1,120**	**976**	**976**	**(640)**
Marine Services												
Swire Pacific Offshore group	5,988	2	(846)	(335)	34	–	(1)	(131)	(1,279)	(1,285)	(1,285)	(1,262)
HUD group	–	–	–	–	–	30	–	–	30	30	30	–
	5,988	**2**	**(846)**	**(335)**	**34**	**30**	**(1)**	**(131)**	**(1,249)**	**(1,255)**	**(1,255)**	**(1,262)**
Trading & Industrial												
Swire Retail group	3,208	–	53	(1)	20	5	42	(26)	93	93	93	(27)
Taikoo Motors group	4,498	–	38	(4)	1	–	–	(32)	3	3	3	(71)
Swire Foods group	1,505	84	105	–	4	(3)	–	(44)	62	41	41	(118)
Swire Pacific Cold Storage group	34	–	(94)	(11)	–	6	–	(3)	(102)	(102)	(102)	(30)
Akzo Nobel Swire Paints	–	–	–	–	–	204	–	(7)	197	197	197	–
Swire Environmental Services group	–	–	(1)	–	–	–	(43)	–	(44)	(44)	(44)	–
Other activities	–	–	(33)	–	–	–	–	–	(33)	(33)	(33)	–
	9,245	**84**	**68**	**(16)**	**25**	**212**	**(1)**	**(112)**	**176**	**155**	**155**	**(246)**
Head Office												
Net income/(expenses)	34	26	(425)	(1,684)	1,145	–	–	20	(944)	(944)	1,208	(6)
Change in fair value of investment properties	–	–	(14)	–	–	–	–	–	(14)	(14)	–	–
	34	**26**	**(439)**	**(1,684)**	**1,145**	**–**	**–**	**20**	**(958)**	**(958)**	**1,208**	**(6)**
Inter-segment elimination	**–**	**(210)**	**–**	**1,121**	**(1,121)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**60,885**	**–**	**16,461**	**(2,373)**	**227**	**1,795**	**2,887**	**(2,574)**	**16,423**	**13,429**	**9,892**	**(3,159)**

Note: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2014

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) 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$M	Tax charge HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property												
Property investment	10,366	90	7,870	(1,278)	92	308	–	(944)	6,048	4,938	4,956	(172)
Change in fair value of investment properties	–	–	1,942	–	–	956	–	(474)	2,424	1,987	–	–
Property trading	3,842	–	1,180	–	5	226	–	(211)	1,200	836	860	(7)
Hotels	1,089	–	(22)	(46)	–	(46)	160	(16)	30	25	25	(189)
	15,297	**90**	**10,970**	**(1,324)**	**97**	**1,444**	**160**	**(1,645)**	**9,702**	**7,786**	**5,841**	**(368)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	1,418	–	1,418	1,418	1,418	–
HAECO group	11,927	–	509	(100)	30	314	–	(94)	659	430	430	(615)
Others	–	–	(52)	–	–	6	(6)	–	(52)	(26)	(26)	(52)
	11,927	**–**	**457**	**(100)**	**30**	**320**	**1,412**	**(94)**	**2,025**	**1,822**	**1,822**	**(667)**
Beverages												
Mainland China	7,856	–	470	(56)	35	214	77	(181)	559	395	395	(290)
Hong Kong	2,163	1	220	–	–	–	–	(16)	204	185	185	(75)
Taiwan	1,415	–	35	(6)	–	–	–	(6)	23	23	23	(52)
USA	4,948	–	327	(10)	–	–	–	(109)	208	208	208	(187)
Central costs	–	–	43	–	–	–	–	–	43	43	43	–
	16,382	**1**	**1,095**	**(72)**	**35**	**214**	**77**	**(312)**	**1,037**	**854**	**854**	**(604)**
Marine Services												
Swire Pacific Offshore group	7,234	–	1,320	(284)	57	–	1	(42)	1,052	1,041	1,041	(1,078)
HUD group	–	–	–	–	–	31	–	–	31	31	31	–
	7,234	**–**	**1,320**	**(284)**	**57**	**31**	**1**	**(42)**	**1,083**	**1,072**	**1,072**	**(1,078)**
Trading & Industrial												
Swire Retail group	3,020	–	58	(1)	23	5	36	(39)	82	82	82	(30)
Taikoo Motors group	6,706	–	270	(3)	2	–	–	(56)	213	213	213	(55)
Swire Foods group	701	94	24	–	2	(14)	–	(8)	4	1	1	(5)
Swire Pacific Cold Storage group	3	–	(79)	(4)	1	10	–	(1)	(73)	(73)	(73)	(14)
Akzo Nobel Swire Paints	–	–	–	–	–	241	–	(11)	230	230	230	–
Swire Environmental Services group	–	–	1	–	–	2	(8)	–	(5)	(5)	(5)	–
Other activities	–	–	(25)	1	(1)	–	–	–	(25)	(25)	(25)	–
	10,430	**94**	**249**	**(7)**	**27**	**244**	**28**	**(115)**	**426**	**423**	**423**	**(104)**
Head Office												
Net income/(expenses)	31	25	(348)	(1,645)	1,161	–	–	(10)	(842)	(842)	(273)	(3)
Change in fair value of investment properties	–	–	(46)	–	–	–	–	–	(46)	(46)	–	–
	31	**25**	**(394)**	**(1,645)**	**1,161**	**–**	**–**	**(10)**	**(888)**	**(888)**	**(273)**	**(3)**
Inter-segment elimination	–	(210)	–	1,145	(1,145)	–	–	–	–	–	–	–
Total	**61,301**	**–**	**13,697**	**(2,287)**	**262**	**2,253**	**1,678**	**(2,218)**	**13,385**	**11,069**	**9,739**	**(2,824)**

Note: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2015

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	232,503	17,307	–	3,901	253,711	4,677
Property trading and development	9,093	815	–	401	10,309	42
Hotels	6,333	1,270	534	84	8,221	490
	247,929	**19,392**	**534**	**4,386**	**272,241**	**5,209**
Aviation						
Cathay Pacific group	–	–	22,048	–	22,048	–
HAECO group	11,958	1,262	–	1,427	14,647	737
Others	4,571	2,816	–	–	7,387	–
	16,529	**4,078**	**22,048**	**1,427**	**44,082**	**737**
Beverages						
Swire Beverages	**9,037**	**725**	**1,366**	**940**	**12,068**	**835**
Marine Services						
Swire Pacific Offshore group	23,503	–	6	497	24,006	1,513
HUD group	–	(78)	–	–	(78)	–
	23,503	**(78)**	**6**	**497**	**23,928**	**1,513**
Trading & Industrial						
Swire Retail group	932	31	140	169	1,272	25
Taikoo Motors group	1,949	–	–	279	2,228	190
Swire Foods group	1,205	48	–	428	1,681	165
Swire Pacific Cold Storage group	1,472	254	–	68	1,794	401
Akzo Nobel Swire Paints	–	519	–	–	519	–
Swire Environmental Services group	121	19	227	–	367	–
Other activities	222	–	–	1	223	–
	5,901	**871**	**367**	**945**	**8,084**	**781**
Head Office	**1,124**	**–**	**–**	**838**	**1,962**	**51**
	304,023	**24,988**	**24,321**	**9,033**	**362,365**	**9,126**

Note: In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets and non-current assets acquired in business combinations.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group (continued)

At 31st December 2014

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	222,590	16,046	28	2,092	240,756	4,452
Property trading and development	9,417	891	–	612	10,920	176
Hotels	6,301	1,270	507	170	8,248	554
	238,308	**18,207**	**535**	**2,874**	**259,924**	**5,182**
Aviation						
Cathay Pacific group	–	–	23,774	–	23,774	–
HAECO group	11,460	1,240	–	2,331	15,031	678
Others	4,624	2,818	(7)	–	7,435	–
	16,084	**4,058**	**23,767**	**2,331**	**46,240**	**678**
Beverages						
Swire Beverages	**9,072**	**615**	**1,407**	**949**	**12,043**	**914**
Marine Services						
Swire Pacific Offshore group	24,928	–	6	1,152	26,086	3,184
HUD group	–	(54)	–	–	(54)	–
	24,928	**(54)**	**6**	**1,152**	**26,032**	**3,184**
Trading & Industrial						
Swire Retail group	855	27	98	312	1,292	23
Taikoo Motors group	1,634	–	–	1,218	2,852	206
Swire Foods group	994	17	–	353	1,364	5
Swire Pacific Cold Storage group	1,161	264	–	105	1,530	660
Akzo Nobel Swire Paints	–	550	–	–	550	–
Swire Environmental Services group	121	–	226	–	347	–
Other activities	211	19	–	–	230	–
	4,976	**877**	**324**	**1,988**	**8,165**	**894**
Head Office	**4,061**	**–**	**–**	**870**	**4,931**	**22**
	297,429	**23,703**	**26,039**	**10,164**	**357,335**	**10,874**

Note: In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets and non-current assets acquired in business combinations.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2015

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	6,886	7,078	10,546	22,048	46,558	38,432
Property trading and development	2,217	239	1,996	2,659	7,111	810
Hotels	209	–	–	867	1,076	1,303
	9,312	**7,317**	**12,542**	**25,574**	**54,745**	**40,545**
Aviation						
HAECO group	**3,069**	**275**	**–**	**4,117**	**7,461**	**4,064**
Beverages						
Swire Beverages	**4,792**	**503**	**1,776**	**–**	**7,071**	**750**
Marine Services						
Swire Pacific Offshore group	**1,109**	**29**	**9,822**	**77**	**11,037**	**18**
Trading & Industrial						
Swire Retail group	823	45	(272)	–	596	–
Taikoo Motors group	615	(2)	137	–	750	–
Swire Foods group	911	31	–	–	942	160
Swire Pacific Cold Storage group	228	3	535	–	766	–
Other activities	30	10	12	–	52	–
	2,607	**87**	**412**	**–**	**3,106**	**160**
Head Office	**606**	**56**	**(24,552)**	**38,849**	**14,959**	**–**
	21,495	**8,267**	**–**	**68,617**	**98,379**	**45,537**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total liabilities and non-controlling interests of the Group (continued)

At 31st December 2014

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	5,739	6,329	10,094	20,649	42,811	36,133
Property trading and development	1,815	283	4,260	1,796	8,154	681
Hotels	277	–	–	545	822	1,353
	7,831	**6,612**	**14,354**	**22,990**	**51,787**	**38,167**
Aviation						
HAECO group	**2,404**	**310**	**–**	**4,930**	**7,644**	**4,151**
Beverages						
Swire Beverages	**4,617**	**429**	**1,160**	**–**	**6,206**	**867**
Marine Services						
Swire Pacific Offshore group	**1,317**	**26**	**10,183**	**653**	**12,179**	**23**
Trading & Industrial						
Swire Retail group	785	58	(267)	–	576	–
Taikoo Motors group	842	34	134	–	1,010	–
Swire Foods group	264	6	–	–	270	147
Swire Pacific Cold Storage group	191	1	258	–	450	–
Other activities	28	18	2	–	48	–
	2,110	**117**	**127**	**–**	**2,354**	**147**
Head Office	**539**	**105**	**(25,824)**	**40,215**	**15,035**	**–**
	18,818	**7,599**	**–**	**68,788**	**95,205**	**43,355**

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

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

	Revenue		Non-current assets (Note)	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Hong Kong	**23,715**	21,928	**209,501**	204,917
Asia (excluding Hong Kong)	**23,026**	24,713	**37,606**	36,957
USA	**8,049**	7,648	**10,944**	8,531
Others	**531**	465	**1**	530
Ship owning and operating activities	**5,564**	6,547	**21,648**	23,125
	60,885	61,301	**279,700**	274,060

Note: In this analysis, the total of non-current assets excludes joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets.

8. Directors' and Executive Officers' Emoluments

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

	Cash			Non cash				
	Salary/ fees (note i) HK$'000	Bonus (note ii) HK$'000	Allowance and benefits HK$'000	Retirement scheme contributions HK$'000	Bonus paid into retirement scheme (note ii) HK$'000	Housing benefits HK$'000	Total 2015 HK$'000	Total 2014 HK$'000
Executive Directors								
J R Slosar	9,249	6,560	229	3,125	2,051	6,715	**27,929**	15,181
GMC Bradley (from 1st January 2015)	3,705	1,759	962	1,252	1,015	3,085	**11,778**	–
I K L Chu (from 14th March 2014)	493	451	255	146	–	–	**1,345**	475
M Cubbon	5,690	5,363	300	1,923	1,788	4,626	**19,690**	18,689
J B Rae-Smith	2,633	2,084	699	890	991	3,274	**10,571**	9,682
I S C Shiu	1,133	1,739	1,031	335	–	–	**4,238**	3,431
A K W Tang	3,648	4,582	2,175	1,080	–	–	**11,485**	9,209
C D Pratt (until 13th March 2014)	–	2,039	–	–	–	–	**2,039**	12,590
P A Kilgour (until 31st December 2014)	–	5,150	–	–	–	–	**5,150**	13,337
Non-Executive Directors								
P A Johansen	928	–	–	–	–	–	**928**	928
M B Swire	–	–	–	–	–	–	**–**	–
S C Swire (from 1st January 2015)	–	–	–	–	–	–	**–**	–
Baroness Dunn (until 20th May 2015)	–	–	–	–	–	–	**–**	–
Independent Non-Executive Directors								
T G Freshwater	850	–	–	–	–	–	**850**	690
C Lee	950	–	–	–	–	–	**950**	950
R W M Lee	725	–	–	–	–	–	**725**	690
G R H Orr (from 21st August 2015)	251	–	–	–	–	–	**251**	–
M C C Sze	690	–	–	–	–	–	**690**	690
M M T Yang	690	–	–	–	–	–	**690**	690
C K M Kwok (until 20th May 2015)	389	–	–	–	–	–	**389**	1,008
Total 2015	**32,024**	**29,727**	**5,651**	**8,751**	**5,845**	**17,700**	**99,698**	
Total 2014	31,815	24,787	3,699	8,279	3,880	15,780		88,240
Executive Officer								
P Healy	**2,679**	**1,621**	**1,056**	**905**	**952**	**3,386**	**10,599**	
Total 2014	2,223	1,510	1,055	683	875	3,040		9,386

i. Independent Non-executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and Officers receive salaries.
ii. Bonuses are not yet approved for 2015. The amounts disclosed above are related to services as Executive Directors or Officers for 2014 but paid and charged to the Group in 2015.
iii. The total emoluments of Executive Directors and Officers are charged to the Group in accordance with the amount of time spent on its affairs.

8. Directors' and Executive Officers' Emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2015 include four Executive Directors and one Executive Officer whose emoluments are reflected in the analysis presented on page 144 (2014: four Executive Directors). The emoluments payable to the remaining one individual in 2014 is as follows:

	2014 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	8,449
Bonus	2,298
Retirement scheme contributions	759
	11,506

9. 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 the heading "Audited Financial Information" on page 94 for details of the Group's net finance charges.

10. Taxation

Accounting Policy

The tax charge comprises current and deferred tax. The tax charge 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 to 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.

Critical Accounting Estimates and Judgements

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

10. Taxation (continued)

	Note	2015 HK$M	2014 HK$M
Current taxation:			
Hong Kong profits tax		**1,190**	1,020
Overseas taxation		**741**	530
(Over)/under-provisions in prior years		**(14)**	13
		1,917	1,563
Deferred taxation:	30		
Changes in fair value of investment properties		**592**	265
Origination and reversal of temporary differences		**65**	390
		657	655
		2,574	2,218

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

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

	2015 HK$M	2014 HK$M
Profit before taxation	**18,997**	15,603
Calculated at a tax rate of 16.5% (2014: 16.5%)	**3,135**	2,574
Share of profits less losses of joint venture and associated companies	**(773)**	(648)
Effect of different tax rates in other countries	**340**	257
Fair value gains on investment properties	**(786)**	(192)
Income not subject to tax	**(61)**	(337)
Expenses not deductible for tax purposes	**510**	253
Unused tax losses not recognised	**276**	194
Utilisation of previously unrecognised tax losses	**(6)**	(52)
Deferred tax assets written off	**(16)**	14
(Over)/under-provisions in prior years	**(14)**	13
Recognition of previously unrecognised tax losses	**(54)**	(11)
Others	**23**	153
Tax charge	**2,574**	2,218

The Group's share of joint venture and associated companies' tax charges of HK$445 million (2014: HK$542 million) and HK$489 million (2014: HK$333 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.

11. Underlying Profit Attributable to the Company's Shareholders

Accounting Policy

Underlying profit attributable to the Company's shareholders is provided for greater understanding of the Group's underlying business performance. Underlying profit principally adjusts for net revaluation movements on investment properties and the associated deferred tax and for other deferred tax provisions in relation to investment properties.

Reported and underlying profit attributable to the Company's shareholders is reconciled as follows:

	Note	2015 HK$M	2014 HK$M
Profit attributable to the Company's shareholders		**13,429**	11,069
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(8,123)**	(3,088)
Deferred tax on investment properties	(b)	**1,090**	710
Realised profit on sale of investment properties	(c)	**2,180**	598
Depreciation of investment properties occupied by the Group	(d)	**23**	23
Non-controlling interests' share of adjustments		**1,293**	427
Underlying profit attributable to the Company's shareholders		**9,892**	9,739

Notes:

(a) This represents the Group's net revaluation movements as shown in the consolidated statement of profit or loss plus the Group's share of net revaluation movements of joint venture companies.

(b) This represents deferred tax movements on the Group's investment properties and 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 USA, 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 statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.

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

12. 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.

	2015 HK$M	2014 HK$M
First interim dividend paid on 6th October 2015 of HK¢112.0 per 'A' share and HK¢22.4 per 'B' share (2014: HK¢110.0 and HK¢22.0)	**1,685**	1,655
Second interim dividend declared on 10th March 2016 of HK¢278.0 per 'A' share and HK¢55.6 per 'B' share (2014 actual dividend paid: HK¢280.0 and HK¢56.0)	**4,182**	4,213
	5,867	5,868

The second interim dividend is not accounted for in 2015 because it had not been declared at the year end date. The actual amount payable in respect of 2015 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2016.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$13,429 million (2014: HK$11,069 million) by the weighted average number of 905,397,863 'A' shares and 2,995,220,000 'B' shares in issue during the year, (2014: 905,578,500 'A' shares and 2,995,220,000 'B' shares) in the proportion five to one.

14. 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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major renovation costs and modifications that extend the life or usefulness of vessels are capitalised and depreciated over the period until the next drydocking. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred. Vessels under construction are not depreciated until they are completed.

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 items of property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Leasehold land	Over the lease term
Property	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum
Drydocking costs	20% to 50% per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at the end of each reporting period 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.

14. Property, Plant and Equipment (continued)

Critical Accounting Estimates and Judgments

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

During the year, the carrying amounts of certain property, plant and equipment have been written down by HK$1,302 million to their recoverable amount.

Swire Pacific Offshore ("SPO") has vessels with aggregate carrying values of HK$21,348 million. Following a review of the business; the outlook for the offshore oil services industry assuming that oil prices will not recover for some time; and SPO's operating plans, management has assessed these carrying values. An impairment provision of HK$743 million has been recorded to reduce the carrying value of certain vessels to their estimated recoverable value, which is the higher of fair value less cost to sell, and value in use. The recoverable amount of vessels subject to impairment provisions amounts to HK$9,981 million. Fair value less costs to sell is based on management estimates having regard to estimated resale values provided by an independent external valuer. Fair value less costs to sell is a level 3 fair value measurement. Value in use is determined using cash flow projections based on financial budgets prepared by management. The key assumptions include utilisation, charter hire rates, disposal values and discount rates applied to future cash flows. The discount rate used at 31st December 2015 was 8.0% (2014: 8.0%). Changes in any or all of the key assumptions could result in a material reduction in the carrying value of vessels.

The HAECO group has property, plant and equipment and land use rights at Xiamen Airport, Mainland China with a net book value totalling HK$1,494 million at 31st December 2015 (2014 HK$1,648 million). The municipal government of Xiamen has announced that the proposed new airport at Xiang'an will commence operations in 2020. This is subject to the National Development and Reform Committee's approval. The HAECO group has engaged an independent consultant to perform preliminary compensation assessments in order to evaluate the recoverable amounts of property, plant and equipment and land use rights at the existing Xiamen airport which might be affected by the proposal to develop a new airport and has concluded that there was no impairment loss on these assets at 31st December 2015. The HAECO group maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO group in Xiamen.

14. Property, Plant and Equipment (continued)

	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost:						
At 1st January 2015		3,539	16,701	13,723	27,360	61,323
Translation differences		–	(331)	(271)	(15)	(617)
Acquisition of a subsidiary company						
– measurement period adjustment	36	–	69	–	–	69
Disposal of subsidiary companies	41(c)	–	(679)	(84)	–	(763)
Additions		–	1,127	1,640	1,483	4,250
Disposals		–	(27)	(589)	(987)	(1,603)
Transfer between categories		26	(26)	–	–	–
Net transfers from investment properties	15	448	174	–	–	622
Other transfers		–	51	(82)	–	(31)
Revaluation surplus		20	10	–	–	30
At 31st December 2015		4,033	17,069	14,337	27,841	63,280
Accumulated depreciation and impairment:						
At 1st January 2015		141	4,662	8,280	4,639	17,722
Translation differences		–	(94)	(149)	(3)	(246)
Disposal of subsidiary companies	41(c)	–	(202)	(63)	–	(265)
Depreciation for the year	6	23	515	1,080	1,215	2,833
Impairment losses	6	–	–	74	1,228	1,302
Disposals		–	(14)	(369)	(586)	(969)
Net transfers to investment properties	15	–	(2)	–	–	(2)
Other transfers		–	–	(30)	–	(30)
At 31st December 2015		164	4,865	8,823	6,493	20,345
Net book value:						
At 31st December 2015		3,869	12,204	5,514	21,348	42,935

14. Property, Plant and Equipment (continued)

	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M
Cost:						
At 1st January 2014		3,292	15,264	12,326	24,395	55,277
Translation differences		–	(207)	(169)	6	(370)
Acquisition of subsidiary companies and new businesses		18	336	512	–	866
Additions		–	1,319	1,791	3,105	6,215
Disposals		–	(31)	(697)	(146)	(874)
Transfer between categories		–	19	(19)	–	–
Net transfers from investment properties	15	228	30	–	–	258
Other transfers		–	(36)	(21)	–	(57)
Revaluation surplus		1	7	–	–	8
At 31st December 2014		3,539	16,701	13,723	27,360	61,323
Accumulated depreciation and impairment:						
At 1st January 2014		120	4,246	7,757	3,697	15,820
Translation differences		(1)	(57)	(99)	1	(156)
Acquisition of subsidiary companies and new businesses		–	–	71	–	71
Depreciation for the year	6	22	496	1,021	1,027	2,566
Impairment losses	6	–	–	27	–	27
Disposals		–	(22)	(497)	(86)	(605)
Net transfers to investment properties	15	–	(1)	–	–	(1)
At 31st December 2014		141	4,662	8,280	4,639	17,722
Net book value:						
At 31st December 2014		3,398	12,039	5,443	22,721	43,601

Property, plant and machinery and vessels include costs of HK$1,340 million (2014: HK$1,185 million), HK$101 million (2014: HK$230 million) and HK$356 million (2014: HK$2,256 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

An impairment charge on vessels of HK$485 million arising from the cancellation of contracts with a Brazilian shipyard for the construction of four large PSVs was recorded in 2015. The contracts were cancelled by SPO due to the shipyard's failure to deliver the vessels in accordance with the contractually agreed schedule. The matter is the subject of arbitration proceedings in Brazil.

15. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Accounting Policy

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

Investment properties (including those under construction) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, related 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 under development. Changes in fair values are recognised in the 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 of the item can be measured reliably. All other repair and maintenance costs of an investment property are expensed in the 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 cost for accounting purposes.

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

Critical Accounting Estimates and Judgements

DTZ Debenham Tie Leung, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2015. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of open market rents and yields.

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

15. Investment Properties (continued)

	Note	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2015		197,013	23,621	220,634
Translation differences		(1,203)	(36)	(1,239)
Additions		239	4,285	4,524
Disposals		(3,237)	(21)	(3,258)
Transfer from properties for sale		–	19	19
Net transfers to property, plant and equipment	14	(558)	(66)	(624)
Fair value gains		5,907	1,146	7,053
		198,161	28,948	227,109
Add: Initial leasing costs		126	65	191
At 31st December 2015		198,287	29,013	227,300
At 1st January 2014		195,533	20,706	216,239
Translation differences		(574)	(24)	(598)
Additions		404	3,932	4,336
Disposals		(853)	(1)	(854)
Transfer to properties for sale		–	(146)	(146)
Transfer upon completion		1,270	(1,270)	–
Net transfers (to)/from property, plant and equipment	14	(270)	11	(259)
Other net transfers		19	1	20
Fair value gains		1,484	412	1,896
		197,013	23,621	220,634
Add: Initial leasing costs		235	–	235
At 31st December 2014		197,248	23,621	220,869

15. Investment Properties (continued)

Geographical Analysis of Investment Properties

	2015 HK$M	2014 HK$M
Held in Hong Kong		
On medium-term leases (10 to 50 years)	**31,125**	29,785
On long-term leases (over 50 years)	**165,229**	162,535
	196,354	192,320
Held in Mainland China		
On medium-term leases (10 to 50 years)	**25,145**	25,077
Held in USA and others		
Freehold	**5,610**	3,237
	227,109	220,634

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

The Group's investment properties were valued at their fair values at 31st December 2015. 93% by value were valued by DTZ Debenham Tie Leung and 96% by value in total were valued by independent valuers on the basis of open market value.
The independent professionally qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

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

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

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

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

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

15. Investment Properties (continued)

Fair value hierarchy

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

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2015 Total HK$M
Level 2	**3,093**	**189**	**3,282**	**11,576**	**–**	**11,576**	**14,858**
Level 3	**169,924**	**24,955**	**194,879**	**11,762**	**5,610**	**17,372**	**212,251**
Total	**173,017**	**25,144**	**198,161**	**23,338**	**5,610**	**28,948**	**227,109**
Add: initial leasing costs							**191**
At 31st December							**227,300**

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2014 Total HK$M
Level 2	2,893	197	3,090	10,206	–	10,206	13,296
Level 3	169,043	24,880	193,923	10,178	3,237	13,415	207,338
Total	171,936	25,077	197,013	20,384	3,237	23,621	220,634
Add: initial leasing costs							235
At 31st December							220,869

The change in level 3 investment properties during the year is as follows:

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2015	**169,043**	**24,880**	**193,923**	**10,178**	**3,237**	**13,415**	**207,338**
Translation differences	**–**	**(1,194)**	**(1,194)**	**–**	**(36)**	**(36)**	**(1,230)**
Additions	**224**	**13**	**237**	**771**	**2,052**	**2,823**	**3,060**
Disposals	**(3,237)**	**–**	**(3,237)**	**–**	**–**	**–**	**(3,237)**
Other net transfers	**(494)**	**(64)**	**(558)**	**–**	**19**	**19**	**(539)**
Fair value gains	**4,388**	**1,320**	**5,708**	**813**	**338**	**1,151**	**6,859**
At 31st December 2015	**169,924**	**24,955**	**194,879**	**11,762**	**5,610**	**17,372**	**212,251**

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2014	168,192	24,245	192,437	9,634	1,656	11,290	203,727
Translation differences	–	(570)	(570)	–	(25)	(25)	(595)
Additions	286	109	395	885	1,595	2,480	2,875
Disposals	(853)	–	(853)	–	–	–	(853)
Transfer upon completion	1,270	–	1,270	(1,270)	–	(1,270)	–
Other net transfers	(275)	19	(256)	–	(146)	(146)	(402)
Fair value gains	423	1,077	1,500	929	157	1,086	2,586
At 31st December 2014	169,043	24,880	193,923	10,178	3,237	13,415	207,338

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.

15. Investment Properties (continued)

In 2015 and 2014, there were no transfers between different levels within the fair value hierarchy.

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

		Fair market rent per month HK$ per sq. ft. (lettable)		Capitalisation rate	
	Valuation method	2015	2014	2015	2014
Completed					
Hong Kong	Income capitalisation	**Mid 10's-Mid 500's**	Mid 10's-Mid 500's	**2.50%-4.88%**	2.50%-4.88%
Hong Kong	Residual	**Low 50's-Mid 50's**	Mid 50's	**2.00%-4.25%**	2.00%-4.25%
Mainland China	Income capitalisation	**Less than 10-Low 200's**	Low 10's-Low 200's	**7.00%-7.50%**	7.00%-7.50%
Under development					
Hong Kong	Residual	**Low 30's-Low 60's**	Low 30's-High 50's	**2.50%-4.25%**	3.88%-4.25%
Others	Residual	**High 20's-High 70's**	High 20's-High 50's	**5.00%-7.50%**	5.00%-7.50%

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

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

16. Leasehold Land and Land Use Rights

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

	Note	2015 HK$M	2014 HK$M
At 1st January		**1,170**	1,164
Translation differences		**(26)**	(14)
Acquisition of a subsidiary company	36	**6**	32
Additions		**30**	23
Disposals		**–**	(2)
Amortisation for the year	6	**(34)**	(33)
At 31st December		**1,146**	1,170
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		**19**	19
Held in Mainland China:			
On short-term leases (less than 10 years)		**–**	1
On medium-term leases (10 to 50 years)		**1,127**	1,150
		1,146	1,170

Refer to Note 39 for details of the accounting policy.

17. Intangible Assets

Accounting Policy

(a) Goodwill

Goodwill represents the excess of consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Goodwill is treated as an asset of the entity acquired and where attributable to a foreign entity will be translated at the period-end closing rate.

Goodwill is stated at cost less accumulated impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment losses recognised on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) 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).

(c) Service, franchise and operating rights

Service, franchise and operating rights acquired are shown at historical cost. Service, franchise and operating rights acquired in a business combination are recognised at fair value at the acquisition date. Service, franchise and operating rights have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of service, franchise and operating rights over their estimated useful lives of twenty years to forty years.

(d) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are subsequently carried at cost less accumulated amortisation. Customer relationships are amortised over their estimated useful lives of fifteen years.

17. Intangible Assets (continued)

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost:							
At 1st January 2015		5,964	414	764	768	132	8,042
Translation differences		(16)	(9)	–	(1)	–	(26)
Acquisition of a subsidiary company							
– measurement period adjustment	36	80	–	–	–	–	80
Additions		–	58	–	–	–	58
Other transfers		–	49	–	–	38	87
Disposals		–	(12)	–	–	(17)	(29)
At 31st December 2015		6,028	500	764	767	153	8,212
Accumulated amortisation and impairment:							
At 1st January 2015		127	282	124	45	22	600
Translation differences		1	(8)	–	–	–	(7)
Amortisation for the year	6	–	50	33	51	4	138
Impairment losses	6	95	–	–	–	9	104
Other transfers		–	28	–	–	–	28
Disposals		–	(11)	–	–	(17)	(28)
At 31st December 2015		223	341	157	96	18	835
Net book value:							
At 31st December 2015		5,805	159	607	671	135	7,377

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost:							
At 1st January 2014		4,040	372	535	–	67	5,014
Translation differences		(8)	(6)	–	–	–	(14)
Acquisition of subsidiary companies and new businesses		1,932	7	229	768	65	3,001
Additions		–	41	–	–	–	41
At 31st December 2014		5,964	414	764	768	132	8,042
Accumulated amortisation and impairment:							
At 1st January 2014		39	243	98	–	–	380
Translation differences		(1)	(4)	–	–	–	(5)
Amortisation for the year	6	–	43	26	45	22	136
Impairment losses	6	89	–	–	–	–	89
At 31st December 2014		127	282	124	45	22	600
Net book value:							
At 31st December 2014		5,837	132	640	723	110	7,442

Amortisation of HK$138 million (2014: HK$136 million) is included in administrative expenses in the statement of profit or loss.

17. Intangible Assets (continued)

Impairment test of goodwill

Critical Accounting Estimates and Judgements

At each reporting date, an assessment is made as to whether there is any indication that goodwill may be impaired. These tests require the use of estimates to calculate recoverable amounts.

The recoverable amount of goodwill attributable to cash-generating units is determined based on value-in-use calculations. These calculations use financial budgets and plans covering five-year periods unless a longer period can be justified. Key assumptions used in the financial budgets and plans are revenue growth and margins. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. The discount rates used at 31st December 2015 were between 7.0% and 14.0% (2014: 7.0% and 12.0%). These discount rates are pre-tax and reflect the specific risks relating to the relevant cash-generating unit.

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified by divisional business segment and geographic location.

	2015 HK$M	2014 HK$M
HAECO – Hong Kong and Mainland China	3,511	3,510
HAECO – USA	1,387	1,388
Beverages – Hong Kong and Mainland China	204	214
Beverages – USA	50	54
Marine Services	86	184
Trading & Industrial	567	487
	5,805	5,837

Goodwill attributable to HAECO's businesses in Hong Kong and Mainland China relates to the transaction to acquire majority control of HAECO and arose from its highly skilled workforce in the aircraft engineering and maintenance business. It also represents the premium paid over the traded market price to obtain control of the business. The recoverable amount of HAECO's businesses in Hong Kong and Mainland China has been determined using a value in use calculation. This calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period and a weighted average pre-tax discount rate of 9.0% (2014: 8.9%). Cash flows beyond the five-year period are assumed not to grow by more than 2% per annum (2014: 2%).

Goodwill attributable to HAECO's business in the USA relates to the acquisition of TIMCO Aviation Services, Inc. and arose from its highly skilled workforce, management expertise and the synergies expected to be derived from improved services to a wider range of customers. The recoverable amount of HAECO's businesses in the USA has been determined using a value in use calculation on its airframe services and cabin solutions CGUs. This calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period for airframe services and a ten-year period for cabin solutions. A ten-year period is considered appropriate for cabin solutions in order to take into account of the expected significant growth in the business from the development of new product models over the next three to five years.

The key assumptions used for the airframe services and cabin solutions CGUs are as follows:

	Airframe Services		Cabin Solutions	
	2015	2014	2015	2014
Discount rate	8.5%	8.5%	8.5%	8.5%
Revenue growth – cumulative average growth rate per annum	5.9%	1.9%	16.8%	17.8%

Revenue growth is based on past performance, current industry trends and management's expectations of market development. Assumptions of no growth in cash flows after year five of airframe services and year ten of cabin solutions have been made.

17. Intangible Assets (continued)

Impairment test of goodwill (continued)

The recoverable amount based on the value in use calculation exceeded the carrying value of airframe services by HK$347 million (2014: HK$969 million) and cabin solutions by HK$333 million (2014: HK$1,677 million). The below changes in key assumptions taken in isolation, would remove the remaining headroom.

	Airframe Services		Cabin Solutions	
	2015	2014	2015	2014
Discount rate	**10.1%**	16.9%	**10.1%**	15.6%
Revenue growth – cumulative average growth rate per annum	**4.3%**	(8.7%)	**15.1%**	8.0%

18. Subsidiary Companies

Accounting Policy

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

The principal subsidiary companies of Swire Pacific Limited are shown on pages 199 to 210.

The Group has two subsidiaries with material non-controlling interests; Swire Properties Limited ("Swire Properties") (18%) and Hong Kong Aircraft Engineering Company Limited ("HAECO") (25%). Except for goodwill and other assets of HK$7,357 million included in the Group consolidated statement of financial position (2014: HK$7,409 million) in respect of HAECO, there are no significant differences between the summarised financial information presented in the table below and the amounts in the separate consolidated financial statements of Swire Properties and HAECO.

Summarised Statement of Financial Position

	Swire Properties		HAECO	
	At 31st December		At 31st December	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Current				
Assets	**14,921**	13,751	**4,962**	5,339
Liabilities	**16,701**	12,362	**2,671**	3,746
Total current net (liabilities)/assets	**(1,780)**	1,389	**2,291**	1,593
Non-current				
Assets	**257,320**	246,173	**9,685**	9,692
Liabilities	**38,044**	39,425	**4,790**	3,898
Total non-current net assets	**219,276**	206,748	**4,895**	5,794
Net assets	**217,496**	208,137	**7,186**	7,387

Summarised Statement of Profit or Loss

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Revenue	**16,447**	15,387	**12,095**	11,927
Profit for the year attributable to shareholders	**14,017**	9,495	**464**	573
Other comprehensive income	**(1,599)**	(547)	**(311)**	(285)
Total comprehensive income attributable to shareholders	**12,418**	8,948	**153**	288
Total comprehensive income allocated to non-controlling interests	**2,235**	1,611	**38**	72
Dividends paid to non-controlling interests	**706**	653	**85**	81

18. Subsidiary Companies (continued)

Summarised Statement of Cash Flows

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Net cash generated from operating activities	**8,170**	9,273	**696**	1,115
Net cash used in investing activities	**(4,425)**	(6,392)	**(415)**	(3,326)
Net cash (used in)/generated from financing activities	**(2,179)**	(2,497)	**(1,141)**	2,205
Net increase/(decrease) in cash and cash equivalents	**1,566**	384	**(860)**	(6)
Cash and cash equivalents at 1st January	**2,874**	2,521	**2,310**	2,341
Currency adjustment	**(82)**	(31)	**(37)**	(25)
Cash and cash equivalents at 31st December	**4,358**	2,874	**1,413**	2,310

19. Joint Venture and Associated 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 where the Group has rights to the net assets of those companies.

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

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.

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 have been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associate is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the carrying amount exceeds the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is credited to profit or loss.

(a) Joint venture companies

	2015 HK$M	2014 HK$M
Unlisted shares at cost		
Share of net assets, unlisted	**11,183**	10,515
Goodwill	**106**	94
	11,289	10,609
Loans due from joint venture companies less provisions		
– Interest-free	**12,377**	12,217
– Interest-bearing at 1.71% to 7.50% (2014: 1.71% to 7.50%)	**1,322**	877
	24,988	23,703

19. Joint Venture and Associated Companies (continued)

(a) Joint venture companies (continued)

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

The principal joint venture companies of the Group are shown on pages 199 to 210. There are no joint venture companies that are considered individually material to the Group.

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

	2015 HK$M	2014 HK$M
Non-current assets	**34,233**	31,947
Current assets	**5,919**	7,133
Current liabilities	**(7,892)**	(9,493)
Non-current liabilities	**(21,077)**	(19,072)
Net assets	**11,183**	10,515
Revenue	**14,636**	14,899
Expenses	**(12,396)**	(12,104)
Profit before taxation	**2,240**	2,795
Taxation	**(445)**	(542)
Profit for the year	**1,795**	2,253
Other comprehensive income	**(559)**	(148)
Total comprehensive income for the year	**1,236**	2,105

Capital commitments and contingencies in respect to joint venture companies are disclosed in Note 37 and 38(a), respectively.

(b) Associated companies

Critical Accounting Estimates and Judgements

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has considered whether to consolidate Cathay Pacific as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Under HKFRS 10, the Company will be taken to have power over Cathay Pacific if the Company has rights which give the Company the current ability to direct the activities of Cathay Pacific which significantly affect the Company's returns from Cathay Pacific.

As the Company holds less than half (45%) of the voting rights in Cathay Pacific, the Company does not have power over Cathay Pacific by virtue of holding a majority of those voting rights. The Company has accordingly considered other relevant factors in order to determine whether it has such power. The Company is party to a shareholders agreement dated 8th June 2006 (the "Shareholders Agreement") between itself, Air China Limited ("Air China") and others in relation to the affairs of Cathay Pacific, as subsequently amended. The Shareholders Agreement contains provisions relating to the composition of the board of Cathay Pacific (including Air China being obliged to use its votes as a shareholder of Cathay Pacific to support the Company appointing a majority of the board of directors of Cathay Pacific). The Company is of the view, having considered the terms of the Shareholders Agreement, the terms of an operating agreement dated 8th June 2006 between Cathay Pacific and Air China and the way in which the board of Cathay Pacific governs the affairs of Cathay Pacific in practice, that the Company does not have power over Cathay Pacific for the purposes of HKFRS 10. It follows that, as one of the three requirements in HKFRS 10 for consolidation has not been met, the Company should not consolidate Cathay Pacific as a subsidiary in the Company's financial statements and should account for its interest in Cathay Pacific as an associated company.

19. Joint Venture and Associated Companies (continued)

(b) Associated companies (continued)

	2015 HK$M	2014 HK$M
Share of net assets		
– Listed in Hong Kong	**21,291**	23,017
– Unlisted	**2,171**	2,137
	23,462	25,154
Goodwill	**855**	850
	24,317	26,004
Loans due from associated companies		
– Interest-free	**–**	31
– Interest-bearing at 4.0%-6.0% (2014: 4.0%-6.0%)	**4**	4
	24,321	26,039

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

The market value of the shares in the listed associated company, Cathay Pacific at 31st December 2015 was HK$23,757 million (2014: HK$29,917 million).

The principal associated companies of the Group are shown on pages 199 to 210. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 197 and 198.

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

	2015 HK$M	2014 HK$M
Non-current assets	**67,481**	68,666
Current assets	**13,927**	12,792
Current liabilities	**(17,394)**	(17,293)
Non-current liabilities	**(40,483)**	(38,952)
Non-controlling interests	**(69)**	(59)
Net assets	**23,462**	25,154
Revenue	**50,462**	52,543
Expenses	**(47,086)**	(50,532)
Profit before taxation	**3,376**	2,011
Taxation	**(489)**	(333)
Profit for the year	**2,887**	1,678
Other comprehensive income	**(3,549)**	(6,014)
Total comprehensive income for the year	**(662)**	(4,336)

Provisions and contingencies in respect of Cathay Pacific are disclosed in Note 38(b).

20. Financial Instruments by Category

Accounting Policy

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

(a) At fair value through profit or loss
A financial instrument is classified within this category if the intention is to settle it in the short-term or if it is designated as at fair value through profit or loss by management. Derivatives are included within this category unless they are designated as hedges. Put options over non-controlling interests in subsidiary companies and contingent consideration 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 them 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, which is the date when the Group contracts with the purchaser or seller. Financial instruments are initially recognised at fair value. Transaction costs are included for all financial instruments not carried at fair value through profit or loss. Financial instruments are derecognised when the rights to receive or obligations to pay cash have expired or have been transferred and the Group has transferred substantially all the relevant risks and rewards.

Financial instruments classified as at fair value through profit and loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in fair value are included in the statement of profit or loss in the period in which they arise. Derivatives used for hedging are subsequently carried at fair value. Accounting for the realised and unrealised gains and losses arising from changes in the fair value of derivatives are set out in Note 22.

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

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. 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.

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.

20. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position								
At 31st December 2015								
Available-for-sale assets	21	–	–	508	–	–	508	508
Derivative financial assets	22	–	298	–	–	–	298	298
Trade and other receivables excluding prepayments	25	–	–	–	9,105	–	9,105	9,105
Bank balances and short-term deposits	26	–	–	–	8,985	–	8,985	8,985
Total		–	298	508	18,090	–	18,896	18,896
At 31st December 2014								
Available-for-sale assets	21	–	–	771	–	–	771	771
Derivative financial assets	22	10	510	–	–	–	520	520
Trade and other receivables excluding prepayments	25	–	–	–	8,481	–	8,481	8,481
Bank balances and short-term deposits	26	–	–	–	10,115	–	10,115	10,115
Total		10	510	771	18,596	–	19,887	19,887
Liabilities as per consolidated statement of financial position								
At 31st December 2015								
Trade and other payables	27	1,515	–	–	–	18,493	20,008	20,008
Derivative financial liabilities	22	7	217	–	–	–	224	224
Short-term loans	29	–	–	–	–	669	669	669
Long-term loans and bonds due within one year	29	–	–	–	–	6,841	6,841	6,841
Perpetual capital securities	28	–	–	–	–	2,325	2,325	2,575
Long-term loans and bonds due after one year	29	–	–	–	–	58,782	58,782	60,843
Total		1,522	217	–	–	87,110	88,849	91,160
At 31st December 2014								
Trade and other payables	27	985	–	–	–	16,948	17,933	17,933
Derivative financial liabilities	22	3	71	–	–	–	74	74
Short-term loans	29	–	–	–	–	1,123	1,123	1,123
Long-term loans and bonds due within one year	29	–	–	–	–	4,820	4,820	4,820
Perpetual capital securities	28	–	–	–	–	2,327	2,327	2,466
Long-term loans and bonds due after one year	29	–	–	–	–	60,518	60,518	62,963
Total		988	71	–	–	85,736	86,795	89,379

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 or based on quotes from market makers, which use assumptions that are based on market conditions existing at each year-end date.

20. Financial Instruments by Category (continued)

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:

	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per consolidated statement of financial position					
At 31st December 2015					
Available-for-sale assets	21				
– Listed investments		**262**	**–**	**–**	**262**
– Unlisted investments		**–**	**–**	**246**	**246**
Derivatives used for hedging	22	**–**	**298**	**–**	**298**
Total		**262**	**298**	**246**	**806**
At 31st December 2014					
Available-for-sale assets	21				
– Listed investments		433	–	–	433
– Unlisted investments		–	–	338	338
Derivatives used for hedging	22	–	520	–	520
Total		433	520	338	1,291
Liabilities as per consolidated statement of financial position					
At 31st December 2015					
Derivatives used for hedging	22	**–**	**224**	**–**	**224**
Put option over non-controlling interest in Brickell City Centre	27	**–**	**–**	**509**	**509**
Put options over non-controlling interests in subsidiary companies	27	**–**	**–**	**74**	**74**
Contingent consideration	27	**–**	**–**	**932**	**932**
Total		**–**	**224**	**1,515**	**1,739**
At 31st December 2014					
Derivatives used for hedging	22	–	74	–	74
Put option over non-controlling interest in Brickell City Centre	27	–	–	470	470
Put options over non-controlling interests in subsidiary companies	27	–	–	127	127
Contingent consideration	27	–	–	388	388
Total		–	74	985	1,059

Notes:
The levels in the hierarchy represent the following:
Level 1 – Financial instruments measured at fair value using quoted prices in active markets.
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.

20. Financial Instruments by Category (continued)

There were no transfers of financial instruments between the levels in the fair value hierarchy. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

The change in level 3 financial instruments for the year is as follows:

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2015	597	338	388
Translation differences	(1)	–	–
Additions	23	–	541
Disposals	–	(92)	–
Change in fair value recognised in profit or loss during the year	(36)	–	22
Payment of consideration	–	–	(19)
At 31st December 2015	583	246	932
Total gains/(losses) for the year included in profit or loss in respect of financial instruments held at 31st December 2015	36	–	(22)
Change in unrealised gains/(losses) for the year included in profit or loss of financial instruments held at 31st December 2015	36	–	(22)

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2014	1,839	133	–
Additions	75	245	388
Put option exercised during the year	(1,256)	–	–
Change in fair value recognised in profit or loss during the year	(61)	–	–
Change in composition of the Group	–	(40)	–
At 31st December 2014	597	338	388
Total gains for the year included in profit or loss in respect of financial instruments held at 31st December 2014	61	–	–
Change in unrealised gains for the year included in profit or loss of financial instruments held at 31st December 2014	61	–	–

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

The fair value of derivatives used for hedging in level 2 has been based on quotes from market makers or discounted cash flow valuation techniques and is supported by observable inputs. The most significant observable inputs are market interest rates, exchange rates and yields and commodity prices.

The fair value estimate of the put option over a non-controlling interest in the retail portion of Brickell City Centre classified as level 3 is determined using a discounted cash flow valuation technique and contains a number of unobservable inputs, including the expected fair value of the investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is late 2019 and the discount rate used is 6.3%. The investment property's fair value at the expected time of exercise is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected fair market rent and the expected capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 31st December 2015. If the expected time of exercise 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 time or a lower discount rate.

20. Financial Instruments by Category (continued)

The fair value of the put options over non-controlling interests in subsidiary companies (other than the subsidiary company holding a non-controlling interest in the retail portion of Brickell City Centre), unlisted investments and contingent consideration classified as level 3 are determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs to reasonable alternative assumptions would not significantly change the valuation of the put options, unlisted investments and contingent consideration.

The Group's finance departments perform the valuations of financial instruments required for reporting purposes, including level 3 fair values. The valuations are reviewed and approved by divisional finance directors.

21. Available-for-sale Assets

	2015 HK$M	2014 HK$M
Non-current assets		
Shares listed in Hong Kong	101	99
Shares listed overseas	161	334
Unlisted investments	246	338
	508	771

22. 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 at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (b) hedges of highly probable forecast transactions (cash flow hedges); or (c) hedges of net investments in foreign operations.

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

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings and foreign exchange risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of profit or loss within finance income or finance costs. The gain or loss relating to forward foreign exchange contracts, whether effective or ineffective, is recognised in the statement of profit or loss within other net gains.

If a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised through the statement of profit or loss over the period to maturity.

(b) Cash flow hedges

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

22. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(b) Cash flow hedges (continued)
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 (for instance when a forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the statement of profit or loss within cost of sales. The gain or loss relating to the ineffective portion of interest rate swaps or forward foreign exchange contracts is recognised in the statement of profit or loss within other net gains. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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.

(c) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of a hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Gains and losses accumulated in equity are transferred to the statement of profit or loss when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

The fair value of interest rate swaps and cross-currency swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward relevant exchange market rates at the period-end date.

	2015		2014	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges (a)	**287**	**180**	497	23
Interest rate swaps – cash flow hedges	**3**	**21**	11	16
Forward foreign exchange contracts				
– cash flow hedges	**6**	**16**	2	30
– not qualifying as hedges	**–**	**–**	10	2
Commodity swaps				
– cash flow hedges	**2**	**–**	–	2
– not qualifying as hedges	**–**	**7**	–	1
Total	**298**	**224**	520	74
Analysed as:				
– Current	**68**	**23**	12	34
– Non-current	**230**	**201**	508	40
	298	**224**	520	74

22. Derivative Financial Instruments (continued)

(a) The cross-currency swaps principally hedge the foreign currency risk relating to US$ note issues and US$ perpetual capital securities. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2015 are expected to affect the statement of profit or loss in the years to redemption of the notes and perpetual capital securities (up to and including 2025). The total notional principal amount of the outstanding cross currency swap contracts at 31st December 2015 was HK$26,329 million (2014: HK$22,466 million).

For the years ended 31st December 2015 and 31st December 2014 all cash flow hedges were effective.

23. Properties Held for Development and Properties for Sale

Accounting Policy

Properties held for development and properties for sale comprise freehold and leasehold land, construction costs and interest costs capitalised, less provisions for possible losses. Properties held for development are not expected to be sold within the Group's normal operating cycle and are classified as non-current assets. Properties for sale are available for immediate sale and are classified as current assets.

	2015 HK$M	2014 HK$M
Properties held for development		
Freehold land	**795**	794
Development cost	**147**	126
	942	920
Properties for sale		
Completed properties – development costs	**1,045**	345
Completed properties – freehold land	**1**	1
Completed properties – leasehold land	**582**	171
Properties under development – development costs	**4,205**	4,005
Freehold land under development for sale	**349**	350
Leasehold land under development for sale	**1,433**	3,069
	7,615	7,941

24. Stocks and Work in Progress

Accounting Policy

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials or stocks.

	2015 HK$M	2014 HK$M
Goods for sale	**2,219**	1,858
Manufacturing materials	**423**	479
Production supplies	**1,059**	915
Work in progress	**898**	608
	4,599	3,860

25. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the statement of financial position are stated net of such provisions.

Objective evidence of impairment may include indications that a debtor is or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it or they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

	2015 HK$M	2014 HK$M
Trade debtors	**3,529**	3,719
Amounts due from immediate holding company	**2**	2
Amounts due from joint venture companies	**160**	142
Amounts due from associated companies	**610**	457
Interest-bearing advance to an associated company at 7.0% (2014:7.0%)	**117**	123
Prepayments and accrued income	**2,578**	2,314
Other receivables	**3,432**	2,853
	10,428	9,610
Amounts due after one year included under non-current assets	**(466)**	(58)
	9,962	9,552

The amounts due from joint venture and associated companies are unsecured, interest free (except where specified) and on normal trade credit terms.

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

	2015 HK$M	2014 HK$M
Up to three months	**3,318**	3,523
Between three and six months	**115**	132
Over six months	**96**	64
	3,529	3,719

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

25. Trade and Other Receivables (continued)

At 31st December 2015, trade debtors of HK$856 million (2014: HK$1,264 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	2015 HK$M	2014 HK$M
Up to three months	**763**	1,142
Between three and six months	**32**	71
Over six months	**61**	51
	856	1,264

At 31st December 2015, trade debtors of HK$188 million (2014: HK$185 million) were impaired. The amount of the provision was HK$131 million at 31st December 2015 (2014: HK$151 million). It was assessed that a portion of the trade debtors is expected to be recovered.

The maximum exposure to credit risk at 31st December 2015 and 31st December 2014 is the carrying value of trade debtors, amounts due from related parties and other receivables disclosed above. The carrying value of rental deposits from tenants held as security against trade debtors at 31st December 2015 was HK$2,389 million (2014: HK$2,303 million).

26. Bank Balances and Short-Term Deposits

Accounting Policy

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.

	2015 HK$M	2014 HK$M
Bank balances and short-term deposits maturing within three months	**8,936**	10,013
Short-term deposits maturing after more than three months	**49**	102
	8,985	10,115

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 14.25% (2014: 0.01% to 11.75%); these deposits have a maturity from 7 to 365 days (2014: 2 to 167 days).

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

27. Trade and Other Payables

Accounting Policy

Trade and other payables (except put options over non-controlling interests in subsidiary companies and contingent consideration) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2015 HK$M	2014 HK$M
Trade creditors	**3,645**	3,812
Amounts due to immediate holding company	**168**	191
Amounts due to joint venture companies	**207**	179
Amounts due to associated companies	**101**	238
Interest-bearing advances from joint venture companies at 0.28% to 4.63% (2014: 0.27% to 4.63%)	**343**	402
Interest-bearing advances from an associated company at 1.90% (2014: 1.26%)	**296**	128
Advances from non-controlling interests	**159**	125
Rental deposits from tenants	**2,389**	2,303
Put option over non-controlling interest in Brickell City Centre	**509**	470
Put options over non-controlling interests in subsidiary companies	**74**	127
Contingent consideration	**932**	388
Accrued capital expenditure	**1,454**	734
Other accruals	**5,229**	5,117
Other payables	**4,502**	3,719
	20,008	17,933
Amounts due after one year included under non-current liabilities	**(1,198)**	(1,194)
	18,810	16,739

The amounts due to and advances from immediate holding, joint venture and associated companies, and non-controlling interests are unsecured and have no fixed terms of repayment. The interest-bearing advance from an associated company is unsecured and repayable in 2018. Apart from certain amounts due to joint venture and associated companies, which are interest-bearing as specified above, the balances are interest free.

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

	2015 HK$M	2014 HK$M
Up to three months	**3,470**	3,606
Between three and six months	**123**	139
Over six months	**52**	67
	3,645	3,812

28. Perpetual Capital Securities

Refer to the table with the heading "Audited Financial Information" on page 92 for details of the Group's perpetual capital securities.

29. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included for those not held at fair value through profit or loss. 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 heading "Audited Financial Information" on pages 90 to 96 for details of the Group's borrowings.

30. 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 taxation relating to investment properties in Hong Kong is calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in Mainland China, 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.

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

	2015 HK$M	2014 HK$M
Deferred tax assets	**847**	652
Deferred tax liabilities	**(7,605)**	(6,938)
	(6,758)	(6,286)

Substantially all deferred tax balances are to be recovered or settled after more than 12 months.

30. Deferred Taxation (continued)

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

	Note	2015 HK$M	2014 HK$M
At 1st January		**6,286**	5,790
Translation differences		**(63)**	(64)
Acquisition of subsidiary companies	36	**4**	18
Charged to statement of profit or loss	10	**657**	655
Credited to other comprehensive income		**(126)**	(113)
At 31st December		**6,758**	6,286

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

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1st January	**3,494**	3,196	**2,792**	2,588	**1,297**	883	**7,583**	6,667
Translation differences	**–**	–	**(49)**	(63)	**(29)**	(3)	**(78)**	(66)
Acquisition of subsidiary companies	**–**	–	**–**	–	**10**	363	**10**	363
Charged/(credited) to statement of profit or loss	**238**	298	**592**	265	**(83)**	98	**747**	661
Charged/(credited) to other comprehensive income	**–**	–	**3**	2	**(44)**	(44)	**(41)**	(42)
At 31st December	**3,732**	3,494	**3,338**	2,792	**1,151**	1,297	**8,221**	7,583

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1st January	**566**	418	**390**	285	**341**	174	**1,297**	877
Translation differences	**(7)**	(6)	**(1)**	(1)	**(7)**	5	**(15)**	(2)
Acquisition of subsidiary companies	**6**	146	**–**	199	**–**	–	**6**	345
(Charged)/credited to statement of profit or loss	**(73)**	8	**67**	(93)	**96**	91	**90**	6
Credited to other comprehensive income	**–**	–	**–**	–	**85**	71	**85**	71
At 31st December	**492**	566	**456**	390	**515**	341	**1,463**	1,297

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$3,997 million (2014: HK$3,133 million) to carry forward against future taxable income, of which HK$2,016 million (2014: HK$ 1,450 million) will expire at various dates up to 2028.

31. Retirement Benefits

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

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 flows 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 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 assets are charged as remeasurements to other comprehensive income.

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

Critical Accounting Estimates and Judgements

The Group's obligations and expenses in respect of defined benefit schemes are dependent on a number of factors that are determined using a number of actuarial assumptions. The details of the actuarial assumptions used, including applicable sensitives are disclosed in note 31(f).

For the year ended 31st December 2015, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2015. For the year ended 31st December 2014, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012, which were updated at 31st December 2014 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the USA and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the USA. The plan is unfunded. The method of accounting and the frequency of valuations are similar to those used for defined benefit schemes.

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

31. Retirement Benefits (continued)

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued annually by qualified actuaries for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. The latest actuarial valuations indicate that the funding level was 113% (2014: 114%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$211 million to its defined benefit schemes in 2016.

Most new employees in Hong Kong are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$30,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

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

	2015 HK$M	2014 HK$M
Present value of funded obligations	**5,606**	5,313
Fair value of plan assets	**(4,528)**	(4,723)
	1,078	590
Present value of unfunded obligations	**31**	42
Net retirement benefit liabilities	**1,109**	632
Represented by:		
Retirement benefit assets	**(76)**	(122)
Retirement benefit liabilities	**1,185**	754
	1,109	632

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

	2015 HK$M	2014 HK$M
At 1st January	**5,355**	4,764
Translation differences	**(13)**	(18)
Transfer of members	**6**	(7)
Current service cost	**272**	249
Interest expense	**176**	195
Actuarial losses/(gains) from changes in:		
demographic assumptions	**68**	2
financial assumptions	**(90)**	459
Experience losses	**207**	38
Employee contributions	**3**	2
Benefits paid	**(347)**	(329)
At 31st December	**5,637**	5,355

The weighted average duration of the defined benefit obligation is 8.9 years (2014: 9.2 years).

31. Retirement Benefits (continued)

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

	2015 HK$M	2014 HK$M
At 1st January	**4,723**	4,648
Translation differences	**(3)**	(2)
Transfer of members	**6**	(7)
Interest income	**159**	200
Return on plan assets, excluding interest income	**(226)**	–
Contributions by employer	**208**	211
Employee contributions	**2**	1
Benefits paid	**(341)**	(328)
At 31st December	**4,528**	4,723

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

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

	2015 HK$M	2014 HK$M
Current service cost	**272**	249
Net interest cost/(income)	**17**	(5)
	289	244

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

Total retirement benefit costs charged to the statement of profit or loss for the year ended 31st December 2015 amounted to HK$562 million (2014: HK$478 million), including HK$273 million (2014: HK$234 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was a loss of HK$67 million (2014: gain of HK$200 million).

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

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

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:

	2015 HK$M	2014 HK$M
Equities		
Asia Pacific	**569**	627
Europe	**287**	295
North America	**785**	804
Emerging markets	**402**	474
Bonds		
Global	**1,906**	1,753
Emerging markets	**74**	465
Absolute return funds	**187**	181
Cash	**318**	124
	4,528	4,723

31. Retirement Benefits (continued)

At 31st December 2015, the prices of 96% of equities and 76% of bonds were quoted on active markets (31st December 2014: 95% and 66% respectively). The remainder of the prices were not quoted on active markets.

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

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

	2015		2014	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	**3.22**	**2.00-4.90**	3.27	2.00-4.30
Expected rate of future salary increases	**4.00**	**2.75-4.12**	4.00	2.75-4.12

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

	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
Discount rate	0.50%	(271)	296
Expected rate of future salary increases	0.50%	233	(217)

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

32. Share Capital

	Note	'A' shares	'B' shares	Total HK$M
Issued and fully paid:				
At 1st January 2015		**905,578,500**	**2,995,220,000**	**1,294**
Repurchased during the year		**(372,500)**	**–**	**–**
At 31st December 2015		**905,206,000**	**2,995,220,000**	**1,294**
At 1st January 2014		905,578,500	2,995,220,000	903
Transition to no-par value regime on 3rd March 2014	33	–	–	391
At 31st December 2014		905,578,500	2,995,220,000	1,294

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

In July 2015, the company repurchased 372,500 'A' shares on The Stock Exchange of Hong Kong Limited for a total aggregate price paid of HK$35 million. The highest and lowest price paid per 'A' share was HK$92.86. The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid for the repurchased 'A' shares was paid wholly out of the distributable profits included in revenue reserve.

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in proportion five to one.

33. Reserves

	Note	Revenue reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2015		214,880	1,972	772	(4,094)	3,951	217,481
Profit for the year		13,429	–	–	–	–	13,429
Other comprehensive income							
Defined benefit plans							
– remeasurement gains recognised during the year		(332)	–	–	–	–	(332)
– deferred tax		57	–	–	–	–	57
Cash flow hedges							
– losses recognised during the year		–	–	–	(410)	–	(410)
– transferred to net finance charges		–	–	–	(94)	–	(94)
– transferred to operating profit		–	–	–	49	–	49
– deferred tax		–	–	–	57	–	57
Net fair value changes on available-for-sale assets							
– losses recognised during the year		–	–	(74)	–	–	(74)
– transferred to profit or loss on disposal		–	–	(99)	–	–	(99)
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	25	–	–	–	25
– deferred tax		–	(3)	–	–	–	(3)
Share of other comprehensive income of joint venture and associated companies		(125)	–	(156)	(2,806)	(920)	(4,007)
Net translation differences on foreign operations							
– losses recognised during the year		–	–	–	–	(1,269)	(1,269)
– reclassified to profit or loss on disposal		–	–	–	–	116	116
		13,029	22	(329)	(3,204)	(2,073)	7,445
Total comprehensive income for the year							
Acquisition of additional interests in subsidiary companies	34(b)	(1,310)	–	–	–	–	(1,310)
Change in composition of the Group		13	–	–	–	–	13
Repurchase of the Company's shares	32	(35)	–	–	–	–	(35)
Recognition of contingent consideration		(541)	–	–	–	–	(541)
2014 second interim dividend	12	(4,213)	–	–	–	–	(4,213)
2015 first interim dividend	12	(1,685)	–	–	–	–	(1,685)
At 31st December 2015		220,138	1,994	443	(7,298)	1,878	217,155

33. Reserves (continued)

	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2014		209,682	342	49	1,967	884	1,517	4,953	219,394
Profit for the year		11,069	–	–	–	–	–	–	11,069
Other comprehensive income									
Defined benefit plans									
– remeasurement gains recognised during the year		(417)	–	–	–	–	–	–	(417)
– deferred tax		96	–	–	–	–	–	–	96
Cash flow hedges									
– gains recognised during the year		–	–	–	–	–	35	–	35
– transferred to net finance charges		–	–	–	–	–	(95)	–	(95)
– transferred to operating profit		–	–	–	–	–	6	–	6
– transferred to initial cost of non-financial assets		–	–	–	–	–	93	–	93
– deferred tax		–	–	–	–	–	9	–	9
Net fair value changes on available-for-sale assets									
– losses recognised during the year		–	–	–	–	(53)	–	–	(53)
– transferred to profit or loss on disposal		–	–	–	–	(91)	–	–	(91)
Revaluation of property previously occupied by the Group									
– gains recognised during the year		–	–	–	7	–	–	–	7
– deferred tax		–	–	–	(2)	–	–	–	(2)
Share of other comprehensive income of joint venture and associated companies		(140)	–	–	–	32	(5,659)	(367)	(6,134)
Net translation differences on foreign operations		–	–	–	–	–	–	(635)	(635)
		10,608	–	–	5	(112)	(5,611)	(1,002)	3,888
Total comprehensive income for the year									
Change in composition of the Group		6	–	–	–	–	–	–	6
Transition to no-par value regime on 3rd March 2014	32	–	(342)	(49)	–	–	–	–	(391)
2013 second interim dividend		(3,761)	–	–	–	–	–	–	(3,761)
2014 first interim dividend	12	(1,655)	–	–	–	–	–	–	(1,655)
At 31st December 2014		214,880	–	–	1,972	772	(4,094)	3,951	217,481

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$4,055 million (2014: HK$3,039 million) and retained revenue reserves from associated companies amounting to HK$25,142 million (2014: HK$23,403 million).

(b) The Group revenue reserve includes HK$4,182 million (2014: HK$4,213 million) representing the declared second interim dividend for the year (note 12).

34. Non-controlling Interests

(a) The movement of non-controlling interests during the year is as follows:

	Note	2015 HK$M	2014 HK$M
At 1st January		43,355	42,211
Share of profits less losses for the year		2,994	2,316
Defined benefit plans			
– remeasurement gains recognised during the year		(79)	(82)
– deferred tax		12	13
Share of cash flow hedges			
– (losses)/gains recognised during the year		(20)	13
– transferred to net finance charges		1	–
– transferred to operating profit		3	3
– deferred tax		3	(3)
Share of revaluation gains of property previously occupied by the Group		5	1
Share of other comprehensive income of joint venture and associated companies		(101)	(28)
Share of translation differences on foreign operations			
– losses recognised during the year		(320)	(147)
– reclassified to profit or loss on disposal		26	–
Share of total comprehensive income		2,524	2,086
Dividends paid and payable		(876)	(1,158)
Acquisition of non-controlling interests in subsidiary companies	34(b)	(231)	–
Non-controlling interests arising on acquisition of a subsidiary company	36	11	141
Disposal of interest in a subsidiary company		(13)	71
Capital contribution from non-controlling interests		767	4
At 31st December		45,537	43,355

(b) Transactions with non-controlling interests

Acquisition of additional interests in subsidiary companies

On 21st July 2015, Swire Beverages Holdings Limited acquired an additional 15% interest in Swire BCD Limited, an additional 20% interest in Swire Coca-Cola Beverages Hefei Limited and an additional 12.86% interest in Swire Coca-Cola Beverages Zhengzhou Limited for a total consideration of HK$1,541 million. After completion of these transactions, the Group's attributable interest in Swire BCD Limited increased from 74.38% to 89.38%, the Group's attributable interest in Swire Coca-Cola Beverages Hefei Limited increased from 59.50% to 91.50% and the Group's attributable interest in Swire Coca-Cola Beverages Zhengzhou Limited increased from 60.68% to 85.78%.

The effect of changes in the ownership interests in Swire BCD Limited, Swire Coca-Cola Beverages Hefei Limited and Swire Coca-Cola Beverages Zhengzhou Limited is summarised as follows:

	2015 HK$M
Consideration paid for additional shareholding	1,541
Less : carrying amount of non-controlling interests acquired	231
Excess of consideration paid recognised within equity	1,310

35. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

	Note	2015 HK$M	2014 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		15	23
Investment properties		–	3,218
Subsidiary companies		36,083	35,528
Joint venture companies		114	114
Associated companies		4,624	4,624
Available-for-sale assets		101	99
Other receivables		386	–
Retirement benefit assets		38	67
		41,361	43,673
Current assets			
Trade and other receivables		340	55
Bank balances and short-term deposits		776	810
		1,116	865
Current liabilities			
Trade and other payables		33,101	32,268
Net current liabilities		(31,985)	(31,403)
Total assets less current liabilities		9,376	12,270
Non-current liabilities			
Deferred tax liabilities		4	24
NET ASSETS		9,372	12,246
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	32	1,294	1,294
Reserves	35(b)	8,078	10,952
TOTAL EQUITY		9,372	12,246

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Directors
Hong Kong, 10th March 2016

35. Company Statement of Financial Position and Reserves (continued)

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

	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
Company						
At 1st January 2015		10,940	–	–	12	10,952
Profit for the year		3,084	–	–	–	3,084
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		(22)	–	–	–	(22)
– deferred tax		4	–	–	–	4
Net fair value losses on available-for-sale assets		–	–	–	(7)	(7)
Total comprehensive income for the year		3,066	–	–	(7)	3,059
2014 second interim dividend	12	(4,213)	–	–	–	(4,213)
2015 first interim dividend	12	(1,685)	–	–	–	(1,685)
Repurchase of the Company's shares	32	(35)	–	–	–	(35)
At 31st December 2015		8,073	–	–	5	8,078
At 1st January 2014		13,915	342	49	6	14,312
Profit for the year		2,452	–	–	–	2,452
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		(13)	–	–	–	(13)
– deferred tax		2	–	–	–	2
Net fair value gains on available-for-sale assets		–	–	–	6	6
Total comprehensive income for the year		2,441	–	–	6	2,447
Transition to no-par value regime on 3rd March 2014	32	–	(342)	(49)	–	(391)
2013 second interim dividend		(3,761)	–	–	–	(3,761)
2014 first interim dividend	12	(1,655)	–	–	–	(1,655)
At 31st December 2014		10,940	–	–	12	10,952

(i) Distributable reserves of the Company at 31st December 2015 amounted to HK$8,073 million (2014: HK$8,775 million).

(ii) The Company revenue reserve includes HK$4,182 million (2014: HK$4,213 million) representing the declared second interim dividend for the year (note 12).

36. Business Combination

Acquisition of shares in Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery")

On 5th December 2014, Swire Foods acquired 65% of the equity of Chongqing New Qinyuan Bakery Co. Ltd, a leading bakery chain in southwest China with over 460 stores in Chongqing, Guiyang and Chengdu.

At 31st December 2014, the initial accounting for the business combination of Qinyuan Bakery was incomplete and provisional amounts were reported pending the receipt of final valuations of the assets acquired. After finalisation of the completion financial statements and receipt of the final valuations of the assets acquired, the following measurement period adjustments were recognised in the current year:

	Provisional amounts at 31st December 2014 HK$M	Final amounts at 31st December 2015 HK$M	Measurement period adjustments recognised in the current year HK$M
Purchase consideration:			
Cash paid	749	849	100
Property, plant and equipment	219	288	69
Leasehold land and land use rights	32	38	6
Stocks and work in progress	17	17	–
Cash and cash equivalents	161	145	(16)
Trade and other receivables	87	103	16
Trade and other payables	(110)	(147)	(37)
Taxation payable	(3)	(6)	(3)
Deferred tax liabilities	–	(4)	(4)
Non-controlling interests	(141)	(152)	(11)
Net identifiable assets acquired	262	282	20
Goodwill	487	567	80
	749	849	100
Purchase consideration settled in cash	749	849	100
Cash and cash equivalents acquired	(161)	(145)	16
Net cash outflow on acquisition	588	704	116

37. Capital Commitments

	2015 HK$M	2014 HK$M
The Group's outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**4,379**	3,305
Authorised by Directors but not contracted for	**3,992**	5,534
(b) Investment properties		
Contracted for	**3,186**	2,417
Authorised by Directors but not contracted for	**13,130**	15,773
	24,687	27,029
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**613**	2,259
Authorised by Directors but not contracted for	**3,286**	3,609
	3,899	5,868

* of which the Group is committed to funding HK$1,478 million (2014: HK$2,650 million).

At 31st December 2015, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$171 million (2014: HK$229 million).

38. 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 the fee income earned in the statement of profit or loss 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.

38. Provisions and Contingencies (continued)

		2015 HK$M	2014 HK$M
(a)	Guarantees provided in respect of bank loans and other liabilities of:		
	Joint venture companies	**3,771**	1,977
	Bank guarantees given in lieu of utility deposits and others	**177**	146
		3,948	2,123

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

(b) Cathay Pacific Airways

Critical Accounting Estimates and Judgements

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions except as otherwise noted below. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

The proceedings and civil actions, except as otherwise stated below, are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the accounting policy set out above in this note.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of €57.12 million (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. In January 2011, Cathay Pacific filed an appeal with the General Court of the European Union. The appeal was heard by the General Court in Luxembourg in May 2015. The General Court delivered judgment in December 2015 annulling the European Commission's finding against Cathay Pacific. The fine of €57.12 million was refunded to Cathay Pacific in February 2016.

Cathay Pacific is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including Canada, the United Kingdom, Germany, the Netherlands, Norway and Korea alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending these actions, except as noted below.

Cathay Pacific was a defendant in various putative class action cases filed in the United States, in which the plaintiffs alleged Cathay Pacific and other carriers that provide air cargo services fixed the prices of various air cargo charges and surcharges in violation of United States federal antitrust laws. Those were consolidated into one case for all pre-trial purposes, In re Air Cargo Shipping Services Antitrust Litigation, MDL No. 1775, EDNY. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle this matter in February 2014, by paying the plaintiffs US$65 million (approximately HK$504 million at the exchange rate current at date of payment). The settlement, which was approved by the Court in October 2015, resolved claims brought by all putative class members who chose not to opt out of the agreement. Certain plaintiffs opted out of the agreement. The claims of opt-out plaintiff DPWN Holdings (USA) were resolved by the payment of US$15.4 million in December 2014. The claims of opt-out plaintiff Schenker, AG were resolved by the payment of US$8.2 million in January 2015. Cathay Pacific is not aware of any other opt-out plaintiff having asserted a claim, but none of the other opt-outs' claims would be material.

38. Provisions and Contingencies (continued)

(b) Cathay Pacific Airways (continued)

Cathay Pacific was a defendant in various putative class action cases filed in the United States, in which the plaintiffs alleged Cathay Pacific and other carriers fixed certain elements of the price charged for passenger air transportation services in violation of United States antitrust laws. Those cases were consolidated into one case for all pre-trial purposes, In re Transpacific Passenger Air Transportation Antitrust Litigation, MDL No. 1913, N.D. Cal. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle this matter in July 2014 by paying the plaintiffs US$7.5 million (approximately HK$58.1 million at the exchange rate current at date of payment). The settlement, which was approved by the Court in May 2015, resolves claims by all putative class members who chose not to opt out of the agreement. Only one passenger opted out. Cathay Pacific is not aware of any claim being filed by that passenger, but any claim on behalf of that passenger would not be material.

Cathay Pacific is a defendant in three putative class action cases filed in Canada, in which the plaintiffs allege Cathay Pacific and other carriers that provide air cargo services fixed the prices of various air cargo charges and surcharges in violation of the Canadian Competition Act. Two of the actions were stayed pending resolution of the third class action, which was certified in August 2015. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle all three actions in December 2015, by paying the plaintiffs C$6 million. The settlement, which is subject to Court approval, will resolve claims by all putative class members in all three actions.

39. Leases

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 expenses in the statement of profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

39. Leases (continued)

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 and vessels under operating leases. The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received during the year amounted to HK$347 million (2014: HK$406 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew them after that date, at which time all terms are renegotiated.

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

	2015 HK$M	2014 HK$M
Investment properties:		
Not later than one year	**8,029**	8,026
Later than one year but not later than five years	**15,027**	15,641
Later than five years	**3,121**	2,393
	26,177	26,060
Vessels:		
Not later than one year	**2,741**	3,519
Later than one year but not later than five years	**2,401**	3,098
Later than five years	**212**	521
	5,354	7,138
	31,531	33,198

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

	2015		2014	
	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Vessels HK$M
Cost or fair value	**198,161**	**27,485**	197,013	25,104
Less: accumulated depreciation and impairment	**–**	**(6,493)**	–	(4,639)
	198,161	**20,992**	197,013	20,465
Depreciation for the year	**–**	**1,215**	–	1,027

39. Leases (continued)

(b) Lessee

The Group leases land and buildings, vessels and other equipment under operating leases. These leases typically run for an initial period of one to nine years with an option to renew them after that date, at which time all terms are renegotiated. The retail turnover-related rentals paid during the year amounted to HK$55 million (2014: HK$33 million).

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

	2015 HK$M	2014 HK$M
Land and buildings:		
Not later than one year	**1,157**	878
Later than one year but not later than five years	**1,696**	1,733
Later than five years	**2,880**	2,998
	5,733	5,609
Vessels:		
Not later than one year	**136**	137
Later than one year but not later than five years	**306**	379
Later than five years	**61**	135
	503	651
Other equipment:		
Not later than one year	**26**	23
Later than one year but not later than five years	**11**	3
Later than five years	**2**	–
	39	26
	6,275	6,286

40. Related Party Transactions

Accounting Policy

Related parties of the Group are individuals and companies, including subsidiary, fellow subsidiary, joint venture and associated companies and key management of the Group or parent of the Group (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 are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements commenced on 1st January 2014 and will last for three years until 31st December 2016. For the year ended 31st December 2015, service fees payable amounted to HK$288 million (2014: HK$325 million). Expenses of HK$217 million (2014: HK$194 million) were reimbursed at cost; in addition, HK$338 million (2014: HK$311 million) in respect of shared administrative services was reimbursed.

40. Related Party Transactions (continued)

Under a tenancy framework agreement ("Tenancy Framework Agreement") between JSSHK, the Company and Swire Properties Limited dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was for an initial term of two years ending on 31st December 2015 and was renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the year ended 31st December 2015, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$101 million (2014: HK$93 million).

On 31st July 2015, the Company and R W M Lee, an Independent Non-Executive Director, entered into a preliminary agreement for sale and purchase in respect of the sale by the Company to R W M Lee of the residential unit on the 6th floor and parking spaces nos. 13 and 14 on the lower ground floor of OPUS HONG KONG, No. 53 Stubbs Road, Hong Kong for a cash consideration of HK$375 million. On completion of the transaction, R W M Lee was entitled to a cash benefit of HK$28 million subject to proof of due payment of ad valorem stamp duty payable on the transaction.

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

		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Notes	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Revenue from									
– Sales of beverage drinks	(a)	4	1	20	15	–	–	–	–
– Rendering of services		1	1	5	5	23	20	–	–
– Aircraft and engine maintenance		46	36	2,548	2,583	–	–	–	–
Purchase of beverage drinks	(a)	108	59	1,814	1,976	–	–	–	–
Purchase of other goods	(a)	4	4	12	21	–	–	–	–
Purchase of services	(a)	22	17	7	7	41	66	–	–
Rental revenue	(b)	6	5	11	7	16	15	85	78
Interest income	(c)	74	50	8	8	–	–	–	–
Interest charges	(c)	12	16	4	1	–	–	–	–

Notes:
(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.
(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
(c) Loans advanced to joint venture and associated companies at 31st December 2015 are disclosed in note 19. Advances to and from joint venture and associated companies are disclosed in notes 25 and 27.

Amounts due to the immediate holding company at 31st December 2015 are disclosed in note 27. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management, which includes executive and non-executive directors and executive officers, is disclosed in note 8.

41. Notes to the Consolidated Statement of Cash Flows

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

	2015 HK$M	2014 HK$M
Operating profit	**16,461**	13,697
Loss on disposal of four hotels in the UK	**229**	–
Loss on sale of property, plant and equipment	**–**	19
Loss on sale of investment properties	**135**	39
Profit on disposal of available-for-sale assets	**(105)**	(78)
Change in fair value of investment properties	**(7,053)**	(1,896)
Depreciation, amortisation and impairment losses	**4,593**	2,895
Other items	**(125)**	(128)
Operating profit before working capital changes	**14,135**	14,548
Decrease in properties for sale	**472**	274
Increase in stocks and work in progress	**(823)**	(236)
(Increase)/decrease in trade and other receivables	**(311)**	464
Increase in trade and other payables	**889**	1,200
Cash generated from operations	**14,362**	16,250

(b) Purchase of property, plant and equipment

	2015 HK$M	2014 HK$M
Properties	**1,089**	1,249
Leasehold land and land use rights	**31**	23
Plant and machinery	**1,659**	1,696
Vessels	**1,466**	3,213
Total	**4,245**	6,181

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

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

(c) Disposal of subsidiary companies owning four hotels in the UK

	2015 HK$M
Net assets disposed:	
Property, plant and equipment	498
Stocks	1
Trade and other receivables	32
Cash and cash equivalents	7
Trade and other payables	(59)
Exchange losses reclassified from translation reserve	142
	621
Loss on disposal of four hotels in the UK	(229)
	392
Satisfied by:	
Cash received (net of transaction costs)	380
Other consideration	12
	392
Analysis of the net inflow from disposal of four hotels in the UK:	
Net cash proceeds	380
Cash and cash equivalents	(7)
Net inflow of cash and cash equivalents per consolidated statement of cash flows	373

(d) Analysis of changes in financing during the year

	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1st January	68,788	61,844	43,355	42,211
Net cash inflow from financing	14	7,017	767	4
Acquisition of interests in subsidiary companies	–	20	(220)	141
Disposal of interest in a subsidiary company	–	–	(13)	71
Non-controlling interests' share of total comprehensive income	–	–	2,524	2,086
Dividends paid to non-controlling interests	–	–	(1,026)	(1,009)
Movement in dividends payable to non-controlling interests	–	–	150	(149)
Currency adjustment	(291)	(200)	–	–
Other non-cash movements	106	107	–	–
At 31st December	68,617	68,788	45,537	43,355

42. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

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

Principal Accounting Policies

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

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain available-for-sale assets, financial assets and financial liabilities (including derivative instruments) and investment properties, which are carried at fair value.

2. Basis of Consolidation

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

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

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

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

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

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

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

The Group's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other 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 recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

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

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

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

3. Subsidiary Companies

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

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 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 recognised 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, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to the consolidated statement of profit or loss as part of the gain or loss on sale.

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.

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated statement of profit or loss and consolidated statement of other comprehensive income for the year ended 31st December 2015 and consolidated statement of financial position as at 31st December 2015, modified to conform to the Group's financial statements presentation.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2015

	2015 HK$M	2014 HK$M
Revenue	**102,342**	105,991
Operating expenses	**(95,678)**	(101,556)
Operating profit	**6,664**	4,435
Finance charges	**(1,380)**	(1,460)
Finance income	**216**	302
Net finance charges	**(1,164)**	(1,158)
Share of profits less losses of associated companies	**1,965**	772
Profit before taxation	**7,465**	4,049
Taxation	**(1,157)**	(599)
Profit for the year	**6,308**	3,450
Profit for the year attributable to:		
– Cathay Pacific's shareholders	**6,000**	3,150
– Non-controlling interests	**308**	300
	6,308	3,450
Dividends		
Interim – paid	**1,023**	393
Second interim – declared/paid	**1,062**	1,023
	2,085	1,416

Cathay Pacific Airways Limited -
Abridged Financial Statements

	HK¢	HK¢
Earnings per share for profit attributable to Cathay Pacific's shareholders (basic and diluted)	**152.5**	80.1

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2015

	2015 HK$M	2014 HK$M
Profit for the year	**6,308**	3,450
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans	**(210)**	(316)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges	**(5,417)**	(12,468)
Net fair value gains on available-for-sale assets	**(321)**	67
Share of other comprehensive income of associated companies	**(741)**	(52)
Net translation differences on foreign operations	**(1,060)**	(527)
Other comprehensive income for the year, net of tax	**(7,749)**	(13,296)
Total comprehensive income for the year	**(1,441)**	(9,846)
Total comprehensive income attributable to:		
Cathay Pacific's shareholders	**(1,749)**	(10,144)
Non-controlling interests	**308**	298
	(1,441)	(9,846)

Consolidated Statement of Financial Position

At 31st December 2015

	2015 HK$M	2014 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	100,552	98,471
Intangible assets	10,606	10,318
Investments in associates	22,878	22,918
Other long-term receivables and investments	5,069	6,372
Deferred tax assets	497	428
	139,602	138,507
Current assets		
Stock	1,366	1,589
Trade, other receivables and other assets	11,212	10,780
Liquid funds	20,647	21,098
	33,225	33,467
Current liabilities		
Current portion of long-term liabilities	13,782	10,002
Related pledged security deposits	(544)	(221)
Net current portion of long-term liabilities	13,238	9,781
Trade and other payables	23,025	22,458
Unearned transportation revenue	13,012	12,238
Taxation	502	199
	49,777	44,676
Net current liabilities	(16,552)	(11,209)
Total assets less current liabilities	123,050	127,298
Non-current liabilities		
Long-term liabilities	49,867	55,814
Related pledged security deposits	–	(499)
Net long-term liabilities	49,867	55,315
Other long-term payables	15,838	10,439
Deferred taxation	9,278	9,691
	74,983	75,445
NET ASSETS	48,067	51,853
EQUITY		
Share capital	17,106	17,106
Reserves	30,821	34,616
Equity attributable to Cathay Pacific's shareholders	47,927	51,722
Non-controlling interests	140	131
TOTAL EQUITY	48,067	51,853

Principal Subsidiary, Joint Venture and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2015

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Cathay Limited	82	–	100	807 shares	Property investment
Citiluck Development Limited	82	–	100	1,000 shares	Property investment
Cityplaza Holdings Limited	82	–	100	100 shares	Property investment
Coventry Estates Limited	82	–	100	4 shares	Property investment
Island Delight Limited	71.75	–	100	1 share	Property trading
Keen Well Holdings Limited	65.60	–	100	1 share	Property trading
Lantau Development Limited	82	–	100	1 share	Project management
One Island East Limited	82	–	100	2 shares	Property investment
One Queen's Road East Limited	82	–	100	2 shares	Property investment
Oriental Landscapes Limited	82	–	100	60,000 shares	Landscaping services
Pacific Place Holdings Limited	82	–	100	2 shares	Property investment
Redhill Properties Limited	82	–	100	250,000 shares	Property investment
Super Gear Investment Limited	82	–	100	2 shares	Property investment
Swire Properties (Finance) Limited	82	–	100	1,000,000 shares	Financial services
Swire Properties Limited	82	82	–	5,850,000,000 shares	Holding company
Swire Properties Management Limited	82	–	100	2 shares	Property management
Swire Properties MTN Financing Limited	82	–	100	1 share	Financial services
Swire Properties Projects Limited	82	–	100	2 shares	Project management
Swire Properties Real Estate Agency Limited	82	–	100	2 shares	Real estate agency
Taikoo Place Holdings Limited	82	–	100	2 shares	Property investment
Incorporated in Mainland China:					
(Domestic company)					
Beijing Tianlian Real Estate Company Limited • ^	82	–	100	Registered capital of RMB865,000,000	Holding company
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Company Limited ^	79.54	–	97	Registered capital of RMB3,050,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Sanlitun Hotel Management Company Limited ^	82	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited ^	82	–	100	Registered capital of RMB2,784,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited ^	82	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	82	–	100	Registered capital of RMB295,000,000	Property investment
Swire Properties (China) Investment Company Limited ^	82	–	100	Registered capital of US$30,000,000	Holding company

Notes:
1) 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.
2) Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and operating are international, and are not attributable to a principal country of operation.
3) * Group interest held through joint venture or associated companies.
4) • Companies not audited by PricewaterhouseCoopers. These companies account for approximately 9% of attributable net assets at 31st December 2015.
5) ^ Translated name.

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in the United States:					
700 Brickell City Centre LLC	82	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	82	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	82	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	50.43	–	86.50	Limited Liability Company	Property investment
FTL/AD LTD	61.50	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	82	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	82	–	100	Limited Liability Company	Property trading
Swire Properties Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	82	–	100	Limited Liability Company	Property trading and investment
Swire Properties US Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	82	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands and operate in Hong Kong:					
Bao Wei Enterprises Limited	82	–	100	1 share of US$1	Property trading
Boom View Holdings Limited	82	–	100	2 shares of US$1 each	Property investment
Endeavour Technology Limited	71.75	–	87.50	1,000 shares of US$1 each	Holding company
Excel Free Ltd.	82	–	100	1 share of US$1	Property trading
Fine Grace International Limited	82	–	100	1 share of US$1	Property trading
Novel Ray Limited	82	–	100	1 share of US$1	Property investment
Peragore Limited	65.60	–	80	1,000 shares of US$1 each	Holding company
Sino Flagship Investments Limited	82	–	100	1 share of US$1	Property investment
Star Wing International Limited	82	–	100	1 share of US$1	Property investment
Swire and Island Communication Developments Limited	49.20	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	82	–	100	1 share of US$1	Holding company
Wonder Cruise Group Limited	82	–	100	1 share of US$1	Property trading
Joint venture companies:					
Incorporated in Hong Kong:					
Hareton Limited	41	–	50	100 shares	Property investment
Pacific Grace Limited	41	–	*	2 shares	Property investment
Richly Leader Limited	41	–	50	1,000,000,000 shares	Property investment
Sky Treasure Limited	41	–	*	2 shares	Property trading
Incorporated in the United States:					
Swire Brickell Key Hotel, Ltd.	61.50	–	75	Florida Partnership	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION (continued)					
Joint venture companies (continued):					
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited (operates in Mainland China)	41	–	50	1,000 shares of US$1 each	Holding company
Great City China Holdings Limited (operates in Mainland China)	41	–	50	100 shares of US$1 each	Holding company
Island Land Development Limited (operates in Hong Kong)	41	–	50	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	16.40	–	20	5 shares of US$1 each	Holding company
Incorporated in Mainland China:					
(Domestic company)					
Beijing Linlian Real Estate Company Limited ^	41	–	50	Registered capital of RMB400,000,000	Property investment
(Wholly foreign owned enterprises)					
Chengdu Qianhao Real Estate Company Limited	41	–	*	Registered capital of US$329,000,000	Property investment
Guan Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$1,136,530,000	Property investment
Associated companies:					
Incorporated in Hong Kong:					
Greenroll Limited •	16.40	–	20	45,441,000 shares	Hotel investment
Queensway Hotel Limited •	16.40	–	*	100,000 shares	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	16.40	–	20	10,005,000 shares	Hotel investment
AVIATION DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
HAECO ITM Limited	65.99	–	70 & *	100 shares	Aircraft inventory technical management
Hong Kong Aircraft Engineering Company Limited	74.99	74.99	–	166,324,850 shares	Aircraft overhaul and maintenance
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Shanghai Taikoo Aircraft Engineering Services Company Limited • ^	52.19	–	75	Registered capital of US$3,700,000	Line services
Taikoo Engine Services (Xiamen) Company Limited	59.05	–	76.59 & *	Registered capital of US$113,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited	48	–	58.55 & *	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	55.27	–	73.80 & *	Registered capital of US$36,890,000	Landing gear repair and overhaul
(Wholly foreign owned enterprise)					
HAECO Component Overhaul (Xiamen) Limited	74.99	–	100	Registered capital of US$18,600,000	Aircraft component overhaul

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Singapore:					
Singapore HAECO Pte. Limited	74.99	–	100	Registered capital of S$1	Line services
Incorporated in the United States:					
HAECO Private Jet Solutions, LLC •	67.50	–	90.01	Capital of US$10,000	Certification, engineering design and programme management for cabin completion and reconfiguration
HAECO USA Holdings, Inc.	74.99	–	100	2,150 shares of US$0.01 each	Aircraft overhaul and maintenance, cabin modification and interior products manufacturing
Joint venture companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	36.75	–	49	9,200,000 shares	Carbon brake machining and wheel hub overhaul
Hong Kong Aero Engine Services Limited	33.75	–	45	20 shares	Commercial aero engine overhaul services
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	25.32	–	37	Registered capital of US$7,500,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited	16.80	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs
Honeywell TAECO Aerospace (Xiamen) Company Limited •	23.55	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo (Shandong) Aircraft Engineering Company Limited •	27.30	–	40	Registered capital of RMB200,000,000	Airframe maintenance services for narrow-body aircraft
Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited	38.96	–	52.56 &*	Registered capital of US$11,663,163	Composite material aeronautic parts/systems repair, manufacturing and sales
Incorporated in Singapore:					
Singapore Aero Engine Services Pte. Limited •	6.75	–	*	54,000,000 shares of US$1 each	Commercial aero engine overhaul services
Associated companies:					
Incorporated in Hong Kong:					
AHK Air Hong Kong Limited •	27	–	*	54,402,000 'A' shares and 36,268,000 'B' shares	Cargo airline
Airline Property Limited •	45	–	*	2 shares	Property investment
Airline Stores Property Limited •	45	–	*	2 shares	Property investment
Airline Training Property Limited •	45	–	*	2 shares	Property investment
Asia Miles Limited •	45	–	*	2 shares	Travel reward programme
Cathay Holidays Limited •	45	–	*	40,000 shares	Travel tour operator
Cathay Pacific Aero Limited •	45	–	*	1 share	Financial services
Cathay Pacific Aircraft Lease Finance Limited •	45	–	*	1 share	Aircraft leasing facilitator
Cathay Pacific Airways Limited •	45	45	–	3,933,844,572 shares	Operation of scheduled airline services

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued):					
Incorporated in Hong Kong (continued):					
Cathay Pacific Catering Services (H.K.) Limited •	45	–	*	600 shares	Airline catering
Cathay Pacific Services Limited •	45	–	*	1 share	Cargo terminal
Deli Fresh Limited •	45	–	*	20 shares	Food processing and catering
Global Logistics System (HK) Company Limited •	43.49	–	*	100 shares	Computer network for interchange of air cargo related information
Ground Support Engineering Limited	22.50	–	*	2 shares	Airport ground engineering support & equipment maintenance
Hong Kong Airport Services Limited •	45	–	*	100 shares	Aircraft ramp handling services
Hong Kong Aviation and Airport Services Limited •	45	–	*	2 shares	Property investment
Hong Kong Dragon Airlines Limited •	45	–	*	500,000,000 shares	Operation of scheduled airline services
LSG Lufthansa Service Hong Kong Limited	14.37	–	*	501 shares	Airline catering
Vehicle Engineering Services Limited	22.50	–	*	2 shares	Repair and maintenance services for transportation companies
Vogue Laundry Service Limited •	45	–	*	3,700 shares	Laundry and dry cleaning
Incorporated in Mainland China:					
Air China Cargo Co., Ltd. •	15.87	–	*	Registered capital of RMB5,235,294,118	Cargo carriage service
Air China Limited •	9.06	–	*	4,562,683,364 'H' shares of RMB1 each 8,522,067,640 'A' shares of RMB1 each	Operation of scheduled airline services
Shanghai International Airport Services Co., Limited • ^	13.42	–	*	Registered capital of RMB360,000,000	Ground handling
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited •	45	–	*	Registered capital of HK$8,000,000	Information processing
Incorporated in Cayman Islands:					
Cathay Pacific MTN Financing Limited •	45	–	*	1 share of US$1	Financial services
Incorporated in Bermuda:					
Troon Limited •	45	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man:					
Cathay Pacific Aircraft Acquisition Limited •	45	–	*	2,000 shares of US$1 each	Aircraft acquisition facilitator
Cathay Pacific Aircraft Services Limited •	45	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Snowdon Limited •	45	–	*	2 shares of GBP1 each	Financial services
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc. •	18	–	*	37,500,000 shares of PHP1 each	Airline catering
Incorporated in Taiwan:					
China Pacific Catering Services Limited •	22.05	–	*	86,100,000 shares of NTD10 each	Airline catering

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
BEVERAGES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Mount Limited	87.50	–	100	1 share	Holding company
Swire Beverages Holdings Limited	100	100	–	10,002 shares	Holding company
Swire Beverages Limited	87.50	–	87.50	14,194 'A' shares and 406 'B' shares	Holding company and sale of non-alcoholic beverages
Swire Coca-Cola HK Limited	87.50	–	100	2,400,000 shares	Manufacture and sale of non-alcoholic beverages
Top Noble Limited	100	–	100	1 share	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Swire Coca-Cola Beverages Xiamen Ltd.	93.63	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Ltd.	85.78	–	94.44	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire BCD Co., Ltd.	89.38	–	100	Registered capital of US$60,000,000	Holding company
Swire Coca-Cola Beverages Hefei Ltd.	91.50	–	100	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Luohe Limited	85.78	–	100	Registered capital of RMB115,180,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Shaanxi Limited ^	89.38	–	100	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB63,370,000	Manufacture and sale of non-alcoholic beverages
Incorporated in Bermuda:					
Swire Pacific Industries Limited	100	–	100	12,000 shares of US$1 each	Holding company
Incorporated in the British Virgin Islands:					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding company
Swire Coca-Cola Beverages Limited (operates principally in Taiwan)	100	–	100	1,599,840,000 'A' shares of US$0.01 each 200,160,000 'B' shares of US$0.01 each	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited (operates principally in Taiwan)	100	–	100	20,100 shares of US$1 each	Sale of non-alcoholic beverages
Incorporated in the United States:					
Swire Pacific Holdings Inc.	100	–	100	8,950.28 shares of US$1 each	Manufacture and sale of non-alcoholic beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
BEVERAGES DIVISION (continued)					
Joint venture companies:					
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Swire Coca-Cola Beverages Jiangsu Limited	53.63	–	60	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited	53.63	–	21.46 & *	Registered capital of RMB71,300,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhejiang Limited	53.63	–	60	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	44.63	–	20.40 & *	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	44.63	–	51	Registered capital of RMB510,669,000	Manufacture and sale of non-alcoholic beverages
Associated companies:					
Incorporated in Hong Kong:					
Coca-Cola Bottlers Manufacturing Holdings Limited	35.88	–	41	30,000 shares	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	35.88	–	*	Registered capital of US$34,861,450	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Management Service (Shanghai) Company Limited ^	35.88	–	*	Registered capital of US$5,000,000	Management services
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	35.88	–	*	Registered capital of US$141,218,820	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	35.88	–	*	Registered capital of US$31,496,700	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Hangzhou) Company Limited ^	35.88	–	*	Registered capital of US$14,272,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Jinan) Company Limited	35.88	–	*	Registered capital of US$5,720,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Nanning) Company Limited	35.88	–	*	Registered capital of US$9,600,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Shijiazhuang) Company Limited	35.88	–	*	Registered capital of US$11,460,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	35.88	–	*	Registered capital of US$2,566,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Yingkou) Company Limited	35.88	–	*	Registered capital of US$12,667,000	Manufacture and sale of non-carbonated beverages
MARINE SERVICES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited	100	–	100	1,000 shares	Ship personnel management

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Australia:					
Swire Pacific Offshore Pty. Limited •	100	–	100	40,000 shares of AUD1 each	Ship chartering and operating
Swire Pacific Ship Management (Australia) Pty. Limited •	100	–	100	20,000 shares of AUD1 each	Ship personnel management
Incorporated in Bermuda:					
Swire Pacific Offshore Holdings Limited •	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited •	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Ship chartering and operating
Incorporated in Singapore:					
Altus Oil & Gas Services Pte. Ltd. (previously known as Altus Logistics Pte. Ltd.)	100	–	100	1,223,340 shares	Marine logistics services
SCF Swire Offshore Pte. Ltd. •	50.01	–	50.01	10,001 shares of S$1 each	Ship management services and other related activities
Swire Emergency Response Services Pte. Ltd.	100	–	100	10,000 shares of S$1 each	Emergency response services
Swire Pacific Offshore Operations (Pte) Ltd	100	–	100	500,000 shares of S$1 each and 2,000,000,000 preference shares of US$1 each	Ship owning and operating
Swire Pacific Offshore Services (Pte.) Limited	100	–	100	500,000 shares of S$1 each	Ship operating
Swire Salvage Pte. Ltd.	100	–	100	2 shares of S$1 each	Salvage and maritime emergency response services
Swire Production Solutions Pte. Ltd.	100	–	100	100,000 shares of US$1 each 2 shares of S$1 each	Owning, chartering and operating vessels servicing the offshore marine industry
Incorporated in Norway:					
Swire Seabed AS •	100	–	100	126,000 shares of NOK1,401 each	Ship owning and operating
Incorporated in New Zealand:					
Swire Pacific Offshore NZ Limited •	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon:					
Swire Pacific Offshore Africa •	100	–	100	1,000 shares of XAF10,000 each	Ship operator
Incorporated in Denmark:					
Swire Blue Ocean A/S •	100	–	100	780,000 shares of DKK1 each	Ship operator
Incorporated in Cyprus:					
Swire Pacific Offshore (Cyprus) Limited •	100	–	100	1,000 shares of EUR1.71 each	Owning, chartering and operating vessels servicing the offshore marine industry
Incorporated in Brazil:					
Swire Pacific Navegação Offshore Ltda.	100	–	100	41,600,000 shares of R$1 each	Ship management services
Incorporated in Dubai:					
Swire Pacific Offshore (Dubai) (L.L.C) •	49	–	49	300 shares of AED1,000 each	Management services

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Angola:					
Swire Serviços Maritimos LDA •	49	–	49	20,191,908 shares of AOA1 each	Ship chartering and operating
Incorporated in Azerbaijan:					
Swire Pacific Offshore (Caspian) LLC	100	–	100	1,000 shares of US$5 each	Ship chartering and operating
Joint venture companies:					
Incorporated in Hong Kong:					
Hongkong United Dockyards Limited	50	50	–	7,600,000 shares	Ship repairing, general engineering, marine towage, salvage, time/bareboat chartering and management of container vessels for waste disposal
Hongkong United Reinforcement Engineering Limited	27.5	–	*	1,000 shares	Providing off-site rebar cutting, bending and prefabrication services
HUD General Engineering Services Limited	50	–	*	4,120,000 shares	General engineering services
Associated company:					
Incorporated in the Philippines:					
Anscor Swire Ship Management Corporation •	25	–	25	40,000 shares of PHP100 each	Ship personnel services
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL					
Subsidiary companies:					
Incorporated in Hong Kong:					
Rise Merit Limited	100	–	100	1 share	Sustainable development business investment
Swire Bakery Limited (previously known as Bageri Investments Limited)	100	–	100	1 share	Holding company
Swire Environmental Services Limited	100	–	100	1 share	Holding company
Swire Foods Holdings Limited	100	100	–	1 share	Holding company
Swire Industrial Limited	100	100	–	2 shares	Holding company
Swire MP Foods Limited	60	–	60	10,000,000 shares	Marketing and trading of branded food products
Swire Pacific Cold Storage Limited	100	–	100	1 share	Holding company
Taikoo Sugar Limited	100	–	100	300,000 shares	Packing and trading of branded food products
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Chengdu Bageri Food Company Limited ^	65	–	100	Registered capital of RMB1,000,000	Bakery chain stores
Chengdu Xin Qinyuan Trading Company Limited ^	65	–	100	Registered capital of RMB2,000,000	Bakery chain stores
Chongqing New Qinyuan Bakery Co., Ltd	65	–	65	Registered capital of RMB75,595,238	Bakery chain stores
Chongqing Qinyuan Catering Management Co., Ltd. ^	65	–	100	Registered capital of RMB100,000	Bakery chain stores
Chongqing Qinyuan Trading Company Limited ^	65	–	100	Registered capital of RMB100,000	Bakery chain stores
Guiyang Qinyuan Catering Management Co., Ltd. ^	65	–	100	Registered capital of RMB13,000,000	Bakery chain stores
Guiyang Yuqinyuan Food Company Limited ^	65	–	100	Registered capital of RMB20,000,000	Bakery chain stores

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China (continued):					
(Wholly foreign owned enterprises)					
Reservoir Management Services (Shanghai) Company Limited • ^	100	–	100	Registered capital of RMB200,000	Provision of business consultancy services
Swire Cold Chain Logistics (Chengdu) Company Limited •	100	–	100	Registered capital of US$25,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Langfang) Company Limited	100	–	100	Registered capital of RMB165,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Nanjing) Company Limited •	100	–	100	Registered capital of US$30,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Ningbo) Company Limited •	100	–	100	Registered capital of US$30,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Shanghai) Company Limited ^	100	–	100	Registered capital of RMB220,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Wuhan) Company Limited • ^	100	–	100	Registered capital of RMB150,000,000	Provision of cold storage facilities
Swire Foods Trading (China) Limited • ^	100	–	100	Registered capital of HK$63,500,000	Trading of branded food products
Swire MP Foods (Guangzhou) Limited • ^	60	–	100	Registered capital of RMB7,000,000	Packing and trading of branded food products
Taikoo Sugar (China) Limited • ^	100	–	100	Registered capital of HK$61,350,000	Packing and trading of branded food products
(Domestic companies)					
Swire Foods and Beverages (Shanghai) Limited • ^	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products
Taikoo Sugar Chengdu Limited • ^	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products
Incorporated in the British Virgin Islands:					
Sustainable Capital Holdings Limited •	100	100	–	1 share of US$1	Holding company
Incorporated in the Cayman Islands:					
Aqua Blue Limited	100	–	100	1 share of US$1	Sustainable development businesses investment
Cell Energy Limited	100	–	100	1 share of US$1	Sustainable development businesses investment
Joint venture companies:					
Incorporated in Hong Kong:					
Akzo Nobel Swire Paints Limited •	40	–	40	10,000 shares	Sale of paints and provision of related services
Campbell Swire Equipment Leasing Limited	40	–	40	37,300,000 shares	Production lines leasing
Campbell Swire (HK) Limited	40	–	40	30 shares	Holding company
STS Sugar Company Limited	34	–	34	12,400,000 shares	Holding company
Swire Waste Management Limited •	50	–	50	1 'A' share and 1 'B' share	Provision of waste management services
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Akzo Nobel Swire Paints (Guangzhou) Limited •	36	–	36	Registered capital of HK$180,000,000	Manufacturing and distribution of paints
Guangdong Swire Cold Chain Logistics Co. Ltd. • ^	60	–	60	Registered capital of RMB144,600,000	Provision of cold storage facilities

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL (continued)					
Joint venture companies (continued):					
Incorporated in Mainland China (continued):					
(Wholly foreign owned enterprises)					
Akzo Nobel Decorative Coatings (Langfang) Co Ltd. •	30	–	30	Registered capital of US$7,200,000	Manufacturing and distribution of paints
Akzo Nobel Swire Paints (Chengdu) Co., Ltd. • ^	30	–	30	Registered capital of US$20,000,000	Manufacturing and distribution of paints
Akzo Nobel Swire Paints (Shanghai) Limited • ^	30	–	30	Registered capital of US$25,640,000	Manufacturing and distribution of paints
Campbell Swire (Xiamen) Co., Limited	40	–	*	Registered capital of RMB242,000,000	Manufacturing and distribution of soup and broth products
STS Sugar (Foshan) Company Limited • ^	34	–	*	Registered capital of RMB76,000,000	Operating sugar refinery
Associated company:					
Incorporated in United Kingdom:					
Green Biologics Limited	31.90	–	31.90	3,326,252 Ordinary shares of GBP0.0001 each 5,940,125 'A' Ordinary shares of GBP0.0001 each 27,488,208 'B' Ordinary shares of GBP0.0001 each	Developing renewable chemical and biofuel technology
TRADING & INDUSTRIAL DIVISION – TRADING					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited	100	–	100	1 share	Automobile distribution in Taiwan
Beldare Motors Limited	100	–	100	10,000 shares	Automobile distribution in Taiwan
Chevon Holdings Limited	85	–	85	160,000,000 shares	Holding company
Chevon (Hong Kong) Limited	85	–	100	1,000,000 shares	Marketing, distribution and retailing of branded casual apparel and accessories
Excel Marketing Limited	100	–	100	2 shares	Marketing, distribution and retailing of branded casual apparel and accessories
International Automobiles Limited	100	–	100	10,000 shares	Automobile distribution in Hong Kong
Liberty Motors Limited	100	–	100	2 shares	Automobile distribution in Taiwan
Swire Brands Limited	100	–	100	1 share	Investment holding
Swire Resources Limited	100	–	100	4,010,000 shares	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Taikoo Commercial Vehicles Limited	100	–	100	2,000 shares	Automobile distribution in Taiwan
United Sheen Limited	100	–	100	1 share	Holding company
Yuntung Motors Limited	100	–	100	2 shares	Automobile distribution in Taiwan
Incorporated in Mainland China:					
(Wholly foreign owned enterprises)					
Chevon (Shanghai) Trading Company Limited ^	85	–	100	Registered capital of US$12,000,000	Marketing, distribution and retailing of branded casual apparel and accessories
Liberty Motors Services (Fuzhou) Limited • ^	100	–	100	Registered capital of RMB3,000,000	Automobile after-sales service centre in Fuzhou
Liberty Motors Services (Shanghai) Limited • ^	100	–	100	Registered capital of RMB3,000,000	Automobile after-sales service centre in Shanghai

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION – TRADING (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China (continued):					
(Wholly foreign owned enterprises) (continued)					
Shenzhen Honour Automobiles Limited • ^	100	–	100	Registered capital of RMB3,000,000	Automobile distribution in Shenzhen
Swire Motorcycle Sales and Services (Fujian) Limited •	100	–	100	Registered capital of RMB13,000,000	Automobile distribution in Fujian
Swire Motors Sales and Services (Fuzhou) Limited •	100	–	100	Registered capital of RMB30,000,000	Automobile distribution in Fuzhou
Swire Motors Sales and Services (Shanghai) Limited • ^	100	–	100	Registered capital of RMB40,000,000	Automobile distribution in Shanghai
Swire Resources (Shanghai) Trading Company Limited ^	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Malaysia:					
Swire Motors Sales and Services Sdn. Bhd. •	100	–	100	25,000,000 shares of RM1 each	Automobile distribution in Malaysia
Incorporated in Taiwan:					
Biao Yi Limited ^	100	–	100	10,000,000 shares of NTD1 each	Automobile distribution in Taiwan
Incorporated in the British Virgin Islands:					
Supreme Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Joint venture company:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	7 'A' shares and 3 'B' shares	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Associated company:					
Incorporated in Mainland China:					
(Wholly foreign owned enterprise)					
Columbia Sportswear Commercial (Shanghai) Co., Ltd. ^	40	–	40	Registered capital of US$20,000,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
OTHERS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Finance Limited	100	100	–	1,000 shares	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific Capital Limited	100	100	–	10 shares of US$1 each	Financial services
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services

Sustainable Development Statistics

Reader's Guide

The operations not covered by these statistics are:

Property Division	USA and UK
Aviation Division	Air China, Air China Cargo, catering and laundry service companies outside Hong Kong
Beverages Division	Coca-Cola Bottlers Manufacturing Holdings Limited and Xiamen Luquan Industries Company Limited
Trading & Industrial Division	Campbell Swire, Akzo Nobel Swire Paints, Swire Sustainability Fund, Swire Foods, Qinyuan Bakery.

In 2015 we expanded the scope of reporting to include the following operations:

Property Division	Swire Restaurants in Hong Kong

Our sustainability reporting follows the Global Reporting Initiative's ("GRI") G4 reporting guidelines at the core level. Performance indicators are reported on a 100% basis and therefore do not make reference to the Swire Pacific Group's shareholding in operating companies. Our major operating companies report on additional indicators in their own reports, which can be found at http://www.swirepacific.com/en/sd/sd_reports.php.

For further information about how we prepare the sustainable development statistics in this report, please refer to the Swire Pacific reporting methodology which can be found at http://www.swirepacific.com/en/sd/sd/gri_report2016.pdf.

Independent Practitioner's Limited Assurance Report

To the board of directors of Swire Pacific Limited

We have undertaken a limited assurance engagement in respect of the selected sustainability information of Swire Pacific Limited (the "Company") listed below and identified with the symbol [R] in the Company's Annual Report for the year ended 31st December 2015 ("the 2015 Annual Report") (the "Identified Sustainability Information").

Identified Sustainability Information

The Identified Sustainability Information for the year ended 31st December 2015 is summarised below:

- Total energy consumption
- Total greenhouse gas emissions by weight
- Total water used
- Total employee fatalities
- Total employee lost time injuries

Our assurance was with respect to the year ended 31st December 2015 information only and we have not performed any procedures for the purposes of this engagement with respect to earlier periods or any other elements included in the 2015 Annual Report and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by the Company to prepare the Identified Sustainability Information are set out under the heading *Reporting Methodology* in the appendix to the 2015 Online Sustainability Report at http://www.swirepacific.com/en/sd/sd/gri_report2016.pdf (the "Criteria") for the year ended 31st December 2015.

The Company's Responsibility for the Identified Sustainability Information

The Company is responsible for the preparation of the Identified Sustainability Information in accordance with the Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Identified Sustainability Information that is free from material misstatement, whether due to fraud or error.

Inherent limitations

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. In addition, greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the Identified Sustainability Information is free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures (including an understanding of internal control) and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the persons responsible for the Identified Sustainability Information;
- understood the process for collecting and reporting the Identified Sustainability Information;
- performed limited substantive testing on a selective basis of the Identified Sustainability Information; and
- considered the disclosure and presentation of the Identified Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified Sustainability Information has been prepared, in all material respects, in accordance with the Criteria.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Identified Sustainability Information for the year ended 31st December 2015 is not prepared, in all material respects, in accordance with the Criteria.

Our report has been prepared for and only for the board of directors of Swire Pacific Limited and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
10th March 2016

Statistics – Environmental

	Note	Property (Note 6)		Cathay Pacific group		HAECO group	
		2015	2014	2015	2014	2015	2014
Total Energy Consumption (thousand GJ)	1						
Direct energy consumption		102	59	244,603	233,634	169	379
Indirect energy consumption		982	1,015	464	487	464	465
Total	2	1,084	1,074	245,067	234,121	633	844
% Change year-on-year		1%		5%		-25%	
Total Greenhouse Gas Emissions by Weight (thousand tonnes CO_2e)	4						
Direct (Scope 1)		6	9	17,535	16,842	12	31
Indirect (Scope 2)		212	217	85	89	83	81
Total	2	218	226	17,620	16,931	95	112
% Change year-on-year		-4%		4%		-16%	
Total Water Used	5						
Water Used (thousands cbm)		1,169	1,210	846	839	633	666
% Change year-on-year		-3%		1%		-5%	
Total Waste by Type and Disposal Method (tonnes)							
Waste Disposed							
Hazardous		2	4	0	–	1,134	597
Non-Hazardous		32,302	27,990	13,532	12,790	4,599	4,675
Waste Recycled							
Hazardous		106	118	–	–	–	–
Non-Hazardous		3,176	3,058	4,053	4,639	716	1,098
Total	2	35,584	31,170	17,586	17,429	6,449	6,370
% Change year-on-year		14%		1%		1%	

Notes:
1. We adopted the lower heating value coefficients to convert fuel quantities into energy consumed.
2. Totals may not be the exact sum of numbers shown here due to rounding.
3. This figure excludes on-hire vessel fuel consumption as this belong to scope 3 as defined by the Greenhouse Gas Protocol.

Statistics – Health & Safety Note 1

	Property		Cathay Pacific group		HAECO group	
	2015	2014	2015	2014	2015	2014
Thousand hours worked	9,689	9,334	66,135	66,682	33,884	34,395
Total lost time injuries	92	91	916	1,225	238	270
Lost time injury rate	1.90	1.95	2.77	3.67	1.40	1.57
% Change year-on-year (LTIR)	-3%		-25%		-11%	
Lost days due to injuries	2,959	2,510	31,630	33,032	7,195	7,696
Lost day rate	61.08	53.78	95.65	99.07	42.47	44.75
% Change year-on-year (LDR)	14%		-3%		-5%	
Total fatalities	–	–	–	–	–	–

Notes:
1. Please refer to glossary for definitions.
2. Totals may not be the exact sum of numbers shown here due to rounding.
R. Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the Independent Limited Assurance Report for further details.

Beverages		Swire Pacific Offshore (Note 3)		HUD group		Trading & Industrial		Total (Note 2)	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
657	892	1,443	1,000	331	358	29	25	247,334	236,347
1,034	881	6	–	22	21	131	126	3,103	2,995
1,691	1,773	1,449	1,000	353	379	160	151	250,438[R]	239,342
-5%		45%		-7%		6%		5%	
44	67	115	84	27	29	2	2	17,740	17,065
182	184	1	1	4	4	25	25	593	600
226	251	116	84	31	33	27	27	18,333[R]	17,665
-10%		37%		-5%		1%		4%	
7,105	6,517	–	–	57	42	155	165	9,963[R]	9,439
9%		–		36%		-6%		6%	
2,293	1,829	3,077	3,152	–	–	1	2	6,506	5,584
3,052	3,923	–	1,537	–	–	–	2	53,485	50,917
–	71	–	–	–	–	–	–	106	189
9,874	8,599	3	24	179	–	489	418	18,489	17,836
15,219	14,422	3,080	4,713	179	–	490	422	78,585	74,526
6%		-35%		–		16%		5%	

4. For Cathay Pacific Group, only CO_2 emissions for aviation turbine fuel are reported as there is no scientific consensus on the global warming effect of the other emissions. The Group's airlines continue to monitor developments in these areas of atmospheric science, including studies from the UK's OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre.
5. Virtually all water consumption by the Group is withdrawn from municipal water supplies provided by local water supply authorities. Swire Properties' buildings have installed rainwater catching facilities but the amount of rainwater caught is insignificant in relation to the Group's total water consumption.
6. Swire Properties has revised its 2014 waste figures due to an updated scope of waste included.
R. Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the Independent Limited Assurance Report for further details.

Beverages		Swire Pacific Offshore		HUD group		Trading & Industrial		Swire Pacific (Head Office)		Total (Note 2)	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
42,328	42,772	15,443	15,779	1,765	1,721	9,808	9,317	77	–	179,130	179,999
119	147	10	11	13	16	79	63	0	–	1,467[R]	1,823
0.56	0.69	0.13	0.14	1.47	1.86	1.61	1.35	0.00	–	1.64	2.03
-19%		-7%		-21%		19%		–		-19%	
3,865	5,143	445	606	1,355	841	905	963	0	–	48,354	50,790
18.26	24.05	5.76	7.68	153.54	97.74	18.45	20.67	0.00	–	53.99	56.43
-24%		-25%		57%		-11%		–		-4%	
–	–	–	–	–	–	–	–	–	–	–[R]	–

Statistics – Staff (at 31st December 2015)

	Property	Cathay Pacific group	HAECO group	Beverages	Swire Pacific Offshore	HUD group	Trading & Industrial	Swire Pacific (Head Office)	Total
Workforce									
Permanent and fixed term employees	5,461	32,030	14,794	18,656	2,726	471	5,304	43	79,485
Supervised employees	102	1,377	153	1,345	–	–	–	–	2,977
Male	3,452	15,082	12,320	15,599	2,490	433	2,869	13	52,258
Female	2,111	18,325	2,627	4,402	236	38	2,435	30	30,204
Total	5,563	33,407	14,947	20,001	2,726	471	5,304	43	82,462
Employees who are on Permanent Terms (%)	94%	93%	96%	93%	54%	94%	93%	100%	92%
Permanent employees who work Full-time (%)	99%	98%	99%	100%	100%	100%	87%	100%	98%
Workforce by region (%)									
Hong Kong & Macau	57%	80%	45%	7%	–	100%	57%	95%	51%
Mainland China	42%	3%	36%	75%	–	–	18%	5%	30%
Taiwan	0%	2%	0%	5%	–	–	24%	0%	3%
USA	0%	3%	18%	14%	–	–	0%	0%	8%
Others	0%	12%	0%	0%	100%	–	1%	0%	8%
Voluntary Permanent Employee Turnover Data									
By age group									
Under 30 years old	32%	16%	14%	23%	7%	23%	66%	13%	24%
30 to 50 years old	15%	5%	8%	11%	3%	8%	25%	4%	8%
Over 50 years old	13%	5%	4%	7%	2%	2%	15%	13%	6%
By gender									
Male	19%	7%	9%	16%	3%	9%	43%	15%	13%
Female	23%	8%	9%	12%	5%	5%	48%	4%	13%
By region									
Hong Kong & Macau	17%	8%	9%	22%	–	8%	63%	8%	14%
Mainland China	24%	7%	5%	12%	–	–	29%	0%	12%
Taiwan	0%	1%	0%	8%	–	–	16%	0%	9%
USA	0%	8%	17%	29%	–	–	0%	0%	21%
Others	0%	6%	0%	0%	4%	–	55%	0%	6%
Total Voluntary Turnover Rate of Permanent Employees (%)	20%	8%	9%	15%	4%	5%	45%	7%	13%
New Hire Data									
By age group									
Under 30 years old	51%	29%	19%	33%	26%	40%	75%	14%	34%
30 to 50 years old	24%	4%	7%	12%	10%	28%	40%	19%	10%
Over 50 years old	15%	3%	5%	11%	7%	8%	23%	11%	7%
By gender									
Male	28%	10%	10%	21%	12%	23%	55%	15%	17%
Female	35%	11%	11%	15%	12%	18%	59%	17%	17%
By region									
Hong Kong & Macau	26%	11%	12%	28%	–	23%	70%	15%	17%
Mainland China	37%	9%	3%	16%	–	–	52%	50%	17%
Taiwan	0%	3%	0%	12%	–	–	29%	0%	17%
USA	0%	17%	20%	35%	–	–	0%	0%	26%
Others	20%	10%	0%	0%	12%	–	75%	0%	11%
Total New Hires Rate (%)	31%	11%	10%	20%	12%	23%	57%	16%	17%

Schedule of Principal Group Properties

At 31st December 2015

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

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

Notes:

1. All properties held through subsidiary companies are wholly-owned by Swire Properties group except for Island Place (60% owned), TaiKoo Hui (97% owned), MOUNT PARKER RESIDENCES (80% owned), Brickell City Centre (Retail: 61.5% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these six properties in 100%.
2. "Other companies" comprise joint venture or associated companies and other investments. The floor areas of properties held through such companies are shown on an attributable basis to Swire Properties.
3. Gross floor areas in Hong Kong and Mainland China exclude car parking spaces; there are about 9,400 completed car parking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the USA are freehold.
6. Gross floor areas in the USA represent saleable/leasable areas for completed and nearly completed properties, which exclude car parking spaces; there are about 450 completed car parking spaces held by other companies for investment.
7. Hotels in the UK were all sold at 31st December 2015.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building.
The Mall at Pacific Place	IL 8571 (part)/ IL 8582 & Ext. (part)	2135/2047	318,289 (part)	711,182	430	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050-2852	40,236	627,657	111	2004/07	Office building linked to The Mall and Admiralty MTR station.
3. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/87/ 97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
4. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Office building over part of Cityplaza shopping centre.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office (continued)							
5. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK ss18	2899	33,730	447,714	10	1992	Office building linked by a footbridge to Cityplaza. Floor area includes ten floors which will be assigned to the Government no later than 30th December 2016.
6. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,431	–	1991	Office building linked by a footbridge to Cityplaza.
7. Commercial areas in Stages I - X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2889/ 2899	–	331,079	3,826	1977-85	Neighbourhood shops, schools and car parking spaces.
8. Devon House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Office building linked to Dorset House and Cambridge House.
9. Dorset House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.
10. Lincoln House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,529	164	1998	Office building linked to PCCW Tower.
11. Oxford House, Taikoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/2899	33,434	501,253	182	1999	Office building linked to Cornwall House.
12. Cambridge House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Office building linked to Devon House.
13. One Island East, Taikoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/2899	109,929	1,537,011	–	2008	Office building linked to Cornwall House.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office (continued)							
14. Island Place, 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, of which the Swire Properties group owns 60%.
15. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail area.
16. 21-29 Wing Fung Street, Wanchai	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3	2856	2,967	14,039	–	1992/ 2006	Floor area shown represents the existing buildings.
17. Generali Tower, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	2013 (Refurbishment)	Office building with ground floor retail.
18. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	Office building.
	Total held through subsidiaries			10,424,541	6,454		
19. PCCW Tower, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the Swire Properties group owns 50%.
20. Berkshire House, Taikoo Place	IL 8854	2047	25,926	388,838	84	1998	Office building. Floor area shown represents the whole development, of which the Swire Properties group owns 50%.
21. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Office building. Floor area shown represents the whole development, of which the Swire Properties group owns 50%.
22. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/ 1999	Floor area shown represents the retail space, of which the Swire Properties group owns 20%.
23. Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	Retail: 462,428 Office: 160,522	1,156	1999/ 2000	A 160,522 square foot office tower above a 462,428 square foot shopping centre of which the Swire Properties group owns 20%. Citygate also comprises a hotel, details of which are given in the Hotel category below.
	Held through joint venture companies			1,969,054	1,616		
	- of which attributable to the Swire Properties group			786,826			

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
Techno-centre							
1. Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)				Data centres/offices/logistics warehousing. An agreement with HKSAR Government to acquire its interest in Cornwall House has been signed in February 2014. The transaction is expected to be completed no later than 30th December 2016. Warwick House together with Cornwall House could then be redeveloped into a Grade A office with a total gross floor area of about 980,000 square feet.
Warwick House				554,934	78	1979	
Cornwall House				338,582	85	1984	Floor area excludes eight floors owned by the Government, which will be assigned to the Swire Properties group no later than 30th December 2016.
	Total held through subsidiaries			893,516	163		
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. Taikoo Place Apartments, 23 Tong Chong Street, Taikoo Place	ML 703 sI	2881	8,664	Serviced Apartment: 62,756 Retail: 12,312 75,068	–	2014	111 serviced suites above 3 storeys retail podium.
3. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
4. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
5. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	Seven apartment units.
	Total held through subsidiaries			558,779	7		
Hotel							
1. EAST, Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			358,371			

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	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 Swire Properties 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 Swire Properties 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 Swire Properties group owns a 20% interest.
	Total held through associated companies			1,687,222			
	- of which attributable to the Swire Properties 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 Swire Properties group owns a 20% interest.
	Total held through joint venture companies			236,758	7		
	- of which attributable to the Swire Properties group			47,352			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	410	2007	Shopping centre with restaurants.
3. Hui Fang	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, of which the Swire Properties group owns 97%.
	Total held through subsidiaries			2,859,885	1,679		
5. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	631,072 (part)	939,493	615	2012	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, of which the Swire Properties group owns 50%.
6. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	1,248,738	1,056	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, of which the Swire Properties group owns 50%.
	Total held through joint venture companies			2,188,231	1,671		
	- of which attributable to the Swire Properties group			1,094,116			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office								
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)		1,731,766	–	2011	Floor area shown represents the office portion, of which the Swire Properties group owns 97%.
	Total held through subsidiaries				1,731,766	–		
2. INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)		595,464	390	2011	Floor area shown represents the office portion, of which the Swire Properties group owns 50%.
	Total held through joint venture companies				595,464	390		
	- of which attributable to the Swire Properties group				297,732			
Hotel								
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)		169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel	584,184	–	2012	263-room hotel and 24 serviced apartments. The bare-shell and exterior facade of cultural centre with 629,414 square feet is built according to the agreements with Cultural Bureau and awaiting hand over to the Guangzhou Government. Floor areas shown represent the hotel and serviced apartment portions, of which the Swire Properties group owns 97%.
				Serviced apartment	51,517	–		
					635,701			
	Total held through subsidiaries				805,164	32		
3. EAST, Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (part)		358,269	240	2012	369-room hotel. Floor area shown represents the hotel portion, of which the Swire Properties group owns 50%.
4. The Temple House	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Hotel	228,210	–	Fitout in progress	100-room hotel and 42 serviced apartments. Floor areas shown represent the hotel and serviced apartment portions, of which the Swire Properties group owns 50%.
				Serviced apartment	127,579	–		
					355,789			
	Total held through joint venture companies				714,058	240		
	- of which attributable to the Swire Properties group				357,029			

Completed properties for investment in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel						
1. Mandarin Oriental, Miami	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Swire Properties group has a 75% interest.
	Total held through joint venture company		345,000	600		
	- of which attributable to the Swire Properties group		258,750			

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. New Kowloon Inland Lot No. 6312, Kowloon Bay	NKIL 6312	2063	46,253	Office	555,035	222	Substructure & Superstructure in progress	2017	Floor area shown represents the total gross floor area permitted under the Conditions of Sale.
2. Somerset House Redevelopment, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	Office	1,020,000	92	Excavation and Foundation in progress	2018	Floor area shown is an approximation.
	Total held through subsidiaries				1,575,035	314			
3. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11	2063	107,919	Retail and hotel	477,700	127	Excavation and Foundation in progress	2017	Proposed scheme is under development. Floor area shown represents the retail and hotel portions of the development and excludes the area of public transport terminus. The area is an approximation and is subject to change. An additional public transport terminus of approximately 61,900 square feet is to be built and handed over to the Government upon completion. Floor area shown represents the whole development, of which the Swire Properties group owns 20%.
4. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 461	2064	25,500	Office	382,499	137	Excavation and Foundation in progress	2018	Proposed scheme is under development. Floor area shown represents the total gross floor area permitted. Floor area shown represents the whole development, of which the Swire Properties group owns 50%.
	Held through joint venture companies				860,199	264			
	- of which attributable to the Swire Properties group				286,790				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. HKRI Taikoo Hui (formerly known as Dazhongli Project)	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2049 (for Retail/ Hotel); 2059 (for Office)	676,091	Retail Office Hotel Serviced apartment	1,096,905 1,836,543 388,053 147,435	1,200	Superstructure in progress	2016/ 2017	Floor areas shown represent the whole development, of which the Swire Properties group owns 50%.
	Total held through joint venture companies				3,468,936	1,200			
	- of which attributable to the Swire Properties group				1,734,468				

Property developments for investment in the United States	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. Brickell City Centre, Miami, Florida	380,670 (part)	Phase I Retail Office Hotel Serviced apartment	 490,000 260,000 218,000 109,000	 1,235 289 100 –	2016	Brickell City Centre is an urban mixed-use development located in the Brickell financial district, comprised of retail, offices, hotel, serviced apartments and residential condominiums. Construction commenced in July 2012, with completion expected during 2016. The Swire Properties group owns 61.5% interest in the retail portion.
	123,347	Phase II Under planning	 1,444,000	To be determined	2021	Phase II – One Brickell City Centre, is being planned as a future mixed-use development comprised of retail, Class-A office space, condominiums and hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre containing approximately 1.4 million square feet is planned as an 80-storey luxury high rise tower.
			2,521,000	1,624		
	Total held through subsidiaries		2,521,000	1,624		

Completed properties for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. MOUNT PARKER RESIDENCES, Quarry Bay	SIL 761 RP	2057	28,490	3,140	66	2013	At 31st December 2015, 91 units were closed and/or sold after the issuance of Certificate of Compliance. Floor area shown represents the remaining 1 residential unit and 66 unsold car parking spaces, of which the Swire Properties group owns 80%.
2. AREZZO, Mid Levels West	IL 424 sB ss1 RP IL 424 sB RP IL 425 s7 sA IL 425 s7 sB IL 425 s7 sC IL 425 s7 sD IL 424 sC RP IL 424 sD RP IL 424 RP	2854	20,756	26,923	–	2015	At 31st December 2015, 112 units were closed and/or sold. Floor area shown represents the remaining 15 residential units.
3. WHITESANDS, 160 South Lantau Road, Cheung Sha	Lot 724 and Lot 726 in DD332	2062	161,029	61,864	27	2015	The development comprises 28 detached houses and 28 car parking spaces. At 31st December 2015, 1 unit was sold. Floor area shown represents the remaining 27 units and 27 unsold car parking spaces.
	Total held through subsidiaries			91,927	93		

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
Other holdings							
1. Belair Monte, Fanling	FSSTL 126 (part)	2047	223,674 (part)	Retail: 47,751	17	1998	Floor area shown represents the whole of the retail area, of which the Swire Properties group owns 8%.
				47,751	17		
	– Attributable holding			3,820			

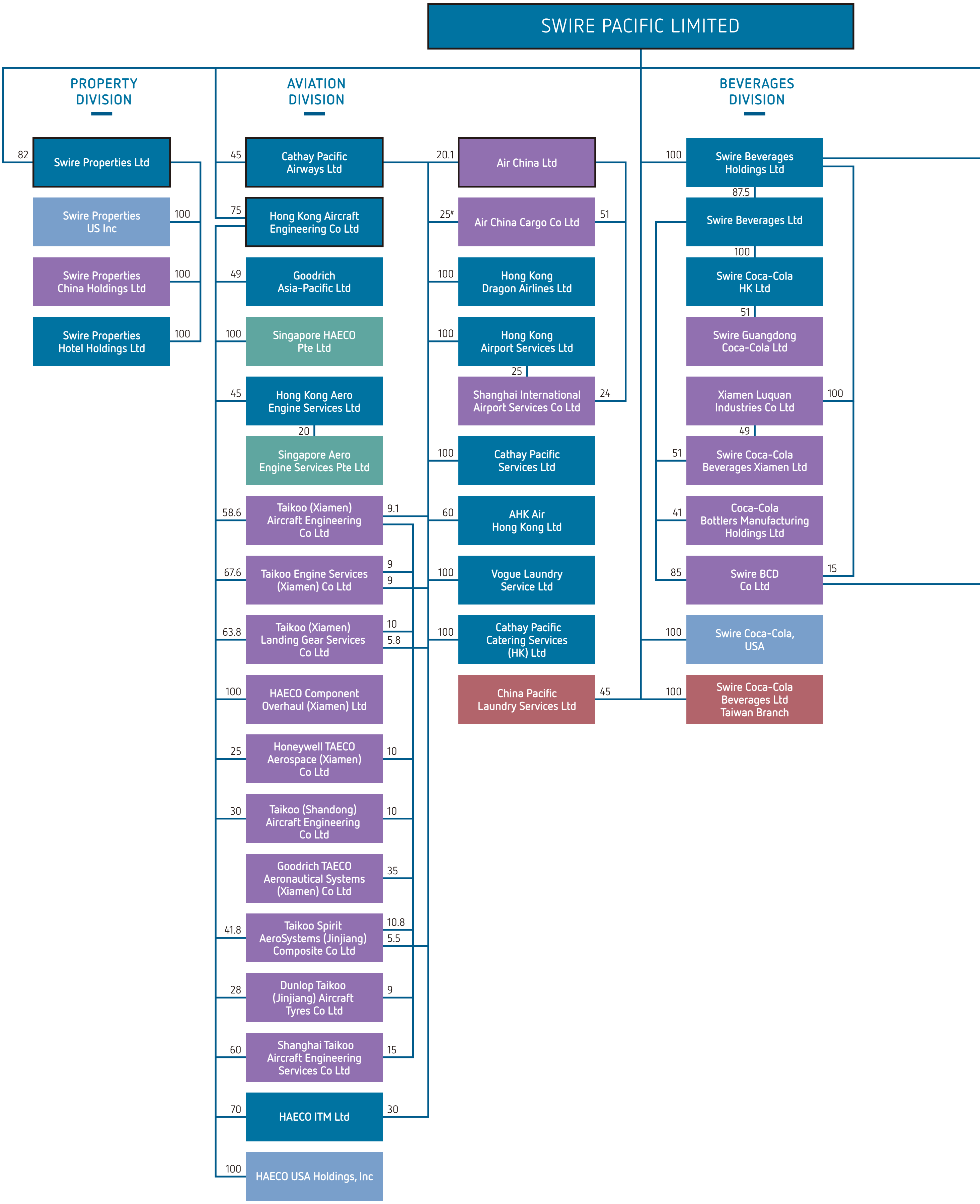
Completed properties for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. Pinnacle One	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Office: 602,504	447	2014	Floor area shown represents the unsold office portion, of which the Swire Properties group owns 50%.
	Total held through joint venture companies			602,504	447		
	- of which attributable to the Swire Properties group			301,252			

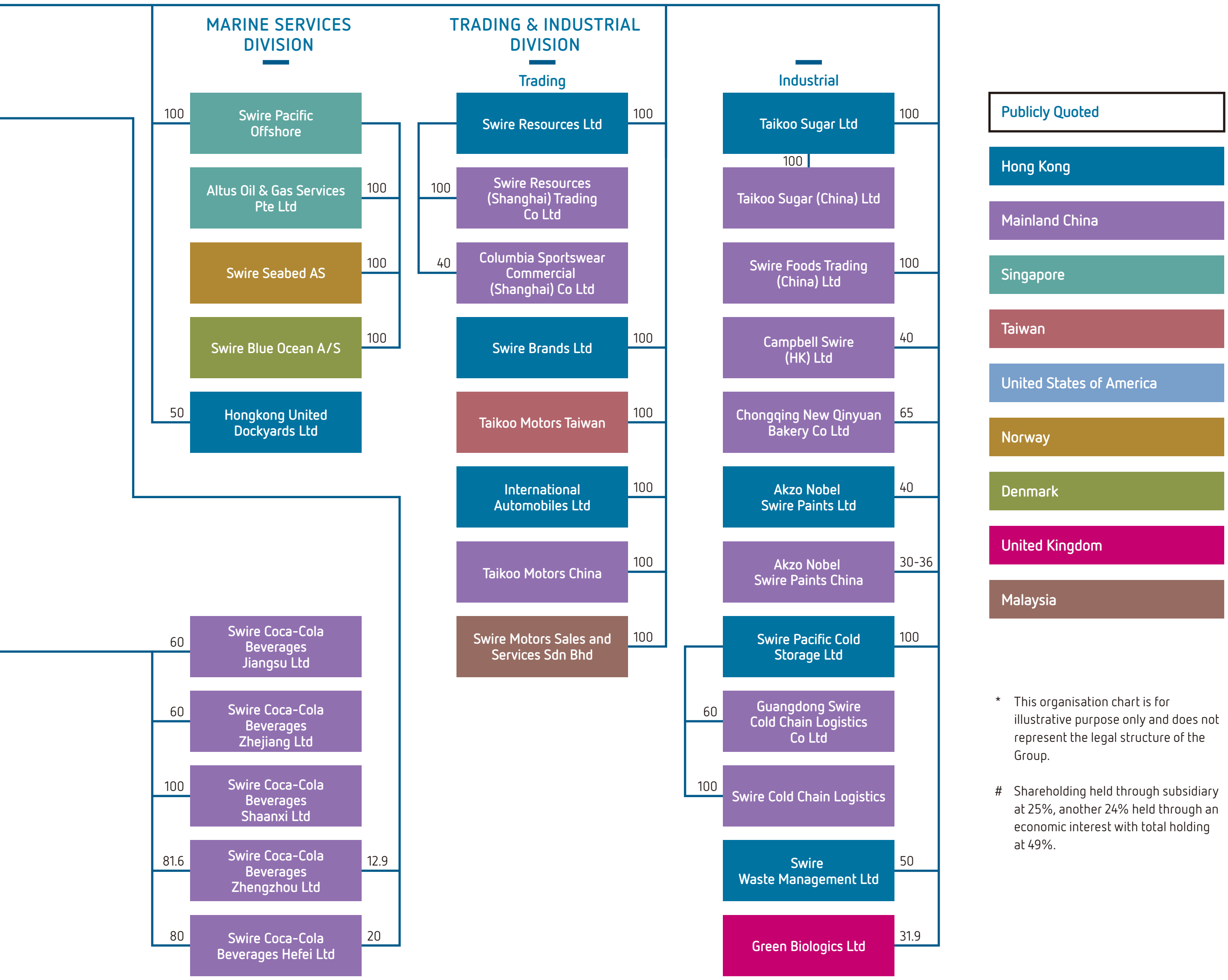
Completed properties for sale in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. ASIA	900 Brickell Key, Miami, Florida	173,531	Residential: 5,359	4	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. At 31st December 2015, 122 units were closed.
2. River Court	Fort Lauderdale, Florida	21,750	Retail/Office: 12,586	38	1966	The development site was acquired in October 2006, in which the Swire Properties group has a 75% interest.
	Total held through subsidiaries		17,945	42		

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. ALASSIO, (formerly known as 100 Caine Road) Mid Levels West	IL 425 s1 RP IL 425 s2 IL 425 s3 IL 425 s4 IL 425 s5 ss1 IL 425 s5 RP IL 425 RP	2854	21,726	Residential	195,533	43	Superstructure in progress	2016	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
	Total held through subsidiaries				195,533	43			

Property developments for sale in the United States	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential	550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	182,191	Under planning	825,000	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Swire Properties group has a 75% interest.
3. Brickell City Centre, Miami, Florida	380,670 (part)	Condominium	1,134,000	1,025	2016	Two residential development sites in Brickell City Centre, an urban mixed use development located in the Brickell financial district. Construction commenced in July 2012, with completion expected during 2016.
	380,670 (part)	Condominium	523,000	544	–	The development on the North Square site is currently on hold.
	Total held through subsidiaries		3,032,000	3,014		

Group Structure Chart





* This organisation chart is for illustrative purpose only and does not represent the legal structure of the Group.

\# Shareholding held through subsidiary at 25%, another 24% held through an economic interest with total holding at 49%.

Glossary

TERMS

Financial

Adjusted consolidated net worth
Total of share capital, reserves and non-controlling interests.

Adjusted consolidated tangible net worth
Adjusted consolidated net worth less goodwill and other intangible assets.

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 or consolidated borrowed money
Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Underlying profit
Reported profit adjusted principally for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for 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.

Aviation

Available seat kilometres ("ASK")
Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available tonne kilometres ("ATK")
Overall capacity, measured in tonnes available for the carriage of airline passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

On-time performance
Departure within 15 minutes of scheduled departure time.

Revenue passenger kilometres ("RPK")
Number of passengers carried on each sector multiplied by the sector distance.

Beverages

Energy use ratio represents the energy consumed (measured in Mega joules) used to produce a litre of production. Energy consumed consists of all energy consumed, except for fuel used in fleet operations. Production volume only includes volume produced by Swire Beverages and excludes volume that is purchased from third parties.

General trade
Small, usually independent, grocery outlets.

Modern trade
Supermarkets and convenience stores, which are usually members of large retail chains.

Other channels
Includes wholesalers, restaurants and outlets at entertainment and educational establishments.

Production Quality Index
An index used throughout the TCCC system for evaluating the quality during the production process over a 12 month period.

Water use ratio represents the litres of water used to produce a litre of production. It is calculated as total water used divided by total production volume. Production volume only includes volume produced by Swire Beverages and excludes volume that is purchased from third parties.

Marine Services

ISOA
International Support Vessel Owners' Association.

Sustainable Development

Carbon Dioxide Equivalent ("CO_2e")
A measure of the global warming potential of releases of the six greenhouse gases specified by the Kyoto protocol. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

Greenhouse Gas ("GHG")
A gas in the atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect because part of the re-radiation is back towards the surface of the earth and the lower atmosphere, resulting in an elevation of the average surface temperature above what it would be in the absence of greenhouse gases.

Cubic metres (cbm)
A metric unit of volume or capacity equal to 1,000 litres or 1.0 metric tonne of water.

Global Reporting Initiative ("GRI")
(www.globalreporting.org)
An institution which provides a generally accepted framework for sustainability reporting. The updated GRI G4 framework sets out the principles and indicators that entities can use to measure and report their economic, environmental and social performance.

Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total days lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Lost Time Injury Rate ("LTIR") represents the number of injuries per 100 employees per year. It is calculated as the total injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year. The definitions of an injury and the number of hours worked may vary slightly in different jurisdictions and in different industries. In such cases local legal definitions and industry norms will take precedence.

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the Group.

Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat and steam as well as GHG emissions from the generation and transportation of Towngas in Hong Kong from the production plant to the users.

Total injuries are the number of injuries in the year which result in lost time of a minimum of one scheduled working day.

RATIOS

Financial

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

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

$$\text{Return on net assets employed} = \frac{\text{Profit/(loss) for the year}}{\text{Average net assets employed}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

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

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

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

Aviation

$$\text{Passenger/Cargo and mail load factor} = \frac{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}{\text{Available seat kilometres/Available cargo and mail tonne kilometres}}$$

$$\text{Passenger/Cargo and mail yield} = \frac{\text{Passenger turnover/Cargo and mail turnover}}{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

Financial Calendar and Information for Investors

Financial Calendar 2016

Annual Report available to shareholders	7th April
'A' and 'B' shares trade ex-dividend	13th April
Share registers closed for second interim dividends entitlement	15th April
Payment of 2015 second interim dividends	6th May
Share registers closed for attending and voting at Annual General Meeting	9th – 12th May
Annual General Meeting	12th May
Interim results announcement	August
First interim dividends payable	October

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International callers: 1-201-680-6825

Stock Codes

Stock Codes	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

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Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

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