SWIRE PACIFIC

2014 Annual Report

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

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

CORPORATE STATEMENT

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 over 140 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.

Sustainability is key to our long-term approach. We recognise that sustainable development does not mean less profit. Rather it is an opportunity for innovation, growth and improved efficiency.

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 13.5 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 4.0 million square feet of lettable and saleable space upon completion after two phases of development.

In 2014, our airlines (which are based in Hong Kong) carried 31.6 million passengers and flew to 210 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 52 destinations in Mainland China and elsewhere in Asia. The HAECO group is a leading provider of international aircraft engineering services. In 2014, it performed 9.7 million manhours of airframe maintenance in Hong Kong, Mainland China and the USA.

In 2014, our Beverages Division sold 1,044 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 88 specialist vessels supporting the offshore energy industry in every major offshore production and exploration region outside the USA.

At 31st December 2014, we operated 249 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 and in Mainland China with The Campbell Soup Company in soup distribution.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 40,000 employees. In Mainland China, in ventures under our own management, we have approximately 24,000 employees. Globally, we employ over 82,000 staff.

SWIRE PACIFIC'S STRATEGY

The strategic objective of Swire Pacific is sustainable growth in shareholder value over the long-term. The strategies employed in order to achieve this objective are these:

- The long-term development of a diversified range of businesses in which shareholder value can be created by earning a return on capital appropriate to each business.
- Investment in businesses where Swire Pacific has management control or significant management influence, so that the businesses can benefit from active and prudent management by Swire Pacific.
- Employment of staff whom Swire Pacific believes will further its strategic objective and will be committed to Swire Pacific for the long-term, and the provision to them of a career path and training consistent with Swire Pacific's strategic objective.
- Operational excellence in the way Swire Pacific conducts its businesses.
- Doing business in a sustainable manner.
- Commitment to high standards of corporate governance, with a view to ensuring that Swire Pacific's businesses are conducted in accordance with proper ethical standards and appropriate transparency, that the business risks to which Swire Pacific is exposed are properly understood and managed and that the interests of those with whom Swire Pacific engages are properly considered.
- Active stewardship of the Swire brand.

Swire Pacific's aim is to create long-term value for shareholders by making investments in a diverse range of businesses and to exceed target rates of return appropriate for those businesses. We aim to develop businesses where we can add value through our industry-specific expertise and our particular knowledge of the Greater China region. We have strict financial disciplines and adopt rigorous analysis and valuation, refusing to overpay for acquisitions and being willing to close or sell under-performing businesses.

Refer to pages 101 and 102 for Swire Pacific's 2014 investment appraisal and performance review.

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects our belief that, in the achievement of our 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 employees, those with whom it does business and the communities in which it operates will all benefit.

Refer to pages 112 to 120 for Swire Pacific's 2014 Corporate Governance Report.

About This Report

We support the efforts of the International Integrated Reporting Council ("IIRC") to bring about greater consistency of reporting by companies, to improve the transparency of financial reports and to help investors and users of accounts better understand how businesses operate and how shareholder value is created. We hope to have produced a report that gives investors and other users a clear and concise explanation of Swire Pacific's strategy, governance, performance and prospects. In so doing, we hope to be able to demonstrate effectively how we create and intend to create shareholder value.

- 2014 performance highlights and the Chairman's summary of the Group's 2014 performance and its prospects can be found on pages 4 to 15.
- A review of the Group's financial performance can be found on pages 94 to 102.

- The 2014 Performance Review and Outlook section on pages 16 to 75 provides a review of all five of the Group's operating divisions. An overview of the business and the strategies of each division is provided. An explanation of the operating context and a summary of business performance and future prospects are also given.
- Swire Pacific's 2014 Corporate Governance Report can be found on pages 112 to 120.
- Sustainability data, which follows the Global Reporting Initiative's ("GRI") G4 reporting guidelines at the core level, can be found on pages 230 to 234.
- A review of the Group's five sustainable development pillars can be found on pages 76 to 93. Information about sustainable development can also be found in the reviews of the operating divisions, where appropriate.

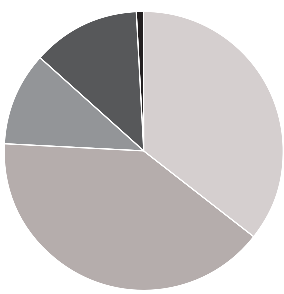
This report can be found online at www.swirepacific.com/en/ir/reports.php, where a condensed version of the report can also be found.

External audit of financial information has been provided by PricewaterhouseCoopers ("PwC"). PwC was also commissioned to report on certain sustainability information in the report and our compliance with the GRI G4 reporting guidelines at the core level. Our sustainability reporting has been based on GRI guidelines since 2007. This is the first report prepared using the GRI G4 reporting guidelines at the core level.

- The auditor's report can be found on page 132.
- PwC's independent limited assurance report on certain sustainability information can be found on pages 227 to 229.

Revenue by Area

HK$M



Hong Kong 21,928

Asia (excluding Hong Kong) 24,713

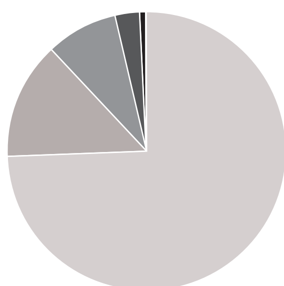
Ship owning and operating activities** 6,547

United States of America 7,648

Others 465

Non-current Assets by Area*

HK$M



Hong Kong 204,917

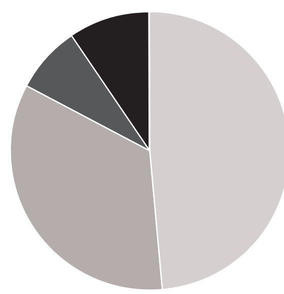
Asia (excluding Hong Kong) 36,957

Ship owning and operating activities** 23,125

United States of America 8,531

Others 530

Employee Numbers by Area



Hong Kong & Macau 40,216

Asia (excluding Hong Kong & Macau) 28,142

United States of America 6,318

Others 7,732

* In this analysis, the total of non-current assets excludes joint venture and associated companies, financial instruments, deferred tax assets and retirement benefit assets.

** Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

2014 Performance Highlights

Attributable Profit
17% decrease from 2013
HK$11.1 bn

Underlying Profit
15% increase from 2013
HK$9.7 bn

Net Assets Employed
2% increase from 2013
HK$320.8 bn

Return on Equity
1.2 percentage points decrease from 2013
5.0%

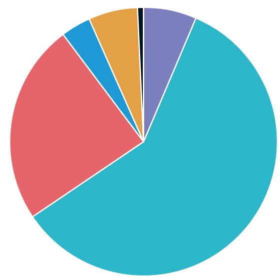
Dividend Per Share
11% increase from 2013
HK$3.90 per 'A' share HK$0.78 per 'B' share

Return on Equity by Division

Division	
Property	4.6%
Aviation	4.9%
Beverages	16.4%
Marine Services	8.2%
Trading & Industrial	9.2%

Employee Numbers by Division

Division	Employees
Property	5,497
Aviation	48,716
Beverages	19,919
Marine Services	3,027
Trading & Industrial	5,210
Head Office	39



2014 2013

GHG Emissions
Tonnes of CO_2e (Millions)
2014: 17.7
2013: 16.6

Energy Consumed
GJ (Millions)
2014: 239.3
2013: 226.4

Water Consumed
cbm (Millions)
2014: 9.4
2013: 8.6

LTIR
(No. of injuries per 100 full-time equivalent employees)
2014: 2.03
2013: 2.58

Expenditure on Community Programmes
HK$ (Millions)
2014: 56
2013: 58

Employee Compensation *
HK$ (Millions)
2014: 30,759
2013: 26,610

Total Employee Numbers
2014: **82,408** 2013 : 75,016

* Employee compensation represents total employment cost, prepared on the same basis as total employee numbers shown on page 232.

2014 Financial Performance

	Note	2014 HK$M	2013 HK$M	Change %
Revenue		**61,301**	51,437	+19.2%
Operating profit		**13,697**	16,686	-17.9%
Profit attributable to the Company's shareholders		**11,069**	13,291	-16.7%
Cash generated from operations		**16,250**	14,301	+13.6%
Net cash outflow before financing		**(215)**	(211)	+1.9%
Total equity (including non-controlling interests)		**262,130**	262,508	-0.1%
Net debt		**58,624**	50,505	+16.1%

	Note	HK$	HK$	
Earnings per share	(a)			
'A' share		**7.36**	8.83	-16.7%
'B' share		**1.47**	1.77	
Dividends per share				
'A' share		**3.90**	3.50	+11.4%
'B' share		**0.78**	0.70	
Equity attributable to the Company's shareholders per share	(a)			
'A' share		**145.40**	146.41	-0.7%
'B' share		**29.08**	29.28	

Underlying Profit and Equity

	Note	HK$M	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(b)	**9,739**	8,471	+15.0%

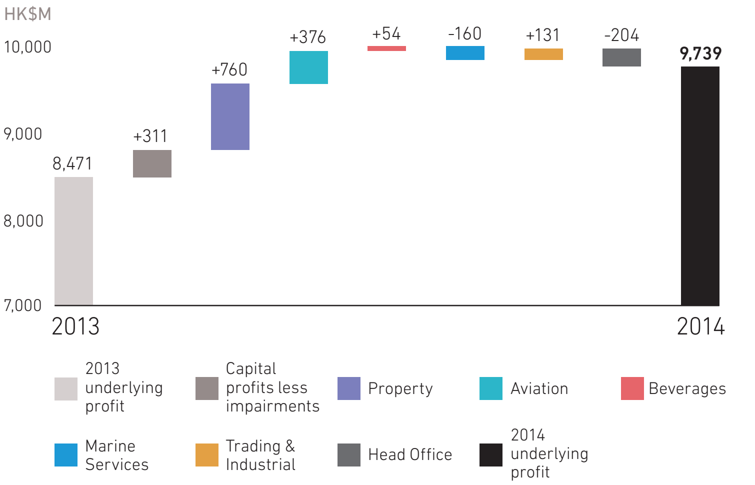
	Note	HK$	HK$	
Underlying earnings per share	(a)			
'A' share		**6.47**	5.63	+15.0%
'B' share		**1.29**	1.13	
Underlying equity attributable to the Company's shareholders per share	(a),(b)			
'A' share		**150.23**	150.74	-0.3%
'B' share		**30.05**	30.15	

2014 Sustainable Development Performance

	2014	2013	Change %
GHG emission (Million tonnes of CO_2e)	**17.7**	16.6	+6.6%
Energy consumed (GJ Millions)	**239.3**	226.4	+5.7%
Water consumed (cbm Millions)	**9.4**	8.6	+9.3%
LTIR (Number of injuries per 100 full-time equivalent employees)	**2.03**	2.58	-21.3%
Average hours of training per employee	**32**	26	+23.1%
Expenditure on community programmes (HK$ Millions)	**56**	58	-3.4%

Notes:
(a) Refer to note 13 in the financial statements for the weighted average number of shares.
(b) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 94.

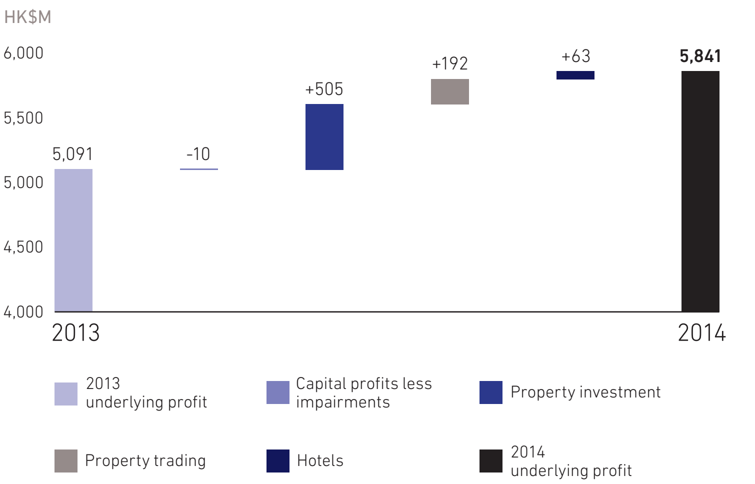
Group – Movement in Underlying Profit



- Higher profits from the Property Division, the Cathay Pacific group and the Beverages and Trading & Industrial Divisions.
- Lower profits from the HAECO group and the Marine Services Division.

See page 94 for reference

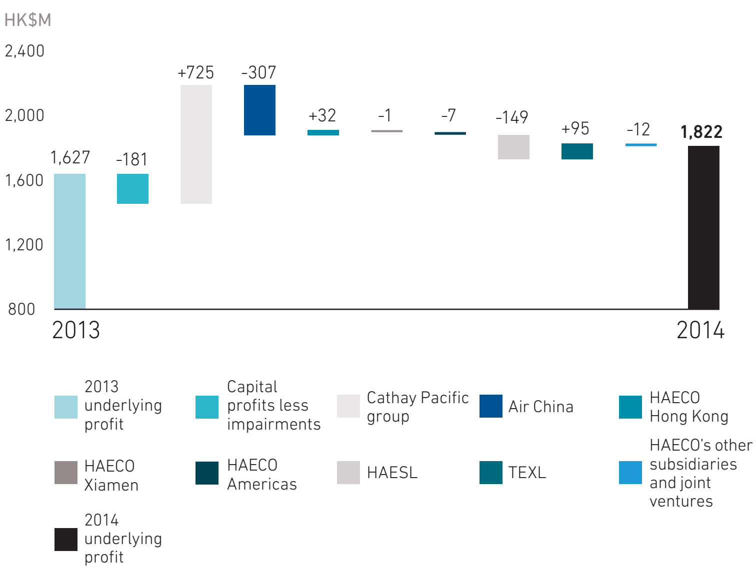
Property Division – Movement in Underlying Profit



- Higher profits from property investment, reflecting positive rental reversions in Hong Kong and higher rental income in Mainland China.
- Higher profits from property trading in Hong Kong principally because of more units sold.
- Better performances from hotels in Hong Kong and reduced losses from hotels in Mainland China.

See page 16 for reference

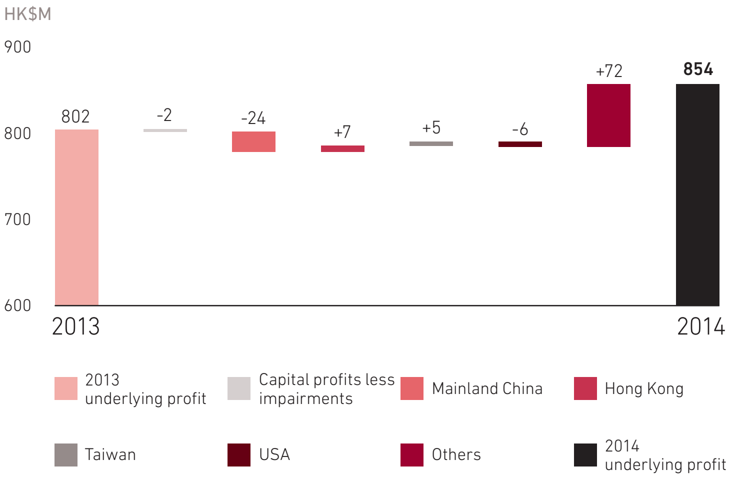
Aviation Division – Movement in Underlying Profit



- Cathay Pacific's results benefited from firm passenger demand during the year and improved cargo demand in the second half of the year. Lower fuel prices in the fourth quarter were partially offset by fuel hedging losses.
- Air China recorded lower profits, principally due to a difficult operating environment and substantial foreign exchange losses in the first half of the year.
- HAECO Hong Kong's results benefited from cost savings.
- HAESL overhauled fewer engines due to the retirement of older engine types.
- TEXL performed more engine overhaul work.

See page 34 for reference

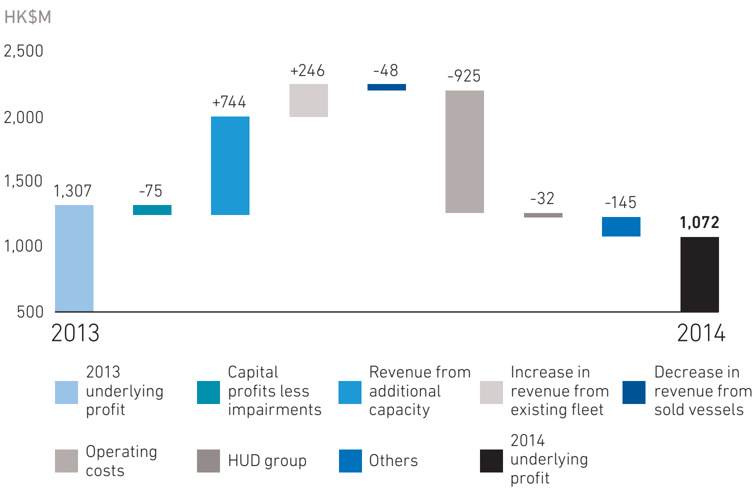
Beverages Division – Movement in Underlying Profit



- Results in Mainland China benefited from favourable raw material costs and an improved sales mix. The reduction in underlying profit reflects the absence of a 2013 non-recurring profit.
- Results in Hong Kong benefited from price increases and lower raw material costs.
- Results in Taiwan benefited from a favourable sales mix and lower raw material costs.
- Results in the USA were affected by higher staff costs and additional expenses associated with the assumption of new franchise territories.
- Gains were recognised on disposal of available-for-sale investments.

See page 50 for reference

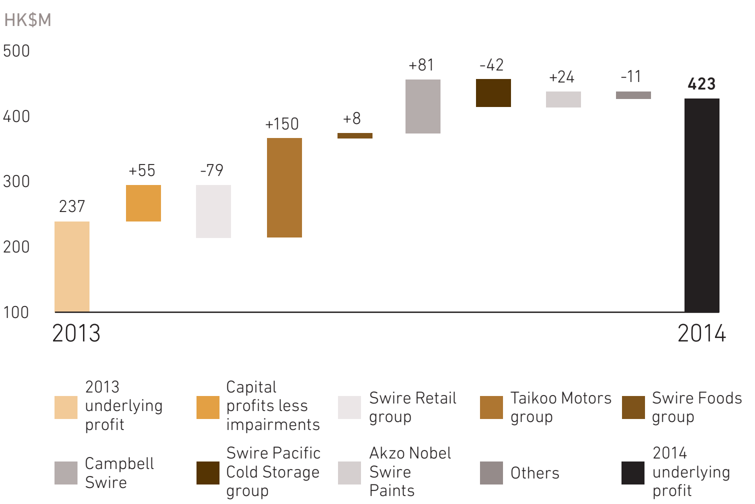
Marine Services Division – Movement in Underlying Profit



- Additional charter hire revenue was contributed by new vessels delivered in 2014 and by a full year's contribution from vessels delivered in 2013.
- Overall utilisation decreased, principally due to difficult market conditions in the second half of the year.
- There were higher operating costs due to the inclusion of the costs of new vessels commencing operations.

See page 58 for reference

Trading & Industrial Division – Movement in Underlying Profit



- Results benefited from higher sales volume and non-recurring profits from Taikoo Motors, higher profits from Akzo Nobel Swire Paints and reduced losses from Campbell Swire.
- There were lower profits from Swire Retail and higher start-up costs at Swire Pacific Cold Storage.

See page 68 for reference

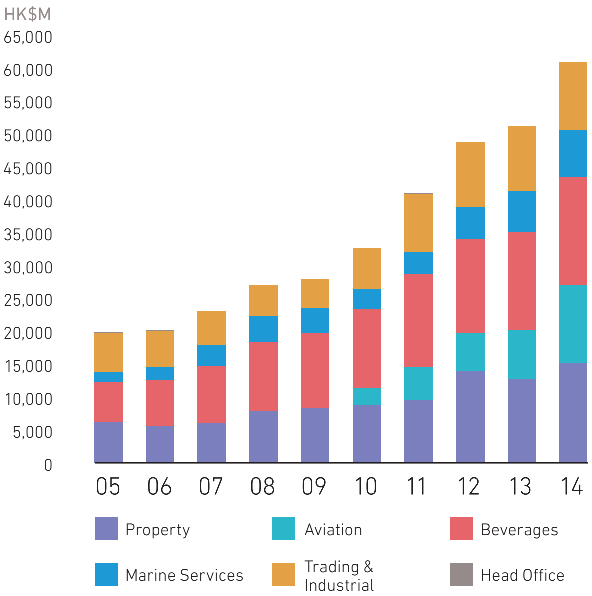
Summary of Past Performance – Financial

	2005 HK$M	2006 HK$M	2007 HK$M	2008 HK$M	2009 HK$M	2010 HK$M	2011 HK$M	2012 HK$M	2013 HK$M	2014 HK$M
Statement of Profit or Loss										
Revenue										
Property	6,197	5,595	6,060	7,903	8,288	8,809	9,518	13,988	12,856	**15,297**
Aviation	–	–	–	–	–	2,574	5,171	5,830	7,387	**11,927**
Beverages	6,198	6,987	8,771	10,534	11,560	12,189	14,105	14,396	15,053	**16,382**
Marine Services	1,492	1,997	3,104	4,007	3,892	3,046	3,505	4,864	6,292	**7,234**
Trading & Industrial	6,036	5,554	5,306	4,746	4,320	6,212	8,862	9,956	9,836	**10,430**
Head Office	25	215	17	13	10	7	8	6	13	**31**
	19,948	20,348	23,258	27,203	28,070	32,837	41,169	49,040	51,437	**61,301**
Profit attributable to the Company's shareholders										
Property	14,701	20,116	22,669	3,190	17,356	25,925	24,981	15,282	10,207	**7,786**
Aviation	1,844	3,546	3,220	(3,088)	1,772	8,767	2,869	984	1,627	**1,822**
Beverages	467	475	492	571	760	705	664	556	802	**854**
Marine Services	3,036	828	2,541	1,756	1,631	782	854	964	1,307	**1,072**
Trading & Industrial	520	449	401	2,088	350	1,197	416	247	237	**423**
Head Office	114	223	256	28	(29)	719	2,269	(623)	(889)	**(888)**
	20,682	25,637	29,579	4,545	21,840	38,095	32,053	17,410	13,291	**11,069**
Dividends for the year	3,154	4,321	4,898	3,591	4,213	5,266	9,780	5,266	5,266	**5,868**
Share repurchases	–	–	1,296	649	–	–	–	–	–	**–**
Retained profit less share repurchases	17,528	21,316	23,385	305	17,627	32,829	22,273	12,144	8,025	**5,201**
Statement of Financial Position										
Net assets employed										
Property – cost and working capital	38,792	45,376	57,333	66,229	68,444	75,491	71,868	76,907	84,035	**88,491**
– valuation surplus	48,483	62,864	82,343	82,712	96,807	119,072	131,609	144,176	151,019	**154,116**
Aviation	18,515	20,157	22,216	16,583	21,715	38,306	39,689	40,304	43,801	**41,195**
Beverages	2,881	3,340	3,555	4,039	4,605	5,205	5,662	6,200	6,032	**6,048**
Marine Services	5,087	6,025	6,487	7,416	7,862	8,872	11,233	17,631	21,412	**23,537**
Trading & Industrial	1,533	1,711	1,780	3,615	1,511	1,004	1,594	2,663	2,286	**3,950**
Head Office	217	(79)	1,181	(139)	363	2,657	5,631	4,755	4,428	**3,417**
	115,508	139,394	174,895	180,455	201,307	250,607	267,286	292,636	313,013	**320,754**
Financed by										
Equity attributable to the Company's shareholders	103,603	126,683	151,099	148,402	168,745	204,464	226,380	208,467	220,297	**218,775**
Non-controlling interests	6,576	772	1,328	1,649	1,098	4,922	5,138	39,915	42,211	**43,355**
Net debt	5,329	11,939	22,468	30,404	31,464	41,221	35,768	44,254	50,505	**58,624**
	115,508	139,394	174,895	180,455	201,307	250,607	267,286	292,636	313,013	**320,754**

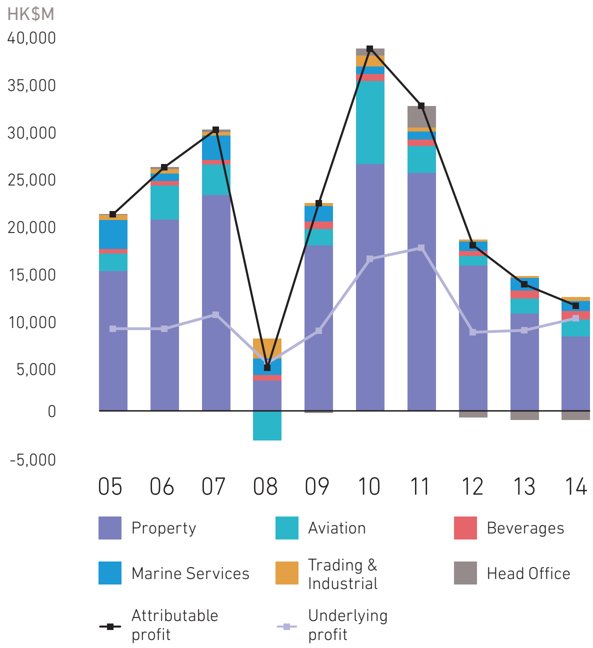
	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $	HK $
'A' Shares										
Earnings per share	13.51	16.75	19.45	3.00	14.52	25.32	21.30	11.57	8.83	**7.36**
Dividends per share	2.06	2.83	3.23	2.38	2.80	3.50	6.50	3.50	3.50	**3.90**
Equity attributable to shareholders per share	67.67	82.75	99.65	98.63	112.15	135.89	150.46	138.55	146.41	**145.40**
'B' Shares										
Earnings per share	2.70	3.35	3.89	0.60	2.90	5.06	4.26	2.31	1.77	**1.47**
Dividends per share	0.41	0.57	0.65	0.48	0.56	0.70	1.30	0.70	0.70	**0.78**
Equity attributable to shareholders per share	13.53	16.55	19.93	19.73	22.43	27.18	30.09	27.71	29.28	**29.08**
Ratios										
Return on average equity attributable to the Company's shareholders	21.88%	22.27%	21.30%	3.04%	13.77%	20.41%	14.88%	8.01%	6.20%	**5.04%**
Return on average equity attributable to the Company's shareholders (historic cost)	15.37%	14.08%	15.16%	7.36%	11.96%	19.86%	18.87%	8.94%	8.92%	**10.14%**
Gearing ratio	4.84%	9.37%	14.74%	20.26%	18.53%	19.69%	15.45%	17.82%	19.24%	**22.36%**
Interest cover – times	34.15	46.76	54.05	10.11	23.39	27.06	19.58	13.04	8.35	**6.76**
Dividend cover – times	6.56	5.93	6.04	1.27	5.18	7.23	3.28	3.31	2.52	**1.89**
Underlying										
Profit (HK$M)	8,643	8,638	10,131	5,019	8,422	15,986	17,135	8,270	8,471	**9,739**
Equity attributable to the Company's shareholders (HK$M)	105,347	128,750	153,437	150,921	172,689	208,661	231,636	214,220	226,807	**226,038**
Return on average equity attributable to the Company's shareholders	8.99%	7.38%	7.18%	3.30%	5.21%	8.38%	7.78%	3.71%	3.84%	**4.30%**
Earnings per 'A' share (HK$)	5.65	5.64	6.66	3.32	5.60	10.62	11.39	5.50	5.63	**6.47**
Earnings per 'B' share (HK$)	1.13	1.13	1.33	0.66	1.12	2.12	2.28	1.10	1.13	**1.29**
Equity attributable to 'A' shareholders per share (HK$)	68.81	84.10	101.19	100.30	114.77	138.68	153.95	142.37	150.74	**150.23**
Equity attributable to 'B' shareholders per share (HK$)	13.76	16.82	20.24	20.06	22.95	27.74	30.79	28.47	30.15	**30.05**
Gearing ratio	4.76%	9.22%	14.52%	19.92%	18.10%	19.30%	15.10%	17.32%	18.67%	**21.63%**
Interest cover – times	12.84	13.49	14.79	9.93	8.28	10.31	10.43	6.73	5.48	**6.14**
Dividend cover – times	2.74	2.00	2.07	1.40	2.00	3.04	1.75	1.57	1.61	**1.66**

Notes:
1. The equity attributable to the Company's shareholders and the returns by division for 2014 and 2013 are shown in the Financial Review – Investment Appraisal and Performance Review on page 101.
2. Underlying profit and equity are discussed on page 94.

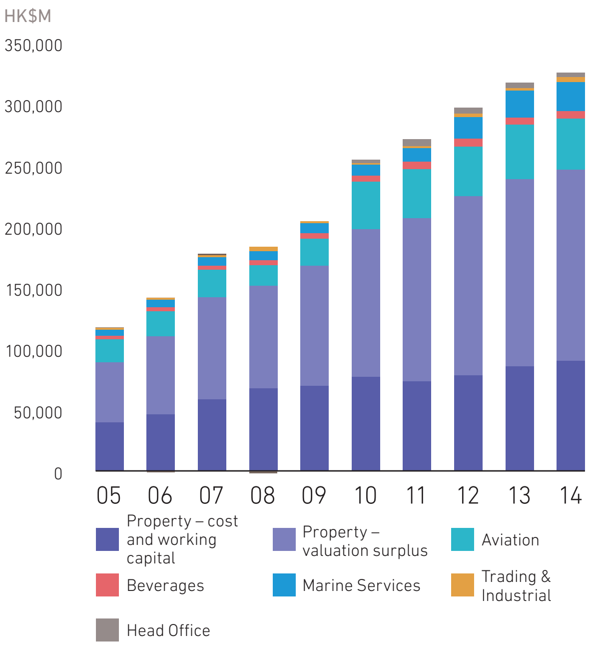
Revenue



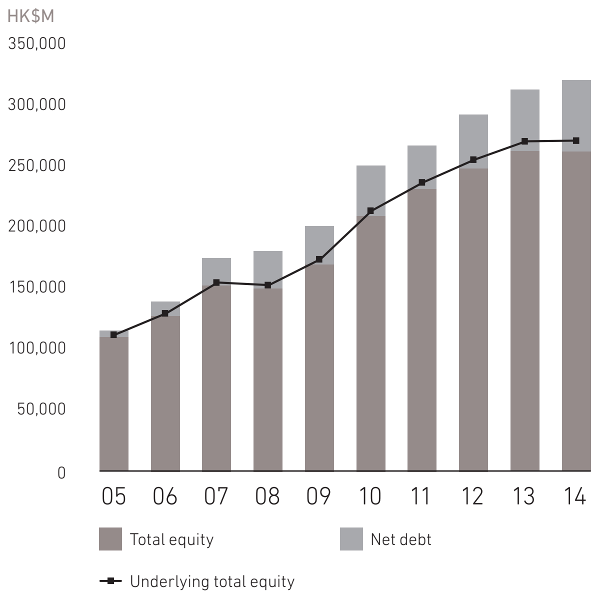
Profit Attributable to the Company's Shareholders



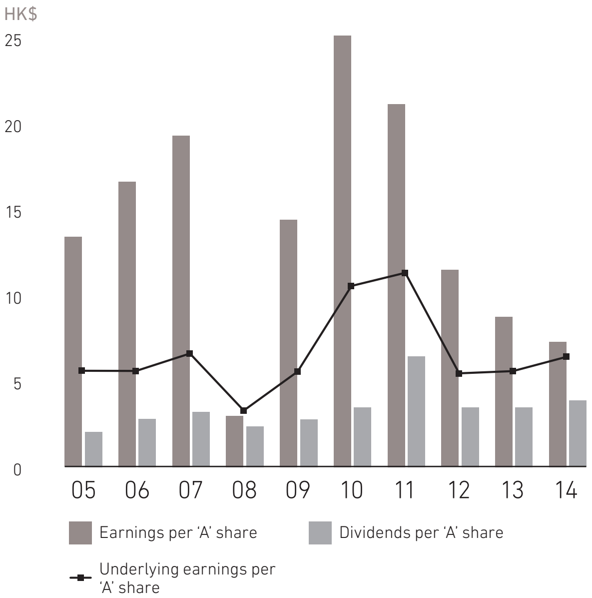
Net Assets Employed



Total Equity and Net Debt



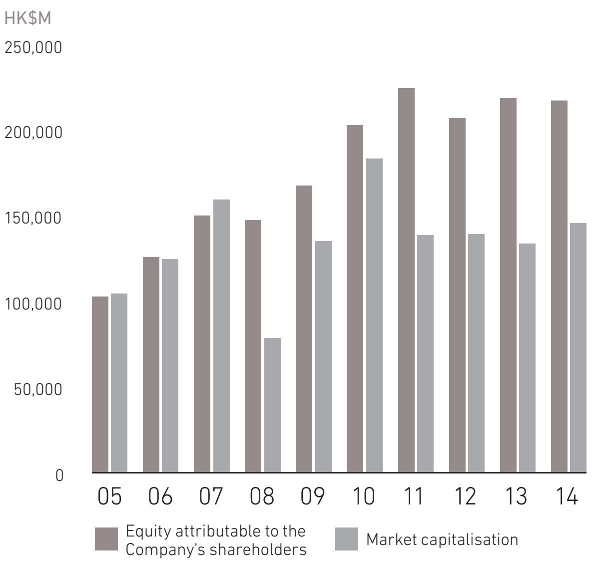
Earnings and Dividends Per 'A' Share



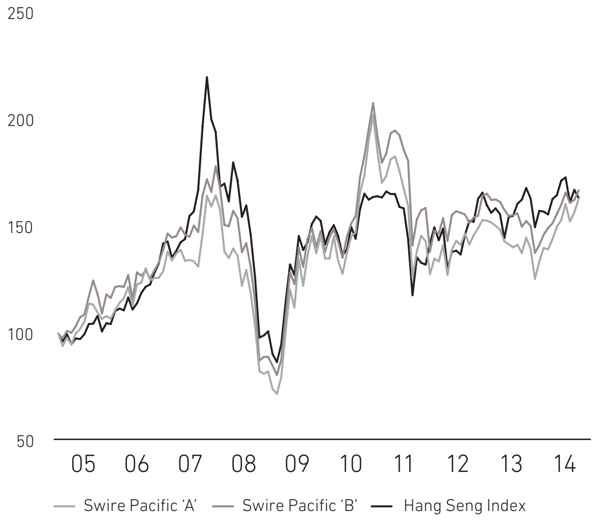
Returns on Average Equity*

* 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 Company's Shareholders and Market Capitalisation at Year-end



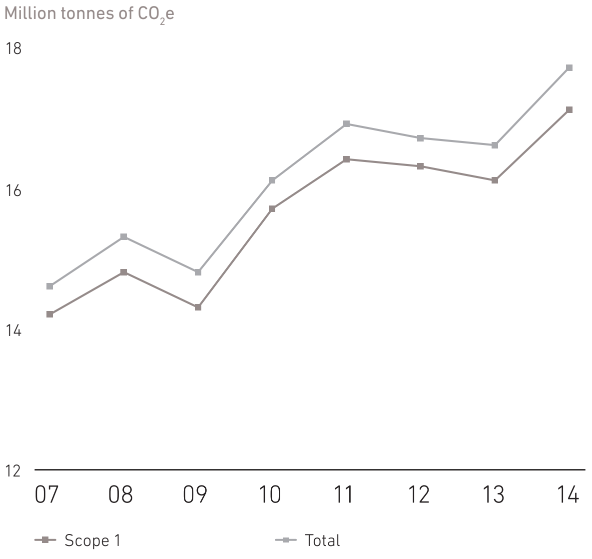
Swire Pacific Share Price Relative to Hang Seng Index



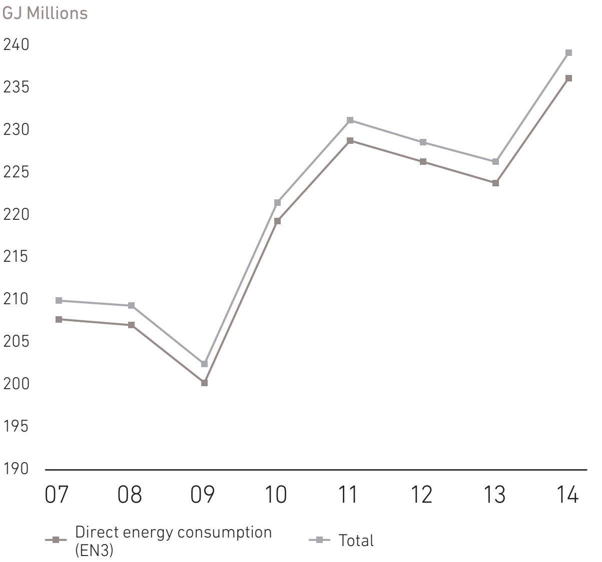
Summary of Past Performance – Sustainable Development

	2007	2008	2009	2010	2011	2012	2013	2014
GHG emissions (Million tonnes of CO_2e)	14.6	15.3	14.8	16.1	16.9	16.7	16.6	**17.7**
Energy consumed (GJ Millions)	210.0	209.4	202.5	221.6	231.3	228.7	226.4	**239.3**
Water consumed (cbm Thousands)	8,236	8,026	8,053	7,555	7,991	7,603	8,625	**9,439**
LTIR (No. of injuries per 100 full-time equivalent employees)	4.12	3.74	2.93	3.39	2.87	2.73	2.58	**2.03**
Total employee numbers	63,764	68,450	66,628	70,265	73,867	74,192	75,016	**82,408**
Expenditure on community programmes (HK$ Millions)	N/A	67	45	41	64	54	58	**56**
Average hours of training per employee	N/A	N/A	N/A	34	37	32	26	**32**

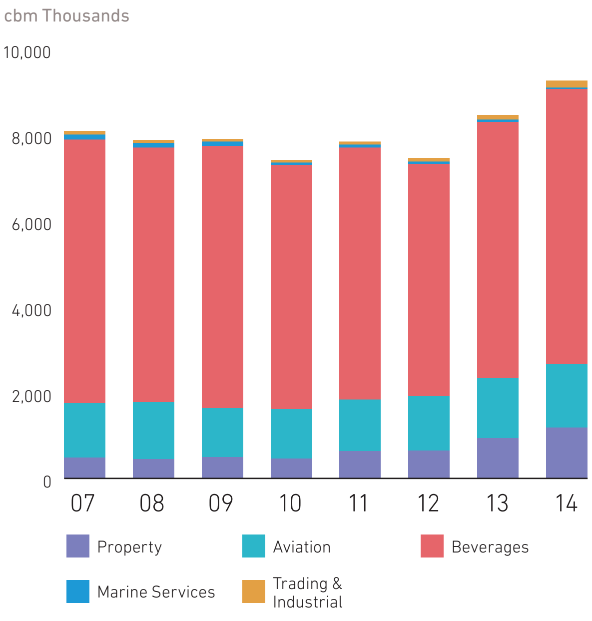
GHG Emissions



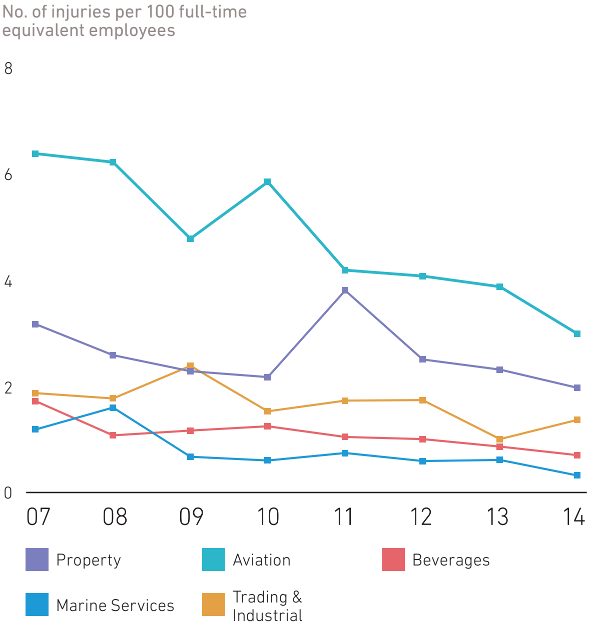
Energy Consumption



Water Consumption



LTIR



Our consolidated profit attributable to shareholders for 2014 was HK$11,069 million, HK$2,222 million lower than in 2013. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$1,268 million or 15% to HK$9,739 million.

This increase in underlying profit reflects higher profits from the Property Division, the Cathay Pacific group and the Beverages and Trading & Industrial Divisions. There were lower profits from the HAECO group and the Marine Services Division.

Dividends

The Directors have declared second interim dividends of HK$2.80 per 'A' share and HK$0.56 per 'B' share which, together with the first interim dividends of HK$1.10 per 'A' share and HK$0.22 per 'B' share paid in October 2014, amount to full year dividends of HK$3.90 per 'A' share and HK$0.78 per 'B' share, compared to full year dividends of HK$3.50 per 'A' share and HK$0.70 per 'B' share in respect of 2013. The second interim dividends will be paid on 8th May 2015 to shareholders registered at the close of business on the record date, being Friday, 17th April 2015. Shares of the Company will be traded ex-dividend from Wednesday, 15th April 2015.

The register of members will be closed on Friday, 17th April 2015, 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, 16th April 2015.

The Economic Background in 2014

The global economy recorded reasonable overall growth in 2014. After a weak start to the year, the USA exhibited good growth. Rising employment benefited the economy. Economic conditions in Europe continued to be weak, although the UK did better than the Eurozone. In Asia, there was a slowdown in the growth of China's economy. Consumer spending in Hong Kong was adversely affected by central government measures in Mainland China and by Occupy Central. The oil price declined significantly in the second half of the year. This reduced fuel costs for our airlines but caused our airlines to suffer significant hedging losses and put pressure on oil and gas companies, which adversely affected our Marine Services Division.

Operating Performance

The attributable underlying profit from the Property Division increased by 15% to HK$5,841 million. The increase in underlying profit principally reflects higher income from retail and office investment properties in Hong Kong and Mainland China and higher trading profits from the sale of luxury residential properties in Hong Kong. There were positive rental reversions at the investment property portfolio in Hong Kong and there was higher rental income from investment properties in Mainland China.

The Property Division's net investment property valuation gain in 2014, before deferred tax in Mainland China, was HK$3,134 million, compared to a net gain in 2013 of HK$6,946 million.

The Aviation Division recorded an attributable profit of HK$1,822 million in 2014, compared to a profit of HK$1,627 million in 2013.

The Cathay Pacific group contributed a profit of HK$1,418 million, an increase of 20% compared with 2013. The first half of 2014 was affected by high fuel prices, reduced passenger yield and continued weakness and over-capacity in the air cargo market. For the full year, passenger demand was reasonably firm, with high demand during the peak summer and Christmas periods. After a prolonged period of weakness, cargo demand started to improve in the summer of 2014 and was strong in the fourth quarter. The business benefited from lower fuel prices in the final three months of the year, but this was partially offset by fuel hedging losses. Significant unrealised hedging losses also caused a reduction in the consolidated net assets of Cathay Pacific. Our share of these hedging losses (amounting to HK$5,611 million) was reflected in our consolidated net assets.

The HAECO group's profit attributable to shareholders in 2014 was HK$430 million, a decrease of 8% compared with 2013. The group did more airframe work than in the prior year, principally due to the acquisition of TIMCO Aviation Services, Inc. (now known, with its intermediate holding company, as HAECO Americas) in February 2014. HAECO Americas recorded a loss in 2014 due to the costs of reducing the size of a seat manufacturing facility and the financing costs associated with the acquisition. Demand for the group's line services was stable. The group overhauled fewer engines compared with 2013, mainly due to the retirement of older aircraft types.

The Beverages Division recorded an attributable profit of HK$854 million in 2014, an increase of 6% compared to 2013. Excluding non-recurring profits in 2013 and 2014, attributable profit was HK$776 million, a 6% increase from 2013. This increase principally reflected lower raw material costs in all territories and modest volume growth and an improved sales mix in Mainland China. Overall sales volume increased by 3% to 1,044 million unit cases, compared with an increase of 2% in 2013. The increase was principally due to the assumption of new franchise territories in Colorado in the USA.

The Marine Services Division reported an attributable profit of HK$1,072 million, a decrease of 18% compared to 2013. At SPO, results were adversely affected by the difficult market conditions in the second half of the year caused by the significant decline in the oil price. This put pressure on charter hire rates and utilisation (in particular for the specialist fleet).

Attributable profit from the Trading & Industrial Division in 2014 increased by 78% to HK$423 million. The increase principally reflects higher sales volume and non-recurring profits from Taikoo Motors, higher profits from Akzo Nobel Swire Paints and reduced losses from Campbell Swire. This was partly offset by lower profits from Swire Retail and higher start-up costs from Swire Pacific Cold Storage.

Finance

The Group continues to finance itself prudently. Gearing increased by 3 percentage points to 22%. Cash and undrawn committed facilities were HK$23,876 million at 31st December 2014, compared with HK$30,806 million at 31st December 2013.

In 2014, we raised HK$14,379 million of new finance. This principally comprised HK dollar, US dollar and Renminbi bank loans and the issue of three HK dollar denominated medium-term notes under the Group's medium-term note programmes.

Net debt at 31st December 2014 was HK$58,624 million, an increase of HK$8,119 million since 31st December 2013. The increase principally reflects investments in property projects and new vessels for SPO and investments in subsidiary and joint venture companies.

Economic Outlook

Prospects for the US economy are good as rising employment should result in further growth in consumption. If sustained, the lower oil price should also benefit the US economy. Economic growth in Europe is expected to continue to be weak. The outlook for the Asian region is reasonably good. The growth of the Mainland China economy has been slowing for some time, but is expected to remain robust by international standards. This will continue to benefit Hong Kong. The principal uncertainty facing developing markets is the timing and effect of interest rate rises in the USA.

Sustainable Development

Sustainable development continues to be a key strategic objective of the Group. It helps to create long-term value for shareholders by safeguarding natural resources, supporting the communities in which we operate, concentrating on health and safety and on our staff and their well-being (and that of others with whom we engage) and encouraging our suppliers to maintain sustainability standards similar to our own.

For further information on sustainability, see the sections of this report dealing specifically with sustainability matters.

Prospects

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

Demand for luxury goods in Hong Kong has weakened, but overall retail sales in Hong Kong are expected to grow modestly in 2015. Demand for retail space at prime locations is expected to remain high. In Guangzhou and Beijing, demand for luxury goods has weakened but that for mid-price products is expected to grow satisfactorily. In Chengdu, the retail market is expected to grow steadily in 2015.

In Hong Kong, there is demand for luxury residential properties but there are not many transactions. Profits from property trading are still expected to be significant in 2015, with the completion of the sale of units at pre-sold and completed residential developments in Hong Kong and the completion of the sale of the pre-sold office tower at the Daci Temple project in Mainland China.

The improvement in the business of the Cathay Pacific group in 2014 has continued in the first quarter of this year and we are positive about the overall prospects for 2015. Demand in the cargo business continues to improve and is currently being helped by the congestion in sea ports on the West Coast of the United States. Our airlines continue to benefit from the lower net fuel price. The associated companies of Cathay Pacific are also benefiting from these positive factors. While there is growing competition in the passenger business, which makes it harder to maintain yield, overall demand remains strong and the outlook is positive. The Cathay Pacific group's financial position remains strong, which will enable it to continue its long-term strategic investment in the business and its commitment to reinforcing Hong Kong's position as one of the world's premier aviation hubs.

HAECO Hong Kong's airframe services capacity in 2015 is expected to increase as the training of new recruits progresses. Demand for HAECO Americas' airframe services is expected to weaken. Demand for Taikoo (Xiamen) Aircraft Engineering Company Limited ("HAECO Xiamen")'s airframe services is expected to improve.

The engine overhaul business is expected to continue to be adversely affected by the retirement of older engine types.

Swire Beverages' results in 2015 are likely to be better than those in 2014 due to the inclusion of full-year results from the franchise territories in the USA assumed in 2014. In Mainland China, sales volume growth is expected, but rising staff costs are likely to put pressure on margins. The outlook for the Hong Kong business is good due to its established market position. The USA is expected to benefit from the assumption of the new franchise territories and from sales volume growth in the existing territories.

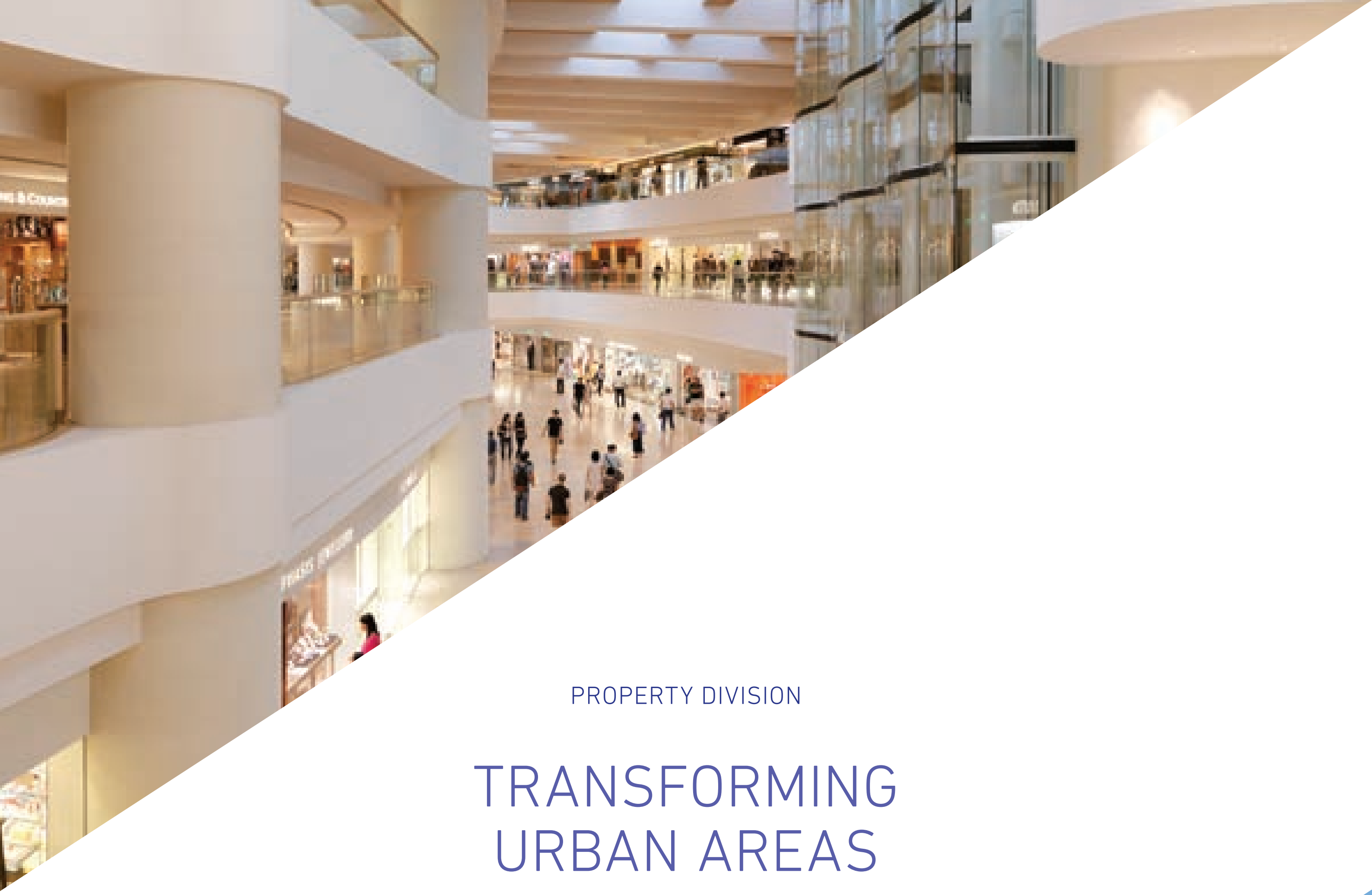
The offshore oil and gas industry is suffering from a low oil price and consequent pressure on the exploration and production budgets of oil companies. In the short term, the low oil price is expected to reduce exploration activities, which is likely to affect SPO's results adversely. However, SPO has confidence in the industry's long-term prospects. Past trends indicate that oil prices do not stay low indefinitely and that a recovery in the oil price is followed by a recovery in exploration.

Results from the Trading & Industrial Division are likely to be lower than in 2014, principally due to the absence of significant non-recurring profits from Taikoo Motors. The division will continue to be affected by the cost of new business development.

We believe that our strategy of seeking sustainable growth in shareholder value over the long-term in a broad range of businesses will continue to be successful.

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, 19th March 2015



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

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. Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 13.5 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.9 million square feet on completion. Of this, 7.0 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. On completion after two phases of development, Brickell City Centre is expected to comprise approximately 4.0 million square feet (6.4 million square feet including car park and circulation areas). Swire Properties was responsible for the redevelopment of OPUS HONG KONG at 53 Stubbs Road, which is owned by Swire Pacific, and is responsible for the leasing and management of the property.

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 two hotels, The Opposite House at Taikoo Li Sanlitun in Beijing, which is wholly-owned by Swire Properties, and EAST at INDIGO, Beijing, in which Swire Properties owns a 50% interest. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental. In the UK, Swire Properties wholly-owns four hotels, in Cheltenham, Bristol, Brighton and Exeter. In the USA, Swire Properties owns a 75% interest in the Mandarin Oriental in Miami.

Property Trading

Swire Properties' trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), two residential towers under development at the Brickell City Centre development in Miami, a completed office property (Pinnacle One) at the Daci Temple project in Chengdu and the remaining units at completed residential developments. These completed developments include the ARGENTA, AZURA, DUNBAR PLACE 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 235 to 243.

Principal Property Investment Portfolio - Gross Floor Area
('000 Square Feet)

	At 31st December 2014						At 31st December 2013
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	5,257
Cityplaza	1,633	1,105	200	–	–	2,938	2,938
Others	410	608	47	87	–	1,152	1,163
– Hong Kong	9,680	2,436	743	593	–	13,452	13,194
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
Daci Temple	–	613	–	–	–	613	–
Others	–	91	–	–	–	91	91
– Mainland China	2,030	3,943	932	52	–	6,957	6,344
– USA	–	–	259	–	–	259	259
– UK	–	–	208	–	–	208	208
Total completed	11,710	6,379	2,142	645	–	20,876	20,005
Under and pending development							
– Hong Kong	1,766	–	–	–	92	1,858	1,722
– Mainland China	926	539	377	54	–	1,896	2,454
– USA	260	490	218	109	1,300	2,377	2,452
Total	14,662	7,408	2,737	808	1,392	27,007	26,633

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. A schedule of the principal properties of the Group and its joint venture and associated companies is given on pages 235 to 243.

The table above does not reflect changes in gross floor area consequent upon the acquisition by Swire Properties of the Hong Kong Government's interest in Cornwall House, which is expected to be completed by 30th December 2016.

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

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 to expand its luxury residential property activities.
- Remaining focused principally on Hong Kong and Mainland China.
- Conservative management of its capital base.

2014 PERFORMANCE

Financial Highlights

	2014 HK$M	2013 HK$M
Revenue		
Gross rental income derived from		
Office	**5,707**	5,386
Retail	**4,260**	3,961
Residential	**353**	329
Other revenue *	**136**	110
Property investment	**10,456**	9,786
Property trading	**3,842**	2,207
Hotels	**1,089**	942
Total revenue	**15,387**	12,935
Operating profit/(loss) derived from		
Property investment	**7,870**	7,309
Valuation gains on investment properties	**1,942**	6,141
Property trading	**1,180**	1,035
Hotels	**(22)**	(65)
Total operating profit	**10,970**	14,420
Share of post-tax profits from joint venture and associated companies	**1,604**	948
Attributable profit	**9,495**	12,448
Swire Pacific share of attributable profit	**7,786**	10,207

* Other revenue is mainly estate management fees.

Sustainable Development Highlights

	2014	2013
Energy intensity (kWh per sqm)	**139**	144
LTIR	**1.95**	2.29

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.

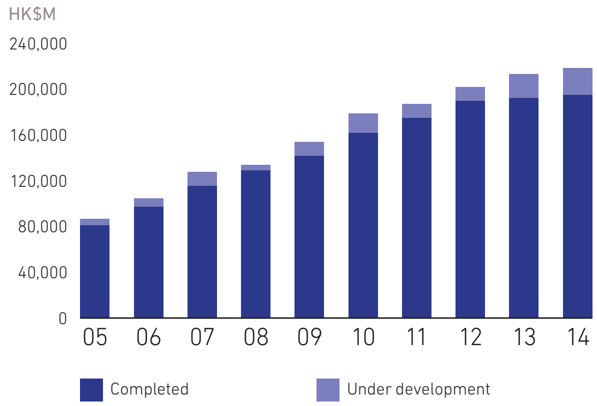
Reconciliation of Attributable to Underlying Profit

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 for other deferred tax provisions in relation to investment properties.

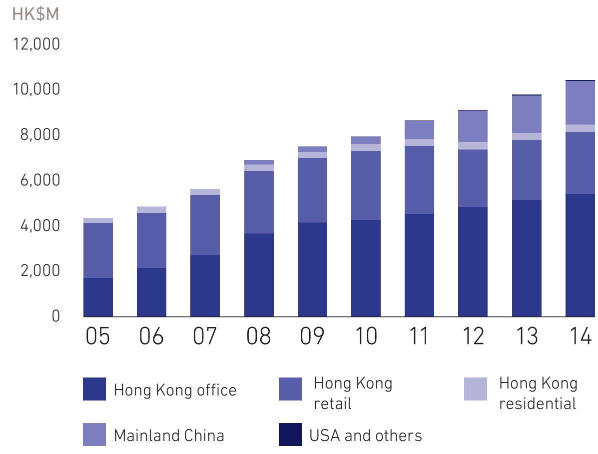
	Note	2014 HK$M	2013 HK$M
Reported attributable profit		**9,495**	12,448
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(3,134)**	(6,946)
Deferred tax on investment properties	(b)	**710**	573
Realised profit on sale of investment properties	(c)	**29**	94
Depreciation of investment properties occupied by the Group	(d)	**23**	20
Non-controlling interests' share of revaluation movements less deferred tax		**1**	19
Underlying attributable profit		**7,124**	6,208
Swire Pacific share of underlying attributable profit		**5,841**	5,091

Notes:
(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture and associated companies.
(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the 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.

Valuation of Investment Properties



Gross Rental Income



PROPERTY INDUSTRY BACKGROUND

Office and Retail

Hong Kong

OFFICE

Demand for office space was generally weak in 2014, particularly from financial institutions.

RETAIL

Demand for retail space in Hong Kong continued to be robust in 2014 although retail sales were affected by changes in the pattern of spending by tourists from Mainland China and by Occupy Central.

Mainland China

OFFICE

In Guangzhou, despite substantial new supply, rents were firm in 2014 on account of high occupancy. In Beijing, rents were firm in 2014. This reflected good demand for decentralised office space.

RETAIL

Overall, retail sales in Guangzhou and Beijing increased by 11% and 19% respectively. Sales of mid-priced products were strong and rents increased as limited space was available at prime locations. However, retailers of luxury goods were cautious about taking more space because of weak sales.

Property Sales Markets

In Hong Kong, there is demand for luxury residential properties, but there are not many transactions.

In the USA, the residential property market in urban Miami was strong in 2014.

2014 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$7,786 million compared to HK$10,207 million in 2013. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$3,134 million and HK$6,946 million in 2014 and 2013 respectively. Underlying profit, which principally adjusts for changes in the valuation of investment properties, increased by HK$750 million to HK$5,841 million.

The increase in underlying profit principally reflects higher income from retail and office investment properties and higher trading profits from the sale of luxury residential properties in Hong Kong.

Gross rental income was HK$10,320 million in 2014, an increase of 7% compared with 2013. There were positive rental reversions at the office and retail properties in Hong Kong. In Mainland China, there was higher rental income at TaiKoo Hui and Taikoo Li Sanlitun.

Operating profit from property trading increased in 2014, principally because more units were sold at Hong Kong residential developments. Profits were also recognised on sales of units at Swire Properties' 50%-owned DUNBAR PLACE residential joint venture development.

There were better performances in 2014 from the hotels in Hong Kong and the UK. The hotels in Mainland China recorded reduced losses.

Pacific Place is one of Hong Kong's premier shopping, dining and entertainment destinations.

KEY CHANGES TO THE PROPERTY PORTFOLIO

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

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

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

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

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

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

INVESTMENT PROPERTIES

Hong Kong

OFFICE

Swire Properties' completed office portfolio comprises 9.7 million square feet of space in Hong Kong, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza in Taikoo Shing and 5.5 million square feet at Taikoo Place in Quarry Bay.

Swire Properties has office tenants in Hong Kong operating in different sectors. The top ten office tenants occupied approximately 23% of its office space in Hong Kong at 31st December 2014. Approximately 26% of its office space in Hong Kong is occupied by companies in the financial services sector.

Gross rental income from the Hong Kong office portfolio for 2014 increased by 5% from 2013, to HK$5,355 million. The Hong Kong office portfolio performed well in 2014. Rental income grew as a result of positive reversions. Occupancy at most of the office portfolio was high. At 31st December 2014, the office portfolio was 97% let.

Pacific Place
The offices at One, Two and Three Pacific Place performed reasonably well in 2014. The occupancy rate was 94% at 31st December 2014.

Cityplaza
Cityplaza One, Three and Four performed well in 2014. The occupancy rate was 100% at 31st December 2014.

Taikoo Place
There are seven office towers at Taikoo Place (including PCCW Tower, in which Swire Properties has a 50% interest). The occupancy rate (excluding One Island East) was 98% at 31st December 2014.

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

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

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

The occupancy rate at Berkshire House in Quarry Bay at 31st December 2014 was 87%.

RETAIL

Swire Properties manages three retail malls in Hong Kong: The Mall at Pacific Place, comprising 0.7 million square feet; Cityplaza in Taikoo Shing, comprising 1.1 million square feet; and Citygate Outlets at Tung Chung, comprising 0.5 million square feet (on a 100% basis). The malls are wholly-owned by Swire Properties, except for Citygate Outlets, in which it has a 20% interest. There are other minor retail interests in Hong Kong.

The Hong Kong retail portfolio's gross rental income for 2014 increased by 3% compared with 2013, to HK$2,705 million. This reflected positive rental reversions. The Group's wholly-owned malls were effectively fully let throughout the year.

Retail sales at The Mall, Pacific Place fell by 6% in 2014, reflecting weaker spending by tourists from Mainland China and, in the last quarter, the effects of Occupy Central. Retail sales at Cityplaza were stable despite incidental disruption and shop closures during an enhancement project. Retail sales at Citygate Outlets were 5% higher in 2014 than in 2013.

RESIDENTIAL

The residential portfolio comprises Pacific Place Apartments, TAIKOO PLACE APARTMENTS, the luxury OPUS HONG KONG development (owned by Swire Pacific) and a small number of luxury houses and apartments.

TAIKOO PLACE APARTMENTS is expected to open in the third quarter of 2015. The development comprises 111 serviced apartments with a gross floor area of approximately 63,000 square feet.

Occupancy at Pacific Place Apartments was approximately 89% at 31st December 2014. There was good demand for fully furnished suites, particularly in the second half of 2014.

Left | Cityplaza underwent a HK$100 million refurbishment in 2014 in order to enhance the shopping experience.

Right | Berkshire House (formerly known as DCH Commercial Centre) is the latest addition to Swire Properties' investment portfolio in Taikoo Place.

Five units at OPUS HONG KONG had been leased at 31st December 2014. Two units were sold during the year.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

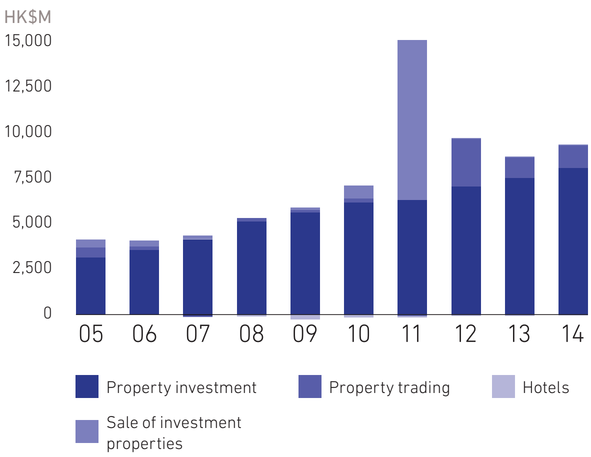
The commercial site (Tung Chung Town Lot No. 11) adjacent to the Citygate Outlets is being developed into a multi-storey commercial building with a gross floor area of approximately 460,000 square feet. The development is expected to be completed in 2017. Swire Properties has a 20% interest in the development.

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. Excavation and foundation works are proceeding. The development is expected to be completed in 2017.

Somerset House in Taikoo Place has been demolished and will be redeveloped into a 50-storey office building with a gross floor area of approximately 1,020,000 square feet. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building) is being planned. The redevelopment will include a landscaped square of approximately 69,000 square feet.

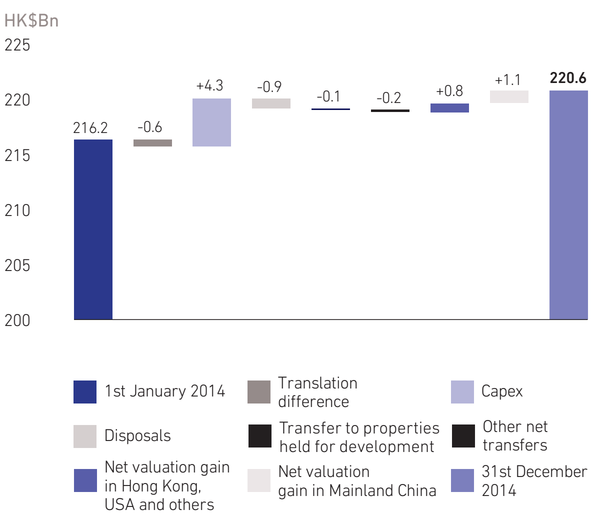
Building design is in progress at the 8-10 Wong Chuk Hang Road site. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

Underlying Operating Profit

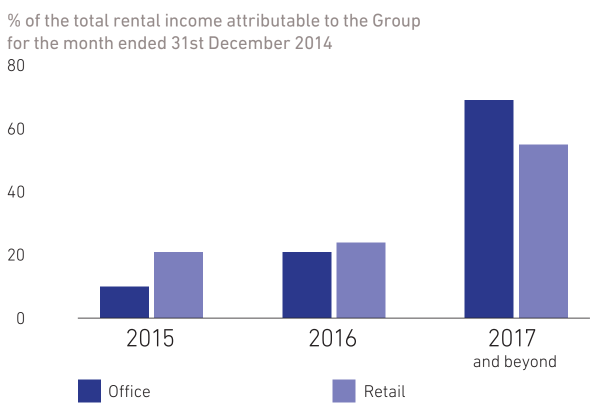


Completed Property Investment Portfolio

Movement in Investment Properties



Hong Kong Lease Expiry Profile – at 31st December 2014



Taikoo Li Sanlitun became wholly-owned by Swire Properties in February 2014.

Mainland China

Swire Properties owns and manages four developments in Mainland China.

Taikoo Li Sanlitun comprises two neighbouring sites in the Chaoyang district of Beijing, Taikoo Li Sanlitun South (with 0.8 million square feet of retail space) and Taikoo Li Sanlitun North (with 0.5 million square feet of retail space). Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands. Tenants at Taikoo Li Sanlitun North are principally retailers of international and local designer fashion brands.

TaiKoo Hui is a mixed-use development in the Tianhe central business district of Guangzhou, with a total area of 3.8 milllion square feet. The development comprises a shopping mall, two Grade A office towers, a cultural centre (owned by a third party), a Mandarin Oriental hotel with serviced apartments and approximately 700 car parking spaces.

INDIGO is a 1.9 million square foot mixed-use development at Jiangtai in the Chaoyang district of Beijing, comprising a retail mall, a Grade A office tower (ONE INDIGO) and EAST, Beijing, a 369-room hotel.

Daci Temple is a retail-led mixed-use development in the Jinjiang District of Chengdu, with a total area of 2.9 million square feet. It consists of a retail complex (named Sino-Ocean Taikoo Li Chengdu), a boutique hotel (named The Temple House) with 100 guest rooms and 42 serviced apartments and a Grade A office tower (named Pinnacle One). The development will be accessible from the Chengdu metro.

RETAIL

The Mainland China retail portfolio's gross rental income for 2014 increased by 15% compared with 2013, to HK$1,555 million.

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

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

Occupancy at the mall at INDIGO was 95% at 31st December 2014 and 93% of the shops were open. Retail sales increased by 66% in 2014.

Sino-Ocean Taikoo Li Chengdu started to open on 31st October 2014. Gucci, Hermes, Muji, Fangsuo, Ole and Zara shops have opened. At 31st December 2014, tenants had committed (including by way of letters of intent) to take 83% of the space at the development.

OFFICE

The Mainland China office portfolio's gross rental income for 2014 increased by 23% compared with 2013, to HK$331 million.

The TaiKoo Hui and ONE INDIGO offices were 100% leased at 31st December 2014.

Computer rendering of Brickell City Centre

Left | Located in the Jinjiang District of Chengdu, Sino-Ocean Taikoo Li Chengdu started to open in October 2014.

Right | In 2014, Swire Properties began to sell units in Reach and Rise, the two luxury condominium towers within the Brickell City Centre development in Miami.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

Foundation work has been completed at the Dazhongli site in Shanghai. Work on the basement and above ground construction of the two office towers, one of the hotels and the shopping mall is in progress. The development is expected to open in phases from 2016.

USA

Brickell City Centre is a mixed-use development in the Brickell financial district of Miami, Florida. It has a site area of 504,000 square feet.

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

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

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2014 (95% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$220,634 million compared to HK$216,239 million at 31st December 2013 and HK$218,988 million at 30th June 2014.

The change in the valuation of the investment property portfolio since 31st December 2013 principally reflects higher rental income at the retail malls in Hong Kong and Mainland China.

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

Audited Financial Information

Investment Properties

	Group			Company
	Completed HK$M	Under Development HK$M	Total HK$M	Total HK$M
At 1st January 2014	**195,533**	**20,706**	**216,239**	**4,100**
Translation differences	**(574)**	**(24)**	**(598)**	**–**
Additions	**404**	**3,932**	**4,336**	**17**
Disposals	**(853)**	**(1)**	**(854)**	**(853)**
Transfer to properties held for development	**–**	**(146)**	**(146)**	**–**
Transfer upon completion	**1,270**	**(1,270)**	**–**	**–**
Other net transfers to property, plant and equipment	**(270)**	**11**	**(259)**	**–**
Other net transfers	**19**	**1**	**20**	**–**
Fair value gains/(losses)	**1,484**	**412**	**1,896**	**(46)**
	197,013	**23,621**	**220,634**	**3,218**
Add: Initial leasing costs	**235**	**–**	**235**	**–**
At 31st December 2014	**197,248**	**23,621**	**220,869**	**3,218**
At 1st January 2013	192,991	12,282	205,273	4,396
Translation differences	676	5	681	–
Additions	216	4,692	4,908	–
Disposals	–	(96)	(96)	–
Transfer upon completion	1,238	(1,238)	–	–
Transfer to redevelopment	(5,494)	5,494	–	–
Other net transfers from property, plant and equipment	(37)	(335)	(372)	–
Fair value gains/(losses)	5,943	(98)	5,845	(296)
	195,533	20,706	216,239	4,100
Add: Initial leasing costs	285	–	285	–
At 31st December 2013	195,818	20,706	216,524	4,100

Geographical Analysis of Investment Properties

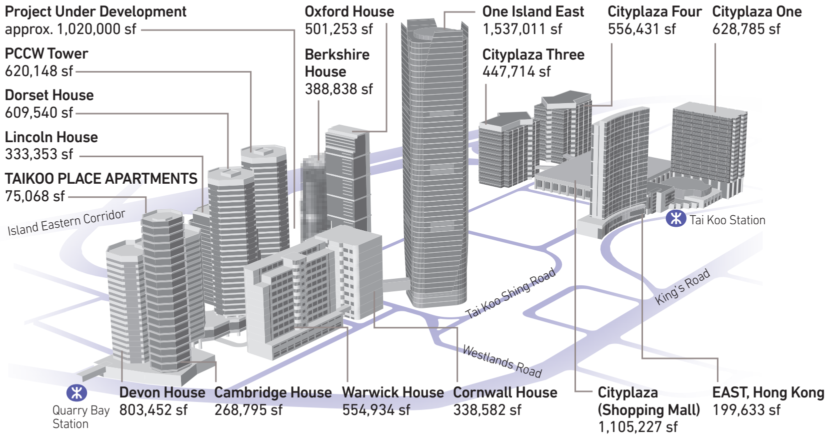
	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Held in Hong Kong				
On medium-term leases (10 to 50 years)	**29,785**	29,349	**–**	–
On long-term leases (over 50 years)	**162,535**	160,795	**3,218**	4,100
	192,320	190,144	**3,218**	4,100
Held in Mainland China				
On medium-term leases (10 to 50 years)	**25,077**	24,439		
Held in USA				
Freehold	**3,237**	1,656		
	220,634	216,239		

Notes:
1. The Group figures in the table above comprise investment properties owned by Swire Properties and a small number of properties owned by Swire Pacific which are managed by Swire Properties. The Company figures represent those investment properties owned directly by Swire Pacific.
2. Fair value gains on investment properties are recognised in the line item "Change in fair value of investment properties" on the face of the consolidated statement of profit or loss.

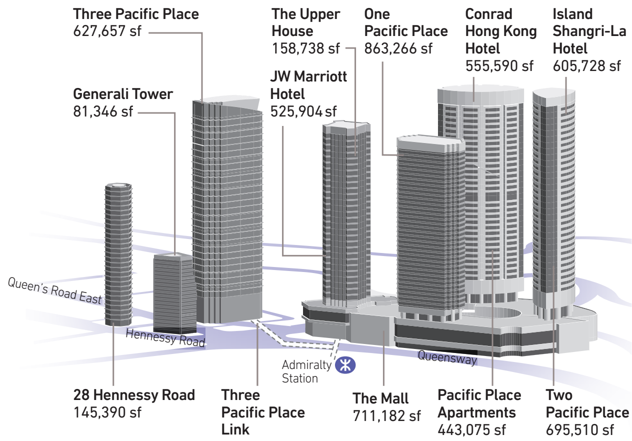
HONG KONG

Taikoo Place

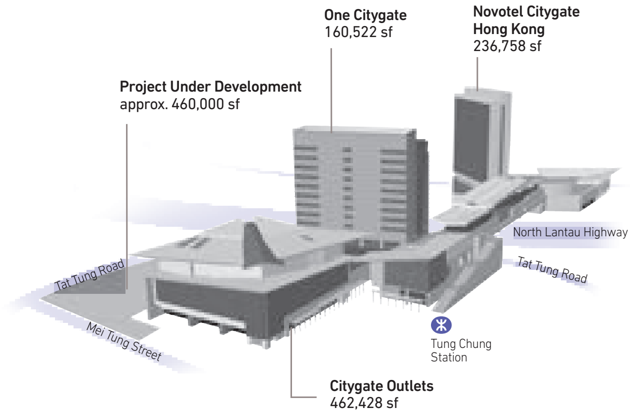
Cityplaza



Pacific Place



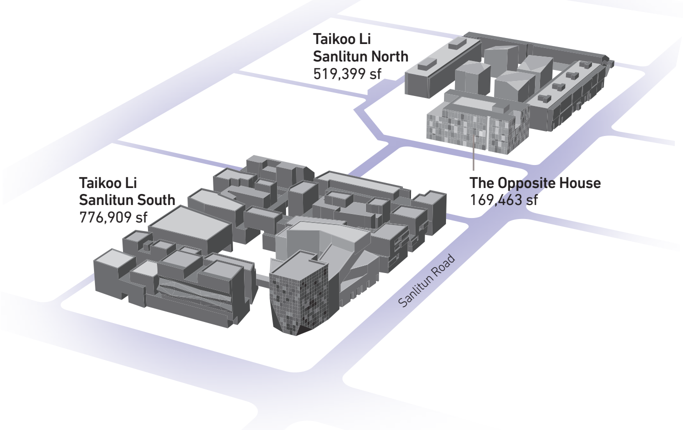
Citygate



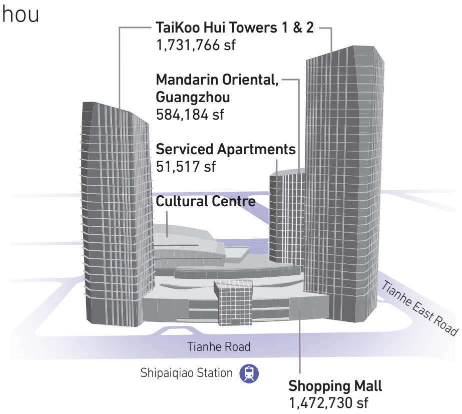
Note: These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 235 to 243.

MAINLAND CHINA

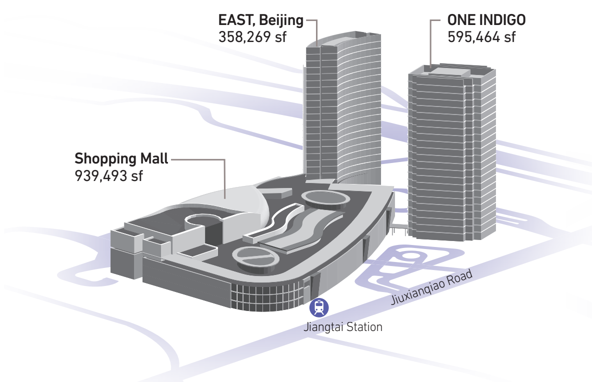
Taikoo Li Sanlitun
Beijing



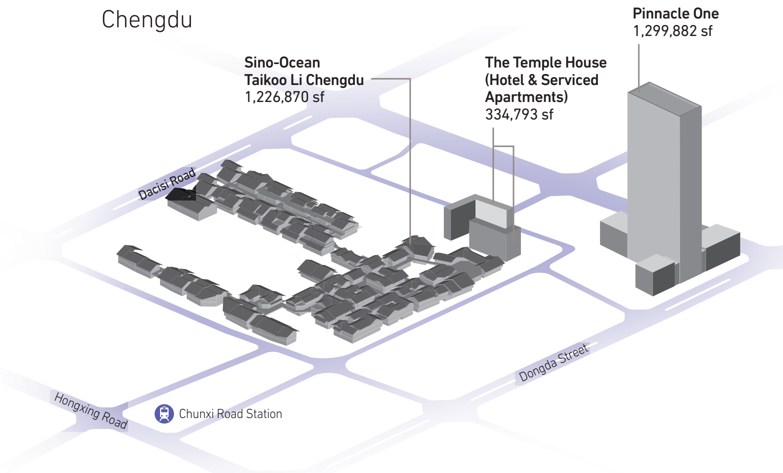
TaiKoo Hui
Guangzhou



INDIGO
Beijing

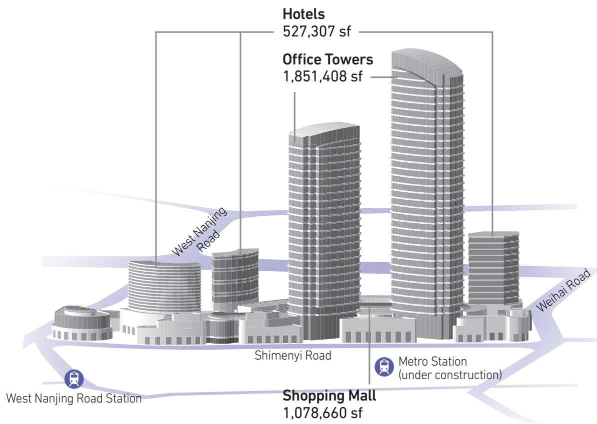


Daci Temple Project
Chengdu

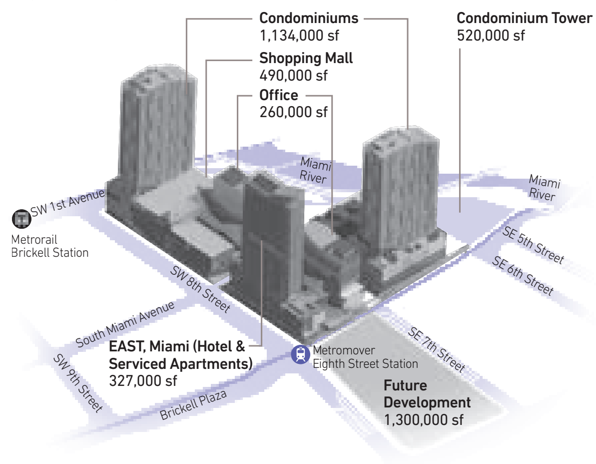


PROJECTS UNDER DEVELOPMENT

Dazhongli Project
Shanghai, Mainland China



Brickell City Centre
Miami, Florida, USA



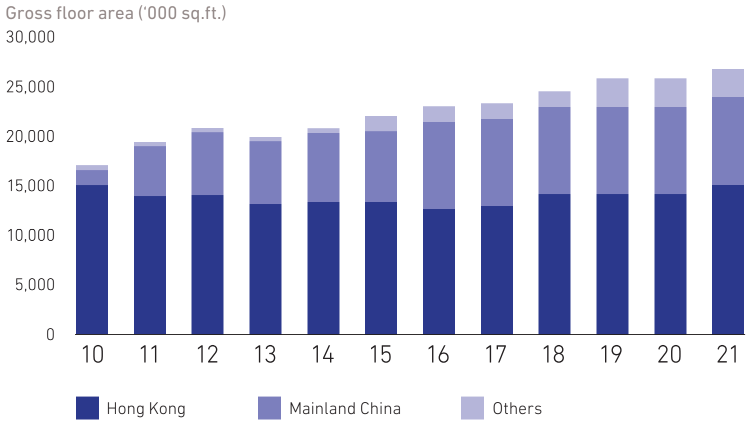
HOTELS

In 2014, Swire Properties' hotels in Hong Kong performed well. Those in Mainland China were adversely affected by new hotels being opened and a drop in the number of international arrivals but still recorded reduced losses.

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

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

Completed Property Investment Portfolio



CAPITAL EXPENDITURE AND COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

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

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

Capital expenditure in 2014 on USA and other investment properties and hotels was HK$2,051 million (2013: HK$1,237 million). Outstanding capital commitments

Profile of Capital Commitments for Investment Properties and Hotels

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

* The capital commitments represent 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$2,634 million of the capital commitments of joint venture companies.

MOUNT PARKER RESIDENCES is a new residential development in Quarry Bay, Hong Kong.

at 31st December 2014 were HK$1,997 million (2013: HK$2,850 million).

SUSTAINABLE DEVELOPMENT

Energy intensity decreased by 3% in 2014. Energy inefficient air-conditioning and lighting was replaced by more energy efficient air-conditioning and lighting.

Lost time injury rates decreased by 15% in 2014. There were fewer injuries in Hong Kong and Mainland China.

PROPERTY TRADING

Hong Kong

RESIDENTIAL DEVELOPMENTS IN MID-LEVELS WEST

Swire Properties is the developer of four sites in Mid-Levels West, a residential district on Hong Kong Island.

The AZURA development was completed in 2012. At 17th March 2015, 122 out of the 126 units had been sold. The profit from the sale of three units was recognised in 2014. Swire Properties has an 87.5% interest in this development.

The ARGENTA development was completed in 2013. At 17th March 2015, 27 out of the 30 units had been sold. The profit from the sale of 15 units was recognised in 2014. ARGENTA is wholly-owned by Swire Properties.

Presales of units at the AREZZO development commenced in September 2014 and 79 of the 127 units had been presold at 17th March 2015. Superstructure work was completed and the occupation permit was issued in January 2015. Handover to purchasers is expected in the second quarter of 2015. The profit from the presold units is expected to be recognised in 2015. AREZZO is wholly-owned by Swire Properties.

Superstructure work is in progress at 100 Caine Road (formerly known as 2 Castle 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 and 43 car parking spaces. The development is wholly-owned by Swire Properties.

MOUNT PARKER RESIDENCES, QUARRY BAY

Swire Properties has an 80% interest in MOUNT PARKER RESIDENCES, a residential development in Quarry Bay. The development was completed in April 2014 and handover to purchasers commenced in May 2014. 86 of the 92 units had been sold at 17th March 2015. The profit from the sale of 82 units was recognised in 2014.

DUNBAR PLACE, HO MAN TIN

DUNBAR PLACE is a residential development in Ho Man Tin, Kowloon. Swire Properties has a 50% interest in the development. The development was completed in December 2013 and handover to purchasers commenced in January 2014. 52 of the 53 units had been sold at 17th March 2015. The profit from the sale of all of these units was recognised in 2014.

160 SOUTH LANTAU ROAD, CHEUNG SHA

Two adjacent residential sites at Cheung Sha, on Lantau Island, are being developed into 28 detached houses. The development is expected to be completed and available for handover to purchasers in the second half of 2015.

Audited Financial Information

Property Trading Portfolio at Cost

	Group 2014 HK$M	Group 2013 HK$M
Properties held for development		
Freehold land	**794**	706
Development cost	**126**	–
	920	706
Properties for sale		
Completed properties – development costs	**345**	1,441
Completed properties – freehold land	**1**	1
Completed properties – leasehold land	**171**	1,247
Properties under development – development costs	**4,005**	2,076
Freehold land under development for sale	**350**	175
Leasehold land under development for sale	**3,069**	3,042
	7,941	7,982

Mainland China

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

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.

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

OUTLOOK

Office and Retail

Hong Kong

OFFICE

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

RETAIL

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

Mainland China

RETAIL

In Guangzhou and Beijing, demand for luxury goods has weakened but that for mid-price products is expected to grow satisfactorily. Retailers are cautious about expanding. In Chengdu, the retail market is expected to grow steadily in 2015, reflecting demand from consumers for international and local branded goods.

Swire Properties aims to reduce electricity consumption by 52 million kWh per year by 2020 from a 2008 baseline. This represents approximately 20% of current energy consumption. In 2014 40 million kWh of electricity was saved.

OFFICE

In Guangzhou and Beijing, office rents are expected to be under pressure in 2015 as a substantial supply of new office space becomes available.

Hotels

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

Property Trading

Hong Kong

In Hong Kong, there is demand for luxury residential properties but there are not many transactions. Profits from property trading are still expected to be significant in 2015, with the completion of the sale of pre-sold units in the AREZZO development, the sales of completed houses at the 160 South Lantau Road development and sales of remaining units at other completed residential developments.

Mainland China

Profits are expected on completion of the sale of the presold office tower (Pinnacle One) at the Daci Temple project in Chengdu in Mainland China.

USA

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

Guy Bradley

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.


CATHAY PACIFIC
PC

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

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 203 destinations in 50 countries and territories. At 31st December 2014, it operated 147 aircraft and had 79 new aircraft due for delivery up to 2024.

Dragonair is a regional airline registered and based in Hong Kong. It operates 41 aircraft on scheduled services to 52 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 2014, Air China operated 225 domestic and 97 international, including regional, routes. Cathay Pacific has a cargo joint venture with Air China, which operated 12 freighters at 31st December 2014 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 2014, Air Hong Kong operated ten Airbus A300-600F freighters and three Boeing 747-400BCF converted freighters.

Cathay Pacific and its subsidiaries employ more than 32,900 people worldwide (around 25,400 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 United States (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.

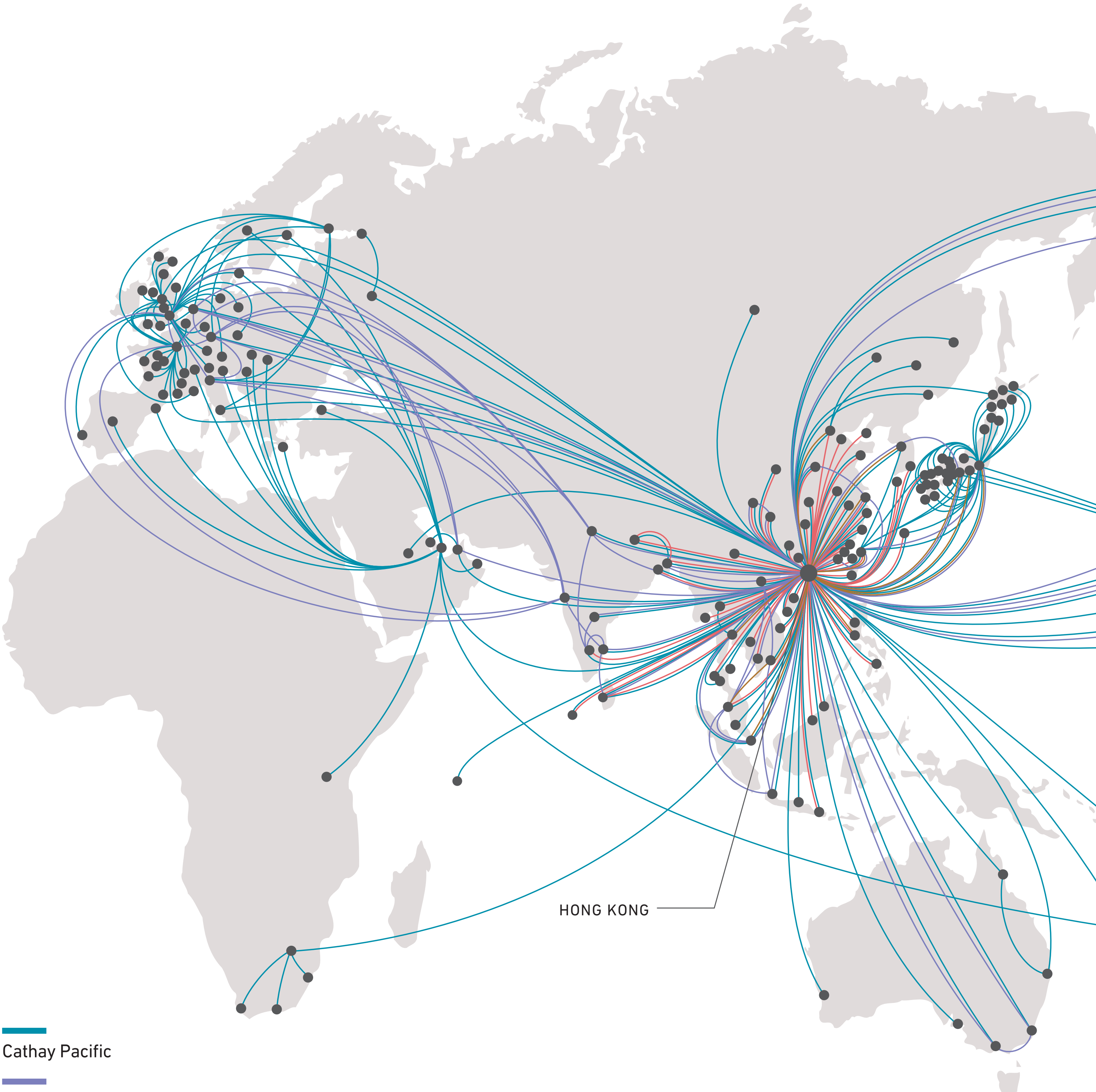
HAECO is listed on The Stock Exchange of Hong Kong Limited.

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.

Network Coverage

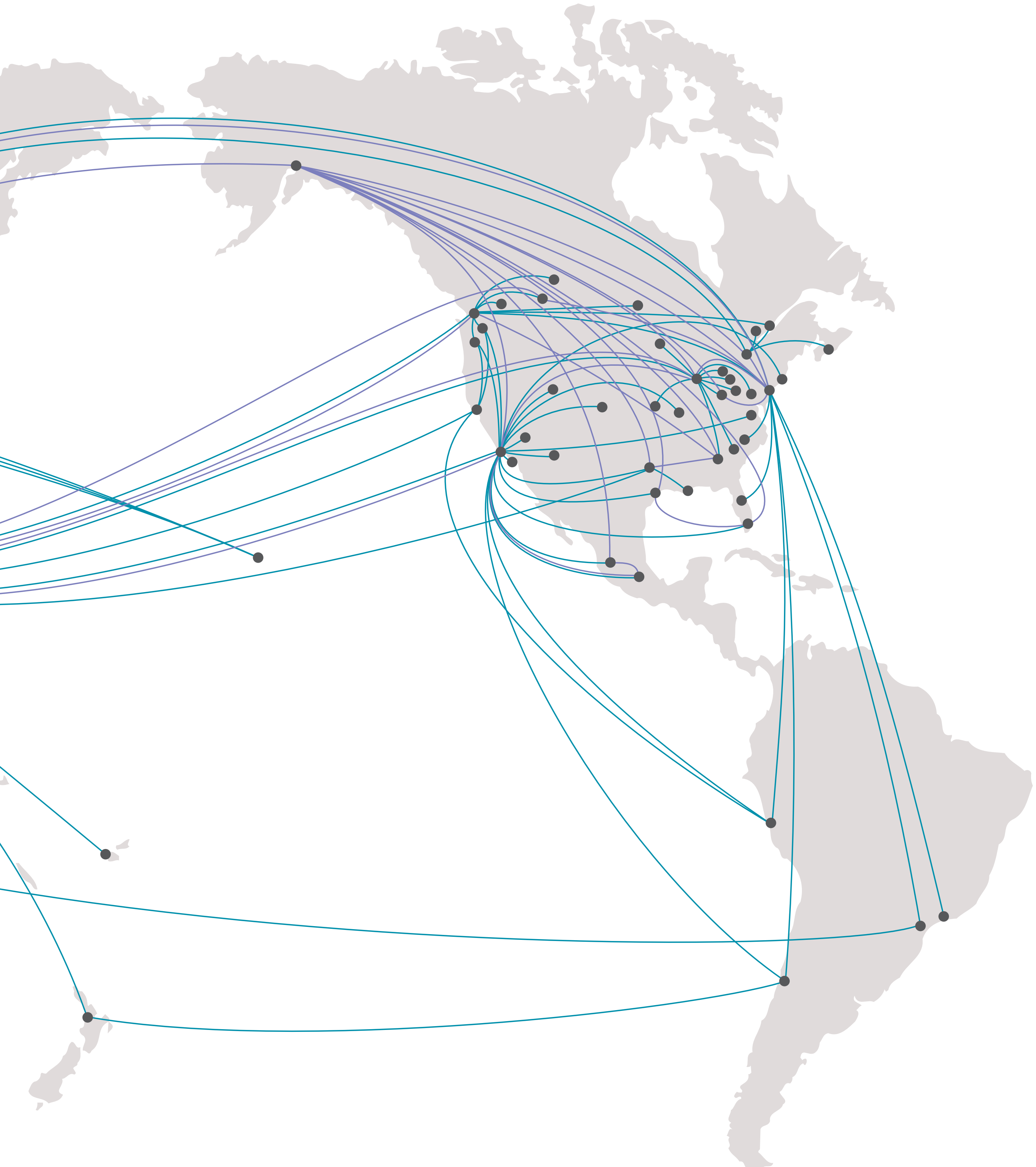


Cathay Pacific

Cathay Pacific Freighter

Dragonair

Air Hong Kong



2014 PERFORMANCE

Cathay Pacific and Dragonair

		2014	2013	Change
Available tonne kilometres ("ATK")	Million	**28,440**	26,259	+8.3%
Available seat kilometres ("ASK")	Million	**134,711**	127,215	+5.9%
Passenger revenue	HK$M	**75,734**	71,826	+5.4%
Revenue passenger kilometres ("RPK")	Million	**112,257**	104,571	+7.4%
Revenue passengers carried	'000	**31,570**	29,920	+5.5%
Passenger load factor	%	**83.3**	82.2	+1.1%pt
Passenger yield	HK¢	**67.3**	68.5	-1.8%
Cargo revenue – group	HK$M	**25,400**	23,663	+7.3%
Cargo revenue – Cathay Pacific and Dragonair	HK$M	**22,035**	20,293	+8.6%
Cargo and mail carried	Tonnes '000	**1,723**	1,539	+12.0%
Cargo and mail load factor	%	**64.3**	61.8	+2.5%pt
Cargo and mail yield	HK$	**2.19**	2.32	-5.6%
Cost per ATK (with fuel)	HK$	**3.50**	3.58	-2.2%
Cost per ATK (without fuel)	HK$	**2.12**	2.16	-1.9%
Aircraft utilisation	Hours per day	**12.2**	11.8	+3.4%
On-time performance	%	**70.1**	75.5	-5.4%pt
Average age of fleet	Years	**9.1**	9.3	-2.2%
Number of destinations at year end	Destinations	**210**	190	+10.5%
Fuel consumption – group	Barrels (million)	**41.7**	39.5	+5.6%

HAECO Group

		2014	2013	Change
Airframe services manhours sold – HAECO Hong Kong	Million	**2.46**	2.56	-4%
Airframe services manhours sold – HAECO Americas	Million	**3.66**	N/A	N/A
Airframe services manhours sold – HAECO Xiamen	Million	**3.55**	3.68	-4%
Line services movements handled – HAECO Hong Kong	Average per day	**328**	329	-0.3%

Financial Highlights

	2014 HK$M	2013 HK$M
HAECO group		
Revenue	**11,927**	7,387
Operating profit	**509**	266
Attributable profit	**430**	469
Share of post-tax profits from associated companies		
Cathay Pacific group	**1,418**	1,179
Attributable profit	**1,822**	1,627

Cathay Pacific group – Sustainable Development Highlights

	2014	2013
GHG emissions per ATK (Grammes of CO_2e)	**576**	589
LTIR	**3.67**	4.84

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

Accounting for the Cathay Pacific group

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 209 to 211.

Left | Cathay Pacific was named "World's Best Airline" in the annual Skytrax World Airline Awards in 2014 for the fourth time.

Right | In 2014, Cathay Pacific took delivery of nine Boeing 777-300ER aircraft and five Airbus A330-300 aircraft.

CATHAY PACIFIC GROUP

AIRLINE INDUSTRY BACKGROUND

In the first half of 2014 the airline industry was affected by high fuel prices, reduced passenger yield and continued weakness and over-capacity in the air cargo market. After a prolonged period of weakness, cargo demand started to improve in the summer of 2014. The industry benefited from lower fuel prices in the fourth quarter.

2014 RESULTS SUMMARY

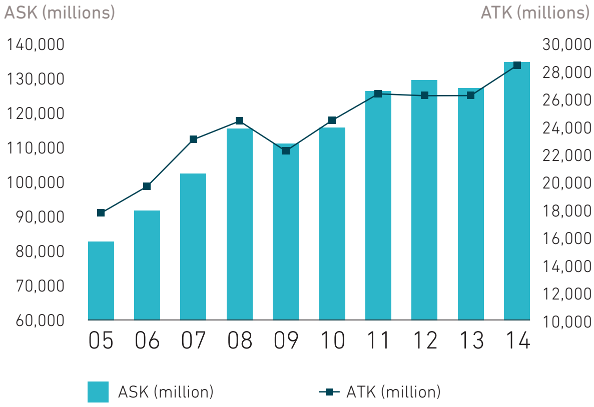
The Cathay Pacific group's attributable profit on a 100% basis was HK$3,150 million in 2014, compared to a profit of HK$2,620 million in 2013.

Passenger revenue in 2014 was HK$75,734 million, an increase of 5% compared with 2013. Capacity increased by 6%, as a result of the introduction of new routes (to Doha, Manchester and Newark) and increased frequencies on some existing routes. 31.6 million passengers were carried, an increase of 6% compared to the previous year. The passenger load factor increased by 1.1 percentage points. Yield decreased by 2% to HK67.3 cents despite an improvement in the second half compared to the first half of the year. Passenger demand was strong in all classes of travel on long-haul routes. However, the increase in passenger numbers did not match the increase in capacity on North American routes. Strong competition put downward pressure on yield on regional routes.

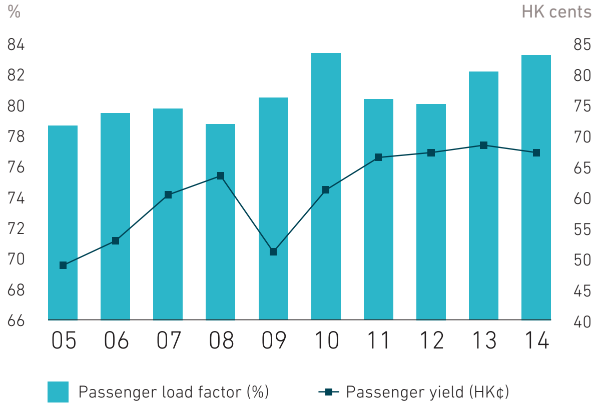
The Cathay Pacific group's cargo revenue in 2014 was HK$25,400 million, an increase of 7% compared to 2013. Cargo capacity for Cathay Pacific and Dragonair increased by 10%. The cargo load factor increased by 2.5 percentage points to 64.3%. The tonnage carried in 2014 was 1.7 million tonnes, an increase of 12% in comparison with 2013. Over-capacity in the air cargo market put downward pressure on rates in the first half of the year. Yield for the full year for Cathay Pacific and Dragonair decreased by 6% to HK$2.19 despite improved cargo demand in the second half of the year.

Fuel is the Cathay Pacific group's most significant cost, accounting for 39% of its total operating costs. Disregarding the effect of fuel hedging, the group's fuel costs increased by HK$271 million or 1% in 2014 compared to 2013. The increase in fuel costs reflected a 6% increase in fuel consumption and a 5% decrease in the average into-plane fuel price. Fuel consumption increased because more flights were operated but the introduction of more fuel efficient aircraft and the retirement of less fuel efficient aircraft moderated the increase.

Capacity – Available Seat Kilometres and Available Tonne Kilometres



Passenger Services Load Factor and Yield



Cathay Pacific hedges some of its fuel costs in an effort to manage the risk associated with changing fuel prices. In 2014, a loss of HK$911 million was recognised in Cathay Pacific's profit and loss account from fuel hedging activities. The sharp reduction in fuel prices in the fourth quarter of 2014 also resulted in significant unrealised hedging losses. These unrealised losses are reflected in Swire Pacific's consolidated statement of financial position at 31st December 2014 under associated companies. Swire Pacific's share of Cathay Pacific's unrealised hedging losses amounted to HK$5,611 million.

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.

Passenger Services

Passenger demand was strong in all classes of travel on long-haul routes. However, the increase in passenger numbers did not match the increase in capacity on North American routes. Strong competition put downward pressure on yield on regional routes.

Cathay Pacific introduced passenger services to Doha, Manchester and Newark in 2014. It will introduce passenger services to Zurich in March 2015, to Boston in May 2015 and to Dusseldorf in September 2015. Cathay Pacific reorganised its network in the Middle East in 2014. It stopped flights to Abu Dhabi and Jeddah but improved its schedules on other Middle Eastern routes. Cathay Pacific stopped flying to Karachi. The Los Angeles service was increased to four-times-daily from June 2014. The San Francisco service will be increased to 17-times-weekly in June 2015.

Dragonair started flying to Denpasar in Bali and Penang (replacing Cathay Pacific on the latter route), increased frequencies on a number of other routes and will introduce a daily service to Haneda in Tokyo in March 2015. Dragonair will stop flying to Manila in March 2015.

Cargo Services

Cathay Pacific and Dragonair

After a prolonged period of weakness, cargo demand started to improve in the summer of 2014 and was strong in the fourth quarter, which is the peak period for cargo. Cathay Pacific managed capacity in line with demand in the first half of 2014. It was able to operate an almost full freighter schedule for most of the second half. The new cargo terminal at Hong Kong International Airport worked effectively in its first full year of operation and made the Cathay Pacific group's cargo operations more efficient.

Cathay Pacific tagged Mexico City onto its Guadalajara cargo service in March 2014 and increased this service to five flights per week in October 2014. It introduced cargo services to Columbus in March 2014, to Calgary in October 2014, to Phnom Penh in November 2014 and to Kolkata in March 2015.

Air Hong Kong

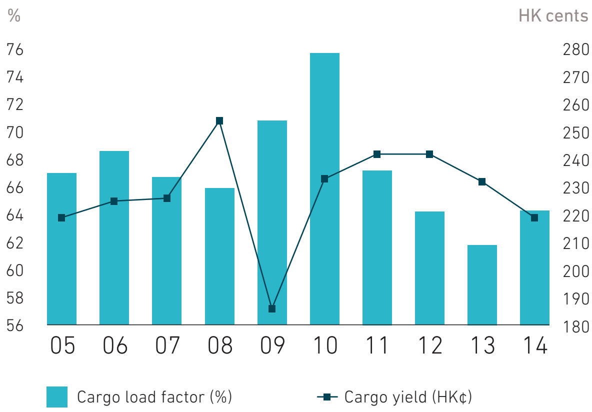
Air Hong Kong achieved a modest increase in profit for 2014 compared with 2013. Capacity increased by 0.3% and the load factor increased by 0.6 percentage points.

Fleet Profile

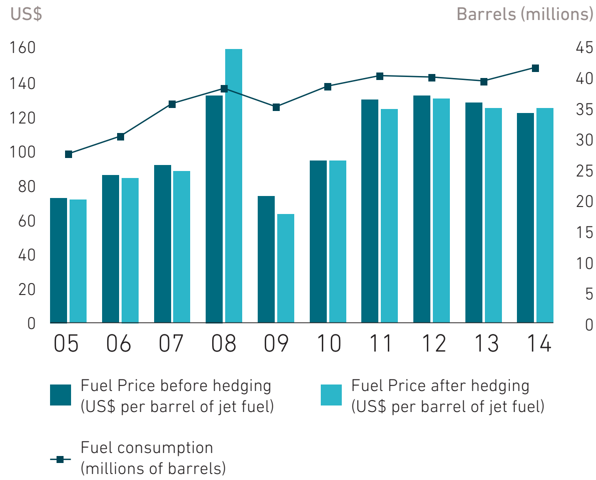
At 31st December 2014, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 188, an increase of seven since 31st December 2013.

In 2014, Cathay Pacific took delivery of 14 new aircraft (nine Boeing 777-300ER aircraft and five Airbus A330-300 aircraft) and Dragonair took delivery of two Airbus A321-200 aircraft.

Cargo Services Load Factor and Yield



Fuel Price and Consumption



Fleet Profile*

Aircraft type	Number at 31st December 2014 Owned	Leased Finance	Leased Operating	Total	Firm orders '15	'16	'17 and beyond	Total	Expiry of operating leases '15	'16	'17	'18	'19	'20 and beyond	Options
Aircraft operated by Cathay Pacific															
A330-300	19	15	6	**40**	3[a]			**3**		1	3			2	
A340-300	8	3		**11**[b]											
A350-900						12[c]	10	**22**							
A350-1000							26	**26**							
747-400	6[d]		1	**7**					1						
747-400F	5			**5**[e/f]											
747-400BCF			1[g]	**1**								1			
747-400ERF		6		**6**											
747-8F	2	11		**13**		1[f]		**1**							
777-200	5			**5**											
777-200F															5[h]
777-300	8	4		**12**											
777-300ER	13	11	23	**47**	6[f/i]			**6**			2	2		19	
777-9X							21[f]	**21**							
Total	66	50	31	**147**	9	13	57	**79**	1	1	5	3		21	5
Aircraft operated by Dragonair															
A320-200	5		10	**15**								2	1	7	
A321-200	2		6	**8**										6	
A330-300	10		8	**18**					1	1	5		1		
Total	17		24	**41**					1	1	5	2	2	13	
Aircraft operated by Air Hong Kong															
A300-600F	2	6	1	**9**								1			
747-400BCF			3	**3**						1	2				
Total	2	6	4	**12**[j]						1	2	1			
Grand total	**85**	**56**	**59**	**200**	**9**	**13**	**57**	**79**	**2**	**3**	**12**	**6**	**2**	**34**	**5**

* Includes parked aircraft. The table does not reflect aircraft movements after 31st December 2014.

(a) One aircraft was delivered in February 2015.
(b) Cathay Pacific is accelerating the retirement of 11 Airbus A340-300 aircraft. Four of these aircraft (one of which was retired in March 2015) will have been retired by the end of 2015. The remainder will be retired by the end of 2017.
(c) Including two aircraft on 12-year operating leases.
(d) One aircraft was retired in January 2015 and three aircraft were retired in March 2015.
(e) Two aircraft were parked in January 2014.
(f) 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. One of the Boeing 747-400F freighters was delivered to The Boeing Company in November 2014.
(g) Aircraft was parked in August 2013.
(h) Purchase options in respect of five Boeing 777-200F freighters.
(i) One aircraft was delivered in February 2015 and one aircraft was delivered in March 2015.
(j) Air Hong Kong also has one wet-leased Airbus A300-600F freighter. Accordingly, it operates a total of 13 aircraft.

The lounge at Tokyo's Haneda airport, which opened in 2014, is one of the largest Cathay Pacific lounges outside Hong Kong. It offers a comfortable environment of understated luxury for first and business class passengers.

Six Boeing 747-400 passenger aircraft were retired in 2014. In 2013, Cathay Pacific agreed to sell its six Boeing 747-400F freighters back to The Boeing Company. One of them was delivered in November 2014. Two of the remaining freighters are parked and all five will have left the fleet by the end of 2016.

In 2015, Cathay Pacific expects to take delivery of nine new aircraft. Two of them were delivered in February 2015 and one of them was delivered in March 2015. Cathay Pacific plans to retire four Boeing 747-400 passenger aircraft in 2015. One of them was retired in January 2015 and three were retired in March 2015.

In 2014, Cathay Pacific decided to accelerate the retirement of 11 Airbus A340-300 aircraft. Four of these aircraft (one of which was retired in March 2015) will have been retired by the end of 2015. The remaining seven will have left the fleet by the end of 2017.

At 31st December 2014, the Cathay Pacific group had 79 new aircraft on order for delivery up to 2024.

Sustainable Development

Greenhouse gas emissions per unit of capacity (measured in available tonne kilometres) decreased by 2% in 2014 from 2013. This improvement reflects the introduction of more fuel efficient aircraft and the retirement of less fuel efficient aircraft.

The lost time injury rate fell by 24% in 2014, 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 2014 results include Air China's results for the 12 months ended 30th September 2014, adjusted for any significant events or transactions for the period from 1st October 2014 to 31st December 2014.

In the first half of 2014, Air China's results were adversely affected by a difficult operating environment and substantial foreign exchange losses caused by the depreciation of the Renminbi. As the year progressed, Air China's results improved as a result of lower fuel prices. Despite this improvement, the Cathay Pacific group recorded a decrease in profit from Air China in 2014.

Air China Cargo

Air China Cargo's financial results improved in 2014. This reflected the general improvement in the air cargo market from the summer of 2014 and improved operating efficiency resulting from the replacement of three Boeing 747-400BCF converted freighters by four Boeing 777-200F freighters in 2014.

In 2014, Cathay Pacific made a minority investment in Fulcrum BioEnergy, Inc., a company which converts municipal solid waste into sustainable aviation fuel. Cathay Pacific also entered into a long-term supply agreement with Fulcrum for 375 million gallons of sustainable aviation fuel, representing (on an annual basis) approximately 2% of the airline's current annual fuel consumption.

Cathay Pacific Services Limited ("CPSL")

CPSL, a wholly-owned subsidiary of Cathay Pacific, operates the Cathay Pacific group's cargo terminal at Hong Kong International Airport.

2014 was the first year of full operations of CPSL. As a consequence, its financial results improved significantly in 2014.

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, operates the principal flight kitchen in Hong Kong.

Increased business volume and effective management of costs resulted in higher revenue and profit in 2014.

Hong Kong Airport Services Limited ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling services at Hong Kong International Airport.

The financial results for 2014 improved, reflecting stringent cost control and yield management.

OUTLOOK

It was encouraging to see an overall improvement in the Cathay Pacific group's business in 2014. The improvement has continued in the first quarter of this year and we are positive about the overall prospects for 2015. Demand in the cargo business continues to improve and is currently being helped by the congestion in sea ports on the West Coast of the United States. Our airlines continue to benefit from the lower net fuel price. The associated companies of Cathay Pacific are also benefiting from these positive factors. While there is growing competition in the passenger business, which makes it harder to maintain yield, overall demand remains strong and the outlook is positive.

In 2014 efforts were continued to make Cathay Pacific and Dragonair better airlines for their customers. The fact that Cathay Pacific won the World's Best Airline award for the fourth time is clear recognition from air travellers worldwide of the work that has gone into providing superior products and services. The Cathay Pacific group's financial position remains strong, which will enable it to continue with its long-term strategic investment in the business and commitment to reinforcing Hong Kong's position as one of the world's premier aviation hubs.

Ivan Chu

The HAECO group is a leading independent aircraft engineering company offering a full range of airframe, cabin, component and engine services.

HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

AVIATION MAINTENANCE AND REPAIR INDUSTRY BACKGROUND

The global aviation maintenance and repair market continued to change in 2014. New aircraft types which require less maintenance replaced older aircraft types, and original equipment manufacturers were aggressively entering the aftersales market.

2014 RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in 2014 on a 100% basis was HK$573 million, a decrease of 8% compared to the corresponding figure in 2013 of HK$625 million.

A total of 9.67 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in 2014. HAECO Americas contributed 3.66 million manhours. The positive effect of this first time contribution was partially offset by decreases in manhours sold of 4% at HAECO Hong Kong and at HAECO Xiamen. Demand for HAECO Hong Kong's line services was stable.

HAESL overhauled 147 engines in 2014, 24% fewer than in 2013 and as a result profits were lower. TEXL recorded a substantially higher profit in 2014, having overhauled 71 engines.

A loss was recorded from the group's other subsidiary and joint venture companies. This principally reflected a higher loss from HAECO Landing Gear Services.

HAECO Hong Kong

HAECO Hong Kong recorded a 72% increase in attributable profit in 2014 to HK$103 million.

Manhours sold for airframe services decreased from 2.56 million in 2013 to 2.46 million in 2014. More workers were employed but it takes time to train them. So capacity was still constrained, but the position eased in the second half of the year. Approximately 72% of the work was for airlines based outside Hong Kong.

Line services manhours sold increased by 2% despite a marginal decrease in the average number of aircraft movements handled.

Cost savings helped to improve the overall results of HAECO Hong Kong.

Financial Highlights

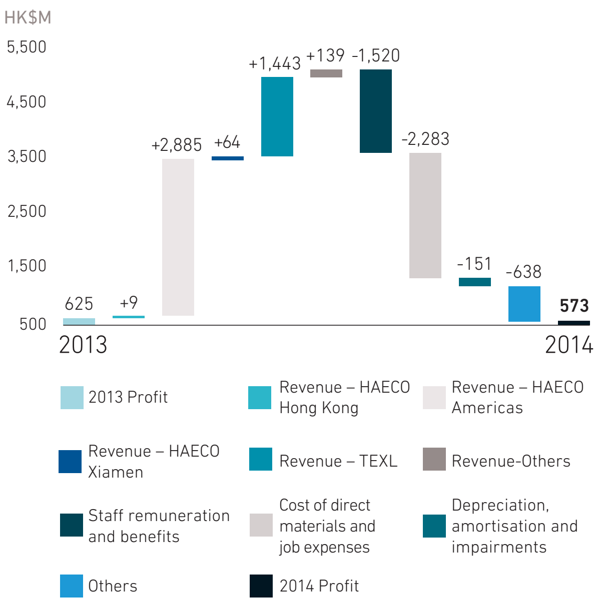
	2014 HK$M	2013 HK$M	Change %
Revenue			
HAECO Hong Kong	**3,178**	3,169	+0%
HAECO Americas	**2,885**	N/A	N/A
HAECO Xiamen	**1,924**	1,860	+3%
TEXL	**3,538**	2,095	+69%
Others	**402**	263	+53%
Net operating profit	**439**	228	+93%
Profit attributable to the Company's shareholders			
HAECO Hong Kong	**103**	60	+72%
HAECO Americas	**(45)**	(35)	-29%
HAECO Xiamen	**89**	90	-1%
TEXL	**166**	39	+326%
Share of profit/(loss) of:			
HAESL and SAESL	**267**	465	-43%
Other subsidiary and joint venture companies	**(7)**	6	-217%
Total	**573**	625	-8%
Swire Pacific share	**430**	469	-8%

Sustainable Development Highlights

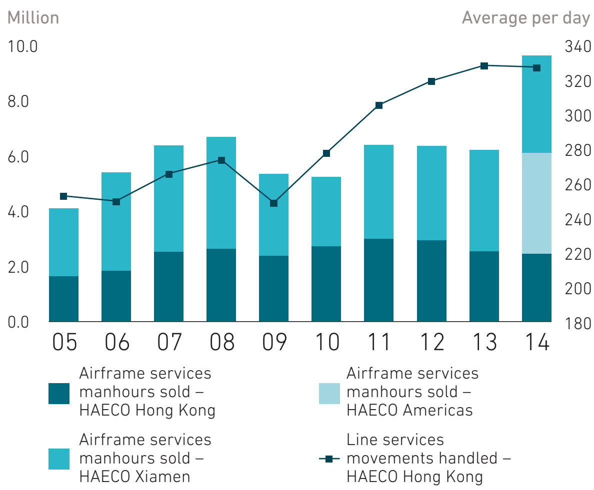
	2014	2013	Change %
Average training hours (per employee per year)	**53**	65	-18%
LTIR	**1.57**	1.68	-7%
Energy intensity (kWh per airframe services manhour)	**12.2**	11.9	+2%

Note: Energy intensity measures the electricity consumption for every airframe services manhour worked in Hong Kong.

HAECO Group – Movement in Attributable Profit



HAECO Group – Key Operating Highlights



The acquisition of HAECO Americas (formerly known as TIMCO Aviation Services) was completed in February 2014.

HAECO Americas

The acquisition of TIMCO Aviation Services, Inc. was completed in February 2014. Now known, with its intermediate holding company, as HAECO Americas, it recorded a loss of HK$45 million for the year. The loss principally reflected the costs of reducing the size of a seat manufacturing facility and the financing costs associated with the acquisition.

Demand for HAECO Americas' airframe services was strong. 3.66 million manhours were sold in the period following the acquisition, higher than those sold in the corresponding period of 2013. Four line services stations were opened in 2014. There are now stations at 19 airports in the United States. Demand for Pratt & Whitney JT8D engine overhaul work was steady in 2014. 50 engines were overhauled and four were sold.

HAECO Americas worked on 44 cabin integration programmes and shipped approximately 8,600 premium economy and economy seats. The financial results were adversely affected by the deferral of work and the costs of reducing the size of a seat manufacturing facility.

HAECO Xiamen

HAECO Xiamen recorded a 1% decrease in attributable profit in 2014 to HK$89 million.

Demand for airframe services was stable in the first half of 2014 but weakened in the second half. Manhours sold were 3.55 million in 2014, a decrease of 4% from 2013. Four passenger to freighter conversions were completed in 2014.

Revenue and profit from private jet work increased significantly in 2014.

HAESL and SAESL

HAESL recorded a 47% decrease in profit in 2014. Fewer engines were overhauled and less work was done per engine. This reflected the retirement of aircraft operating RB211-524 and Trent 500 engines and a reduction in the frequency of scheduled maintenance of Trent 700 engines. Engine output was 147, compared with 193 in 2013. SAESL recorded a 27% decrease in profit in 2014.

TEXL

Profits increased significantly at TEXL to HK$166 million, compared with a profit of HK$39 million in 2013.

In 2014, TEXL completed 34 quick turn repairs and 37 performance restorations of General Electric engines (compared with 40 quick turn repairs and 19 performance restorations in 2013) and did more work per engine.

In September 2014, GE Aviation acquired a 9.9% equity interest in TEXL.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 257 aircraft in 2014, 11% more than in 2013.

TEXL is an authorised GE90 engine service provider and is recognised as a GE90 Centre of Excellence.

HAECO Landing Gear Services resumed landing gear overhaul work for customers in April 2014. It reported a higher loss in 2014 than in 2013 because the 2013 results included income from a business interruption insurance policy.

HAECO Component Overhaul (Xiamen) started to operate in May 2014. It incurred a loss in 2014. This reflected staff training and pre-operating costs.

Sustainable Development

The group's average training hours per employee decreased by 18% to 53 hours in 2014. This was principally due to 2013 training courses not being repeated in 2014.

The group's lost time injury rate decreased by 7% from 2013 to 2014. There were fewer injuries at HAECO Hong Kong, HAESL and TEXL.

HAECO Hong Kong's energy intensity increased slightly in 2014.

OUTLOOK

The HAECO group continues to invest in order to increase the scale of its operations and technical capabilities and to improve and widen the range of services it can offer to customers.

As training of new recruits progresses, airframe maintenance capacity in Hong Kong will increase in 2015. Demand for line services in Hong Kong is expected to fall as a result of the loss of a portion of the work from a significant customer in 2014.

Demand for HAECO Americas' airframe maintenance services is expected to weaken. The performance of its cabin and seat business is expected to improve. Demand for HAECO Xiamen's airframe maintenance services is expected to improve, but less private jet work is expected.

HAESL's performance will continue to be adversely affected by the retirement of aircraft operating RB211-524 and Trent 500 engines and by a reduction in the frequency of scheduled maintenance of Trent 700 engines. TEXL is expected to continue to perform well.

The municipal government of Xiamen's proposal to develop a new airport at Xiang'an is being evaluated by the National Development and Reform Commission in Beijing. The timing of the development of the new airport and its impact on the operations of HAECO Xiamen and other HAECO group companies at the existing airport are not clear. Management maintains regular communication with the local authorities in order to understand the likely path of development.

Augustus Tang

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.


E34
Coca-Cola

OVERVIEW OF THE BUSINESS

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 western USA.

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, which supplies still beverages to all Coca-Cola franchises in Mainland China.

Swire Beverages manufactures 57 beverage brands and distributes them to a franchise population of over 450 million people.

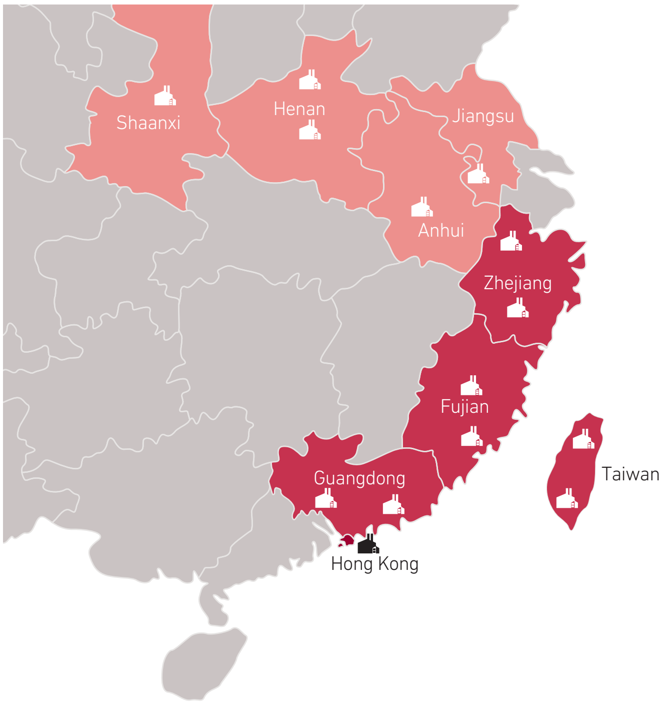
STRATEGY

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:

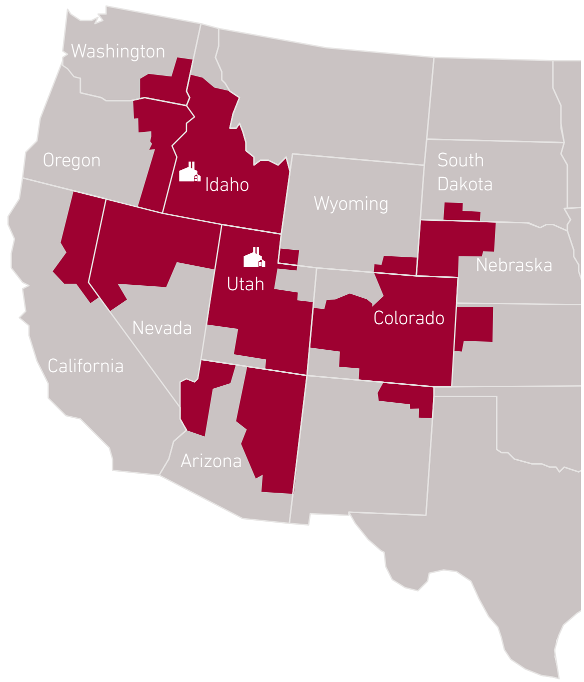
- An uncompromising commitment to safety and quality.
- A commitment to work with TCCC to improve our understanding of our customers' businesses, and to use that understanding to create value for our customers and consumers.
- A focus on market execution in sales outlets, recognising that our business 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.
- 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



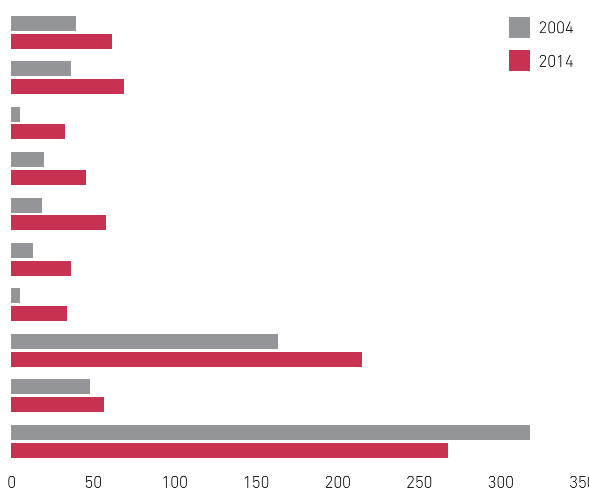
2014 per capita consumption of Coca-Cola beverages (8oz servings)

> 100 | 51 to 100 | 25 to 50 | Bottling plant

Per Capita Consumption in Franchise Territories

	Population (millions)	GDP per capita (US$)	Sales volume (million unit cases) 2014	2004
Mainland China				
Guangdong	78.0	12,470	**200**	88
Zhejiang	50.6	11,814	**145**	71
Anhui	60.7	5,623	**82**	13
Jiangsu	55.0	11,118	**106**	46
Fujian	38.0	10,283	**92**	29
Shaanxi	37.7	7,574	**58**	20
Henan	94.2	5,981	**133**	20
Hong Kong	7.2	38,966	**65**	46
Taiwan	23.4	21,575	**55**	46
USA	10.7	46,678	**108**	77

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



Note 1: A unit case comprises 24 8 oz servings.

Note 2: USA per capita consumption in 2014 includes annualised consumption figures for the new territories assumed during the year. Per capita consumption (on an annualised basis) in the new territories is lower than in the existing territories.

2014 PERFORMANCE

Financial Highlights

	2014 HK$M	2013 HK$M
Revenue	**16,383**	15,054
Operating profit	**1,095**	864
Share of post-tax profits from joint venture and associated companies	**291**	397
Attributable profit	**854**	802

Sustainable Development Highlights

	2014	2013
Water use ratio	**1.77**	1.76
Energy use ratio	**0.32**	0.31
LTIR	**0.69**	0.85

Segment Information

	Revenue		Attributable Profit/(Loss)	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Mainland China	**7,856**	7,614	**395**	415
Hong Kong	**2,164**	2,145	**185**	177
Taiwan	**1,415**	1,418	**23**	22
USA	**4,948**	3,877	**208**	217
Central costs	**–**	–	**43**	(29)
Swire Beverages	**16,383**	15,054	**854**	802

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 and fully consolidated 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 Coca-Cola Bottlers Manufacturing Holdings Limited are accounted for using the equity method of accounting. Swire Pacific recognises its share of net profit or loss from each of these companies as a single line-item in the consolidated statement of profit or loss.

For reference, the total revenue from the joint venture interests in three franchises in Mainland China was HK$9,187 million (2013: HK$9,325 million). The revenue of Coca-Cola Bottlers Manufacturing Holdings Limited, excluding sales to the seven Mainland China franchises, was HK$5,073 million (2013: HK$5,488 million).

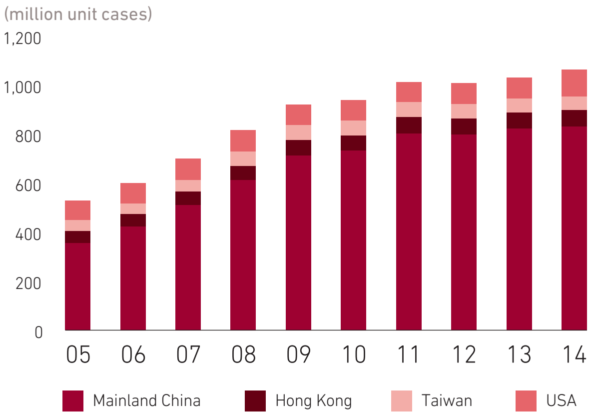
The sales volume for Mainland China shown in the chart on page 55 only represents sales in the seven franchises, including products supplied by Coca-Cola Bottlers Manufacturing Holdings Limited.

Segment Performance

		Percentage Change				
		Mainland China	Hong Kong	Taiwan	USA	Swire Beverages
Quality	Production Quality Index	+0.2%	+5.5%	+1.0%	-1.4%	n/a
Customers	Active Outlets	+0.6%	+1.3%	+2.2%	+81.5%	+2.8%
Revenue	Sales Volume	+1.1%	+0.1%	-1.0%	+25.5%	+3.0%
Management	Revenue *	-0.2%	+1.3%	+1.2%	+3.7%	+1.9%
Cost	Gross Margin *	+7.9%	+3.9%	+2.3%	+0.6%	+7.5%
Management	Operating Profit	+7.1%	-0.1%	+4.2%	+11.2%	+6.4%
Sustainability	Water Use Ratio	+1.2%	+2.1%	+0.8%	0.0%	+0.6%
	Energy Use Ratio	+7.7%	0.0%	+5.1%	+12.5%	+3.2%
Safety	LTIR	-35.9%	+15.3%	-45.3%	+0.7%	-18.8%

* Per unit case

Sales Volume



The popular 'Share A Coke' campaign in Hong Kong used names and nicknames to create personalised packaging.

BEVERAGE INDUSTRY BACKGROUND

In Mainland China, the volume of non-alcoholic ready-to-drink beverages grew by 7% in 2014. The volume of sparkling beverages grew by 1%, packaged water by 10% and bulk water by 10%. Juice and tea volumes declined by 1%.

The Hong Kong beverage market grew by 1% in 2014. Still beverage volume grew by 2%. Sparkling beverage volume declined slightly (by 0.2%).

The Taiwan ready-to-drink beverage market grew by 4% in 2014.

The volume of sparkling beverages sold in the USA declined by 2% in 2014. The volume of energy drinks and water sold increased by 5% and 8% respectively.

2014 RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$854 million in 2014, a 6% increase from 2013. Excluding non-recurring gains on disposal of available-for-sale investments in 2014 and on remeasurement of an associate in 2013 (which were accounted for under central costs and Mainland China respectively) attributable profit increased by 6% to HK$776 million in 2014.

The increase in attributable profit principally reflected lower prices of key raw materials in all territories and modest volume growth and an improved sales mix in Mainland China.

Overall sales volume increased by 3% to 1,044 million unit cases, compared with an increase of 2% in 2013. Volume grew in Mainland China and the USA, was unchanged in Hong Kong and declined in Taiwan.

Mainland China

Attributable profit from Mainland China was HK$395 million, a 5% decrease from 2013. Excluding a non-recurring profit on remeasurement of an associate in 2013, attributable profit from Mainland China increased by 14%. This (underlying) increase in attributable profit reflected favourable raw material costs and an improved sales mix.

Total sales volume increased modestly (by 1%) compared with 2013. This reflected prolonged cool and wet weather in the east coast territories during the summer. Sparkling sales volume grew by 3% and water sales volume grew by 5%. The volume of juice sales fell by 10%.

Margins improved by 8% per unit case. Raw material costs (mainly sweetener and resin) were substantially lower than in 2013, which resulted in a significant increase in gross margins. Careful cost control also contributed to the better attributable profit.

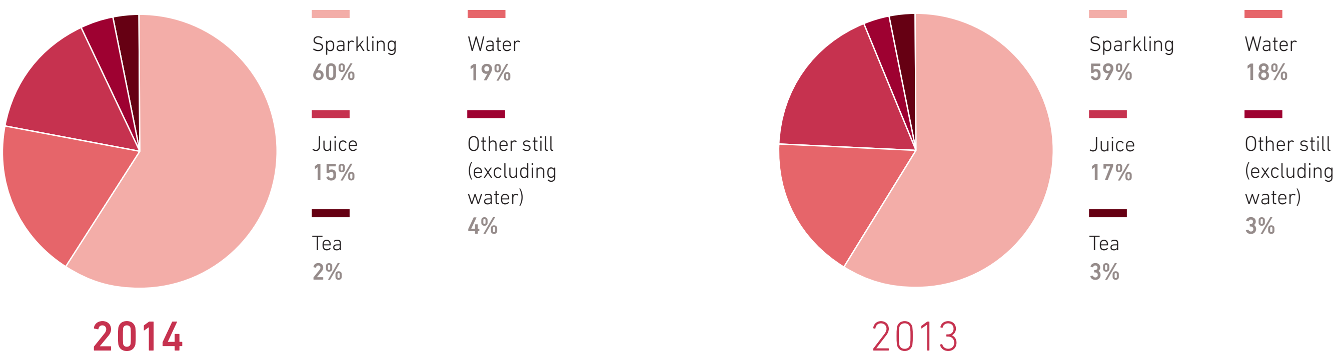
Two new production lines were commissioned in 2014.

Hong Kong

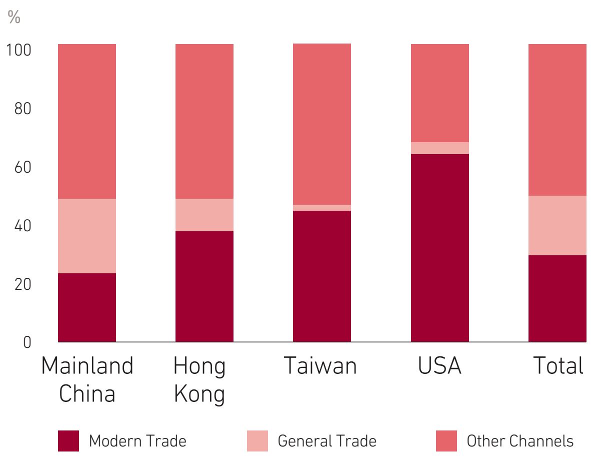
Attributable profit from Hong Kong in 2014 was HK$185 million, a 5% increase from 2013.

Total sales volume was unchanged in 2014. Revenue per unit case increased by 1%, due to price increases in November 2013. A 1% decrease in raw material costs contributed to an increase in gross margins. The beneficial effect of increased gross margins was partially offset by higher production, delivery and warehouse costs (which rose in line with general inflation) and by higher staff costs.

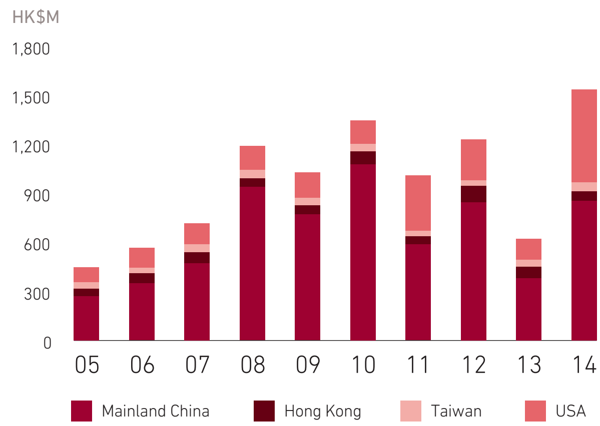
Breakdown of Total Volume by Category



Breakdown of Total Volume by Channel



Capital Expenditure by Operation



Taiwan

Attributable profit from Taiwan was HK$23 million, a 5% increase from 2013.

Sales volume in 2014 decreased by 1% but revenue was unchanged due to a favourable sales mix. Sales volume declined mainly because of lower sales of sparkling beverages. Gross margins improved due to lower raw material costs, which in turn resulted in the improved attributable profit.

USA

Attributable profit from the USA was HK$208 million, a 4% decrease from 2013.

Sales volume in the USA increased by 26% in 2014 as a result of the assumption of new franchise territories in Denver and Colorado Springs in May 2014. Attributable profit from the new territories was HK$25 million. The new territories increased the franchise population by 4.5 million and contributed sales volume of 22 million unit cases in 2014.

Sparkling sales volume increased by 28%. Still sales volume increased by 20%, principally due to a significant increase in sales of water.

Revenue per unit case increased by 4%, due to price increases. Cost of goods per unit case increased by 6%. Higher selling prices and increased volume together contributed to higher gross margins.

Operating expenses were higher than those in 2013 due to higher staff costs and additional expenses associated with the assumption of the new franchise territories.

Sustainable Development

Swire Beverages aims to save water by reusing more treated waste water and rinse water, by using water for cleaning more efficiently and by replacing and repairing water pipes.

Swire Coca-Cola USA assumed new franchise territories in Denver and Colorado Springs in May 2014, which increased its franchise population from 6.2 million to 10.7 million.

Swire Beverages in Hong Kong saved almost 290 tonnes of aluminium by resizing cans in 2014. This was achieved by reducing the diameter of the can end from 6.5cm to 5.9cm but without changing the 330ml can volume. The new can size also significantly reduces paper and plastic packaging.

The energy use ratio (which measures the amount of energy used to produce each unit of production) increased by 3% compared with 2013. Swire Beverages used more energy because it operated more blowing and preform bottle lines. It aims to save energy by improving lighting, by replacing and repairing the insulation of pipes and by detecting and dealing with leakages of compressed air.

Lost time injury rates decreased in 2014 by 19% compared with 2013. There were significant improvements at bottling plants in Mainland China and Taiwan.

OUTLOOK

The outlook for Mainland China in 2015 is good. Sparkling sales are expected to continue to benefit from the introduction of new flavours and packaging and from investment in cold drink equipment and production capacity. Raw material prices are expected to be benign. Increases in other costs, in particular staff costs, will put pressure on margins.

The Hong Kong business expects to maintain its strong market position and to expand its product range. Raw material prices are expected to be slightly higher than in 2014, mainly due to increases in the prices of packaging materials and purchased products. Lack of capacity and space at the Shatin facility and shortage of labour are problems.

In Taiwan, the outlook is mixed. Food safety concerns are expected to affect sales of sparkling beverages and juice adversely. However, the introduction of a third variant of Real Leaf tea and the revitalisation of the Nestea brand are expected to strengthen tea sales.

In the USA, the beverage market is expected to expand moderately in 2015. TCCC is expected to give strong marketing support to sparkling beverages. Sales of energy drinks and water are expected to continue to grow, assisted by the introduction of additional flavours.

The USA business is expected to benefit from the first full year's contribution from the franchised territories assumed in 2014.

Patrick Healy

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.

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 logistics business working in the oil and gas industry and a subsea inspection, maintenance and repair ("IMR") business.

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 2014, SPO had 88 offshore support vessels. It is building larger, highly specialised vessels capable of operating in deeper waters, where long-term demand for offshore services is expected to be greatest.

The fleet consists of anchor handling tug supply vessels ("AHTSs"), platform supply vessels ("PSVs") and construction and specialist vessels ("CSVs"). The CSVs consist of IMR vessels, seismic survey vessels, wind farm installation vessels ("WIVs") and accommodation barges.

SPO – Fleet Size Growth

		Additions	Disposals	Year-end	Vessels expected to be received in:		
Vessel class	2013	2014			2015	2016	2017
Anchor Handling Tug Supply Vessels	43	**–**	**3**	**40**	–	–	–
Large Anchor Handling Tug Supply Vessels	18	**5**	**–**	**23**	1	–	–
Platform Supply Vessels	8	**1**	**–**	**9**	4	2	3
Large Platform Supply Vessels	4	**3**	**–**	**7**	1	1	3
Construction and Specialist Vessels	9	**–**	**–**	**9**	–	–	–
	82	**9**	**3**	**88**	6	3	6

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

Except for those committed to long-term charters, SPO's vessels can be easily 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 Logistics provides logistics services to clients from offices in Australia, Indonesia, Malaysia, Singapore, the USA and Vietnam.

SPO's Competitors and Clients

COMPETITORS

The industry has approximately 1,300 offshore support vessel owners. The largest operators are:

- Tidewater Marine
- Bourbon
- Edison Chouest
- Seacor Holdings
- CNOOC
- GulfMark Offshore
- Maersk Supply Service
- Hornbeck Offshore
- Farstad Shipping
- Topaz Marine

PRINCIPAL CLIENTS

- Oil majors (ENI, ExxonMobil, Shell, Total, BP, Chevron)
- National oil companies (Petronas, Petrobras, PTTEP, PetroSA, Dubai Petroleum Establishment)
- Independent exploration companies (Anadarko, Apache, HESS, Noble Energy, Marathon, Daewoo, OMV, Murphy)
- Construction and subsea companies (Leighton Contractors, McDermott, Schlumberger, Subsea 7, Heerema Marine Contractors, SBM Offshore Contractors, Saipem)
- Offshore wind power providers (DONG Energy, Van Oord Offshore)
- Seismic and survey companies (WesternGeco, CGG)

HUD

HUD, a joint venture between Hutchison Whampoa and Swire Pacific, is a leading provider of engineering, harbour towage and salvage services from its facilities on Tsing Yi Island in Hong Kong. HUD has two main business units:

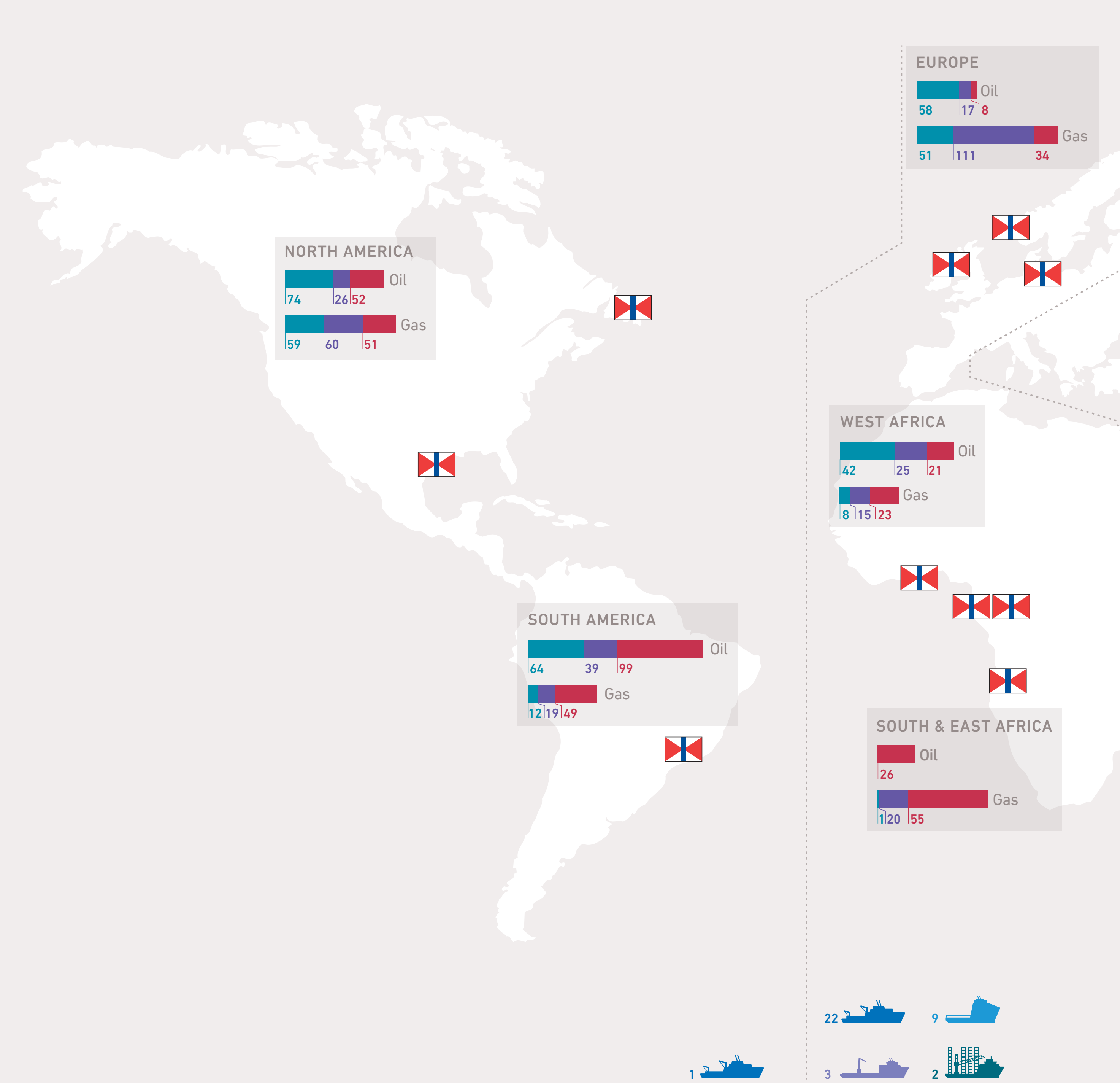
- Engineering – HUD provides 24-hour ship repair from a floating dock and engineering services for infrastructure and onshore projects.
- Salvage and Towage – Hongkong Salvage & Towage ("HKST") is the largest towage operator in Hong Kong, operating 13 tugs and providing 24-hour service in Hong Kong. HKST manages six container vessels which are on long-term contracts to transport refuse for the Hong Kong Government.

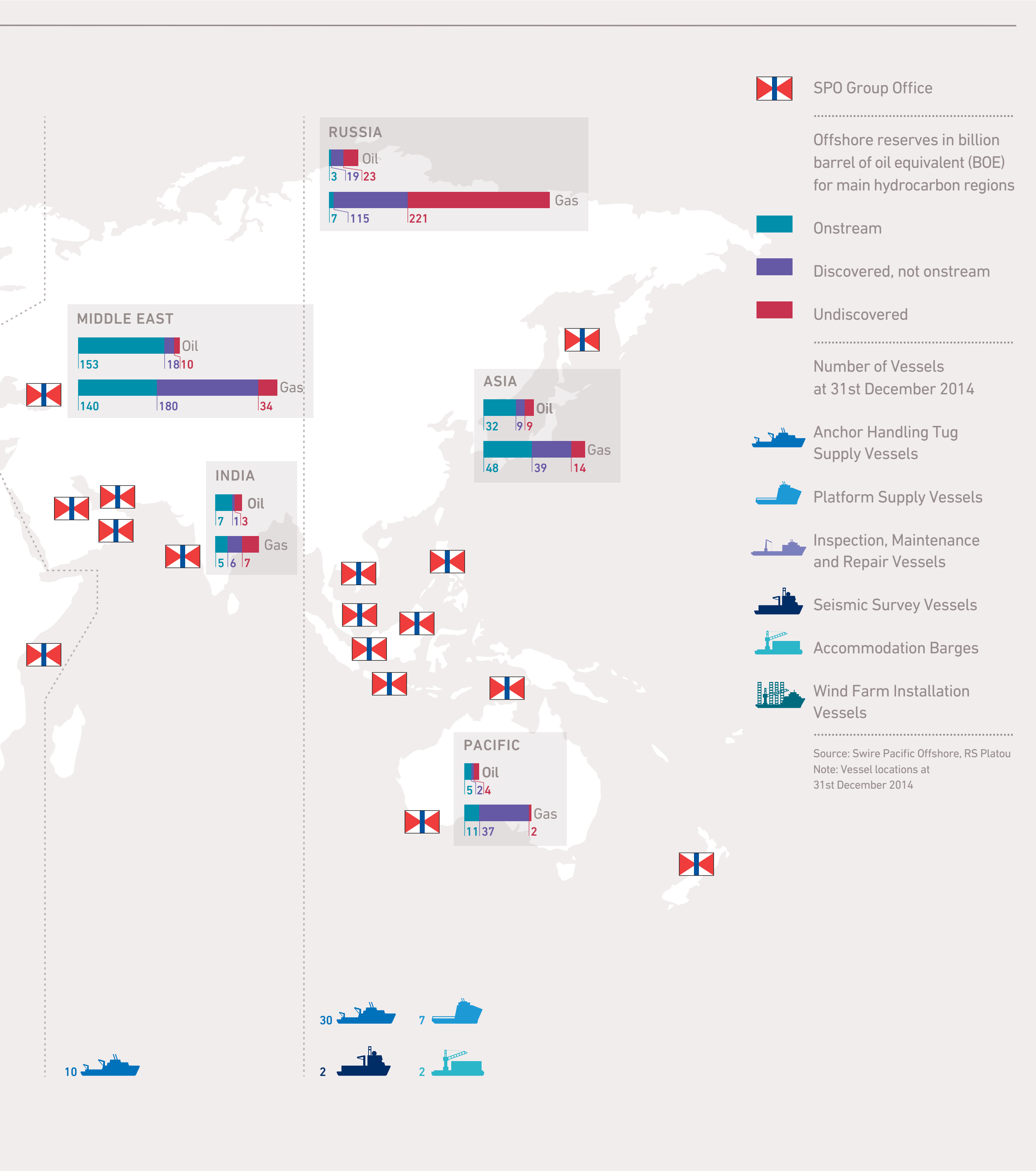
STRATEGY

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.
- Diversifying into the servicing of offshore wind farm developments.

SPO – Global Footprint





Source: Swire Pacific Offshore, RS Platou
Note: Vessel locations at 31st December 2014

2014 PERFORMANCE

Financial Highlights

	2014 HK$M	2013 HK$M
Swire Pacific Offshore group		
Revenue	**7,234**	6,292
Operating profit	**1,320**	1,504
Attributable profit	**1,041**	1,243
Share of post-tax profits from joint venture companies		
HUD group	**31**	64
Attributable profit	**1,072**	1,307

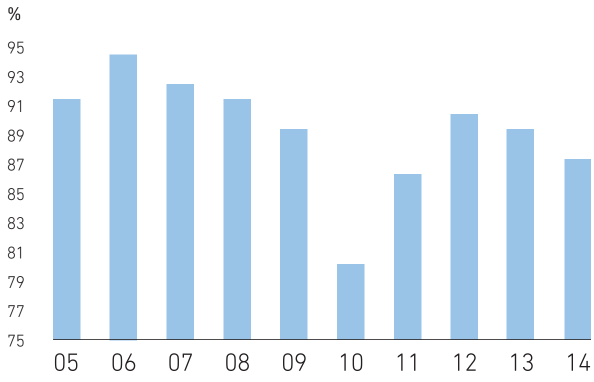
Sustainable Development Highlights

	2014	2013
Swire Pacific Offshore group		
LTIR	**0.14**	0.18
HUD group		
LTIR	**1.86**	2.94

Fleet Size

	2014	2013
Fleet size (number of vessels)		
Swire Pacific Offshore group	**88**	82
HUD group (HKST)	**19**	20
Total	**107**	102

SPO – Average Utilisation Rates



L-class vessels, introduced in 2014, are large fuel-efficient platform supply vessels well-suited to operating in deeper waters.

SWIRE PACIFIC OFFSHORE GROUP

OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Oil prices declined substantially in the second half of 2014, adversely affecting the offshore exploration market. Oil majors and national oil companies are reviewing their exploration and production budgets. Projects are being delayed as their proponents consider cutting costs. An oversupply of tonnage has also contributed to downward pressure on rates and utilisation. Despite market conditions, clients continue to demand modern and sophisticated offshore supply vessels able to support operations in harsh environments. As a separate matter, local cabotage rules increasingly promote locally flagged and owned tonnage.

2014 RESULTS SUMMARY

SPO reported an attributable profit of HK$1,041 million in 2014, a decrease of 16% compared to 2013. Excluding non-recurring profits of HK$88 million in 2013 and HK$12 million in 2014, which include profits on disposal of four vessels in 2013 and three vessels in 2014, attributable profit decreased by 11%.

Revenue increased by 15% to HK$7,234 million, mainly as a result of new vessels entering the core fleet. Including the costs of operating new vessels, total operating costs increased by HK$925 million (or 19%) to HK$5,786 million.

The decline in attributable profit in 2014 principally reflects difficult market conditions in the second half of the year. The substantial decrease in the oil price put pressure on charter hire rates and utilisation (in particular for the specialist fleet).

Charter Hire

Charter hire revenue increased by 18% to HK$6,199 million in 2014. New vessels delivered in 2014 and a full year's revenue from vessels delivered in 2013 contributed an increase in charter hire revenue of HK$744 million.

Despite the difficult market conditions, SPO had a fleet utilisation rate of 86.6% in 2014 (a decline of 2.3 percentage points from 2013). Average charter hire rates rose by 15% to USD30,100 per day.

Core Fleet

The utilisation rate of SPO's AHTSs and PSVs decreased by 2.0 percentage points to 87.3%. Charter hire rates for the core fleet increased by 15% to USD22,900 per day.

Specialist Fleet

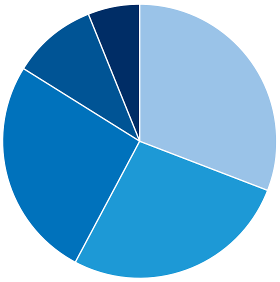
The utilisation rate of SPO's CSVs decreased by 4.5 percentage points to 80.6%. Charter hire rates for the CSVs increased by 5% to USD96,900 per day. The increase was due to a higher specification vessel entering the fleet.

The decline in the utilisation rate of the CSVs reflected the expiry of long term contracts for a seismic support vessel and an IMR vessel. In addition, one of the WIVs was off-hire from December 2014 to January 2015 for an upgrade to its jacking system. The vessel started work on a decommissioning contract in the North Sea in February 2015.

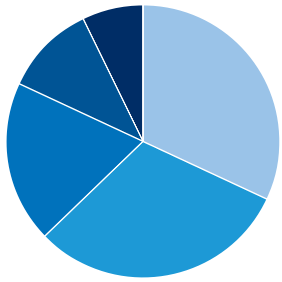
Non-charter Hire

Non-charter hire income was unchanged at HK$1,035 million. This includes

SPO – Charter Hire Revenue by Vessel Class



2014



2013

revenue earned by SPO's logistics and other marine services business and the receipt of liquidated damages in respect of vessel delivery delays.

Sustainable Development

Lost time injury rates decreased by 22% to 0.14 in 2014, reflecting training and a general emphasis on safe working practices. Spending on training increased by 33% in 2014 over the prior year. SPO runs the Swire marine training centre and has a department dedicated to addressing crew training needs.

FLEET EXPANSION

Total capital expenditure on new vessels and other fixed assets in 2014 was HK$3,286 million, compared to HK$4,359 million in 2013. During the year, SPO exercised options to purchase an additional four PSVs, which are expected to be delivered in 2016 and 2017.

One large AHTS which was due to be delivered in 2014 has been delayed until 2015, when five additional PSVs are also expected to be delivered. Three and six more PSVs are expected to be delivered in 2016 and 2017 respectively. The construction of four large PSVs in a Brazilian shipyard has been delayed.

At 31st December 2014, SPO had total capital expenditure commitments of HK$5,177 million (31st December 2013: HK$7,198 million). SPO continues to invest in highly specified tonnage to meet client requirements and to ensure the right balance of vessels in the fleet.

OUTLOOK

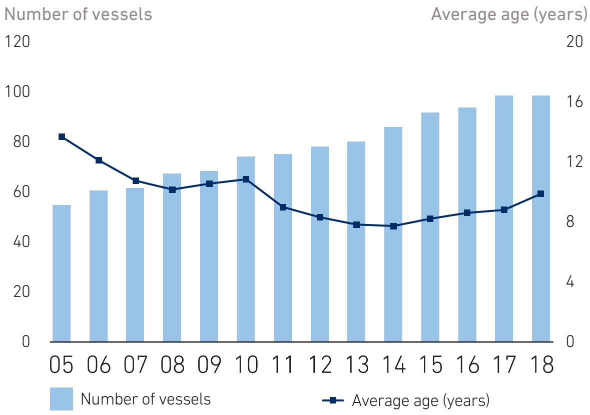
The offshore industry is suffering from a low oil price and the pressure exerted on the exploration and production budgets of major oil companies. The low oil price is expected to reduce offshore exploration activity in the short run, which is likely to affect SPO's results.

Despite current challenges, SPO has confidence in the industry's long-term prospects. Past trends indicate that oil prices do not stay low indefinitely and that recoveries in the oil price are followed by recoveries in exploration.

SPO will continue to expand its capacity in order to provide a balanced fleet of reliable, highly-specified and fuel efficient vessels. With highly experienced seafarers and a commitment to operational excellence, SPO is a preferred offshore vessel operator. It is therefore in a strong position to increase market share and competitiveness.

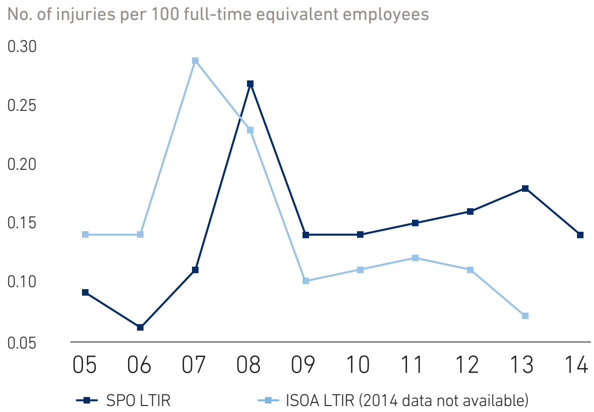
Altus Logistics, a subsidiary of Swire Pacific Offshore, installed 3,600 square metres of solar panels on the roof of its warehouse in Singapore. These panels are expected to generate 152,000 kWh of electricity per annum and to reduce electricity costs by an estimated 45%.

SPO – Fleet Size and Average Age of Vessels*



* Includes two vessels chartered from external parties.

SPO – LTIR



SPO – Profile of Capital Commitments

Vessel class	Expenditure 2014 HK$M	Forecast year of expenditure 2015 HK$M	2016 HK$M	2017 HK$M	2018 HK$M	Commitments at 31st Dec 2014 HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**2,978**	2,114	1,134	1,081	–	**4,329**
Construction and Specialist Vessels	**234**	173	3	3	–	**179**
Other fixed assets	**74**	208	136	92	233	**669**
Total	**3,286**	2,495	1,273	1,176	233	**5,177**

HONGKONG UNITED DOCKYARDS GROUP

INDUSTRY BACKGROUND

The shipping industry was weak in 2014, which adversely affected both the marine engineering and the harbour towage markets. Larger vessels and cost pressures on liner operators resulted in fewer tug moves in Hong Kong. Terminal congestion caused vessels to avoid coming to Hong Kong.

Demand for engineering services for port equipment, infrastructure projects and logistics was good.

2014 RESULTS SUMMARY

The attributable profit of the HUD group for 2014 was HK$31 million compared to HK$64 million in 2013.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2014 of HK$70 million, compared with a loss of HK$39 million in 2013. Market conditions for marine engineering were unfavourable. Non-marine engineering work was slow to develop.

HKST's profit (before tax and interest and on a 100% basis) was HK$152 million in 2014, compared with HK$192 million in 2013. Tug moves and revenue were lower. This reflected the loss of a large customer and the weak industry background.

The disposal of one 4,000 BHP tug in September 2014 contributed a profit of HK$16 million. The total fleet size at 31st December 2014 was 19 vessels, including six container vessels.

The lost time injury rate in 2014 was 37% lower than in 2013.

OUTLOOK

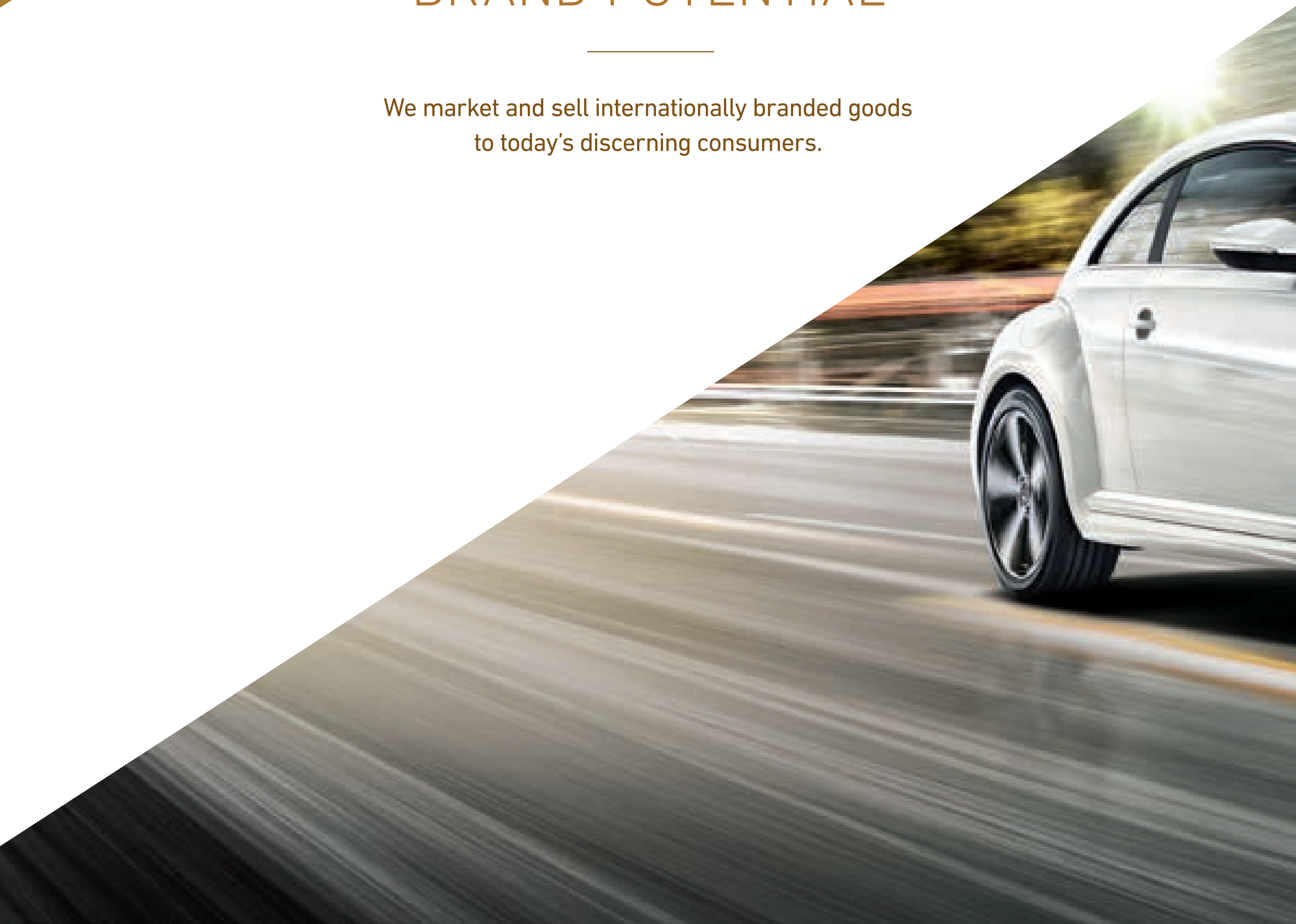
Market conditions for marine engineering are expected to continue to be unfavourable. The HUD group will tender for non-marine engineering work from the Hong Kong government in an effort to improve revenues. The outlook for HKST is challenging.

J B Rae-Smith

TRADING & INDUSTRIAL DIVISION

MAXIMISING BRAND POTENTIAL

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




BEETLE

The Trading & Industrial Division has interests in the following companies:

SWIRE RETAIL GROUP

Swire Resources group

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2014, it operated 184 retail outlets in Hong Kong and Macau and 65 retail outlets in Mainland China. Of these, 146 are single brand outlets and 103 are multi-brand outlets, the latter operating under the Marathon Sports, GigaSports, Catalog, d2r and Actif names.

Swire Resources distributes the following brands of footwear, apparel and related accessories: Aerosoles, Arena, Cath Kidston, Chevignon, Columbia, Jockey, Montrail, Mountain Hardwear, Penguin, Repetto, Rockport, Sorel, Speedo, Teva and UGG.

Swire Brands group

Swire Brands makes investments in brand-owning companies. It has an associate interest in a joint venture with Columbia, which distributes and retails Columbia products in Mainland China. In June 2014, Swire Brands acquired 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. It is the principal distributor in Taiwan for Volkswagen and Škoda cars, Volkswagen light commercial vehicles, Volvo trucks and buses, Harley-Davidson motorcycles and Vespa scooters. In Hong Kong and Macau, it is the principal importer and distributor of Fiat, Alfa Romeo and Jeep passenger cars and of Volvo, UD and Renault trucks. It is a distributor of Volkswagen cars in Shanghai and Fuzhou in Mainland China and in Puchong in Malaysia.

SWIRE FOODS GROUP

Taikoo Sugar

Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand. It is the market leader in packaged sugar in the retail, catering and industrial sectors in Hong Kong. In Mainland China, it operates three packaging plants. It exports sugar to Southeast Asia, the Middle East and North America, and sells tea, coffee, salt and pepper in Hong Kong and Mainland China.

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 Foods

Swire Foods acquired a 65% interest in Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery") in December 2014. The business is a leading bakery chain in southwest China, with over 460 stores in Chongqing, Guiyang and Chengdu.

SWIRE PACIFIC COLD STORAGE GROUP

Swire Pacific Cold Storage owns a 60% equity interest in a company which has operated cold storage facilities in Guangzhou since 2008 and wholly owns cold storage facilities in Shanghai and Hebei, which started operating in 2014. It owns land in Nanjing and Ningbo on which cold storage facilities are being built, with completion expected in 2015.

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.

SWIRE SUSTAINABLE BUSINESS GROUP

Swire Sustainability Fund

The Swire Sustainability Fund invests in early-stage companies developing technologies (in the renewable energy, water treatment and reusable and environmentally-friendly packaging sectors) of relevance to the Group's sustainability aims. It owns 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.

Swire Waste Management

Swire Waste Management is a 50:50 joint venture with a subsidiary of Waste Management Inc. The joint venture, which commenced business in 2011, seeks waste management contracts in Hong Kong. It is contracted to provide waste management services to seven outlying islands.

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, particularly in the Greater China region, by expanding the range and quality of those branded goods and by increasing the number of retail outlets operated by Swire Resources.
- Investing selectively in brand-owning companies through Swire Brands.
- 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 and markets in Asia.
- Increasing the volume and broadening the range of products sold by Swire Foods.
- Further 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.

2014 PERFORMANCE

Financial Highlights

	2014 HK$M	2013 HK$M
Revenue		
Swire Retail group	**3,020**	3,896
Taikoo Motors group	**6,706**	5,322
Swire Foods group	**795**	726
Swire Pacific Cold Storage group	**3**	–
	10,524	9,944
Operating profits/(losses)		
Swire Retail group	**58**	211
Taikoo Motors group	**270**	90
Swire Foods group	**24**	13
Swire Pacific Cold Storage group	**(79)**	(39)
Swire Sustainable Business group	**1**	–
Other subsidiary companies and central costs	**(25)**	(15)
	249	260
Attributable profits/(losses)		
Swire Retail group	**82**	139
Taikoo Motors group	**213**	57
Swire Foods group	**15**	7
Campbell Swire	**(14)**	(125)
Swire Pacific Cold Storage group	**(73)**	(31)
Akzo Nobel Swire Paints	**230**	206
Swire Sustainable Business group	**(5)**	(1)
Other subsidiary companies and central costs	**(25)**	(15)
Attributable profit	**423**	237

Sustainable Development Highlights

	2014	2013
Average training hours (per employee per year)	**15.7**	15.6
Staff turnover	**65%**	74%
LTIR	**1.35**	0.99

INDUSTRY BACKGROUND

Retailing in Mainland China and Hong Kong

Hong Kong retail sales grew modestly in 2014, but were adversely affected by Occupy Central in the fourth quarter. The growth in retail sales in Mainland China slowed in 2014. More international brands have entered both markets. This has resulted in greater competition.

Car sales in Taiwan, Hong Kong, Mainland China and Malaysia

Car registrations in Taiwan increased by 12% to 419,834 units in 2014. Car registrations in Hong Kong increased by 3% to 41,597 units in 2014. Car registrations in Mainland China increased by 10% to approximately 19.7 million units in 2014. Car registrations in Malaysia increased by 2% to 588,341 units in 2014.

Sugar sales in Mainland China and Hong Kong

The total amount of sugar sold in Mainland China fell by 1% to 30,424 million pounds in 2014. Sugar sales in Hong Kong in 2014 were unchanged.

Left | Swire Resources began to franchise the rights to operate Catalog stores in Mainland China.

Right | Taikoo Motors is the principal importer and distributor of Volvo trucks in Taiwan, Hong Kong and Macau.

Food sales in Mainland China

The packaged food market in Mainland China is estimated to have grown by 9% in 2014. Consumers want high quality products, healthy and increasingly organic products and convenience products. Internet sales of food are growing.

Cold storage in Mainland China

Demand for frozen food is increasing. This is increasing demand for cold storage facilities.

Paint market in Mainland China and Hong Kong

Total sales of decorative paints in Mainland China increased by 3% to 2,789 million litres in 2014. In Hong Kong, decorative paint sales increased by 3% to 11 million litres in 2014, reflecting a small increase in residential property transactions.

Waste management market in Hong Kong

The municipal solid waste generated per capita in Hong Kong has increased by 80% in the past 30 years. The Hong Kong Government is committed to developing further waste disposal and treatment facilities.

2014 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2014 increased by 78% to HK$423 million. The increase principally reflects better results from Taikoo Motors and Akzo Nobel Swire Paints and reduced losses from Campbell Swire. These improvements were partly offset by weaker results from the Swire Retail group and costs associated with developing the Swire Pacific cold storage business.

Swire Retail group

Attributable profit decreased by 41% in 2014 to HK$82 million. The decrease principally reflected the replacement of Swire Resources' Columbia distributorship by an interest, with Columbia, in an associated company from 1st January 2014.

Revenue in Hong Kong and Macau was 12% higher than in 2013. Retail sales benefited from demand from visitors from Mainland China. Gross margins improved due to less discounting. Operating costs, in particular occupancy and staff costs, increased. The group managed 184 retail outlets in Hong Kong and Macau at the end of 2014, four more than at the end of 2013.

Revenue decreased by 88% in Mainland China. Disregarding the Columbia business, revenue was 8% higher than in 2013. Gross margins declined due to discounting of Rockport products (the distribution of which ceased at the end of the year). Lower inventory provisions for slow moving stock and lower advertising costs were partly offset by higher occupancy and staff costs. The number of retail outlets operated in Mainland China (excluding those occupied by the Columbia business) decreased by six to 65 at the end of 2014. 12 Rockport stores were closed.

The performance of the new Columbia China associated company was satisfactory.

Taikoo Motors group

Attributable profit in 2014 was HK$213 million, compared to HK$57 million in 2013. The increase principally reflected higher sales volume and the release of provisions for dealer incentives in Taiwan.

Swire Pacific Cold Storage opened cold storage facilities in Fengxian, Shanghai and Langfang (in Hebei) in 2014.

Computer rendering of Swire Pacific Cold Storage in Shanghai

Revenue increased by 26% in 2014, mainly due to an increase in the number of vehicles sold. In total, 25,679 cars, commercial vehicles and motorcycles were sold in 2014, 35% more than in 2013. Gross margins improved, mainly due to the release of provisions for dealer incentives before termination of the Volkswagen and Škoda importerships in Taiwan at the end of the year and a better sales mix. These beneficial effects on gross margins were partly offset by the cost of developing new dealerships in Mainland China and Malaysia.

Taiwan

Sales of passenger cars and light commercial vehicles increased by 27% compared with 2013, to 15,224 units. Sales of commercial vehicles increased by 30%. Sales of motorcycles and scooters increased by 48%. 632 vehicles were assembled. A similar number were assembled in 2013.

Hong Kong

234 Fiat and Alfa Romeo passenger cars and light commercial vehicles were sold in 2014, a decrease of 29% compared with 2013. The group started to sell Jeep passenger cars in January 2014; 148 units were sold in 2014. 568 commercial vehicles were sold, an increase of 79% compared with 2013.

Mainland China

414 Volkswagen passenger cars were sold in Shanghai and Fuzhou.

Malaysia

299 Volkswagen passenger cars were sold in Malaysia.

Swire Foods group

Swire Foods (including Taikoo Sugar)

Swire Foods (including Taikoo Sugar) reported an attributable profit of HK$15 million in 2014, compared with a profit of HK$7 million in 2013.

Swire Foods acquired a 65% interest in Qinyuan Bakery in December 2014 for HK$749 million. The remaining equity will be acquired in 2017 if certain conditions are met. Attributable profit in 2014 (following the acquisition) was HK$7 million.

Volumes of sugar sold in Hong Kong and Mainland China decreased by 8% and increased by 19% respectively. The costs associated with developing new businesses increased.

Campbell Swire

An attributable loss of HK$14 million was recorded in 2014, compared with a loss of HK$125 million in 2013.

Sales volume of soup and broth products increased by 2% in 2014. The joint venture closed its production facilities and outsourced production to Swire Beverages during the year.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss of HK$73 million in 2014 compared to a loss of HK$31 million in 2013. The 2014 loss principally reflected the cost of developing new cold stores in Shanghai, Hebei, Nanjing and Ningbo. These costs were partly offset by an attributable profit of HK$10 million from the 60% interest in Guangdong Swire Cold Chain Logistics Co. Ltd., where performance was in line with expectations.

The Shanghai and Hebei facilities were completed in the second half of 2014 and started to operate. The Nanjing and Ningbo facilities are expected to be completed later in 2015.

Swire Pacific Cold Storage acquired land in Chengdu in September 2014. A sixth cold storage facility will be built on this land. It is expected to start operating in 2016.

The capital commitments of the Swire Pacific Cold Storage group at 31st December 2014 were HK$1,284 million.

Swire Pacific Cold Storage's new facility in Shanghai, which opened in 2014, achieved Leadership in Energy & Environmental Design Platinum certification. This is the green building certification programme's highest rating. The facility has LED lighting and geothermal heating and recycles rain.

Akzo Nobel Swire Paints

The attributable profit for 2014 was HK$230 million, compared to HK$206 million in 2013.

Sales volume in Mainland China grew by 9% from 2013. Gross margins were in line with those of 2013. Akzo Nobel Swire Paints distributed paint in approaching 600 cities in Mainland China at the end of 2014, a similar number to 2013.

In Hong Kong, attributable profit increased by 69% to HK$6 million in 2014. Sales volume grew by 3%. Operating expenses were lower.

Swire Sustainability Fund

Swire Sustainability Fund's attributable loss for 2014 was HK$7 million. This reflected the group's attributable loss from Green Biologics, which became an associated company in December 2014. The fund's other investments are accounted for at cost.

Swire Waste Management

The attributable profit of Swire Waste Management for 2014 was HK$2 million, compared to a loss of HK$1 million in 2013. The operating profit from a waste management contract was partly offset by administrative costs and tender costs for new projects.

Sustainable Development

Average training hours per employee in 2014 increased by 1% to 15.7 compared with 2013.

Staff turnover rates in 2014 decreased by 9 percentage points to 65% compared with 2013. This principally reflected lower staff turnover at Taikoo Motors.

Lost time injury rates increased by 36% to 1.35 in 2014. This reflected an increase in the number of minor injuries, in particular at Swire Resources.

OUTLOOK

Swire Resources will continue to seek more distributorships of international brands in Hong Kong and Mainland China. The costs of developing the multibrand stores in Mainland China are expected to increase. The retail market in Hong Kong will remain highly competitive. Increased staff and occupancy costs are likely to put pressure on profit margins. Swire Brands will continue to seek attractive investment opportunities.

Taikoo Motors expects sales of vehicles to decrease in 2015 as a result of the termination of the Volkswagen and Škoda importerships in Taiwan at the end of 2014. Taikoo Motors will continue to develop its Volkswagen, Škoda and other dealerships and its other motor-related businesses. The costs of developing and expanding showrooms and workshops are expected to increase. Taikoo Motors started selling Mercedes-Benz passenger cars in Kaohsiung, Taiwan in 2015.

The 2015 profits of Swire Foods are expected to grow as a result of the inclusion of a full year's results of Qinyuan Bakery. The construction of a new factory in Chongqing is expected to be completed later in 2015. A joint venture with Mövenpick will start to distribute coffee in Mainland China later in 2015.

Taikoo Sugar expects moderate sales growth in 2015. Its 34% owned sugar refinery in Guangdong is expected to start operating in late 2015.

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

The overall results of the Trading & Industrial Division are expected to be adversely affected by the cost of new business development.

J B Rae-Smith

2014 SUSTAINABLE DEVELOPMENT REVIEW

MANAGING FOR THE LONG TERM

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

Swire does not view sustainability as a cost, but as an opportunity for innovation, growth and improved efficiency. Sustainable development is a key strategic objective because it helps to create long-term value for our shareholders. It does this by safeguarding natural resources, supporting the communities in which we operate, concentrating on health and safety and our staff and their well-being (and that of others with whom we engage) and encouraging our suppliers to maintain sustainability standards similar to our own.

Strategy

Since 2011 we have had a target of moving towards net zero impact on the environment. We have started to review this strategy with a view to having in place appropriate plans intended to minimise the adverse consequences of the impact of our operations on the environment. In the short term, we are concentrating on increasing efficiency and reducing our environmental impact. In the medium and long term, we plan to achieve our goals through innovation and investment.

Governance

The decisions of each of our businesses take due account of sustainability matters in the same way that they take account of other relevant matters.

Each operating company is in charge of its own sustainability matters, but the principles governing the way that this is done are the same throughout the Group. 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. Sustainability matters are overseen by a sustainability committee, chaired by a Swire Pacific executive director. The sustainability committee reports to the Swire Pacific Group Risk Management Committee, which in turn reports via the Audit Committee to the board of Swire Pacific.

Assessment

We have prepared the sustainability material in this annual report in accordance with the Global Reporting Initiative's GRI G4 reporting guidelines at the core level. These guidelines encourage us to focus on what is important to us and those inside and outside the Group with whom we engage.

We use an enterprise risk management framework and consultations with others in order to identify what economic, environmental and social matters we need to address if we are to achieve long-term sustainable growth. We identify and select those with whom we wish to engage in accordance with a five-year engagement plan. We engage with people inside and outside the Group who have an interest in or are affected by what we do.

Engagement with Others

In 2013 we held a workshop in order to identify what matters we need to address if we are to achieve long-term sustainable growth. Employees and senior management from Swire Pacific, the Group's operating companies and Swire Trust were asked to consider which sustainable development issues were most important to them. We also invited fund managers, investment analysts, regulators, academics, communications professionals and representatives from non-governmental organisations and other major companies in Hong Kong to identify the environmental, economic and social matters most important to them.

Outside the workshop referred to above, we engage with joint venture companies, the media, government departments and chambers of commerce. We meet and interview them, we hold focus groups and conferences, we publish newsletters and give interviews to the media. We ask those with whom we engage to judge our performance with regard to sustainable development matters.

In 2014, we held our fourth Swire sustainable development forum. There were over 180 participants, including senior executives.

Results

By engaging with others, we have identified the following as matters which we need to address:

- emissions
- energy
- water
- waste
- health and safety
- equal opportunities and diversity
- employment
- training and education
- relationships with suppliers
- relationships with local communities

Those with whom we engage have also suggested that we promote sustainability more externally. In 2014 we provided a keynote speaker at the CSR Asia Conference and participated in the Chinese University of Hong Kong MBA Corporate Social Responsibility Conference. We worked with the Hong Kong Business Environment Council on the development of a handbook for sustainability reporting. We are often asked how we intend to minimise the adverse consequences of our impact on the environment. We say more about this later.

Reporting and Recognition

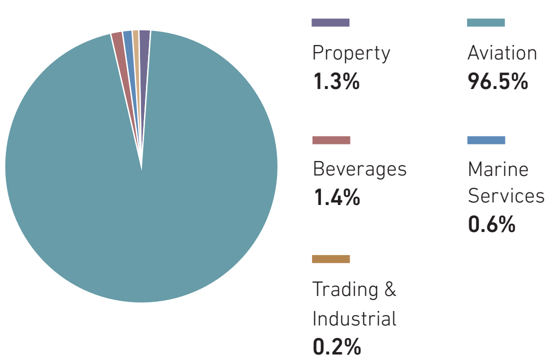
We report to the Carbon Disclosure Project and (in Hong Kong) to the Carbon Footprint Repository for Listed Companies. In 2014, HAECO group was admitted to the Climate Disclosure Leadership Index and Swire Pacific was admitted to the Dow Jones Sustainability Index, Asia Pacific, joining Cathay Pacific. Swire Pacific and Cathay Pacific are constituents of the Hang Seng Corporate Sustainability Index. In 2014, Swire Properties was rated an industry leader by Sustainalytics and was ranked 16th out of the 100 most sustainable corporations in Asia by Channel NewsAsia. Swire Pacific Offshore won the Sustainable Business Award for Business Responsibility and Ethics at the inaugural Responsible Business Forum for Sustainable Development, held in Singapore in November 2014.

ENVIRONMENT

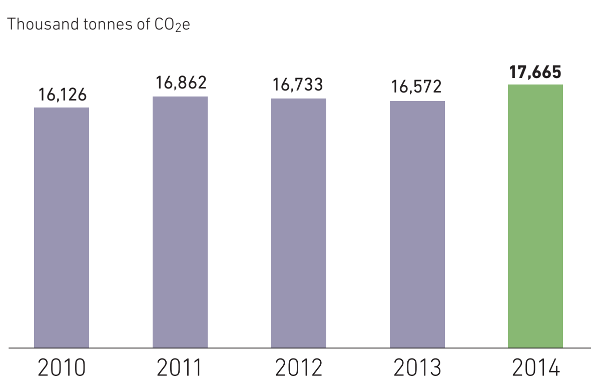
Swire Pacific's objective is to minimise the adverse consequences of its impact on the environment, concentrating on greenhouse gas emissions, water and waste. The objective is consistent with our approach to long-term sustainable business development. To help us get there, we are improving efficiency,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

CO_2 EMISSIONS	**Reduce** – Set targets for greenhouse gas emissions and energy efficiency	**Renew** – Use renewable energy and biofuels	**Offset** – Identify carbon offset opportunities
WATER	**Reduce** – Lower water consumption and set targets	**Reuse** – Treat water to a standard that meets or exceeds legal requirements	**Replenish** – Give back to the community as much water as we use in our operations
WASTE	**Reduce** – Produce less waste	**Recycle** – Do more recycling and use more recycled materials	**Recover** – Identify opportunities to recover waste

GHG Emissions by Division



GHG Emissions



Emissions

Climate change poses a risk to our business. To reduce the risk, greenhouse gas emissions must be reduced.

In 2014, our greenhouse gas emissions were 17.7 million tonnes of CO_2e, an increase from 16.6 million tonnes of CO_2e in 2013. The aviation division accounts for 97% of our emissions. The increase in 2014 is attributable to more jet fuel consumption by the Cathay Pacific group. More fuel was consumed because more flights were operated than the previous year, which caused emissions to increase. Emissions intensity decreased as a result of the modernisation of the fleet. 16 more fuel-efficient aircraft were delivered and seven less fuel-efficient aircraft were retired in 2014. We manage emissions as follows.

REDUCE

We encourage all our businesses to set targets to reduce emissions and to improve efficiency. Performance is monitored through the Group's management accounts.

- Cathay Pacific aims to achieve an average of 2% per annum improvement in fuel efficiency up to 2020 and thereafter to achieve carbon neutral growth. In 2014, fuel efficiency improved by 2.2%.
- Cathay Pacific manages its emissions by using more efficient aircraft and engines, by improving operational efficiency (by monitoring fuel consumption, reducing weight and washing engines) and by improved route planning and airport procedures. It aims to use more biofuels.
- SPO has a fuel efficiency management system which provides real-time fuel consumption information. This facilitates judgements as to what speed vessels should go at in order to minimise consumption.

RENEW

We encourage our businesses to use renewable energy and biofuels. This is particularly relevant for our airlines.

- In 2014, Cathay Pacific made a minority investment in Fulcrum BioEnergy, Inc., a US-based biofuel developer. Fulcrum's business is the conversion of municipal solid waste into sustainable aviation fuel. Cathay Pacific has a long-term supply agreement with Fulcrum for an initial 375 million US gallons of sustainable aviation fuel over 10 years (representing on an annual basis approximately 2% of the airline's current fuel consumption).
- In 2014, Swire Pacific increased its minority equity investment in Green Biologics, a biotechnology company developing renewable chemical and biofuel technology.
- Cathay Pacific is a member of the Round Table on Sustainable Biomaterials and of the Sustainable Aviation Fuel Users Group Asia.

OFFSET

We have not set mandatory offset targets, but offsets are important to minimising the adverse consequences of our impact on the environment. Our carbon desk seeks opportunities to generate carbon credits and identifies risks and opportunities associated with carbon trading. Our carbon offsets are required to be certified and to be linked to our businesses.

- SPO's forest conservation project in Paraguay has generated over 7,500 tonnes of carbon credits since 2011. The project is certified by Verified Carbon Standard and the Climate, Community and Biodiversity Alliance.
- Cathay Pacific's FLY greener programme offset 13,300 tonnes of CO_2 in 2014. Swire Hotels uses FLY greener to enable guests to offset emissions.
- Cathay Pacific participates in industry working groups on aviation carbon pricing.

In 2014 we signed the Trillion Tonne Communiqué. The communiqué calls on governments to set a timeline for net zero emissions, to design a credible strategy to transform the energy system that matches the signatories' ambitions in this regard and to create a plan for fossil fuels, especially coal.

Energy

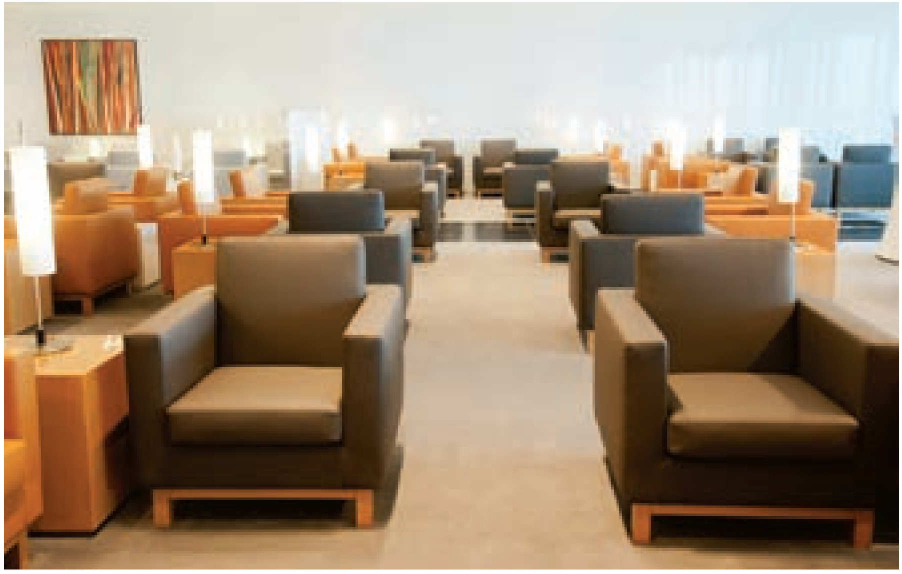
All business units use electricity. Electricity consumption is our second largest source of greenhouse gas emissions. Making our buildings and operations more energy efficient is a priority.

Our emissions from using electricity in 2014 were 600,000 tonnes of CO_2e, an increase from 490,000 tonnes in 2013. The principal reason for the increase was the acquisition of new businesses and the inclusion within the scope of the report of some existing businesses for the first time.

Our operating companies exchange information about energy efficiency through our energy committee. We have identified opportunities to save an estimated 82 million kWh of electricity per year. The energy committee is working to develop minimum standards for energy efficiency.

Operating companies are encouraged to reduce energy use and to set energy efficiency targets.

- New and substantially renovated buildings are required to try to obtain at least the second highest international or local building environmental certification.
- 26 of Swire Properties' buildings in Hong Kong and eight in Mainland China are certified to green building standards.
- Swire Properties aims to reduce electricity consumption by 52 million kWh per year by 2020, representing approximately 20% of its current energy consumption. Energy intensity decreased by 3% in 2014.
- Cathay Pacific aims to reduce electricity consumption by 25% by 2020.
- Cathay Pacific's passenger lounge at Charles De Gaulle airport in Paris obtained Leadership in Energy and Environmental Design ("LEED") silver certification. It is the first airline airport lounge to have achieved this.
- HAECO Hong Kong saved 400,000 kWh of electricity (or 1.7% of energy use) in 2014 by installing LED lighting in hangars and workshops.
- Swire Pacific Cold Storage opened two cold stores in Mainland China in 2014. They obtained LEED platinum certification. They are the first cold stores to achieve this in Mainland China.



We encourage the use of renewable energy in our operations.

- In 2014, Altus Logistics, a subsidiary of Swire Pacific Offshore, installed 3,600m^2 of solar panels on the roof of its warehouse in Singapore. This is designed to generate 152,000 kWh of electricity per annum and to reduce electricity costs by an estimated 45%.
- Solar panels on the roofs of HAECO Xiamen's hangars generated 1.4 million kWh of electricity in 2014.
- In 2014, Swire Beverages' bottling plant in Hangzhou generated 69,000 kWh of electricity from solar panels (all generated since their installation in October).

Swire Properties offers free energy audits to tenants. Since 2008, audits have covered 280,000 sq m of commercial office space, identifying savings of 2.8 million kWh.

Water Efficiency at Swire Beverages

A number of our operating companies have systems designed to manage their environmental impact. Each of our divisions has operations covered by ISO14001 or similar certifications.

Water

We depend on clean and reliable sources of water. We consumed 9.4 million cubic metres of water in 2014, an increase from 8.6 million cubic metres in 2013. The Beverages Division accounts for 69% of our water use. Water is used to produce beverage products for sale and for cleaning (of production facilities and of beverage bottles). In 2014, water intensity at the Beverages Division, which reflects the amount of water needed to produce a litre of beverage product, was similar to that of 2013. We manage water use as follows.

REDUCE

We set water intensity targets and encourage operating companies to use less water. In some cases we use rainwater instead of municipal water supplies.

- Swire Beverages has increased its water efficiency by 31% since 2005. It has a target of a 25% improvement in water efficiency by 2020 over 2010 levels.
- Swire Properties' Brickell City Centre development in Miami, Florida will be able to capture up to three million litres of rain per annum.

REUSE

All waste water is required to be treated so that it meets or exceeds legal requirements and can be returned to the environment.

- HAECO Xiamen reuses treated water for toilet flushing and equipment washing.
- 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.

REPLENISH

Swire Beverages aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020. Flow restoration projects in Chalk Creek, Utah and Jesse Creek, Idaho have restored stream flows of almost 300 million litres per year.

In 2013, Swire Pacific made a minority investment in NanoSpun Technologies, which is developing a wastewater treatment process using nanotechnology. In 2014, we won a water stewardship award at the 2014 Deloitte China Sustainability Awards.

Waste

Waste is a concern to those with whom we engage. Landfills in Hong Kong are getting full. We take waste very seriously. Swire Properties generated the majority of the Group's waste in 2014. This includes waste from tenants.

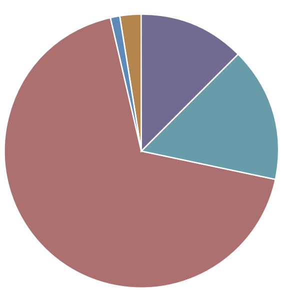
REDUCE

We encourage operating companies to reduce waste by improving procurement and operations and by using less packaging and more sustainable materials.

- Swire Beverages uses lightweight plastic bottles and in 2014 saved almost 290 tonnes of aluminium by appropriate sizing of cans.
- Cathay Pacific aims to reduce material usage and waste by 25% by 2020. In 2014, it started to use lighter paper and biodegradable packaging for its

Water Consumption by Division

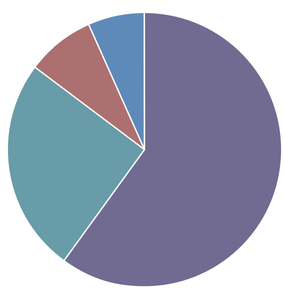
Thousand cubic metres



Property 1,210 (12.8%)
Aviation 1,505 (16.0%)
Beverages 6,517 (69.1%)
Marine Services 42 (0.4%)
Trading & Industrial 165 (1.7%)

Waste Disposed by Division

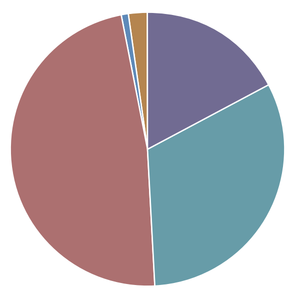
Tonnes



Property 43,068 (60.2%)
Aviation 18,062 (25.3%)
Beverages 5,752 (8.0%)
Marine Services 4,689 (6.5%)
Trading & Industrial 4 (0%)

Waste Recycled by Division

Tonnes



Property 3,176 (17.6%)
Aviation 5,737 (31.9%)
Beverages 8,670 (48.1%)
Marine Services 24 (0.1%)
Trading & Industrial 418 (2.3%)

inflight magazine and to replace it less frequently than after every flight.
- In 2014, we made a minority investment in Avantium, the business of which is to make bioplastics and biobased chemicals.
- EAST Hong Kong has replaced paper coasters with reusable rubber mats and has eliminated the unnecessary use of paper in guest rooms.

RECYCLE

We aim to recycle more paper, plastic, metal, glass, construction material, food and electronic items.

- Cathay Pacific aims to increase recycling by 25% by 2020.
- Cathay Pacific Catering Services sends food waste to be converted into pig and fish food.
- Swire Properties encourages tenants to do more recycling.
- The supply chain sustainability working group worked with university students on a uniform recycling project.
- EAST Hong Kong used recycled materials to produce Christmas decorations in 2014, saving HK$40,000. They gave linen to non-governmental organisations.

RECOVER

Management and use of waste can be seen as an opportunity. Our investments in Fulcrum and Swire Waste Management are designed to take advantage of this.

EAST Hong Kong, Swire Properties, Cathay Pacific and HAECO Hong Kong received Hong Kong Awards for Environmental Excellence in the Wastewi$e category in 2014. We are improving our collection and monitoring of information about waste and are developing a road map for minimising our adverse impact on the environment caused by waste.

Natural Capital Accounting

We have started to test natural capital accounting. This is an attempt to quantify and evaluate the environmental impact of certain of our manufacturing operations and is designed to provide information which will be useful when selecting future manufacturing sites and making future investments.

HEALTH AND SAFETY

The health and safety of our staff and those with whom we engage is of critical importance. We aim to continually improve our management of health and safety with a view to causing zero harm. We concentrate on training, learning and transparent reporting.

Health and Safety Management

All operating companies have an occupational health and safety ("OH&S") policy. These are monitored by our Internal Audit Department.

Swire Pacific OH&S Policy

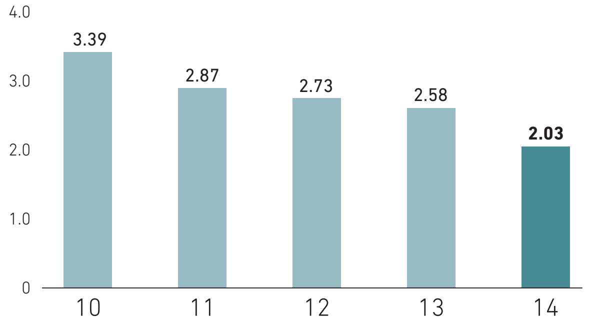
The Swire Pacific health and safety committee reports to the Group Risk Management Committee, which in turn reports via the Audit Committee to the Board. The members of the health and safety committee are senior representatives from each of the five divisions who are responsible for health and safety. The committee is responsible for developing group health and safety policy and guidelines, monitoring divisional performance, promoting education and training, sharing best practice and developing internal health and safety capabilities. There is a separate China health and safety working group, which deals with health and safety in Mainland China, where regulations can vary between provinces and change regularly.

Evaluating Our Performance

We record lost time injury rates and lost day rates. We set targets for improvement annually. The divisions report on safety quarterly. The Board receives regular updates on safety from the Audit Committee.

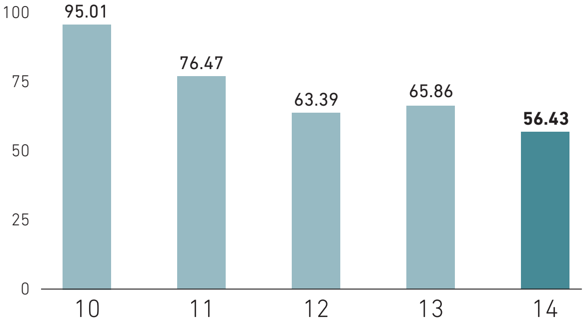
LTIR

No. of injuries per 100 full-time equivalent employees



Lost Day Rate

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



In 2014, the number of injuries per 100 full time equivalent employees (the lost time injury rate) decreased from 2.58 to 2.03. This represents a 21% decrease from 2013 and a 40% decrease over the last five years.

The lost day rate can be used to track the severity of injuries that occur. In 2014, the lost day rate decreased to 56.43 from 65.86 in 2013. It has decreased by 41% over the last five years. We do our best to identify the causes of injuries with a view to reducing them.

There were no fatalities in 2014.

Towards Zero Harm

If we are to do zero harm, we must develop a strong safety culture where employees take responsibility for their own safety and the safety of others. We want health and safety to be recognised as contributing to business success, not just rules to be complied with. To this end, we have developed a safety culture assessment, based on recommendations from an external health and safety review conducted by DuPont for Swire Beverages in 2013. We are also drawing up a strategy for working towards doing zero harm.

Training and Awareness

All employees receive the health and safety training required by law for what they do. Extra training is given when necessary. Swire Beverages in Zhengzhou held a workshop attended by senior management to highlight safe working practices and the importance of a strong commitment to safety by senior management.

The China health and safety working group organised a pilot safety observation programme in 2014. Staff from Swire Properties, Swire Resources and Taikoo Sugar participated. A site was inspected, staff were interviewed and documents and records were reviewed. Valuable suggestions for improving safety were made.

HAESL used a job safety analysis in order to identify hazards that may lead to injury. The analysis was promoted by posters, consultations, mentoring and endorsement by senior management. Around 1,000 hazards were identified and divided into high, medium and low risk categories. SPO held an operations and health and safety conference in September 2014. Health and safety was a topic focused on at seafarer forums in Manila, London, Liverpool, Fremantle and Copenhagen.

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 long-term projects of 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 of 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 2014, The Trust donated HK$35.5 million to charity – see page 89 for details.

In 2014, the Trust engaged professional philanthropic advisers to help with a strategic review. The review considered internal capacities and activities and external concerns, challenges and opportunities. More than 100 people were interviewed. Four outside groups were consulted. Substantial documentary research was done. There were meetings (including a full-day meeting of the Philanthropy Council) and workshops. The Trust decided to focus additionally on arts for the disadvantaged and sustainable ecosystems and to continue to support education.

Swire in the Community

Staff of operating companies volunteer their time and skills to help the communities where they work. Some operating companies offer staff time off work to enable them to do this. In 2014, staff in Hong Kong contributed 9,400 hours of voluntary service. Their efforts are recorded in a volunteering newsletter.

Operating companies arrange their own community programmes in accordance with the principles below.

We align our community programmes with our businesses. In 2014, Cathay Pacific invited over 160 people from underprivileged families on the Spirit of Hong Kong Community Flight to experience flying for the first time. Dragonair runs the Dragonair Aviation Certificate Programme to nurture new talent and support the growth of Hong Kong aviation. Swire Coca-Cola Hong Kong organises the annual Coca-

Cola Running Fun event and in 2014 conducted 42 workshops promoting the importance of hydration and a balanced diet for 1,385 primary school students. Swire Resources donated shoes to Hong Kong charities for the needy. SPO has helped 125 disadvantaged youths in the Philippines to acquire marine skills at 18-month residential training courses. Promising students are offered employment.

We support local communities near where we operate. Swire Properties' annual White Christmas Street Fair raises funds for Operation Santa Claus. 'Stories from Island East' documented stories and memories of Island East residents. A book was published and an exhibition

was held. Cathay Pacific and HAECO Hong Kong work with non-profit organisations to bring benefits to the residents of Tung Chung. HAESL works with non-profit organisations in Kowloon East. In Mainland China, our volunteers organise programmes for the communities where they work.

We use the expertise of our staff. Vogue Laundry provides free laundry and blanket cleaning to underprivileged families. Under Swire Properties' blueprint programme, we provide space for start-up businesses and senior staff to mentor their owners. Swire Properties' technical staff do home maintenance, repairs and minor home renovations for the less fortunate. Cathay Pacific's I Can Fly programme aims to generate enthusiasm for aviation and social service among young people in Hong Kong. 500 students from underprivileged families participated in the programme in 2014. 3,700 students have participated in the programme in total. HAECO Hong Kong supports the ORBIS Flying Eye Hospital by offering maintenance services.

We work with non-profit organisations. Cathay Pacific Catering Services works with a Tung Chung based group to support the elderly and underprivileged families in Tung Chung. Swire Coca-Cola Hong Kong organises festive programmes for children at the Ronald McDonald House.

We engage with our customers. In early 2014, members of Asia Miles donated over two million miles in order to provide sweaters for elderly residents in Sham Shui Po. 900 sweaters were delivered before Chinese New Year. Cathay Pacific's Change for Good inflight fundraising programme encourages passengers to donate spare change to UNICEF.

MEASURING OUR IMPACT

Cathay Pacific uses the London benchmarking group guidelines to measure the impact of its English on Air programme. 94% of participants indicated that the programme had encouraged them to practise spoken English. 88% of participants indicated that the programme had increased their confidence in speaking English. SPO uses a social return on investment framework to assess the impact of its community programmes. Swire Trust monitors the qualitative and quantitative results of its grants.

ENGAGING WITH OUR STAFF

In 2014, we completed a staff survey. Four fifths of respondents thought that we and they should be more involved in the community. We set up a head office staff volunteer team. Staff cleaned homes for the elderly and underprivileged in Sham Shui Po under the auspices of Operation Santa Claus, which we sponsor.

RECOGNITION

In 2014, Swire Pacific was awarded the 10+ Caring Company award by the Hong Kong Council of Social Service for good corporate citizenship.

Swire Jam

In 2014, working with St. James' Settlement People's Food Bank and underprivileged families, volunteers from the Group used Chinese New Year kumquats and sugar provided by Taikoo Sugar to make 700 pots of marmalade. The marmalade was given to poor families, as part of the St. James' Settlement's Happy Shopping Fair programme.

Major Recipients of Grants from Swire Trust in 2014

ASIAN CHARITY SERVICES

Grant Amount | HK$2.2 million

Purpose | To build NGOs' organisational capacity at the leadership level

ARTS WITH THE DISABLED ASSOCIATION IN HONG KONG

Grant Amount | HK$1.5 million annually

Purpose | 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

COMMUNITY ENGLISH LANGUAGE LABORATORY

Grant Amount | HK$2.0 million annually

Purpose | To improve English language capabilities in Hong Kong through a community centre offering free English language training

GLOBAL OCEAN COMMISSION

Grant Amount | HK$3.0 million

Purpose | To support the Commission's examination of key threats, challenges and changes to the oceans in the 21st century, including by supporting a meeting of the Commission in Hong Kong

HONG KONG BAPTIST UNIVERSITY

Grant Amount | HK$1.0 million

Purpose | To provide six scholarships to enable students from Mainland China's Ministry of Foreign Affairs and China Foreign Affairs University to study for masters degrees in translation

HONG KONG PHILHARMONIC ORCHESTRA

Grant Amount | HK$39.0 million

Purpose | To inspire and expand musical appreciation in Hong Kong and elsewhere

HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY (SWIRE PROFESSORSHIP IN AEROSPACE ENGINEERING)

Grant Amount | HK$10.0 million

Purpose | To develop a degree in Aerospace Engineering in Hong Kong, to offer greater access for Hong Kong students to specialised studies and to increase the competitiveness of the Hong Kong academic and aviation sectors

HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY (SWIRE INTERNATIONAL YOUNG FELLOWS PROGRAMME)

Grant Amount | HK$12.4 million

Purpose | To promote internationalism on the university campus

THE LEPROSY PROJECT

Grant Amount | HK$1.8 million

Purpose | To provide educational support to students affected by leprosy

LIFE EDUCATION ACTIVITY PROGRAMME

Grant Amount | HK$6.0 million

Purpose | To help prevent substance abuse by providing health-based education programmes for children

RIGHT TO PLAY

Grant Amount | HK$16.2 million

Purpose | To promote a child welfare system through early childhood education centres in 30 villages in Yunnan province in Mainland China

ST. JAMES' SETTLEMENT

Grant Amount | HK$4.4 million

Purpose | To support immediate and basic needs for the disadvantaged in Hong Kong by operating subsidised food stores

TAIKOO PRIMARY SCHOOL

Grant Amount | HK$1.7 million annually

Purpose | To strengthen the school's English and Mandarin language teaching, and for special projects

TEACH FOR CHINA

Grant Amount | HK$3.5 million

Purpose | To address educational inequality in Mainland China by placing teaching fellows for two years at rural schools and to support future leaders committed to access to quality education

WORLD WIDE FUND FOR NATURE HONG KONG

Grant Amount | HK$4.9 million

Purpose | To improve knowledge of sustainability matters among primary school students and to encourage them to make environmentally sustainable choices in their daily lives

XIAMEN UNIVERSITY

Grant Amount | HK$6.9 million

Purpose | To support marine science through the establishment of a marine research centre at Xiamen University

Note 1: Some of the figures above are estimates. In these cases, final grant amounts will depend on exchange rates or actual expenses.
Note 2: Some of the grants extend over a number of years.

STAFF

We recognise that our success depends critically on 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 realise their potential.

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 next 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.

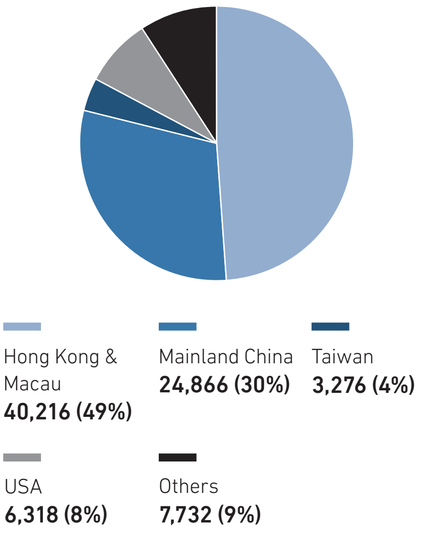
Employees

We employ over 82,000 staff. Most of them are based in Hong Kong and Mainland China.

Respect in the Workplace

We are an equal opportunities employer. We have a gender diversity committee, but recognise that diversity is not limited to gender. Individuals are unique and valuable, and should be respected for their individual abilities. We do not tolerate unlawful discrimination, harassment or other breaches of applicable law. We provide online training on equal opportunities in order to assist staff to understand their rights and obligations under Hong Kong anti-discrimination legislation.

Employee Numbers by Region



Employee Training Hours by Division

Average hours of training per employee

	2014	2013
Property	**10.6**	12.7
Aviation	**38.5**	29.2
Beverages	**32.3**	21.3
Marine Services	**69.6**	50.4
Trading & Industrial	**15.7**	15.6
Head Office	**16.5**	25.2
Total Group	**31.9**	25.9

Training and Education

We spend a lot of time and money on training and career development. We try to provide more (and more targeted) training every year. All training required by law is provided. We try to provide all training necessary for staff to progress.

Ethos International ("Ethos"), Swire's in-house leadership development company, provides training for promising staff. In 2014, Ethos reviewed its curriculum with support from INSEAD, Forum for the Future and the London Business School. The aim was to ensure that key training needs are met and that training inspires, enables and equips staff to focus on sustainable business growth. Senior management were interviewed. Focus groups were held. The key skills people need in order to be leaders in all parts of our Group were identified. Existing training programmes were reviewed. The intention is that the programmes should concentrate on developing these key skills and on reinforcing our values, so as to produce our future leaders.

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 advise employees on how to achieve a balance between work and non-work aspects of life. 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.

WORKING WITH OTHERS

By working with suppliers, customers and consumers, we aim to encourage and influence the adoption and improvement of sustainable practices in the industries and places in which we operate.

Supply Chain Management

Our operating companies are responsible for their own procurement practices and for the way in which they manage their suppliers. Our supply chain sustainability working group assists operating companies by sharing best practices and developing sustainability policies and guidelines for suppliers.

We have a supplier corporate social responsibility code of conduct which 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.

Some of our suppliers are based in countries which do not have high ethical, environmental or labour standards. We try to select suppliers which have standards similar to ours. We share values and knowledge with them and encourage them to adopt good sustainability practices.

Below is a description of our supply chain by division.

Description of Our Supply Chain by Division

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

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

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

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.

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.

The supply chain working group uses a risk matrix with a view to managing and mitigating risks. Attention is focused on high risk suppliers and suppliers with whom we spend the most. SPO and HAECO Hong Kong rate suppliers in accordance with a sustainability risk management framework. SPO follows up with self-assessment questionnaires. The results determine which suppliers need to be audited in order to ensure compliance with the supply chain sustainability code of conduct.

Sustainable Procurement

Our sustainable procurement policy was endorsed in 2014 by the Group Risk Management Committee. This 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.

Our sustainable food policy prohibits the use of unsustainably produced food items specified by the World Wide Fund for Nature and the Convention on International Trade in Endangered Species of Wild Fauna and Flora. It is the policy of our airlines not to carry unsustainably harvested shark fins and other shark products. In 2014, with the assistance of the International Union for Conservation of Nature and others, our airlines developed a framework for the identification of sustainable sources of shark fins and shark products. Our airlines and Swire Hotels do not serve shark fins. Their seafood menus comply with the WWF sustainable seafood guide.

Working with Others

We are represented on the board of the Business Environment Council ("BEC") in Hong Kong and participate in three BEC advisory groups. In 2014 we contributed to a BEC handbook on sustainability reporting. Our head of sustainable development sits on the WWF-HK Conservation Advisory Committee and on the Hong Kong Management Association Sustainability Committee.

We support the sustainability programmes of four universities in Hong Kong. We are represented on the Advisory Committee of the School of Energy and Environment at City University in Hong Kong.

Cathay Pacific is involved in the Global Market-Based Measure Technical Task Force, under the auspices of the International Civil Aviation Organization. This task force is leading the industry's work to develop airlines' commitment to carbon neutral growth by 2020 and in developing proposals for a fair and equitable global agreement on emissions. Swire Properties is a founding member and is represented on the board of the Building Environmental Assessment Method Society and is represented on the board of the Hong Kong Green Building Council.

blueprint
In 2014, Swire Properties made available 20,000 square feet of space at Cornwall House for its blueprint accelerator programme, under which Swire Properties is providing B2B tech start ups with workspace, mentorship and professional support.

Financial Review

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties. There is also an analysis of the effect of other significant non-recurring items.

Underlying profit

	Note	2014 HK$M	2013 HK$M
Profit attributable to the Company's shareholders per financial statements		**11,069**	13,291
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(3,088)**	(6,650)
Deferred tax on investment properties	(b)	**710**	573
Realised profit on sale of investment properties	(c)	**598**	94
Depreciation of investment properties occupied by the Group	(d)	**23**	20
Non-controlling interests' share of adjustments		**427**	1,143
Underlying profit attributable to the Company's shareholders		**9,739**	8,471
Other significant items:			
Profit on sale of investment properties		**(529)**	(21)
Profit on sale of property, plant and equipment and other investments		**(93)**	(197)
Net impairment of property, plant and equipment, leasehold land and intangible assets		**254**	161
Adjusted underlying profit		**9,371**	8,414

Underlying equity

	Note	2014 HK$M	2013 HK$M
Equity attributable to the Company's shareholders per financial statements		**218,775**	220,297
Deferred tax on investment properties		**4,290**	3,713
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**1,930**	1,840
Revaluation of investment properties occupied by the Group		**957**	890
Cumulative depreciation of investment properties occupied by the Group		**86**	67
Underlying equity attributable to the Company's shareholders		**226,038**	226,807
Underlying non-controlling interests		**45,005**	43,694
Underlying equity		**271,043**	270,501

Notes:

(a) This represents the 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 and associated 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 and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

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

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

(e) Under HKAS 40, hotel properties are stated in the financial statements at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those hotel properties owned by subsidiary and joint venture companies and held for the long-term as part of mixed-use property developments would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated statement of profit or loss.

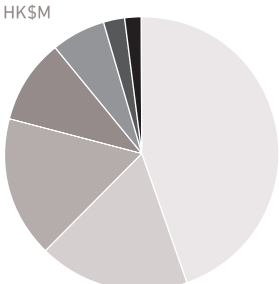
COMMENTARY ON AND ANALYSIS OF MAJOR BALANCES AND YEAR ON YEAR VARIANCES IN THE FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss

	Notes to the Financial Statements	2014 HK$M	2013 HK$M	Increase/(Decrease) HK$M	Increase/(Decrease) %
Revenue	4	**61,301**	51,437	9,864	19%
Cost of sales	6	**(38,313)**	(30,763)	7,550	25%
Expenses	6	**(11,258)**	(10,170)	1,088	11%
Other net gains	5	**71**	337	(266)	-79%
Change in fair value of investment properties		**1,896**	5,845	(3,949)	-68%
Operating profit		**13,697**	16,686	(2,989)	-18%
Net finance charges	9	**(2,025)**	(1,999)	26	1%
Share of profits less losses of joint venture companies	19(a)	**2,253**	1,682	571	34%
Share of profits less losses of associated companies	19(b)	**1,678**	1,521	157	10%
Taxation	10	**(2,218)**	(1,852)	366	20%
Profit for the year		**13,385**	16,038	(2,653)	-17%
Profit attributable to the Company's shareholders	33	**11,069**	13,291	(2,222)	-17%

Revenue by Category

HK$M



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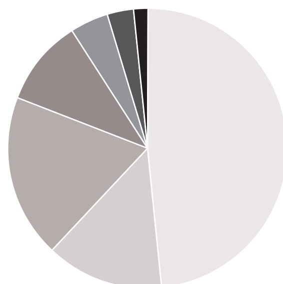


2013

Revenue

The increase in revenue of HK$9,864 million compared to 2013 was due to improvements from all divisions, the Property Division (HK$2,441 million), the Aviation Division (HK$4,540 million), the Beverages Division (HK$1,329 million), the Marine Services Division (HK$942 million) and the Trading & Industrial Division (HK$594 million).

In the Property Division, revenue from property trading increased by HK$1,635 million compared to 2013. This principally reflected the sales of 82 units at the MOUNT PARKER RESIDENCES residential development in Hong Kong, partially offset by the sales of fewer units at the AZURA and ARGENTA residential developments in Hong Kong. Gross rental income from property investment increased by HK$650 million. There were positive rental reversions in Hong Kong and rental income for a full year from developments completed in 2013. There was higher rental income in Mainland China. Revenue from hotels increased by HK$147 million, principally reflecting higher room rates and occupancy at the hotels in Mainland China and the UK.

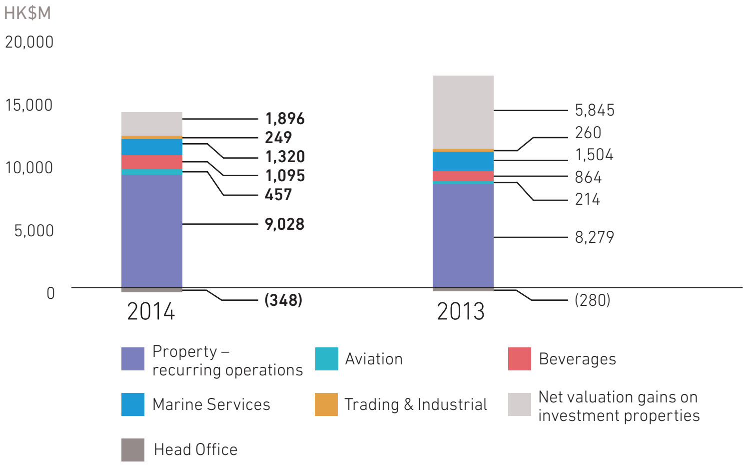
In the Aviation Division, the increase in revenue from the HAECO group was principally due to the inclusion of revenue from HAECO Americas of HK$2,885 million following its acquisition in February 2014. The increase also reflected more engine repair and private jet work in Mainland China and line services sold in Hong Kong. This was partially offset by a reduction in airframe and component services revenue in Hong Kong.

In the Beverages Division, the increase in revenue was principally due to increased sales volume in the USA as a result of the assumption of new franchise territories in Denver and Colorado Springs in May 2014. The increase also reflected higher sales volume in Mainland China and price increases in Hong Kong and the USA.

In the Marine Services Division, the increase in revenue at SPO was due to the addition of nine new vessels delivered during the year and a full year's revenue derived from the six vessels delivered in 2013. The new vessels are of higher specification and command higher charter hire rates than existing vessels.

In the Trading & Industrial Division, the Taikoo Motors group's revenue increased by HK$1,384 million, reflecting a 35% increase in the number of vehicles sold. Revenue from the Swire Retail group decreased by HK$876 million, principally reflecting the absence of sales from the Columbia distributorship in Mainland China following its replacement with an interest in an associated company from January 2014.

Operating Profit by Division



Operating Profit

The decrease in operating profit of HK$2,989 million compared to 2013 principally reflected a reduction in net valuation gains on investment properties of HK$3,949 million. Excluding net valuation gains, operating profit increased by HK$960 million.

The Property Division's operating profit from recurring operations increased by HK$749 million. Profit from property investment increased by HK$561 million due to higher gross rental income. Profit from property trading increased by HK$145 million, principally reflecting the fact that more residential properties were sold in Hong Kong. There were reduced operating losses from hotels due to improved performances from all hotels.

In the Aviation Division, the increase in operating profit from the HAECO group was mainly due to higher profits from engine repair and private jet work in Mainland China and line services in Hong Kong. This was partially offset by lower profits from airframe and component services in Hong Kong. There was a small operating loss at HAECO Americas due to the costs of reducing the size of a seat manufacturing facility.

In the Beverages Division, the increase in operating profit was principally due to lower prices of key raw materials in all territories and higher sales volume in Mainland China and the USA. This was partially offset by higher operating costs and additional expenses associated with the assumption of the new franchise territories in the USA.

In the Marine Services Division, the decrease in operating profit at SPO principally reflected a lower fleet utilisation rate and higher operating costs from the addition of new vessels.

In the Trading & Industrial Division, the reduction in operating profit was mainly due to the absence of an operating profit from the Mainland China Columbia distributorship in Swire Retail and higher expenditure on developing new cold stores in Mainland China at Swire Pacific Cold Storage. This was partially offset by an increase in operating profit in Taikoo Motors due to improved sales, a better sales mix and the release of provisions for dealer incentives.

Net Finance Charges

The increase in net finance charges mainly reflects higher borrowings during the year. Additional borrowings were principally incurred to finance capital expenditure in the Property Division and SPO, investments in new subsidiary companies and advances of loans to joint venture companies. The effect of these factors was partially offset by a reduction in net finance charges in Mainland China (the reduction being financed by funds from Hong Kong and operating cash flows) and in net finance charges relating to the change in fair value of put options and increased capitalisation of interest on investment properties.

Share of Profits Less Losses of Joint Venture Companies

In the Property Division, net valuation gains recorded on investment properties held by joint venture companies increased by HK$273 million compared to 2013, mainly due to a higher valuation gain at Sino-Ocean Taikoo Li Chengdu in Mainland China. There was a share of profit of HK$237 million from the sale of 52 units at the DUNBAR PLACE joint venture property development. There were also improved results from investment properties owned by joint venture companies in Mainland China.

In the Aviation Division, profits from joint venture companies in the HAECO group decreased by HK$187 million, principally reflecting a reduction in engine output at HAESL as a result of the retirement of older aircraft types.

In the Beverages Division, there was an increase in the contribution from joint venture companies in Mainland China. This principally reflected lower prices of key raw materials.

In the Trading & Industrial Division, there were reduced losses at Campbell Swire, mainly due to the absence of 2013's impairment loss in respect of production facilities and lower operating costs in 2014, and higher profits from Akzo Nobel Swire Paints, the latter reflecting higher sales volume in Mainland China.

Share of Profits Less Losses of Associated Companies

The Cathay Pacific group contributed a profit of HK$1,418 million in 2014 compared to a profit of HK$1,179 million in 2013. The increase principally reflected stronger demand for passenger and (in the second half of the year) cargo services, partially offset by higher operating expenses. There were also improved results from Cathay Pacific's cargo terminal business and Air China Cargo. Profit from Cathay Pacific's associate company, Air China, was lower in 2014, principally reflecting weaker demand for passenger services and foreign exchange losses in the first half of Air China's financial year.

In the Beverages Division, there was a decrease in the contribution from Coca-Cola Bottlers Manufacturing Holdings Limited in Mainland China. This was mainly due to the absence of 2013's non-recurring remeasurement gain and lower sales volume in 2014.

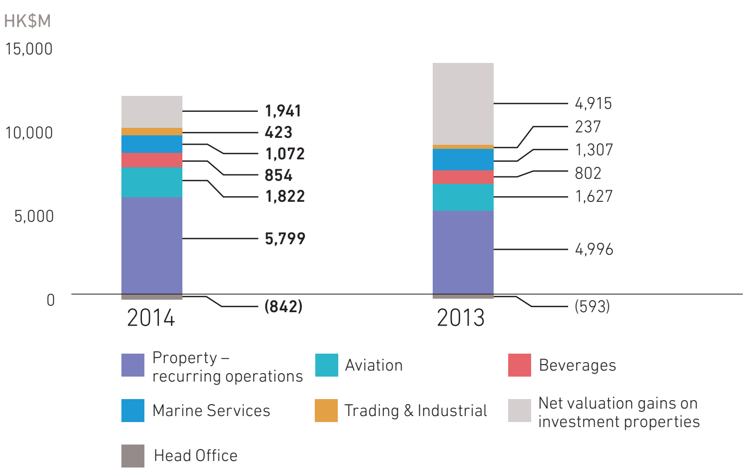
Taxation

The increase in taxation principally reflects higher taxable profits in the Property and Beverages Divisions. There were also higher taxation charges in the HAECO group as the taxation charge in 2013 was reduced by deferred tax movements in Mainland China.

Profit Attributable to the Company's Shareholders

The decrease in profit attributable to the Company's shareholders is mainly due to lower net valuation gains on investment properties. Excluding valuation gains on investment properties, attributable profit increased by HK$752 million.

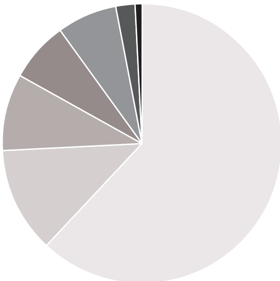
Profit Attributable to the Company's Shareholders by Division



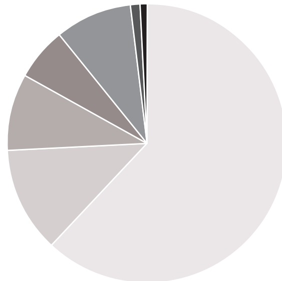
Consolidated Statement of Financial Position

	Notes to the Financial Statements	2014 HK$M	2013 HK$M	Increase/(Decrease) HK$M	Increase/(Decrease) %
Property, plant and equipment	14	**43,601**	39,457	4,144	11%
Investment properties	15	**220,869**	216,524	4,345	2%
Intangible assets	17	**7,442**	4,634	2,808	61%
Joint venture companies	19(a)	**23,703**	21,805	1,898	9%
Associated companies	19(b)	**26,039**	30,699	(4,660)	-15%
Properties for sale	23	**7,941**	7,982	(41)	-1%
Stocks and work in progress	24	**3,860**	3,234	626	19%
Trade and other receivables	25	**9,552**	9,187	365	4%
Bank balances and short-term deposits	26	**10,115**	11,288	(1,173)	-10%
Other assets		**4,213**	4,215	(2)	0%
Total Assets		**357,335**	349,025	8,310	2%
Trade and other payables	27	**17,933**	17,059	874	5%
Loans, bonds and perpetual capital securities	28, 29	**68,788**	61,844	6,944	11%
Deferred tax liabilities	30	**6,938**	6,357	581	9%
Other liabilities		**1,546**	1,257	289	23%
Total liabilities		**95,205**	86,517	8,688	10%
Net Assets		**262,130**	262,508	(378)	0%
Equity attributable to the Company's shareholders	32,33	**218,775**	220,297	(1,522)	-1%
Non-controlling interests	34	**43,355**	42,211	1,144	3%
Total Equity		**262,130**	262,508	(378)	0%

Total Assets by Category



2014



2013

Property, Plant and Equipment

The increase in property, plant and equipment in 2014 reflects the inclusion (following the acquisition of HAECO Americas and Qinyuan Bakery) of the property, plant and equipment belonging to them and of property, plant and equipment acquired upon the assumption of new beverages franchise territories in the USA. The increase also reflects the acquisition of new vessels by SPO and the cost of construction of cold storage facilities in Mainland China and of the EAST hotel at Brickell City Centre, Miami.

Investment Properties

The increase in investment properties mainly reflects net valuation gains, construction costs incurred on new investment properties and renovation costs incurred on existing investment properties. This was partially offset by the disposal of two residential units at OPUS HONG KONG and foreign exchange translation losses on investment properties in Mainland China.

Intangible Assets

The increase in intangible assets in 2014 includes goodwill of HK$1,932 million and other intangible assets recognised as a result of the acquisitions of HAECO Americas and Qinyuan Bakery and as a result of the assumption of new beverages franchise territories in the USA.

Investments in Joint Venture Companies

The increase in investments in joint venture companies principally reflects advances of loans to fund the acquisition of Berkshire House and the Wong Chuk Hang Road development in Hong Kong. There were also increases in retained profits in the Property Division (mainly as a result of valuation gains on investment properties held by joint venture companies), the Beverages Division, HAESL and Akzo Nobel Swire Paints, partially offset by dividends received and foreign exchange translation losses from joint venture companies in Mainland China.

Investments in Associated Companies

The decrease in investments in associated companies principally reflects a decrease in the share of net assets of the Cathay Pacific group. The decrease in net assets of the Cathay Pacific group is mainly due to unrealised losses from fuel hedging contracts, partially offset by profits retained for the year. The decrease in investments in associated companies was partially offset by the cost of acquiring an additional interest in Green Biologics and an increase in retained profits at Coca-Cola Bottlers Manufacturing Holdings Limited.

Properties for Sale

The decrease in properties for sale is principally due to the sale of residential properties at the MOUNT PARKER RESIDENCES, ARGENTA and AZURA projects in Hong Kong, partially offset by construction costs incurred during the year on the AREZZO, 160 South Lantau Road and 100 Caine Road residential projects in Hong Kong and on the residential component of the Brickell City Centre project in Miami.

Stocks and Work in Progress

The increase in stocks and work in progress is principally due to the inclusion of stock and work in progress of HAECO Americas and as a result of the assumption of new beverages franchise territories in the USA, partially offset by a reduction in Taikoo Motors' stock of vehicles.

Trade and Other Receivables

The increase in trade and other receivables principally reflects increased balances on stakeholder accounts arising from pre-sales of residential properties at the Brickell City Centre project, the inclusion of the trade and other receivables of HAECO Americas and dividends receivable from joint venture companies in the Beverages and Trading & Industrial Divisions. The effect of these items was partially offset by a decrease in trade debtors in the Property Division and the settlement of insurance claims in the HAECO group.

Trade and Other Payables

The increase in trade and other payables principally reflects increased balances on stakeholder accounts arising from pre-sales of residential properties at the Brickell City Centre and AREZZO projects, an increase in rental deposits from tenants and the inclusion of the trade and other payables of HAECO Americas and of contingent consideration relating to the assumption of new beverages franchise territories in the USA. The effect of these items was partially offset by the settlement of a put option in respect of a 20% interest in Taikoo Li Sanlitun.

Loans, Bonds and Perpetual Capital Securities

The increase in loans and bonds reflects funding to finance the Group's property developments, the purchase of new vessels and other fixed assets and investments in subsidiary companies and advances of loans to joint venture companies.

Deferred Tax Liabilities

The increase in deferred tax liabilities is principally attributable to higher deferred tax relating to depreciation allowances on investment properties and on valuation 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 represents the total comprehensive income for the year attributable to the Company's shareholders (HK$3,888 million in 2014) less dividends paid to shareholders (HK$5,417 million in 2014). The decrease in equity attributable to the Company's shareholders is principally due to the Company's share of unrealised losses on fuel hedging contracts in the Cathay Pacific group recognised in the statement of other comprehensive income.

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	2014	2013	Increase/(Decrease)	
		HK$M	HK$M	HK$M	%
Cash generated from operations	40(a)	**16,250**	14,301	1,949	14%
Net interest paid		**(2,316)**	(1,969)	347	18%
Tax paid		**(1,358)**	(1,831)	(473)	-26%
Dividends received		**1,898**	1,356	542	40%
Investing activities					
Purchase of property, plant and equipment	40(b)	**(6,181)**	(6,385)	(204)	-3%
Additions of investment properties		**(4,362)**	(5,108)	(746)	-15%
Proceeds from disposal of investment properties		**834**	48	786	1,638%
Purchase of shares in new subsidiary companies	35	**(3,530)**	12	3,542	N/A
Purchase of shares in associated companies		**(208)**	(62)	146	235%
Purchase of new businesses		**(117)**	–	117	100%
Purchase of available-for-sale assets		**(245)**	(56)	189	338%
Net loans to joint venture companies		**(1,347)**	(384)	963	251%
Others		**467**	(133)	(600)	N/A
Net cash used in businesses and investments		**(215)**	(211)	4	2%
Dividends paid	33, 40(c)	**(6,425)**	(6,123)	302	5%
Loans drawn and refinancing		**19,714**	17,900	1,814	10%
Repayment of loans and bonds		**(12,697)**	(6,743)	5,954	88%
Capital contributions from non-controlling interests	34	**4**	20	(16)	-80%
Proceeds from disposal of shares in a subsidiary company		**79**	–	79	100%
Purchase of shares in an existing subsidiary company		**(1,256)**	–	1,256	100%
Cash (paid to)/received from shareholders and net funding by external debt		**(581)**	5,054	(5,635)	N/A
(Decrease)/Increase in cash and cash equivalents		**(796)**	4,843	(5,639)	N/A

Net Interest Paid

The increase in net interest paid is mainly attributable to higher borrowings.

Tax Paid

The decrease in tax paid is principally due to lower taxable profits in Hong Kong from property trading in the Property Division in 2013 (the base period for tax paid in 2014) compared with 2012.

Dividends Received

The increase in dividends received principally reflects dividends received from the DUNBAR PLACE and PCCW TOWER property joint ventures and increased dividends from Cathay Pacific, partially offset by reduced dividends from HAESL.

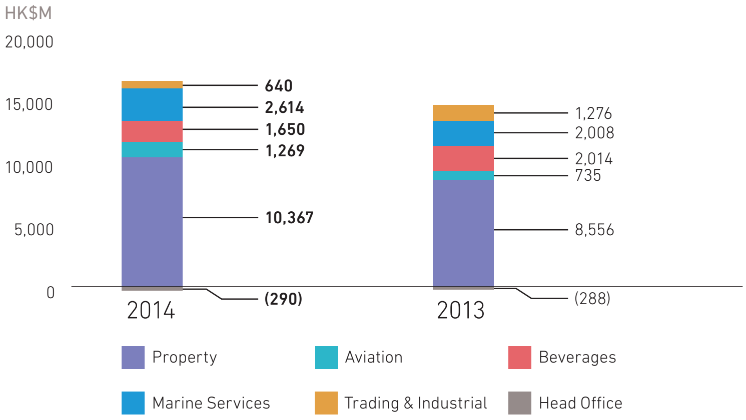
Purchase of Property, Plant and Equipment

The decrease in purchases of property, plant and equipment in 2014 is mainly due to lower capital expenditure on vessels by SPO, partially offset by increased capital expenditure on hotels and restaurants in the Property Division, cold storage facilities in Mainland China, rotable and repairable spare parts in the HAECO group and production and marketing equipment in the Beverages Division.

Additions of Investment Properties

The decrease in additions of investment properties in 2014 principally reflects the absence of the acquisition of a commercial site in Kowloon Bay, Hong Kong in 2013. This was partially offset by increased construction costs incurred at the Brickell City Centre development in the USA and development costs for Somerset House and TAIKOO PLACE APARTMENTS at Taikoo Place in Hong Kong in 2014.

Cash Generated from Operations by Division



Proceeds from the Disposal of Investment Properties

Proceeds from the disposal of investment properties include the disposal of two residential units at OPUS HONG KONG.

Purchase of Shares in New Subsidiary Companies

In 2014, the Group purchased a 100% interest in HAECO Americas (HK$2,942 million) and a 65% interest in Qinyuan Bakery (HK$588 million).

Purchase of Shares in Associated Companies

In 2014, the Group purchased an additional interest in Green Biologics, increasing its interest to 31%.

Purchase of New Businesses

In 2014, the Group assumed new beverages franchise territories in Denver and Colorado Springs in the USA.

Purchase of Available-For Sale-Assets

In 2014, the Group purchased minority interests in Rebecca Minkoff and Avantium.

Net Loans to Joint Venture Companies

In 2014, the Group advanced loans to fund the acquisition of Berkshire House and the Wong Chuk Hang Road development in Hong Kong.

Loans Drawn and Refinancing

In 2014, loans drawn and refinancing comprised new financing under the Medium-Term Note Programmes of Swire Pacific and Swire Properties and new loans and drawdowns of existing financing from banks. Refer to the Financing section on page 103 for further details.

Purchase of Shares in an Existing Subsidiary Company

In 2014, Swire Properties purchased the remaining 20% interest in Taikoo Li Sanlitun for HK$1,256 million.

Investment Appraisal and Performance Review

	Net assets employed		Capital commitments*	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Property investment	**226,596**	218,446	**23,659**	28,200
Property trading	**8,210**	9,408	**–**	–
Hotels	**7,801**	7,200	**481**	1,254
Property – overall	**242,607**	235,054	**24,140**	29,454
Aviation	**41,195**	43,801	**1,575**	4,669
Beverages	**6,048**	6,032	**420**	97
Marine Services	**23,537**	21,412	**5,209**	7,210
Trading & Industrial	**3,950**	2,286	**1,553**	2,175
Head Office	**3,417**	4,428	**–**	–
Total net assets employed	**320,754**	313,013	**32,897**	43,605
Less: net debt	**(58,624)**	(50,505)		
Less: non-controlling interests	**(43,355)**	(42,211)		
Equity attributable to the Company's shareholders	**218,775**	220,297		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2014 HK$M	2013 HK$M	2014	2013
Property investment	**161,812**	156,481	**4.4%**	6.3%
Property trading	**2,084**	3,619	**29.3%**	19.8%
Hotels	**6,074**	5,505	**0.4%**	-0.7%
Property – overall	**169,970**	165,605	**4.6%**	6.3%
Aviation	**34,445**	39,525	**4.9%**	4.3%
Beverages	**4,970**	5,421	**16.4%**	16.1%
Marine Services	**13,830**	12,344	**8.2%**	11.2%
Trading & Industrial	**5,664**	3,566	**9.2%**	7.7%
Head Office	**(10,104)**	(6,164)		
Total	**218,775**	220,297	**5.0%**	6.2%

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

Swire Pacific focuses on the long-term development of businesses where it can add value through its industry-specific expertise and particular knowledge of the Greater China region. The Group endeavours to create value for shareholders by making investments which exceed the target rate of return appropriate for each of its businesses.

The tables on page 101 show where the Group's net assets are employed, capital commitments by division and returns on equity attributable to the Company's shareholders.

PROPERTY DIVISION

Net assets employed in property investment increased by HK$8,150 million (4%) during the year, principally due to revaluation gains on investment properties and investment in property projects in Hong Kong and the USA.

Capital commitments at the year-end include the Group's share of the capital commitments of joint venture companies undertaking property development projects in Hong Kong and Mainland China.

The return on average equity from property investment decreased from 6.3% in 2013 to 4.4% in 2014, reflecting a decrease in profit, which in turn principally reflected lower property valuation gains.

The decrease in net assets employed in property trading was principally due to the sale of units at the MOUNT PARKER RESIDENCES, ARGENTA and AZURA residential projects in Hong Kong, partially offset by the construction costs incurred during the year on the AREZZO, 160 South Lantau Road and 100 Caine Road residential projects in Hong Kong and on the residential component of the Brickell City Centre project in Miami, USA.

The increase in net assets employed in hotels was principally due to the construction costs of The Temple House at Sino-Ocean Taikoo Li Chengdu and the EAST hotel at the Brickell City Centre in Miami.

AVIATION DIVISION

Net assets employed in the Aviation Division decreased by HK$2,606 million (6%). The decrease principally reflects the Group's share of unrealised losses on fuel hedging contracts in the Cathay Pacific group. This was partially offset by the Group's share of capital expenditure on new aircraft in the Cathay Pacific group and the investment in HAECO Americas by the HAECO group.

The return on average equity increased from 4.3% in 2013 to 4.9% in 2014. The increase principally reflected higher profits from the Cathay Pacific group.

BEVERAGES DIVISION

Net assets employed increased by HK$16 million (0.3%), principally as a result of higher capital expenditure, partially offset by the sale of investments.

The return on average equity increased from 16.1% to 16.4%, reflecting an increase in attributable profit.

MARINE SERVICES DIVISION

Net assets employed increased by HK$2,125 million (10%) principally due to the acquisition of nine new vessels by SPO.

The return on average equity decreased from 11.2% to 8.2%, principally reflecting a decrease in attributable profit.

TRADING & INDUSTRIAL DIVISION

Net assets employed increased by HK$1,664 million (73%), principally due to investments in Qinyuan Bakery, Green Biologics, Rebecca Minkoff and Avantium and capital expenditure on cold storage facilities in Mainland China.

The return on average equity increased from 7.7% in 2013 to 9.2% in 2014. This principally reflected an increase in attributable profit.

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 2014 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

	2014 HK$M	2013 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**61,844**	50,370
Loans drawn and refinancing	**19,714**	17,900
Repayment of loans and bonds	**(12,697)**	(6,743)
Change in composition of the Group	**20**	–
Other non-cash movements	**(93)**	317
At 31st December	**68,788**	61,844

During the year, the Group raised financing amounting to HK$14,379 million. This principally comprised:
- the issue of a ten-year medium-term note of HK$700 million under Swire Pacific's US$5 billion medium-term note programme
- the issue of two ten-year medium-term notes totalling HK$600 million under Swire Properties' US$3 billion medium-term note programme
- a three-year term loan facility of RMB2,440 million, which replaced an expired RMB2,700 million facility
- five five-year term and revolving loan facilities aggregating HK$3,750 million
- a ten-year bilateral term loan facility of RMB2,597 million, which replaced an expired RMB2,650 million facility
- two five-year term loan facilities totalling US$200 million
- two one-year revolving credit facilities totalling US$79 million
- a three-year term loan facility of HK$500 million

The following debt repayments were made during the year:
- partial early repayment of approximately RMB1,300 million under a RMB2,440 million term loan facility
- partial early repayment of US$155 million under a US$194 million term loan facility
- partial early repayment of HK$951 million under a HK$1,520 million term loan facility
- early repayment of other term loan facilities totalling HK$596 million

Sources of Finance

At 31st December 2014, committed loan facilities and debt securities amounted to HK$81,778 million, of which HK$13,761 million (17%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$9,634 million. Sources of funds at 31st December 2014 comprised:

Audited Financial Information

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	**37,084**	**37,084**	**–**	**–**
Bank loans, overdrafts and other loans	**42,367**	**28,606**	**1,986**	**11,775**
Perpetual capital securities	**2,327**	**2,327**	**–**	**–**
Total committed facilities	**81,778**	**68,017**	**1,986**	**11,775**
Uncommitted facilities				
Bank loans, overdrafts and other loans	**10,749**	**1,115**	**9,634**	**–**
Total	**92,527**	**69,132**	**11,620**	**11,775**

I) LOANS AND BONDS

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

Audited Financial Information

	2014			2013		
	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	**1,123**	**–**	**1,123**	1,547	–	1,547
Long-term loans and bonds at amortised cost	**65,682**	**(344)**	**65,338**	58,345	(374)	57,971
Less: amount due within one year included under current liabilities	**(4,828)**	**8**	**(4,820)**	(7,143)	13	(7,130)
	60,854	**(336)**	**60,518**	51,202	(361)	50,841

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 2014 the fair value was HK$2,466 million (2013: HK$2,559 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$10,115 million at 31st December 2014 compared to HK$11,288 million at 31st December 2013.

Maturity Profile and Refinancing

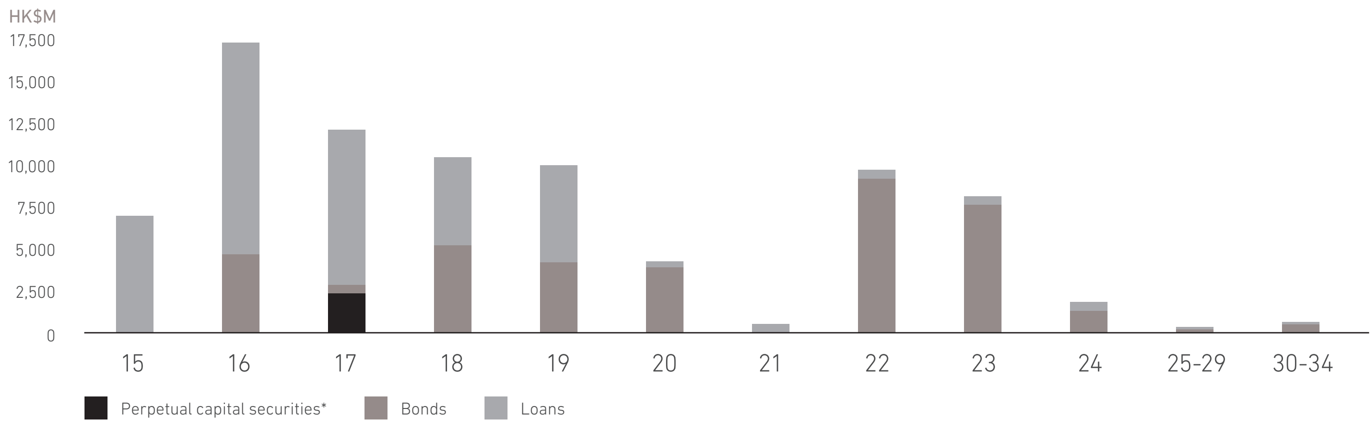
Bank loans and other borrowings are repayable on various dates up to 2034 (2013: same).

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

	2014	2013
Weighted average term of debt	**4.1 years**	4.4 years
Weighted average term of debt (excluding perpetuals)	**4.2 years**	4.5 years
Weighted average cost of debt	**4.1%**	4.7%
Weighted average cost of debt (excluding perpetuals)	**3.9%**	4.6%

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

Total Available Committed Facilities by Maturity
(at 31st December 2014)



* 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.

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

Audited Financial Information

	2014 HK$M	2013 HK$M
Bank loans (secured):		
Repayable between one and two years	**3**	–
Repayable between two and five years	**89**	63
Repayable after five years	**443**	472
Bank loans (unsecured):		
Repayable within one year	**4,817**	7,130
Repayable between one and two years	**7,872**	3,882
Repayable between two and five years	**12,911**	10,819
Repayable after five years	**2,274**	–
Other borrowings (unsecured):		
Repayable within one year	**3**	–
Repayable between one and two years	**4,654**	–
Repayable between two and five years	**9,838**	10,311
Repayable after five years	**22,434**	25,294
	65,338	57,971
Amount due within one year included under current liabilities	**(4,820)**	(7,130)
	60,518	50,841

Currency Profile

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

Audited Financial Information

	2014		2013	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**43,417**	**63%**	38,458	62%
Renminbi	**5,921**	**9%**	8,484	14%
United States dollar	**19,418**	**28%**	14,812	24%
New Taiwan dollar	**–**	**–**	65	–
Others	**32**	**–**	25	–
Total	**68,788**	**100%**	61,844	100%

Finance Charges

At 31st December 2014, 63% of the Group's gross borrowings were on a fixed rate basis and 37% were on a floating rate basis (2013: 66% and 34%).

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	1 year or less	1 to 5 years	Over 5 years	Total
	HK$M	HK$M	HK$M	HK$M	HK$M
At 31st December 2014	**25,603**	**3**	**17,978**	**22,877**	**66,461**
At 31st December 2013	20,969	150	12,634	25,765	59,518

Interest charged and earned during the year was as follows:

Audited Financial Information

	2014		2013	
	HK$M	HK$M	HK$M	HK$M
Interest charged:				
Bank loans and overdrafts		**(753)**		(747)
Other loans, bonds and perpetual capital securities:				
Wholly repayable within five years	**(1,025)**		(811)	
Not wholly repayable within five years	**(864)**		(828)	
		(1,889)		(1,639)
Fair value gains on derivative instruments:				
Interest rate swaps: cash flow hedges, transferred from other comprehensive income		**95**		109
Amortised loan fees – loans at amortised cost		**(107)**		(89)
Fair value loss on put options over non-controlling interests in subsidiary companies		**(29)**		(149)
Other financing costs		**(117)**		(98)
Capitalised on:				
Investment properties	**185**		63	
Properties for sale	**221**		256	
Hotel and other properties	**7**		8	
Vessels	**100**		127	
		513		454
		(2,287)		(2,159)
Interest income:				
Short-term deposits and bank balances	**149**		70	
Fair value gain on put options over non-controlling interests in subsidiary companies	**1**		9	
Other loans	**112**		81	
		262		160
Net finance charges		**(2,025)**		(1,999)

The capitalised interest rates on funds borrowed generally and used for the development of investment properties, properties for sale and vessels were between 1.40% and 4.19% per annum (2013: 1.25% and 4.88% per annum).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$2,654 million (2013: HK$2,366 million).

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

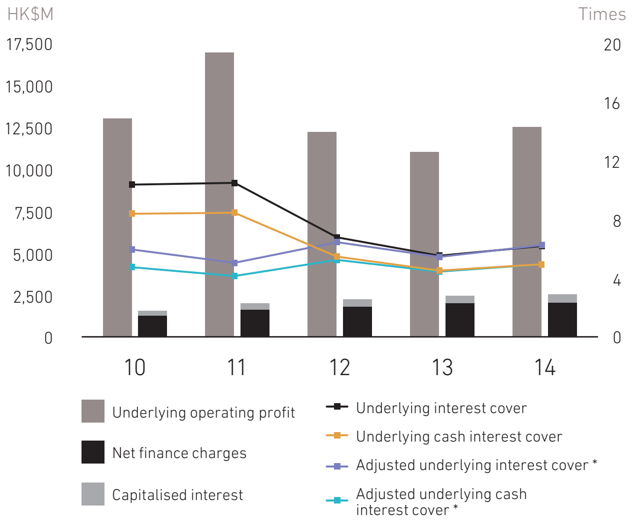
Audited Financial Information

	2014				2013			
	HK$	US$	RMB	Others	HK$	US$	RMB	Others
	%	%	%	%	%	%	%	%
Short-term loans	**0.88-2.70**	**1.48-2.80**	**5.04**	**1.21-2.23**	0.86-3.53	1.85-3.50	5.04-5.60	0.75-2.20
Long-term loans and bonds	**0.77-5.05**	**0.89-6.25**	**3.90-6.77**	**–**	0.73-5.05	0.89-6.25	3.90-6.77	–
Perpetual capital securities	**–**	**8.84**	**–**	**–**	–	8.84	–	–

Interest Cover and Gearing Ratios

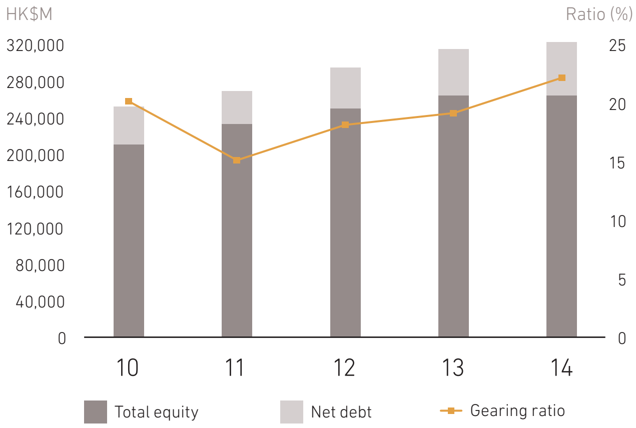
The following graphs illustrate the underlying interest cover and the gearing ratios for each of the last five years:

Underlying Interest Cover



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

Gearing Ratio



	2014	2013
Gearing ratio		
Per accounts	**22.4%**	19.2%
Underlying	**21.6%**	18.7%
Interest cover – times		
Per accounts	**6.8**	8.3
Underlying	**6.1**	5.5
Cash interest cover – times		
Per accounts	**5.4**	6.8
Underlying	**4.9**	4.5

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	2014	2013
Gearing			
Consolidated borrowed money/adjusted consolidated net worth	≤ 200%	**22.4%**	19.2%
	HK$M	HK$M	HK$M
Maintenance of minimum adjusted consolidated tangible net worth			
Adjusted consolidated tangible net worth	≥ 20,000	**254,688**	257,874

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, which principally include the gearing ratio, cash interest cover and the return cycle of its various investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings (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.

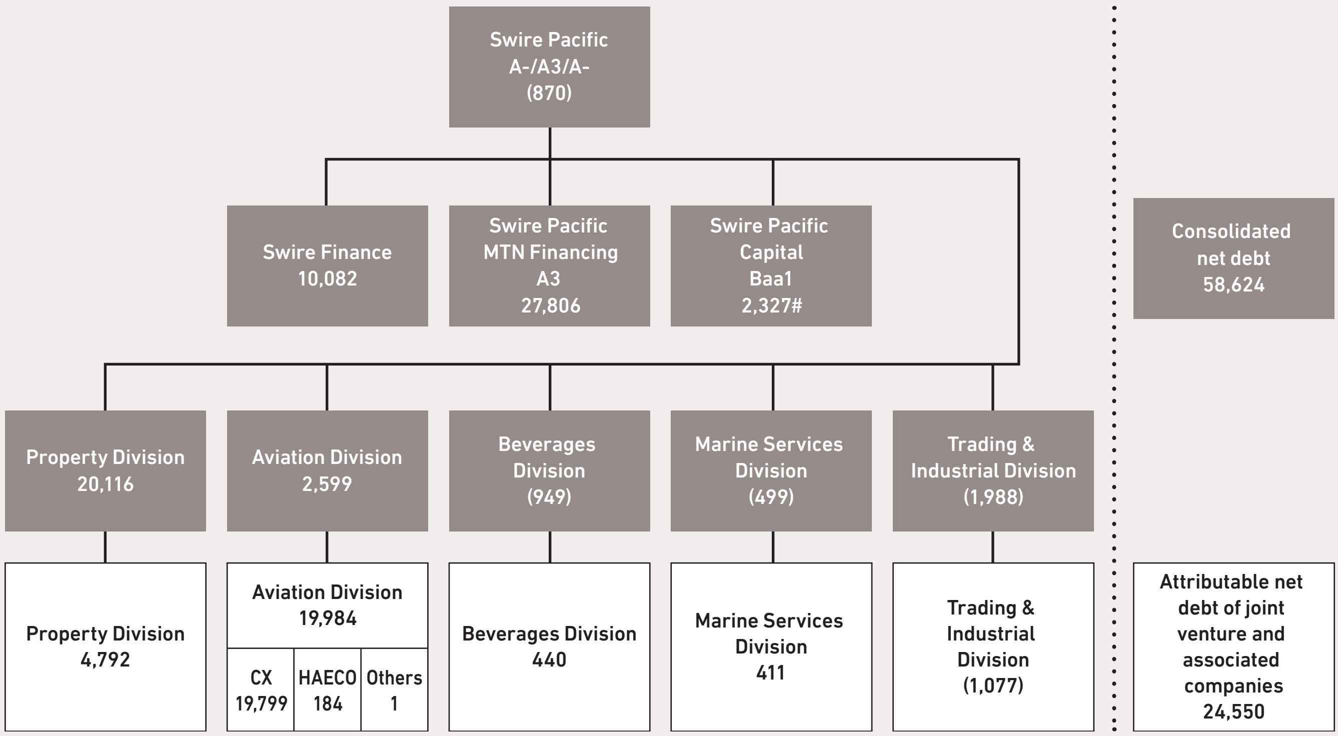
In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2014 and 31st December 2013 were as follows:

	2014 HK$M	2013 HK$M
Total borrowings	**68,788**	61,844
Less:		
Short-term deposits, bank balances and certain available-for-sale investments	**(10,164)**	(11,339)
Net debt	**58,624**	50,505
Total equity	**262,130**	262,508
Gearing ratio	**22.4%**	19.2%
Cash interest cover – times	**5.4**	6.8
Underlying cash interest cover – times	**4.9**	4.5
Return on average equity attributable to the Company's shareholders	**5.0%**	6.2%

The increase in the gearing ratio during 2014 principally reflects the increase in net debt incurred to fund capital expenditure on property projects, new vessels and investments in subsidiary and joint venture companies.

Attributable Net Debt

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



Represents US$300 million perpetual capital securities.

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 2014 and 2013:

	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	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Property Division	**11,327**	7,817	**4,792**	3,252	**1,477**	496
Aviation Division						
Cathay Pacific group	**43,998**	39,316	**19,799**	17,693	**–**	–
HAECO group	**1,375**	1,484	**184**	222	**–**	66
Others	**3**	–	**1**	–	**–**	–
Beverages Division	**1,335**	2,224	**440**	785	**–**	–
Marine Services Division	**822**	834	**411**	417	**500**	500
Trading & Industrial Division	**(3,215)**	(2,316)	**(1,077)**	(739)	**–**	69
	55,645	49,359	**24,550**	21,630	**1,977**	1,131

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 31.7% and underlying gearing would rise to 30.7%.

Attributable Profit Correlation

Swire Pacific's attributable profits comprise earnings from a diverse range of businesses. An analysis of the degree of correlation between these earnings over the last ten years has been carried out. The correlation table below suggests that most of the attributable profits received from different businesses are not strongly correlated.

	Property Division	Aviation Division	Marine Services Division	Beverages and Trading & Industrial Divisions	Divisions combined, excluding Property Division
Underlying attributable profit 2014 (HK$M)	**5,841**	**1,822**	**1,072**	**1,277**	**4,171**
Correlation coefficient:					
Property Division	**1.000**	**0.193**	**-0.283**	**0.001**	**0.155**
Aviation Division	**0.193**	**1.000**	**-0.591**	**0.271**	**-0.458**
Marine Services Division	**-0.283**	**-0.591**	**1.000**	**-0.019**	**-0.580**
Beverages and Trading & Industrial Divisions	**0.001**	**0.271**	**-0.019**	**1.000**	**0.295**
Divisions combined, excluding Property Division	**0.155**	**-0.458**	**-0.580**	**0.295**	**1.000**

Correlation key: 1 Highly correlated; 0 Uncorrelated; -1 Highly negatively correlated.

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:

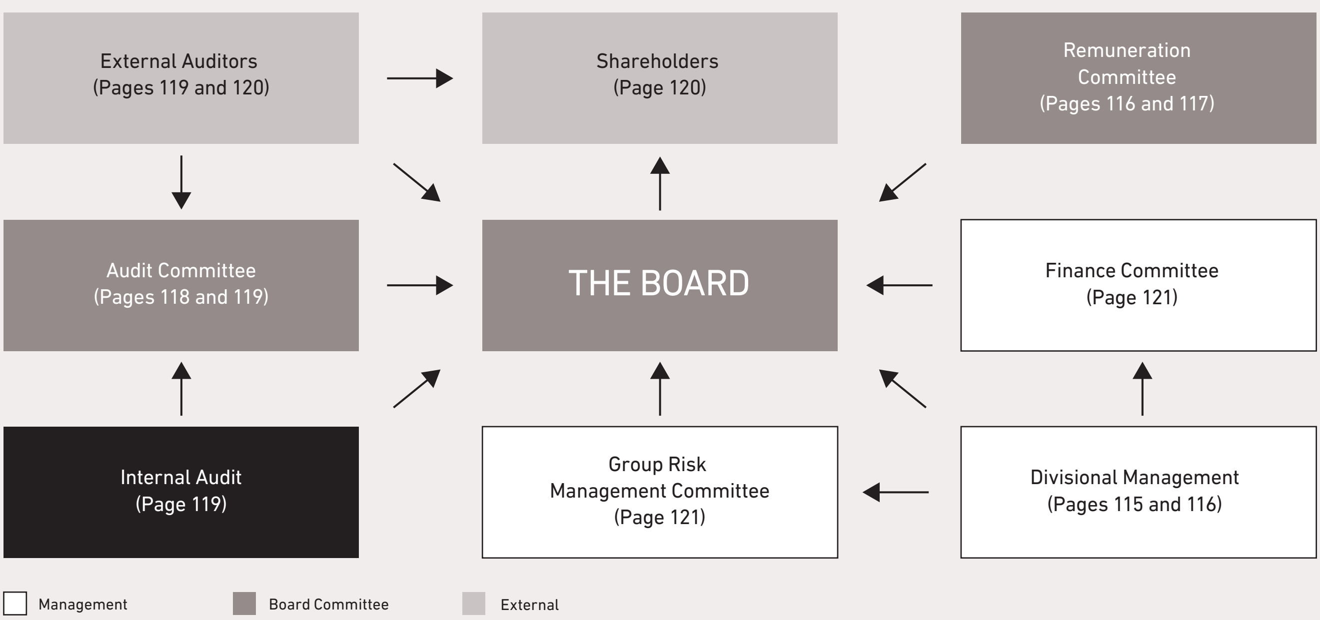
- code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only

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 internal control and risk management, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see pages 118 and 119) and the Remuneration Committee (see pages 116 and 117).

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 pages 115 and 116). During the year, these executives were: M Cubbon (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 ten Non-Executive Directors. Their biographical details are set out on pages 124 to 125 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. J W J Hughes-Hallett, P A Kilgour and C D Pratt were directors and employees of the Swire group. Baroness Dunn, M B Swire and S C Swire are shareholders, directors and employees of Swire. 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 ten 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 K M Kwok, 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 K M Kwok, 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 127.

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 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 124 to 125.

BOARD PROCESSES

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

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

The Board met five times in 2014. The attendance of individual Directors at meetings of the Board and its committees is set out on page 115. Average attendance at Board meetings was 98%. All Directors attended Board meetings in person or through electronic means of communication during the year.

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

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

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

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

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

A typical Board meeting would consist of:
- review of a report by 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 2014.

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

Directors	Board	Audit Committee	Remuneration Committee	2014 Annual General Meeting	Continuous Professional Development: Type of Training (Notes)
	Meetings Attended/Held				
Executive Directors					
J R Slosar – Chairman (elected on 14th March 2014)	5/5			√	A
C D Pratt – Chairman (retired on 13th March 2014)	2/2			N/A	A
G M C Bradley (appointed on 1st January 2015)	N/A			N/A	N/A
I K L Chu (appointed on 14th March 2014)	3/3			√	A, B
M Cubbon	5/5			√	A, B
P A Kilgour (retired on 31st December 2014)	5/5			√	A, B
J B Rae-Smith	5/5			√	A
I S C Shiu	5/5			√	A, B
A K W Tang	5/5			√	A, B
Non-Executive Directors					
Baroness Dunn	5/5			√	A
J W J Hughes-Hallett (resigned on 31st December 2014)	5/5			√	A
P A Johansen	5/5	3/3	2/2	√	A, B
M B Swire	5/5			√	A
S C Swire (appointed on 1st January 2015)	N/A			N/A	N/A
Independent Non-Executive Directors					
T G Freshwater	5/5			√	A, B
C K M Kwok	5/5	3/3	2/2	√	A, B
C Lee	4/5	3/3	2/2	√	A, B
R W M Lee	4/5			√	A
M C C Sze	5/5			√	A, B
M M T Yang	5/5			√	A, B
Average attendance	98%	100%	100%	100%	

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 auditors about investment property valuations, value in use assessments and integrated reporting.

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 2014 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 127 to 129.

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 K M Kwok, C Lee and P A Johansen. Two of the Committee members are Independent Non-Executive Directors, one of whom, C Lee is Chairman. All the members served for the whole of 2014.

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

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

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

A Services Agreement exists between the Company and John Swire & Sons (H.K.) Limited, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors and an Executive Officer, are seconded to the Company. These staff report to and take instructions from the Board of the Company but remain employees of the Swire group. As a substantial shareholder of the Company, it is in the best interests of the Swire group to ensure that executives of high quality are seconded to and retained within the Swire Pacific Group.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire Pacific Group.

Although the remuneration of these executives is not 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 2014. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors 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	2014 HK$	2015 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.

INTERNAL CONTROLS

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's system of internal controls with a view to ensuring that shareholders' investments and the Company's assets are safeguarded. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 118 and 119.

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

Since profits are, in part, the reward for successful risk taking in business, the purpose of internal controls is to help manage and control, rather than eliminate, risk. Consequently internal controls can only provide reasonable, and not absolute, assurance against misstatement or loss.

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

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

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

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

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

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

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

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 Group Finance Director (retitled as Corporate Development and Finance Director effective from 1st January 2015), who reports to the Board on matters of significance that arise.

The GRMC, discussed further on page 121, focuses on business, operational, safety, security, legal and reputational risks. The Finance Committee, discussed further on page 121, 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 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 page 119.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, C K M Kwok, 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, C K M Kwok, is Chairman. All the members served for the whole of 2014.

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

The Audit Committee met three times in 2014. Regular attendees at the meetings are the 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 2014 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2013 annual and 2014 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's internal controls and risk management systems
- the Group's risk management processes
- the approval of the 2015 annual Internal Audit programme and review of progress on the 2014 programme
- periodic reports from Internal Audit and progress in resolving any matters identified in them
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 119
- the Company's compliance with the CG Code.

In 2015, the Committee reviewed, and recommended to the Board for approval, the 2014 financial statements.

ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROLS

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

This assessment considers:

- the scope and quality of management's monitoring of risks and of the systems of internal control, the work of Internal Audit and the assurances provided by the 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 position
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Internal Audit 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 that the Group's internal control systems are adequate and effective and have complied with the CG Code provisions on internal control throughout the year and up to the date of this annual report.

Company Secretary

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

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 19 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 21 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 21 professionals include a team based in Mainland China which reports to IA in Hong Kong.

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

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

SCOPE OF WORK

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

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the 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. 37 assignments were conducted for Swire Pacific in 2014.

IA specifically assists the Audit Committee in assessing the effectiveness of the Group's internal controls through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

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

AUDIT CONCLUSION AND RESPONSE

Copies of IA reports are sent to the Chairman of the Board, the 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. 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 2014 amounted to approximately HK$40 million and HK$22 million respectively. Fees paid to the auditors are disclosed in note 6 to the financial statements.

Shareholders

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The principal methods used to communicate with shareholders are these:

- 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 2014 the Group Finance Director held six meetings or calls with analysts and investors, conducted two analyst briefings, two 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 15th May 2014. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 115.

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

- receiving the report of the Directors and the audited financial statements for the year ended 31st December 2013
- re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share buy-backs
- a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares 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 2015 are set out on the inside back cover 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 page 129.

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 in charge of the operating divisions. It is chaired by the Corporate Development and Finance Director.

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 2014, the GRMC met three times and its functional Group committees and working groups met a total of 34 times.

The members of the functional Group committees and working groups are specialists in their respective areas. Each committee is chaired by a member of the GRMC Working Committee, with the exception of the Energy Committee which reports through the Sustainability Committee. The GRMC Working Committee has been established to monitor the activities of each of the functional Group committees and working groups and to submit consolidated proposals on key risk issues to the GRMC.

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.

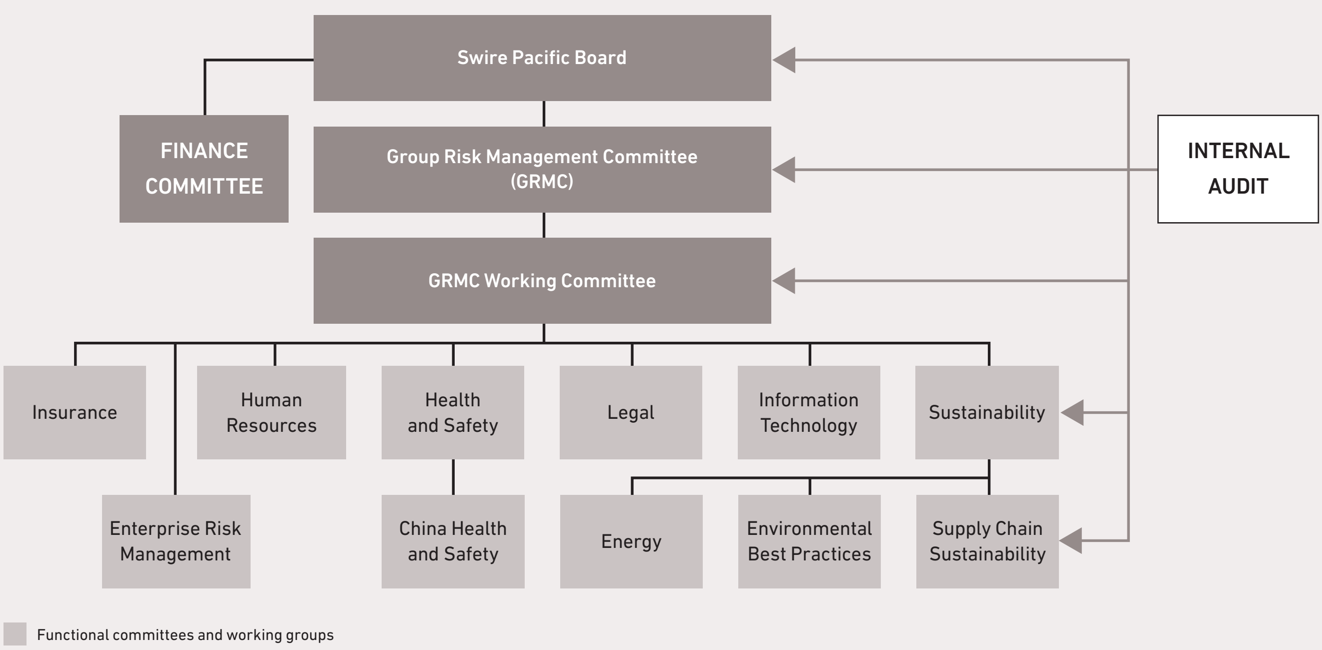
The management of risks is subject to audit by the Group's Internal Audit department, with support from specialist external consultants where necessary.

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 Corporate Finance Director, the Group Treasurer, the Group Finance Manager and the Group Taxation Manager. In 2014, 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, currency, 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 176 to 178.

The Group's listed companies and its non-listed 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 141 for details of the sensitivity testing performed at 31st December 2014.

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.

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 2014, 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.

Financial Risk Management (continued)

Audited Financial Information (continued)

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 141 for details of the foreign currency sensitivity testing performed at 31st December 2014.

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 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 37 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 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 142 for details of the Group's contractual obligations at 31st December 2014.

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 58, 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 49, 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 53, 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 57, 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 51, 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 60, 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 56, 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

Baroness Dunn, Lydia Selina, DBE, aged 75, has been a Director of the Company since February 1981 and, until January 1996, had responsibility for the Trading Division. She is also a Director of John Swire & Sons Limited. She joined the Swire group in 1963 and has worked with the group in Hong Kong and London. She will retire as a Director of the Company at the annual general meeting to be held on 21st May 2015.

+# **Johansen, Peter André,** aged 72, 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. He is also a Director of Hong Kong Aircraft Engineering Company Limited.

Swire, Merlin Bingham, aged 41, has been a Director of the Company since January 2009. He is also Chief Executive and a Director and shareholder of John Swire & Sons Limited and a Director of Swire 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 70, 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 Cosco Pacific Limited and Hong Kong Exchanges and Clearing Limited.

+# **Kwok, King Man Clement,** aged 55, has been a Director of the Company since September 2002. He is Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited. He is also a Board member of the Faculty of Business and Economics of the University of Hong Kong and a global member of the World Travel and Tourism Council. He will retire as an Independent Non-Executive Director of the Company at the annual general meeting to be held on 21st May 2015.

+# **Lee, Chien,** aged 61, 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 62, 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 Hutchison Whampoa Limited. She is also Vice President of The Hong Kong Institute of Bankers, Vice-Chairman of the Finance Professional Committee of Guangdong's Association for Promotion of Cooperation between Guangdong, Hongkong & Macao. 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.

Sze, Cho Cheung Michael, GBS, CBE, ISO, JP, aged 69, has been a Director of the Company since November 2004. He was 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 62, 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 also serves as Chairman of the Hong Kong – U.S. Business Council, and as Deputy Chairman of the Seoul International Business Advisory Council. She is Chairman of the Hong Kong Polytechnic University Council, 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 49, 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.

SECRETARY

Fu, Yat Hung David, aged 51, has been Company Secretary since January 2006. He joined the Swire group in 1988.

Notes:
- * These Directors are also Directors of John Swire & Sons (H.K.) Limited.
- \+ These Directors are members of the Audit Committee.
- \# These Directors are members of the Remuneration Committee.

All the Executive Directors, the Executive Officer, Baroness Dunn, 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 2014, which are set out on pages 133 to 222.

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 212 to 222. 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.

DIVIDENDS

The Directors have declared second interim dividends of HK$2.80 per 'A' share and HK$0.56 per 'B' share which, together with the first interim dividends of HK$1.10 per 'A' share and HK$0.22 per 'B' share paid in October 2014, amount to full year dividends of HK$3.90 per 'A' share and HK$0.78 per 'B' share, compared to full year dividends of HK$3.50 per 'A' share and HK$0.70 per 'B' share in respect of 2013. The second interim dividends will be paid on 8th May 2015 to shareholders registered at the close of business on the record date, being Friday, 17th April 2015. Shares of the Company will be traded ex-dividend from Wednesday, 15th April 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on Friday, 17th April 2015, 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, 16th April 2015.

To facilitate the processing of proxy voting for the annual general meeting to be held on 21st May 2015, the register of members will be closed from 18th May 2015 to 21st May 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 15th May 2015.

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 and up to the date of this report, the Company did not purchase, sell or redeem any of its shares 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 139 to 205 (if they relate to a particular item) and on pages 206 to 208.

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 94 to 102. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 8 to 10.

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 112 to 120.

DONATIONS

During the year, the Group made donations for charitable purposes of HK$42 million and donations towards various scholarships of HK$4 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 (95% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value at 31st December 2014. This valuation resulted in an increase of HK$1,896 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 235 to 243.

BORROWINGS

For details of the Group's borrowings refer to pages 103 to 111.

INTEREST

Refer to page 107 for details of the amount of interest capitalised by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

The Directors of the Company at the date of this report are listed on pages 124 and 125. With the exception of I K L Chu and G M C Bradley, who were appointed as Executive Directors on 14th March 2014 and 1st January 2015 respectively, and S C Swire, who was appointed as a Non-Executive Director on 1st January 2015, all the Directors at the date of this report served throughout the calendar year 2014. With effect from 14th March 2014, C D Pratt retired as Chairman and a Director and J R Slosar was elected as Chairman. J W J Hughes-Hallett and P A Kilgour resigned as Directors with effect from 1st January 2015.

INDEPENDENCE CONFIRMATION

The Company has received from all of its Independent Non-Executive Directors listed on pages 124 and 125 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, M B Swire, A K W Tang and M M T Yang retire this year and, being eligible, offer themselves for re-election. C K M Kwok will also retire this year but does not offer himself for re-election.

G M C Bradley and S C Swire, having been appointed to the Board under Article 91 since the last annual general meeting, also retire and offer themselves for election.

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

FEES AND EMOLUMENTS

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

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$4.7 million. They received no other emoluments from the Group.

DIRECTORS' INTERESTS

At 31st December 2014, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire 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 issued capital (%)	Note
Swire Pacific Limited						
'A' shares						
Baroness Dunn	100,000	–	–	100,000	0.0110	
T G Freshwater	41,000	–	–	41,000	0.0045	
P A Johansen	31,500	–	–	31,500	0.0035	
P A Kilgour	5,000	–	–	5,000	0.0006	
J B Rae-Smith	–	–	5,000	5,000	0.0006	1
M C C Sze	6,000	–	–	6,000	0.0007	
'B' shares						
P A Johansen	200,000	–	–	200,000	0.0067	
C Lee	850,000	–	21,605,000	22,455,000	0.7497	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	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	
J B Rae-Smith	97,066	–	97,659	194,725	0.19	1
M B Swire	3,144,273	–	19,222,920	22,367,193	22.37	3
S C Swire	1,291,055	–	19,222,920	20,513,975	20.51	3
8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	
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	Capacity: Beneficial interest – Family	Capacity: Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Swire Properties Limited						
Ordinary Shares						
Baroness Dunn	70,000	–	–	70,000	0.00120	
T G Freshwater	28,700	–	–	28,700	0.00049	
P A Johansen	50,050	–	–	50,050	0.00086	
P A Kilgour	23,500	–	–	23,500	0.00040	
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	Capacity: Beneficial interest – Family	Total no. of shares	Percentage of issued capital (%)
Cathay Pacific Airways Limited				
Ordinary Shares				
I S C Shiu	1,000	–	1,000	0.00003

	Capacity: Beneficial interest – Personal	Capacity: Beneficial interest – Other	Total no. of shares	Percentage of issued capital (%)
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. S C Swire was appointed as a Director of the Company with effect from 1st January 2015.

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

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

At no time during the year did any Director, other than as stated in this report, have a beneficial interest, whether directly or indirectly, in a contract to which the Company or any of its associated corporations was a party, being a contract which was of significance and in which the Director's interest was material.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER INTERESTS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2014 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Substantial Shareholders					
John Swire & Sons Limited	324,336,720	35.82	2,051,533,782	68.49	1
Aberdeen Asset Management plc	135,765,945	14.99	435,779,326	14.55	2

Notes:
1. John Swire & Sons Limited is deemed to be interested in a total of 324,336,720 'A' shares and 2,051,533,782 'B' shares of the Company as at 31st December 2014, 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: 244,859,700 '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 17,238,500 '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 2014, the Swire group owned interests in shares of the Company representing 48.83% of the issued capital and 60.91% of the voting rights.

PUBLIC FLOAT

From information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public.

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 2014 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 is renewable for successive periods of three years after its initial expiry date unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December.

Particulars of the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement for the year ended 31st December 2014 are given in note 39 to the financial statements.

The Swire group owned approximately 48.83% of the issued capital of the Company and approximately 60.91% of voting rights attached to such issued share capital as at 31st December 2014. 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 14th August 2014 were published respectively.

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. Before they ceased to be directors of the Company, J W J Hughes-Hallett, P A Kilgour and C D Pratt were so interested as directors and employees of the Swire group. Baroness Dunn, M B Swire and S C Swire are so interested as shareholders, directors and employees of Swire. 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 and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

On behalf of the Board

John Slosar
Chairman
Hong Kong, 19th March 2015

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Independent Auditor's Report

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

We have audited the consolidated financial statements of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 133 to 222, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 19th March 2015

Consolidated Statement of Profit or Loss

For the year ended 31st December 2014

	Note	2014 HK$M	2013 HK$M
Revenue	4	**61,301**	51,437
Cost of sales		**(38,313)**	(30,763)
Gross profit		**22,988**	20,674
Distribution costs		**(6,154)**	(5,802)
Administrative expenses		**(4,771)**	(4,081)
Other operating expenses		**(333)**	(287)
Other net gains	5	**71**	337
Change in fair value of investment properties		**1,896**	5,845
Operating profit		**13,697**	16,686
Finance charges		**(2,287)**	(2,159)
Finance income		**262**	160
Net finance charges	9	**(2,025)**	(1,999)
Share of profits less losses of joint venture companies	19(a)	**2,253**	1,682
Share of profits less losses of associated companies	19(b)	**1,678**	1,521
Profit before taxation		**15,603**	17,890
Taxation	10	**(2,218)**	(1,852)
Profit for the year		**13,385**	16,038
Profit for the year attributable to:			
The Company's shareholders	33	**11,069**	13,291
Non-controlling interests	34	**2,316**	2,747
		13,385	16,038
Dividends			
First Interim – paid		**1,655**	1,505
Second Interim – declared/paid		**4,213**	3,761
	12	**5,868**	5,266

	Note	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	13		
'A' share		**7.36**	8.83
'B' share		**1.47**	1.77

The notes on pages 139 to 222 (which include the principal accounting policies) form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2014

	2014 HK$M	2013 HK$M
Profit for the year	**13,385**	16,038
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	**8**	357
deferred tax	**(2)**	(15)
Defined benefit plans		
remeasurement (losses)/gains recognised during the year	**(499)**	569
deferred tax	**109**	(139)
Share of other comprehensive income of joint venture and associated companies	**(146)**	491
	(530)	1,263
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
gains recognised during the year	**48**	4
transferred to net finance charges	**(95)**	(109)
transferred to operating profit	**9**	(4)
transferred to initial cost of non-financial assets	**93**	4
deferred tax	**6**	10
Net fair value changes on available-for-sale assets		
(losses)/gains recognised during the year	**(53)**	252
gains transferred to operating profit	**(91)**	–
Share of other comprehensive income of joint venture and associated companies	**(6,016)**	2,090
Net translation differences on foreign operations	**(782)**	675
	(6,881)	2,922
Other comprehensive income for the year, net of tax	**(7,411)**	4,185
Total comprehensive income for the year	**5,974**	20,223
Total comprehensive income attributable to:		
The Company's shareholders	**3,888**	17,115
Non-controlling interests	**2,086**	3,108
	5,974	20,223

The notes on pages 139 to 222 (which include the principal accounting policies) form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2014

	Note	2014 HK$M	2013 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**43,601**	39,457
Investment properties	15	**220,869**	216,524
Leasehold land and land use rights	16	**1,170**	1,164
Intangible assets	17	**7,442**	4,634
Properties held for development	23	**920**	706
Joint venture companies	19(a)	**23,703**	21,805
Associated companies	19(b)	**26,039**	30,699
Available-for-sale assets	21	**771**	713
Long-term other receivables		**58**	21
Derivative financial instruments	22	**508**	590
Deferred tax assets	30	**652**	567
Retirement benefit assets	31	**122**	429
		325,855	317,309
Current assets			
Properties for sale	23	**7,941**	7,982
Stocks and work in progress	24	**3,860**	3,234
Trade and other receivables	25	**9,552**	9,187
Derivative financial instruments	22	**12**	25
Bank balances and short-term deposits	26	**10,115**	11,288
		31,480	31,716
Current liabilities			
Trade and other payables	27	**16,739**	16,439
Taxation payable		**661**	456
Derivative financial instruments	22	**34**	97
Short-term loans	29	**1,123**	1,547
Long-term loans and bonds due within one year	29	**4,820**	7,130
		23,377	25,669
Net current assets		**8,103**	6,047
Total assets less current liabilities		**333,958**	323,356
Non-current liabilities			
Perpetual capital securities	28	**2,327**	2,326
Long-term loans and bonds	29	**60,518**	50,841
Derivative financial instruments	22	**40**	112
Other payables	27	**1,194**	620
Deferred tax liabilities	30	**6,938**	6,357
Deferred income		**57**	47
Retirement benefit liabilities	31	**754**	545
		71,828	60,848
NET ASSETS		**262,130**	262,508
EQUITY			
Share capital	32	**1,294**	903
Reserves	33	**217,481**	219,394
Equity attributable to the Company's shareholders		**218,775**	220,297
Non-controlling interests	34	**43,355**	42,211
TOTAL EQUITY		**262,130**	262,508

John R Slosar
Martin Cubbon
Clement K M Kwok
Directors
Hong Kong, 19th March 2015

The notes on pages 139 to 222 (which include the principal accounting policies) form part of these financial statements.

Company Statement of Financial Position

At 31st December 2014

	Note	2014 HK$M	2013 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**23**	7
Investment properties	15	**3,218**	4,100
Subsidiary companies	18	**35,528**	32,841
Joint venture companies	19(a)	**114**	114
Associated companies	19(b)	**4,624**	4,624
Available-for-sale assets	21	**99**	93
Deferred tax assets	30	**–**	13
Retirement benefit assets	31	**67**	86
		43,673	41,878
Current assets			
Trade and other receivables	25	**55**	48
Taxation receivable		**–**	14
Bank balances and short-term deposits	26	**810**	2,344
		865	2,406
Current liabilities			
Trade and other payables	27	**32,268**	29,042
Net current liabilities		**(31,403)**	(26,636)
Total assets less current liabilities		**12,270**	15,242
Non-current liabilities			
Deferred tax liabilities	30	**24**	27
NET ASSETS		**12,246**	15,215
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	32	**1,294**	903
Reserves	33	**10,952**	14,312
TOTAL EQUITY		**12,246**	15,215

John R Slosar
Martin Cubbon
Clement K M Kwok
Directors
Hong Kong, 19th March 2015

The notes on pages 139 to 222 (which include the principal accounting policies) form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2014

	Note	2014 HK$M	2013 HK$M
Operating activities			
Cash generated from operations	40(a)	**16,250**	14,301
Interest paid		**(2,582)**	(2,203)
Interest received		**266**	234
Tax paid		**(1,358)**	(1,831)
		12,576	10,501
Dividends received from joint venture and associated companies and available-for-sale assets		**1,898**	1,356
Net cash generated from operating activities		**14,474**	11,857
Investing activities			
Purchase of property, plant and equipment	40(b)	**(6,181)**	(6,385)
Additions of investment properties		**(4,362)**	(5,108)
Purchase of intangible assets		**(41)**	(44)
Proceeds from disposals of property, plant and equipment		**242**	214
Proceeds from disposals of investment properties		**834**	48
Proceeds from disposal of a joint venture company		**32**	–
Proceeds from disposal of available-for-sale assets		**82**	–
Purchase of shares in new subsidiary companies	35	**(3,530)**	12
Purchase of shares in joint venture companies		**(43)**	(63)
Purchase of shares in associated companies		**(208)**	(62)
Purchase of new businesses		**(117)**	–
Purchase of available-for-sale assets		**(245)**	(56)
Loans to joint venture companies		**(2,063)**	(888)
Repayment of loans by joint venture companies		**716**	504
Net loans from associated companies		**25**	119
Decrease/(increase) in deposits maturing after more than three months		**235**	(303)
Initial leasing costs incurred		**(65)**	(56)
Net cash used in investing activities		**(14,689)**	(12,068)
Net cash outflow before financing		**(215)**	(211)
Financing activities			
Loans drawn and refinancing		**19,714**	17,900
Repayment of loans and bonds		**(12,697)**	(6,743)
	40(c)	**7,017**	11,157
Capital contributions from non-controlling interests	34	**4**	20
Proceeds from disposal of shares in a subsidiary company		**79**	–
Purchase of shares in an existing subsidiary company		**(1,256)**	–
Dividends paid to the Company's shareholders	33	**(5,417)**	(5,266)
Dividends paid to non-controlling interests	40(c)	**(1,008)**	(857)
Net cash (used in)/generated from financing activities		**(581)**	5,054
(Decrease)/increase in cash and cash equivalents		**(796)**	4,843
Cash and cash equivalents at 1st January		**10,950**	6,053
Currency adjustment		**(141)**	54
Cash and cash equivalents at 31st December		**10,013**	10,950
Represented by:			
Bank balances and short-term deposits maturing within three months	26	**10,013**	10,950

The notes on pages 139 to 222 (which include the principal accounting policies) form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2014

	Note	Attributable to the Company's shareholders 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		**–**	**(5,417)**	**–**	**(5,417)**	**(1,158)**	**(6,575)**
Change in composition of the Group		**–**	**7**	**–**	**7**	**212**	**219**
Capital contribution from non-controlling interests		**–**	**–**	**–**	**–**	**4**	**4**
At 31st December 2014		**1,294**	**214,880**	**2,601**	**218,775**	**43,355**	**262,130**

	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 2013	903	200,831	6,733	208,467	39,915	248,382
Profit for the year	–	13,291	–	13,291	2,747	16,038
Other comprehensive income	–	845	2,979	3,824	361	4,185
Total comprehensive income for the year	–	14,136	2,979	17,115	3,108	20,223
Dividends paid	–	(5,266)	–	(5,266)	(855)	(6,121)
Change in composition of the Group	–	(19)	–	(19)	23	4
Capital contribution from non-controlling interests	–	–	–	–	20	20
At 31st December 2013	903	209,682	9,712	220,297	42,211	262,508

The notes on pages 139 to 222 (which include the principal accounting policies) form part of these financial statements.

Notes to the Financial Statements

General Information

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 212 to 222.

1. Changes in Accounting Standards

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

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

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

The amendment to HKAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendment has had no significant impact on the Group's financial statements.

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

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

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

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

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

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

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

1. Changes in Accounting Standards (continued)

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

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

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

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

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

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.

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.

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

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

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 122 to 123 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 2014		
Impact on profit or loss: (loss)/gain	**(151)**	**151**
Impact on other comprehensive income: gain/(loss)	**59**	**(67)**
At 31st December 2013		
Impact on profit or loss: (loss)/gain	(139)	139
Impact on other comprehensive income: gain/(loss)	63	(100)

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

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 7.756 (2013: 7.754), 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 2014		
Impact on profit or loss: gain/(loss)	**4**	**(161)**
Impact on other comprehensive income: gain	**2**	**39**
At 31st December 2013		
Impact on profit or loss: gain/(loss)	7	(127)
Impact on other comprehensive income: (loss)/gain	(2)	40

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

2. Financial Risk Management (continued)

Liquidity risk

The tables below analyse the contractual undiscounted cash flows of the Group's and the Company'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.

Group
At 31st December 2014

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	27	**3,812**	**3,812**	**3,812**	**–**	**–**	**–**
Amounts due to immediate holding company	27	**191**	**191**	**191**	**–**	**–**	**–**
Amounts due to joint venture companies	27	**179**	**179**	**179**	**–**	**–**	**–**
Amounts due to associated companies	27	**238**	**238**	**121**	**101**	**16**	**–**
Interest-bearing advances from joint venture companies	27	**402**	**402**	**402**	**–**	**–**	**–**
Interest-bearing advance from an associated company	27	**128**	**138**	**2**	**2**	**134**	**–**
Advances from non-controlling interests	27	**125**	**125**	**125**	**–**	**–**	**–**
Rental deposits from tenants	27	**2,303**	**2,303**	**471**	**552**	**1,016**	**264**
Put option over non-controlling interest in Brickell City Centre	27	**470**	**764**	**–**	**–**	**–**	**764**
Put options over non-controlling interests in subsidiary companies	27	**127**	**132**	**–**	**78**	**54**	**–**
Contingent consideration	27	**388**	**1,623**	**38**	**25**	**86**	**1,474**
Accruals and other payables	27	**9,570**	**9,570**	**9,570**	**–**	**–**	**–**
Borrowings (including interest obligations)	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	37	**–**	**2,123**	**2,123**	**–**	**–**	**–**
		86,795	**102,391**	**25,408**	**15,431**	**30,894**	**30,658**

Group
At 31st December 2013

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	27	3,418	3,418	3,418	–	–	–
Amounts due to immediate holding company	27	213	213	213	–	–	–
Amounts due to joint venture companies	27	167	167	167	–	–	–
Amounts due to associated companies	27	264	264	227	11	26	–
Interest-bearing advances from joint venture companies	27	528	528	528	–	–	–
Advances from non-controlling interests	27	445	445	445	–	–	–
Rental deposits from tenants	27	2,124	2,124	466	389	986	283
Put option over non-controlling interest in Taikoo Li Sanlitun	27	1,256	1,256	1,256	–	–	–
Put option over non-controlling interest in Brickell City Centre	27	367	570	–	–	–	570
Put options over non-controlling interests in subsidiary companies	27	216	237	–	77	159	1
Accruals and other payables	27	8,061	8,061	8,040	21	–	–
Borrowings (including interest obligations)	29	61,844	73,713	10,865	5,824	27,875	29,149
Derivative financial instruments	22	209	209	97	13	11	88
Financial guarantee contracts	37	–	1,275	1,275	–	–	–
		79,112	92,480	26,997	6,335	29,057	30,091

2. Financial Risk Management (continued)

Company
At 31st December 2014

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	27	**31**	**31**	**31**	**–**	**–**	**–**
Amounts due to subsidiary companies	27	**5,333**	**5,333**	**5,333**	**–**	**–**	**–**
Interest-bearing advances from a subsidiary company	27	**26,797**	**26,797**	**26,797**	**–**	**–**	**–**
Rental deposits from tenants	27	**8**	**8**	**–**	**5**	**3**	**–**
Accruals and other payables	27	**99**	**99**	**99**	**–**	**–**	**–**
Financial guarantee contracts	37	**–**	**500**	**500**	**–**	**–**	**–**
		32,268	**32,768**	**32,760**	**5**	**3**	**–**

Company
At 31st December 2013

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	27	17	17	17	–	–	–
Amounts due to subsidiary companies	27	4,382	4,382	4,382	–	–	–
Interest-bearing advances from a subsidiary company	27	24,554	24,554	24,554	–	–	–
Rental deposits from tenants	27	8	8	–	–	8	–
Accruals and other payables	27	81	81	81	–	–	–
Financial guarantee contracts	37	–	569	569	–	–	–
		29,042	29,611	29,603	–	8	–

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 19b)
(e) Provisions and contingencies for Cathay Pacific Airways Limited (Note 37)

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

(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 comprise:

	Group	
	2014	2013
	HK$M	HK$M
Gross rental income from investment properties	**10,256**	9,606
Property trading	**3,842**	2,207
Hotels	**1,089**	942
Aircraft and engine maintenance services	**10,733**	6,972
Sales of goods	**27,541**	24,904
Charter hire	**6,199**	5,257
Rendering of other services	**1,641**	1,549
Total	**61,301**	51,437

5. Other Net Gains

Other net gains include the following:

	Group	
	2014	2013
	HK$M	HK$M
Loss on sale of investment properties	**(39)**	–
(Loss)/profit on sale of property, plant and equipment	**(19)**	95
Profit on the sale of available-for-sale assets	**78**	–
Net foreign exchange losses	**(168)**	(54)
Fair value gains on cross-currency swaps transferred from cash flow hedge reserve	**3**	4
Fair value (losses)/gains on forward foreign exchange contracts not qualifying as hedges	**(1)**	42
Dividend income on available-for-sale assets	**5**	1
Other income	**212**	249
Total	**71**	337

6. Expenses by Nature

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

		Group	
		2014	2013
	Note	HK$M	HK$M
Direct operating expenses of investment properties that			
– generated rental income		**1,698**	1,571
– did not generate rental income		**88**	127
Cost of stocks sold		**23,647**	19,622
Write-down of stocks and work in progress		**65**	51
Impairment losses recognised on:			
– property, plant and equipment	14	**27**	46
– intangible assets	17	**89**	20
– trade receivables		**49**	43
Impairment reversals on properties held for development		**(45)**	(21)
Depreciation of property, plant and equipment	14	**2,566**	2,294
Amortisation of			
– leasehold land and land use rights	16	**33**	32
– intangible assets	17	**136**	69
– initial leasing costs on investment properties		**89**	94
Staff costs		**11,206**	8,667
Operating lease rentals			
– properties		**887**	778
– vessels		**137**	135
– plant and equipment		**35**	22
Auditors' remuneration			
– audit services		**40**	38
– tax services		**12**	15
– other services		**8**	10
Other expenses		**8,804**	7,320
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**49,571**	40,933

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 disclosable 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 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	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	(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	(7)
Hotels	1,089	–	(22)	(46)	–	(46)	160	(16)	30	25	(189)
	15,297	**90**	**10,970**	**(1,324)**	**97**	**1,444**	**160**	**(1,645)**	**9,702**	**7,786**	**(368)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	1,418	–	1,418	1,418	–
HAECO group	11,927	–	509	(100)	30	314	–	(94)	659	430	(615)
Others	–	–	(52)	–	–	6	(6)	–	(52)	(26)	(52)
	11,927	**–**	**457**	**(100)**	**30**	**320**	**1,412**	**(94)**	**2,025**	**1,822**	**(667)**
Beverages											
Mainland China	7,856	–	470	(56)	35	214	77	(181)	559	395	(290)
Hong Kong	2,163	1	220	–	–	–	–	(16)	204	185	(75)
Taiwan	1,415	–	35	(6)	–	–	–	(6)	23	23	(52)
USA	4,948	–	327	(10)	–	–	–	(109)	208	208	(187)
Central costs	–	–	43	–	–	–	–	–	43	43	–
	16,382	**1**	**1,095**	**(72)**	**35**	**214**	**77**	**(312)**	**1,037**	**854**	**(604)**
Marine Services											
Swire Pacific Offshore group	7,234	–	1,320	(284)	57	–	1	(42)	1,052	1,041	(1,078)
HUD group	–	–	–	–	–	31	–	–	31	31	–
	7,234	**–**	**1,320**	**(284)**	**57**	**31**	**1**	**(42)**	**1,083**	**1,072**	**(1,078)**
Trading & Industrial											
Swire Retail group	3,020	–	58	(1)	23	5	36	(39)	82	82	(30)
Taikoo Motors group	6,706	–	270	(3)	2	–	–	(56)	213	213	(55)
Swire Foods group	701	94	24	–	2	–	–	(8)	18	15	(5)
Campbell Swire	–	–	–	–	–	(14)	–	–	(14)	(14)	–
Swire Pacific Cold Storage group	3	–	(79)	(4)	1	10	–	(1)	(73)	(73)	(14)
Akzo Nobel Swire Paints	–	–	–	–	–	241	–	(11)	230	230	–
Swire Sustainable Business group	–	–	1	–	–	2	(8)	–	(5)	(5)	–
Other activities	–	–	(25)	1	(1)	–	–	–	(25)	(25)	–
	10,430	**94**	**249**	**(7)**	**27**	**244**	**28**	**(115)**	**426**	**423**	**(104)**
Head Office											
Net income/(expenses)	31	25	(348)	(1,645)	1,161	–	–	(10)	(842)	(842)	(3)
Change in fair value of investment properties	–	–	(46)	–	–	–	–	–	(46)	(46)	–
	31	**25**	**(394)**	**(1,645)**	**1,161**	**–**	**–**	**(10)**	**(888)**	**(888)**	**(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**	**(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 Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2013

	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	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	9,707	79	7,309	(1,468)	76	208	(2)	(681)	5,442	4,443	(192)
Change in fair value of investment properties	–	–	6,141	–	–	683	(4)	(447)	6,373	5,211	–
Property trading	2,207	–	1,035	–	7	(46)	–	(185)	811	591	(27)
Hotels	942	–	(65)	(62)	–	(36)	145	(30)	(48)	(38)	(179)
	12,856	**79**	**14,420**	**(1,530)**	**83**	**809**	**139**	**(1,343)**	**12,578**	**10,207**	**(398)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	1,179	–	1,179	1,179	–
HAECO group	7,387	–	266	(59)	21	501	–	(33)	696	469	(446)
Others	–	–	(52)	–	–	6	(2)	–	(48)	(21)	(52)
	7,387	**–**	**214**	**(59)**	**21**	**507**	**1,177**	**(33)**	**1,827**	**1,627**	**(498)**
Beverages											
Mainland China	7,614	–	364	(62)	22	190	207	(144)	577	415	(288)
Hong Kong	2,144	1	209	–	–	–	–	(13)	196	177	(75)
Taiwan	1,418	–	36	(7)	–	–	–	(7)	22	22	(56)
USA	3,877	–	284	–	–	–	–	(67)	217	217	(162)
Central costs	–	–	(29)	–	–	–	–	–	(29)	(29)	–
	15,053	**1**	**864**	**(69)**	**22**	**190**	**207**	**(231)**	**983**	**802**	**(581)**
Marine Services											
Swire Pacific Offshore group	6,292	–	1,504	(163)	8	1	(2)	(98)	1,250	1,243	(914)
HUD group	–	–	–	–	–	64	–	–	64	64	–
	6,292	**–**	**1,504**	**(163)**	**8**	**65**	**(2)**	**(98)**	**1,314**	**1,307**	**(914)**
Trading & Industrial											
Swire Retail group	3,896	–	211	–	13	4	–	(101)	127	139	(30)
Taikoo Motors group	5,322	–	90	(4)	2	–	–	(31)	57	57	(60)
Swire Foods group	618	108	13	–	–	–	–	(6)	7	7	(2)
Campbell Swire	–	–	–	(8)	–	(117)	–	–	(125)	(125)	–
Swire Pacific Cold Storage group	–	–	(39)	(1)	1	9	–	(1)	(31)	(31)	(3)
Akzo Nobel Swire Paints	–	–	–	–	–	216	–	(10)	206	206	–
Other activities	–	–	(15)	–	–	(1)	–	–	(16)	(16)	–
	9,836	**108**	**260**	**(13)**	**16**	**111**	**–**	**(149)**	**225**	**237**	**(95)**
Head Office											
Net income/(expenses)	13	22	(280)	(1,391)	1,076	–	–	2	(593)	(593)	(3)
Change in fair value of investment properties	–	–	(296)	–	–	–	–	–	(296)	(296)	–
	13	**22**	**(576)**	**(1,391)**	**1,076**	**–**	**–**	**2**	**(889)**	**(889)**	**(3)**
Inter-segment elimination	**–**	**(210)**	**–**	**1,066**	**(1,066)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**51,437**	**–**	**16,686**	**(2,159)**	**160**	**1,682**	**1,521**	**(1,852)**	**16,038**	**13,291**	**(2,489)**

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 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	10	–	353	1,357	5
Campbell Swire	–	7	–	–	7	–
Swire Pacific Cold Storage group	1,161	264	–	105	1,530	660
Akzo Nobel Swire Paints	–	550	–	–	550	–
Swire Sustainable Business 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 assets of the Group (continued)

At 31st December 2013

	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	217,067	14,008	50	1,713	232,838	5,066
Property trading and development	9,255	1,128	–	729	11,112	538
Hotels	5,734	1,243	471	79	7,527	299
	232,056	**16,379**	**521**	**2,521**	**251,477**	**5,903**
Aviation						
Cathay Pacific group	–	–	28,799	–	28,799	–
HAECO group	8,719	1,213	–	2,364	12,296	524
Others	4,675	2,819	(2)	–	7,492	–
	13,394	**4,032**	**28,797**	**2,364**	**48,587**	**524**
Beverages						
Swire Beverages	**8,104**	**748**	**1,315**	**1,667**	**11,834**	**475**
Marine Services						
Swire Pacific Offshore group	23,086	–	4	1,031	24,121	5,101
HUD group	–	(29)	–	–	(29)	–
	23,086	**(29)**	**4**	**1,031**	**24,092**	**5,101**
Trading & Industrial						
Swire Retail group	702	22	62	457	1,243	47
Taikoo Motors group	1,856	–	–	559	2,415	123
Swire Foods group	169	–	–	130	299	6
Campbell Swire	–	(111)	–	–	(111)	–
Swire Pacific Cold Storage group	505	266	–	184	955	419
Akzo Nobel Swire Paints	–	481	–	–	481	–
Other activities	205	17	–	1	223	–
	3,437	**675**	**62**	**1,331**	**5,505**	**595**
Head Office	**5,105**	**–**	**–**	**2,425**	**7,530**	**2**
	285,182	21,805	30,699	11,339	349,025	12,600

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.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total liabilities and non-controlling interests of the Group

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**

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 2013

	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	6,979	5,700	8,892	19,829	41,400	34,957
Property trading and development	873	102	4,754	795	6,524	969
Hotels	247	1	–	547	795	1,227
	8,099	**5,803**	**13,646**	**21,171**	**48,719**	**37,153**
Aviation						
HAECO group	**2,084**	**338**	**–**	**2,545**	**4,967**	**4,095**
Beverages						
Swire Beverages	**3,756**	**379**	**1,268**	**65**	**5,468**	**945**
Marine Services						
Swire Pacific Offshore group	**1,560**	**89**	**9,427**	**655**	**11,731**	**17**
Trading & Industrial						
Swire Retail group	755	66	(194)	–	627	1
Taikoo Motors group	876	9	38	–	923	–
Swire Foods group	111	1	–	–	112	–
Campbell Swire	–	–	206	–	206	–
Swire Pacific Cold Storage group	36	–	–	–	36	–
Other activities	20	14	–	–	34	–
	1,798	**90**	**50**	**–**	**1,938**	**1**
Head Office	**563**	**114**	**(24,391)**	**37,408**	**13,694**	**–**
	17,860	**6,813**	**–**	**61,844**	**86,517**	**42,211**

(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)	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Hong Kong	**21,928**	19,109	**204,917**	202,362
Asia (excluding Hong Kong)	**24,713**	22,232	**36,957**	35,309
United States of America	**7,648**	4,083	**8,531**	3,045
Others	**465**	290	**530**	570
Ship owning and operating activities	**6,547**	5,723	**23,125**	21,220
	61,301	51,437	**274,060**	262,506

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 charged to the Group, in accordance with the amount of time spent on its affairs, in 2014 and 2013 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 2014 HK$'000	Total 2013 HK$'000
Executive Directors								
J R Slosar	7,474	728	261	2,334	259	4,125	**15,181**	2,760
I K L Chu (from 14th March 2014)	298	–	14	35	–	128	**475**	–
M Cubbon	5,940	4,276	302	1,823	1,481	4,867	**18,689**	17,437
P A Kilgour	3,821	3,239	400	2,277	1,250	2,350	**13,337**	12,006
J B Rae-Smith	2,421	1,852	516	743	890	3,260	**9,682**	7,054
I S C Shiu	1,084	1,520	702	125	–	–	**3,431**	3,450
A K W Tang	3,306	4,038	1,483	382	–	–	**9,209**	9,338
C D Pratt (until 13th March 2014)	1,825	9,134	21	560	–	1,050	**12,590**	26,245
G L Cundle (until 31st December 2012)	–	–	–	–	–	–	**–**	3,980
Non-Executive Directors								
Baroness Dunn	–	–	–	–	–	–	**–**	–
J W J Hughes-Hallett	–	–	–	–	–	–	**–**	–
P A Johansen	928	–	–	–	–	–	**928**	928
M B Swire	–	–	–	–	–	–	**–**	–
Independent Non-Executive Directors								
T G Freshwater	690	–	–	–	–	–	**690**	690
C K M Kwok	1,008	–	–	–	–	–	**1,008**	988
C Lee	950	–	–	–	–	–	**950**	945
R W M Lee	690	–	–	–	–	–	**690**	690
M C C Sze	690	–	–	–	–	–	**690**	690
M M T Yang	690	–	–	–	–	–	**690**	690
Total 2014	**31,815**	**24,787**	**3,699**	**8,279**	**3,880**	**15,780**	**88,240**	
Total 2013	29,978	24,256	4,019	5,865	6,460	17,313		87,891
Executive Officers								
J B Rae-Smith (until 31st December 2012)	–	–	–	–	–	–	**–**	1,862
P Healy	2,223	1,510	1,055	683	875	3,040	**9,386**	5,944
Total 2014	**2,223**	**1,510**	**1,055**	**683**	**875**	**3,040**	**9,386**	
Total 2013	1,914	1,253	740	488	609	2,802		7,806

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 2014. The amounts disclosed above are related to services as Executive Directors or Officers for 2013 but paid and charged to the Group in 2014.

8. Directors' and Executive Officers' Emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2014 include four (2013: four) Executive Directors whose emoluments are reflected in the analysis presented on page 152. The emoluments payable to the remaining one (2013: one) individual during the year are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**8,449**	8,671
Bonus	**2,298**	2,114
Retirement scheme contributions	**759**	482
	11,506	11,267

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 107 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	Group 2014 HK$M	Group 2013 HK$M
Current taxation:			
Hong Kong profits tax		**(1,020)**	(974)
Overseas taxation		**(530)**	(544)
(Under)/over-provisions in prior years		**(13)**	117
		(1,563)	(1,401)
Deferred taxation:	30		
Changes in fair value of investment properties		**(265)**	(208)
Origination and reversal of temporary differences		**(390)**	(243)
		(655)	(451)
		(2,218)	(1,852)

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

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

	2014 HK$M	2013 HK$M
Profit before taxation	**15,603**	17,890
Calculated at a tax rate of 16.5% (2013: 16.5%)	**(2,574)**	(2,952)
Share of profits less losses of joint venture and associated companies	**648**	529
Effect of different tax rates in other countries	**(257)**	(157)
Fair value gains on investment properties	**192**	933
Income not subject to tax	**337**	296
Expenses not deductible for tax purposes	**(253)**	(241)
Unused tax losses not recognised	**(194)**	(191)
Utilisation of previously unrecognised tax losses	**52**	16
Deferred tax assets written off	**(14)**	(13)
(Under)/over-provisions in prior years	**(13)**	117
Recognition of previously unrecognised tax losses	**11**	28
Others	**(153)**	(217)
Tax charge	**(2,218)**	(1,852)

The Group's share of joint venture and associated companies' tax charges of HK$542 million (2013: HK$371 million) and HK$333 million (2013: HK$363 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. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$2,452 million (2013: HK$2,296 million) is dealt with in the financial statements of the Company.

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.

	Company	
	2014 HK$M	2013 HK$M
First interim dividend paid on 7th October 2014 of HK$1.10 per 'A' share and HK$0.22 per 'B' share (2013: HK$1.00 and HK$0.20)	**1,655**	1,505
Second interim dividend declared on 19th March 2015 of HK$2.80 per 'A' share and HK$0.56 per 'B' share (2013 actual dividend paid: HK$2.50 and HK$0.50)	**4,213**	3,761
	5,868	5,266

The second interim dividend is not accounted for in 2014 because it had not been declared at the year end date. The actual amount payable in respect of 2014 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2015.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$11,069 million (2013: HK$13,291 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2014 and 2013 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 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 amount and are recognised within 'Other net gains/(losses)' in the statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

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$27 million to their recoverable amount.

		Group					Company
		Leasehold land held for own use under finance leases	Property	Plant and machinery	Vessels	Total	Plant and machinery
	Note	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Cost:							
At 1st January 2014		3,292	15,264	12,326	24,395	55,277	26
Translation differences		–	(207)	(169)	6	(370)	–
Acquisition of subsidiary companies and new businesses	35	18	336	512	–	866	–
Additions		–	1,319	1,791	3,105	6,215	19
Disposals		–	(31)	(697)	(146)	(874)	(9)
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	36
Accumulated depreciation and impairment:							
At 1st January 2014		120	4,246	7,757	3,697	15,820	19
Translation differences		(1)	(57)	(99)	1	(156)	–
Acquisition of subsidiary companies and new businesses	35	–	–	71	–	71	–
Charge for the year	6	22	496	1,021	1,027	2,566	3
Impairment losses	6	–	–	27	–	27	–
Disposals		–	(22)	(497)	(86)	(605)	(9)
Net transfers from investment properties	15	–	(1)	–	–	(1)	–
At 31st December 2014		141	4,662	8,280	4,639	17,722	13
Net book value:							
At 31st December 2014		3,398	12,039	5,443	22,721	43,601	23

14. Property, Plant and Equipment (continued)

		Group					Company
	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$M	Plant and machinery HK$M
Cost:							
At 1st January 2013		2,652	14,527	11,385	20,358	48,922	25
Translation differences		–	144	90	6	240	–
Change in composition of the Group		–	–	2	–	2	–
Additions		–	558	1,373	4,990	6,921	1
Disposals		–	(40)	(524)	(959)	(1,523)	–
Transfer between categories		(4)	4	–	–	–	–
Net transfers from investment properties	15	287	75	–	–	362	–
Other transfers		–	(4)	–	–	(4)	–
Revaluation surplus		357	–	–	–	357	–
At 31st December 2013		3,292	15,264	12,326	24,395	55,277	26
Accumulated depreciation and impairment:							
At 1st January 2013		102	3,781	7,123	3,074	14,080	17
Translation differences		–	39	39	1	79	–
Change in composition of the Group		–	–	2	–	2	–
Charge for the year	6	21	445	957	871	2,294	2
Impairment losses	6	–	(1)	47	–	46	–
Disposals		–	(11)	(411)	(249)	(671)	–
Net transfers from investment properties	15	(3)	(7)	–	–	(10)	–
At 31st December 2013		120	4,246	7,757	3,697	15,820	19
Net book value:							
At 31st December 2013		3,172	11,018	4,569	20,698	39,457	7

As at 31st December 2014, bank borrowings of HK$535 million (2013: HK$535 million) are secured on vessels with a net book value of HK$767 million (2013: HK$706 million).

During the year properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from the carrying amount to the fair value at the date of transfer of HK$8 million (2013: HK$357 million) has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and machinery and vessels include costs of HK$1,185 million (2013: HK$480 million), HK$230 million (2013: HK$127 million) and HK$2,256 million (2013: HK$4,550 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

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 the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs 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.

Refer to the table with the heading "Audited Financial Information" on page 27 for details of the Group's and Company's investment properties.

Critical Accounting Estimates and Judgements

DTZ Debenham Tie Leung, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2014. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of open market rents and yields.

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

15. Investment Properties (continued)

Fair value hierarchy

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

Fair value hierarchy

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2014 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**

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2013 Total HK$M
Level 2	2,902	194	3,096	9,416	–	9,416	12,512
Level 3	168,192	24,245	192,437	9,634	1,656	11,290	203,727
Total	171,094	24,439	195,533	19,050	1,656	20,706	216,239
Add: initial leasing costs							285
At 31st December							216,524

Fair value – Level 3

	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)**	**–**
Transfer to properties held for development	**–**	**–**	**–**	**–**	**(146)**	**(146)**	**(146)**
Other net transfers to property, plant and equipment	**(275)**	**–**	**(275)**	**–**	**–**	**–**	**(275)**
Other net transfers	**–**	**19**	**19**	**–**	**–**	**–**	**19**
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**

15. Investment Properties (continued)

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

The Group's investment properties were valued at their fair values at 31st December 2014. 95% by value were valued by DTZ Debenham Tie Leung, an independent professionally qualified valuer which holds a recognised relevant professional qualification and has recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. 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 has also taken into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk. Where the valuation is prepared based on the assumption that the property's title certificate has been received but this is not the case, the Group has made an estimate of the future land cost and deducted this from the valuation.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If the capitalisation rate increases, the fair value decreases. If the fair market rent increases, the fair value increases. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair value decreases. 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 property's features may result in an increase in future rental values. An increase in 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.

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

At 31st December 2014

		Fair value HK$M	Valuation technique	Fair market rent per month HK$ per sq. ft. (lettable) [(a)]	Capitalisation rate
Completed	Hong Kong	**164,647**	Income capitalisation	Mid 10's-Mid 500's	2.50%-4.88%
	Hong Kong	**4,396**	Residual [(b)]	Mid 50's	2.00%-4.25%
	Mainland China	**24,880**	Income capitalisation	Low 10's-Low 200's	7.00%-7.50%
		193,923			
Under development	Hong Kong	**10,178**	Residual [(b)]	Low 30's-High 50's	3.88%-4.25%
	USA	**2,417**	Residual [(b)]	High 20's-High 50's	5.00%-7.50%
	Others	**820**	Sales comparison	–	–
		13,415			
Total		**207,338**			

15. Investment Properties (continued)

At 31st December 2013

		Fair value HK$M	Valuation technique	Fair market rent per month HK$ per sq. ft. (lettable) [(a)]	Capitalisation rate
Completed	Hong Kong	168,192	Income capitalisation	Low 10's-High 500's	2.50%-5.25%
	Mainland China	24,245	Income capitalisation	Less than 10-High 100's	7.00%-7.50%
		192,437			
Under development	Hong Kong	9,634	Residual [(b)]	High 30's-High 50's	2.00%-4.25%
	Others	1,656	Sales comparison	–	–
		11,290			
Total		203,727			

Notes:

(a) 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 tenant's 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.

(b) 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 under development or for future development 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:

		Group	
	Note	2014 HK$M	2013 HK$M
At 1st January		**1,164**	1,080
Translation differences		**(14)**	14
Acquisition of subsidiary companies	35	**32**	–
Additions		**23**	102
Disposals		**(2)**	–
Amortisation charge for the year	6	**(33)**	(32)
At 31st December		**1,170**	1,164
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		**19**	20
Held outside Hong Kong:			
On short-term leases (less than 10 years)		**1**	1
On medium-term leases (10 to 50 years)		**1,150**	1,143
		1,170	1,164

Refer to Note 38 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 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 and operating rights

Service and operating rights acquired are shown at historical cost. Service and operating rights acquired in a business combination are recognised at fair value at the acquisition date. Service and operating rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of service and operating rights over their estimated useful life 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 carried at cost less accumulated amortisation. Customer relationships are amortised over their estimated useful life of fifteen years.

17. Intangible Assets (continued)

		Group					
	Note	Goodwill HK$M	Computer software HK$M	Service 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	35	**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**

		Group				
	Note	Goodwill HK$M	Computer software HK$M	Service and operating rights HK$M	Others HK$M	Total HK$M
Cost:						
At 1st January 2013		4,040	327	535	–	4,902
Translation differences		7	3	–	–	10
Other transfers		–	4	–	–	4
Additions		–	38	–	67	105
Disposals		(7)	–	–	–	(7)
At 31st December 2013		4,040	372	535	67	5,014
Accumulated amortisation and impairment:						
At 1st January 2013		19	200	71	–	290
Translation differences		–	1	–	–	1
Amortisation for the year	6	–	42	27	–	69
Impairment losses	6	20	–	–	–	20
At 31st December 2013		39	243	98	–	380
Net book value:						
At 31st December 2013		4,001	129	437	67	4,634

17. Intangible Assets (continued)

Amortisation of HK$136 million (2013: HK$69 million) is included in administrative expenses in the statement of profit or loss.

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. 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 2014 were between 7.0% and 12.0% (2013: 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 identified by divisional business segment and geographic location.

	2014 HK$M	2013 HK$M
HAECO – Hong Kong and Mainland China	**3,510**	3,510
HAECO – USA	**1,388**	–
Beverages – Hong Kong and Mainland China	**214**	219
Beverages – USA	**54**	–
Marine Services	**184**	272
Trading & Industrial	**487**	–
	5,837	4,001

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.

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 the HAECO group has been determined using a value in use calculation. That 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 8.8%. Cash flows beyond the five-year period are assumed not to exceed growth of 2%.

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.

Investments 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.

	Company	
	2014 HK$M	2013 HK$M
Shares at cost less provisions		
– Listed in Hong Kong	**16,831**	16,831
– Unlisted	**1,548**	1,610
	18,379	18,441
Loans and other amounts due from subsidiary companies		
– Interest-free	**16,777**	14,311
– Interest-bearing at 0.23% to 4.0% (2013: 0.21% to 4.0%)	**372**	89
	35,528	32,841

Loans and other amounts due from subsidiary companies are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Pacific Limited are shown on pages 212 to 222.

18. Subsidiary Companies (continued)

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$7,409 million included in the Group consolidated statement of financial position (2013: HK$7,461 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	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Current				
Assets	**13,751**	13,117	**5,339**	4,872
Liabilities	**12,362**	15,387	**3,746**	2,901
Total current net assets/(liabilities)	**1,389**	(2,270)	**1,593**	1,971
Non-current				
Assets	**246,173**	238,360	**9,692**	7,424
Liabilities	**39,425**	33,332	**3,898**	2,066
Total non-current net assets	**206,748**	205,028	**5,794**	5,358
Net assets	**208,137**	202,758	**7,387**	7,329

Summarised Statement of Profit or Loss

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Revenue	**15,387**	12,935	**11,927**	7,387
Profit for the year attributable to shareholders	**9,495**	12,448	**573**	625
Other comprehensive income	**(547)**	1,114	**(285)**	277
Total comprehensive income attributable to shareholders	**8,948**	13,562	**288**	902
Total comprehensive income allocated to non-controlling interests	**1,611**	2,441	**72**	226
Dividends paid to non-controlling interests	**653**	611	**81**	116

Summarised Statement of Cash Flows

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Net cash generated from operating activities	**9,273**	6,381	**1,115**	505
Net cash (used in)/generated from investing activities	**(6,392)**	(5,804)	**(3,326)**	17
Net cash (used in)/generated from financing activities	**(2,497)**	(4)	**2,205**	382
Net increase/(decrease) in cash and cash equivalents	**384**	573	**(6)**	904
Cash and cash equivalents at 1st January	**2,521**	1,936	**2,341**	1,418
Currency adjustment	**(31)**	12	**(25)**	19
Cash and cash equivalents at 31st December	**2,874**	2,521	**2,310**	2,341

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 profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

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.

(a) Joint venture companies

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Unlisted shares at cost			**28**	28
Share of net assets, unlisted	**10,515**	10,145		
Goodwill	**94**	94		
	10,609	10,239		
Loans due from joint venture companies less provisions				
– Interest-free	**12,217**	10,983	**–**	–
– Interest-bearing at 1.71% to 7.50% (2013: 1.71% to 7.50%)	**877**	583	**86**	86
	23,703	21,805	**114**	114

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 212 to 222. There are no joint venture companies that are considered individually material to the Group.

19. Joint Venture and Associated Companies (continued)

(a) Joint venture companies (continued)

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

	Group	
	2014	2013
	HK$M	HK$M
Non-current assets	**31,947**	25,831
Current assets	**7,133**	7,239
Current liabilities	**(9,493)**	(8,349)
Non-current liabilities	**(19,072)**	(14,576)
Net assets	**10,515**	10,145
Revenue	**14,899**	15,352
Expenses	**(12,104)**	(13,299)
Profit before taxation	**2,795**	2,053
Taxation	**(542)**	(371)
Profit for the year	**2,253**	1,682
Other comprehensive income	**(148)**	282
Total comprehensive income for the year	**2,105**	1,964

Capital commitments and contingencies in respect to joint venture companies are disclosed in Notes 36 and 37.

(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)

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Shares at cost				
– Listed in Hong Kong			**4,624**	4,624
Share of net assets				
– Listed in Hong Kong	**23,017**	28,042		
– Unlisted	**2,137**	1,847		
	25,154	29,889		
Goodwill	**850**	757		
	26,004	30,646		
Loans due from associated companies				
– Interest-free	**31**	52	**–**	–
– Interest-bearing at 4.0-6.0% (2013: 4.0%)	**4**	1	**–**	–
	26,039	30,699	**4,624**	4,624

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 2014 was HK$29,917 million (2013: HK$29,032 million).

The principal associated companies of the Group are shown on pages 212 to 222. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 209 to 211.

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

	Group	
	2014 HK$M	2013 HK$M
Non-current assets	**68,666**	66,552
Current assets	**12,792**	15,269
Current liabilities	**(17,293)**	(15,248)
Non-current liabilities	**(38,952)**	(36,628)
Non-controlling interests	**(59)**	(56)
Net assets	**25,154**	29,889
Revenue	**52,543**	49,936
Expenses	**(50,532)**	(48,052)
Profit before taxation	**2,011**	1,884
Taxation	**(333)**	(363)
Profit for the year	**1,678**	1,521
Other comprehensive income	**(6,014)**	2,299
Total comprehensive income for the year	**(4,336)**	3,820

Contingencies in respect of associated companies are disclosed in Note 37.

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 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 the fair value are included in the statement of profit or loss in the period in which they arise. Derivatives used for hedging are subsequently carried at fair value. Accounting for the realised and unrealised gains and losses arising from changes in the fair value of derivatives are set out in Note 22.

Financial assets classified as available-for-sale are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains and losses from investments.

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

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

20. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

Group	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 2014								
Available-for-sale assets	21	**–**	**–**	**771**	**–**	**–**	**771**	**771**
Long-term other receivables		**–**	**–**	**–**	**58**	**–**	**58**	**58**
Derivative financial assets	22	**10**	**510**	**–**	**–**	**–**	**520**	**520**
Trade and other receivables excluding prepayments	25	**–**	**–**	**–**	**8,423**	**–**	**8,423**	**8,423**
Bank balances and short-term deposits	26	**–**	**–**	**–**	**10,115**	**–**	**10,115**	**10,115**
Total		**10**	**510**	**771**	**18,596**	**–**	**19,887**	**19,887**
At 31st December 2013								
Available-for-sale assets	21	–	–	713	–	–	713	713
Long-term other receivables		–	–	–	21	–	21	21
Derivative financial assets	22	27	588	–	–	–	615	615
Trade and other receivables excluding prepayments	25	–	–	–	8,181	–	8,181	8,181
Bank balances and short-term deposits	26	–	–	–	11,288	–	11,288	11,288
Total		27	588	713	19,490	–	20,818	20,818
Liabilities as per consolidated statement of financial position								
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**
At 31st December 2013								
Trade and other payables	27	1,839	–	–	–	15,220	17,059	17,059
Derivative financial liabilities	22	2	207	–	–	–	209	209
Short-term loans	29	–	–	–	–	1,547	1,547	1,547
Long-term loans and bonds due within one year	29	–	–	–	–	7,130	7,130	7,130
Perpetual capital securities	28	–	–	–	–	2,326	2,326	2,559
Long-term loans and bonds due after one year	29	–	–	–	–	50,841	50,841	52,012
Total		1,841	207	–	–	77,064	79,112	80,516

20. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

Company	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 statement of financial position								
At 31st December 2014								
Available-for-sale assets	21	**–**	**–**	**99**	**–**	**–**	**99**	**99**
Trade and other receivables excluding prepayments	25	**–**	**–**	**–**	**53**	**–**	**53**	**53**
Bank balances and short-term deposits	26	**–**	**–**	**–**	**810**	**–**	**810**	**810**
Total		**–**	**–**	**99**	**863**	**–**	**962**	**962**
At 31st December 2013								
Available-for-sale assets	21	–	–	93	–	–	93	93
Trade and other receivables excluding prepayments	25	–	–	–	47	–	47	47
Bank balances and short-term deposits	26	–	–	–	2,344	–	2,344	2,344
Total		–	–	93	2,391	–	2,484	2,484
Liabilities as per statement of financial position								
At 31st December 2014								
Trade and other payables	27	**–**	**–**	**–**	**–**	**32,268**	**32,268**	**32,268**
At 31st December 2013								
Trade and other payables	27	–	–	–	–	29,042	29,042	29,042

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

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

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

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

20. Financial Instruments by Category (continued)

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

Group	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 2014					
Available-for-sale assets	21				
– Shares listed in Hong Kong		**99**	**–**	**–**	**99**
– Shares listed overseas		**334**	**–**	**–**	**334**
– Unlisted investments		**–**	**–**	**338**	**338**
Derivatives used for hedging	22	**–**	**520**	**–**	**520**
Total		**433**	**520**	**338**	**1,291**
At 31st December 2013					
Available-for-sale assets	21				
– Shares listed in Hong Kong		94	–	–	94
– Shares listed overseas		486	–	–	486
– Unlisted investments		–	–	133	133
Derivatives used for hedging	22	–	615	–	615
Total		580	615	133	1,328
Liabilities as per consolidated statement of financial position					
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**
At 31st December 2013					
Derivatives used for hedging	22	–	209	–	209
Put option over non-controlling interest in Taikoo Li Sanlitun	27	–	–	1,256	1,256
Put option over non-controlling interest in Brickell City Centre	27	–	–	367	367
Put options over non-controlling interests in subsidiary companies	27	–	–	216	216
Total		–	209	1,839	2,048

Company	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per statement of financial position					
At 31st December 2014					
Available-for-sale assets	21				
– Shares listed in Hong Kong		**99**	**–**	**–**	**99**
At 31st December 2013					
Available-for-sale assets	21				
– Shares listed in Hong Kong		93	–	–	93

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 assets between level 1 and level 2 fair value hierarchy classifications and there were no transfers into or out of the level 3 fair value hierarchy classification. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

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

Group	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 in respect 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 determined based on quotes from market makers or alternative market participants supported by observable inputs. The most significant inputs are market interest rates, exchange rates and yields and commodity prices.

The fair value of the put options over non-controlling interests in subsidiary companies, 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.

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

The fair value estimate of the put option over the non-controlling interest in the retail portion of Brickell City Centre contains a number of unobservable inputs, including the expected fair value of the investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is late 2022 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 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 2014. 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.

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

	Group		Company	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
Non-current assets				
Shares listed in Hong Kong	**99**	94	**99**	93
Shares listed overseas	**334**	486	**–**	–
Unlisted investments	**338**	133	**–**	–
	771	713	**99**	93

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

22. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(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.

Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged item will affect profit or loss (for instance when the 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 the 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 included in 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 are calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the period-end date.

22. Derivative Financial Instruments (continued)

	Group			
	2014		2013	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges (a)	**497**	**23**	562	88
Interest rate swaps – cash flow hedges (b)	**11**	**16**	17	11
Forward foreign exchange contracts				
– cash flow hedges (c)	**2**	**30**	9	105
– not qualifying as hedges	**10**	**2**	27	–
Commodity swaps				
– cash flow hedges (d)	**–**	**2**	–	3
– not qualifying as hedges	**–**	**1**	–	2
Total	**520**	**74**	615	209
Less non-current portion:				
Cross-currency swaps – cash flow hedges (a)	**497**	**23**	562	88
Interest rate swaps – cash flow hedges (b)	**11**	**16**	17	11
Forward foreign exchange contracts				
– cash flow hedges (c)	**–**	**–**	–	13
– not qualifying as hedges	**–**	**1**	11	–
	508	**40**	590	112
Current portion	**12**	**34**	25	97

(a) The cross-currency swaps 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 2014 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 2023).

(b) These interest rate swaps hedge the interest rate risk associated with floating rate loans. Gains and losses recognised in other comprehensive income on interest rate swaps at 31st December 2014 are expected to affect the statement of profit or loss in the years to repayment of the loans (up to and including 2018). At 31st December 2014, the fixed interest rates varied from 1.238% to 3.1% (2013: 0.775% to 3.1%) and the main floating rates were HIBOR three-months and LIBOR three-months (2013: HIBOR three-months).

(c) The forward foreign exchange contracts hedge the foreign currency exposure relating to contractual obligations. Gains and losses recognised in other comprehensive income on foreign exchange contracts at 31st December 2014 are expected to affect the statement of profit or loss up to and including 2016.

(d) The commodity swaps hedge the price risk in commodities such as sugar. Gains and losses recognised in other comprehensive income on commodity swaps at 31st December 2014 are expected to affect the statement of profit or loss up to and including 2015.

For the years ended 31st December 2014 and 31st December 2013 all cash flow hedges were effective.

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

	2014 HK$M	2013 HK$M
Cross currency swaps	**22,466**	22,461
Forward foreign exchange contracts	**825**	2,951
Interest rate swaps	**7,148**	1,650
Commodity swaps	**145**	175

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.

Refer to the table with the heading "Audited Financial Information" on page 32 for details of the Group's properties held for development and properties for sale.

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.

	Group	
	2014 HK$M	2013 HK$M
Goods for sale	**1,858**	2,095
Manufacturing materials	**479**	320
Production supplies	**915**	669
Work in progress	**608**	150
	3,860	3,234

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.

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Trade debtors	**3,719**	3,845	**–**	–
Amounts due from immediate holding company	**2**	–	**–**	–
Amounts due from subsidiary companies	**–**	–	**28**	26
Amounts due from joint venture companies	**142**	168	**–**	–
Amounts due from associated companies	**457**	624	**–**	–
Interest-bearing advance to an associated company at 7.0%	**123**	–	**–**	–
Prepayments and accrued income	**2,314**	2,211	**2**	1
Other receivables	**2,795**	2,339	**25**	21
	9,552	9,187	**55**	48

The amounts due from subsidiary, joint venture and associated companies are unsecured and interest free (except where specified). Except for amounts due from subsidiary companies which have no fixed terms of repayment, the balances are 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:

	Group	
	2014 HK$M	2013 HK$M
Up to three months	**3,523**	3,666
Between three and six months	**132**	103
Over six months	**64**	76
	3,719	3,845

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 2014, trade debtors of HK$1,264 million (2013: HK$1,083 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:

	Group	
	2014 HK$M	2013 HK$M
Up to three months	**1,142**	943
Between three and six months	**71**	93
Over six months	**51**	47
	1,264	1,083

At 31st December 2014, trade debtors of HK$185 million (2013: HK$102 million) were impaired. The amount of the provision was HK$151 million at 31st December 2014 (2013: HK$59 million). It was assessed that a portion of the trade debtors is expected to be recovered. The analysis of the ageing of these impaired trade debtors is as follows:

	Group	
	2014 HK$M	2013 HK$M
Up to three months	**41**	7
Between three and six months	**2**	6
Over six months	**142**	89
	185	102

The maximum exposure to credit risk at 31st December 2014 and 31st December 2013 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 2014 was HK$2,303 million (2013: HK$2,124 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.

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Bank balances and short-term deposits maturing within three months	**10,013**	10,950	**810**	2,154
Short-term deposits maturing after more than three months	**102**	338	**–**	190
	10,115	11,288	**810**	2,344

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 11.75% (2013: 0.01% to 10.5%); these deposits have a maturity from 2 to 167 days (2013: 2 to 295 days).

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

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.

	Group		Company	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
Trade creditors	**3,812**	3,418	**–**	–
Amounts due to immediate holding company	**191**	213	**31**	17
Amounts due to subsidiary companies	**–**	–	**5,333**	4,382
Amounts due to joint venture companies	**179**	167	**–**	–
Amounts due to associated companies	**238**	264	**–**	–
Interest-bearing advances from a subsidiary company at 0.31% (2013: 0.32%)	**–**	–	**26,797**	24,554
Interest-bearing advances from joint venture companies at 0.27% to 4.63% (2013: 1.55%)	**402**	528	**–**	–
Interest-bearing advance from an associated company at 1.26%	**128**	–	**–**	–
Advances from non-controlling interests	**125**	445	**–**	–
Rental deposits from tenants	**2,303**	2,124	**8**	8
Put option over non-controlling interest in Taikoo Li Sunlitun	**–**	1,256	**–**	–
Put option over non-controlling interest in Brickell City Centre	**470**	367	**–**	–
Put options over non-controlling interests in subsidiary companies	**127**	216	**–**	–
Contingent consideration	**388**	–	**–**	–
Accrued capital expenditure	**734**	988	**13**	9
Other accruals	**5,117**	4,728	**32**	21
Other payables	**3,719**	2,345	**54**	51
	17,933	17,059	**32,268**	29,042
Amounts due after one year included under non-current liabilities	**(1,194)**	(620)	**–**	–
	16,739	16,439	**32,268**	29,042

The amounts due to and advances from immediate holding, subsidiary, 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 2019. Apart from certain amounts due to subsidiary, 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:

	Group	
	2014	2013
	HK$M	HK$M
Up to three months	**3,606**	3,218
Between three and six months	**139**	126
Over six months	**67**	74
	3,812	3,418

28. Perpetual Capital Securities

Refer to the table with the heading "Audited Financial Information" on page 105 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. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Refer to the tables with the heading "Audited Financial Information" on pages 103 to 111 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.

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

		Group		Company	
		2014	2013	2014	2013
	Note	HK$M	HK$M	HK$M	HK$M
At 1st January		**5,790**	5,118	**14**	12
Translation differences		**(64)**	77	**–**	–
Acquisition of subsidiary companies	35	**18**	–	**–**	–
Charged/(credited) to statement of profit or loss	10	**655**	451	**12**	(1)
(Credited)/charged to other comprehensive income		**(113)**	144	**(2)**	3
At 31st December		**6,286**	5,790	**24**	14

30. Deferred Taxation (continued)

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$3,133 million (2013: HK$3,621 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group	
	2014	2013
	HK$M	HK$M
No expiry date	**1,683**	1,814
Expiring in 2014	**–**	258
Expiring in 2015	**292**	358
Expiring in 2016	**314**	399
Expiring in 2017	**321**	401
Expiring in 2018	**261**	391
Expiring in 2019 or after	**262**	–
	3,133	3,621

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

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January	**3,196**	2,907	**2,588**	2,293	**883**	744	**6,667**	5,944
Translation differences	**–**	(1)	**(63)**	72	**(3)**	(26)	**(66)**	45
Acquisition of subsidiary companies	**–**	–	**–**	–	**363**	–	**363**	–
Charged to statement of profit or loss	**298**	290	**265**	208	**98**	99	**661**	597
Charged/(credited) to other comprehensive income	**–**	–	**2**	15	**(44)**	66	**(42)**	81
At 31st December	**3,494**	3,196	**2,792**	2,588	**1,297**	883	**7,583**	6,667

	Company					
	Accelerated tax depreciation		Others		Total	
	2014	2013	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January	**13**	6	**14**	12	**27**	18
(Credited)/charged to statement of profit or loss	**–**	7	**(1)**	(1)	**(1)**	6
(Credited)/charged to other comprehensive income	**–**	–	**(2)**	3	**(2)**	3
At 31st December	**13**	13	**11**	14	**24**	27

30. Deferred Taxation (continued)

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
At 1st January	**418**	333	**285**	249	**174**	244	**877**	826
Translation differences	**(6)**	(8)	**(1)**	1	**5**	(25)	**(2)**	(32)
Acquisition of subsidiary companies	**146**	–	**199**	–	**–**	–	**345**	–
Credited/(charged) to statement of profit or loss	**8**	93	**(93)**	35	**91**	18	**6**	146
Credited/(charged) to other comprehensive income	**–**	–	**–**	–	**71**	(63)	**71**	(63)
At 31st December	**566**	418	**390**	285	**341**	174	**1,297**	877

	Company	
	Tax losses	
	2014 HK$M	2013 HK$M
At 1st January	**13**	6
(Charged)/credited to statement of profit or loss	**(13)**	7
At 31st December	**–**	13

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Deferred tax assets:				
– To be recovered after more than 12 months	**(400)**	(396)	**–**	(13)
– To be recovered within 12 months	**(252)**	(171)	**–**	–
	(652)	(567)	**–**	(13)
Deferred tax liabilities:				
– To be settled after more than 12 months	**6,829**	6,253	**24**	27
– To be settled within 12 months	**109**	104	**–**	–
	6,938	6,357	**24**	27
	6,286	5,790	**24**	14

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.

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

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 114% (2013: 117%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$202 million to its defined benefit schemes in 2015.

For the years ended 31st December 2013 and 2014, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012, which were updated at 31st December 2013 and 2014 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the United States 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 United States. The plan is unfunded. The method of accounting and the frequency of valuations are similar to those used for defined benefit schemes.

31. Retirement Benefits (continued)

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$25,000 up to 31st May 2014 and HK$30,000 from 1st June 2014). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

	2014			
	Group			Company
	Defined benefit plans	Other post-employment benefits	Total	Defined benefit plans
	HK$M	HK$M	HK$M	HK$M
Present value of funded obligations	**5,313**	**–**	**5,313**	**137**
Fair value of plan assets	**(4,723)**	**–**	**(4,723)**	**(204)**
	590	**–**	**590**	**(67)**
Present value of unfunded obligations	**–**	**42**	**42**	**–**
Net retirement benefit liabilities/(assets)	**590**	**42**	**632**	**(67)**
Represented by:				
Retirement benefit assets	**(122)**	**–**	**(122)**	**(67)**
Retirement benefit liabilities	**712**	**42**	**754**	**–**
	590	**42**	**632**	**(67)**

	2013			
	Group			Company
	Defined benefit plans	Other post-employment benefits	Total	Defined benefit plans
	HK$M	HK$M	HK$M	HK$M
Present value of funded obligations	4,721	–	4,721	120
Fair value of plan assets	(4,648)	–	(4,648)	(206)
	73	–	73	(86)
Present value of unfunded obligations	–	43	43	–
Net retirement benefit liabilities/(assets)	73	43	116	(86)
Represented by:				
Retirement benefit assets	(429)	–	(429)	(86)
Retirement benefit liabilities	502	43	545	–
	73	43	116	(86)

31. Retirement Benefits (continued)

Changes in the present value of the defined benefit obligation are as follows:

	Group				Company	
	Defined benefit plans		Other post-employment benefits		Defined benefit plan	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
At 1st January	**4,721**	4,997	**43**	50	**120**	119
Translation differences	**(19)**	(7)	**1**	–	**–**	–
Transfer of members	**(7)**	2	**–**	–	**(11)**	1
Current service cost	**248**	261	**1**	1	**9**	8
Interest expense	**193**	163	**2**	2	**5**	4
Actuarial losses/(gains) from changes in:						
demographic assumptions	**2**	20	**–**	–	**–**	–
financial assumptions	**464**	(505)	**(5)**	(6)	**13**	(11)
Experience losses/(gains)	**38**	73	**–**	(2)	**1**	–
Employee contributions	**1**	1	**1**	1	**–**	–
Benefits paid	**(328)**	(284)	**(1)**	(3)	**–**	(1)
At 31st December	**5,313**	4,721	**42**	43	**137**	120

The weighted average duration of the defined benefit obligation is 9.2 years (2013: 9.8 years).

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

	Group		Company	
	Defined benefit plans		Defined benefit plan	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
At 1st January	**4,648**	4,441	**206**	190
Translation differences	**(2)**	1	**–**	–
Transfer of members	**(7)**	2	**(11)**	1
Interest income	**200**	150	**9**	6
Return on plan assets, excluding interest income	**–**	149	**–**	10
Contributions by employer	**211**	188	**–**	–
Employee contributions	**1**	1	**–**	–
Benefits paid	**(328)**	(284)	**–**	(1)
At 31st December	**4,723**	4,648	**204**	206

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

31. Retirement Benefits (continued)

Net expenses recognised in the statement of profit or loss are as follows:

	Group					
	2014			2013		
	Defined benefit plans	Other post-employment benefits	Total	Defined benefit plans	Other post-employment benefits	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Current service cost	**248**	**1**	**249**	261	1	262
Net interest (income)/cost	**(7)**	**2**	**(5)**	13	2	15
	241	**3**	**244**	274	3	277

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 2014 amounted to HK$478 million (2013: HK$481 million), including HK$234 million (2013: HK$204 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was HK$200 million (2013: HK$299 million).

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:

	Group	
	Defined benefit plans	
	2014	2013
	HK$M	HK$M
Equities		
Asia Pacific	**627**	557
Europe	**295**	316
North America	**804**	779
Emerging markets	**474**	573
Bonds		
Global	**1,753**	1,648
Emerging markets	**465**	466
Absolute return funds	**181**	177
Cash	**124**	132
	4,723	4,648

At 31st December 2014, the prices of 95% of equities and 90% of bonds were quoted on active markets (31st December 2013: 100% and 82% respectively). The remainder of the prices were not quoted on active markets.

31. Retirement Benefits (continued)

The most significant risk facing the defined benefit schemes of the group is market risk. This risk embodies the potential for loss 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.

The significant actuarial assumptions used are as follows:

	Group					
	Defined benefit plans				Other post-employment benefits	
	2014		2013		2014	2013
	Hong Kong	Others	Hong Kong	Others	USA	USA
	%	%	%	%	%	%
Discount rate	**3.27**	**2.00-4.30**	4.27	1.75-5.00	**4.00**	4.75
Expected rate of future salary increases	**4.00**	**2.75-4.12**	4.00	2.50-4.12	**N/A**	N/A
Expected rate of increase in cost of covered health care benefits	**N/A**	**N/A**	N/A	N/A	**7.50**	7.50

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

	Group		
	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		HK$M	HK$M
Discount rate	0.50%	(284)	307
Expected rate of future salary increases	0.50%	231	(218)

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

32. Share Capital

	Note	Company 'A' shares of HK$0.60 each[b]	'B' shares of HK$0.12 each[b]	Total HK$M
Authorised[a]:				
At 31st December 2013		1,140,000,000	3,600,000,000	1,116
At 31st December 2014		–	–	–

	Note	'A' shares	'B' shares	Total HK$M
Issued and fully paid:				
At 1st January 2014		905,578,500	2,995,220,000	903
Transition to no-par value regime on 3rd March 2014[c]	33	–	–	391
At 31st December 2014		905,578,500	2,995,220,000	1,294

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

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

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

(c) The amounts standing to the credit of the Company's share premium account and capital redemption reserve became part of the Company's share capital (by virtue of paragraph 37 of Schedule 11 to the New CO).

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion of five to one. This was unaffected by the Company's shares ceasing to have nominal or par value as referred to in (b) above. Paragraph 40 of Schedule 11 to the New CO preserved the rights attaching to the Company's 'A' shares and 'B' shares as if they still had their nominal values.

33. Reserves

Group	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									
– 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									
– net losses recognised during the year		–	–	–	–	(53)	–	–	(53)
– net gains transferred to operating profit		–	–	–	–	(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)
Total comprehensive income for the year		10,608	–	–	5	(112)	(5,611)	(1,002)	3,888
Change in composition of the Group		7	–	–	–	–	–	–	7
Transition to no-par value regime on 3rd March 2014	32	–	(342)	(49)	–	–	–	–	(391)
2013 second interim dividend	12	(3,761)	–	–	–	–	–	–	(3,761)
2014 first interim dividend	12	(1,656)	–	–	–	–	–	–	(1,656)
At 31st December 2014		214,880	–	–	1,972	772	(4,094)	3,951	217,481

33. Reserves (continued)

Group	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 2013		200,831	342	49	1,686	605	105	3,946	207,564
Profit for the year		13,291	–	–	–	–	–	–	13,291
Other comprehensive income									
Defined benefit plans									
– remeasurement gains recognised during the year		485	–	–	–	–	–	–	485
– deferred tax		(125)	–	–	–	–	–	–	(125)
Cash flow hedges									
– recognised during the year		–	–	–	–	–	2	–	2
– transferred to net finance charges		–	–	–	–	–	(109)	–	(109)
– transferred to operating profit		–	–	–	–	–	(4)	–	(4)
– transferred to initial cost of non-financial assets		–	–	–	–	–	4	–	4
– deferred tax		–	–	–	–	–	10	–	10
Net fair value gains on available-for-sale assets		–	–	–	–	252	–	–	252
Revaluation of property previously occupied by the Group									
– gains recognised during the year		–	–	–	293	–	–	–	293
– deferred tax		–	–	–	(12)	–	–	–	(12)
Share of other comprehensive income of joint venture and associated companies		485	–	–	–	27	1,509	498	2,519
Net translation differences on foreign operations		–	–	–	–	–	–	509	509
Total comprehensive income for the year		14,136	–	–	281	279	1,412	1,007	17,115
Change in composition of the Group		(19)	–	–	–	–	–	–	(19)
2012 second interim dividend	12	(3,761)	–	–	–	–	–	–	(3,761)
2013 first interim dividend	12	(1,505)	–	–	–	–	–	–	(1,505)
At 31st December 2013		209,682	342	49	1,967	884	1,517	4,953	219,394

33. Reserves (continued)

Company	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
At 1st January 2014		**13,915**	**342**	**49**	**6**	**14,312**
Profit for the year	11	**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	12	**(3,761)**	**–**	**–**	**–**	**(3,761)**
2014 first interim dividend	12	**(1,655)**	**–**	**–**	**–**	**(1,655)**
At 31st December 2014		**10,940**	**–**	**–**	**12**	**10,952**
At 1st January 2013		16,867	342	49	16	17,274
Profit for the year	11	2,296	–	–	–	2,296
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		21	–	–	–	21
– deferred tax		(3)	–	–	–	(3)
Net fair value losses on available-for-sale assets		–	–	–	(10)	(10)
Total comprehensive income for the year		2,314	–	–	(10)	2,304
2012 second interim dividend	12	(3,761)	–	–	–	(3,761)
2013 first interim dividend	12	(1,505)	–	–	–	(1,505)
At 31st December 2013		13,915	342	49	6	14,312

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$3,039 million (2013: HK$2,319 million) and retained revenue reserves from associated companies amounting to HK$23,403 million (2013: HK$22,428 million).

(b) Distributable reserves of the Company at 31st December 2014 amounted to HK$8,775 million (2013: HK$11,012 million).

(c) The Group and Company revenue reserves include HK$4,213 million (2013: HK$3,761 million) representing the declared second interim dividend for the year (note 12).

34. Non-controlling Interests

	Group	
	2014	2013
	HK$M	HK$M
At 1st January	**42,211**	39,915
Share of profits less losses for the year	**2,316**	2,747
Defined benefit plans		
– remeasurement gains recognised during the year	**(82)**	84
– deferred tax	**13**	(14)
Share of cash flow hedges		
– recognised during the year	**13**	2
– transferred to operating profit	**3**	–
– deferred tax	**(3)**	–
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	**1**	64
– deferred tax	**–**	(3)
Share of other comprehensive income of joint venture and associated companies	**(28)**	62
Share of translation differences on foreign operations	**(147)**	166
Share of total comprehensive income	**2,086**	3,108
Dividends paid and payable	**(1,158)**	(855)
Acquisition of non-controlling interests in subsidiary companies	**–**	23
Non-controlling interests arising on acquisition of a subsidiary company	**141**	–
Disposal of interest in a subsidiary company	**71**	–
Capital contribution from non-controlling interests	**4**	20
At 31st December	**43,355**	42,211

35. Business Combination

Acquisition of Shares in TIMCO Aviation Services, Inc. ("TIMCO")
On 6th February 2014, a wholly owned subsidiary of HAECO acquired the entire issued share capital of TIMCO, the holding company of a group of companies based in the USA engaged in the provision of aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing.

This acquisition will expand the HAECO group's operations, broaden its sources of revenue and provide it with an opportunity to develop its business in one of the largest aviation markets in the world.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$M
Purchase consideration:	
Cash paid	**2,876**
	Fair value HK$M
Property, plant and equipment	**393**
Intangible assets	**812**
Stocks and work in progress	**448**
Cash and cash equivalents	**142**
Trade and other receivables	**395**
Trade and other payables	**(456)**
Taxation payable	**(2)**
Borrowings	**(228)**
Deferred tax liabilities	**(18)**
Net identifiable assets acquired	**1,486**
Goodwill	**1,390**
	2,876
Purchase consideration settled in cash	**2,876**
Repayment of borrowings	**208**
Cash and cash equivalents acquired	**(142)**
Net cash outflow on acquisition	**2,942**

The goodwill is attributable to TIMCO's highly skilled workforce, management expertise and the synergies expected to be derived from improved services to a wider range of customers. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired trade and other receivables was HK$395 million and includes trade receivables with a fair value of HK$365 million. The contractual amount of the trade receivables due was HK$377 million, in respect of which a bad debt provision of HK$12 million was made at the acquisition date.

Acquisition-related costs of HK$60 million and HK$4 million were recognised in the consolidated statement of profit or loss for the year ended 31st December 2013 and for the year ended 31st December 2014 respectively.

The acquired business contributed revenue of HK$2,885 million and a net loss of HK$45 million to the HAECO group for the period from 6th February 2014 to 31st December 2014. If the acquisition had occurred on 1st January 2014, the HAECO group's revenue and net profit for the year ended 31st December 2014 would have been, on a pro-forma basis, HK$12,285 million and HK$671 million respectively.

35. Business Combination (continued)

Acquisition of shares in Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery")

On 5th December 2014, Swire Foods acquired 65% of the equity of Qinyuan Bakery, a leading bakery chain in southwest China with over 460 stores in Chongqing, Guiyang and Chengdu. The acquisition allows Swire Foods to enter the bakery sector in Mainland China. It also provides Swire Foods with access to new consumers through its network of stores.

Details of the purchase consideration, the net assets acquired and goodwill are provisionally as follows:

	HK$M
Purchase consideration:	
Cash paid	**749**

	Provisional Fair value HK$M
Property, plant and equipment	**219**
Leasehold land and land use rights	**32**
Stocks and work in progress	**17**
Cash and cash equivalents	**161**
Trade and other receivables	**87**
Trade and other payables	**(110)**
Taxation payable	**(3)**
Non-controlling interests	**(141)**
Net identifiable assets acquired	**262**
Goodwill	**487**
	749
Purchase consideration settled in cash	**749**
Cash and cash equivalents acquired	**(161)**
Net cash outflow on acquisition	**588**

The fair value of the acquired assets (including identifiable intangible assets, if any) is provisional pending the receipt of the final valuations for those assets.

The goodwill is attributable to Qinyuan Bakery's management expertise, network of stores and growth prospects. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired trade and other receivables was HK$87 million and includes trade receivables with a fair value of HK$25 million. The contractual amount of the trade receivables due was HK$25 million, in respect of which no bad debt provision has been made at the acquisition date.

Acquisition-related costs totalled HK$40 million, of which HK$38 million has been recognised in the consolidated statement of profit or loss for the year ended 31st December 2014.

The acquired business contributed revenue of HK$60 million and a net attributable profit of HK$7 million to Swire Foods group for the period from 5th December 2014 to 31st December 2014. If the acquisition had occurred on 1st January 2014, Swire Foods group's revenue and net attributable profit for the year ended 31st December 2014 would have been, on a pro-forma basis, HK$687 million and HK$50 million respectively.

36. Capital Commitments

	Group 2014 HK$M	Group 2013 HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**3,305**	9,190
Authorised by Directors but not contracted for	**5,534**	5,097
(b) Investment properties		
Contracted for	**2,417**	2,069
Authorised by Directors but not contracted for	**15,773**	17,712
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**2,259**	3,142
Authorised by Directors but not contracted for	**3,609**	6,395
	5,868	9,537

* of which the Group is committed to funding HK$2,650 million (2013: HK$4,383 million).

The Company had no commitments at 31st December 2014 and 2013.

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

37. Provisions and Contingencies

Accounting Policy

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

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

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

37. Provisions and Contingencies (continued)

	Group 2014 HK$M	Group 2013 HK$M	Company 2014 HK$M	Company 2013 HK$M
(a) Guarantees provided in respect of bank loans and other liabilities of:				
Subsidiary companies	**–**	–	**40,381**	37,592
Joint venture companies	**1,977**	1,131	**500**	569
Bank guarantees given in lieu of utility deposits and others	**146**	144	**–**	–
	2,123	1,275	**40,881**	38,161

The Group has assessed the fair value of the above guarantees and do 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 is currently pending.

Cathay Pacific has been named as a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, the United Kingdom, the Netherlands, Norway and Korea alleging violations of applicable competition laws arising from Cathay Pacific's 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 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 respondent (together with a number of other airlines) in an Australian civil antitrust class action in respect of its cargo operations. Cathay Pacific, together with other airlines, settled the Australian civil cargo antitrust class action in which it was a respondent. Under the terms of settlement, which was approved by the Federal Court of Australia in June 2014, Cathay Pacific made a payment to settle this litigation without any admission of liability or wrongdoing whatsoever. Any settlement amounts payable by individual airlines under the terms of settlement are to remain confidential. The amount payable by Cathay Pacific is not material to its financial position. An amount sufficient to cover the amount payable by Cathay Pacific was provided in the accounts of Cathay Pacific before 2014.

37. Provisions and Contingencies (continued)

(b) Cathay Pacific Airways (continued)

Cathay Pacific is a defendant in various putative class action cases filed in the United States, 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 United States federal and state antitrust laws, and certain foreign competition 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 are 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 is subject to Court approval, will resolve claims against all putative class members who choose not to opt out of the agreement.

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege 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 is subject to Court approval, will resolve claims against all putative class members who choose not to opt out of the agreement.

38. 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.

38. 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 land and buildings and vessels under operating leases. The leases for land and buildings typically run for periods of three to six years. The retail turnover-related rental income received during the year amounted to HK$406 million (2013: HK$456 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease 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 and the Company were as follows:

	Group		Company	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
Land and buildings:				
Not later than one year	**8,026**	7,444	**31**	24
Later than one year but not later than five years	**15,641**	15,743	**30**	61
Later than five years	**2,393**	2,574	**–**	–
	26,060	25,761	**61**	85
Vessels:				
Not later than one year	**3,519**	2,976		
Later than one year but not later than five years	**3,098**	3,838		
Later than five years	**521**	883		
	7,138	7,697		
	33,198	33,458		

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

	Group				Company	
	2014		2013		2014	2013
	Investment properties	Vessels	Investment properties	Vessels	Investment properties	Investment properties
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Cost or fair value	**197,013**	**25,104**	195,533	19,845	**3,218**	4,100
Less: accumulated depreciation	**–**	**(4,639)**	–	(3,697)	**–**	–
	197,013	**20,465**	195,533	16,148	**3,218**	4,100
Depreciation for the year	**–**	**1,027**	–	871	**–**	–

38. 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 the lease after that date, at which time all terms are renegotiated. The retail turnover-related rentals paid during the year amounted to HK$33 million (2013: HK$38 million).

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases payable by the Group and the Company were as follows:

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Land and buildings:				
Not later than one year	**878**	725	11	12
Later than one year but not later than five years	**1,733**	1,219	5	15
Later than five years	**2,998**	2,750	–	–
	5,609	4,694	16	27
Vessels:				
Not later than one year	**137**	135		
Later than one year but not later than five years	**379**	437		
Later than five years	**135**	201		
	651	773		
Other equipment:				
Not later than one year	**23**	21		
Later than one year but not later than five years	**3**	–		
	6,286	5,488		

At 31st December 2014, the Group had plant and equipment under finance leases amounting to HK$17 million (2013: Nil) and included under borrowings in note 29.

39. 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 2014, service fees payable amounted to HK$325 million (2013: HK$287 million). Expenses of HK$194 million (2013: HK$177 million) were reimbursed at cost; in addition, HK$311 million (2013: HK$270 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK 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 JSSHK Tenancy Framework Agreement is for a term of two years ending on 31st December 2015. For the year ended 31st December 2014, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$93 million (2013: HK$86 million).

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

39. Related Party Transactions (continued)

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	
		2014	2013	2014	2013	2014	2013	2014	2013
	Notes	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Revenue from	(a)								
– Sales of beverage drinks		**1**	6	**15**	16	**–**	–	**–**	–
– Rendering of services		**1**	1	**5**	4	**20**	10	**–**	–
– Aircraft and engine maintenance		**35**	42	**2,583**	2,691	**–**	–	**–**	–
Purchase of beverage drinks	(a)	**59**	51	**1,976**	2,286	**–**	–	**–**	–
Purchase of other goods	(a)	**4**	4	**21**	9	**–**	–	**–**	–
Purchase of services	(a)	**17**	27	**7**	12	**66**	41	**–**	–
Rental revenue	(b)	**5**	5	**7**	8	**15**	14	**78**	72
Interest income	(c)	**50**	35	**8**	–	**–**	–	**–**	–
Interest charges	(c)	**16**	9	**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 2014 are disclosed in note 19. Advances to and from joint venture companies are disclosed in notes 25 and 27.

Amounts due to the immediate holding company at 31st December 2014 are disclosed in note 27. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management which includes executive and non-executive directors and executive officers is disclosed in note 8.

40. Notes to the Consolidated Statement of Cash Flows

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

	Group	
	2014	2013
	HK$M	HK$M
Operating profit	**13,697**	16,686
Loss/(profit) on sale of property, plant and equipment	**19**	(95)
Loss on sale of investment properties	**39**	–
Profit on sale of available-for-sale assets	**(78)**	–
Change in fair value of investment properties	**(1,896)**	(5,845)
Depreciation, amortisation and impairment losses	**2,895**	2,534
Other items	**(128)**	157
Operating profit before working capital changes	**14,548**	13,437
Increase in long-term other receivables	**(37)**	(4)
Decrease/(increase) in properties for sale	**274**	(1,314)
(Increase)/decrease in stocks and work in progress	**(236)**	1,022
Decrease/(increase) in trade and other receivables	**501**	(280)
Increase in trade and other payables	**1,200**	1,440
Cash generated from operations	**16,250**	14,301

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

(b) Purchase of property, plant and equipment

	Group	
	2014 HK$M	2013 HK$M
Properties	**1,249**	626
Leasehold land and land use rights	**23**	101
Plant and machinery	**1,696**	1,464
Vessels	**3,213**	4,194
Total	**6,181**	6,385

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

(c) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
At 1st January	**61,844**	50,370	**42,211**	39,915
Net cash inflow from financing	**7,017**	11,157	**4**	20
Acquisition of subsidiary companies	**20**	–	**141**	23
Disposal of interest in a subsidiary company	**–**	–	**71**	–
Non-controlling interests' share of total comprehensive income	**–**	–	**2,086**	3,108
Dividends paid to non-controlling interests	**–**	–	**(1,008)**	(857)
Dividends payable to non-controlling interests	**–**	–	**(150)**	2
Other non-cash movements	**(93)**	317	**–**	–
At 31st December	**68,788**	61,844	**43,355**	42,211

41. 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 investment properties, available-for-sale investments and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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

2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Swire 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. 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 recognised in 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 2014 and consolidated statement of financial position at 31st December 2014, modified to conform to the Group's financial statements presentation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December 2014

	2014 HK$M	2013 HK$M
Revenue	**105,991**	100,484
Operating expenses	**(101,556)**	(96,724)
Operating profit	**4,435**	3,760
Finance charges	**(1,460)**	(1,370)
Finance income	**302**	351
Net finance charges	**(1,158)**	(1,019)
Share of profits less losses of associated companies	**772**	838
Profit before taxation	**4,049**	3,579
Taxation	**(599)**	(675)
Profit for the year	**3,450**	2,904
Profit for the year attributable to:		
– Cathay Pacific's shareholders	**3,150**	2,620
– Non-controlling interests	**300**	284
	3,450	2,904
Dividends		
Interim – paid	**393**	236
Second interim – declared/paid	**1,023**	629
	1,416	865
	HK¢	HK¢
Earnings per share for profit attributable to Cathay Pacific's shareholders (basic and diluted)	**80.1**	66.6

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2014

	2014 HK$M	2013 HK$M
Profit for the year	**3,450**	2,904
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans	**(316)**	997
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	**(12,468)**	3,170
Net fair value gains on available-for-sale assets	**67**	53
Share of other comprehensive income of associated companies	**(52)**	89
Net translation differences on foreign operations	**(527)**	491
Other comprehensive income for the year, net of tax	**(13,296)**	4,800
Total comprehensive income for the year	**(9,846)**	7,704
Total comprehensive income attributable to:		
Cathay Pacific's shareholders	**(10,144)**	7,418
Non-controlling interests	**298**	286
	(9,846)	7,704

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December 2014

	2014 HK$M	2013 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Fixed assets	**98,471**	94,935
Intangible assets	**10,318**	9,802
Investments in associates	**22,918**	20,314
Other long-term receivables and investments	**6,372**	7,135
Deferred tax assets	**428**	204
	138,507	132,390
Current assets		
Stock	**1,589**	1,511
Trade, other receivables and other assets	**10,780**	9,938
Liquid funds	**21,098**	27,736
	33,467	39,185
Current liabilities		
Current portion of long-term liabilities	**10,002**	11,179
Related pledged security deposits	**(221)**	(961)
Net current portion of long-term liabilities	**9,781**	10,218
Trade and other payables	**23,543**	18,206
Unearned transportation revenue	**12,238**	11,237
Taxation	**199**	1,116
	45,761	40,777
Net current assets/(liabilities)	**(12,294)**	(1,592)
Total assets less current liabilities	**126,213**	130,798
Non-current liabilities		
Long-term liabilities	**55,814**	57,460
Related pledged security deposits	**(499)**	(626)
Net long-term liabilities	**55,315**	56,834
Other long-term payables	**9,354**	1,318
Deferred taxation	**9,691**	9,633
	74,360	67,785
NET ASSETS	**51,853**	63,013
EQUITY		
Share capital	**17,106**	787
Reserves	**34,616**	62,101
Equity attributable to Cathay Pacific's shareholders	**51,722**	62,888
Non-controlling interests	**131**	125
TOTAL EQUITY	**51,853**	63,013

Notes to the Financial Statements
At 31st December 2014

Contingencies

(a) Cathay Pacific Airways ("Cathay Pacific") has under certain circumstances undertaken to maintain specified rates of return within the Cathay Pacific group's leasing arrangements. The Directors of Cathay Pacific do not consider that an estimate of the potential financial effect of these contingencies can practically be made.

(b) At 31st December 2014, contingent liabilities existed in respect of guarantees given by the Cathay Pacific group on behalf of associated companies and staff relating to lease obligations, bank loans and other liabilities of up to HK$4,344 million (2013: HK$2,017 million).

(c) Cathay Pacific operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

(d) Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions and continues to defend itself vigorously. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters. For further information refer to note 37(b) of the Swire Pacific Limited financial statements.

Principal Subsidiary, Joint Venture and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2014

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
PROPERTY DIVISION					
Subsidiary companies					
Incorporated in Hong Kong					
53 Stubbs Road Development Co. Limited	82	–	100	5,000,000 shares	Property development
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
Golden Tent Limited	82	–	100	1 share	Hotel investment
Island Delight Limited	71.75	–	100	1 share	Property trading
Keen Well Holdings Limited	65.6	–	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	Provision of 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	Provision of 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
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	70.93	–	86.5	Limited Liability Company	Property investment
FTL/AD LTD	61.5	–	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

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 11% of attributable net assets at 31st December 2014.
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 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
Charming Grace Limited	82	–	100	1 share of US$1	Property development
Endeavour Technology Limited	71.75	–	87.5	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	65.6	–	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	49.2	–	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
Incorporated in the United Kingdom					
New Light Hotels Limited	82	–	100	17,000,100 shares of GBP1 each	Hotel developer and operator
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.	61.5	–	75	Florida Partnership	Hotel investment
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)	16.4	–	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$561,750,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$110,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$464,780,000	Property investment
Associated companies					
Incorporated in Hong Kong					
Greenroll Limited •	16.4	–	20	45,441,000 shares	Hotel investment
Queensway Hotel Limited •	16.4	–	*	100,000 shares	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	16.4	–	20	10,005,000 shares	Hotel investment

Showing proportion of capital owned at 31st December 2014

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
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
Incorporated in Singapore					
Singapore HAECO Pte. Limited	74.99	–	100	Registered capital of SGD1	Line services
Incorporated in the United States					
HAECO Private Jet Solutions, LLC • (previously known as HAECO Cabin 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	2,000 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

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies					
Incorporated in Hong Kong					
Abacus Distribution Systems (Hong Kong) Limited •	24.07	–	*	15,600,000 shares	Computerised reservation systems and related services
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
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	22.5	–	*	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	22.5	–	*	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

Showing proportion of capital owned at 31st December 2014

	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 BCD Co., Ltd.	74.38	–	85	Registered capital of US$60,000,000	Holding company
Swire Coca-Cola Beverages Hefei Ltd.	59.50	–	80	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
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.	60.68	–	81.58	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire Coca-Cola Beverages Luohe Limited	60.68	–	100	Registered capital of RMB115,180,000	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
Swire Coca-Cola Beverages Shaanxi Limited ^ (previously known as Xian BC Coca-Cola Beverages Limited ^)	74.38	–	100	Registered capital of US$20,000,000	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
Joint venture companies					
Incorporated in Mainland China					
(Sino-foreign joint ventures)					
Swire Coca-Cola Beverages Jiangsu Limited (previously known as Nanjing BC Foods Co., Ltd.)	44.63	–	60	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited	44.63	–	21.46 &*	Registered capital of RMB71,300,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhejiang Limited (previously known as Hangzhou BC Foods Co., Ltd.)	44.63	–	60	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	44.63	–	20.4 &*	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 RMB510,669,100	Manufacture and sale of non-alcoholic beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
BEVERAGES DIVISION (continued)					
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
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

Showing proportion of capital owned at 31st December 2014

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued)					
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 Logistics Pte. Ltd.	70	–	70	1,223,340 shares	Marine logistics services
SCF Swire Offshore Pte. Ltd. •	50.01	–	50.01	10,001 shares of SGD1 each	Ship management services and other related activities
Swire Emergency Response Services Pte. Ltd.	100	–	100	10,000 shares of SGD1 each	Emergency response services
Swire Pacific Offshore Operations (Pte) Ltd	100	–	100	500,000 shares of SGD1 each	Ship owning and operating
Swire Pacific Offshore Services (Pte.) Limited	100	–	100	500,000 shares of SGD1 each	Ship operating
Swire Salvage Pte. Ltd.	100	–	100	2 shares of SGD1 each	Salvage and maritime emergency response services
Swire Production Solutions Pte. Ltd.	100	–	100	100,000 shares of US$1 each 2 shares of SGD1 each	Owning, chartering and operating vessels servicing the offshore marine industry
Incorporated in Norway					
Swire Seabed AS •	100	–	100	126,000 shares of NOK1,400 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
Meritocean Crewing Company Limited •	100	–	100	1,000 shares of EUR1.71 each	Ship personnel services
Incorporated in Brazil					
Swire Pacific Navegacao 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)					
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
HUD General Engineering Services Limited	50	–	*	4,120,000 shares	General engineering services
Associated company					
Incorporated in Philippines					
Anscor Swire Ship Management Corporation •	25	–	25	20,000 shares of PHP100 each	Ship personnel services
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL					
Subsidiary companies					
Incorporated in Hong Kong					
Bageri Investments Limited	100	–	100	1 share	Holding company
Rise Merit Limited	100	–	100	1 share	Sustainable development business investment
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					
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
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 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
Taikoo Sugar Chengdu Limited ^ •	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products

Showing proportion of capital owned at 31st December 2014

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION - INDUSTRIAL (continued)					
Subsidiary companies (continued)					
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	3,720,000 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
(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 *	31.15	–	31.15	3,326,252 Ordinary shares of GBP0.0001 each 5,940,125 'A' Ordinary shares of GBP0.0001 each 22,988,543 'B' Ordinary shares of GBP0.0001 each	Developing renewable chemical and biofuel technology

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
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 RMB30,000,000	Automobile after-sales service centre in Fuzhou
Liberty Motors Services (Shanghai) Limited ^ •	100	–	100	Registered capital of RMB30,000,000	Automobile after-sales service centre in Shanghai
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

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
TRADING & INDUSTRIAL DIVISION - TRADING (continued)					
Subsidiary companies (continued)					
Incorporated in Malaysia					
Swire Motors Sales and Services Sdn. Bhd. •	100	–	100	5,000,000 shares of RM1 each	Automobile distribution in Malaysia
Incorporated in the British Virgin Islands					
Glory Automobiles Limited	100	–	100	1 share of US$1	Holding company
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
Incorporated in the Isle of Man					
Spaciom Limited	100	100	–	650,000 shares of HK$1 each and 3,800,000 redeemable preference shares of HK$0.01 each	Insurance underwriting
Joint venture company					
Incorporated in Taiwan					
China Pacific Laundry Services Limited •	45	–	45	25,000,000 shares of NTD10 each	Laundry services

Sustainable Development Statistics

INTRODUCTION

Reader's Guide
This report covers the calendar year 2014. Our 2013 Annual Report (dated April 2014) covered the calendar year 2013.

The operations not covered by this report include:

Property Division	USA and UK
Aviation Division	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, Taikoo Motors Hong Kong, Macau, Mainland China and Malaysia, the Swire Sustainability Fund, Swire Foods and Chongqing New Qinyuan Bakery.

In 2014 we expanded the scope of reporting to include the following operations:

Property Division	INDIGO investment property and EAST hotel in Beijing, Mainland China
Aviation Division	Cathay Pacific Services Limited and HAECO Americas.

This report 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.

The information in this report has been prepared in accordance with the GRI G4 reporting guidelines at the core level. The table on pages 224 to 226 shows the GRI G4 references in abbreviated form. For full disclosure of the references from the guidelines, please refer to the Swire Pacific reporting methodology which can be found at http://www.swirepacific.com/en/sd/sd/gri_report2015.pdf.

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Description	Annual Report Page number	Information in the Reporting Methodology	Section in the 2014 Annual Report/Comment	External Assurance
Strategy and Analysis					
G4-1	Statement from the most senior decision maker about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	12		Chairman's Statement	* pages 227-229
Organisational Profile					
G4-3	Name of the organisation	1-3		Front Cover Corporate statement	* pages 227-229
G4-4	Primary brands, products, and services	1-3 16-75		Corporate Statement 2014 Performance Review and Outlook	* pages 227-229
G4-5	Location of the organisation's headquarters	1-3		Corporate Statement	* pages 227-229
G4-6	Number of countries where the organisation operates	1-3		Corporate Statement	* pages 227-229
G4-7	Nature of ownership and legal form	139		Notes to the Financial Statements – General Information	* pages 227-229
G4-8	Markets served, types of customers, and beneficiaries	16-75		2014 Performance Review and Outlook	* pages 227-229
G4-9	Scale of organisation	4-7 16-75		2014 Performance Highlights 2014 Performance Review and Outlook	* pages 227-229
G4-10	The total number of employees by employment contract, gender and region	90-91 230-234		Sustainable Development Review – Staff Sustainable Development Statistics The 'Others' category in the regional breakdown of staff includes airline and shipping staff who operate internationally. We do not report employment variation due to seasonal changes as this is not material.	* pages 227-229
G4-11	Percentage of total employees covered by collective bargaining agreements	232		See note in Sustainable Development Statistics	* pages 227-229
G4-12	Description of the organisation's supply chain	92-93		Sustainable Development Review – Working with Others	* pages 227-229
G4-13	Significant changes during the reporting period in size, structure, ownership or supply chain.	12 16-75		Chairman's Statement 2014 Performance Review and Outlook	* pages 227-229
G4-14	Whether and how the precautionary approach is addressed	78-79 121-123		Sustainable Development Review – Overview Risk Management	* pages 227-229
G4-15	Externally developed economic, environmental, social charters and principles which the organisation subscribes to or which it endorses	80-84	•	Sustainable Development Review – Environment	* pages 227-229
G4-16	Memberships of associations and national/international advocacy organisations	92-93	•	Sustainable Development Review – Working with Others	* pages 227-229

General Standard Disclosures	Description	Annual Report Page number	Information in the Reporting Methodology	Section in the 2014 Annual Report/Comment	External Assurance
Identified Material Aspects and Boundaries					
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	212-222 223	•	Principal Subsidiary, Joint Venture and Associated Companies and Investments. Sustainable Development Statistics	* pages 227-229
G4-18	Process of defining report content and aspect boundaries, and how the organisation has implemented the Reporting Principles for Defining Report Content	78-79	•	Sustainable Development Review – Overview	* pages 227-229
G4-19	Material aspects defined as part of defining report content	78-79	•	Sustainable Development Review – Overview	* pages 227-229
G4-20	For each material aspect, report the aspect boundary inside the organisation		•		* pages 227-229
G4-21	For each material aspect, report the aspect boundary outside the organisation		•		* pages 227-229
G4-22	Effect of any restatements of information provided by previous reports, and reasons for restatements	N/A		N/A	* pages 227-229
G4-23	Significant changes from previous reporting period in scope and aspect boundaries	223	•	Sustainable Development Statistics	* pages 227-229
Stakeholder Engagement					
G4-24	List the stakeholder groups engaged by the organisation	78-79	•	Sustainable Development Review – Overview	* pages 227-229
G4-25	Basis for identification and selection of stakeholders with whom to engage	78-79	•	Sustainable Development Review – Overview	* pages 227-229
G4-26	Organisation's approach to stakeholder engagement	78-79	•	Sustainable Development Review – Overview	* pages 227-229
G4-27	Key topics and concerns that have been raised through stakeholder engagements and how the organisation responded	78-79	•	Sustainable Development Review – Overview	* pages 227-229
Report Profile					
G4-28	Reporting period for information provided	223	•	Sustainable Development Statistics	* pages 227-229
G4-29	Date of most recent previous report	223	•	Sustainable Development Statistics	* pages 227-229
G4-30	Reporting cycle	223	•	Sustainable Development Statistics	* pages 227-229
G4-31	Contact point for questions regarding the report or its contents	248		Financial Calendar and Information for Investors	* pages 227-229
G4-32	The GRI G4 'in accordance' option the organisation has chosen	78-79 224-226 223 227-229	•	Sustainable Development Review – Overview GRI Content Index Sustainable Development Statistics Sustainable Development Assurance Statement	* pages 227-229
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report	227-229 1-3		Sustainable Development Assurance Statement Corporate Statement	* pages 227-229
Governance					
G4-34	The governance structure of the organisation, including committees of the highest governance body.	112-120 121-123 78-79		Corporate Governance Report Risk Management Sustainable Development Overview	* pages 227-229
Ethics and Integrity					
G4-56	The organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	1-3 112-120		Corporate Statement Corporate Governance Report	* pages 227-229

Note: The Reporting methodology can be found online at http://www.swirepacific.com/en/sd/sd/gri_report2015.pdf

SPECIFIC STANDARD DISCLOSURES

Specific Standard Disclosure	Description	Sustainable Development Overview: Environment pages 80-84	Sustainable Development Overview: Health & Safety pages 85-86	Sustainable Development Overview: Community pages 87-89	Sustainable Development Overview: Staff pages 90-91	Sustainable Development Overview: Working with Others pages 92-93	Sustainable Development Statistics pages 230-234	Directors and Executive Officers pages 124-125	Information in the Reporting methodology	Omissions	External Assurance
Energy											
G4-DMA	Management approach to energy	•							•		* pages 227-229
G4-EN3	Energy consumption within the organisation						•		•		Total energy consumption pages 227-229
Emissions											
G4-DMA	Management approach to emissions	•							•		* pages 227-229
G4-EN15	Direct greenhouse gas emissions (Scope 1)	•					•		•		Total greenhouse gas emissions by weight pages 227-229
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	•					•		•		
G4-EN20	Emissions of ozone-depleting substances						•		•		
Water											
G4-DMA	Management approach to water	•							•		* pages 227-229
G4-EN8	Total water withdrawal by source	•					•		•		Total water used pages 227-229
G4-EN10	Percentage and total volume of water recycled and reused						•		•		
Effluents and waste											
G4-DMA	Management approach to effluents and waste	•							•		* pages 227-229
G4-EN22	Total water discharge by quality and destination						•		•		
G4-EN23	Total weight of waste by type and disposal method	•					•		•		
Occupational health and safety											
G4-DMA	Management approach to occupational health and safety		•						•		* pages 227-229
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		•				•		•	Occupational health, absenteeism, types of injury and contractor management are monitored and managed by operating companies but not reported at group level. We report by business division as this is most applicable. We do not report by region or gender.	Total employee fatalities Total employee lost time injuries pages 227-229
Local communities											
G4-DMA	Management approach to community			•					•	The specific disclosures required are not considered applicable to Swire Pacific as a group.	* pages 227-229
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes.			•					•		
Employment											
G4-DMA	Management approach to employment				•				•		* pages 227-229
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region						•		•		
Training and education											
G4-DMA	Management approach to training and education				•				•		* pages 227-229
G4-LA9	Average hours of training per year per employee by gender and by employee category				•		•		•	We do not disclose training by gender. We will consider doing so in future.	
Diversity and equal opportunities											
G4-DMA	Management approach to diversity and equal opportunities				•				•		* pages 227-229
G4-LA12	Composition of governance bodies and breakdown of employees by employee category according to gender, age group, minority group and other indicators of diversity							•	•	We use gender and age breakdowns as measures of diversity. We do not have a definition for minority status in our workforce. We do not report workforce by age group. We will consider doing so in future.	
Supply chain											
G4-DMA	Management approach to supply chain					•			•	We are defining indicators relevant to our supply chain and expect to start reporting by reference to them in 2016.	* pages 227-229

Independent Limited Assurance Report

To the board of directors of Swire Pacific Limited

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained:

Selected Sustainability Data
- Nothing has come to our attention that causes us to believe that the Selected Sustainability Data (as defined below) of Swire Pacific Limited ("the Company") for the year ended 31 December 2014 has not been prepared, in all material respects, in accordance with the Criteria (as defined below); and

Selected GRI Disclosures
- Nothing has come to our attention that causes us to believe that the Selected GRI disclosures (as defined below) have not been prepared, in all material respects, in accordance with GRI's G4 Guidelines at the Core level.

Scope of Work

We have undertaken a limited assurance engagement in respect of the Selected Sustainability Data listed below ("Selected Sustainability Data") and of the Selected GRI disclosures listed below ("Selected GRI Disclosures") (collectively referred to as the "Identified Sustainability Information" hereafter).

Identified Sustainability Information

Selected Sustainability Data
- The Selected Sustainability Data, marked with the symbol [R] on pages 230 to 234, for the year ended 31 December 2014 comprise:
  - Total energy consumption
  - Total Greenhouse Gas emissions by weight
  - Total water used
  - Total employee fatalities
  - Total employee lost time injuries

Selected GRI Disclosures
- The Company's declaration in its Annual Report for the year ended 31 December 2014 (the "AR") that it has prepared the sustainability material in the AR in accordance with GRI's G4 Guidelines at the Core level as stated in the AR, including by preparing the following disclosures (which are part of the Selected GRI Disclosures):
  - the General Standard Disclosures marked with the symbol [*] in the AR, and;
  - the Disclosures on Management Approach ("DMA") as marked with the symbol [*] including Generic and Specific Standard Disclosures on Management Approach for Material Aspects, presented in the AR.

Our assurance was with respect to the Identified Sustainability Information for the year ended 31 December 2014 only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2014 AR for the purposes of this engagement 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 2014 Online Sustainability Report at http://www.swirepacific.com/en/sd/sd/gri_report2015.pdf (the "Criteria") and the GRI G4 Guidelines at https://www.globalreporting.org/reporting/g4/Pages/default.aspx ("GRI G4 Guidelines").

Swire Pacific Limited Responsibility for the Identified Sustainability Information

The Company is responsible for the preparation of the Identified Sustainability Information in accordance with the Criteria and the GRI G4 Guidelines. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and presentation of the Identified Sustainability Information that is free from material misstatement, whether due to fraud or error, and is in accordance with the Criteria and GRI G4 Guidelines;
- applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances;
- establishing objective criteria for preparing the Identified Sustainability Information;
- application of GRI G4 principles to ensure compliance with GRI G4's Guidelines at the Core level;
- responsibility for the content of the AR, including responsibility for determining the Material Aspects (as defined in GRI G4 Guidelines), Indicators (as so defined) and other content of the AR; and
- retention of sufficient, appropriate evidence to support the aforementioned.

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, quantification of greenhouse gas emissions ("GHG") 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, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*', and, in respect of GHG, 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 of the Company's use of the Criteria and the GRI G4 Guidelines at the Core level 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 inquiries, 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:

Selected Sustainability Data
- made inquiries of the persons responsible for the Selected Sustainability Data;
- understood the process for collecting and reporting the Selected Sustainability Data;
- performed limited substantive testing on a selective basis of the Selected Sustainability Data to check that it had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Selected Sustainability Data.

Selected GRI Disclosures
- made enquiries of relevant management of the Company and its subsidiaries as appropriate;
- evaluated the design of the key processes and controls for managing and defining the report content and the Material Aspect boundaries; and
- compared the disclosures in the AR with the required disclosures in accordance with the GRI G4 Guidelines at the Core level.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than those 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 and the GRI G4 Guidelines at the Core level.

Restriction of Use

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
19 March 2015

Sustainable Development Statistics

Total Energy Consumption (EN3)

	Energy consumption in GJ [Note 1]						
	Direct energy consumption		Indirect energy consumption		Total		Change
Company	2014	2013	2014	2013	2014	2013	%
Property							
Swire Properties	**58,712**	35,854	**1,014,932**	857,933	**1,073,644**	893,786	20%
Aviation							
Cathay Pacific group	**233,634,354**	221,816,121	**486,840**	338,048	**234,121,195**	222,154,170	5%
HAECO group	**379,355**	312,647	**465,019**	346,959	**844,373**	659,606	28%
Beverages							
Swire Beverages	**892,042**	666,600	**881,174**	791,354	**1,773,216**	1,457,954	22%
Marine Services							
Swire Pacific Offshore [Note 2]	**999,833**	689,204	**–**	4,668	**999,833**	693,872	44%
HUD group	**357,808**	375,918	**20,919**	24,159	**378,727**	400,077	-5%
Trading & Industrial	**24,834**	22,924	**126,339**	99,406	**151,173**	122,331	24%
Total [Note 3]	**236,346,939**	223,919,269	**2,995,224**	2,462,528	**239,342,162**[R]	226,381,796	6%

Notes:
1. We adopted the lower heating value coefficients to convert fuel quantities into energy consumed.
2. This figure excludes on-hire vessel fuel consumption.
3. 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 on pages 227 to 229 for further details.

Total Direct and Indirect Greenhouse Gas Emissions by Weight (EN15+16)

	Emission in tonnes CO_2e						
	Direct (Scope 1)		Indirect (Scope 2)		Total		Change
Company	2014	2013	2014	2013	2014	2013	%
Property							
Swire Properties	**9,155**	3,025	**216,893**	184,376	**226,047**	187,400	21%
Aviation							
Cathay Pacific group [Note 1]	**16,842,369**	15,912,662	**88,659**	58,177	**16,931,029**	15,970,839	6%
HAECO group	**30,910**	24,281	**81,061**	61,515	**111,971**	85,796	31%
Beverages							
Swire Beverages	**67,337**	49,168	**183,782**	164,082	**251,118**	213,250	18%
Marine Services							
Swire Pacific Offshore [Note 2]	**83,690**	58,295	**750**	631	**84,439**	58,926	43%
HUD group	**29,224**	30,690	**3,735**	3,961	**32,959**	34,651	-5%
Trading & Industrial	**2,414**	1,673	**24,851**	19,094	**27,265**	20,767	31%
Total [Note 3]	**17,065,098**	16,079,793	**599,731**	491,835	**17,664,829**[R]	16,571,628	7%

Notes:
1. 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.
2. The figure excludes emissions from on-hire vessel fuel consumption as these belong to scope 3 as defined by the Greenhouse Gas Protocol.
3. 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 on pages 227 to 229 for further details.

Ozone Depleting Substances Emitted (EN20)

Company	Total (kg CFC-11 equivalent) 2014	2013
Property		
Swire Properties	**62**	66
Aviation		
Cathay Pacific group	**8,329**	15,343
HAECO group	**438**	25
Beverages		
Swire Beverages	**91**	79
Marine Services		
Swire Pacific Offshore	**87**	159
HUD group	**–**	–
Trading & Industrial	**–**	–
Total Note 1	**9,007**	15,673

Note:
1. Totals may not be the exact sum of numbers shown here due to rounding.

Total Water Withdrawal by Source (EN8)
Percentage and Total Volume of Non-sea Water Reused (EN10)
Total Water Discharge by Quality and Destination (EN22)

	Water Used (cbm) Note 1			Water recycled (as % of total)				Water discharged (as % of input) Note 2			
	Total			Treated		Untreated		To Sea		To Sewer	
Company	2014	2013	Change %	2014	2013	2014	2013	2014	2013	2014	2013
Property											
Swire Properties	**1,209,849**	960,874	26%	**10%**	1%	**1%**	–	**–**	–	**50%**	50%
Aviation											
Cathay Pacific group	**839,214**	782,216	7%	**–**	–	**–**	–	**–**	–	**100%**	100%
HAECO group	**666,063**	636,915	5%	**20%**	22%	**–**	–	**–**	–	**67%**	79%
Beverages											
Swire Beverages	**6,517,346**	6,076,755	7%	**5%**	5%	**6%**	6%	**7%**	–	**29%**	44%
Marine Services											
Swire Pacific Offshore	**–**	–	–	**–**	–	**–**	–	**–**	–	**–**	–
HUD group	**41,562**	52,307	-21%	**–**	–	**–**	–	**67%**	64%	**–**	–
Trading & Industrial	**165,090**	116,363	42%	**8%**	–	**–**	–	**–**	–	**–**	–
Total Note 3	**9,439,125**R	8,625,429	9%	**–**	–	**–**	–	**–**	–	**–**	–

Notes:
1. 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.
2. We received no non-compliance reports in relation to water discharge in 2014. This indicated that all of our wastewater met relevant legal requirements prior to discharge.
3. 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 on pages 227 to 229 for further details.

Total Waste by Type and Disposal Method (EN23)

	Total Waste in tonnes				
	Waste Disposed		Waste Recycled		
Company	Hazardous	Non-Hazardous	Hazardous	Non-Hazardous	Total
Property					
Swire Properties	4,465	38,603	118	3,058	46,244
Aviation					
Cathay Pacific group	–	12,790	–	4,639	17,429
HAECO group	597	4,675	–	1,098	6,370
Beverages					
Swire Beverages	1,829	3,923	71	8,599	14,422
Marine Services					
Swire Pacific Offshore	3,152	1,537	–	24	4,713
HUD group	–	–	–	–	–
Trading & Industrial	2	2	–	418	422
Total	10,045	61,530	189	17,836	89,600

Swire Pacific Group Workforce Data at 31st December 2014 (G4-10)

	Total Workforce									Total workforce by region (%)				
			Total 2014											
Company	No of Employees 2014 (Permanent and Fixed Term)	Supervised Workers 2014	Male	Female	Total	Total 2013	Change %	Employees who are on Permanent Term (%)	Permanent employees who work Full-time (%)	Hong Kong and Macau	Main-land China	Taiwan	USA	Others
Swire Pacific (Head Office)	**39**	**–**	**13**	**26**	**39**	35	11%	**100%**	**100%**	**97%**	**3%**	**0%**	**0%**	**0%**
Property														
Swire Properties	**5,446**	**51**	**3,422**	**2,075**	**5,497**	5,002	10%	**58%**	**95%**	**55%**	**39%**	**0%**	**0%**	**7%**
Aviation														
Cathay Pacific group	**31,382**	**1,987**	**15,514**	**17,855**	**33,369**	29,682	12%	**91%**	**98%**	**77%**	**3%**	**4%**	**2%**	**14%**
HAECO group	**15,069**	**278**	**12,624**	**2,723**	**15,347**	12,482	23%	**96%**	**99%**	**43%**	**37%**	**0%**	**19%**	**0%**
Beverages														
Swire Beverages	**18,437**	**1,482**	**15,520**	**4,399**	**19,919**	19,678	1%	**92%**	**100%**	**7%**	**76%**	**4%**	**13%**	**0%**
Marine Services														
Swire Pacific Offshore	**2,596**	**–**	**2,419**	**177**	**2,596**	2,362	10%	**51%**	**100%**	**0%**	**0%**	**0%**	**0%**	**100%**
HUD group	**431**	**–**	**395**	**36**	**431**	443	-3%	**93%**	**100%**	**100%**	**0%**	**0%**	**0%**	**0%**
Trading & Industrial	**5,210**	**–**	**2,793**	**2,417**	**5,210**	5,332	-2%	**80%**	**84%**	**57%**	**20%**	**22%**	**0%**	**1%**
Total	**78,610**	**3,798**	**52,700**	**29,708**	**82,408**	75,016	10%	**88%**	**98%**	**49%**	**30%**	**4%**	**8%**	**9%**

Note: The majority of our employees are in Hong Kong and Mainland China. In Hong Kong, there is no legal framework for collective bargaining arrangements with trade unions. In Mainland China, we are normally required to deal with official trade unions.

Swire Pacific Group Employee Turnover Data at 31st December 2014 (LA1)

	By age group			By gender		By region					
Company	Under 30 years old	30 to 50 years old	Over 50 years old	Male	Female	Hong Kong and Macau	Mainland China	Taiwan	USA	Others	Total Rate of Employee Turnover (%)
Swire Pacific (Head Office)	0%	17%	0%	15%	8%	8%	100%	–	–	–	10%
Property											
Swire Properties	38%	19%	26%	26%	26%	25%	28%	–	0%	0%	26%
Aviation											
Cathay Pacific group	21%	8%	13%	12%	13%	15%	9%	3%	8%	7%	13%
HAECO group	16%	10%	10%	11%	12%	11%	6%	–	23%	–	12%
Beverages											
Swire Beverages	30%	14%	12%	22%	13%	28%	18%	12%	26%	–	20%
Marine Services											
Swire Pacific Offshore	2%	6%	3%	5%	7%	–	–	–	–	5%	5%
HUD group	41%	11%	15%	19%	22%	19%	–	–	–	–	19%
Trading & Industrial	103%	24%	28%	59%	72%	91%	44%	17%	100%	46%	65%

Swire Pacific Group New Employee Hires Data at 31st December 2014 (LA1)

	By age group			By gender		By region					
Company	Under 30 years old	30 to 50 years old	Over 50 years old	Male	Female	Hong Kong and Macau	Mainland China	Taiwan	USA	Others	Total Rate of Employee New Hire (%)
Swire Pacific (Head Office)	50%	17%	0%	23%	19%	21%	0%	–	–	–	21%
Property											
Swire Properties	55%	27%	28%	35%	37%	34%	40%	–	0%	0%	36%
Aviation											
Cathay Pacific group	39%	7%	6%	17%	16%	18%	14%	15%	12%	9%	16%
HAECO group	21%	8%	7%	12%	14%	13%	4%	–	0%	–	12%
Beverages											
Swire Beverages	40%	11%	7%	23%	17%	29%	19%	14%	32%	–	22%
Marine Services											
Swire Pacific Offshore	46%	11%	3%	16%	16%	–	–	–	–	16%	16%
HUD group	49%	13%	4%	15%	28%	16%	–	–	–	–	16%
Trading & Industrial	112%	32%	21%	70%	75%	97%	49%	29%	0%	98%	72%

Rates of Injury, Lost Days and Work-related Fatalities (LA6)

	Injuries (including fatalities) Note 1														
	Thousand hours worked (employees)		Total fatalities (employees)		Total lost time injuries (employees)		Lost time injury rate			Lost days due to injuries		Lost day rate		
Company	2014	2013	2014	2013	2014	2013	2014	2013	Change%	2014	2013	2014	2013	Change %
Property														
Swire Properties	**9,334**	8,390	**–**	–	**91**	96	**1.95**	2.29	-15%	**2,510**	2,166	**53.78**	51.62	4%
Aviation														
Cathay Pacific group	**66,682**	61,838	**–**	1	**1,225**	1,497	**3.67**	4.84	-24%	**33,032**	35,843	**99.07**	115.93	-15%
HAECO group	**34,395**	28,525	**–**	–	**270**	240	**1.57**	1.68	-7%	**7,696**	7,349	**44.75**	51.53	-13%
Beverages														
Swire Beverages	**42,772**	41,533	**–**	–	**147**	176	**0.69**	0.85	-19%	**5,143**	5,621	**24.05**	27.07	-11%
Marine Services														
Swire Pacific Offshore	**15,779**	11,021	**–**	–	**11**	10	**0.14**	0.18	-23%	**606**	373	**7.68**	6.77	13%
HUD group	**1,721**	1,972	**–**	–	**16**	29	**1.86**	2.94	-37%	**841**	953	**97.74**	96.67	1%
Trading & Industrial	**9,317**	9,316	**–**	–	**63**	46	**1.35**	0.99	37%	**963**	1,238	**20.67**	26.57	-22%
Total Note 2	**179,999**	162,595	**–R**	1	**1,823R**	2,094	**2.03**	2.58	-21%	**50,790**	53,542	**56.43**	65.86	-14%

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 on pages 227 to 229 for further details.

Swire Pacific Group Average Hours of Training Per Employee for 2014 (LA9)

	Top/Senior Management	Middle/Junior management and supervisory	Customer facing staff	Non-customer facing operational/ technical staff	Others	Total
Company	Average hours of training in 2014	Average hours of training in 2014	Average hours of training in 2014	Average hours of training in 2014	Average hours of training in 2014	Average hours of training in 2014
Swire Pacific (Head Office)	**38.6**	**13.2**	**–**	**–**	**0.7**	**16.5**
Property						
Swire Properties	**15.6**	**14.6**	**9.6**	**9.6**	**8.6**	**10.6**
Aviation						
Cathay Pacific group	**3.2**	**9.8**	**30.5**	**19.2**	**0.7**	**24.0**
HAECO group	**27.1**	**70.0**	**61.2**	**15.1**	**215.8**	**53.0**
Beverages						
Swire Beverages	**42.6**	**43.9**	**36.3**	**35.3**	**28.0**	**32.3**
Marine Services						
Swire Pacific Offshore	**7.0**	**10.2**	**–**	**7.7**	**91.3**	**79.7**
HUD group	**10.4**	**14.8**	**–**	**7.4**	**–**	**9.1**
Trading & Industrial	**12.9**	**11.3**	**14.9**	**30.6**	**3.9**	**15.7**

Schedule of Principal Group Properties

At 31st December 2014

	Gross floor areas in square feet								
	Hong Kong		Mainland China		USA		UK	Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment									
Retail	2,337,174	99,696	2,859,885	1,083,182	–	–	–	5,197,059	6,379,937
Office	8,099,503	687,130	1,731,766	297,732	–	–	–	9,831,269	10,816,131
Techno-centre	893,516	–	–	–	–	–	–	893,516	893,516
Residential/Serviced Apartment	591,594	–	51,517	–	–	–	–	643,111	643,111
Hotel	358,371	384,796	753,647	179,135	–	258,750	208,687	1,320,705	2,143,386
	12,280,158	1,171,622	5,396,815	1,560,049	–	258,750	208,687	17,885,660	20,876,081
Property developments for investment									
Retail	–	–	–	539,330	490,000	–	–	490,000	1,029,330
Office	1,575,035	191,250	–	925,704	260,000	–	–	1,835,035	2,951,989
Residential/Serviced Apartment	–	–	–	54,025	109,000	–	–	109,000	163,025
Hotel	–	–	–	377,026	218,000	–	–	218,000	595,026
Under Planning	–	92,000	–	–	1,300,000*	–	–	1,300,000	1,392,000
	1,575,035	283,250	–	1,896,085	2,377,000	–	–	3,952,035	6,131,370
Completed properties for sale									
Retail	–	3,820	–	–	–	–	–	–	3,820
Residential	37,201	1,060	–	–	5,359	–	–	42,560	43,620
Retail/Office	–	–	–	649,941	12,586	–	–	12,586	662,527
	37,201	4,880	–	649,941	17,945	–	–	55,146	709,967
Property developments for sale									
Office	–	–	–	–	–	–	–	–	–
Residential	425,735	–	–	–	2,075,800	–	–	2,501,535	2,501,535
Under Planning	–	–	–	–	787,414	–	–	787,414	787,414
	425,735	–	–	–	2,863,214	–	–	3,288,949	3,288,949
	14,318,129	1,459,752	5,396,815	4,106,075	5,258,159	258,750	208,687	25,181,790	31,006,367

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

Notes:

1. All properties held through subsidiary companies are wholly-owned except for Island Place (60% owned), TaiKoo Hui (97% owned), AZURA (87.5% owned), MOUNT PARKER RESIDENCES (80% owned), Brickell City Centre (Retail: 86.5% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes 100% of the floor areas of these seven properties.
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 over 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 exclude car parking spaces; there are about 450 completed car parking spaces held by other companies for investment.
7. Gross floor areas in the UK exclude car parking spaces; there are about 50 completed car parking spaces held by subsidiaries for investment.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	Office building.
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	Office building.
The Mall at Pacific Place	IL 8571 (part)/IL 8582 & Ext. (part)	2135/2047	318,289 (part)	711,182	430	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050-2852	40,236	627,657	111	2004/07	Office building linked to The Mall and Admiralty MTR station.
3. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/87/97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
4. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Office building over part of Cityplaza shopping centre.
5. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK ss18	2899	33,730	447,714	10	1992	Office building linked by a footbridge to Cityplaza. Floor area includes ten floors which will be assigned to the Government no later than 30th December 2016.

	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
6.	Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	556,431	–	1991	Office building linked by a footbridge to Cityplaza.
7.	Commercial areas in Stages I – X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2889/ 2899	–	331,079	3,826	1977-85	Neighbourhood shops, schools and car parking spaces.
8.	Devon House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Office building linked to Dorset House and Cambridge House.
9.	Dorset House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Office building linked to Devon House.
10.	Lincoln House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,353	164	1998	Office building linked to PCCW Tower.
11.	Oxford House, Taikoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/ 2899	33,434	501,253	182	1999	Office building linked to Cornwall House.
12.	Cambridge House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Office building linked to Devon House.
13.	One Island East, Taikoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/ 2899	109,929	1,537,011	–	2008	Office building linked to Cornwall House.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
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			10,424,365	6,454		
19 PCCW Tower, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the 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			
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 was 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		

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
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. TAIKOO PLACE APARTMENTS, 23 Tong Chong Street, Taikoo Place, Quarry Bay	ML 703 sI	2881	8,664	Serviced Apartment: 62,756 Retail: 12,312	–	2014	111 serviced suites above 3 storey retail podium. The development is expected to open in the 3rd quarter of 2015.
				75,068			
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.
6. OPUS HONG KONG, 53 Stubbs Road, The Peak	RBL 224	2074	32,496 (part)	45,127	16	2011	Eight apartment units.
	Total held through subsidiaries			603,906	23		
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			
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 areas shown represent the retail portion, of which the Swire Properties group owns 50%.
6. Daci Temple Project (Retail: Sino-Ocean Taikoo Li Chengdu)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (Part)	1,226,870	1,000	2014	Floor areas shown represent the retail portion of the development, of which the Swire Properties group owns 50%.
	Total held through joint venture companies			2,166,363	1,615		
	– of which attributable to the Swire Properties group			1,083,182			

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 Serviced Apartment	584,184 51,517	– –	2012	263-room hotel and 24 serviced apartments. The bare-shell and exterior facade of cultural centre with 629,414 square feet is built according to the agreements with Cultural Bureau and awaiting hand over to the Guangzhou Government. Floor area shown represents the hotel and serviced apartment portion, of which the Swire Properties group owns 97%.
	Total held through subsidiaries				805,164	32		
3. EAST, Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (Part)		358,269	240	2012	369 - room hotel. Floor area shown represents the hotel portion, of which the Swire Properties group owns 50%. Open as of the 3rd quarter of 2012.
	Total held through joint venture companies				358,269	240		
	– of which attributable to the Swire Properties group				179,135			

Completed properties for investment in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel						
1. Mandarin Oriental, Miami	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the 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			

Completed properties for investment in the United Kingdom	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel					
1. The Montpellier Chapter, Cheltenham	34,875	36,662	24	2000	61-room freehold hotel in Cheltenham. Re-opened in December 2010 after refurbishment.
2. The Magdalen Chapter, Exeter	46,888	36,001	10	2001	59-room freehold hotel in Exeter. Re-opened in June 2012 after refurbishment.
3. Hotel Seattle, Brighton	22,755	48,416	–	2003	71-room hotel in Brighton. 35-year leasehold commenced in September 2002.
4. Avon Gorge Hotel, Bristol	71,547	87,608	20	1855	75-room freehold hotel in Bristol. Floor area includes an external terrace.
Total held through subsidiaries		208,687	54		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. New Kowloon Inland Lot No. 6312, Kowloon Bay	NKIL 6312	2063	46,253	Office	555,035	223	Excavation and Foundation in progress	2017	Floor area shown represents the total gross floor area permitted under the Conditions of Sale.
2. Somerset House Redevelopment, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	Office	1,020,000	92	Demolition completed	2018	Floor area shown is an approximation.
	Total held through subsidiaries				1,575,035	315			

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

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. Dazhongli Project	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2049 (for Retail/ Hotel); 2059 (for Office)	676,091	Retail Office Hotel	1,078,660 1,851,408 527,307	1,200	Superstructure in progress	2016	Floor areas shown represent the whole development, of which the Swire Properties group owns 50%.
					3,457,375	1,200			
2. Daci Temple Project (Hotel & Serviced Apartment: The Temple House)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (Part)	Hotel Serviced Apartment	226,744 108,049		Fitout in progress	2015	Floor areas shown represent the hotel and serviced apartment portions of the development, of which the Swire Properties group owns 50%.
					334,793				
	Total held through joint venture companies				3,792,168	1,200			
	– of which attributable to the Swire Properties group				1,896,084				

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

Completed properties for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. AZURA, Mid Levels West	IL 577 sC (part) IL 577 sD (part) IL 577 sE (part) IL 577 sF (part) IL 577 sG (part) IL 577 sH (part) IL 577 sI (part) IL 577 sJ (part) IL 577 sL ss1 (part) IL 577 sL ss2 (part) IL 577 sL ss3 (part) IL 577 sL RP (part) IL 577 sM (part)	2857	22,957 (part)	7,998	41	2012	As at 31st December 2014, 122 units were closed and/or sold. Floor area shown represents the remaining 4 residential units and 41 unsold car parking spaces, of which the Swire Properties group owns 87.5%.
2. ARGENTA, Mid Levels West	IL 2300	2856	7,975 (part)	8,994	3	2013	As at 31st December 2014, 27 units and 25 car parking spaces were closed and/or sold. Floor area shown represents the remaining 3 residential units and 3 unsold car parking spaces.
3. MOUNT PARKER RESIDENCES, Quarry Bay	SIL 761 RP	2057	28,490	20,209	68	2013	As at 31st December 2014, 82 units were closed and/or sold after the issuance of the Certificate of Compliance. Floor area shown represents the remaining 10 residential units and 68 unsold car parking spaces, of which the Swire Properties group owns 80%.
	Total held through subsidiaries			37,201	112		
4. DUNBAR PLACE, Ho Man Tin	KIL 3303 sA	2083	17,712	2,120	5	2013	As at 31st December 2014, 52 residential units and 52 car parking spaces were closed and/or sold. Floor area shown represents the remaining 1 residential unit and 5 unsold car parking spaces, of which the Swire Properties group owns 50%.
	Total held through joint venture companies			2,120	5		
	- of which attributable to the Swire Properties group			1,060			

Completed properties 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	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			

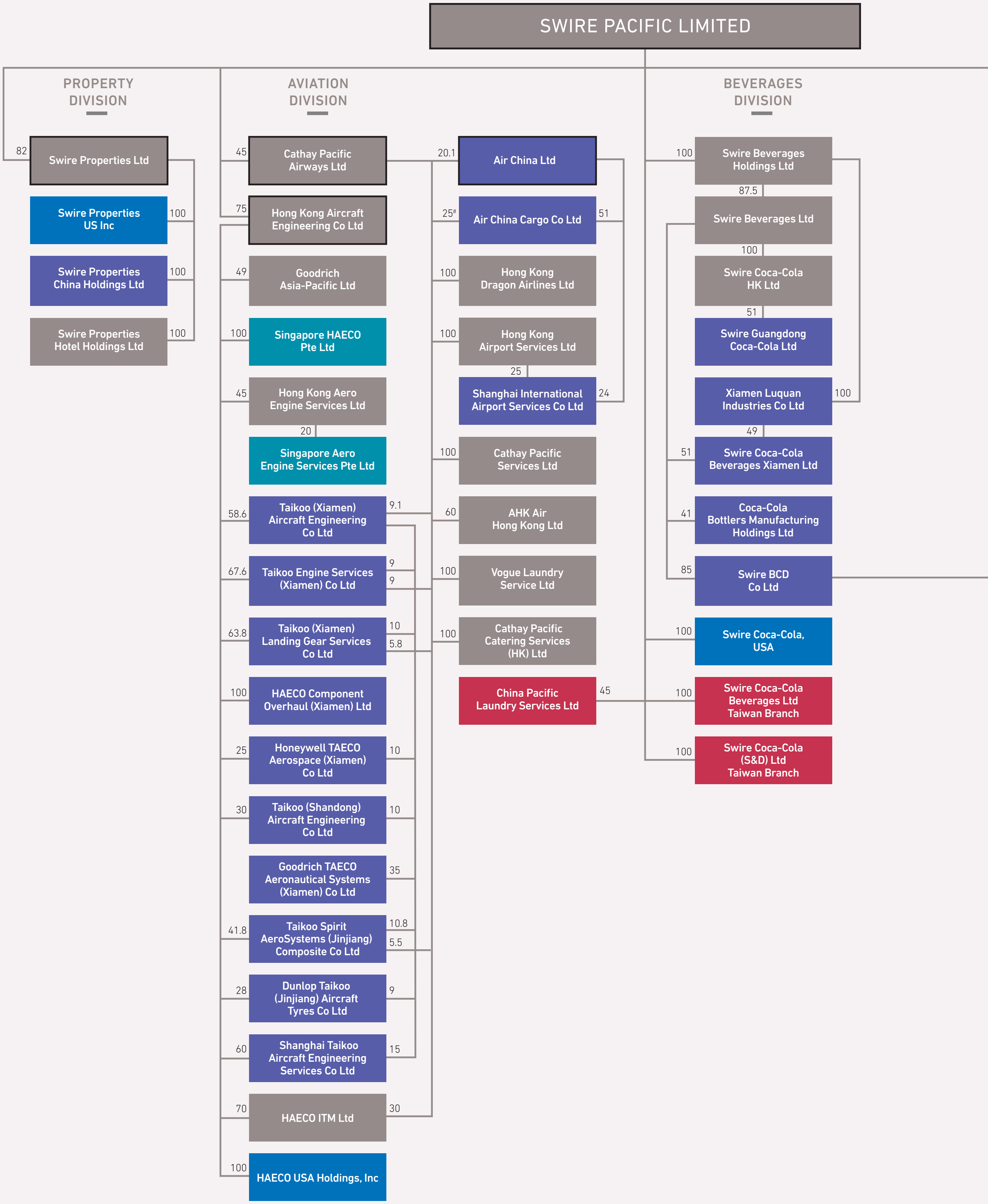
Completed properties for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. Daci Temple Project (Office: Pinnacle One)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (Part)	Office	1,299,882	499	2014	Floor area shown represents the office portion of the development, of which the Swire Properties group owns 50%.
	Total held through joint venture companies				1,299,882	499		
	- of which attributable to the Swire Properties group				649,941			

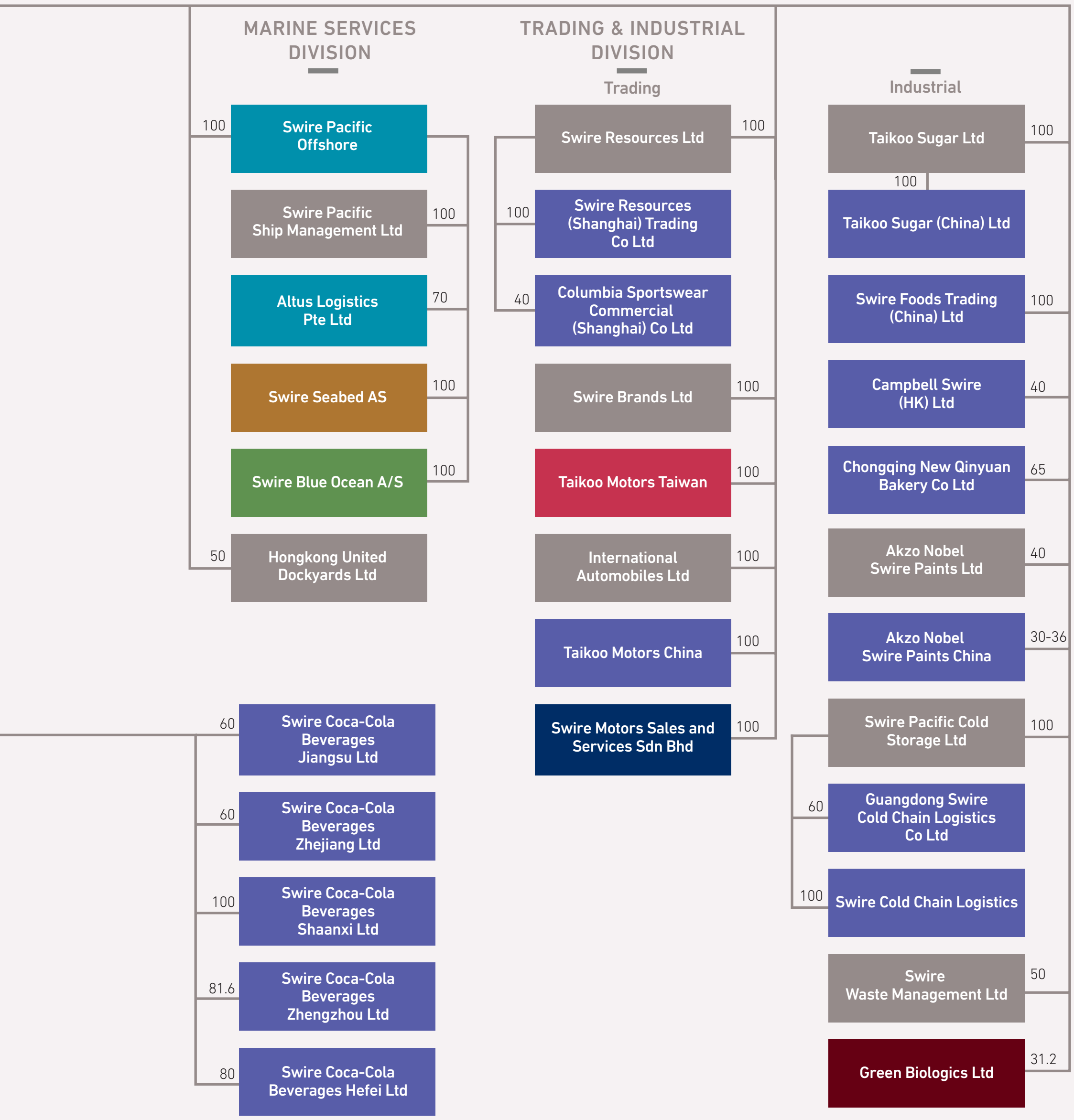
Completed properties for sale in the United States	Address	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. ASIA	900 Brickell Key, Miami, Florida	173,531	Residential	5,359	4	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. As at 31st December 2014, 122 units were closed.
2. River Court	Fort Lauderdale, Florida	21,750	Retail/Office	12,586	38	1966	The development site was acquired in October 2006, in which the 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. AREZZO, Mid Levels West	IL 424 sB ss1 RP IL 424 sB RP IL 425 s7 sA IL 425 s7 sB IL 425 s7 sC IL 425 s7 sD IL 424 sC RP IL 424 sD RP IL 424 RP	2854	20,756	Residential	165,792	-	Superstructure completed and the occupation permit was issued in January 2015	2015	Floor area shown represents the whole development with 127 residential units with 48 storeys above podium. As at 31st December 2014, 77 units were presold.
2. 100 Caine Road (formerly known as 2 Castle Road), Mid Levels West	IL 425 s1 RP IL 425 s2 IL 425 s3 IL 425 s4 IL 425 s5 ss1 IL 425 s5 RP IL 425 RP	2854	21,726	Residential	195,533	43	Superstructure in progress	2016	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
3. 160 South Lantau Road, Cheung Sha	Lot 724 and Lot 726 in DD332	2062	161,029	Residential	64,410	–	Interior and exterior finishing works in progress and the occupation permit was issued in February 2015	2015	Floor area shown represents a proposed residential development with 28 detached houses.
	Total held through subsidiaries				425,735	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	421,800	395	-	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	182,191	Under planning	787,414	1,050	-	Development site in Fort Lauderdale acquired in October 2006, in which the Swire Properties group has a 75% interest.
3. Brickell City Centre, Miami, Florida	380,670 (part)	Condominium	1,134,000	1,025	2015	Two residential development sites in Brickell City Centre, an urban mixed use development located in the Brickell financial district. Construction commenced in July 2012 and the project is scheduled to open by the end of 2015.
	380,670 (part)	Condominium	520,000	544	-	The development on the North Squared site is currently on hold.
	Total held through subsidiaries		2,863,214	3,014		

Group Structure Chart





Publicly Quoted
Hong Kong
Mainland China
Singapore
Taiwan
United States of America
Norway
Denmark
United Kingdom
Malaysia

* 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 equity attributable to the Company's shareholders Reported equity before non-controlling interests, adjusted for the impact of deferred tax on changes in the fair value of investment properties in Mainland China.

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 produce 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.

GRI G4 reporting at the core level specifies the 'General Standard Disclosures' and 'Specific Standard Disclosures' required for reports which are prepared in accordance with this level of compliance. The GRI content table on pages 224 to 226 shows where these disclosures are located in our report or on our website.

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

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

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

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

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

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

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

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

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 2015

Annual Report available to shareholders	14th April
'A' and 'B' shares trade ex-dividend	15th April
Share registers closed for second interim dividends entitlement	17th April
Payment of 2014 second interim dividends	8th May
Share registers closed for attending and voting at Annual General Meeting	18th – 21st May
Annual General Meeting	21st May
Interim results announcement	August
First interim dividends payable	October

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1-888-BNY-ADRS
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.

Auditors

PricewaterhouseCoopers

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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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Design: FutureBrand www.futurebrand.com Printed in Hong Kong This Annual Report is printed on FSC™ certified paper with 100% recycled and soy-based inks.

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