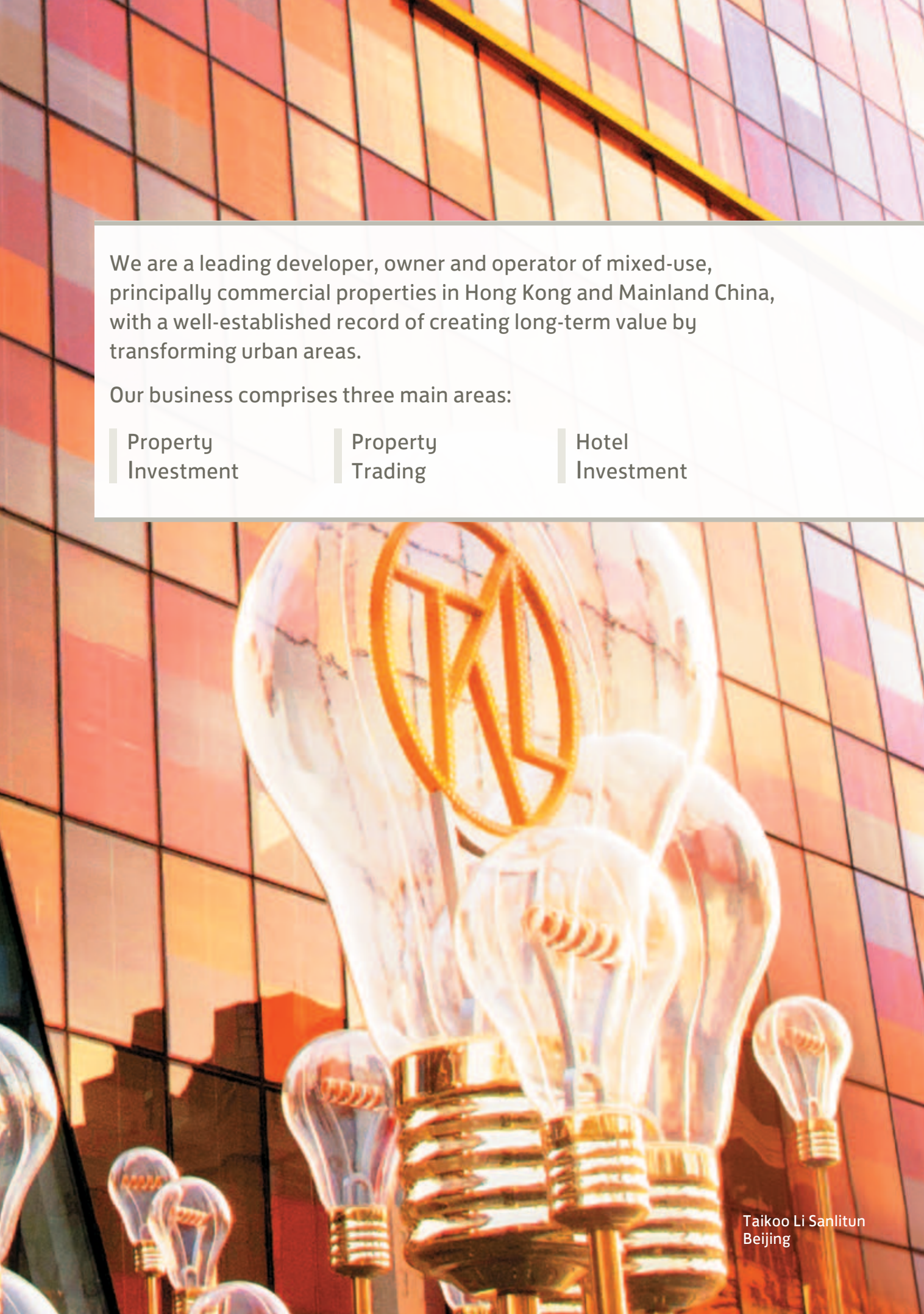




Annual Report
2013

 SWIRE PROPERTIES

Stock Code: 1972



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

Our business comprises three main areas:

Property
Investment

Property
Trading

Hotel
Investment

2013 Highlights



Celebration of the completion of **Old Wan Chai Revitalisation Initiatives**

March – Hong Kong
details on page 88

Presales of units in **DUNBAR PLACE** started, the first presales of apartments in a new residential development after the Residential Properties (First-hand Sales) Ordinance came into effect

April – Hong Kong
details on page 41



Announcement of the renaming of our mixed-use commercial development from “Beijing Sanlitun Village” to **“Taikoo Li Sanlitun”**

April – Beijing
details on page 29



Announcement of the new hotel “The Temple House” and the naming of “Sino-Ocean Taikoo Li Chengdu”

May/June – Chengdu
details on page 33

Acquisition of a 1.55 acre site to be incorporated in Brickell City Centre

July – Miami
details on page 34



ARGENTA

was completed and handed over to the purchasers

September – Hong Kong
details on page 40

Hosting the first “White Christmas Street Fair” in Island East

December – Hong Kong
details on page 88



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Company Profile

Swire Properties is a leading developer, owner and operator of mixed-use, principally commercial properties in Hong Kong and Mainland China, with a well-established record of creating long-term value by transforming urban areas. Our business comprises three main areas: property investment, property trading and hotel investment.

Founded in Hong Kong in 1972, Swire Properties is listed on The Stock Exchange of Hong Kong Limited and, with its subsidiaries, employs more than 4,500 people.

In Hong Kong, we have spent over 40 years developing Island East from an industrial area into one of Hong Kong's largest business districts integrated with extensive road and retail connection and served by a hotel and the largest shopping mall on Hong Kong Island. Pacific Place, built on the former Victoria Barracks site, is now one of Hong Kong's premier retail and business addresses. In Mainland China, Swire Properties has five major mixed-use projects either in operation or under development in Beijing, Guangzhou, Chengdu and Shanghai. Similar in scale to our developments in Hong Kong, our Mainland China properties are located in commercial districts near transport hubs.

Swire Properties continues to expand its activities in the luxury residential market in Hong Kong. Under our Swire Hotels brand, we develop and manage hotels in Hong Kong, Mainland China, the U.S.A. and the U.K.

The Company has a significant presence in Miami, Florida, U.S.A. where it commenced business in 1980. It is in the process of developing Brickell City Centre, a large-scale mixed-use project in the Brickell financial district in Miami. The Company has an office in Singapore to explore investment opportunities in the city's commercial and property markets. In addition, an office in Jakarta was opened in August 2013 to explore the business opportunities in Indonesia.

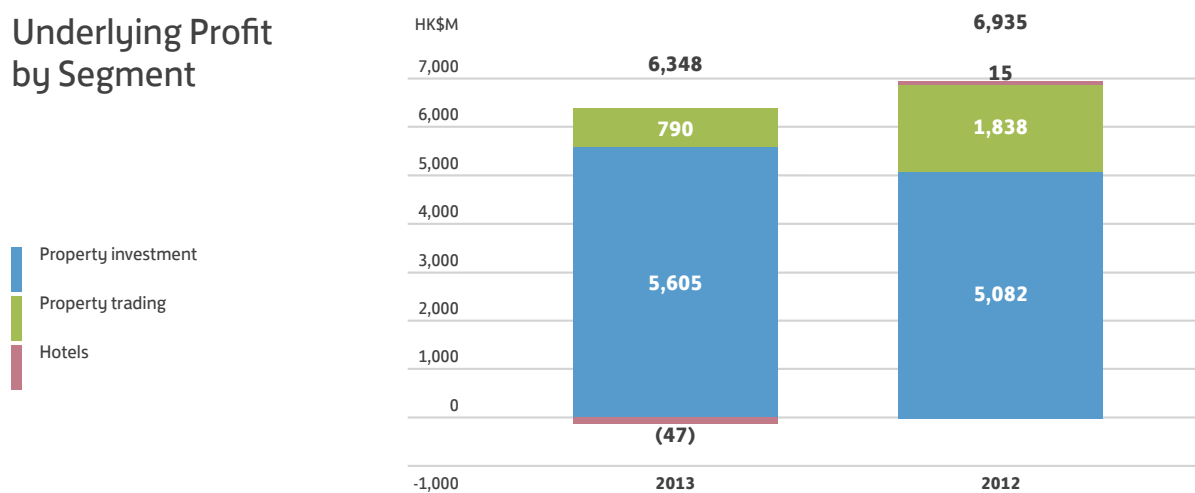
Financial Highlights

Results	Note	2013 HK\$M	2012 HK\$M Restated	Change
For the year				
Turnover		12,935	14,052	-7.9%
Operating profit		14,498	21,496	-32.6%
Profit attributable to the Company's shareholders				
Underlying	(a), (b)	6,348	6,935	-8.5%
Reported	(c)	12,525	18,753	-33.2%
Cash generated from operations		8,873	8,116	+9.3%
Net cash inflow before financing		577	1,474	-60.9%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	1.09	1.19	-8.4%
Reported	(c)	2.14	3.21	-33.3%
Dividends per share				
First interim		0.20	0.22	-9.1%
Second interim		0.40	0.38	+5.3%
Financial Position		HK\$M	HK\$M Restated	
As at 31st December				
Total equity (including non-controlling interests)		203,150	193,076	+5.2%
Net debt		32,014	28,921	+10.7%
Gearing Ratio	(a)	15.8%	15.0%	+0.8%pt.
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share				
Underlying	(a), (b)	35.88	33.98	+5.6%
Reported	(a)	34.59	32.89	+5.2%

Notes:

- (a) Refer to glossary on page 171 for definition.
- (b) A reconciliation between reported profit and underlying profit and reported equity and underlying equity attributable to the Company's shareholders is provided on pages 16 to 17.
- (c) Refer to Note 14 in the accounts for the weighted average number of shares.
- (d) Swire Properties has implemented the revised HKAS 19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 comparative figures have been restated. In this connection, underlying and reported profit for the year ended 31st December 2012 have each been reduced by HK\$10 million and underlying and reported equity as at 31st December 2012 have each been reduced by HK\$180 million.

Underlying Profit by Segment



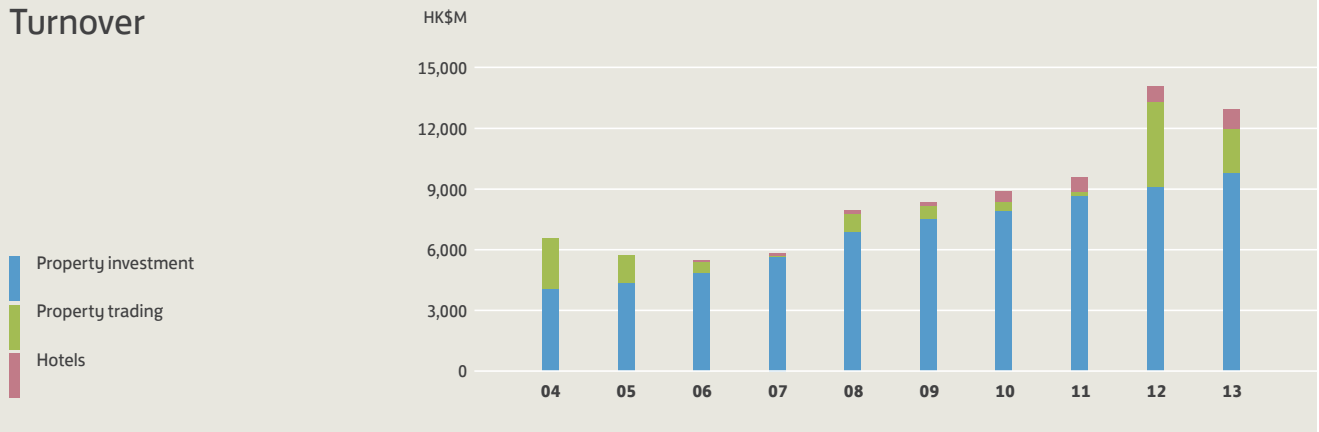
Ten-Year Financial Summary

	2004 HK\$M	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
STATEMENT OF PROFIT OR LOSS										
Turnover										
Property investment	4,060	4,382	4,872	5,663	6,901	7,516	7,953	8,651	9,123	9,786
Property trading	2,506	1,339	554	10	889	643	400	213	4,147	2,207
Hotels	–	–	27	148	156	172	518	717	782	942
	6,566	5,721	5,453	5,821	7,946	8,331	8,871	9,581	14,052	12,935
Profit Attributable to the Company's Shareholders										
Property investment	1,459	1,910	2,586	3,054	3,318	3,965	4,574	4,638	4,896	5,426
Property trading	667	264	198	(43)	95	23	87	7	1,659	720
Hotels	80	104	126	175	73	(332)	(109)	(33)	14	(46)
Change in fair value of investment properties	15,224	12,365	17,221	19,530	(236)	13,596	21,478	20,496	12,184	6,425
	17,430	14,643	20,131	22,716	3,250	17,252	26,030	25,108	18,753	12,525
Interim and final dividends for the year	1,141	2,303	1,532	1,652	2,966	25	2,426	11,067	3,510	3,510
Retained profit	16,289	12,340	18,599	21,064	284	17,227	23,604	14,041	15,243	9,015
STATEMENT OF FINANCIAL POSITION										
Net Assets Employed										
Property investment	71,226	85,982	105,660	133,492	140,440	155,374	183,062	191,116	207,577	218,556
Property trading	1,555	701	1,448	2,762	3,496	3,772	6,303	6,581	7,309	9,408
Hotels	717	1,037	1,429	3,624	4,037	5,523	5,797	6,421	7,111	7,200
	73,498	87,720	108,537	139,878	147,973	164,669	195,162	204,118	221,997	235,164
Financed by										
Equity attributable to the Company's shareholders	56,512	70,044	88,231	109,643	110,235	129,778	157,847	175,886	192,434	202,350
Non-controlling interests	6,193	6,185	296	801	1,068	424	479	532	642	800
Net debt	10,793	11,491	20,010	29,434	36,670	34,467	36,836	27,700	28,921	32,014
	73,498	87,720	108,537	139,878	147,973	164,669	195,162	204,118	221,997	235,164
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	3.17	2.67	3.67	4.14	0.59	3.14	4.57	4.40	3.21	2.14
Dividends per share	0.21	0.42	0.28	0.30	0.54	–	0.43	1.94	0.60	0.60
Equity attributable to shareholders per share	10.29	12.75	16.06	19.96	20.07	23.60	27.74	30.07	32.89	34.59
RATIOS										
Return on average equity attributable to the Company's shareholders	36.0%	23.1%	25.4%	23.0%	3.0%	14.4%	18.1%	15.0%	10.2%	6.3%
Gearing ratio	17.2%	15.1%	22.6%	26.7%	33.0%	26.5%	23.3%	15.7%	15.0%	15.8%
Interest cover – times	20.02	23.11	32.16	33.69	4.79	17.56	21.79	18.23	15.72	10.02
Dividend cover – times	15.28	6.36	13.14	13.75	1.10	N/A	10.73	2.27	5.34	3.57
UNDERLYING										
Profit (HK\$M)	2,617	2,570	3,064	3,291	3,540	3,721	4,767	12,914	6,935	6,348
Equity attributable to the Company's shareholders (HK\$M)	58,043	71,590	90,034	111,678	113,594	133,373	161,621	180,592	198,803	209,895
Return on average equity attributable to the Company's shareholders	5.3%	4.0%	3.8%	3.3%	3.1%	3.0%	3.2%	7.6%	3.7%	3.1%
Earnings per share (HK\$)	0.48	0.47	0.56	0.60	0.64	0.68	0.84	2.26	1.19	1.09
Equity attributable to shareholders per share (HK\$)	10.57	13.03	16.39	20.33	20.68	24.25	28.40	30.87	33.98	35.88
Gearing ratio	16.8%	14.8%	22.2%	26.2%	32.0%	25.8%	22.7%	15.3%	14.5%	15.2%
Interest cover – times	4.25	5.58	6.09	5.93	4.48	4.33	5.37	12.01	7.90	6.43
Dividend cover – times	2.29	1.12	2.00	1.99	1.19	N/A	1.96	1.17	1.98	1.81

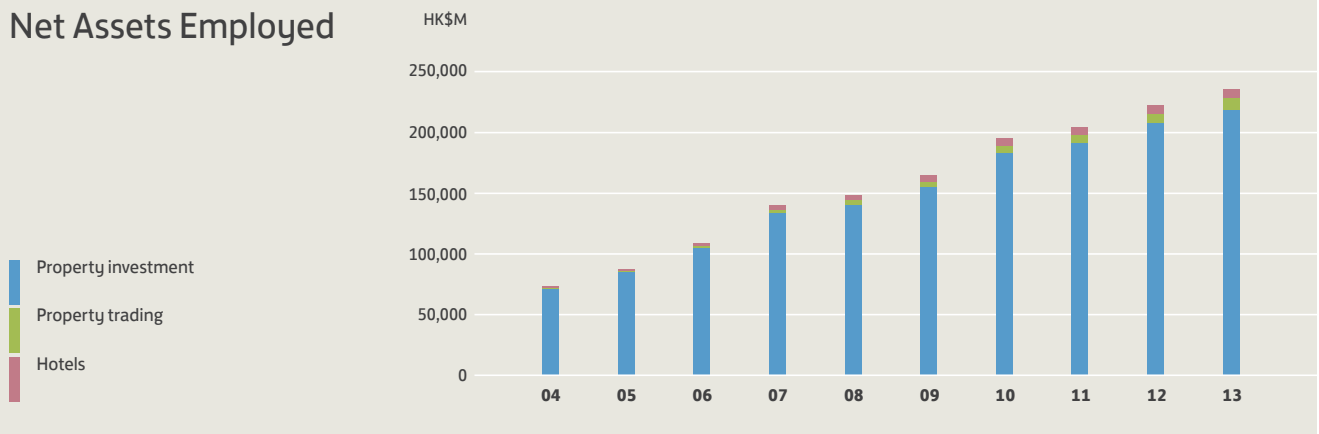
Notes:

- The information for all years is shown in accordance with the Group's current accounting policies and disclosure practices. Consequently figures for years prior to 2013 may be different from those originally presented.
- The equity attributable to the Company's shareholders and the returns by segment for 2013 and 2012 are shown in the Financial Review – Investment Appraisal and Performance Review on page 54.
- Underlying profit and equity are discussed on pages 16 to 19.
- The earnings per share, dividends per share and equity per share for the years prior to 2010 have been recalculated based on the weighted average number of ordinary shares which reflect the Company's shares in issue for those years adjusted for the 1,108,132,451 shares issued on 25th January 2010 as consideration to acquire Swire Properties US Inc. and Swire Properties One LLC, and the bonus element in respect of the 3,969,615,000 shares issued at par, which was below market value, issued on 31st December 2009.
- Refer to Glossary on page 171 for definitions and ratios.

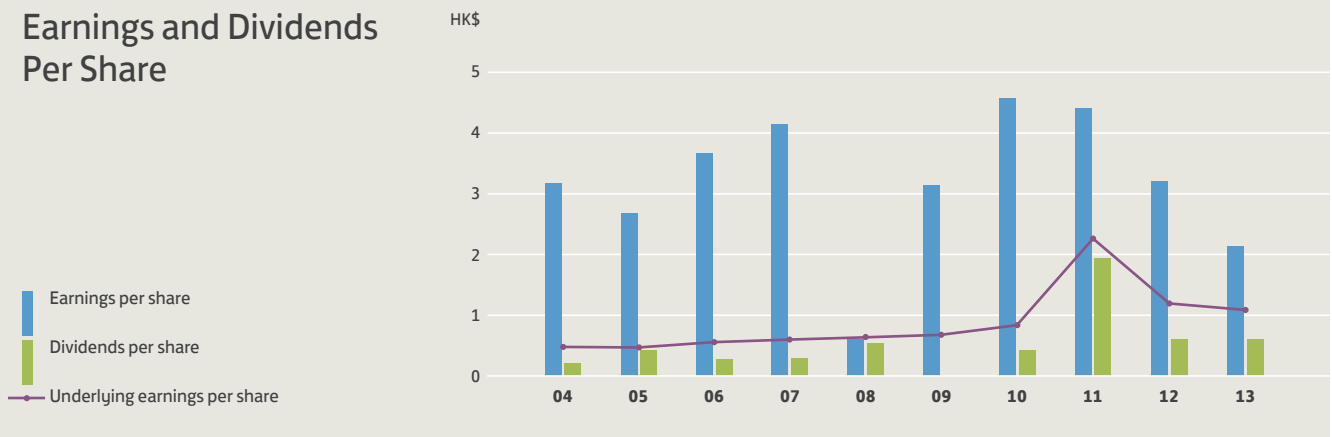
Turnover



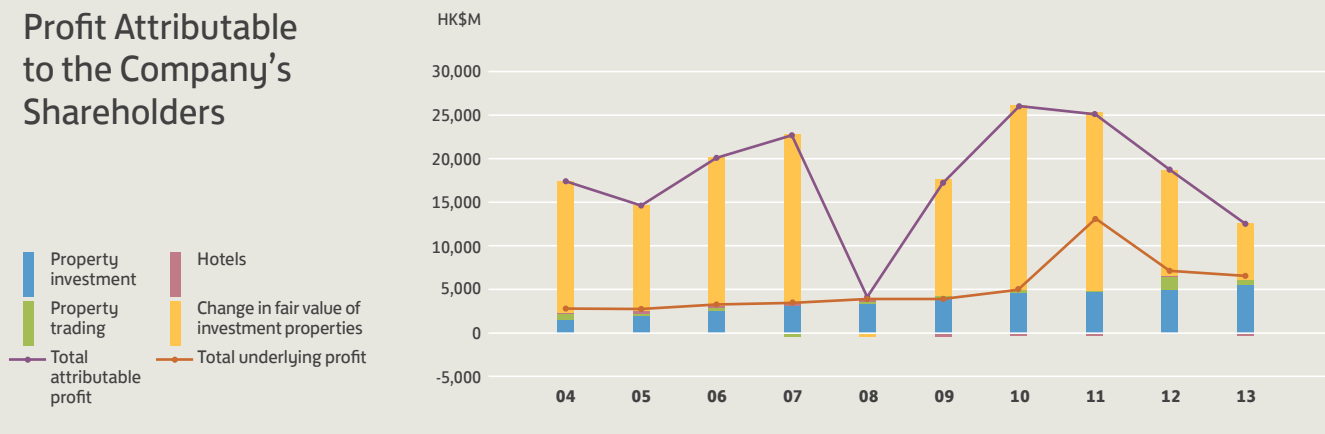
Net Assets Employed



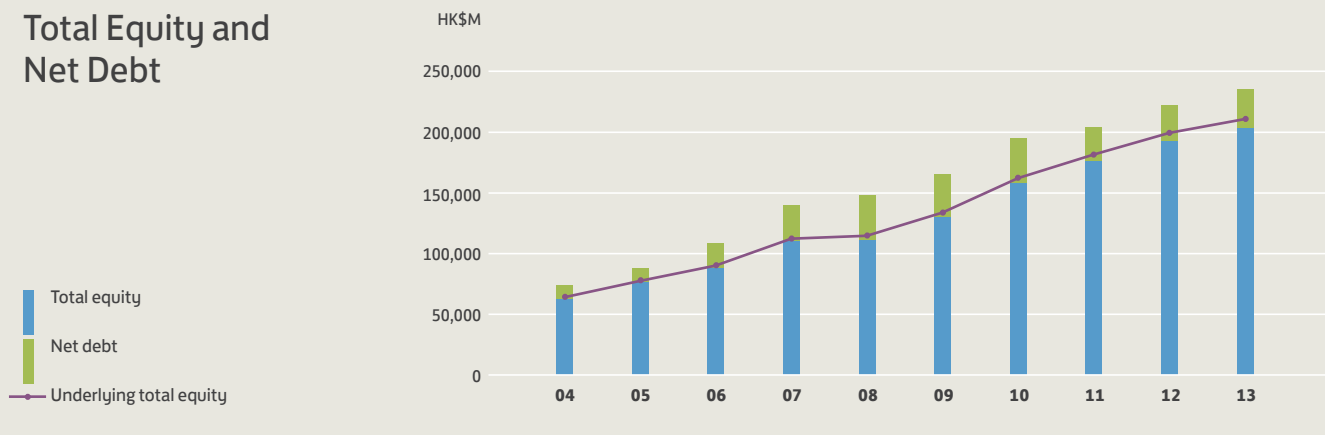
Earnings and Dividends Per Share



Profit Attributable to the Company's Shareholders



Total Equity and Net Debt



Returns on Average Equity



Chairman's Statement

Our consolidated profit attributable to shareholders for 2013 was HK\$12,525 million, compared to HK\$18,753 million in 2012. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK\$587 million from HK\$6,935 million in 2012 to HK\$6,348 million in 2013.

Dividends

The Company's policy is to pay dividends which will average approximately 50% of the underlying profit attributable to shareholders over the economic cycle. We will reevaluate this policy in the light of our financial position and the prevailing economic climate.

The Directors have declared a second interim dividend of HK¢40 (2012: HK¢38) per share which, together with the first interim dividend of HK¢20 per share paid in October 2013, amounts to full year dividends of HK¢60 (2012: HK¢60) per share. The second interim dividend, which totals HK\$2,340 million (2012: HK\$2,223 million), will be paid on Thursday, 8th May 2014 to shareholders registered at the close of business on the record date, being Friday, 4th April 2014. Shares of the Company will be traded ex-dividend from Wednesday, 2nd April 2014.

Key Developments

In January 2013, the Mandarin Oriental Hotel in TaiKoo Hui, Guangzhou which is 97% owned by the Group, opened with 263 guest rooms and 24 serviced apartments.

In January 2013, Swire Properties and Bal Harbour Shops entered into a joint venture agreement to develop the retail component of Brickell City Centre in Miami, Florida, U.S.A. The Group holds an 87.5% interest in the joint venture and will be the primary developer.

In March 2013, the Company which owns the existing Citygate Outlets development at Tung Chung in Hong Kong (in which the Group has a 20% equity interest) won a tender to develop an adjacent commercial site.

In July 2013, Swire Properties acquired a plot of land adjacent to the Brickell City Centre development in Miami, Florida, U.S.A. In September 2013, we announced plans to build a new 80-storey mixed-use tower named "One Brickell City Centre" on the site as part of the Brickell City Centre project.

In August 2013, a substantial portion of Pinnacle One, the office tower at the Daci Temple Project in Chengdu in Mainland China, was presold. The tower is scheduled for handover in 2014.

In November 2013, the Company acquired by tender a 46,253 square foot commercial site in Kowloon Bay, Hong Kong. The site is intended to be developed into an office building of approximately 555,000 square feet and will be held for investment purposes.

In January 2014, the Company 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.

In January 2014, a framework agreement was signed 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, Mainland China through a joint venture in which we are expected to hold a 50% interest. The proposed joint venture and development are subject to satisfaction of certain conditions precedent.

In February 2014, the acquisition of 20% of Taikoo Li Sanlitun in Beijing from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, was completed following a notice of intention to exercise a put option as served by GCA in August 2013.

In February 2014, an agreement was entered into with the Government of the Hong Kong Special Administrative Region (represented by The Financial Secretary Incorporated) to acquire its interest in Cornwall House in TaiKoo Place, Hong Kong. The transaction is expected to be completed on or before 30th December 2016. The acquisition will allow the Company 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 Government to proceed with a modification of the Government Leases 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.

Operating Performance

The decrease in underlying profit from HK\$6,935 million in 2012 to HK\$6,348 million in 2013 principally reflects lower trading profits from the sale of luxury residential properties in Hong Kong, partially offset by increased investment income from retail and office properties.

Underlying profit from property investment increased by 10%. This reflects positive rental reversions in Hong Kong and higher rental income from the Mainland China properties. There were better performances in 2013 from the Upper House in Hong Kong and from the U.K. hotels. However, this was more than offset by weaker results from the hotels in Mainland China.

Gross rental income was HK\$9,676 million in 2013 compared to HK\$9,015 million in 2012. There were positive rental reversions in the Hong Kong office portfolio. Occupancy levels during the year were relatively resilient despite demand for office space being generally weak in 2013, particularly from financial institutions. Demand for retail space in Hong Kong continued to be robust during 2013. In Mainland China, TaiKoo Hui and Taikoo Li Sanlitun recorded good growth of rental income in 2013. Occupancy levels at TaiKoo Hui mall and Taikoo Li Sanlitun were stable during the year. Retail sales continued to grow and demand for retail space remained good, notwithstanding a modest increase in the supply of new retail space.

Operating profit from property trading decreased due to fewer sales of units at the AZURA development, partially offset by sales of units at the ARGENTA development. In 2013, trading profits were recognised on 21 AZURA units and 12 ARGENTA units. In 2012, 98 AZURA units were sold.

On an attributable basis, net investment property valuation gains in 2013, after deferred tax relating to investment properties in Mainland China, were HK\$6,425 million, compared to net gains of HK\$12,184 million in 2012.

Finance

Net debt as at 31st December 2013 was HK\$32,014 million, compared with HK\$28,921 million as at 31st December 2012. Gearing increased by 0.8 percentage points from 15.0% to 15.8%.

The increase in borrowings was mainly due to the funding required for the development of the Brickell City Centre project in Miami and the acquisition of the Kowloon Bay commercial site in Hong Kong. Cash and undrawn committed facilities totalled HK\$9,854 million as at 31st December 2013, compared with HK\$9,278 million as at 31st December 2012. We will continue to refinance (as necessary on maturity) inter-group funding provided by Swire Pacific and will do so on a stand-alone basis without recourse to Swire Pacific.

Sustainable Development

We recognise the importance of acting responsibly towards those with whom we interact, our employees, the communities in which we operate and the natural environment. As a leading property developer, we are committed to reducing our environmental impact and incorporating sustainable practices in our developments. In 2013, EAST, Beijing at INDIGO achieved Leadership in Energy and Environmental Design ("LEED") Gold certification. In Hong Kong, our AZURA and AREZZO residential developments achieved Platinum status under the Building Environmental Assessment Method ("BEAM"). We upgraded our safety management system in Hong Kong so that it complies with the Occupational Health and Safety Assessment Series 18001 international standard. This should enable us to improve our health and safety performance. We have said that we will reduce our annual energy consumption by 52 million kWh per year between 2008 and 2020.

Further information about our activities in this area is on pages 86 to 89.

Prospects

Demand for office space, particularly from the financial sector, is likely to remain weak, and as a result rents will remain under pressure in the Central district of Hong Kong. Pacific Place, however, has no major leases expiring in 2014 and occupancy rates are expected to remain stable. At Island East, rents are expected to remain resilient owing to high occupancy. In Guangzhou, rents are expected to be under pressure due to the large amount of existing and new supply of office space. There is expected to be limited new supply of office space in Beijing in 2014. As a result, occupancy rates are expected to remain high.

Hong Kong retail sales are expected to grow, albeit more slowly than in 2013. Demand for retail space at prime locations and well-managed shopping malls is expected to continue to increase. In Guangzhou, demand for new space from luxury retailers has slowed reflecting the effect of government measures which have affected the consumption of luxury goods. In Beijing, retailers of international brands are continuing to look for space in prime locations and well-managed malls.

In Hong Kong, stamp duty increases have reduced the number of transactions in the luxury residential market. However there continues to be demand for high quality properties albeit at more subdued levels. Profits from property trading are expected to be higher in 2014 than in 2013, with planned sales of completed units at the DUNBAR PLACE and MOUNT PARKER RESIDENCES developments and of remaining units at the AZURA and ARGENTA developments.

Results in 2014 from the hotel portfolio are expected to benefit from improved performances at Mandarin Oriental, Guangzhou in TaiKoo Hui, The Opposite House and EAST, Beijing.

On behalf of the shareholders and my fellow Directors, I wish to express our appreciation to all our employees, whose commitment and hard work have been central to our continuing success.

Christopher Pratt
Chairman

Hong Kong, 13th March 2014

Key Business Strategies

As a leading developer, owner and operator of mixed-use commercial properties in Hong Kong and Mainland China, our strategic objective is sustainable growth in shareholder value in the long term. To achieve this objective, we employ five strategies.

1. Continue to create long-term value by conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas

We will continue to design projects which we believe will have the necessary scale, mix of uses and transport links to become key commercial destinations and to transform the areas in which they are situated.

2. Maximise the earnings and value of our completed properties through active asset management and by reinforcing our assets through enhancement, redevelopment and new additions

We intend to manage our completed properties actively (including by optimising the mix of retail tenants and early renewal negotiations with office tenants) and with a view to the long term, to maintain consistently high levels of service and to enhance and reinforce our assets. By doing so, we believe that we will maximise the occupancy and earnings potential of our properties.

Tenants increasingly scrutinise the sustainable development credentials of landlords and buildings. We aim to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology.

3. Continue to expand our luxury residential property activities

We intend to broaden our business by expanding our luxury residential property activities. We will look to acquire appropriate sites for development of luxury residential projects for both trading and investment in each of the key markets in which we operate.

4. Remain focused principally on Hong Kong and Mainland China

In Hong Kong, we will continue to focus on reinforcing our existing investment property assets and seeking new sites suitable for transformational developments and for residential projects.

We aim to replicate in Mainland China the success which we have experienced in Hong Kong. We intend to take a measured approach to land purchases in Mainland China, however, and will focus on developments where we can secure sites through early engagement with local governments who recognise our strengths in developing large-scale mixed-use projects.

We will seek residential development opportunities in Mainland China. These are likely to be ancillary to our mixed-use developments; however, in the right locations and cities we may also consider standalone residential development opportunities. Our residential developments will be aimed at buyers of luxury properties, where we believe we have a competitive advantage.

While we will continue to concentrate on Hong Kong and Mainland China, we intend to expand selectively elsewhere. For example, we are undertaking the 4 million square feet Brickell City Centre mixed-use development in Miami, Florida, U.S.A.

5. Manage our capital base conservatively

We intend to maintain a strong balance sheet with a view to investing in and financing our projects in a disciplined and targeted manner.

We aim to maintain exposure to a range of debt maturities and a range of debt types and lenders. Our current debt profile reflects a mix of revolving and term bank loans, medium-term notes and perpetual securities.

Management
Discussion &
Analysis





Pacific Place
Hong Kong

Review of Operations

	2013 HK\$M	2012 ⁽²⁾ HK\$M Restated
Turnover		
Gross Rental Income derived from		
Offices	5,386	5,008
Retail	3,961	3,675
Residential	329	332
Other Revenue⁽¹⁾	110	108
Property Investment	9,786	9,123
Property Trading	2,207	4,147
Hotels	942	782
Total Turnover	12,935	14,052
Operating Profit/(Loss) derived from		
Property investment	7,317	6,867
Valuation gains on investment properties	6,211	12,273
Property trading	1,035	2,395
Hotels	(65)	(39)
Total Operating Profit	14,498	21,496
Share of Post-tax Profits from Joint Venture and Associated Companies	948	821
Attributable Profit	12,525	18,753

⁽¹⁾ Other revenue is mainly estate management fees.

⁽²⁾ Swire Properties has implemented the revised HKAS 19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 comparative results for the Group have been restated from those in the Group's 2012 statutory accounts.

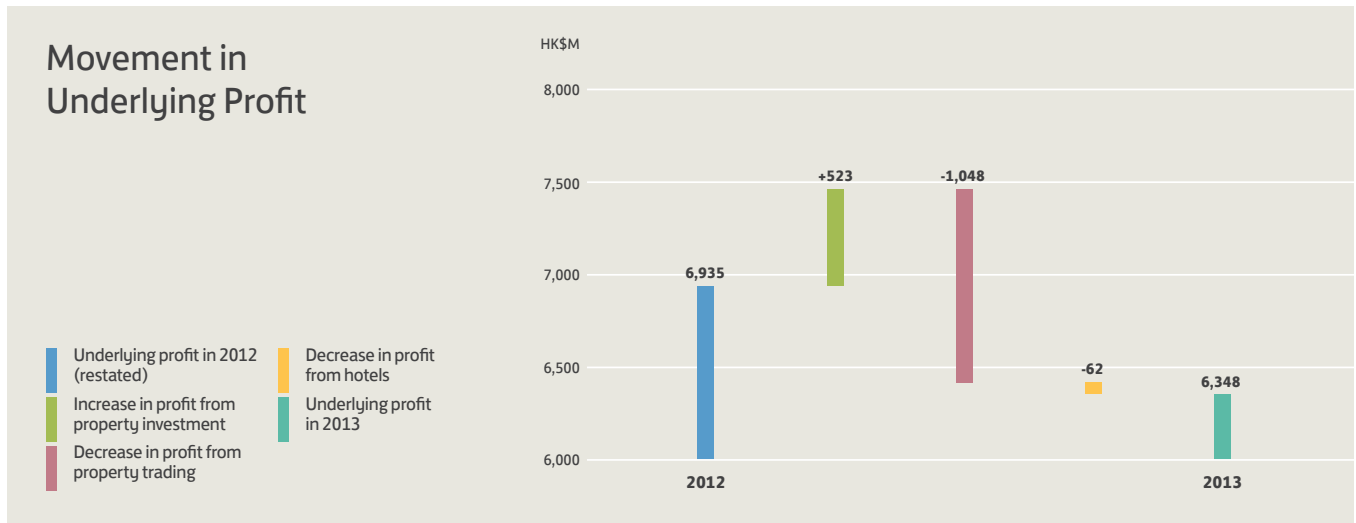
Additional information is provided in the following section to reconcile reported and underlying profit and equity attributable to the Company's shareholders. These reconciling items principally adjust for the net revaluation movements on investment properties and the associated deferred tax in Mainland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

	Note	2013 HK\$M	2012 HK\$M Restated
Underlying Profit			
Profit attributable to the Company's shareholder per accounts		12,525	18,753
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(7,017)	(12,865)
Deferred tax on investment properties	(b)	573	664
Realised profit on sale of properties	(c)	94	176
Depreciation of investment properties occupied by the Group	(d)	14	15
Non-controlling interests' share of revaluation movements less deferred tax		19	17
Movements in the fair value of the liabilities in respect of put options in favour of the owners of non-controlling interests	(e)	140	175
Underlying Profit Attributable to the Company's Shareholders		6,348	6,935
Underlying Equity			
Equity attributable to the Company's shareholders per accounts		202,350	192,434
Deferred tax on investment properties		4,531	3,949
Unrecognised valuation gains on hotels held as part of mixed-use developments	(f)	2,244	1,736
Revaluation of investment properties occupied by the Group		721	646
Cumulative depreciation of investment properties occupied by the Group		49	38
Underlying Equity Attributable to the Company's Shareholders		209,895	198,803
Underlying non-controlling interests		854	691
Underlying Equity		210,749	199,494

Notes:

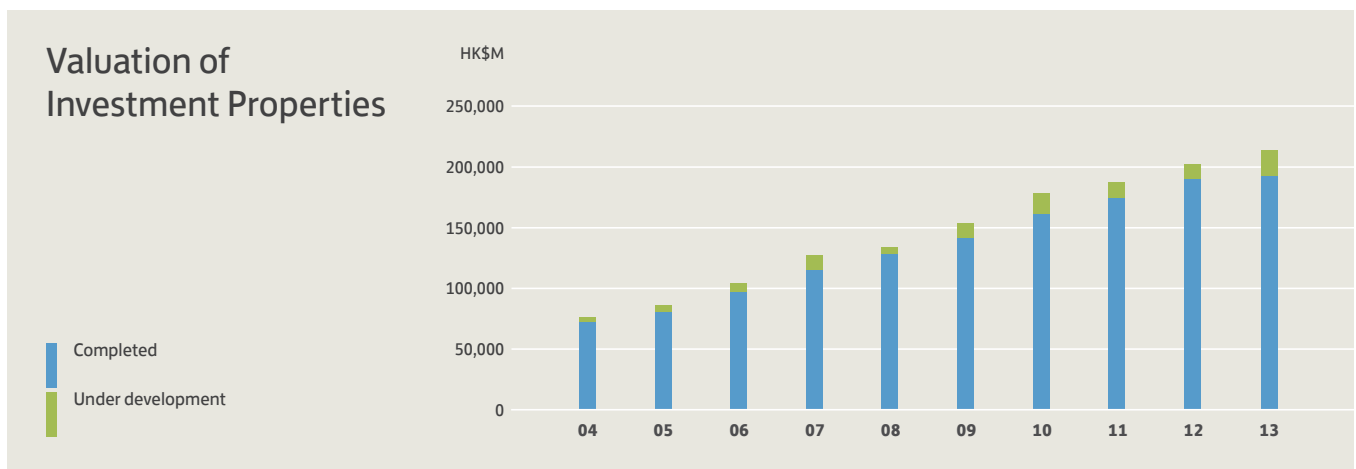
- (a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss and the Group's share of net revaluation movements of joint venture and associated companies.
- (b) This represents deferred tax movements on the Group's investment properties, plus the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These principally comprise the 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) The value of the put options in favour of the owners of non-controlling interests in Taikoo Li Sanlitun and the retail portion of Brickell City Centre are calculated principally by reference to the estimated fair value of the portions of the underlying investment properties in which the owners of the non-controlling interests are interested.
- (f) Under HKAS 40, hotel properties are stated in the accounts 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.

Underlying Profit

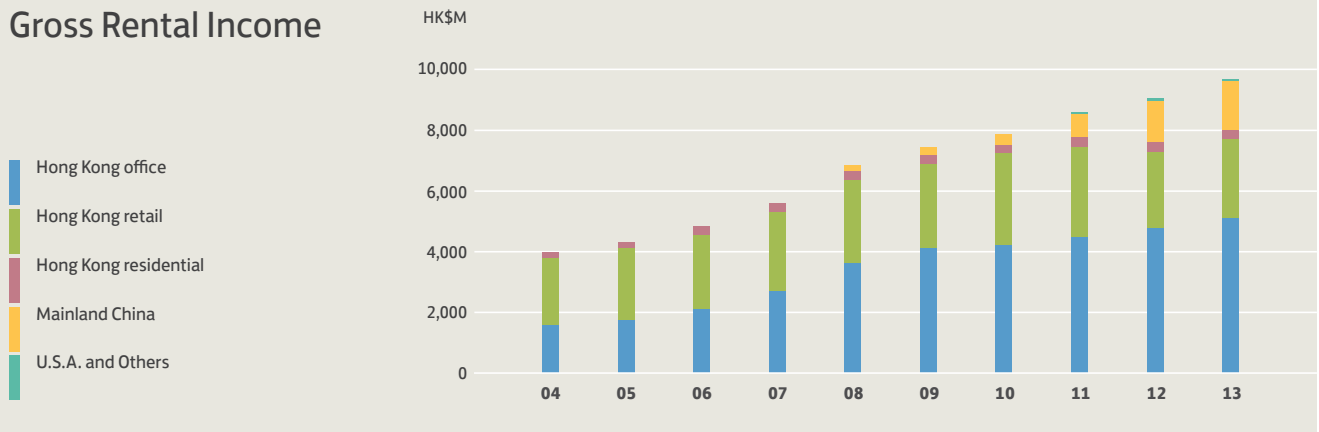


The decrease in underlying profit from HK\$6,935 million in 2012 to HK\$6,348 million in 2013 principally reflects lower trading profits from the sale of luxury residential properties in Hong Kong, partially offset by increased investment income from retail and office properties. Underlying profit from property investment increased by 10%. This reflects

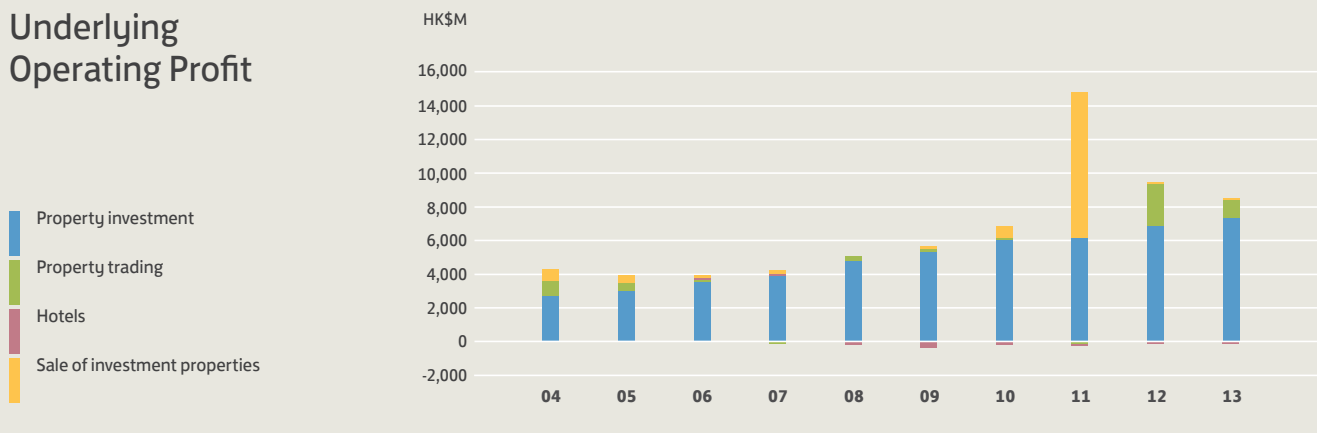
positive rental reversions in Hong Kong and higher rental income from the Mainland China properties. There were better performances in 2013 from the Upper House in Hong Kong and from the U.K. hotels. However, this was more than offset by weaker results from the hotels in Mainland China.



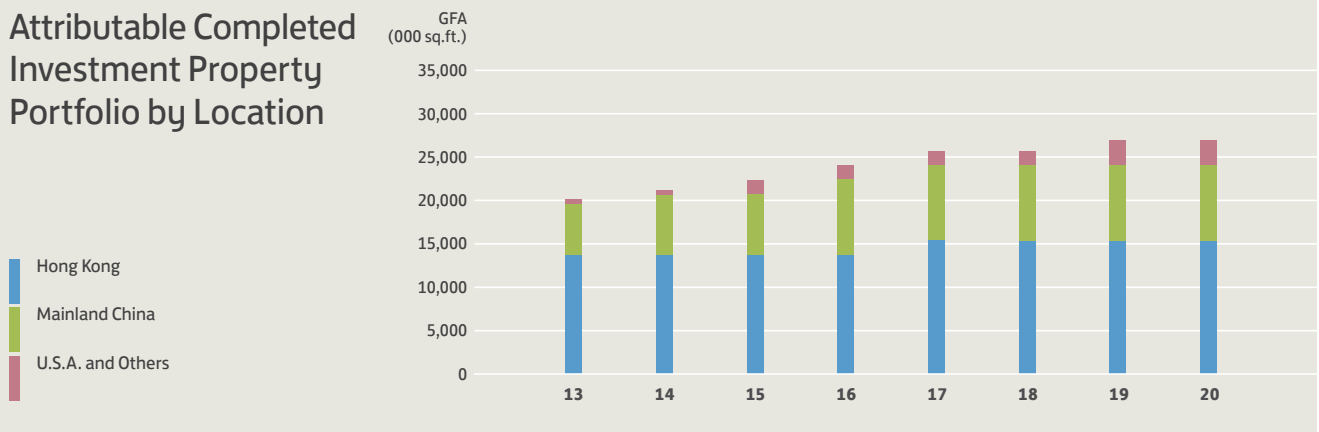
Gross Rental Income



Underlying Operating Profit



Attributable Completed Investment Property Portfolio by Location





Portfolio Overview

The aggregate gross floor area (“GFA”) attributable to the Group as at 31st December 2013 was approximately 31.0 million square feet.

Out of the aggregate GFA attributable to the Group, approximately 26.7 million square feet are investment properties, comprising completed investment properties of approximately 20.2 million square feet and investment properties under development or held for future development of approximately 6.5 million square feet. In Hong Kong, the investment property portfolio comprises

approximately 15.4 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Shanghai, Guangzhou and Chengdu. These developments are expected to comprise approximately 8.4 million square feet of attributable GFA when they are all completed. Outside Hong Kong and Mainland China, the investment property portfolio principally comprises the Brickell City Centre project in Miami in the U.S.A. and interests in hotels in the U.S.A. and the U.K.

The tables below illustrate the GFA (attributable to the Group) of the investment property portfolio as at 31st December 2013.

Completed Investment Properties (GFA attributable to the Group in million square feet)						
	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	10.0	2.5	0.7	0.5	–	13.7
Mainland China	2.0	3.0	0.9	0.1	–	6.0
U.S.A. and others	–	–	0.5	–	–	0.5
Total	12.0	5.5	2.1	0.6	–	20.2

**Investment Properties under Development or Held for Future Development
(expected GFA attributable to the Group in million square feet)**

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	1.5	–	–	0.1	0.1	1.7
Mainland China	0.9	1.1	0.4	–	–	2.4
U.S.A. and others	0.3	0.5	0.2	0.1	1.3 ⁽²⁾	2.4
Total	2.7	1.6	0.6	0.2	1.4	6.5

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

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Total	14.7	7.1	2.7	0.8	1.4	26.7

⁽¹⁾ Hotels are accounted for under property, plant and equipment in the accounts.

⁽²⁾ GFA of 558,000 square feet relating to the site acquired in July 2013 are accounted for as properties held for development in the accounts.

The trading property portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), a residential complex under development at Brickell City Centre in Miami, an office property under development as part of the Daci Temple project in Chengdu and unsold units in completed developments. These completed developments are the ARGENTA, AZURA and MOUNT PARKER RESIDENCES developments on Hong Kong Island, the DUNBAR PLACE development in Kowloon and the ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida in the U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio as at 31st December 2013.

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

	Completed	Under Development or Held for Future Development	Total
Hong Kong	0.2	0.6	0.8
Mainland China	–	0.7	0.7
U.S.A.	–	2.8	2.8
Total	0.2	4.1	4.3

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 10.1 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK\$5,287 million in 2013. As at 31st December 2013, our office properties in Hong Kong were valued at HK\$124,389 million. Of this amount, Swire Properties' attributable interest represented HK\$120,396 million.

Hong Kong Office Portfolio			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2013)	Attributable Interest
Pacific Place	2,186,433	91%	100%
Cityplaza	1,632,930	97%	100%
TaiKoo Place Office Towers ⁽¹⁾	3,136,541	99%	50%/100%
One Island East	1,537,011	100%	100%
Techno Centres ⁽²⁾	893,516	100%	100%
Others ⁽³⁾	688,323	94%	20%/50%/100%
Total	10,074,754		

⁽¹⁾ Including PCCW Tower of which Swire Properties owns 50%.

⁽²⁾ Excluding Somerset House, which will start to be redeveloped into a Grade-A office tower in 2014.

⁽³⁾ Others comprise One Citygate (20% owned), 625 King's Road (50% owned) and Generali Tower (formerly known as 8 Queen's Road East) and 28 Hennessy Road (both wholly-owned).

Gross rental income from the Group's Hong Kong office portfolio for 2013 increased by 6% from 2012, to HK\$5,098 million. Despite weak demand, particularly from the financial sector, the Hong Kong office portfolio performed well in 2013. Rental income grew as a result of positive reversions. Occupancy rates at Pacific Place and Island East remained high throughout the year. As at 31st December 2013, the overall office portfolio as shown in the table above was 96% let.

The chart below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area attributable to the Group as at 31st December 2013.



As at 31st December 2013, the top ten office tenants (based on rental income in the twelve months ended 31st December 2013) together occupied approximately 18% of the Group's total office area in Hong Kong.

Pacific Place

The offices at One, Two and Three Pacific Place performed relatively well in 2013 despite increased vacancies and weak demand. The occupancy rate was 91% as at 31st December 2013. Bank of New York Mellon, Bonhams and Fidelity took extra space and Hainan Airlines Group took new space. Carlyle Asia, China Overseas Land, Dorsey & Whitney, Evergrande, Friends Provident, Heidrick & Struggles, Mizuho Bank, National Australia Bank, PineBridge, Schroders, Société Générale, Standard Bank and Hong Kong Monetary Authority renewed their leases.

Island East

Cityplaza One, Three and Four performed strongly in 2013. The occupancy rate was 97% as at 31st December 2013. Falcon Insurance, Fubon Bank, MCM Fashion, Sun Life Assurance, Swire Resources and VMware took new space. Allergan, Aviva Life Insurance, Hewlett-Packard, Next Sourcing, Priority Pass, Sony Pictures and Thomson Reuters renewed their leases.

The TaiKoo Place Office Towers comprise six office towers (including PCCW Tower, in which we have a 50% interest) as at 31st December 2013 with an occupancy rate at 99%. Baxter Healthcare, Dell, FWD Insurance, La Prairie, Stryker, SWIFT and Young & Rubicam took new space. AXA Investment, BNP Paribas, Dairy Farm, JPMorgan, LVMH and QBE Insurance took extra space. AXA, British Telecom, Cathay United, China Airlines, IBM, KPMG, Lloyds, Logitech, Mondelez, OOCL Logistics, Nielsen and RSA Insurance renewed their leases.

One Island East, our landmark property in Island East, had an occupancy rate of 100% at 31st December 2013.

The Techno Centres performed strongly despite the planned redevelopment of Somerset House in 2014. We took vacant possession of Somerset House in August 2013. As at 31st December 2013, the occupancy rate of Cornwall House and Warwick House was 100%.

In January 2014, the Company 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.

Generali Tower

Hong Kong



Others

Refurbishment at our 81,346 square feet property at 8 Queen's Road East was completed in the first half of 2013. The entire building has been leased to Generali for a ten-year term and has been renamed Generali Tower. The occupancy rate at 28 Hennessy Road was 78% as at 31st December 2013. The rate increased to 95% at the end of February 2014. Most tenants have relocated from the Central and Causeway Bay districts.

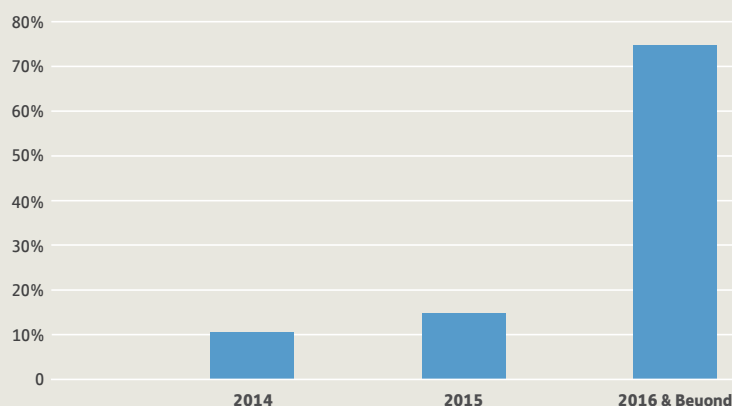
Hong Kong Office Market Outlook

We remain cautious about the outlook for 2014. Demand for office space, particularly from the financial sector, is likely to remain weak and as a result rents will remain under pressure in the Central district of Hong Kong. Pacific Place, however, has no major leases expiring in 2014 and occupancy rates are expected to remain stable. At Island East, rents are expected to remain resilient owing to high occupancy.

The chart on the next page shows the percentage of the total rental income attributable to the Group from the office properties in Hong Kong, for the month ended 31st December 2013, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 10.5% of rental income in the month of December 2013 are due to expire in 2014, with tenancies accounting for a further 14.8% of such rental income due to expire in 2015.

Office Lease Expiry Profile

(as at 31st December 2013)



Retail

Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis, principally The Mall at Pacific Place, Cityplaza in Island East, and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate

Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK\$2,703 million in 2013. As at 31st December 2013, our retail properties in Hong Kong were valued at HK\$52,379 million. Of this amount, Swire Properties' attributable interest represented HK\$46,490 million.

Hong Kong Retail Portfolio			
	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2013)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza Mall	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others ⁽¹⁾	530,467	100%	20%/60%/100%
Total	2,809,304		

⁽¹⁾ Others largely comprise Taikoo Shing neighbourhood shops and StarCrest retail premises (which are wholly-owned), Island Place retail premises (60% owned) and Tung Chung neighbourhood shops (20% owned).

The Hong Kong retail portfolio's gross rental income for 2013 increased by 5% compared with 2012, to HK\$2,614 million. This reflected positive rental reversions and the recognition of a full-year of rental income following a reconfiguration of retail space at Pacific Place.

The Group's wholly-owned malls were effectively fully let throughout the year.

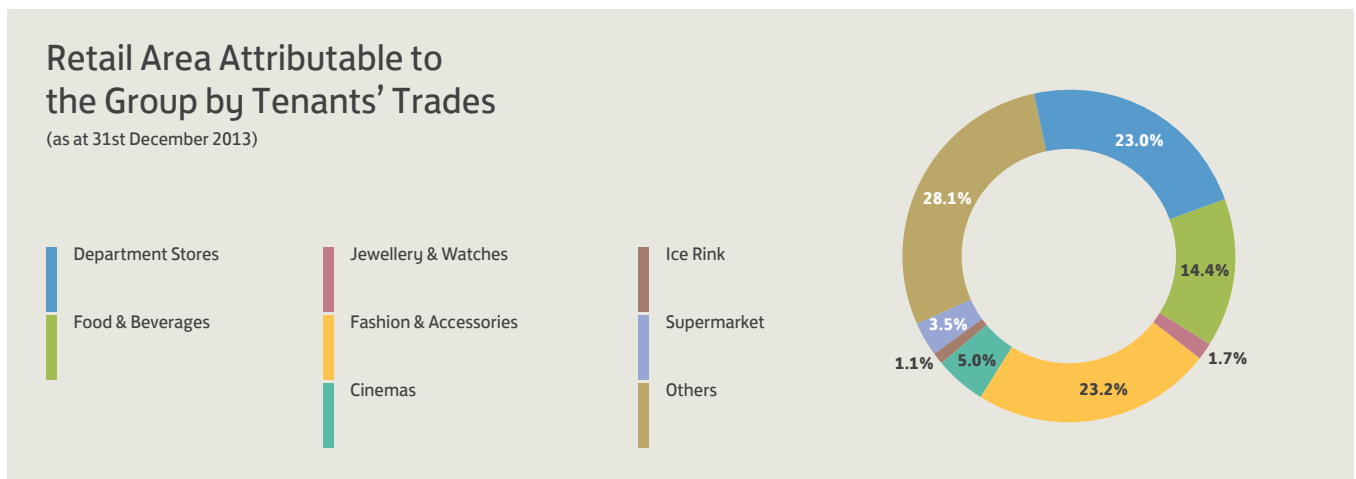
Retail sales at The Mall, Pacific Place improved marginally in 2013. Retail sales at the Cityplaza and Citygate malls were 2.4% and 13.5% higher respectively in 2013 than in 2012.



Citygate Outlets

Hong Kong

The chart below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area attributable to the Group as at 31st December 2013.



As at 31st December 2013, the top ten retail tenants (based on rental income in the twelve months ended 31st December 2013) together occupied approximately 31% of our total retail area in Hong Kong.

The Mall, Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The offices and the four hotels at Pacific Place provide a secure flow of shoppers for the mall. Retail sales at The Mall improved marginally in 2013.

The Mall remained virtually fully let during the year, with the only void periods resulting from tenant changes. There were significant changes during the year. An expanded Dior shop was opened. The Chanel and Prada shops were expanded, with the fit outs of the expanded space to be completed in the first quarter of 2014.

Cityplaza Mall

Cityplaza is one of the most popular regional shopping centres in Hong Kong and is the biggest such centre on Hong Kong Island. It principally serves Hong Kong residents, but the opening of the adjacent EAST Hotel resulted in more patronage from visitors from outside Hong Kong. Retail sales increased by 2.4% in 2013. The property was virtually fully occupied during 2013. The Cityplaza Mall started to improve the mix of its tenants further in the fourth quarter of 2013.

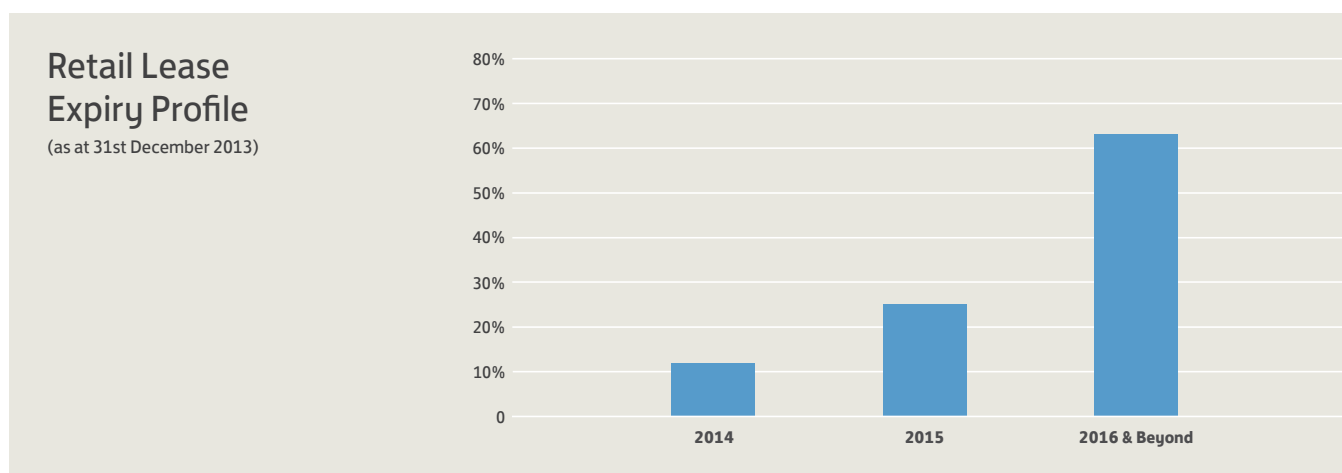
Citygate Outlets

Sales at Citygate Outlets, the only outlet mall in Hong Kong, increased by 13.5% in 2013. Citygate Outlets was virtually fully let in 2013.

Hong Kong Retail Market Outlook

Retailers are cautious about expanding. Despite this, Hong Kong retail sales are expected to grow, albeit more slowly than in 2013. Demand for retail space at prime locations and well-managed shopping malls is expected to continue to increase.

The following chart shows the percentage of the total rental income attributable to the Group from the retail properties in Hong Kong, for the month ended 31st December 2013, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 11.8% of rental income in the month of December 2013 are due to expire in 2014, with tenancies accounting for a further 25.1% of such rental income due to expire in 2015.



Residential

The completed residential portfolio comprises Pacific Place Apartments at Pacific Place in Hong Kong and a small number of luxury houses and apartments on Hong Kong Island, with a total floor area of 483,711 square feet.

Occupancy at the residential portfolio was approximately 80% at 31st December 2013, reflecting a reduction in demand for space at Pacific Place Apartments in the last quarter of 2013.

Demand for our residential properties is expected to remain stable in 2014.

Investment Properties Under Development

23 Tong Chong Street

The site at 23 Tong Chong Street in Quarry Bay is being redeveloped into serviced apartments. Superstructure works are in progress and the development is expected to be

completed at the end of 2014. The aggregate gross floor area upon completion will be approximately 75,000 square feet.

Tung Chung Town Lot No. 11

This commercial site adjacent to Citygate Outlets was acquired by the same consortium which owns the existing Citygate Outlets development at Tung Chung, in which Swire Properties has a 20% equity interest. The site will be 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.

New Kowloon Inland Lot No. 6312

This commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay in Hong Kong was acquired by tender in November 2013. The site will be developed into an office building, with an aggregate gross floor area of approximately 555,000 square feet. The development is expected to be completed in 2017.

TaiKoo Place Redevelopment

In February 2014, an agreement was entered into with the Government of the Hong Kong Special Administrative Region (represented by The Financial Secretary Incorporated) to acquire its interest in Cornwall House in TaiKoo Place, Hong Kong. The transaction is expected to be completed on or before 30th December 2016. The acquisition will allow the Company to proceed with the redevelopment of three existing techno-centres in TaiKoo Place into two Grade-A office buildings.

The first phase of the approved redevelopment plan of TaiKoo Place involves redeveloping Somerset House into a 51-storey office building; the second phase involves redeveloping Cornwall House and Warwick House into a single 46-storey office tower. The first new office building is expected to be ready for handover by 2018.

The redevelopment will provide a new landscaped square of approximately 69,000 square feet – similar in size to Statue Square in Central. A larger and more usable open space area will be created to benefit those who work in TaiKoo Place and the community as a whole.

8-10 Wong Chuk Hang Road

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 Government to proceed with a modification of the Government Leases to permit the site to be used for commercial purposes at a premium of approximately HK\$1,070 million. The site is intended to be developed into an office building with an aggregate gross floor area of approximately 382,500 square feet.

Investment Properties – Mainland China

The property portfolio in Mainland China comprises an aggregate of 13.5 million square feet of space (9.1 million square feet attributable to the Group), of which 7.3 million square feet are completed properties with the remaining 6.2 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China was HK\$1,751 million in 2013. As at 31st December 2013, our investment property portfolio in Mainland China was valued at HK\$50,270 million. Of this amount, Swire Properties' attributable interest represented HK\$34,971 million.

Property Portfolio ⁽¹⁾ – Mainland China	Gross Floor Area (sq.ft.) (100% Basis)			Attributable Interest
	Total	Investment Properties	Hotels, Trading Properties and Others	
<i>Completed</i>				
TaiKoo Li Sanlitun, Beijing	1,465,771	1,296,308	169,463	80% ⁽²⁾ /100%
TaiKoo Hui, Guangzhou	3,840,197	3,256,013	584,184	97%
INDIGO, Beijing	1,893,226	1,534,957	358,269	50%
Hui Fang, Guangzhou	90,847	90,847	–	100%
Others	5,825	2,898	2,927	100%
Sub-total	7,295,866	6,181,023	1,114,843	
<i>Under Development</i>				
Daci Temple Project, Chengdu ⁽³⁾	2,749,653	1,285,943	1,463,710	50%
Dazhongli Project, Shanghai ⁽⁴⁾	3,457,375	2,930,068	527,307	50%
Sub-total	6,207,028	4,216,011	1,991,017	
Total	13,502,894	10,397,034	3,105,860	

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

⁽²⁾ Swire Properties owned 80% of TaiKoo Li Sanlitun and 100% of The Opposite House as at 31st December 2013. Subsequent to 31st December 2013, Swire Properties acquired the remaining 20% of TaiKoo Li Sanlitun.

⁽³⁾ The Daci Temple project is expected to open in phases from 2014 onwards. The office portion of the Daci Temple project, Pinnacle One, is being developed for trading purposes. 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 car parking spaces were presold in August 2013.

⁽⁴⁾ The Dazhongli Project is expected to open in phases from 2016 onwards.

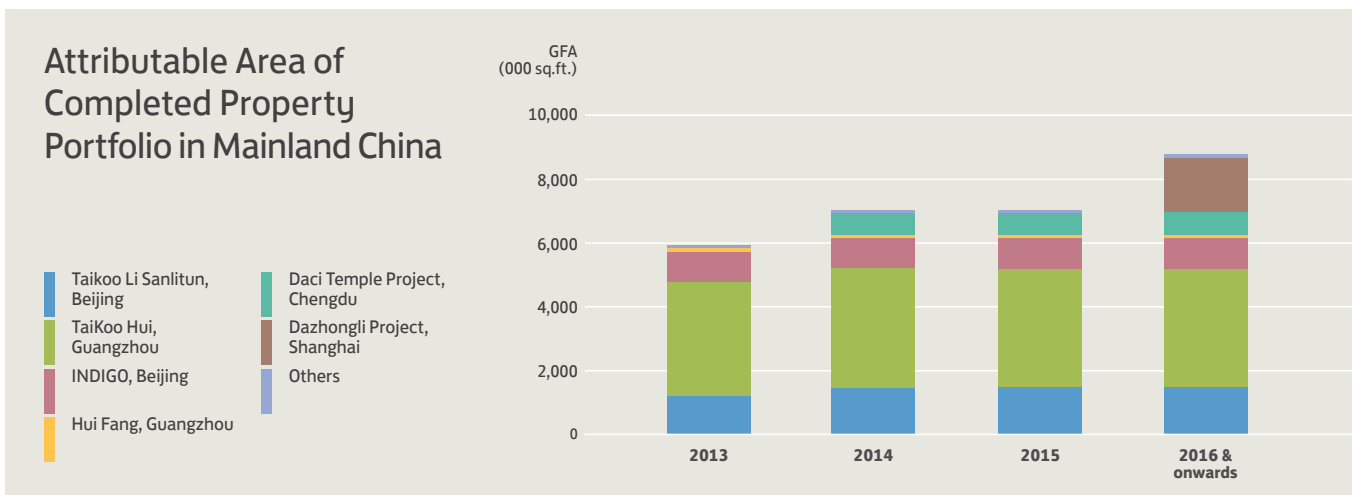
The Group's gross rental income from investment properties in Mainland China increased by HK\$250 million to HK\$1,623 million in 2013, of which HK\$1,347 million was from retail properties and HK\$270 million was from office properties.



Taikoo Li Sanlitun

Beijing

The chart below illustrates the expected growth in attributable area of the completed property portfolio in Mainland China.



Completed Investment Properties

Taikoo Li Sanlitun, Beijing

Taikoo Li Sanlitun (formerly Sanlitun Village) was re-named in April 2013. It is in the Chaoyang District of Beijing and comprises two neighbouring retail sites, South and North. There are approximately 220 retail outlets, most of them selling designer brands, fashion goods and accessories and cosmetics and approximately 900 car parking spaces.

Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands, with tenants including the

largest adidas store in the world, the first Apple store in Mainland China, a 1,597-seat Megabox cinema, a Page One bookstore and a Starbucks flagship store. Tenants at Taikoo Li Sanlitun North are principally retailers of international and local designer fashion brands, including Alexander McQueen, Alexander Wang, Christian Louboutin, Emporio Armani, Givenchy, I.T. Beijing Market, Lanvin, Miu Miu, MontBlanc and Paul Smith.

Taikoo Li Sanlitun, Beijing	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2013)	Attributable Interest
Taikoo Li Sanlitun	1,296,308	94%	80%

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2013, reflecting increases in base rents.

The overall occupancy rate was 94% at Taikoo Li Sanlitun as at 31st December 2013. Retail sales grew by 17.0%, reflecting good sales at newly opened and re-opened stores in Taikoo Li Sanlitun South and strong sales growth at fashion stores and food and beverage outlets in Taikoo Li Sanlitun North.

Swire Properties aims to continue to attract new brands and restaurants to Taikoo Li Sanlitun and to make improvements designed to increase footfall and circulation. Demand for retail space remains strong as sales and footfall continue to improve. This is expected to have a positive impact on occupancy and rents.

GC Acquisitions VI Limited (“GCA”), a fund managed by Gaw Capital Partners, owned 20% of Taikoo Li Sanlitun at 31st December 2013. GCA had an option to sell its 20% interest to Swire Properties before the end of 2013. GCA gave notice of intention to exercise that option in August 2013 and the sale was completed in February 2014. Following this transaction, Taikoo Li Sanlitun became a wholly-owned subsidiary of Swire Properties.

As at 31st December 2013, Taikoo Li Sanlitun was valued at HK\$10,239 million. Of this amount, Swire Properties’ 80% attributable interest represented HK\$8,191 million.

Beijing Retail Market Outlook

Retail sales growth in Beijing weakened in 2013. However, retailers of international brands are continuing to look for space in prime locations and well-managed malls.



TaiKoo Hui

Guangzhou

TaiKoo Hui, Guangzhou

TaiKoo Hui is our largest investment property in Mainland China. The development comprises a shopping mall, two Grade-A office towers, a cultural centre owned by a third party and the Mandarin Oriental hotel with serviced apartments, together with approximately 700 car parking spaces, all of which are interconnected.

As at 31st December 2013, the occupancy rate of the shopping mall was 99%. Approximately 75% of the mall is tenanted by retailers selling international brands. Retail sales at the shopping mall increased by 24.9% in 2013.

As at 31st December 2013, the occupancy rate of the office towers was 89%. Demand for Grade-A office space was weak in 2013, but additional tenancies were secured.

The Mandarin Oriental, Guangzhou commenced operations in January 2013. Occupancy rates improved during the year.

Swire Properties has a 97% interest in the TaiKoo Hui development, which is a joint venture with Guangzhou Da Yang Properties Investment Limited. As at 31st December 2013, the development (excluding the hotel) was valued at HK\$13,862 million. Of this amount, Swire Properties' 97% attributable interest represented HK\$13,446 million.

Guangzhou Market Outlook

Office rents are expected to be under pressure in 2014 due to the large amount of existing and new supply of office space. Luxury retailers are cautious about taking more space. This reflects the effect of certain government measures on the consumption of luxury goods.

TaiKoo Hui, Guangzhou	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2013)	Attributable Interest
Retail	1,472,730	99%	97%
Office	1,731,766	89%	97%
Serviced Apartments	51,517	79%	97%
Total	3,256,013		97%



INDIGO

Beijing

INDIGO, Beijing

INDIGO is a retail-led mixed-use development at Jiang Tai in the Chaoyang district of Beijing. The development consists of a shopping mall, a Grade-A office tower (ONE INDIGO) and a 369-room lifestyle business hotel EAST, Beijing. It has more than 1,200 car parking spaces and will be served by the Beijing Metro Line 14, which is due to open in 2014.

Occupancy in the shopping mall is 96% and 88% of the shops are open and trading. Key tenants are BHG, CGV, Food Republic, GAP, H&M and Sundan. ONE INDIGO is 97% leased. EAST, Beijing is establishing itself in the corporate market.

INDIGO is a 50:50 joint venture with Sino-Ocean Land Holdings Limited. As at 31st December 2013, the development (excluding the hotel) was valued at HK\$5,556 million. Of this amount, Swire Properties' 50% attributable interest represented HK\$2,778 million.

Beijing Office Market Outlook

There is expected to be limited new supply of office space in Beijing. As a result, occupancy rates are expected to remain high.

INDIGO, Beijing	Gross Floor Area (sq.ft.) (100% Basis)	Occupancy (as at 31st Dec 2013)	Attributable Interest
Retail	939,493	96%	50%
Office	595,464	97%	50%
Total	1,534,957		50%

Investment Properties Under Development

Daci Temple Project, Chengdu

The Daci Temple project, in the Jinjiang District of Chengdu near the Chunxi Road shopping district, is a large-scale retail-led development. It consists of a retail complex, a boutique hotel (named The Temple House) with 100 guest rooms and 42 serviced apartments, and a Grade-A office tower. It will be accessible from the Chengdu metro. The two to three-storey retail complex, named Sino-Ocean Taikoo Li Chengdu, is designed to integrate architecturally with the Daci Temple and other neighbouring old buildings.

Superstructure and façade installation works are in progress. The development is expected to open in phases from 2014 onwards.

The Grade-A office tower, named Pinnacle One, is being developed for trading purposes. 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 car parking spaces were presold for approximately RMB2.1 billion in August 2013.

The Daci Temple development is a 50:50 joint venture with Sino-Ocean Land Holdings Limited. In July 2013, Sino-Ocean Land exercised its option to repurchase a 13% interest in the project from us. Following completion of the transaction, our interest in the project was reduced to 50% and Sino-Ocean's interest in the project increased to 50%.

As at 31st December 2013, the Daci Temple development (excluding the hotel and office trading components) was valued at HK\$4,823 million. Of this amount, Swire Properties' 50% attributable interest represented HK\$2,412 million.

Daci Temple Project, Chengdu	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	1,203,867	50%
Hotel ⁽¹⁾	163,828	50%
Serviced Apartments	82,076	50%
Office ⁽²⁾	1,299,882	50%
Total	2,749,653	50%

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

⁽²⁾ The office portion of the Daci Temple project is being developed for trading purposes.

Chengdu Market Outlook

The Chengdu retail market is expected to be satisfactory in 2014. More retail malls will be completed in the next three years. This will put pressure on rents. But well planned and designed malls in prime locations are expected to remain attractive to retailers, assuming continued satisfactory growth in retail sales.

As a major commercial centre in western China, Chengdu continues to attract new enterprises. Demand for office space in prime locations is expected to grow.

Dazhongli Project, Shanghai

The Dazhongli project is a large-scale retail-led mixed-use development which will comprise approximately 3.46 million square feet (excluding car parking spaces) upon completion. It occupies a prime location with significant frontage on Nanjing West Road, one of Shanghai's major shopping thoroughfares. It has excellent transport connections, being adjacent to an existing metro line and two planned metro stations. The project comprises a retail mall, two office towers and three hotels, and is expected to become a landmark development in Shanghai.

Site clearance and resettlement works have been completed. Work on the foundations and basements is progressing. Above ground construction of the office towers has started. The development is expected to open in phases from 2016 onwards.

The Dazhongli project is a 50:50 joint venture with HKR International Limited. As at 31st December 2013, the development (excluding the hotel) was valued at HK\$15,292 million. Of this amount, Swire Properties' 50% attributable interest represented HK\$7,646 million.

Shanghai Market Outlook

The prospects for the Shanghai commercial property market are good. In the central business area of Puxi, demand for Grade-A office space is steady, vacancy rates are low but new supply is increasing.

Demand for retail space in Shanghai was weak in the second half of 2013, reflecting reduced growth in retail sales.

Dazhongli Project, Shanghai		
	Gross Floor Area (sq.ft.) (100% Basis)	Attributable Interest
Retail	1,078,660	50%
Office	1,851,408	50%
Hotels ⁽¹⁾	527,307	50%
Total	3,457,375	50%

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

Investment Properties – U.S.A.

Brickell City Centre, Miami

Brickell City Centre is an urban mixed-use development in the Brickell financial district of Miami, Florida. It has a site area of 504,017 square feet (approximately 11.6 acres).

Phase I of the development consists of a shopping centre, a hotel and serviced apartments to be operated by EAST, two office buildings and two (or possibly three) residential towers. Swire Properties owns 100% of the office, hotel and residential portions and 87.5% of the retail portion of the development, with a 12.5% interest in the retail portion held by Bal Harbour Shops. Commencing from the fifth Anniversary of the Grand Opening Date of the retail portion, Bal Harbour Shops will have an option to sell its 12.5% interest to Swire Properties. The residential towers are being developed for sale. Construction work on Phase I commenced in 2012 with completion scheduled for the latter half of 2015. A light rail system station is within the site.

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

As at 31st December 2013, the Brickell City Centre Phase I development (excluding the hotel and residential trading components) was valued at HK\$853 million.

Miami Market Outlook

The residential property market in urban Miami is expected to continue to improve in 2014. The retail market is also encouraging, although there is increased competition. The office market, although over-supplied, is improving as vacancies decline.



Brickell City Centre

Miami

Brickell City Centre, Miami	Gross Floor Area (sq.ft.) ⁽³⁾ (100% Basis)	Attributable Interest
Phase I		
Retail	565,000	87.5%
Wellness/General Offices	260,000	100%
Serviced Apartments	109,000	100%
Hotel ⁽¹⁾	218,000	100%
Residential ⁽²⁾	1,114,000	100%
Carpark/Circulation	2,643,000	100%
Subtotal	4,909,000	
Potential Future Residential ⁽²⁾	450,000 ⁽⁴⁾	100%
Total Phase I	5,359,000	
Phase II		
Future Mixed-Use Tower	1,300,000 ⁽⁴⁾	100%
Total Phase I and Phase II	6,659,000	

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

⁽²⁾ The residential portion of the Brickell City Centre is being developed for trading purposes.

⁽³⁾ Represents leasable/saleable area except for the carpark/circulation square footage.

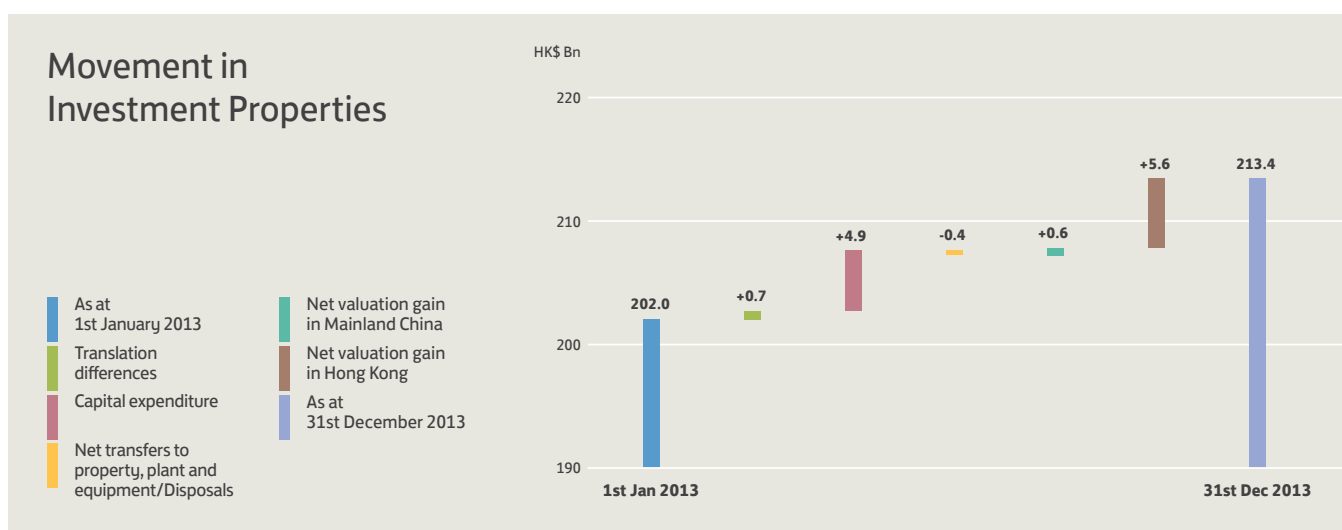
⁽⁴⁾ This development is in the planning stage and therefore the gross floor area square footage is still under review.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2013 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation was HK\$213,423 million compared to HK\$201,981 million at 31st December 2012 and HK\$207,366 million at 30th June 2013.

The increase in the valuation of the investment property portfolio principally reflects higher rental income and the acquisition of property in Hong Kong.

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



**Audited Financial Information
Investment Properties**

	Group		
	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2013	189,699	12,282	201,981
Translation differences	676	5	681
Additions	218	4,692	4,910
Disposals	–	(96)	(96)
Transfer upon completion	1,238	(1,238)	–
Transfer to redevelopment	(5,494)	5,494	–
Net transfers to property, plant and equipment	(37)	(227)	(264)
Fair value gains/(losses)	6,309	(98)	6,211
	192,609	20,814	213,423
Add: Initial leasing costs	285	–	285
At 31st December 2013	192,894	20,814	213,708
At 1st January 2012	174,951	12,247	187,198
Translation differences	190	–	190
Additions	394	1,812	2,206
Disposals	–	(2)	(2)
Transfer upon completion	2,253	(2,253)	–
Net transfers from property, plant and equipment	111	5	116
Fair value gains	11,800	473	12,273
	189,699	12,282	201,981
Add: Initial leasing costs	315	–	315
At 31st December 2012	190,014	12,282	202,296

Geographical Analysis of Investment Properties

	Group	
	2013 HK\$M	2012 HK\$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	29,709	25,350
On long-term leases (over 50 years)	157,531	152,883
	187,240	178,233
Held in Mainland China:		
On medium-term leases (10 to 50 years)	24,527	23,194
Held in U.S.A. and others:		
Freehold	1,656	554
	213,423	201,981

Property Trading

The 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 in Brickell City Centre in Miami, U.S.A., an office property under development in the Daci Temple project in Chengdu in Mainland China, and the remaining residential units at the completed ARGENTA, AZURA, DUNBAR PLACE, MOUNT PARKER RESIDENCES and 5 Star Street developments in Hong Kong and the completed ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

Property Trading Portfolio			
	Gross Floor Area (sq.ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<i>Completed</i>			
Hong Kong			
– 5 Star Street ⁽²⁾	408 ⁽¹⁾	2010	100%
– AZURA ⁽²⁾	11,395 ⁽¹⁾	2012	87.5%
– ARGENTA ⁽²⁾	40,651 ⁽¹⁾	2013	100%
– DUNBAR PLACE ⁽³⁾	76,432 ⁽¹⁾	2013	50%
– MOUNT PARKER RESIDENCES	151,954	2013	80%
U.S.A.			
– ASIA, Miami ⁽²⁾	5,359 ⁽¹⁾	2008	100%
<i>Under Development</i>			
Hong Kong			
– AREZZO (formerly known as 33 Seymour Road (Phase 1))	165,792	2014	100%
– 33 Seymour Road (Phase 2)	195,533	2016	100%
– 160 South Lantau Road, Cheung Sha (formerly known as Cheung Sha, South Lantau)	64,407	2015	100%
Mainland China			
– Daci Temple Project, Chengdu (office portion)	1,299,882 ⁽⁴⁾	2014	50%
U.S.A.			
– Brickell City Centre, Miami, Florida (residential portion)	1,114,000	2015	100%
<i>Held for Development</i>			
U.S.A.			
– Fort Lauderdale, Florida	787,414	N/A	75%
– South Brickell Key, Miami, Florida	421,800	N/A	100%
– Brickell City Centre, Miami, Florida – North Squared site	450,000	N/A	100%
– 700 Brickell Avenue, Miami, Florida	558,000	N/A	100%

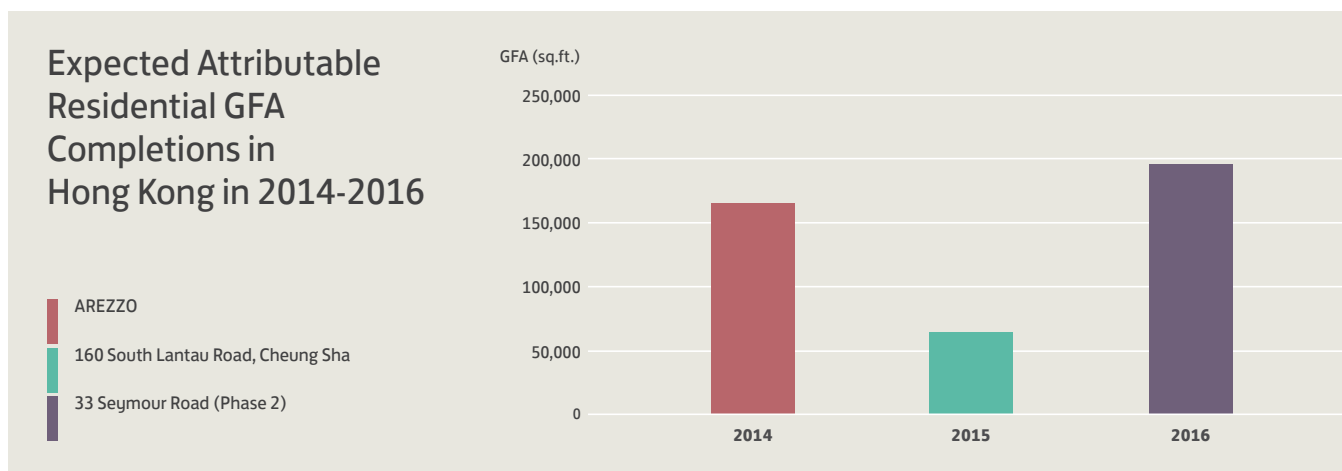
⁽¹⁾ Area shown reflects saleable area (square feet).

⁽²⁾ Remaining unsold units as at 31st December 2013.

⁽³⁾ As at 31st December 2013, 25 of the 53 units had been presold.

⁽⁴⁾ The office portion of Daci Temple project, Pinnacle One, is being developed for trading purposes. 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 car parking spaces were presold in August 2013.

The following bar chart shows the expected timing of completion of our residential projects in Hong Kong.



Audited Financial Information Properties Held for Development and for Sale

	Group	
	2013 HK\$M	2012 HK\$M
Properties held for development		
Freehold land	706	188
Properties for sale		
Completed properties		
– development costs	1,441	401
– freehold land	1	4
– leasehold land	1,285	145
Properties under development		
– development costs	2,076	1,762
– freehold land	175	175
– leasehold land	3,042	4,461
	8,020	6,948

Hong Kong

Residential Developments in Mid-Levels West, Hong Kong

Swire Properties owns four sites in Mid-Levels West, a residential district on Hong Kong Island. A map showing the locations of these sites is set out below:



(a) AZURA, 2A Seymour Road

Swire Properties holds a 87.5% interest in this development comprising a 50-storey tower of 126 units and 45 car parking spaces with a total GFA of 206,306 square feet. The development was completed in the second half of 2012. As at 11th March 2014, 120 units had been sold. The profit from the sales of 98 and 21 of these units was recognised in 2012 and 2013 respectively and the profit from the sale of the remaining one unit is expected to be recognised in 2014. The development is managed by Swire Properties.

(b) ARGENTA, 63 Seymour Road

ARGENTA is wholly-owned by Swire Properties. The development consists of a 37-storey tower of 29 whole-floor residential units, one duplex residential unit and 28 car parking spaces with an aggregate GFA of 75,805 square feet. In June 2013, the occupation permit was issued and handover to the purchasers commenced in September 2013. As at 11th March 2014, 16 units had been sold. The profit from the sales of 12 of these units was recognised in 2013 and the profit from the sales of the remaining four units is expected to be recognised in 2014. The development is managed by Swire Properties.

(c) AREZZO, 33 Seymour Road

(formerly known as 33 Seymour Road (Phase 1))

AREZZO is wholly-owned by Swire Properties. Superstructure works are in progress. The development is expected to be completed in 2014 and available for handover to purchasers in 2015. The development is expected to be a 48-storey tower of 127 residential units with an aggregate GFA of 165,792 square feet.

(d) 33 Seymour Road (Phase 2)

Pile cap construction at Phase 2, 33 Seymour Road is in progress and the development is expected to be completed in 2016 and available for handover to purchasers in 2017. The development is expected to be a 50-storey tower of 197 residential units and 43 car parking spaces with an aggregate GFA of 195,533 square feet.

Swire Properties plans, subject to receipt of the necessary approvals, to upgrade certain pedestrian walkways, widen a number of pavements and build a pedestrian staircase connecting Castle Road and Caine Road, in order to improve pedestrian flow between Castle Road and Caine Road.

MOUNT PARKER RESIDENCES, 1 Sai Wan Terrace

Swire Properties has an 80% interest in MOUNT PARKER RESIDENCES, a residential development in Quarry Bay, Hong Kong. The development was completed in the second



DUNBAR PLACE

Hong Kong

half of 2013 and will be available for handover to purchasers in 2014. It comprises a 24-storey tower of 92 residential units and 68 basement car parking spaces, with an aggregate GFA of 151,954 square feet.

DUNBAR PLACE, 23 Dunbar Road

DUNBAR PLACE is a residential development in Ho Man Tin, Kowloon, Hong Kong. Swire Properties has a 50% interest in the development. The development consists of a 23-storey tower with 53 residential units and 57 car parking spaces with an aggregate GFA of 88,555 square feet. Presales of the apartments commenced in April 2013 and handover to the purchasers started from January 2014. These were the first presales of apartments in a new residential development in Hong Kong following the coming into force of the Residential Properties (First-hand Sales) Ordinance in April 2013. 25 of the 53 units had been presold as at 31st December 2013 and a further 10 units have been sold since then. The profit from the sales of all these units is expected to be recognised in 2014. The development is managed by Swire Properties.

160 South Lantau Road, Cheung Sha (formerly known as Cheung Sha, Lantau)

Two adjacent residential sites at the junction of Tung Chung Road and South Lantau Road in Cheung Sha, Lantau Island were acquired in 2011 and are wholly owned by the Group. The sites will be developed into detached houses with an aggregate GFA of 64,407 square feet. Site formation and superstructure works are in progress. The development is expected to be completed and available for handover to purchasers in 2015.

Hong Kong Residential Market Outlook

Stamp duty increases have reduced the number of transactions in the luxury residential market. However there continues to be demand for high quality properties albeit at more subdued levels. Profits from property trading are expected to be higher in 2014 than in 2013, with planned sales of completed units at the DUNBAR PLACE and MOUNT PARKER RESIDENCES developments and of remaining units at the AZURA and ARGENTA developments.

U.S.A.

ASIA, located on the northern edge of Brickell Key in downtown Miami, is a luxury high-rise residential condominium with 123 units. The average size of these units is approximately 2,300 square feet. During 2013, 13 units were sold, bringing cumulative sales to 122 units at 31 December 2013. One penthouse unit, which is not on offer, remains unsold.

The residential portion of Phase I of the Brickell City Centre development is being developed for trading purposes. There will be 821 units in two towers and possibly a further 350 units in a third tower. Presales are currently planned to commence in mid-2014. Completion of the first two condominium towers is expected in late 2015.

The market for new residential condominiums in urban Miami performed well in 2013 and is expected to continue to improve in 2014. However, because of the timing of completion of the Brickell City Centre development, profits from this development are not expected in 2014.

Leasing and Management Business

Swire Properties was responsible for the redevelopment of OPUS HONG KONG, a property owned by Swire Pacific at 53 Stubbs Road, and is responsible for the leasing and management of the property. The property is a prime residential development consisting of a 12-storey residential building with 10 whole-floor units and two double-level garden apartments designed by Pritzker Prize winning architect Frank Gehry. Five units at OPUS HONG KONG have been leased as at 31st December 2013.

Estate Management

Through subsidiaries, Swire Properties undertakes the management of 15 estates which it has developed, including AZURA, ARGENTA, DUNBAR PLACE, Robinson Place, The Orchards and Taikoo Shing. The services provided include

concierge services and assistance to the residents, cleaning and maintenance of common areas, and renovation of buildings. Swire Properties places great emphasis on its relationships with occupants of the existing estates which it manages and intends to provide high quality estate management at the estates which it is developing.

Hotels

Managed Hotels

Overview

Swire Hotels owns and manages hotels in Hong Kong, Mainland China and the U.K. The Upper House in Hong Kong and The Opposite House in Beijing are small and distinctive hotels in Asia. EAST hotels are business hotels. Chapter Hotels are local hotels in regional towns and cities in the U.K.

Hotel Portfolio (Managed by the Group)	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
Hong Kong		
– The Upper House	117	100%
– EAST, Hong Kong	345	100%
– Headland Hotel ⁽¹⁾	501	0%
Mainland China		
– The Opposite House	99	100%
– EAST, Beijing	369	50%
U.K.		
– The Montpellier Chapter, Cheltenham	61	100%
– Avon Gorge Hotel, Bristol	75	100%
– The Magdalen Chapter, Exeter	59	100%
– Hotel Seattle, Brighton	71	100%
<i>Under Development</i>		
Mainland China		
– The Temple House, Chengdu ⁽²⁾	142	50%
– Dazhongli Project (Hotel), Shanghai ⁽³⁾	119	50%
U.S.A.		
– EAST, Miami ⁽²⁾	375	100%
Total	2,333	

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

⁽²⁾ Including serviced apartments in the same building.

⁽³⁾ No. of modules.

The Upper House

Hong Kong



There were better performances in 2013 from The Upper House in Hong Kong and from the U.K. hotels. However, this was more than offset by weaker results from the hotels in Mainland China.

There are three managed hotels currently under development, The Temple House in Chengdu, the Dazhongli Project (Hotel) in Shanghai and a hotel with serviced apartments in Miami. The Temple House is the hotel portion of the Daci Temple development and is expected to open in the second half of 2014. The hotel with serviced apartments in Miami (which will be operated by EAST) is part of Phase I of the Brickell City Centre development and is expected to open in the second half of 2015.

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room increased by 10% in 2013. It was ranked No.1 in “Top 25 Luxury Hotels in Asia”, “Top 25 Luxury Hotels in China”, “Top 25 Hotels in China” and “Top 25 Hotels for Service in China” by TripAdvisor in 2013. It received a “Best Service, Above and Beyond – Mr & Mrs Smith” award in The Smith Hotel Awards 2013, a “Gold Standard Hotels 2013 – Best Design Hotels” award from Condé Nast Traveller U.K. and a “Best Design” award from Limited Edition Miami 2013.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel at Island East, occupancy and average room rates were strong in 2013, with revenue per available room increasing by 4% from 2012. The hotel received a “Certificate of Excellence” from TripAdvisor China, a “100 Best Hotels in China” award from La Vie Taiwan and a “Top 10 most recommended design hotels in China” award from Shanghai online in 2013.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Performance at The Opposite House was adversely affected by an increase in supply of new hotels and a reduction in the number of international visitors. The Opposite House received a “Certificate of Excellence 2013 Winner” award from TripAdvisor, a “100 Best Hotels in China” award from La Vie Taiwan and a “Best Hotel Dining” award from Cityweekend. The Jing Yaa Tang restaurant obtained a “Best Debut Restaurant” award from That’s Beijing and the Sureno restaurant obtained a “Best Mediterranean Restaurant” award from Timeout China.

EAST, Beijing

EAST, Beijing is a 369-room business hotel at the INDIGO development in Beijing, in which Swire Properties holds a 50% interest. The hotel was opened in September 2012. Its results improved in 2013, with growth in occupancy and average room rates. It was included in “The Hot List 2013” by Condé Nast Traveler, US and received an “IT List – Best City Hotel” award from Travel + Leisure, a “Best New Hotel in Beijing” award from TTG Asia and a “Readers’ Choice Award for Best Hotel bar, Best Hotel Brunch and Best Hotel Dining” from Cityweekend Beijing.

U.K. Hotels

Swire Properties owns four hotels in the U.K., one each in Cheltenham, Bristol, Brighton and Exeter. Although trading

conditions remained challenging in 2013, the four hotels achieved much better results, with the average revenue per available room increasing 18% in 2013. The Magdalen Chapter Hotel in Exeter achieved higher occupancy and room rates following completion of its major refurbishment in June 2012. It was voted the “Best City Hotel 2013” by Food and Travel Magazine Readers.

Non-managed Hotels

Swire Properties has ownership interests in (but does not manage) hotels with 3,129 rooms in aggregate. The Mandarin Oriental, Guangzhou, 97% owned by Swire Properties and which opened in January 2013, has 263 rooms and 24 serviced apartments.

Hotel Portfolio (Not Managed by the Group)	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
Hong Kong		
– Island Shangri-La Hong Kong	565	20%
– JW Marriott Hotel Hong Kong	602	20%
– Conrad Hong Kong	513	20%
– Novotel Citygate Hong Kong	440	20%
U.S.A.		
– Mandarin Oriental, Miami	326	75%
Mainland China		
– Mandarin Oriental, Guangzhou ⁽¹⁾	287	97%
<i>Under Development</i>		
Mainland China		
– Dazhongli Project (Hotels), Shanghai ⁽²⁾	396	50%
Total	3,129	

⁽¹⁾ Including 24 serviced apartments in the same building. The development was opened in January 2013.

⁽²⁾ No. of modules.

The performance of the non-managed hotels in Hong Kong and U.S.A. remained stable in 2013. The Mandarin Oriental, Guangzhou commenced operations in January 2013. Occupancy rates increased during the year despite more supply in the market.

Hotels Market Outlook

Results in 2014 from the hotel portfolio are expected to benefit from improved performances at the Mandarin Oriental in TaiKoo Hui, The Opposite House and EAST, Beijing.

Capital Commitments

Capital Expenditure and Commitments for Investment Properties and Hotels

Capital expenditure in 2013 on Hong Kong investment properties and hotels, including completed projects, amounted to HK\$4,359 million (2012: HK\$1,828 million). Outstanding capital commitments at 31st December 2013 were HK\$20,291 million (31st December 2012: HK\$5,405 million), including the Group's share of the capital commitments of joint venture companies of HK\$3,536 million. The Group is committed to funding HK\$3,129 million of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2013 on Mainland China investment properties and hotels, including the Group's

share of the capital expenditure of joint venture companies, amounted to HK\$1,500 million (2012: HK\$1,776 million). Outstanding capital commitments at 31st December 2013 were HK\$6,313 million (2012: HK\$7,546 million), including the Group's share of the capital commitments of joint venture companies of HK\$5,577 million (2012: HK\$6,620 million). The Group is committed to funding HK\$1,083 million (31st December 2012: HK\$818 million) of the capital commitments of joint venture companies in Mainland China.

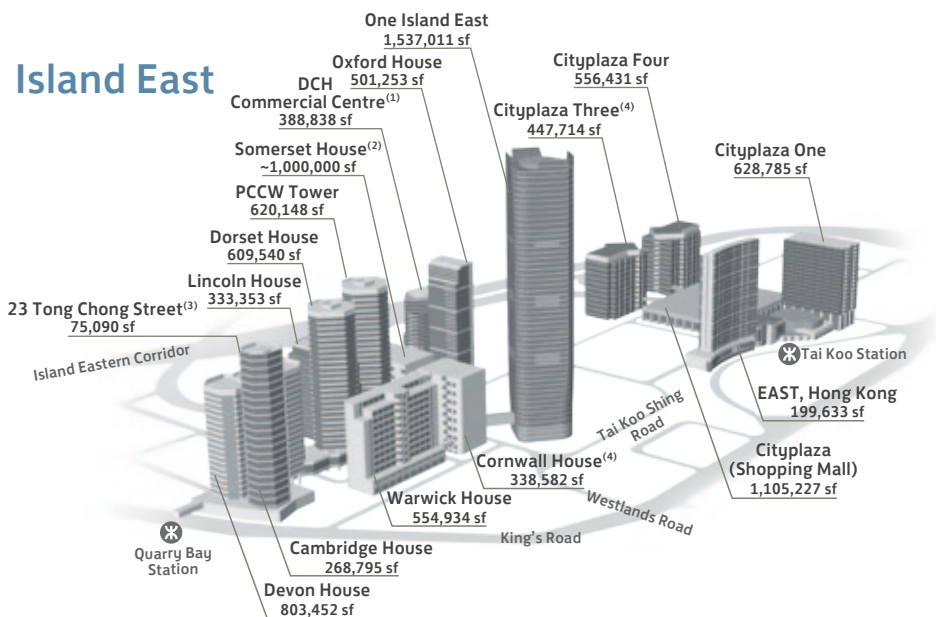
Capital expenditure in 2013 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK\$1,237 million (2012: HK\$239 million). Outstanding capital commitments at 31st December 2013 were HK\$2,850 million (2012: HK\$2,963 million).

Profile of Capital Commitments for Investment Properties and Hotels						
	Expenditure	Forecast Year of Expenditure				Commitments*
	2013 HK\$M	2014 HK\$M	2015 HK\$M	2016 HK\$M	2017 & beyond HK\$M	At 31st Dec 2013 HK\$M
Hong Kong	4,359	3,852	2,520	2,721	11,198	20,291
Mainland China	1,500	3,080	1,664	999	570	6,313
U.S.A. and others	1,237	1,539	1,303	8	–	2,850
Total	7,096	8,471	5,487	3,728	11,768	29,454

* The capital commitments represent the Group's capital commitments of HK\$20,341 million plus the Group's share of the capital commitments of joint venture companies of HK\$9,113 million. The Group is committed to funding HK\$4,212 million of the capital commitments of joint venture companies.

Hong Kong

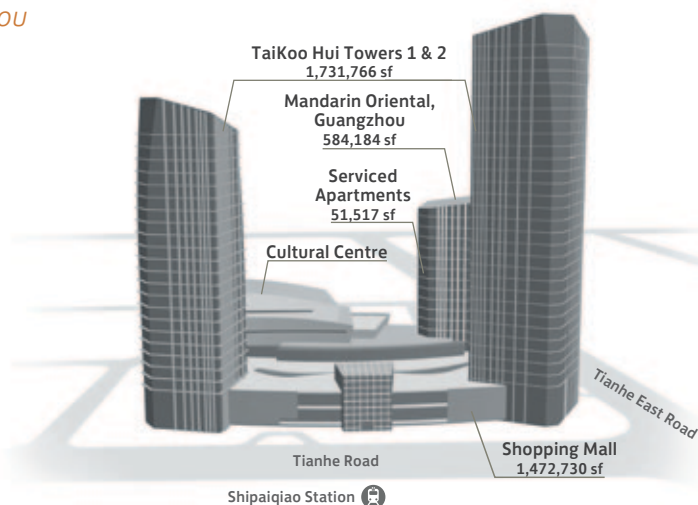
Island East



⁽¹⁾ Acquired and transaction completed in January 2014.
⁽²⁾ Under redevelopment. ⁽³⁾ Under development.
⁽⁴⁾ In February 2014, the Group reached agreement with the HKSAR Government to acquire its interest in Cornwall House. The agreement provides for the exchange of 10 floors of Grade-A office space in Cityplaza Three (~205,000 sf) for all the areas in Cornwall House currently owned and occupied by the HKSAR Government, consisting principally of eight floors in the building (~187,000 sf). The transaction is expected to be completed on or before 30th December 2016.

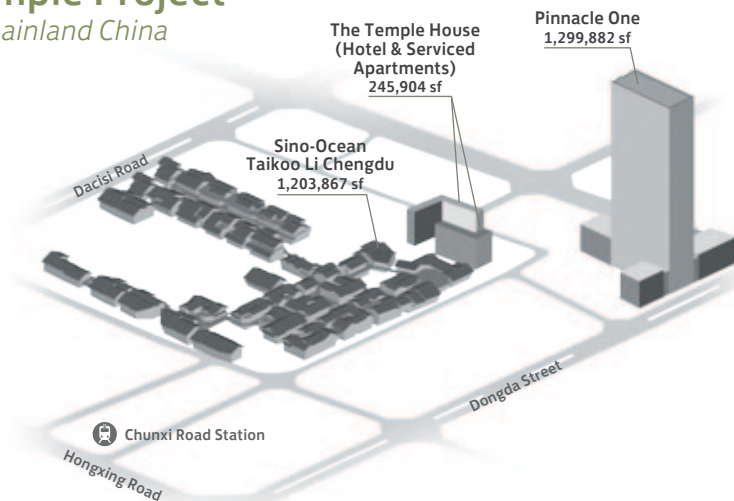
Mainland China

TaiKoo Hui Guangzhou



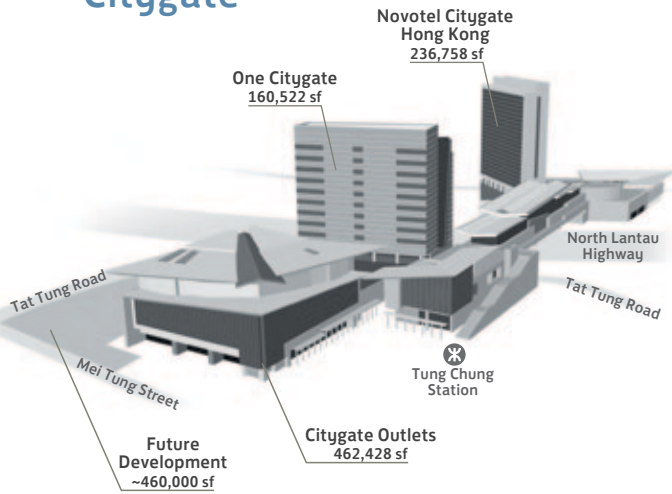
Future Developments

Daci Temple Project Chengdu, Mainland China

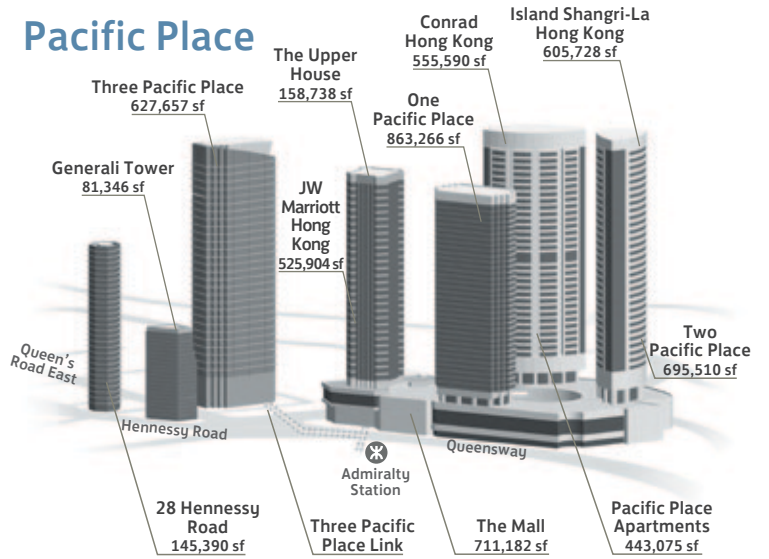


Note: These diagrams are not to scale and are for illustration purpose only.

Citygate

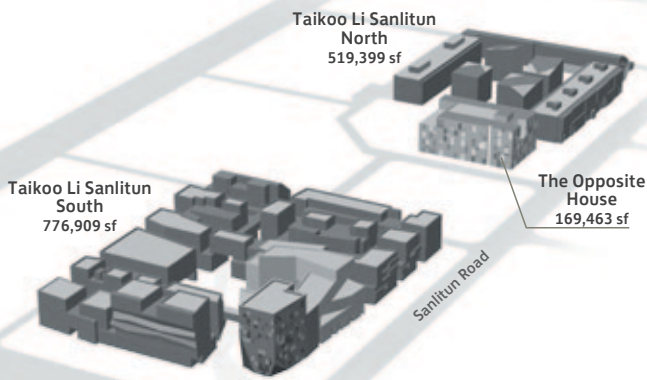


Pacific Place



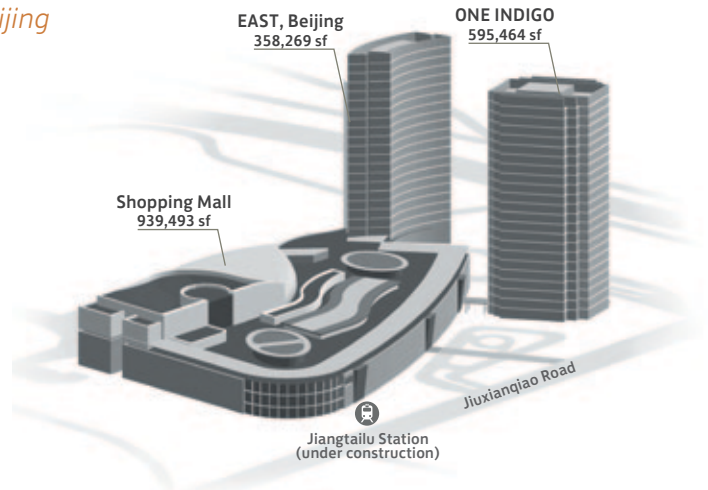
Taikoo Li Sanlitun

Beijing



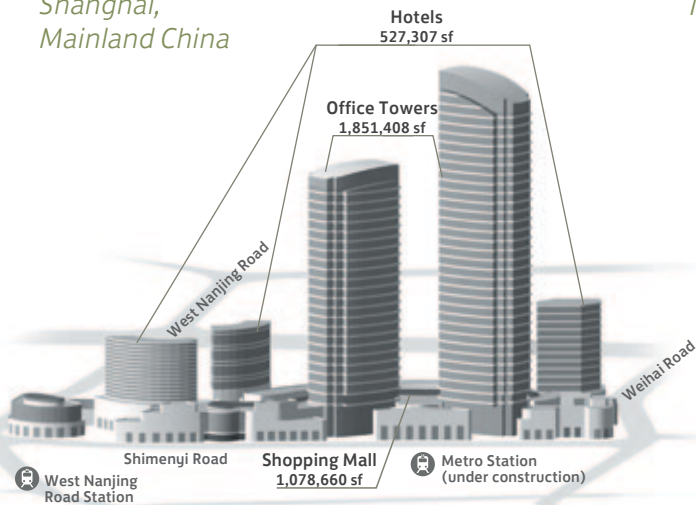
INDIGO

Beijing



Dazhongli Project

Shanghai, Mainland China



Brickell City Centre

Miami, Florida, U.S.A.



Financial Review

References are to “Notes to the Accounts” on pages 99 to 151.

Consolidated Statement of Profit or Loss

	2013 HK\$M	2012 HK\$M	Reference
Turnover	12,935	14,052	Note 4
<p>The decrease in turnover of HK\$1,117 million compared to 2012 was principally due to significantly lower sales revenue from the sale of residential apartments offset in part by higher rental income from investment properties and higher turnover from owned and managed hotel operations.</p> <p>Turnover from property trading decreased by HK\$1,940 million compared to 2012. In 2013, 21 AZURA units and 12 ARGENTA units were sold. In 2012, 98 AZURA units were sold.</p> <p>Rental income from investment properties increased by HK\$661 million. In Hong Kong, gross rental income increased by HK\$405 million reflecting positive rental reversions. In Mainland China, rental income recorded good growth, with improved performances at Taikoo Li Sanlitun in Beijing and at TaiKoo Hui in Guangzhou due to positive rental reversions and higher occupancy.</p> <p>Turnover from hotels increased by HK\$160 million largely due to the first year contribution from Mandarin Oriental, Guangzhou and improved room rates and occupancy from the owned and managed hotels in Hong Kong and the U.K.</p>			

Consolidated Statement of Profit or Loss *(continued)*

	2013 HK\$M	2012 HK\$M Restated	Reference
<p>Gross Profit</p> <p>Gross profit decreased by HK\$878 million, principally due to lower gross profit from property trading, which decreased by HK\$1,485 million, reflecting lower turnover. Gross profit from investment properties increased by HK\$555 million, due to higher gross rental income in Hong Kong and Mainland China. The gross profit margin from investment properties remained stable at 82.5% in 2013. Gross profit from owned and managed hotels increased by HK\$35 million, due to an improved performance from the Hong Kong and U.K. hotels.</p>	9,404	10,282	
<p>Operating Profit</p> <p>The decrease in operating profit of HK\$6,998 million was principally due to lower net revaluation gains on investment properties and lower gross profit from residential sales, partially offset by higher gross profit from investment properties.</p> <p>A net revaluation gain on investment properties of HK\$6,211 million was recorded in 2013, HK\$6,062 million lower than in 2012. Investment properties in Hong Kong recorded a net revaluation gain of HK\$5,670 million, largely due to higher rents at completed properties, in particular the Island East offices. Investment properties in Mainland China recorded a net revaluation gain of HK\$658 million, largely due to higher rents at TaiKoo Hui and Taikoo Li Sanlitun South.</p> <p>Administrative expenses increased by HK\$89 million compared to 2012, largely due to a hotel depreciation charge since February 2013 from Mandarin Oriental, Guangzhou, in TaiKoo Hui.</p>	14,498	21,496	Notes 6 and 8(a)
<p>Net Finance Charges</p> <p>The increase in net finance charges of HK\$80 million is largely due to higher net finance charges in Hong Kong, partially offset by the change in the fair values of put options held by the non-controlling interests being lower by HK\$36 million (a finance charge of HK\$139 million in 2013 against a finance charge of HK\$175 million in 2012). Higher net finance charges in Hong Kong were mainly due to the cessation of interest capitalisation at the 28 Hennessy Road and AZURA developments and reduced interest income from a loan to Sino-Ocean Land Limited. Net finance charges in Mainland China were relatively flat in 2013.</p>	1,447	1,367	Note 10

Consolidated Statement of Profit or Loss (continued)

	2013 HK\$M	2012 HK\$M Restated	Reference
Share of Profits Less Losses of Joint Venture Companies The increase of HK\$149 million is largely due to higher net revaluation gains on investment properties in Mainland China particularly at the Dazhongli and Daci Temple developments. These were offset in part by lower revaluation gains from investment properties held by joint venture companies in Hong Kong.	809	660	Note 8(a)
Taxation The decrease in taxation of HK\$517 million was due to lower operating profit, after excluding non-assessable income (principally revaluation gains on Hong Kong investment properties) and lower non-deductible expenses. The lower non-deductible expenses largely reflected the movement in the fair value of put options in favour of non-controlling interests.	1,344	1,861	Note 11
Profit Attributable to the Company's Shareholders The decrease of HK\$6,228 million reflects lower net revaluation gains from investment properties, lower profits from property trading and higher net finance charges, partially offset by higher profits from property investments, a higher share of profits less losses from joint venture companies and lower tax.	12,525	18,753	Note 8(a)

Consolidated Statement of Financial Position

	2013 HK\$M	2012 HK\$M	Reference
Property, Plant and Equipment The increase in property, plant and equipment of HK\$388 million was due to capital expenditure on Mandarin Oriental, Guangzhou, capital expenditure on the hotel at Brickell City Centre in Miami and the transfer of certain investment properties to owner-occupied space in Hong Kong.	7,225	6,837	Note 15
Investment Properties The increase in investment properties of HK\$11,412 million is largely due to a revaluation gain of HK\$6,211 million, the purchase of a commercial site at Kowloon Bay, Hong Kong in November 2013 for HK\$2,639 million, additions during the year to existing properties of HK\$2,271 million (largely at the Brickell City Centre development in Miami, U.S.A., at 23 Tong Chong Street, The Mall at Pacific Place and 8 Queen's Road East developments in Hong Kong and at the TaiKoo Hui development in Mainland China) and a foreign exchange translation gain of HK\$681 million from investment properties in Mainland China.	213,708	202,296	Note 16

Consolidated Statement of Financial Position *(continued)*

	2013 HK\$M	2012 HK\$M	Reference
Properties Held for Development The increase of HK\$518 million is mainly due to the acquisition of a site adjacent to the Brickell City Centre development in Miami, U.S.A. in July 2013. This new site will be included in Phase II of the Brickell City Centre development and will be named One Brickell City Centre.	706	188	Note 18
Investment in Joint Venture Companies The increase of HK\$1,501 million reflects additional net investment of HK\$485 million in the form of loans from shareholders and equity (predominantly to fund the Daci Temple, and INDIGO projects in Mainland China, the purchase of a commercial site adjacent to Citygate Outlets development at Tung Chung in Hong Kong and the deposit paid for the purchase of DCH Commercial Centre in Hong Kong), our share of profits of joint venture companies, including revaluation gains, and an increase in our share of the foreign exchange translation gains of the joint venture companies in Mainland China.	16,379	14,878	Note 20
Investment in Associated Companies The decrease of HK\$200 million reflects loan repayments and dividend payments from our associated companies, partially offset by profits less losses retained by these associated companies.	521	721	Note 21
Properties Under Development and for Sale The increase of HK\$1,072 million is largely due to development expenditure on our trading properties, principally in Hong Kong (including the ARGENTA, MOUNT PARKER RESIDENCES and AREZZO developments), but also on the residential component of the Brickell City Centre development in Miami, partly offset by sales of residential units at the AZURA and ARGENTA developments in Hong Kong.	8,020	6,948	Note 24
Trade and Other Receivables The decrease of HK\$408 million largely represents a HK\$693 million decrease in other receivables which was partly offset by a HK\$334 million increase in trade debtors. The decrease in other receivables principally reflects the repayment of and interest payments on (together totalling HK\$983 million) a loan to Sino-Ocean Land Limited, partly offset by the contribution of a HK\$236 million receivable by the owner of a non-controlling interest in the retail portion of the Brickell City Centre development in Miami. The increase in trade debtors is mainly due to the increased amount of receivables relating to the sale of units at the ARGENTA and AZURA developments in Hong Kong.	2,522	2,930	Note 26
Trade and Other Payables (including non-current portion) The increase of HK\$1,219 million largely reflects a HK\$511 million increase in the fair value of put options in favour of non-controlling interests, a HK\$163 million increase in rental deposits from tenants, a HK\$415 million increase in interest-bearing advances from fellow subsidiaries, joint ventures and related companies, a HK\$155 million increase in other payables, partially offset by a HK\$64 million decrease in accrued capital expenditure. The increase in other payables is due largely to a HK\$273 million increase in provisions for construction costs on trading properties not yet invoiced, partially offset by reduction in stakeholders' accounts following the completion of sales of presold units at the ARGENTA development in Hong Kong.	8,374	7,155	Note 29

Consolidated Statement of Financial Position *(continued)*

	2013 HK\$M	2012 HK\$M Restated	Reference
Long-Term Loans and Bonds (including the component due within one year) The increase of HK\$5,795 million was due to the issue of the equivalent of HK\$3,877 million medium-term notes and higher bank borrowings to fund capital and development expenditure in Hong Kong, Mainland China and the U.S.A.	20,359	14,564	Note 30
Loans Due to a Fellow Subsidiary Company – Swire Finance Limited Loans due to a fellow subsidiary company reduced by HK\$1,892 million. This principally reflects repayment of loans out of the proceeds from the issue of medium-term notes and from cash generated from operations, partially offset by borrowings undertaken to finance expenditure on trading and investment developments.	13,348	15,240	Note 31
Deferred Tax Liabilities The increase of HK\$645 million reflects deferred tax on depreciation of plant and equipment, adjustments for rent free periods at investment properties in Hong Kong and Mainland China, and deferred tax on revaluation gains on investment properties in Mainland China.	5,604	4,959	Note 33
Equity Attributable to the Company's Shareholders The increase in equity attributable to the Company's shareholders represents the total comprehensive income for the year attributable to the Company's shareholders (HK\$13,309 million), as reduced by dividends paid to the Company's shareholders.	202,350	192,434	Notes 35 and 36
Non-Controlling Interests The increase in non-controlling interests of HK\$158 million reflects profit earned by the companies in which there are non-controlling interests (principally the trading property development at AZURA), partially offset by dividends paid to the owners of non-controlling interests.	800	642	Note 37

Consolidated Statement of Cash Flows

	2013 HK\$M	2012 HK\$M Restated	Reference
Cash Generated from Operations Cash generated from operations of HK\$8,873 million largely comprised cash inflows from investment properties of approximately HK\$8,300 million in Hong Kong and mainland china, from property trading of approximately HK\$1,600 million and from loan repayments by Sino-Ocean Land Limited of approximately HK\$890 million, partially offset by expenditure on properties under development and for sale of approximately HK\$1,900 million and operating expenses of approximately HK\$1,000 million.	8,873	8,116	Note 42(a)
Profits Tax Paid The increase of HK\$439 million was largely due to profits tax paid in the current year relating to the 2012 assessable profit and provisional profits tax payable in respect of the sale of units at the AZURA development.	1,314	875	

Consolidated Statement of Cash Flows *(continued)*

	2013 HK\$M	2012 HK\$M	Reference
Dividends Received from Joint Venture and Associated Companies The increase of HK\$63 million largely reflects higher dividends from the associated companies which own hotels in Pacific Place.	216	153	
Purchase of Property, Plant and Equipment The decrease of HK\$73 million largely reflects lower capital expenditure on the Mandarin Oriental hotel at the TaiKoo Hui development and at EAST hotel in Hong Kong, partially offset by higher capital expenditure on the hotel at the Brickell City Centre development in Miami, U.S.A.	415	488	Note 42(b)
Additions to Investment Properties The increase of HK\$2,527 million largely reflects the purchase of a commercial site at Kowloon Bay in Hong Kong and increased capital expenditure at the Brickell City Centre development in Miami, U.S.A., partially offset by lower capital expenditure at the TaiKoo Hui and 28 Hennessy Road developments.	5,043	2,516	
Loans (Net of Repayment) to Joint Venture Companies The increase of HK\$485 million in 2013 largely reflects the shareholders loans advanced to the companies owning the DCH Commercial Centre in Hong Kong, the new commercial site at Tung Chung in Hong Kong and Daci Temple project in Mainland China, partially offset by the repayment of loans by companies undertaking the Dazhongli project in Mainland China.	485	1,258	
Bank Loans Drawn and Refinancing (Net of Repayment) The bank loans drawn and refinancing of HK\$5,282 million in 2013 reflects the issue of medium-term notes with a principal amount equivalent to HK\$3,877 million and additional bank borrowings in Hong Kong, Mainland China and the U.S.A. Refer to Financing section on pages 55 to 63 for further details.	5,282	8,024	
Decrease in Loans Due to a Fellow Subsidiary Company – Swire Finance Limited The decrease in loans of HK\$1,900 million in 2013 largely reflects repayment of loans out of the proceeds of the issue of medium-term notes and cash generated from operations, partially offset by borrowings to finance expenditure on developments.	1,900	6,173	

Investment Appraisal and Performance Review

	Net Assets Employed		Capital Commitments ⁽¹⁾	
	2013 HK\$M	2012 HK\$M Restated	2013 HK\$M	2012 HK\$M
Property investment	218,556	207,577	28,200	14,144
Property trading	9,408	7,309	–	–
Hotels	7,200	7,111	1,254	1,770
Total net assets employed	235,164	221,997	29,454	15,914
Less net debt	(32,014)	(28,921)		
Less non-controlling interests	(800)	(642)		
Equity attributable to the Company's shareholders	202,350	192,434		
	Equity Attributable to the Company's Shareholders ⁽²⁾		Return on Average Equity Attributable to the Company's Shareholders ⁽²⁾	
	2013 HK\$M	2012 HK\$M Restated	2013	2012
Property investment	191,224	183,067	6.3%	9.7%
Property trading	4,413	2,881	19.7%	80.4%
Hotels	6,713	6,486	-0.7%	0.2%
Total	202,350	192,434	6.3%	10.2%

⁽¹⁾ The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of joint venture companies.

⁽²⁾ Refer to Glossary on page 171 for definitions.

Financing

- Capital Structure
- Financing Arrangements with the Swire Pacific Group
- Medium Term Note Programme
- Changes in Financing
- Net Borrowings
- Sources of Finance
 - Loans and Bonds
 - Bank Balances and Short-term Deposits
- Maturity Profile and Refinancing
- Currency Profile
- Finance Charges
- Gearing Ratio and Interest Cover
- Capital Management
- Attributable Net Debt
- Debt in Joint Venture and Associated Companies

Capital Structure

The Group aims to maintain a capital structure which enables it to invest in and finance projects in a disciplined and targeted manner.

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

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its various investments.

Financing Arrangements with the Swire Pacific Group

There are a number of financing arrangements between the Group and the Swire Pacific group.

On 31st March 2010, Swire Properties (Finance) Limited, the Company and Swire Finance Limited ("Swire Finance", a wholly-owned subsidiary of Swire Pacific Limited), entered into five loan agreements ("Loan Agreements") (as amended on 31st October 2011) to record the terms of the borrowings by the Group from Swire Finance. The Loan Agreements substantially mirror the terms and maturity profile (currently ranging, disregarding the perpetual element of the financing arrangements, up to five years) of the underlying borrowings of Swire Finance from third parties and these borrowings bear interest at the interest rates illustrated in the section on Finance Charges on pages 59 to 61. The underlying borrowings are in the form of revolving credit facilities, bonds issued under the Swire Pacific group's medium term note programme, and perpetual capital securities. No security has been given by the Group in respect of the Loan Agreements. Upon maturity of the financing arrangements provided by Swire Finance, the Group will obtain new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.

Medium Term Note Programme

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

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

Changes in Financing

During the year, the Group raised HK\$9,392 million of new facilities. This comprised:

- an issue of medium-term notes of US\$500 million
- a five-year term and revolving loan facility of HK\$1,000 million
- refinancing of a term and revolving loan facility of approximately RMB200 million
- a four-year term loan facility of US\$500 million
- a two-year revolving loan facility of US\$50 million

During the year, the Group made significant repayments under the Loan Agreements in respect of bonds totalling HK\$2,300 million issued under the Swire Pacific MTN programme which fell due for repayment during the period. Undrawn revolving credit facilities available under the Loan Agreements totalling HK\$1,500 million expired during the first half of 2013.

Subsequent to 31st December 2013, the Group arranged a new three-year RMB2,440 million term loan facility in February 2014 and three new five-year term and revolving loan facilities totalling HK\$2,250 million in March 2014. The RMB facility was arranged to refinance an expiring RMB2,700 million facility.

Audited Financial Information	2013 HK\$M	2012 HK\$M
Bank loans, bonds and loans from Swire Finance		
At 1st January	30,857	28,879
Loans drawn and refinancing	3,637	4,029
Bonds issued	3,877	4,676
Repayment of bank loans	(2,232)	(681)
Decrease in loans due to Swire Finance	(1,900)	(6,173)
Other non-cash movements	296	127
	34,535	30,857
Overdrafts	–	4
At 31st December	34,535	30,861

Net Borrowings

The Group's borrowings are principally denominated in Hong Kong dollars, Renminbi and US dollars. Outstanding borrowings as at 31st December 2013 and 2012 were as follows:

Audited Financial Information	2013 HK\$M	2012 HK\$M
Borrowings included in non-current liabilities		
Bank borrowings – unsecured	5,097	8,607
Bonds – unsecured	8,501	4,649
Borrowings from Swire Finance – unsecured	13,348	12,941
Borrowings included in current liabilities		
Bank borrowings – unsecured	7,589	2,365
Borrowings from Swire Finance – unsecured	–	2,299
Total borrowings	34,535	30,861
Less: cash and cash equivalents	2,521	1,940
Net borrowings	32,014	28,921

Sources of Finance

At 31st December 2013, committed loan facilities and debt securities amounted to HK\$41,203 million, of which HK\$7,333 million (17.8%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$1,304 million. Sources of funds at 31st December 2013 comprised:

Audited Financial Information	Available HK\$M	Drawn HK\$M	Undrawn Expiring Within One Year HK\$M	Undrawn Expiring After One Year HK\$M
Facilities from third parties				
Revolving credit and short-term loans	3,637	304	–	3,333
Term loans	14,348	11,648	–	2,700
Bonds	8,554	8,554	–	–
Facilities from Swire Finance				
Revolving credit	2,500	1,200	–	1,300
Bonds	9,835	9,835	–	–
Perpetual capital securities	2,329	2,329	–	–
Total committed facilities	41,203	33,870	–	7,333
Uncommitted facilities				
Bank loans and overdrafts	2,132	828	1,304	–
Total	43,335	34,698	1,304	7,333

Note: The figures above are stated before unamortised loan fees of HK\$163 million.

i) Loans and Bonds

For accounting purposes, loans (including those borrowed from Swire Finance under the Loan Agreements) and bonds are classified as follows:

Audited Financial Information	2013			2012		
	Drawn, Before Unamortised Loan Fees HK\$M	Unamortised Loan Fees HK\$M	Carrying Value HK\$M	Drawn, Before Unamortised Loan Fees HK\$M	Unamortised Loan Fees HK\$M	Carrying Value HK\$M
Group						
Bank overdrafts and short-term loans – unsecured	828	–	828	1,057	–	1,057
Long-term loans and bonds at amortised cost	33,870	(163)	33,707	29,926	(122)	29,804
Less: amount due within one year included under current liabilities	6,774	(13)	6,761	3,607	–	3,607
	27,096	(150)	26,946	26,319	(122)	26,197

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

At 31st December 2013, the fair value of the perpetual capital securities was HK\$2,559 million (2012: HK\$2,604 million). They are listed on the Luxembourg Stock Exchange.

ii) Bank Balances and Short-Term Deposits

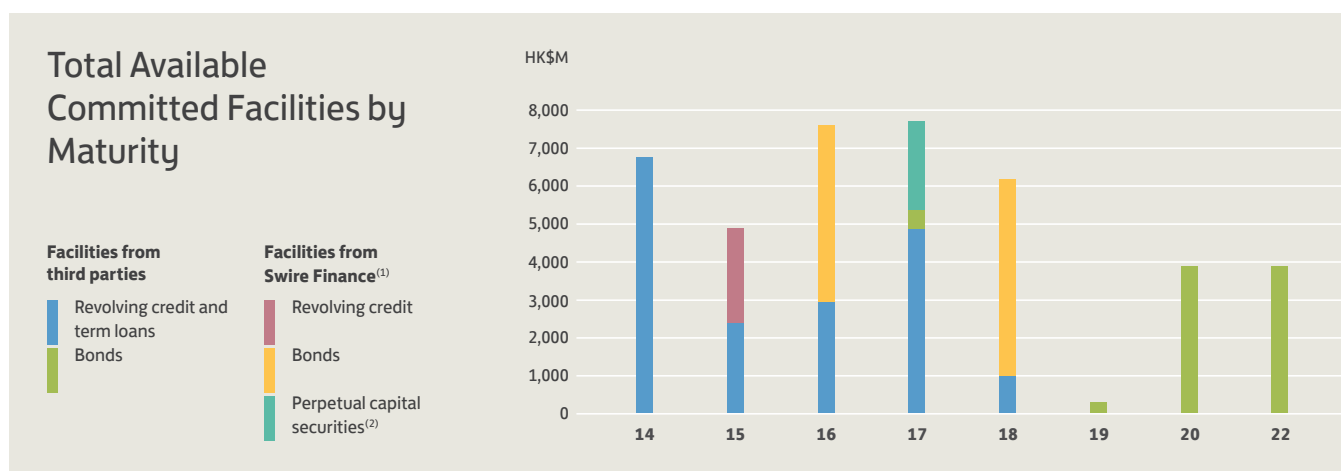
The Group had bank balances and short-term deposits of HK\$2,521 million at 31st December 2013, compared to HK\$1,940 million at 31st December 2012.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2022 (2012: up to 2022). The weighted average term and cost of the Group’s debt are:

	2013	2012
Weighted average term of debt	3.4 years	3.6 years
Weighted average term of debt (excluding perpetuals)	3.4 years	3.5 years
Weighted average cost of debt	5.2%	4.8%
Weighted average cost of debt (excluding perpetuals)	4.9%	4.5%

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



⁽¹⁾ Facilities from Swire Finance under the Loan Agreements.

⁽²⁾ The perpetual capital securities have no fixed maturity date. In the above graph their maturity is presented as their first call date, 13th May 2017.

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

Audited Financial Information	2013		2012	
	HK\$M		HK\$M	
Bank and other borrowings due				
Within 1 year	7,589	22%	2,365	8%
1-2 years	1,795	5%	6,603	21%
2-5 years	3,800	11%	2,502	8%
After 5 years	8,003	23%	4,151	14%
Borrowings from Swire Finance due				
Within 1 year	–	–	2,299	7%
1-2 years	1,195	4%	–	–
2-5 years	12,153	35%	7,773	25%
After 5 years	–	–	5,168	17%
Total	34,535	100%	30,861	100%
Less: Amount due within one year included under current liabilities	7,589		4,664	
Amount due after one year included under non-current liabilities	26,946		26,197	

Currency Profile

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

Audited Financial Information	2013		2012	
	HK\$M		HK\$M	
Currency				
Hong Kong dollar	24,407	71%	21,060	68%
United States dollar	2,342	7%	1,524	5%
Renminbi	7,786	22%	8,214	27%
Others	–	–	63	–
Total	34,535	100%	30,861	100%

Finance Charges

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

Audited Financial Information	2013		2012	
	HK\$M		HK\$M	
Fixed	20,718	60%	19,027	61%
Floating	13,980	40%	11,956	39%
Sub-total	34,698	100%	30,983	100%
Less: Unamortised loan fee	163		122	
Total	34,535		30,861	

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

Audited Financial Information	Floating Interest Rates HK\$M	Fixed Interest Rates Maturing in:			Total HK\$M
		1 year or Less HK\$M	1 to 5 Years HK\$M	Over 5 Years HK\$M	
At 31st December 2013	13,881	–	12,651	8,003	34,535
At 31st December 2012	11,877	2,186	7,478	9,320	30,861

Interest charged and earned during the year was as follows:

Audited Financial Information	2013 HK\$M	2012 HK\$M
Interest charged on:		
Bank loans and overdrafts	(568)	(527)
Bonds:		
Wholly repayable within five years	(10)	(4)
Not wholly repayable within five years	(266)	(95)
Loans from fellow subsidiary companies	(722)	(933)
Loans from joint venture and related companies	(9)	(6)
Fair value loss on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	(2)	(1)
Other financing costs	(136)	(124)
Loss on the movement in the fair values of the liabilities in respect of put options in favour of the owners of non-controlling interests in subsidiary companies	(139)	(175)
Capitalised on:		
Investment properties	63	95
Properties under development and for sale	256	244
Hotels	8	43
	(1,525)	(1,483)
Interest income on:		
Short-term deposits and bank balances	26	11
Loans to joint venture companies	21	13
Others	31	92
	78	116
Net finance charges	(1,447)	(1,367)

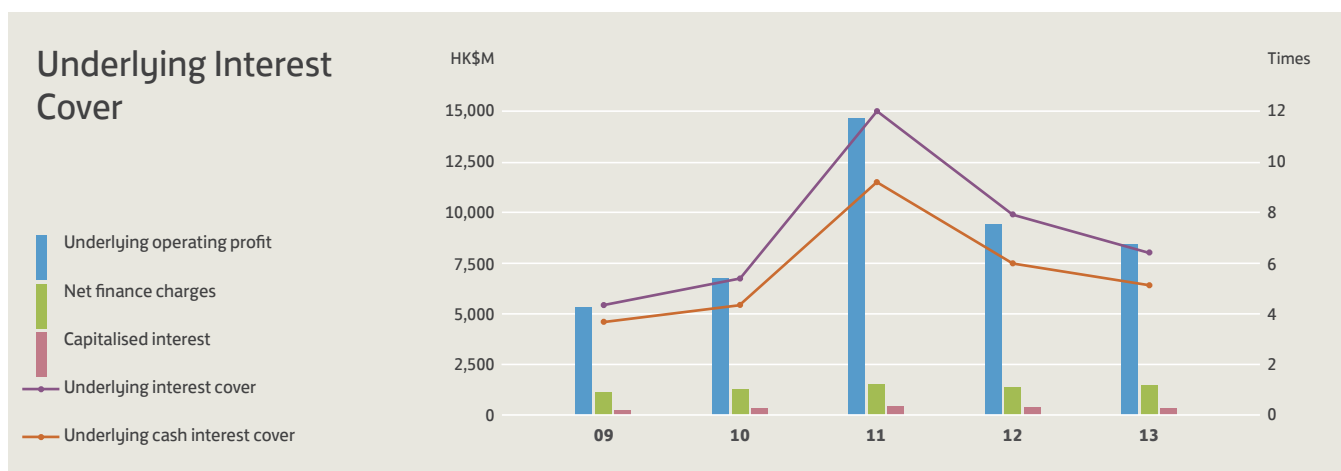
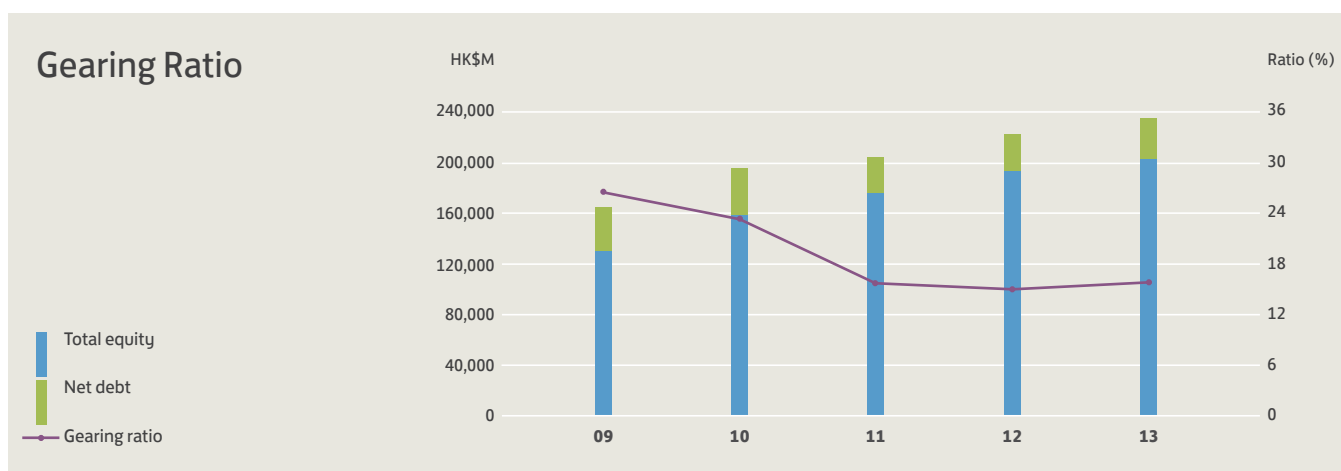
The capitalised interest rates on funds both borrowed generally and used for the development of investment properties, hotels and properties under development and for sale were between 1.25% and 6.21% per annum (2012: 1.10% and 6.21% per annum).

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

Audited Financial Information	2013				2012			
	HK\$ %	US\$ %	RMB %	Others %	HK\$ %	US\$ %	RMB %	Others %
Bank overdrafts and short-term loans	–	–	5.04-5.15	–	–	–	3.14-6.27	–
Long-term loans and bonds	0.78-5.35	1.41-1.86	5.54-6.77	–	0.78-5.35	1.25	3.38-7.38	1.81
Perpetual capital securities	–	7.22-8.84	–	–	–	7.22-8.84	–	–

Gearing Ratio and Interest Cover

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



	2013	2012
Gearing ratio*		
Per accounts	15.8%	15.0%
Underlying	15.2%	14.5%
Interest cover – times*		
Per accounts	10.0	15.7
Underlying	6.4	7.9
Cash interest cover – times*		
Per accounts	8.2	12.3
Underlying	5.1	6.0

* Refer to Glossary on page 171 for definitions.

Capital Management

Audited Financial Information

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

The Group considers a number of factors in monitoring its capital structure, which principally include the gearing ratio, cash interest cover and the return cycle of its various investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings less short-term deposits and bank balances. Capital comprises total equity, as shown in the consolidated statement of financial position.

In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2013 and 31st December 2012 were as follows:

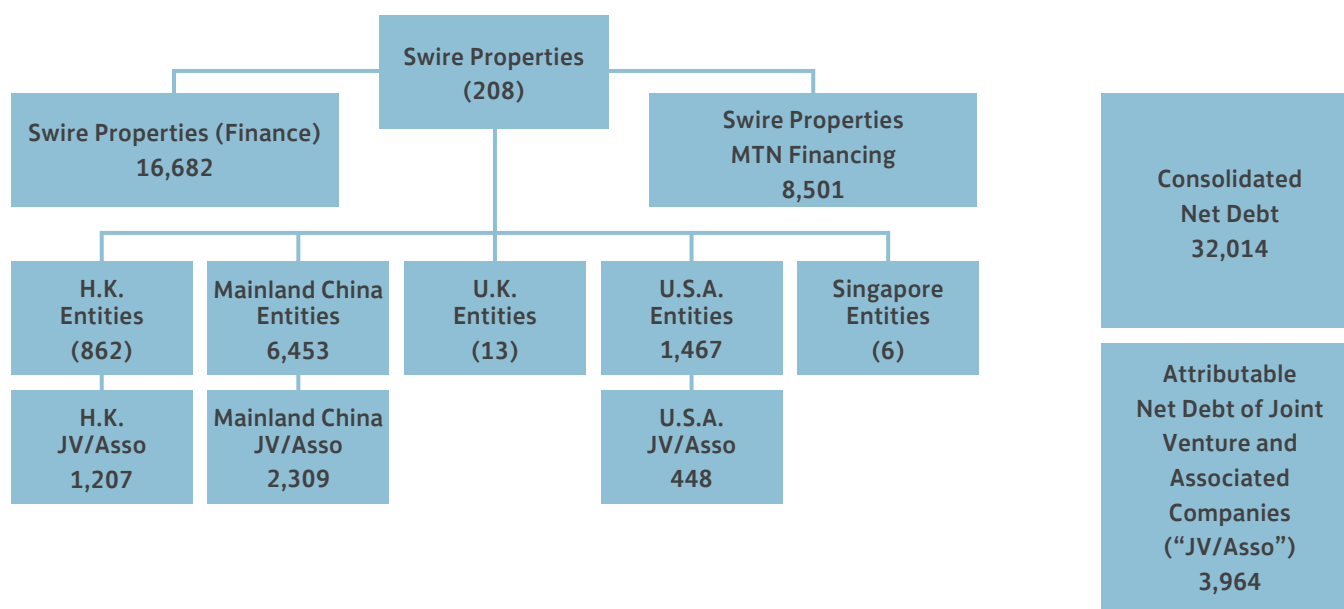
	2013 HK\$M	2012 HK\$M Restated
Total borrowings	34,535	30,861
Less: Short-term deposits and bank balances	2,521	1,940
Net debt	32,014	28,921
Total equity	203,150	193,076
Gearing ratio	15.8%	15.0%

The increase in the gearing ratio during 2013 principally reflects an increase in total borrowings due to the funding required for the development of the Brickell City Centre project in Miami and the acquisition of the Kowloon Bay commercial site in Hong Kong.

The Group has certain covenants in respect of a number of its facilities from third-parties; including maintenance of tangible net worth. The Group has significant headroom on all covenants, and does not forecast any breach for the foreseeable future.

Attributable Net Debt

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



Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at the end of 2013 and 2012:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by Swire Properties	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Hong Kong Entities	2,601	1,567	1,207	975	–	–
Mainland China Entities	4,619	1,126	2,309	563	–	–
U.S.A. Entities	597	571	448	429	496	–
	7,817	3,264	3,964	1,967	496	–

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 17.7% and underlying gearing would rise to 17.1%.

A photograph of a modern, multi-story building with a glass and metal facade. The building features a grid of windows and a prominent overhang. A large, leafy green tree is in the foreground, partially obscuring the lower part of the building. The sky is blue with some clouds. A white rectangular box is overlaid on the left side of the image, containing the text 'Corporate Governance & Sustainability'.

Corporate
Governance &
Sustainability



太古汇
TaiKoo Hui

TaiKoo Hui
Guangzhou

Corporate Governance

Governance Culture

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

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

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

Corporate Governance Statement

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

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

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

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

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

The Board of Directors

Role of the Board

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

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

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including accounts
- 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 73 to 74) and the Remuneration Committee (see pages 70 to 71).

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.

C.D. Pratt, the Chairman, was 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

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

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

Board Composition

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

The Board comprises the Chairman, five other Executive Directors and nine Non-Executive Directors. Their biographical details are set out on pages 77 and 78 of this report and are posted on the Company's website.

G.M.C. Bradley, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, M.M.S. Low and C.D. Pratt are directors and employees of the John Swire & Sons Limited ("Swire") group. M.B. Swire is a shareholder, director and employee of Swire.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit and Remuneration Committees of the Board comprise only Non-Executive Directors.

The Board considers that five of the nine Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors:

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

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

Appointment and Re-election

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

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

Full details of changes in the Board during the year and to the date of this report are provided in the Directors' Report on page 81.

Board Diversity

The Board adopted a board diversity policy with effect from 1st September 2013 in compliance with a new code provision on board diversity in the CG Code, which came into effect on the same date. The board diversity policy 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 ongoing participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

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

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

Details of Directors' other appointments are shown in their biographies on pages 77 to 78.

Board Processes

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

The dates of the 2013 Board meetings were determined in 2012 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 2013. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 69. Average attendance at Board meetings was 97%. All Directors attended Board meetings in person or through electronic means of communication during the year.

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

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

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

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

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

A typical Board meeting would consist of:

- review of a report by the Chief Executive on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- the raising of new initiatives and ideas

- the presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for Directors' consideration
- any declarations of interest

The executive management provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility.

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

Directors	Meetings Attended/Held				Continuous Professional Development Type of Training (Note)
	Board	Audit Committee	Remuneration Committee	2013 Annual General Meeting	
Executive Directors					
C.D. Pratt – Chairman	5/5			✓	A
M. Cubbon	5/5			✓	A
M.M.S. Low	5/5			✓	A
G.M.C. Bradley	5/5			✓	A
D.C.Y. Ho	5/5			✓	A
G.J. Ongley	4/5			✓	A
Non-Executive Directors					
J.W.J. Hughes-Hallett	5/5		2/2	✓	A
P.A. Kilgour	5/5	2/3		✓	A
R.S.K. Lim	2/2			N/A	A
M.B. Swire	5/5			✓	A
Independent Non-Executive Directors					
S.E. Bradley	5/5		2/2	X	A
J.C.C. Chan	5/5	3/3		✓	A
P.K. Etchells	5/5	3/3		✓	A
S.T. Fung	4/5			✓	A
S.C. Liu	5/5		2/2	✓	A
Average attendance	97%	89%	100%	93%	

Note:

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

Continuous Professional Development

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

Directors’ and Officers’ Insurance

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

Conflicts of Interest

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

Delegation by the Board

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

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

- detailed monthly management accounts consisting of income statements and statements of financial position and cash flows compared to budget, together with forecasts
- internal and external audit reports
- feedback from external parties such as customers, those 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 as at 31st December 2013 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 81 to 83.

Remuneration Committee

Full details of Directors’ remuneration are provided in note 9 to the accounts.

The Remuneration Committee comprises three Non-Executive Directors, S.C. Liu, S.E. Bradley and J.W.J. Hughes-Hallett. Two of the Committee Members are Independent Non-Executive Directors, one of whom, S.C. Liu, is Chairman. All the members served for the whole of 2013.

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

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

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

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

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

Although the remuneration of these executives is not 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 at its meeting in November 2013. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 9 to the accounts, 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	2013 HK\$	2014 HK\$
Director's Fee	575,000	575,000
Fee for Audit Committee Chairman	240,000	260,000
Fee for Audit Committee Member	180,000	180,000
Fee for Remuneration Committee Chairman	75,000	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 accounts 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 73 and 74.

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.

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

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

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

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

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

Internal audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 74 to 75.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, P.K. Etchells, J.C.C. Chan and P.A. Kilgour, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, P.K. Etchells is Chairman. All the members served for the whole of 2013.

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 2013. Regular attendees at the meetings are the Director, Finance & Human Resources, the Head of Internal Audit of the Swire group and the external auditors. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the external auditors and Internal Audit. The independent property valuers also attended two of the meetings.

The work of the Committee during 2013 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2012 annual and 2013 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 2014 annual Internal Audit programme and review of progress on the 2013 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 75
- the Company's compliance with the CG Code

In 2014, the Committee has reviewed, and recommended to the Board for approval, the 2013 accounts.

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 Director, Finance & Human Resources
- 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
- 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 18 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 Swire Pacific Group Risk Management Committee and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. Eight assignments were conducted for Swire Properties in 2013.

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 Chief Executive, the Director, Finance & Human Resources 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"). 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 accounts
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity is not, and is not seen to be, compromised
- approval of audit and non-audit fees

Auditors' Independence

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

Provision of Non-audit Services

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

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

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

Fees paid to the auditors are disclosed in note 7 to the accounts.

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 include the following:

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

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

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 7th May 2013. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 69.

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 accounts for the year ended 31st December 2012
- 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 repurchases
- a general mandate authorising the Directors to allot and issue shares up to 20% of the then issued share capital, provided that the aggregate nominal amount of the shares of any class so allotted wholly for cash would not exceed 5% of the aggregate nominal amount of the shares then in issue

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

Shareholder Engagement

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

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

Shareholder(s) holding not less than one-fortieth 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 2014 are set out on page 172 of this report.

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

Directors and Officers

Executive Directors

PRATT, Christopher Dale, CBE, aged 57, has been a Director of the Company since February 2003 and Chairman of the Company since June 2009. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited, and a Director of Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. He will retire from these positions with effect from 14th March 2014. He joined the Swire group in 1978 and has worked with the group in Hong Kong, Australia and Papua New Guinea.

SLOSAR, John Robert, aged 57, has been appointed Chairman and a Director of the Company with effect from 14th March 2014. He is a Director and Chief Executive of Cathay Pacific Airways Limited, a Director of John Swire & Sons (H.K.) Limited and Chairman of Swire Beverages Limited. He has also been appointed Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited with effect from 14th March 2014. He joined the Swire group in 1980 and has worked with the group in Hong Kong, the United States and Thailand.

CUBBON, Martin, aged 56, has been a Director of the Company since March 2000 and Chief Executive of the Company since June 2009. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Pacific Limited, with responsibility for group finance from September 1998 to March 2009. He joined the Swire group in 1986.

LOW, Mei Shuen Michelle, aged 53, has been a Director of the Company since September 2010 when she was appointed Human Resources Director of the Company. In September 2011, she was appointed Director, Finance & Human Resources of the Company with responsibility for the financial interests and human resources management of the Company. She is also a Director of John Swire & Sons (H.K.) Limited. She joined the Swire group in 1987.

BRADLEY, Guy Martin Coutts, aged 48, has been a Director of the Company since January 2008. He was appointed Chief Executive Officer – Mainland China in June 2011 and is responsible for the Company's Mainland China business. He joined the Swire group in 1987 and has worked with the group in Hong Kong, Papua New Guinea, Japan, the U.S.A., Vietnam, Mainland China, Taiwan and the Middle East.

HO, Cho Ying Davy, aged 66, has been a Director of the Company since April 2010. He is responsible for relations with joint venture partners and government authorities in Hong Kong and Mainland China. He joined the Swire group in 1970 and has worked with the group in Hong Kong, Mainland China and Taiwan.

ONGLEY, Gordon James, aged 60, has been a Director of the Company since February 2003. He was appointed Director, Development in June 2013 and oversees the Company's projects under development in Hong Kong, Southeast Asia and the U.S.A. He joined the Company in 1995 and has worked with the Company in Hong Kong and Mainland China.

Non-Executive Directors

HUGHES-HALLETT, James Wyndham John, SBS, CMG, aged 64, has been a Director of the Company since July 1998. He is Chairman of John Swire & Sons Limited and a Director of Swire Pacific Limited, Cathay Pacific Airways Limited, Steamships Trading Company Limited and HSBC Holdings plc. He joined the Swire group in 1976 and has worked with the group in Hong Kong, Taiwan, Japan, Australia and London.

KILGOUR, Peter Alan, aged 58, has been a Director of the Company since February 2001. He is also Finance Director of Swire Pacific Limited, and a Director of Cathay Pacific Airways Limited and John Swire & Sons (H.K.) Limited. He joined the Swire group in 1983.

LIM, Siang Keat Raymond, aged 54, has been a Director of the Company since July 2013. He is also Senior Advisor to John Swire & Sons (S.E. Asia) Pte. Limited. He is Chairman of APS Asset Management Pte. Limited and a Director of Government of Singapore Investment Corporation Pte Limited, Hong Leong Finance Limited, Raffles Medical Group Limited and Insurance Australia Group Limited. He has been a Member of the Singapore Parliament since 2001.

SWIRE, Merlin Bingham, aged 40, has been a Director of the Company since January 2009. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is a Director and shareholder of John Swire & Sons Limited, a Director of Swire Pacific Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited, and an Alternate Director of Steamships Trading Company Limited.

Independent Non-Executive Directors

BRADLEY, Stephen Edward, aged 55, has been a Director of the Company since April 2010. He is Vice Chairman of Beijing Uni-Alliance Property Development Company Ltd., Vice Chairman (Asia Pacific) of ICAP (Hong Kong) Limited and a Director of Husky Energy Inc.

Dr. CHAN, Cho Chak John, GBS, JP, aged 70, has been a Director of the Company since April 2010. He is Chairman and Non-Executive Director of RoadShow Holdings Limited and an Independent Non-Executive Director of Guangdong Investment Limited, Hang Seng Bank Limited and Transport International Holdings Limited (also Deputy Chairman). He is also a Director of Community Chest of Hong Kong.

ETCHELLS, Paul Kenneth, aged 63, has been a Director of the Company since April 2010. He is an Independent Non-Executive Director of China Foods Limited and Samsonite International S.A. He is also an adviser to Cassia Investments Limited. He was employed by the Swire group in Hong Kong from 1976 to 1998. He was employed by The Coca-Cola Company from July 1998 to June 2010 and worked in the U.S.A., Mainland China and Hong Kong.

FUNG, Spencer Theodore, aged 40, has been a Director of the Company since December 2012. He is an Executive Director and Group Chief Operating Officer of Li & Fung Limited. He is also a Member of the General Committee of The Hong Kong Exporters' Association, a Director of Young Presidents' Organisation and a Member of the Board of Trustees at Northeastern University.

LIU, Sing Cheong, JP, aged 58, has been a Director of the Company since April 2010. He is Chairman of My Top Home (China) Holdings Limited and an Independent Non-Executive Director of Prada S.p.A. He is also a Director of Hong Kong University of Science and Technology R and D Corporation Limited.

Secretary

FU, Yat Hung David, aged 50, has been Company Secretary since February 2010. He joined the Swire group in 1988.

Notes:

1. The Audit Committee comprises P.K. Etchells (committee chairman), J.C.C. Chan and P.A. Kilgour.
2. The Remuneration Committee comprises S.C. Liu (committee chairman), S.E. Bradley and J.W.J. Hughes-Hallett.
3. G.M.C. Bradley, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, M.M.S. Low, C.D. Pratt, J.R. Slosar and M.B. Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31st December 2013, which are set out on pages 93 to 157.

Principal Activities

The principal activities of Swire Properties Limited (the “Company”) and its subsidiaries (together, the “Group”) are: (i) property investment, that is the development, leasing and management of commercial, retail and some residential properties; (ii) property trading, that is the development and construction of properties, principally residential apartments, for sale; and (iii) investment in and operation of hotels.

The principal activities of the Company’s principal subsidiary, joint venture and associated companies are shown on pages 155 to 157. An analysis of the Group’s performance for the year by reportable business segment and geographical area is set out in note 8 to the accounts.

Dividends

The Directors have declared a second interim dividend of HK¢40 per share for the year ended 31st December 2013. Together with the first interim dividend of HK¢20 per share paid on 3rd October 2013, this makes a total dividend for the year of HK¢60 (2012: HK¢60) per share. This represents a total distribution for the year of HK\$3,510 million. The second interim dividend which totals HK\$2,340 million (2012: HK\$2,223 million) will be paid on 8th May 2014 to shareholders registered at the close of business on the

record date, being Friday, 4th April 2014. Shares of the Company will be traded ex-dividend as from Wednesday, 2nd April 2014.

Closure of Register of Members

The register of members will be closed on Friday, 4th April 2014, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 3rd April 2014.

To facilitate the processing of proxy voting for the annual general meeting to be held on 13th May 2014, the register of members will be closed from 8th May 2014 to 13th May 2014, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7th May 2014.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 36 to the accounts.

Share Capital

During the year under review, the Group did not purchase, sell or redeem any shares in the Company and the Group has not adopted any share option scheme.

As at 31st December 2013, 5,850,000,000 shares were in issue (31st December 2012: 5,850,000,000 shares). Details of the movement of share capital can be found in note 35 to the accounts.

Accounting Policies

The principal accounting policies of the Group are set out on pages 152 to 154.

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 48 to 54. A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 4 to 6.

Corporate Governance

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

- Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Board has considered the merits of establishing a nomination committee but has

concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by both the potential Director and the Board as to suitability for the role.

Details of the Company's corporate governance practices are set out on pages 66 to 76.

Donations

During the year, the Group made donations for charitable purposes of HK\$22 million and donations towards various scholarships of HK\$1 million.

Fixed Assets

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

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 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value as at 31st December 2013. This valuation resulted in an increase of HK\$6,211 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 158 to 170.

Borrowings

For details of the Group's borrowings refer to pages 55 to 63.

Interest

Refer to page 60 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 as at the date of this report are listed on pages 77 and 78. With the exception of R.S.K. Lim, who was appointed as a Non-Executive Director on 1st July 2013, all the Directors at the date of this report served throughout the calendar year 2013. With effect from 14th March 2014, J.R. Slosar will succeed C.D. Pratt as Chairman and a Director of the Company.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors (as listed on page 78) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

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

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third Annual General Meeting following their election by ordinary resolution. In accordance therewith, M.M.S. Low retires this year and, being eligible, offers herself for re-election.

R.S.K. Lim and J.R. Slosar, 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 9 to the accounts.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK\$3.4 million. They received no other emoluments from the Group.

Directors' Interests

As at 31st December 2013, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Properties Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Pacific Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest		Trust Interest			
	Personal	Family				
Swire Properties Limited						
S.E. Bradley	700	–	–	700	0.00001	
P.K. Etchells	–	8,400	–	8,400	0.00014	
D.C.Y. Ho	14,000	–	–	14,000	0.00024	
P.A. Kilgour	3,500	–	–	3,500	0.00006	
C.D. Pratt	4,200	–	–	4,200	0.00007	

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest					
	Personal	Family	Trust Interest			
John Swire & Sons Limited						
Ordinary Shares of £1						
M.B. Swire	3,140,523	–	19,222,920	22,363,443	22.36	(1)
8% Cum. Preference Shares of £1						
M.B. Swire	846,476	–	5,655,441	6,501,917	21.67	(1)

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest					
	Personal	Family	Trust Interest			
Swire Pacific Limited						
'A' shares						
S.E. Bradley	1,000	–	–	1,000	0.0001	
P.K. Etchells	–	12,000	–	12,000	0.0013	
P.A. Kilgour	5,000	–	–	5,000	0.0006	
C.D. Pratt	41,000	–	–	41,000	0.0045	
'B' shares						
D.C.Y. Ho	100,000	–	–	100,000	0.0033	
C.D. Pratt	100,000	–	–	100,000	0.0033	

	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Note
	Beneficial Interest					
	Personal	Family	Trust Interest			
Hong Kong Aircraft Engineering Company Limited						
D.C.Y. Ho	6,400	–	–	6,400	0.0038	

Note:

(1) M.B. Swire is a trustee of trusts which held 7,899,584 ordinary shares and 2,237,039 preference shares in John Swire & Sons Limited included under "Trust interest" and does not have any beneficial interest in those shares.

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

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

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 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 as at 31st December 2013 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

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

Notes:

As at 31st December 2013:

(1) Swire Pacific Limited was interested in 4,796,765,835 shares of the Company as beneficial owner;

(2) John Swire & Sons Limited was deemed to be interested in a total of 4,796,765,835 shares in which Swire Pacific Limited was interested, by virtue of the John Swire & Sons Limited group's interest in shares of Swire Pacific Limited representing approximately 47.08% of the issued share capital and approximately 60.23% of the voting rights.

Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. The Company has been granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a waiver from strict compliance with Listing Rule 8.08(1) so as to allow a lower public float percentage of 10% (or such higher percentage as were held by the public upon completion of the listing of the shares of the Company on the Stock Exchange). On such completion on 18th January 2012, the public float percentage was approximately 10.28%.

From information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 10.28% of the Company's total issued share capital is held by the public.

Continuing Connected Transactions

During the year ended 31st December 2013, the Group had the following continuing connected transactions, details of which are set out below:

(a) JSSHK Services Agreement

There is an agreement for services ("Services Agreement"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and its subsidiaries advice and expertise of the directors and senior officers of the Swire group, full- or part-time services of members of the staff of the Swire group, other administrative and similar services and such other services as may have been agreed from time to time, and procured for the Company and its subsidiary, jointly controlled and associated companies the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procurator obligation or such use. The procurator obligation would fall away if the Services Agreement were terminated or not renewed.

In return for these services, JSSHK receives annual service fees calculated as 2.5% of the Company's consolidated profit before taxation and non-controlling interests after certain adjustments. The fees for each

year are payable in cash in arrear in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The Services Agreement, which was entered into between JSSHK and the Company on 1st December 2004, took effect from 1st January 2005, was renewed on 1st October 2007, was amended and restated with effect from 1st January 2010, and was renewed again on 1st October 2010 and 14th November 2013. The current term of the Services Agreement is from 1st January 2014 to 31st December 2016 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2013 are given in note 41 to the accounts.

(b) JSSHK Tenancy Framework Agreement

The Company and JSSHK entered into a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") on 18th October 2011 to govern existing and future tenancy agreements between members of the Group and members of the JSSHK group (excluding the Swire Pacific group) for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the JSSHK Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the JSSHK group (excluding the Swire Pacific group) from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is renewable for successive periods of six years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

For the year ended 31st December 2013, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement totalled HK\$83 million.

(c) Swire Pacific Tenancy Framework Agreement

The Company and Swire Pacific entered into a tenancy framework agreement (“Swire Pacific Tenancy Framework Agreement”) on 18th October 2011 to govern existing and future tenancy agreements between members of the Group and members of the Swire Pacific group (excluding the Group) for a term of six years from 1st January 2010 to 31st December 2015. Pursuant to the Swire Pacific Tenancy Framework Agreement, members of the Group will enter into tenancy agreements with members of the Swire Pacific group (excluding the Group) from time to time on normal commercial terms based on prevailing market rentals. The Swire Pacific Tenancy Framework Agreement is renewable for successive periods of six years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

For the year ended 31st December 2013, the aggregate rentals payable to the Group under the tenancies pursuant to the Swire Pacific Tenancy Framework Agreement totalled HK\$76 million.

As at 31st December 2013, the Swire group owned approximately 47.08% of the issued capital of Swire Pacific and approximately 60.23% of voting rights attached to such issued share capital and Swire Pacific owned approximately 82.00% of the issued share capital of the Company. JSSHK, as a wholly-owned subsidiary of Swire, and Swire Pacific are therefore connected persons of the Company under the Listing Rules. The transactions under the Services Agreement are continuing connected transactions in respect of which an announcement dated 14th November 2013 was published. The transactions under the JSSHK Tenancy Framework Agreement and Swire Pacific Tenancy Framework Agreement are also continuing connected transactions, the particulars of which are set out in the listing document of the Company dated 21st December 2011.

As directors and/or employees and/or adviser of the Swire group, G.M.C. Bradley, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, R.S.K. Lim, M.M.S. Low, C.D. Pratt, J.R. Slosar and M.B. Swire are interested in the Services Agreement and the JSSHK Tenancy Framework Agreement. M.B. Swire is also interested as a shareholder of Swire.

As directors of Swire Pacific, M. Cubbon, J.W.J. Hughes-Hallett, P.A. Kilgour, C.D. Pratt, J.R. Slosar and M.B. Swire are interested in the Swire Pacific Tenancy Framework Agreement.

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, on normal commercial terms, and in accordance with the relevant 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 these transactions have been approved by the Board of the Company and have been entered into in accordance with the relevant agreements governing the transactions; that they are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group); and that they have not exceeded the relevant annual caps disclosed in the listing document of the Company dated 21st December 2011.

On behalf of the Board

Christopher Pratt

Chairman

Hong Kong, 13th March 2014

Sustainable Development

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

Our commitment to sustainable development means that we incorporate social, economic and environmental risks and benefits into our business decision-making. We take sustainability considerations into account through all phases of a development project: from inception, design, procurement, construction and occupation to demolition or conversion. Our approach is reflected in our sustainable development policy and supported by our environment and health and safety policies and by our supplier code of conduct, all of which are available, together with additional information, on our website: <http://www.swireproperties.com/en/sustainability/commitments/pages/index.aspx>.

We will publish a separate 2013 Sustainable Development Report later this year.

Sustainable Development Steering Committee

Our sustainable development steering committee is responsible for balancing social, economic and environmental risks and benefits in our business decision-

making process, and for monitoring our performance. The committee is convened by the General Manager of Technical Services and Sustainability and includes our Director of Development – Hong Kong, representatives from the Human Resources & Administration, Development & Valuations, Projects and Portfolio Management departments and from Swire Hotels. In order to facilitate the sharing of best practices with the remainder of the Swire group, the head of the sustainable development office of John Swire & Sons (H.K.) Ltd. is also a member of the committee.

Environment

As a leading property developer, we are committed to reducing our environmental impact and incorporating sustainable practices in our developments.

We aim to minimise our use of natural resources, to reduce or prevent pollution, to manage waste effectively and to make environmental considerations an integral part of our decision-making process.



Achieved green building recognition

from LEED and BEAM Plus

Hong Kong and Mainland China

In 2013, we did the following things.

1. Energy consumption increased by 8% in 2013. This compares favourably with the increase in occupied space in the investment property portfolio in Hong Kong and Mainland China.
2. We said that we would reduce our annual energy consumption by 52 million kWh per year by 2020 from its 2008 amount. We provided free energy audits to tenants of 2.83 million square feet of office space.
3. EAST, Beijing achieved LEED Gold certification. We achieved BEAM 4/01 Platinum rating for OPUS HONG KONG and AZURA, Provisional BEAM Plus Platinum rating for AREZZO and a Gold rating for our Tong Chong Street project.

We expect to achieve ISO14001 and ISO50001 accreditations in 2014 in relation to our environmental and energy management systems. We have set over 40 waste recovery and reduction goals for our commercial centres.



Upgraded safety management system with international standards

Hong Kong and Mainland China

Health & Safety

In 2013, our health and safety performance improved. There was a decrease of 8% in the number of lost time injuries and a decrease of 27% in the number of days lost due to accidents.

In Hong Kong, we upgraded our Hong Kong safety management system, conducted over 50 health risk assessments in relation to the handling of chemicals and approximately 30 display screen equipment assessments and carried out more than 200 health and safety inspections.

In Mainland China, we conducted job-related safety risk assessments. Taikoo Li Sanlitun and INDIGO obtained safety standardization certification as required by the Chaoyang Administration of Work Safety.



Hosted the first
“White Christmas Street Fair”
for the community and fundraising

Hong Kong

Communities

We support arts and culture, education and environmental initiatives. We improve spaces and host cultural events. Our staff volunteers help people.

White Christmas Street Fair

Our first White Christmas Street Fair, held in December 2013 at Tong Chong Street in Island East, Hong Kong, was a festive celebration for the community and a fundraising event. There were Christmas market stalls, live entertainment, workshops and games. Over 13,000 people attended. Proceeds from the fair, plus funds from our Christmas e-card campaign, a Santa Home campaign at Pacific Place and additional funds from the Company itself, were HK\$1 million. This was donated to Operation Santa Claus to help 18 charitable projects in Hong Kong.

Old Wan Chai Revitalisation Initiatives

From 2009 until its completion in March 2013, we participated in the Old Wan Chai Revitalisation Initiatives (“OWRI”). In 2009, we submitted a proposal to revitalise the south-west end of Wan Chai (“Old Wan Chai”) at the request of the OWRI Special Committee. This cooperation between Swire Properties and the Hong Kong SAR Government was an attempt to revitalise the streets and historical features of the



Hosted
“WORK IN PROGRESS”,
the first-ever street art project
held in TaiKoo Place

Hong Kong

Old Wan Chai district and to rebuild a sense of identity for its community. In the early stages of the project, we held an exhibition of our design. More than 700 people visited the exhibition.

Arts and Culture

In June and July 2013, we hosted “WORK IN PROGRESS”, a street art project in Hong Kong. This project, which was held in TaiKoo Place, made available building exteriors, loading bays and offices for 20 artists to create artworks. We offered visitors the opportunity to learn about the creative process and experience different forms of art through classes, films, jam sessions and demonstrations.

Swire Properties Miami makes art available in public places. We believe that art should not be restricted to concert halls and museums and should be present in public venues. In 1999, we put Cuban master sculptor Manuel Carbonell’s 30-ft bronze statue depicting a Tequesta Indian blowing a conch shell, “The Centinela del Rio” at the edge of Brickell Key Island. We have been awarding undergraduate art and art history scholarships to students at Florida International University since 2009.

In October 2013, we presented “Taiwan Original Pop & Rock” at The Orange in Taikoo Li Sanlitun, Beijing. We provided music classes at INDIGO.



Presented the Beijing Music Festival's “Taiwan Original Pop & Rock”

Beijing



Launched the new “Welcome Home” project

Hong Kong

Volunteer Service

In Hong Kong in 2013, nearly 1,000 of our community ambassadors participated in 48 activities, contributing more than 5,000 service hours to the community. Over 230 community ambassadors in Beijing and Guangzhou contributed more than 700 service hours to their communities.

In a pilot programme named “Welcome Home”, our Hong Kong volunteers improved home interiors for families in need by redesigning their living space. We built bookshelves and painted. Our tenants donated furniture and appliances.

Suppliers

We include our suppliers in our approach to sustainable development. Our approach addresses issues such as ethical conduct, labour standards, human rights, product responsibility and environmental impacts. We have a supply chain sustainability committee, chaired by the general manager of technical services and sustainability and including representatives from departments in Hong Kong and Mainland China. These representatives head a number of sub-committees, which are responsible for various supplier relationships. Through our supply chain sustainability programme, we seek commitments to sustainable

development from our suppliers. We address sustainability issues and manage risk in our supply chain through supplier self-assessments, supported by our supplier code of conduct. We incorporate our supplier code of conduct in our contracts with our suppliers in Hong Kong and Mainland China.

In 2013, we joined the Hong Kong Green Purchasing Charter and included our environmental procurement guidelines in our environmental management system.

Employees

Swire Properties employs over 4,500 people in Hong Kong, Mainland China, the U.S.A. and the U.K. Attracting and developing talented employees is central to our success. We are an equal opportunities employer and aim to provide an environment at work that is respectful, challenging, rewarding and safe. We have policies covering training and development, labour practices, human rights and workplace health and safety. In 2013, we organised over 1,300 professional development courses for employees in Hong Kong, Mainland China and at Swire Hotels, and promoted or transferred internally 14.0% of our employees. We conducted 48 briefings on our Code of Conduct for 1,182 staff in Hong Kong.

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ARGENTA
Hong Kong

Independent Auditor's Report

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

We have audited the accounts of Swire Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 93 to 157, which comprise the consolidated and company statements of financial position as at 31st December 2013, 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 Accounts

The directors of the Company are responsible for the preparation of accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of accounts 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 accounts.

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 accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2013, 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, 13th March 2014

Consolidated Statement of Profit or Loss

For the year ended 31st December 2013

	Note	2013 HK\$M	2012 HK\$M Restated
Turnover	4	12,935	14,052
Cost of sales	5	(3,531)	(3,770)
Gross profit		9,404	10,282
Administrative expenses		(974)	(885)
Other operating expenses		(186)	(214)
Other net gains	6	43	40
Change in fair value of investment properties		6,211	12,273
Operating profit		14,498	21,496
Finance charges		(1,525)	(1,483)
Finance income		78	116
Net finance charges	10	(1,447)	(1,367)
Share of profits less losses of joint venture companies		809	660
Share of profits less losses of associated companies		139	161
Profit before taxation		13,999	20,950
Taxation	11	(1,344)	(1,861)
Profit for the year		12,655	19,089
Profit for the year attributable to:			
The Company's shareholders	36	12,525	18,753
Non-controlling interests	37	130	336
		12,655	19,089
Dividends			
First interim – paid		1,170	1,287
Second interim – declared on 13th March 2014 (2012: 14th March 2013)		2,340	2,223
	13	3,510	3,510
		HK\$	HK\$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	14	2.14	3.21

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these accounts.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2013

	2013 HK\$M	2012 HK\$M Restated
Profit for the year	12,655	19,089
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties previously occupied by the Group		
– gains recognised during the year	24	36
– deferred tax	(14)	(8)
Defined benefit plans		
– remeasurement gains/(losses) recognised during the year	105	(16)
– deferred tax	(17)	3
	98	15
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
– gains/(losses) recognised during the year	6	(84)
– transferred to net finance charges	2	1
– deferred tax	(1)	14
Net translation differences on foreign operations	494	160
Share of other comprehensive income of joint venture and associated companies	206	30
	707	121
Other comprehensive income for the year, net of tax	805	136
Total comprehensive income for the year	13,460	19,225
Total comprehensive income attributable to:		
The Company's shareholders	13,309	18,888
Non-controlling interests	151	337
	13,460	19,225

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these accounts.

Consolidated Statement of Financial Position

At 31st December 2013

	Note	2013 HK\$M	2012 HK\$M Restated	2011 HK\$M Restated
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	7,225	6,837	6,615
Investment properties	16	213,708	202,296	187,488
Leasehold land and land use rights		–	–	3
Intangible assets	17	75	8	7
Properties held for development	18	706	188	124
Joint venture companies	20	16,379	14,878	13,000
Associated companies	21	521	721	639
Available-for-sale assets	23	75	9	9
Derivative financial instruments	32	4	–	–
Deferred tax assets	33	72	68	57
		238,765	225,005	207,942
Current assets				
Properties under development and for sale	24	8,020	6,948	6,848
Stocks and work in progress	25	76	69	69
Trade and other receivables	26	2,522	2,930	1,945
Amount due from immediate holding company – Swire Pacific Limited	27	53	51	142
Cash and cash equivalents	28	2,521	1,940	1,180
		13,192	11,938	10,184
Current liabilities				
Trade and other payables	29	8,007	7,155	8,088
Taxation payable		211	710	445
Bank overdrafts and short-term loans	30	828	1,057	1,023
Long-term loans due within one year	30	6,761	1,308	664
Loans due to a fellow subsidiary company – Swire Finance Limited	31	–	2,299	6,943
		15,807	12,529	17,163
Net current liabilities		(2,615)	(591)	(6,979)
Total assets less current liabilities		236,150	224,414	200,963
Non-current liabilities				
Long-term loans and bonds	30	13,598	13,256	5,819
Loans due to a fellow subsidiary company – Swire Finance Limited	31	13,348	12,941	14,431
Other payables	29	367	–	–
Derivative financial instruments	32	83	83	–
Deferred tax liabilities	33	5,604	4,959	4,215
Retirement benefit liabilities	34	–	99	80
		33,000	31,338	24,545
NET ASSETS		203,150	193,076	176,418
EQUITY				
Share capital	35	5,850	5,850	5,850
Reserves	36	196,500	186,584	170,036
Equity attributable to the Company's shareholders		202,350	192,434	175,886
Non-controlling interests	37	800	642	532
TOTAL EQUITY		203,150	193,076	176,418

Christopher D. Pratt

Paul K. Etchells

Directors

Hong Kong, 13th March 2014

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these accounts.

Company Statement of Financial Position

At 31st December 2013

	Note	2013 HK\$M	2012 HK\$M Restated	2011 HK\$M Restated
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	39	55	74
Intangible assets	17	16	8	7
Subsidiary companies	19	48,935	48,248	45,005
Joint venture companies	20	1,254	467	492
Associated companies	21	55	179	179
Deferred tax assets	33	–	13	8
		50,299	48,970	45,765
Current assets				
Trade and other receivables	26	161	124	92
Amount due from immediate holding company – Swire Pacific Limited	27	–	26	–
Tax recoverable		–	–	3
Cash and cash equivalents	28	208	416	267
		369	566	362
Current liabilities				
Trade and other payables	29	3,614	3,391	2,992
Taxation payable		1	7	–
		3,615	3,398	2,992
Net current liabilities		(3,246)	(2,832)	(2,630)
Total assets less current liabilities		47,053	46,138	43,135
Non-current liabilities				
Deferred tax liabilities	33	1	–	–
Retirement benefit liabilities	34	5	91	65
NET ASSETS		47,047	46,047	43,070
EQUITY				
Equity attributable to the Company's shareholders				
Share capital	35	5,850	5,850	5,850
Reserves	36	41,197	40,197	37,220
TOTAL EQUITY		47,047	46,047	43,070

Christopher D. Pratt

Paul K. Etchells

Directors

Hong Kong, 13th March 2014

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31st December 2013

	Note	2013 HK\$M	2012 HK\$M Restated
Operating activities			
Cash generated from operations	42(a)	8,873	8,116
Interest paid		(1,560)	(1,576)
Interest received		166	27
Profits tax paid		(1,314)	(875)
		6,165	5,692
Dividends received from joint venture and associated companies		216	153
Net cash from operating activities		6,381	5,845
Investing activities			
Purchase of property, plant and equipment	42(b)	(415)	(488)
Additions to investment properties		(5,043)	(2,516)
Purchase of intangible assets		(14)	(5)
Purchase of available-for-sale assets		(1)	–
Proceeds from disposals of property, plant and equipment		56	16
Proceeds from disposal of a subsidiary company		31	–
Purchase of shares in joint venture companies		(1)	(5)
Loans to joint venture companies		(847)	(1,387)
Repayment of loans by joint venture companies		362	129
Repayment of loans by associated companies		124	–
Initial leasing costs incurred		(56)	(115)
Net cash used in investing activities		(5,804)	(4,371)
Net cash inflow before financing		577	1,474
Financing activities			
Loans drawn and refinancing		3,637	4,029
Bonds issued		3,877	4,676
Repayment of loans		(2,232)	(681)
	42(c)	5,282	8,024
Capital contribution from a non-controlling interest	37	15	–
Decrease in loans due to a fellow subsidiary company		(1,900)	(6,173)
Dividends paid to the Company's shareholders	36	(3,393)	(2,340)
Dividends paid to non-controlling interests	42(c)	(8)	(227)
Net cash used in financing activities		(4)	(716)
Increase in cash and cash equivalents		573	758
Cash and cash equivalents at 1st January		1,936	1,179
Currency adjustment		12	(1)
Cash and cash equivalents at end of the year		2,521	1,936
Represented by:			
Bank balances and short-term deposits maturing within three months	28	2,521	1,940
Bank overdrafts		–	(4)
		2,521	1,936

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2013

	Note	Attributable to the Company's shareholders				Non-controlling interests HK\$M	Total equity HK\$M
		Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M		
At 1st January 2013							
– as originally stated		5,850	179,427	7,337	192,614	642	193,256
– impact of HKAS 19 (revised)		–	(180)	–	(180)	–	(180)
– as restated		5,850	179,247	7,337	192,434	642	193,076
Profit for the year		–	12,525	–	12,525	130	12,655
Other comprehensive income		–	88	696	784	21	805
Total comprehensive income for the year	36, 37	–	12,613	696	13,309	151	13,460
Dividends paid		–	(3,393)	–	(3,393)	(8)	(3,401)
Capital contribution from a non-controlling interest		–	–	–	–	15	15
At 31st December 2013		5,850	188,467	8,033	202,350	800	203,150

	Note	Attributable to the Company's shareholders				Non-controlling interests HK\$M	Total equity HK\$M
		Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M		
At 1st January 2012							
– as originally stated		5,850	163,004	7,189	176,043	532	176,575
– impact of HKAS 19 (revised)		–	(157)	–	(157)	–	(157)
– as restated		5,850	162,847	7,189	175,886	532	176,418
Profit for the year		–	18,753	–	18,753	336	19,089
Other comprehensive income		–	(13)	148	135	1	136
Total comprehensive income for the year	36, 37	–	18,740	148	18,888	337	19,225
Dividends paid		–	(2,340)	–	(2,340)	(227)	(2,567)
At 31st December 2012 (restated)		5,850	179,247	7,337	192,434	642	193,076

The notes on pages 99 to 151 and the principal accounting policies on pages 152 to 154 form part of these accounts.

Notes to the Accounts

General Information

The Company is a limited liability company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 155 to 157.

1. Changes in Accounting Standards

(a) The following relevant new and revised standards were required to be adopted by the Group effective from 1st January 2013:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (revised 2011)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The following revised standard was early adopted by the Group from 1st January 2013.

HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
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The improvements to HKFRSs 2009 to 2011 cycle consists of six amendments to five existing standards. These have had no significant impact on the results and financial position of the Group.

The amendment to HKAS 1 focuses on improving the presentation of components of other comprehensive income items. It requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently or not. The Group's presentation of other comprehensive income in these accounts has been modified accordingly.

HKAS 19 was amended in 2011. The impact on the Group's defined benefit plans is as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. In addition, it removes the accounting policy choice that previously permitted only the recognition of actuarial gains and losses outside the 10% 'corridor' to be recognised in the Statement of Profit or Loss. Instead all such remeasurements are required to be recognised in other comprehensive income, when they occur. The above change is required to be applied retrospectively.

1. Changes in Accounting Standards *(continued)*

As a result of the adoption of amendments to HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans. This change in accounting policy has been applied retrospectively by restating the balances at 31st December 2012 and 1st January 2012, and the results for the year ended 31st December 2012 as follows:

	As previously reported HK\$M	Effect of adopting revised HKAS 19 HK\$M	As restated HK\$M
Consolidated Statement of Profit or Loss for the year ended 31st December 2012			
Administrative expenses	873	12	885
Taxation	1,863	(2)	1,861
Profit attributable to the Company's shareholders	18,763	(10)	18,753
Earnings per share (basic and diluted) HK\$	3.21	–	3.21
Consolidated Statement of Other Comprehensive Income for the year ended 31st December 2012			
Defined benefit plans			
– remeasurement losses recognised during the year	–	(16)	(16)
– deferred tax credit	–	3	3
Total comprehensive income attributable to the Company's shareholders	18,911	(23)	18,888
Consolidated Statement of Financial Position as at 31st December 2012			
Deferred tax assets	68	–	68
Retirement benefit assets	117	(117)	–
Deferred tax liabilities	4,995	(36)	4,959
Retirement benefit liabilities	–	99	99
Reserves	186,764	(180)	186,584
Consolidated Statement of Financial Position as at 1st January 2012			
Deferred tax assets	57	–	57
Retirement benefit assets	108	(108)	–
Deferred tax liabilities	4,246	(31)	4,215
Retirement benefit liabilities	–	80	80
Reserves	170,193	(157)	170,036

HKAS 27 (revised 2011) was issued following the issuance of HKFRS 10. The revised HKAS 27 only deals with the accounting for subsidiaries, joint ventures and associates in the separate financial statements of the parent company. The amendment has had no significant impact on the results and financial position of the Group.

HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The amendment has had no significant impact on the results and financial position of the Group.

The amendment to HKFRS 7 requires entities to disclose quantitative information about financial assets and financial liabilities that are offset in the statement of financial position or subject to enforceable master netting agreement or similar arrangement. The amendment has had no significant impact on the Group's accounts.

HKFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The amendment has had no significant impact on the results and financial position of the Group.

1. Changes in Accounting Standards *(continued)*

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The amendment has had no significant impact on the results and financial position of the Group.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has provided the disclosures applicable to the Group.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use in all relevant HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how fair value should be measured where its use is already required or permitted by other standards in HKFRSs. It also provides new disclosure requirements. The adoption of HKFRS 13 only affects disclosures on fair value measurements of investment properties and financial assets and liabilities in the Group's accounts.

The amendments to HKFRSs 10, 11 and 12 provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments have had no significant impact on the Group's accounts.

The amendment to HKAS 36 removes certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. The effective date for the amendment is annual periods on or after 1st January 2014. As permitted, the Group has early adopted this amendment. The amendment has had no significant impact on the Group's accounts.

(b) The following revised standards are effective but not relevant to the Group's operations:

HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities ¹
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) 21	Levies ¹
HKFRS 9	Financial Instruments ²

¹ To be applied by the Group from 1st January 2014.

² The mandatory effective date has not been issued but is not expected to be earlier than 1st January 2017.

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”. It is not expected that this amendment will have a significant impact on the Group's accounts.

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 Group has yet to assess the full impact of the amendment.

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 Group is still assessing its potential impact on the results and financial position of the Group.

HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the portion of a fair value change attributable to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, HKFRS 9 aligns hedge accounting more closely with risk management, and establishes a more principles-based approach to hedge accounting. The Group has yet to assess the full impact of the new standard.

1. Changes in Accounting Standards *(continued)*

(d) The following amendment has been issued which is not yet effective and is not relevant to the Group's operations:

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

2. Financial Risk Management

Financial risk factors

The Group is exposed to financial risks attributable to interest rate, currency, credit and liquidity. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate exposure

The Group's interest rate risk arises mainly from borrowings from banks and a fellow subsidiary company, and issuance of bonds. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits and some loans due from joint venture companies.

The Group entered into cross-currency swap contracts in relation to the USD medium-term notes issued and manages its interest rate risk by closely monitoring the movement of interest rates. In addition, the immediate holding company of the Company uses interest rate swaps to manage part of the long-term interest rate exposure on behalf of the Company. The effects of these interest rate swaps are reflected in the intercompany interest charged.

The impact on the Group's statement of profit or loss and equity 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 2013		
Impact on statement of profit or loss: (loss)/gain	(115)	115
Impact on equity: gain/(loss)	9	(13)
At 31st December 2012		
Impact on statement of profit or loss: (loss)/gain	(100)	100
Impact on equity: gain/(loss)	7	(5)

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

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments
- Changes in market interest rates only affect interest income or expense in relation to fixed rate financial instruments if these are recognised at fair value
- Change in market interest rates affect the fair value of derivative financial instruments
- All other financial assets and liabilities are held constant

2. Financial Risk Management *(continued)*

(ii) 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 Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, net investments in foreign operations and the USD medium-term notes issued. The Group has no significant direct exposure to foreign currencies as these are managed by a fellow subsidiary and hedged by the cross-currency swap contracts entered into by the Group. Indirectly through the borrowings from its fellow subsidiary, the Group hedges 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 derivative contract is not prohibitively expensive having regard to the underlying exposure.

As at 31st December 2013, the Group had hedged its significant foreign currency funding exposures. Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Foreign currency funding and deposit exposure are monitored on a continuous basis. The interest charged on the Group's borrowings from its fellow subsidiary reflects, among other things, the Group's proportionate share of the relevant currency hedging costs or savings.

The impact on the Group's statement of profit or loss and equity of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.7538 (2012:7.7514), with all other variables held constant, would have been:

	Strengthening in HK\$ to lower peg limit (7.75) HK\$M	Weakening in HK\$ to upper peg limit (7.85) HK\$M
At 31st December 2013		
Impact on statement of profit or loss: gain/(loss)	1	(20)
Impact on equity: (loss)/gain	(1)	8
At 31st December 2012		
Impact on statement of profit or loss: loss	–	(9)
Impact on equity: gain	1	12

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

- All foreign currency cash flow hedges are expected to be highly effective.
- Currency risk does not arise from financial assets or liabilities denominated in the functional currencies of the Company and its subsidiary companies.

(iii) Credit exposure

The Group's credit risk is mainly attributable to trade debtors, deposits with financial institutions, receivables from joint venture companies and associated companies. The exposure to these credit risks is closely monitored on an ongoing basis by established credit policies. For financial institutions, only independently rated parties with investment grade credit ratings are accepted. Tenants are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. The Group does not grant credit terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. The Group also holds non-interest bearing rental deposits as security against trade debtors. In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint venture companies and associated companies through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

2. Financial Risk Management *(continued)*

(iv) Liquidity exposure

The Group takes liquidity risk into consideration when deciding its sources of funds and their respective tenors. The tables below analyse the contractual undiscounted cash flows of the Group's and the Company's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group and the Company can be required to pay.

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	29	1,003	1,003	1,003	–	–	–
Amount due to intermediate holding company	29	117	117	117	–	–	–
Amount due to a fellow subsidiary company	29	78	78	78	–	–	–
Amount due to a joint venture company	29	3	3	3	–	–	–
Amount due to an associated company	29	106	106	106	–	–	–
Interest-bearing advances from fellow subsidiary companies	29	281	281	281	–	–	–
Interest-bearing advances from joint venture and related companies	29	484	484	484	–	–	–
Advances from non-controlling interests	29	319	319	319	–	–	–
Rental deposits from tenants	29	2,116	2,116	466	389	978	283
Accrued capital expenditure	29	699	699	699	–	–	–
Non-controlling interest put options	29	1,623	1,826	1,256	–	–	570
Other payables	29	1,545	1,545	1,545	–	–	–
Borrowings (including interest obligations)	30	21,187	23,804	8,181	2,130	4,765	8,728
Loans due to a fellow subsidiary company (including interest obligations)	31	13,348	15,624	678	1,873	13,073	–
Derivative financial instruments	32	83	83	–	–	–	83
		42,992	48,088	15,216	4,392	18,816	9,664

2. Financial Risk Management *(continued)*

(iv) Liquidity exposure (continued)

Group
At 31st December 2012

	Note	Carrying amount HK\$M	Total contractual undiscouted 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	29	1,064	1,064	1,064	–	–	–
Amount due to intermediate holding company	29	161	161	161	–	–	–
Amount due to a fellow subsidiary company	29	79	79	79	–	–	–
Amount due to a joint venture company	29	2	2	2	–	–	–
Amount due to an associated company	29	41	41	41	–	–	–
Interest-bearing advances from a joint venture company	29	350	350	350	–	–	–
Advances from non-controlling interests	29	240	240	240	–	–	–
Rental deposits from tenants	29	1,953	1,953	447	438	830	238
Accrued capital expenditure	29	763	763	763	–	–	–
Non-controlling interest put option	29	1,112	1,157	1,157	–	–	–
Other payables	29	1,390	1,390	1,390	–	–	–
Borrowings (including interest obligations)	30	15,621	18,113	3,055	7,036	3,091	4,931
Loans due to a fellow subsidiary company (including interest obligations)	31	15,240	18,215	3,003	677	9,272	5,263
Derivative financial instruments	32	83	83	–	–	–	83
		38,099	43,611	11,752	8,151	13,193	10,515

Company
At 31st December 2013

	Note	Carrying amount HK\$M	Total contractual undiscouted 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
Amount due to intermediate holding company	29	117	117	117	–	–	–
Amounts due to subsidiary companies	29	3,358	3,358	3,358	–	–	–
Amounts due to an associated company	29	106	106	106	–	–	–
Other payables	29	33	33	33	–	–	–
		3,614	3,614	3,614	–	–	–

Company
At 31st December 2012

	Note	Carrying amount HK\$M	Total contractual undiscouted 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
Amount due to intermediate holding company	29	161	161	161	–	–	–
Amounts due to subsidiary companies	29	3,087	3,087	3,087	–	–	–
Amounts due to an associated company	29	41	41	41	–	–	–
Other payables	29	102	102	102	–	–	–
		3,391	3,391	3,391	–	–	–

3. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, seldom be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed in the relevant notes as follows:

Carrying value of Property, plant and equipment (note 15)

Fair value of Investment properties (note 16)

Retirement benefit assets and liabilities (note 34)

4. Turnover

Accounting Policy

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

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

Sales of properties are recognised when effective control of ownership of the properties is transferred to the buyers.

Sales of services, including services provided by hotel operations, are recognised when the services are rendered.

Turnover represents sales by the Company and its subsidiary companies to external customers and comprises revenue from:

	Group	
	2013 HK\$M	2012 HK\$M
Gross rental income from investment properties	9,676	9,015
Property trading	2,207	4,147
Hotels	942	782
Rendering of other services	110	108
	12,935	14,052

5. Cost of Sales

	Group	
	2013 HK\$M	2012 HK\$M
Direct rental outgoings in respect of investment properties that		
– generated rental income	(1,571)	(1,490)
– did not generate rental income	(127)	(102)
	(1,698)	(1,592)
Property trading	(980)	(1,435)
Hotels	(816)	(691)
Rendering of other services	(37)	(52)
	(3,531)	(3,770)

6. Other Net Gains

	Group	
	2013 HK\$M	2012 HK\$M
Profit on sale of investment properties	–	12
Profit/(loss) on sale of property, plant and equipment	16	(1)
Impairment reversals on trading properties	21	4
Net foreign exchange (losses)/gains	(25)	4
Recognition of income on forfeited deposits on trading properties	8	9
Others	23	12
	43	40

7. Expenses by Nature

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

	Group	
	2013 HK\$M	2012 HK\$M Restated
Depreciation of property, plant and equipment (note 15)	291	222
Amortisation of		
– intangible assets (note 17)	6	3
– initial leasing costs on investment properties	94	89
Staff costs	1,292	1,164
Operating lease rentals		
– properties	60	57
– plant and equipment	2	–
Auditors' remuneration		
– audit services	10	10
– tax services	8	2
– other services	1	1

8. Segment Information

The Group is organised on a divisional basis: Property investment, Property trading and development, and Hotels. The reportable segments within each of the three divisions are classified according to the nature of the business.

Accounting Policy

Segment information is reported in a manner consistent with the Group's internal financial reporting provided to the executive directors for making strategic decisions. A reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics or single operating segments which are disclosable separately because they cannot be aggregated or because they exceed certain quantitative thresholds.

Notes to the Accounts

8. Segment Information *(continued)*

(a) Information about reportable segments

Analysis of Consolidated statement of profit or loss

	External turnover HK\$M	Inter-segment turnover HK\$M	Operating profit/(loss) after depreciation and amortisation HK\$M	Finance charges HK\$M	Finance income HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit/(loss) before taxation HK\$M	Tax charge HK\$M	Profit/(loss) for the year HK\$M	Profit/(loss) attributable to the Company's shareholders HK\$M	Depreciation and amortisation charged to operating profit HK\$M
Year ended 31st December 2013												
Property investment	9,786	11	7,317	(1,463)	71	208	(2)	6,131	(683)	5,448	5,426	(185)
Property trading	2,207	–	1,035	–	7	(46)	–	996	(185)	811	720	(27)
Hotels	942	2	(65)	(62)	–	(36)	145	(18)	(30)	(48)	(46)	(179)
Change in fair value of investment properties	–	–	6,211	–	–	683	(4)	6,890	(446)	6,444	6,425	–
Inter-segment elimination	–	(13)	–	–	–	–	–	–	–	–	–	–
	12,935	–	14,498	(1,525)	78	809	139	13,999	(1,344)	12,655	12,525	(391)

Year ended 31st December 2012 (Restated)												
Property investment	9,123	8	6,867	(1,443)	113	146	–	5,683	(769)	4,914	4,896	(171)
Property trading	4,147	–	2,395	–	3	(14)	–	2,384	(422)	1,962	1,659	(20)
Hotels	782	2	(39)	(40)	–	(40)	160	41	(29)	12	14	(123)
Change in fair value of investment properties	–	–	12,273	–	–	568	1	12,842	(641)	12,201	12,184	–
Inter-segment elimination	–	(10)	–	–	–	–	–	–	–	–	–	–
	14,052	–	21,496	(1,483)	116	660	161	20,950	(1,861)	19,089	18,753	(314)

Note: Sales between business segments are accounted for at competitive prices charged to unaffiliated customers for similar goods and services.

Analysis of total assets of the Group

	Segment assets HK\$M	Joint venture companies HK\$M	Associated companies HK\$M	Bank deposits HK\$M	Total assets HK\$M	Additions to non-current assets (note) HK\$M
At 31st December 2013						
Property investment	217,547	14,008	50	1,713	233,318	5,066
Property trading and development	9,255	1,128	–	729	11,112	538
Hotels	5,734	1,243	471	79	7,527	299
	232,536	16,379	521	2,521	251,957	5,903
At 31st December 2012 (Restated)						
Property investment	206,600	12,737	55	1,529	220,921	2,396
Property trading and development	7,272	1,063	–	345	8,680	66
Hotels	5,532	1,078	666	66	7,342	414
	219,404	14,878	721	1,940	236,943	2,876

Note:

In this analysis, additions to non-current assets during the year exclude joint venture and associated companies, available-for-sale assets, financial instruments, deferred tax assets and retirement benefit assets.

8. Segment Information *(continued)*

(a) Information about reportable segments *(continued)*

Analysis of total liabilities and non-controlling interests of the Group

	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Gross borrowings HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
At 31st December 2013					
Property investment	7,337	5,712	28,439	41,488	606
Property trading and development	873	102	5,549	6,524	175
Hotels	247	1	547	795	19
	8,457	5,815	34,535	48,807	800
At 31st December 2012 (Restated)					
Property investment	6,615	5,200	25,482	37,297	557
Property trading and development	557	469	4,688	5,714	85
Hotels	165	–	691	856	–
	7,337	5,669	30,861	43,867	642

(b) Information about geographical areas

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

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

	Turnover		Non-current assets*	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Hong Kong	10,722	12,217	191,603	182,390
Mainland China	1,854	1,516	26,934	25,544
U.S.A.	186	187	1,999	829
U.K. and others	173	132	1,178	566
	12,935	14,052	221,714	209,329

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

9. Directors' and Executive Officers' Emoluments

(a) Details of the emoluments paid and payable to the directors of the Company for the year ended 31st December 2013 are as follows:

	Cash			Non cash			Total 2013 HK\$'000	Total 2012 HK\$'000
	Salary/fee HK\$'000	Discretionary bonus (note (i)) HK\$'000	Allowances and benefits HK\$'000	Retirement schemes contributions HK\$'000	Discretionary bonus paid to retirement schemes HK\$'000	Housing and other benefits HK\$'000		
For the year ended 31st December 2013								
Executive Directors								
C.D. Pratt	589	1,068	33	150	330	424	2,594	2,654
M. Cubbon	4,763	4,061	306	1,214	1,372	4,566	16,282	17,286
M.M.S. Low	2,186	2,948	1,468	373	–	–	6,975	5,219
G.M.C. Bradley	1,888	1,334	1,580	482	780	5,203	11,267	11,252
D.C.Y. Ho	3,894	1,794	–	–	–	144	5,832	5,638
G.J. Ongley	3,720	2,768	176	307	–	43	7,014	7,252
J.C.G. Bremridge (note (ii))	–	–	–	–	–	–	–	1,822
Non-Executive Directors								
J.W.J. Hughes-Hallett	–	–	–	–	–	–	–	–
P.A. Kilgour	–	–	–	–	–	–	–	–
R.S.K. Lim	290	–	–	–	–	–	290	–
M.B. Swire	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
S.E. Bradley	633	–	–	–	–	–	633	550
J.C.C. Chan	755	–	–	–	–	–	755	650
H.C. Cheng (note (iii))	–	–	–	–	–	–	–	142
P.K. Etchells	815	–	–	–	–	–	815	700
S.T. Fung	575	–	–	–	–	–	575	1
S.C. Liu	650	–	–	–	–	–	650	565
Total 2013	20,758	13,973	3,563	2,526	2,482	10,380	53,682	N/A
Total 2012	19,977	13,121	3,596	3,876	3,484	9,677	N/A	53,731

Notes:

(i) The bonus disclosed above is related to services as executive directors for the previous year.

(ii) J.C.G. Bremridge resigned as an executive director on 11th September 2011 with 2011 final bonus payment made in 2012.

(iii) H.C. Cheng resigned as a non-executive director on 14th April 2012.

9. Directors' and Executive Officers' Emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31st December 2013 and 2012 are as follows:

	Year ended 31st December	
	2013	2012
Number of individuals		
Executive directors (note (i))	4	3
Executive officers (note (ii))	1	2
	5	5

Notes:

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

	Year ended 31st December	
	2013 HK\$'000	2012 HK\$'000
Salary	2,378	4,032
Discretionary bonus*	1,538	3,829
Allowance and benefits	2,962	5,680
Retirement scheme contributions	371	511
	7,249	14,052

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

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

	Year ended 31st December	
	2013	2012
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$6,500,001 – HK\$7,000,000	–	–
HK\$7,000,001 – HK\$7,500,000	1	–
HK\$7,500,001 – HK\$8,000,000	–	1
	1	2

10. Net Finance Charges

Accounting Policy

Interest costs incurred are charged to the statement of profit or loss except for those interest charges attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Interest income is recognised on a time-proportion basis using the effective interest method.

Refer to page 60 for details of the Group's net finance charges.

11. Taxation

Accounting Policy

The tax expense comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

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 evaluate 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.

	Group			
	2013		2012	
	HK\$M	HK\$M	HK\$M Restated	HK\$M Restated
Current taxation:				
Hong Kong profits tax	(920)		(1,124)	
Overseas taxation	(13)		(11)	
Over/(under)-provisions in prior years	118		(4)	
		(815)		(1,139)
Deferred taxation: (note 33)				
Changes in fair value of investment properties	(208)		(252)	
Origination and reversal of temporary differences	(321)		(470)	
		(529)		(722)
		(1,344)		(1,861)

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

11. Taxation (continued)

The tax charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of the Company as follows:

	2013 HK\$M	2012 HK\$M Restated
Profit before taxation	13,999	20,950
Calculated at a tax rate of 16.5% (2012: 16.5%)	(2,310)	(3,457)
Results of joint venture and associated companies reported net of tax	156	136
Effect of different tax rates in other countries	(77)	(125)
Income not subject to tax	873	1,602
Expenses not deductible for tax purposes	(47)	(48)
Unused tax losses not recognised	(91)	(96)
Utilisation of previously unrecognised tax losses	62	44
Recognition of previously unrecognised tax losses	14	75
Deferred tax assets written off	–	(5)
Over/(under)-provisions in prior years	118	(4)
Deferred tax on retirement benefits	–	1
Others	(42)	16
Tax charge	(1,344)	(1,861)

The Group's share of joint venture and associated companies' tax charges of HK\$115 million (2012: HK\$25 million) and HK\$28 million (2012: HK\$33 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

12. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK\$4,318 million (2012: HK\$5,336 million restated) is dealt with in the accounts of the Company.

13. Dividends

Accounting Policy

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

	Company	
	2013 HK\$M	2012 HK\$M
First interim dividend paid on 3rd October 2013 of HK¢20 per share (2012: HK¢22)	1,170	1,287
Second interim dividend declared on 13th March 2014 of HK¢40 per share (2012: HK¢38)	2,340	2,223
	3,510	3,510

The second interim dividend is not accounted for in 2013 because it had not been declared at the year end date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2014.

The Directors have declared a second interim dividend of HK¢40 (2012: HK¢38) per share which, together with the first interim dividend of HK¢20 per share paid in October 2013, amounts to full year dividends of HK¢60 (2012: HK¢60) per share. The second interim dividend, which totals HK\$2,340 million (2012: HK\$2,223 million), will be paid on Thursday, 8th May 2014 to shareholders registered at the close of business on the record date, being Friday, 4th April 2014. Shares of the Company will be traded ex-dividend from Wednesday, 2nd April 2014.

The register of members will be closed on Friday, 4th April 2014, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 3rd April 2014.

To facilitate the processing of proxy voting for the annual general meeting to be held on 13th May 2014, the register of members will be closed from 8th May 2014 to 13th May 2014, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7th May 2014.

14. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK\$12,525 million (2012: HK\$18,753 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2013 (2012: 5,850,000,000 ordinary shares).

15. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred.

Leasehold land can be classified as held under finance lease and recorded as property, plant and equipment if the lessee is exposed to substantially all the risks and rewards of ownership of that piece of land.

With the exception of freehold land, all other property, plant and equipment are depreciated at rates sufficient to write off their original costs to estimated residual values using the straight-line method over their anticipated useful lives in the following manner:

Leasehold land	Over the lease term
Property	2% to 5% per annum
Plant and equipment	20% to 33 ¹ / ₃ % per annum

The assets' expected useful lives and residual values are regularly reviewed and adjusted, if appropriate, at each period-end date to take into account operational experience and changing circumstances.

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying 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.

Critical Accounting Estimates and Judgements

At each period-end date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs to sell or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the statement of profit or loss.

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

	Group				Company
	Leasehold land held for own use HK\$M	Land and property HK\$M	Plant and equipment HK\$M	Total HK\$M	Plant and equipment HK\$M
Cost:					
At 1st January 2013	2,234	4,997	1,115	8,346	242
Translation differences	–	78	9	87	–
Additions	–	138	223	361	11
Disposals	–	(37)	(80)	(117)	–
Cost written-off	–	–	(1)	(1)	–
Net transfers from investment properties	196	65	–	261	–
Revaluation surplus	24	–	–	24	–
At 31st December 2013	2,454	5,241	1,266	8,961	253
Accumulated depreciation and impairment:					
At 1st January 2013	76	640	793	1,509	187
Translation differences	–	12	6	18	–
Charge for the year (note 7)	18	107	166	291	27
Disposals	–	(8)	(70)	(78)	–
Net transfers to investment properties	(3)	–	–	(3)	–
Depreciation written-off	–	–	(1)	(1)	–
At 31st December 2013	91	751	894	1,736	214
Net book value:					
At 31st December 2013	2,363	4,490	372	7,225	39

At 31st December 2013 and 2012, none of the Group's property, plant and equipment was pledged as security for the Group's long-term loans.

Properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from carrying amount to fair value for the year ended 31st December 2013 was HK\$24 million (2012: HK\$36 million), has been recognised in other comprehensive income and the property revaluation reserve.

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

	Group			Company	
	Leasehold land held for own use HK\$M	Land and property HK\$M	Plant and equipment HK\$M	Total HK\$M	Plant and equipment HK\$M
<i>Cost:</i>					
At 1st January 2012	2,234	4,658	1,026	7,918	236
Translation differences	–	44	6	50	–
Additions	–	390	94	484	10
Disposals	–	–	(6)	(6)	(1)
Transfer from deferred expenditure	–	–	2	2	–
Cost written-off	–	–	(7)	(7)	(3)
Net transfers to investment properties	(5)	(126)	–	(131)	–
Revaluation surplus	5	31	–	36	–
At 31st December 2012	2,234	4,997	1,115	8,346	242
<i>Accumulated depreciation and impairment:</i>					
At 1st January 2012	58	587	658	1,303	162
Translation differences	–	10	3	13	–
Charge for the year (note 7)	18	73	131	222	29
Disposals	–	–	(5)	(5)	(1)
Net transfers to investment properties	–	(15)	–	(15)	–
Impairment loss made in previous year transferred to leasehold land and land use rights	–	(3)	–	(3)	–
Transfer between categories	–	(12)	12	–	–
Depreciation written back	–	–	(6)	(6)	(3)
At 31st December 2012	76	640	793	1,509	187
<i>Net book value:</i>					
At 31st December 2012	2,158	4,357	322	6,837	55

16. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings. Land held under operating leases and classified as an investment property is accounted for as if it was a finance lease. Any premium paid for a lease is treated as part of the minimum lease payments and is included in the cost of the asset, but is excluded from the liability.

Investment properties (including those under development) are carried at fair value and are valued twice a year. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, relate to individual properties, and separate values are not attributed to land and buildings. These values represent their fair values in accordance with HKFRS 13. Land and buildings that are being developed for future use as investment properties and investment properties that are being redeveloped for continuing use as investment properties are measured at fair value and included as investment properties under development. Changes in fair values are recognised in the consolidated statement of profit or loss.

Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with that expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

Expenditure incurred in leasing the Group's investment property during development is deferred and amortised on a straight-line basis to the consolidated statement of profit or loss upon occupation of the property over a period not exceeding the term of the lease.

Refer to page 37 for the details of the Group'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 as at 31st December 2013. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of open market rents and yields.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

16. Investment Properties (continued)

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 2013 and 2012, there were no transfers between different levels within the fair value hierarchy.

	Completed			Under Development			2013 HK\$M	2012 HK\$M
	Hong Kong HK\$M	Mainland China HK\$M	Total HK\$M	Hong Kong HK\$M	Others HK\$M	Total HK\$M		
Fair value hierarchy								
Level 2	2,902	194	3,096	9,524	–	9,524	12,620	12,069
Level 3	165,180	24,333	189,513	9,634	1,656	11,290	200,803	189,912
Total	168,082	24,527	192,609	19,158	1,656	20,814	213,423	201,981
Add: initial leasing costs							285	315
At 31st December							213,708	202,296

	Completed				Under Development			2013 Total HK\$M
	Hong Kong HK\$M	Mainland China HK\$M	Others HK\$M	Total HK\$M	Hong Kong HK\$M	Others HK\$M	Total HK\$M	
Fair value – Level 3								
At 1st January 2013	163,649	23,011	104	186,764	2,698	450	3,148	189,912
Translation differences	–	676	–	676	–	–	–	676
Additions	221	(7)	–	214	2,981	1,123	4,104	4,318
Disposals	–	–	–	–	–	–	–	–
Transfer upon completion	1,057	–	–	1,057	(1,057)	–	(1,057)	–
Transfer to redevelopment	(5,390)	–	(104)	(5,494)	5,390	104	5,494	–
Net transfers to property, plant and equipment	(32)	–	–	(32)	–	–	–	(32)
Fair value gains/(losses)	5,675	653	–	6,328	(378)	(21)	(399)	5,929
At 31st December 2013	165,180	24,333	–	189,513	9,634	1,656	11,290	200,803

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 2013. 96% 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.

16. Investment Properties *(continued)*

Valuation processes and techniques underlying management's estimate of fair value *(continued)*

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

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If capitalisation rate increases, the fair value decreases. If 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 properties' features may result in an increase in future rental values. An increase in the future rental income may be linked with higher costs.

The Group reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuer at least once every half year, in line with the Group's half year reporting dates.

Information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value HK\$M	Valuation technique	Fair market rent per month ¹ HK\$ per sq. ft. (lettable)	Capitalisation rate
Completed				
Hong Kong	165,180	Income capitalisation	Low 10's – High 500's	2.50% – 5.25%
Mainland China	24,333	Income capitalisation	Less than 10 – High 100's	7.00% – 7.50%
Sub-total	189,513			
Under development ²				
Hong Kong	9,634	Residual	High 30's – High 50's	2.00% – 4.25%
Others ³	1,656		–	–
Sub-total	11,290			
Total (Level 3)	200,803			

¹ Fair market rent is determined in accordance with the definition of that term in the Valuation Standards of The Hong Kong Institute of Surveyors, which is "the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion". It is in effect the rental income (exclusive of usual outgoings) which a property would be expected to earn if it were vacant and available to let. It is not necessarily the same as the rent which a tenant is actually committed to pay.

² There are two additional unobservable inputs which are used in making fair value measurements of investment properties under development. 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 are not significantly affected by these unobservable inputs.

³ The fair value of Others is not significant to the total carrying value of the investment property portfolio. Each property within Others is valued principally by using direct sales comparison approach.

17. Intangible Assets

Accounting Policy

Computer software

Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

	Group			Company
	Computer Software HK\$M	Others HK\$M	Total HK\$M	Computer Software HK\$M
<i>Cost:</i>				
At 1st January 2013	52	–	52	52
Additions	15	58	73	14
At 31st December 2013	67	58	125	66
<i>Accumulated amortisation and impairment:</i>				
At 1st January 2013	44	–	44	44
Amortisation for the year (note 7)	6	–	6	6
At 31st December 2013	50	–	50	50
<i>Net book value:</i>				
At 31st December 2013	17	58	75	16

	Group	Company
	Computer Software HK\$M	Computer Software HK\$M
<i>Cost:</i>		
At 1st January 2012	48	48
Additions	4	4
At 31st December 2012	52	52
<i>Accumulated amortisation and impairment:</i>		
At 1st January 2012	41	41
Amortisation for the year (note 7)	3	3
At 31st December 2012	44	44
<i>Net book value:</i>		
At 31st December 2012	8	8

Amortisation of HK\$6 million (2012: HK\$3 million) is included in administrative expenses in the consolidated statement of profit or loss.

18. Properties Held for Development

Accounting Policy

Properties held for development comprise freehold land, 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.

Refer to page 39 for details of the Group's properties held for development.

19. 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.

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

	Company	
	2013 HK\$M	2012 HK\$M
Unlisted shares at cost less provisions	454	650
Loans and other amounts due from subsidiary companies		
– Interest-free	48,481	47,598
	48,935	48,248

The loans and amounts due from subsidiary companies are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Properties Limited which have materially affected the results or assets of the Group are shown on pages 155 to 157.

20. Joint Venture Companies

Accounting Policy

Joint venture companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and has rights to the net assets of those companies.

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Unlisted shares at cost			–	–
Share of net assets, unlisted	4,876	3,861		
Loans due from joint venture companies less provisions				
– Interest-free	10,955	10,395	1,254	467
– Interest bearing at 1.71% to 7.5% (2012: 1.71% to 3.1%)	548	622	–	–
	16,379	14,878	1,254	467

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

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

	Group	
	2013 HK\$M	2012 HK\$M
Non-current assets	19,823	17,354
Current assets	2,931	2,587
Current liabilities	(4,215)	(3,891)
Non-current liabilities	(13,663)	(12,189)
Net assets	4,876	3,861
Revenue	836	751
Change in fair value of investment properties	810	592
Expenses	(722)	(658)
Profit before taxation	924	685
Taxation	(115)	(25)
Profit for the year	809	660
Other comprehensive income for the year	206	30
Total comprehensive income for the year	1,015	690

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

The principal joint venture companies of Swire Properties Limited are shown on pages 155 to 157. There are no joint venture companies that are considered individually material to the Group.

21. Associated Companies

Accounting Policy

Associated companies are those companies over which the Group has significant influence, but not control or joint control, over their management including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Unlisted shares at cost			3	3
Share of net assets, unlisted	469	545		
Loans due from associated companies – Interest-free	52	176	52	176
	521	721	55	179

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

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

	Group	
	2013 HK\$M	2012 HK\$M
Non-current assets	600	669
Current assets	357	253
Current liabilities	(123)	(117)
Non-current liabilities	(365)	(260)
Net assets	469	545
Revenue	592	592
Profit for the year	139	161
Other comprehensive income	–	–
Total comprehensive income for the year	139	161

The principal associated companies of Swire Properties Limited are shown on pages 155 to 157. There are no associated companies that are considered individually material to the Group.

22. Financial Instruments by Category

Accounting Policy

Classification

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, derivatives used for hedging, available-for-sale, loans and receivables and amortised cost. The classification depends on the purpose of the financial instrument. The Group determines the classification of its financial instruments at initial recognition.

(a) At fair value through profit or loss

A financial instrument is classified within this category if the intention is to settle it in the short-term or if it is designated as at fair value through profit or loss by management. Derivatives are included within this category unless they are designated as hedges. Put options over non-controlling interests in subsidiary companies included in trade and other payables are measured at fair value through profit or loss. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the period-end date.

(b) Derivatives used for hedging

Derivative instruments are classified within this category if they qualify for hedge accounting.

(c) Available-for-sale

Available-for-sale assets are non-derivative investments and other assets that are either designated in this category or not classified in any of the other categories. Available-for sale assets are included in non-current assets unless management intends to dispose of the asset within 12 months of the period-end date.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the period-end date where these are classified as non-current assets.

(e) Amortised cost

The amortised cost category comprises instruments that are non-derivative financial liabilities with fixed or determinable payments and fixed maturities. They are included in non-current liabilities, except for maturities less than 12 months after the period-end date where these are classified as current liabilities.

Recognition and measurement

Purchases and sales of financial instruments are recognised on their trade-date, being the date on which the Group contracts with the purchaser or seller. Financial instruments are initially recognised at fair value. Transaction costs are included for all financial instruments not carried at fair value through profit or loss. Financial instruments are derecognised when the rights to receive or obligations to pay cash have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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 32.

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 assess 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.

22. Financial Instruments by Category (continued)

Group	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 2013							
Available-for-sale assets (note 23)	–	–	75	–	–	75	75
Amount due from immediate holding company	–	–	–	53	–	53	53
Trade and other receivables (note 26)	–	–	–	2,403	–	2,403	2,403
Bank balances and short-term deposits (note 28)	–	–	–	2,521	–	2,521	2,521
Derivative financial assets (note 32)	–	4	–	–	–	4	4
Total	–	4	75	4,977	–	5,056	5,056
At 31st December 2012							
Available-for-sale assets (note 23)	–	–	9	–	–	9	9
Amount due from immediate holding company	–	–	–	51	–	51	51
Trade and other receivables (note 26)	–	–	–	2,750	–	2,750	2,750
Bank balances and short-term deposits (note 28)	–	–	–	1,940	–	1,940	1,940
Total	–	–	9	4,741	–	4,750	4,750
Liabilities as per consolidated statement of financial position							
At 31st December 2013							
Trade and other payables (note 29)	1,623	–	–	–	6,751	8,374	8,374
Bank overdrafts and short-term loans (note 30)	–	–	–	–	828	828	828
Long-term loans and bonds (note 30)	–	–	–	–	20,359	20,359	20,163
Loans due to a fellow subsidiary company (note 31)	–	–	–	–	13,348	13,348	14,736
Derivative financial liabilities (note 32)	–	83	–	–	–	83	83
Total	1,623	83	–	–	41,286	42,992	44,184
At 31st December 2012							
Trade and other payables (note 29)	1,112	–	–	–	6,023	7,135	7,135
Bank overdrafts and short-term loans (note 30)	–	–	–	–	1,057	1,057	1,057
Long-term loans and bonds (note 30)	–	–	–	–	14,564	14,564	14,966
Loans due to a fellow subsidiary company (note 31)	–	–	–	–	15,240	15,240	16,971
Derivative financial liabilities (note 32)	–	83	–	–	–	83	83
Total	1,112	83	–	–	36,884	38,079	40,212

22. Financial Instruments by Category *(continued)*

Company	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 2013				
Trade and other receivables (note 26)	157	–	157	157
Short-term deposits and bank balances (note 28)	208	–	208	208
Total	365	–	365	365
At 31st December 2012				
Trade and other receivables (note 26)	119	–	119	119
Short-term deposits and bank balances (note 28)	416	–	416	416
Total	535	–	535	535
Liabilities as per statement of financial position				
At 31st December 2013				
Trade and other payables (note 29)	–	3,614	3,614	3,614
Total	–	3,614	3,614	3,614
At 31st December 2012				
Trade and other payables (note 29)	–	3,391	3,391	3,391
Total	–	3,391	3,391	3,391

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 are not equal to their carrying value and 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. The fair value of non-current borrowings are categorised within Level 2 of the fair value hierarchy.

22. Financial Instruments by Category *(continued)*

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

Group	Level 2 HK\$M Restated	Level 3 HK\$M Restated	Total HK\$M
Assets as per consolidated statement of financial position			
At 31st December 2013			
Derivative used for hedging (note 32)	4	–	4
Available-for-sale assets – unlisted investments (note 23)	–	75	75
Total	4	75	79
At 31st December 2012			
Available-for-sale assets – unlisted investments (note 23)	–	9	9
Total	–	9	9
Liabilities as per consolidated statement of financial position			
At 31st December 2013			
Derivative used for hedging (note 32)	83	–	83
Put options in favour of non-controlling interests (note 29)	–	1,623	1,623
Total	83	1,623	1,706
At 31st December 2012			
Derivative used for hedging (note 32)	83	–	83
Put option in favour of non-controlling interest (note 29)	–	1,112	1,112
Total	83	1,112	1,195

Notes:

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.

There were no transfers of financial instruments between Level 2 and Level 3 fair value hierarchy classifications and there were no transfers into or out of Level 3 fair value hierarchy classifications. Following the adoption of HKFRS13 in January 2013, the fair value of all available for sale assets and put options over non-controlling interests in properties are categorised within 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.

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.

The Group's finance department performs the valuations of financial instruments required for reporting purposes, including Level 3 fair values. The valuations are reviewed and approved by the Finance and Human Resources Director.

The following table presents the changes in Level 3 financial instruments for the year ended 31st December 2013:

	Group HK\$M
(a) Put options over non-controlling interests in subsidiary companies	
At 1st January 2013	1,112
Recognition of a new put option in favour of a non-controlling interest	372
Change in fair value recognised as net finance charges	139
At 31st December 2013	1,623
Total losses for the year included in profit or loss in respect of financial liabilities held at 31st December 2013	139

22. Financial Instruments by Category *(continued)*

	Group HK\$M
(b) Available-for-sale assets	
At 1st January 2013	9
Addition during the year	66
At 31st December 2013	75

The fair values of the put options over non-controlling interests in subsidiary companies classified as Level 3 are determined using discounted cash flow valuations. The significant unobservable inputs used are expected future growth rates and discount rates. Both of the Group's put options in favour of non-controlling interests are classified as Level 3 fair value measurements. This is because each contains a number of unobservable inputs.

In respect of the put option over non-controlling interest in Taikoo Li Sanlitun, this is not sensitive to changes in inputs, because the put option was exercised by the holder of the instrument, and the price payable by the Group was agreed as HK\$1,256 million, as described in Note 44 'Events After the Reporting Period'.

The fair value estimate of the put option over non-controlling interest in the retail portion of Brickell City Centre contains a number of unobservable inputs, including the expected fair value of the investment property at the expected exercise date, the expected exercise date itself, and the discount rate used. The expected exercise date is early 2023, and the discount rate used is 4.5%.

The investment property's fair value at the expected exercise date is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's other already complete investment properties, including expected fair market rent and the capitalisation rate. If the investment property's expected fair value at the exercise date is higher, the fair value of the put option would also be higher at 31st December 2013. If the expected exercise date is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise date or a lower discount rate.

23. Available-for-sale Assets

Accounting Policy

For available-for-sale assets, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

	Group	
	2013 HK\$M	2012 HK\$M
Unlisted investments	75	9

24. Properties under Development and for Sale

Accounting Policy

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

Refer to page 39 for details of the Group's properties under development and for sale.

25. 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.

	Group	
	2013 HK\$M	2012 HK\$M
Trading goods	10	10
Store and spare parts	55	52
Work in progress	11	7
	76	69

26. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the statement of financial position are stated net of such provisions.

Objective evidence of impairment may include indications that a debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Trade debtors	612	278	–	–
Prepayments and accrued income	137	186	4	5
Other receivables	1,773	2,466	157	119
	2,522	2,930	161	124

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

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Under three months	604	269	–	–
Between three and six months	5	6	–	–
Over six months	3	3	–	–
	612	278	–	–

26. Trade and Other Receivables *(continued)*

Other receivables include receivables for rent free periods of HK\$994 million (2012: HK\$910 million), which are amortised over lease terms. Their carrying values approximate their fair values as the impact of discounting is not significant.

There is no concentration of credit risk with respect to trade and other receivables, as the Group has a large number of customers.

The Group does not grant any credit term to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. At 31st December 2013, trade debtors of HK\$612 million (2012: HK\$278 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at 31st December 2013 and 31st December 2012 is the carrying value of trade debtors and other receivables disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2013 was HK\$2,116 million (2012: HK\$1,953 million).

27. Amount Due from Immediate Holding Company – Swire Pacific Limited

The amount due from immediate holding company is unsecured, interest free and repayable within one year.

28. Cash and Cash Equivalents

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.

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Short-term deposits maturing within three months	847	411	190	369
Bank balances	1,674	1,529	18	47
	2,521	1,940	208	416

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 1.05% (2012: 0.01% to 0.8%); these deposits have a maturity from 7 to 92 days (2012: 2 to 92 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2013 and 31st December 2012 is the carrying value of the bank balances and short-term deposits disclosed above.

29. Trade and Other Payables

Accounting Policy

Trade and other payables (except put options in favour of non-controlling interests in subsidiary companies) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Put options in favour of non-controlling interests are measured at the fair value of the expected redemption amounts, and are designated at fair value through profit or loss.

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Trade creditors	1,003	1,064	–	–
Amounts due to intermediate holding company	117	161	117	161
Amounts due to a fellow subsidiary company	78	79	–	–
Amounts due to subsidiary companies	–	–	3,358	3,087
Amounts due to a joint venture company	3	2	–	–
Amounts due to an associated company	106	41	106	41
Interest-bearing advances from fellow subsidiary companies at 3.38% to 5.16%	281	–	–	–
Interest-bearing advances from joint venture and related companies at 1.54% to 3.38% (2012: 1.58%)	484	350	–	–
Advances from non-controlling interests	319	240	–	–
Rental deposits from tenants	2,116	1,953	–	–
Put option in favour of a non-controlling interest – current	1,256	1,112	–	–
Put option in favour of a non-controlling interest – non-current	367	–	–	–
Accrued capital expenditure	699	763	–	–
Other payables	1,545	1,390	33	102
	8,374	7,155	3,614	3,391
Amount due after one year included under non-current liabilities	(367)	–	–	–
	8,007	7,155	3,614	3,391

Apart from certain amounts due to fellow subsidiary companies and joint venture and related companies, which are interest-bearing as specified above, the balances are interest free, unsecured and have no fixed term of repayment.

The analysis of the age of trade creditors at year-end is as follows:

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Under three months	1,000	970	–	–
Between three and six months	–	94	–	–
Between six and twelve months	1	–	–	–
Over twelve months	2	–	–	–
	1,003	1,064	–	–

30. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included for those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

For disclosure purposes, the fair value of borrowings stated at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

	Group	
	2013 HK\$M	2012 HK\$M
Bank overdrafts and short-term loans – unsecured	828	1,057
Long-term bank loans – unsecured:		
Repayable within one year	6,761	1,308
Repayable between one and two years	1,795	6,603
Repayable between two and five years	3,302	2,004
	11,858	9,915
Other borrowings – unsecured:		
Repayable within one year	–	–
Repayable between one and two years	–	–
Repayable between two and five years	498	498
Repayable after five years	8,003	4,151
	8,501	4,649
Amount due within one year included under current liabilities	(6,761)	(1,308)
	13,598	13,256

(a) The effective interest rates per annum at the year-end date were as follows:

	2013				2012			
	HKD %	RMB %	US\$ %	Others %	HKD %	RMB %	US\$ %	Others %
Bank overdrafts/ short-term loans	–	5.04-5.15	–	–	–	3.14-6.27	–	–
Long-term loans and bonds	1.04-4.43	5.54-6.77	1.41-1.86	–	1.63-4.43	3.38-7.38	1.25	1.81

Bank loans and other borrowings are repayable on various dates up to 2022 (2012: up to 2022).

Notes to the Accounts

30. Borrowings (continued)

(b) The carrying amounts of these long-term bank loans and other borrowings are denominated in the following currencies:

	2013 HK\$M	2012 HK\$M
Hong Kong dollar	4,130	2,742
Renminbi	6,958	7,157
United States dollar	9,271	4,602
Great British Pound	–	63
	20,359	14,564

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

The loans due to a fellow subsidiary company are unsecured, repayable on various dates up to 2018 and bear interest at a combination of fixed and floating rate which effectively was 5.1% per annum at 31st December 2013 (2012: 5.2% per annum).

	Group	
	2013 HK\$M	2012 HK\$M
Repayable within one year	–	2,299
Repayable between one and two years	1,195	–
Repayable between two and five years	12,153	7,773
Repayable after five years	–	5,168
	13,348	15,240
Loans due within one year included under current liabilities	–	(2,299)
	13,348	12,941

32. Derivative Financial Instruments

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the 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 cash flows of hedged items.

All of the Group's derivatives relate to cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled in the statement of profit or loss in the periods when the hedged item will affect profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss within finance costs. The gain or loss relating to the ineffective portion of interest rate swaps is recognised in the statement of profit or loss within other net gains.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss.

32. Derivative Financial Instruments *(continued)*

	Group			
	2013		2012	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Cross-currency swaps – cash flow hedges – due after one year	4	83	–	83

The cross-currency swaps hedge the foreign currency risk relating to US dollar note issues. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2013 are expected to affect the statement of profit or loss in the years to redemption of the notes (up to and including 2022). For the year ended 31st December 2013 and 31st December 2012, all cash flow hedges were 100% effective.

33. 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 accounts. 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/(assets) account is as follows:

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
At 1st January				
– as originally stated	4,927	4,189	19	19
– impact of HKAS 19 (revised)	(36)	(31)	(32)	(27)
– as restated	4,891	4,158	(13)	(8)
Translation differences	80	20	–	–
Charged/(credited) to other comprehensive income	32	(9)	15	(4)
Charged/(credited) to statement of profit or loss (note 11)	529	722	(1)	(1)
At 31st December	5,532	4,891	1	(13)

Notes to the Accounts

33. 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. As at 31st December 2013, the Group has recognised HK\$59 million (2012: HK\$21 million) of deferred tax assets in respect of subsidiaries that were loss making in either 2013 or 2012. These are recognised as these entities are expected to generate sufficient taxable profits in the future. The Group has unrecognised tax losses of HK\$2,653 million (2012: HK\$2,159 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group	
	Unrecognised tax losses	
	2013 HK\$M	2012 HK\$M
No expiry date	1,197	990
Expiring in 2013	–	19
Expiring in 2014	253	253
Expiring in 2015	299	299
Expiring in 2016	322	326
Expiring in 2017	316	272
Expiring in 2018	266	–
	2,653	2,159

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	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
At 1st January								
– as originally stated	2,474	2,081	2,297	2,016	386	231	5,157	4,328
– impact of HKAS 19 (revised)	–	–	–	–	(36)	(31)	(36)	(31)
– as restated	2,474	2,081	2,297	2,016	350	200	5,121	4,297
Translation differences	–	–	72	21	8	(1)	80	20
Charged/(credited) to other comprehensive income	–	–	14	8	17	(3)	31	5
Charged to statement of profit or loss	239	393	208	252	77	154	524	799
At 31st December	2,713	2,474	2,591	2,297	452	350	5,756	5,121

33. Deferred Taxation (continued)

Deferred tax liabilities (continued)

	Company					
	Accelerated tax depreciation		Others		Total	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
At 1st January						
– as originally stated	2	3	17	16	19	19
– impact of HKAS 19 (revised)	–	–	(17)	(16)	(17)	(16)
– as restated	2	3	–	–	2	3
Credited to statement of profit or loss	–	(1)	–	–	–	(1)
At 31st December	2	2	–	–	2	2

Deferred tax assets

	Group					
	Tax losses		Others		Total	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
At 1st January	182	105	48	34	230	139
(Charged)/credited to other comprehensive income	–	–	(1)	14	(1)	14
(Charged)/credited to statement of profit or loss	(39)	77	34	–	(5)	77
At 31st December	143	182	81	48	224	230

	Company	
	Others	
	2013 HK\$M	2012 HK\$M
At 1st January		
– as originally stated	–	–
– impact of HKAS 19 (revised)	15	11
– as restated	15	11
(Charged)/credited to other comprehensive income	(15)	4
Credited to statement of profit or loss	1	–
At 31st December	1	15

Notes to the Accounts

33. Deferred Taxation *(continued)*

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	
	2013 HK\$M	2012 HK\$M Restated	2013 HK\$M	2012 HK\$M Restated
Deferred tax assets:				
– to be recovered after more than 12 months	(72)	(68)	–	(13)
– to be recovered within 12 months	–	–	–	–
	(72)	(68)	–	(13)
Deferred tax liabilities:				
– to be settled after more than 12 months	5,604	4,959	1	–
– to be settled within 12 months	–	–	–	–
	5,604	4,959	1	–
	5,532	4,891	1	(13)

34. Retirement Benefits

Critical Accounting Estimates and Judgements

The present value of defined benefit assets and liabilities depend on a number of factors that are determined using a number of actuarial assumptions. The assumptions used in determining the net cost (income) for retirement benefits assets and liabilities include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit assets and liabilities. The details of the discount rate and other assumptions used, including applicable sensitivities, are included in this note.

The 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 and are maintained by trustees independently of the Group's finances.

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's schemes are final salary guaranteed lump sum defined benefit plans. 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.

34. Retirement Benefits *(continued)*

Accounting Policy

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

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

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

For defined contribution schemes, the Group's contributions are charged to the statement of profit or loss in the period to which the contributions relate.

Most new employees are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant monthly income (capped at HK\$25,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Contributions by the Group to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued annually by qualified actuaries for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2013, the funding level was 104% (2012: 97%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK\$60 million to its defined benefit schemes in 2014.

Total retirement benefit costs recognised in the consolidated statement of profit or loss for the year ended 31st December 2013 amounted to HK\$66 million (2012: HK\$64 million restated), including HK\$3 million (2012: HK\$3 million) in respect of defined contribution schemes.

The defined benefit scheme is valued using the projected unit credit method in accordance with HKAS 19. For the year ended 31st December 2012, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012. For the year ended 31st December 2013, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012, which were updated for the position at 31st December 2013 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes.

(a) The amounts recognised in the statement of financial position are as follows:

	Group		Company	
	2013 HK\$M	2012 HK\$M Restated	2013 HK\$M	2012 HK\$M Restated
Present value of funded obligations	647	696	542	586
Fair value of plan assets	(647)	(597)	(537)	(495)
Net retirement benefit liabilities	–	99	5	91
Represented by:				
Retirement benefit assets	–	–	–	–
Retirement benefit liabilities	–	99	5	91
	–	99	5	91

Notes to the Accounts

34. Retirement Benefits *(continued)*

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

	Group		Company	
	2013 HK\$M	2012 HK\$M Restated	2013 HK\$M	2012 HK\$M Restated
At 1st January	696	599	586	496
Current service cost	60	59	50	50
Interest cost	23	23	19	19
Remeasurements from changes in:				
– demographic assumptions	–	–	–	–
– financial assumptions	(78)	70	(67)	68
Experience losses	8	–	6	–
Transfer	(1)	–	–	–
Benefits paid	(61)	(55)	(52)	(47)
At 31st December	647	696	542	586

The weighted average duration of the defined benefit obligation is 11.58 years (2012: 11.58 years).

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

	Group		Company	
	2013 HK\$M	2012 HK\$M Restated	2013 HK\$M	2012 HK\$M Restated
At 1st January	597	519	495	431
Interest income	20	21	17	18
Remeasurements of plan assets	35	55	29	45
Contributions by employers	57	57	48	48
Transfer	(1)	–	–	–
Benefits paid	(61)	(55)	(52)	(47)
At 31st December	647	597	537	495

There were no plan amendments, curtailments and settlements during the year.

(d) Net expenses recognised in the consolidated statement of profit or loss are as follows:

	Group	
	2013 HK\$M	2012 HK\$M Restated
Current service cost	60	59
Net interest cost	3	2
	63	61

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

The actual return on defined benefit plan assets was a gain of HK\$55 million (2012: HK\$76 million).

34. Retirement Benefits *(continued)*

- (e) The plan assets are invested in the Swire Group Unitised Trust (“the Trust”). The Trust has three sub-funds in which the assets 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 65% equities and 35% bonds.

The management of the assets within the sub-funds is delegated by the investment committee to a number of reputable investment managers. The plan assets comprise:

	Group	
	Defined benefit plans	
	2013 HK\$M	2012 HK\$M
Equities		
Asia Pacific	120	111
Europe	64	59
North America	120	106
Emerging markets	126	107
Bonds		
Global	157	175
Emerging markets	49	23
Cash	11	16
	647	597

Note:

At 31st December 2013, the prices of 100% of equities and 80% of bonds were quoted on active markets (31st December 2012: 100% and 91% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the investment managers appointed. Investment managers are governed by agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark and the predicted tracking error around this benchmark. The investment committee monitors the overall market risk position on a quarterly basis.

Notes to the Accounts

34. Retirement Benefits *(continued)*

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

	Group	
	2013	2012
Discount rate	4.27%	3.32%
Expected rate of future salary increases	4.00%	3.5%-4.61%

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 HK\$M	Decrease in assumption HK\$M
Discount rate	0.50%	(38)	41
Expected rate of future salary increases	0.50%	40	(38)

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.

35. Share Capital

	Company	
	2013 HK\$M	2012 HK\$M
Authorised:		
At 31st December 2013 and 2012 30,000,000,000 ordinary shares of HK\$1 each	30,000	30,000
Issued and fully paid:		
At 31st December 2013 and 2012 5,850,000,000 ordinary shares of HK\$1 each	5,850	5,850

There was no purchase, sale or redemption by the Company of its shares during the years ended 31st December 2013 and 31st December 2012.

36. Reserves

	Revenue reserve HK\$M	Share premium HK\$M	Merger reserve HK\$M	Property revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
Group							
At 1st January 2012							
– as originally stated	163,004	4,599	(1,108)	1,634	–	2,064	170,193
– impact of HKAS 19 (revised)	(157)	–	–	–	–	–	(157)
– as restated	162,847	4,599	(1,108)	1,634	–	2,064	170,036
Profit for the year	18,753	–	–	–	–	–	18,753
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	–	–	–	36	–	–	36
– deferred tax	–	–	–	(8)	–	–	(8)
Defined benefit plans							
– remeasurement losses recognised during the year	(16)	–	–	–	–	–	(16)
– deferred tax	3	–	–	–	–	–	3
Cash flow hedges							
– losses recognised during the year	–	–	–	–	(84)	–	(84)
– transferred to net finance charges	–	–	–	–	1	–	1
– deferred tax	–	–	–	–	14	–	14
Share of other comprehensive income of joint venture and associated companies	–	–	–	–	–	30	30
Net translation differences on foreign operations	–	–	–	–	–	159	159
Total comprehensive income for the year	18,740	–	–	28	(69)	189	18,888
2011 first interim dividend	(1,053)	–	–	–	–	–	(1,053)
2012 first interim dividend (note 13)	(1,287)	–	–	–	–	–	(1,287)
At 31st December 2012	179,247	4,599	(1,108)	1,662	(69)	2,253	186,584

36. Reserves (continued)

	Revenue reserve HK\$M	Share premium HK\$M	Merger reserve HK\$M	Property revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
Group							
At 1st January 2013							
– as originally stated	179,427	4,599	(1,108)	1,662	(69)	2,253	186,764
– impact of HKAS 19 (revised)	(180)	–	–	–	–	–	(180)
– as restated	179,247	4,599	(1,108)	1,662	(69)	2,253	186,584
Profit for the year	12,525	–	–	–	–	–	12,525
Other comprehensive income							
Revaluation of properties previously occupied by the Group							
– gain recognised during the year	–	–	–	24	–	–	24
– deferred tax	–	–	–	(14)	–	–	(14)
Defined benefit plans							
– remeasurement gains recognised during the year	105	–	–	–	–	–	105
– deferred tax	(17)	–	–	–	–	–	(17)
Cash flow hedges							
– gains recognised during the year	–	–	–	–	6	–	6
– transferred to net finance charges	–	–	–	–	2	–	2
– deferred tax	–	–	–	–	(1)	–	(1)
Share of other comprehensive income of joint venture and associated companies	–	–	–	–	(2)	208	206
Net translation differences on foreign operations	–	–	–	–	–	473	473
Total comprehensive income for the year	12,613	–	–	10	5	681	13,309
2012 second interim dividend (note 13)	(2,223)	–	–	–	–	–	(2,223)
2013 first interim dividend (note 13)	(1,170)	–	–	–	–	–	(1,170)
At 31st December 2013	188,467	4,599	(1,108)	1,672	(64)	2,934	196,500

36. Reserves (continued)

	Revenue reserve HK\$M	Share premium HK\$M	Total HK\$M
Company			
At 1st January 2012			
– as originally stated	32,758	4,599	37,357
– impact of HKAS 19 (revised)	(137)	–	(137)
– as restated	32,621	4,599	37,220
Profit for the year (note 12)	5,336	–	5,336
Other comprehensive income			
Defined benefit plans			
– remeasurement losses recognised during the year	(23)	–	(23)
– deferred tax	4	–	4
Total comprehensive income for the year	5,317	–	5,317
2011 first interim dividend	(1,053)	–	(1,053)
2012 first interim dividend (note 13)	(1,287)	–	(1,287)
At 31st December 2012	35,598	4,599	40,197
Company			
At 1st January 2013			
– as originally stated	35,763	4,599	40,362
– impact of HKAS 19 (revised)	(165)	–	(165)
– as restated	35,598	4,599	40,197
Profit for the year (note 12)	4,318	–	4,318
Other comprehensive income			
Defined benefit plans			
– remeasurement gains recognised during the year	90	–	90
– deferred tax	(15)	–	(15)
Total comprehensive income for the year	4,393	–	4,393
2012 second interim dividend (note 13)	(2,223)	–	(2,223)
2013 first interim dividend (note 13)	(1,170)	–	(1,170)
At 31st December 2013	36,598	4,599	41,197

- (a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK\$1,445 million (2012: HK\$637 million) and retained revenue reserves from associated companies amounting to HK\$375 million (2012: HK\$451 million).
- (b) Distributable reserves of the Company at 31st December 2013 amounted to HK\$36,598 million (2012: HK\$35,598 million).
- (c) The Group and Company revenue reserves have not yet deducted the second interim dividend for the year of HK\$2,340 million declared after the year end date (2012: HK\$2,223 million) (note 13).
- (d) The Group adopted merging accounting in accordance with Accounting Guidance 5, Merging Accounting for Common Control Combination (issued by the HKICPA) to account for the acquisition of all the shares of Swire Properties US Inc and Swire Properties One LLC in January 2010. These companies are wholly-owned subsidiary companies of the immediate holding company of the Company.

37. Non-controlling Interests

	Group	
	2013 HK\$M	2012 HK\$M
At 1st January	642	532
Share of profits less losses for the year	130	336
Share of translation differences on foreign operations	21	1
Share of total comprehensive income	151	337
Dividends paid and payable	(8)	(227)
Capital contribution from a non-controlling interest	15	–
At 31st December	800	642

38. Capital Commitments

	Group	
	2013 HK\$M	2012 HK\$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	222	141
Authorised by Directors but not contracted for	338	489
(b) Investment properties		
Contracted for	2,069	1,648
Authorised by Directors but not contracted for	17,712	7,016
	20,341	9,294
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	3,089	1,755
Authorised by Directors but not contracted for	6,024	4,865
	9,113	6,620

* of which the Group is committed to funding HK\$4,212 million (2012: HK\$818 million).

The Company had no commitments in respect of the above items at 31st December 2013 (2012: same).

At 31st December 2013, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK\$214 million (2012: HK\$194 million).

39. Provisions and Contingencies

Accounting Policy

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

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

Contingent liabilities are possible obligations that arise from past events and 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 outflow of economic benefits is remote.

Financial guarantees are initially recognised in the accounts at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of profit and loss the fee income earned on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the statement of profit or loss.

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Guarantees provided in respect of bank loans and other liabilities of				
– subsidiary companies	–	–	34,698	30,503
– a joint venture company	496	–	496	–
Bank guarantees given in lieu of utility deposits and others	144	90	144	90
	640	90	35,338	30,593

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

40. Operating Lease Arrangements

Accounting Policy

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

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

(a) Lessor

The Group leases out investment properties under operating leases. The leases for investment properties typically run for periods of three to six years. The turnover-related rental income received during the year amounted to HK\$456 million (2012: HK\$523 million).

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

	Group	
	2013 HK\$M	2012 HK\$M
Investment properties:		
Not later than one year	7,491	6,832
Later than one year but not later than five years	15,817	14,407
Later than five years	2,582	2,257
	25,890	23,496

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

	Group	
	2013 HK\$M	2012 HK\$M
Investment properties at fair value	192,609	189,699

(b) Lessee

The Group leases land and buildings under operating leases. These leases typically run for an initial period of one to fifteen years with some leases having an option to renew the lease after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases payable by the Group and the Company were as follows:

	Group		Company	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Land and buildings:				
Not later than one year	53	56	88	62
Later than one year but not later than five years	134	129	292	202
Later than five years	228	408	4	49
	415	593	384	313

41. Related Party Transactions

Accounting Policy

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

There is an agreement for services (“Services Agreement”), in respect of which John Swire & Sons (H.K.) Limited (“JSSHK”), an intermediate holding company, provides services to the Company and its subsidiary companies and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated as 2.5% of the Group’s relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreement, which commenced on 1st January 2011 for a period of three years, expired on 31st December 2013. The Services Agreement was renewed on 14th November 2013 and will last for another three years on the same terms and conditions commencing on 1st January 2014. For the year ended 31st December 2013, service fees payable amounted to HK\$186 million (2012: HK\$214 million). Expenses of HK\$39 million (2012: HK\$36 million) were reimbursed at cost; in addition, HK\$65 million (2012: HK\$69 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (“JSSHK Tenancy Framework Agreement”) between the Company and JSSHK dated 18th October 2011, members of the Group will 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 six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2013, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK\$83 million (2012: HK\$71 million).

Under another tenancy framework agreement (“Swire Pacific Tenancy Framework Agreement”) between the Company and Swire Pacific Limited dated 18th October 2011, members of the Group will enter into tenancy agreements with members of the Swire Pacific group from time to time on normal commercial terms based on prevailing market rentals. The Swire Pacific Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the year ended 31st December 2013, the aggregate rentals payable to the Group under the tenancies pursuant to the Swire Pacific Tenancy Framework Agreement amounted to HK\$76 million (2012: HK\$63 million).

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement and Swire Pacific 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 accounts. Transactions under the Services Agreements, the JSSHK Tenancy Framework Agreement and Swire Pacific Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

41. Related Party Transactions *(continued)*

	Notes	Joint venture companies		Fellow subsidiary companies		Immediate holding company		Intermediate holding company		Other related parties	
		2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
Purchases of services	(a)	–	–	18	14	–	–	–	–	–	–
Rental revenue	(b)	4	4	79	68	11	8	70	58	8	8
Revenue from hotels		–	–	1	1	–	1	1	1	1	2
Other revenue	(a)	–	–	–	–	2	1	1	1	–	–
Interest income	(c)	21	13	–	–	–	–	–	–	–	–
Interest charges	(c)	6	4	722	933	–	–	–	–	3	2

Notes:

- (a) 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 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 2013 are disclosed in notes 20 and 21 respectively. Advances from fellow subsidiary, joint venture, associated and related companies are disclosed in note 29. There are a number of loan agreements between the Group and the Swire Pacific group, details of which are disclosed in pages 55 to 63. The loans due to Swire Finance Limited, a fellow subsidiary company, are disclosed in note 31.

Amounts due from the immediate holding company at 31st December 2013 are disclosed in note 27. These balances arise in the normal course of business, are non-interest-bearing and repayable within one year. Remuneration of key management is disclosed in note 9.

42. Notes to the Consolidated Statement of Cash Flows

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

	Group	
	2013 HK\$M	2012 HK\$M Restated
Operating profit	14,498	21,496
Change in fair value of investment properties	(6,211)	(12,273)
Depreciation	291	222
Amortisation of initial leasing costs on investment properties	94	89
Amortisation of intangible assets	6	3
Impairment reversals on trading properties	(21)	(4)
Profit on sale of property, plant and equipment	(16)	1
Other items	47	17
Operating profit before working capital changes	8,688	9,551
(Increase)/decrease in amount due from immediate holding company	(2)	91
(Increase)/decrease in properties under development and for sale	(1,314)	83
Increase in stocks and work in progress	(8)	(7)
Decrease/(increase) in trade and other receivables	326	(897)
Increase/(decrease) in trade and other payables	1,178	(709)
Increase in retirement benefit liabilities	5	4
Cash generated from operations	8,873	8,116

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

(b) Purchase of property, plant and equipment

	Group	
	2013 HK\$M	2012 HK\$M
Land and property	192	394
Plant and equipment	223	94
Total	415	488

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

(c) Analysis of changes in financing during the year

	Group			
	Loans and bonds		Non-controlling interests	
	2013 HK\$M	2012 HK\$M	2013 HK\$M	2012 HK\$M
At 1st January	15,617	7,505	642	532
Net cash inflow from financing	5,282	8,024	–	–
Non-controlling interests' share of total comprehensive income	–	–	151	337
Dividends paid to non-controlling interests	–	–	(8)	(227)
Capital contribution from non-controlling interests	–	–	15	–
Other non-cash movements	288	88	–	–
At 31st December	21,187	15,617	800	642

43. Immediate and Ultimate Holding Company

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

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

44. Events After the Reporting Period

In January 2014, the Company 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.

In January 2014, a framework agreement was signed 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, Mainland China through a joint venture in which we are expected to hold a 50% interest. The proposed joint venture and development are subject to satisfaction of certain conditions precedent.

In February 2014, the acquisition of 20% of Taikoo Li Sanlitun in Beijing from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, was completed following a notice of intention to exercise a put option as served by GCA in August 2013.

In February 2014, an agreement was entered into with the Government of the Hong Kong Special Administrative Region (represented by The Financial Secretary Incorporated) to acquire its interest in Cornwall House in TaiKoo Place. The transaction is expected to be completed on or before 30th December 2016. The acquisition will allow the Company 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 Government to proceed with a modification of the Government Leases 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.

Principal Accounting Policies

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

1. Basis of Preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties, the non-controlling interest put options and available-for-sale assets, each of which are carried at fair value.

2. Basis of Consolidation

The consolidated accounts incorporate the accounts of Swire Properties Limited, its subsidiary companies (together referred to as the “Group”) and the Group’s interests in joint venture and associated companies.

3. Subsidiary Companies

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree 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 subsidiary company acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the non-controlling interest, which is not part of a business combination, the Group records a financial liability for the present value of the redemption amount reclassified from equity. Changes to the value of the financial liability are recognised in the statement of profit or loss within net finance charges.

4. Joint Venture and Associated Companies

Investments in joint venture and associated companies are accounted for using the equity method 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 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's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the joint venture or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associated company.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in joint venture and associated companies are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associate is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

The Group recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint venture and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its joint venture and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated statement of profit or loss.

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 expectation of repayment.

5. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the accounts 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 accounts are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the statement of profit or loss, any associated translation difference is also recognised in the statement of profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are recognized in other comprehensive income and accumulated in separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2013

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<i>Subsidiary companies:</i>					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
53 Stubbs Road Development Co. Limited	100	100	–	5,000,000 shares of HK\$1 each	Property development
Cathay Limited	100	100	–	807 shares of HK\$10 each	Property investment
Citiluck Development Limited	100	–	100	1,000 shares of HK\$1 each	Property investment
Cityplaza Holdings Limited	100	100	–	100 shares of HK\$10 each	Property investment
Coventry Estates Limited	100	–	100	4 shares of HK\$10 each	Property investment
Golden Tent Limited	100	–	100	1 share of HK\$1	Hotel investment
Island Delight Limited	87.5	–	100	1 share of HK\$1	Property trading
Keen Well Holdings Limited	80	–	100	1 share of HK\$1	Property trading
One Island East Limited	100	100	–	2 shares of HK\$1 each	Property investment
One Queen's Road East Limited	100	100	–	2 shares of HK\$1 each	Property investment
Oriental Landscapes Limited	100	100	–	60,000 shares of HK\$10 each	Landscaping services
Pacific Place Holdings Limited	100	100	–	2 shares of HK\$1 each	Property investment
Redhill Properties Limited	100	100	–	250,000 shares of HK\$1 each	Property investment
Super Gear Investment Limited	100	100	–	2 shares of HK\$1 each	Property investment
Swire Properties (Finance) Limited	100	100	–	1,000,000 shares of HK\$1 each	Provision of financial services
Swire Properties Management Limited	100	100	–	2 shares of HK\$10 each	Property management
Swire Properties MTN Financing Limited	100	100	–	1 share of HK\$1	Provision of financial services
Swire Properties Projects Limited	100	100	–	2 shares of HK\$1 each	Project management
Swire Properties Real Estate Agency Limited	100	100	–	2 shares of HK\$10 each	Real estate agency
TaiKoo Place Holdings Limited	100	100	–	2 shares of HK\$1 each	Property investment
Incorporated in Mainland China with limited liability and operate in Mainland China:					
<i>(Sino-foreign joint venture)</i>					
TaiKoo Hui (Guangzhou) Development Company Limited (2)	97	–	97	Registered capital of RMB3,050,000,000	Property investment
<i>(Wholly foreign owned enterprises)</i>					
Beijing Sanlitun Hotel Management Company Limited (2)	100	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited (2)	80	–	100	Registered capital of RMB1,392,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited (2)	80	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	100	–	100	Registered capital of RMB195,000,000	Property investment
Swire Properties (China) Investment Company Limited (2)	100	–	100	Registered capital of US\$30,000,000	Holding company
<i>(Domestic company)</i>					
Beijing Tianlian Real Estate Company Limited (2)(4)	100	–	100	Registered capital of RMB865,000,000	Holding company

Notes:

- (1) This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.
- (2) Translated name.
- (3) Group interest held through joint venture and associated companies.
- (4) Companies not audited by PricewaterhouseCoopers. These companies account for approximately 1.3% of attributable net assets at 31st December 2013.

Principal Subsidiary, Joint Venture and Associated Companies

Showing proportion of capital owned at 31st December 2013

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<i>Subsidiary companies (continued):</i>					
Incorporated in the United States with limited liability and operate in the United States:					
700 Brickell City Centre LLC	100	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	100	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	100	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	87.5	–	87.5	Limited Liability Company	Property investment
FTL/AD LTD	75	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	100	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	100	–	100	Limited Liability Company	Property trading
Swire Properties Inc	100	–	100	1,000 shares of US\$0.01 each	Holding company
Swire Properties One LLC	100	–	100	Limited Liability Company	Property trading and investment
Swire Properties US Inc	100	–	100	1,000 shares of US\$0.01 each	Holding company
Swire Realty LLC	100	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands with limited liability and operate in Hong Kong:					
Bao Wei Enterprises Limited	100	100	–	1 share of US\$1	Property trading
Boom View Holdings Limited	100	100	–	2 shares of US\$1 each	Property investment
Charming Grace Limited	100	100	–	1 share of US\$1	Property development
Endeavour Technology Limited	87.5	–	87.5	1,000 shares of US\$1 each	Holding company
Excel Free Ltd.	100	100	–	1 share of US\$1	Property trading
Fine Grace International Limited	100	100	–	1 share of US\$1	Property trading
Novel Ray Limited	100	100	–	1 share of US\$1	Property investment
Peragore Limited	80	–	80	1,000 shares of US\$1 each	Holding company
Sino Flagship Investments Limited	100	100	–	1 share of US\$1	Property investment
Swire and Island Communication Developments Limited	60	60	–	100 shares of HK\$10 each and 1 non-voting dividend share of HK\$10	Property investment
Swire Properties China Holdings Limited	100	100	–	1 share of US\$1	Holding company
Wonder Cruise Group Limited	100	100	–	1 share of US\$1	Property trading
Incorporated in the United Kingdom with limited liability and operate in the United Kingdom:					
New Light Hotels Limited	100	–	100	17,000,100 shares of GBP1 each	Hotel developer and operator
<i>Joint venture companies:</i>					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
Hareton Limited	50	50	–	100 shares of HK\$10 each	Property trading
Richly Leader Limited	50	–	50	1,000,000,000 shares of HK\$1 each	Property investment
Sky Treasure Limited	50	–	50	2 shares of HK\$1 each	Property investment
Incorporated in the United States with limited liability and operate in the United States:					
Swire Brickell Key Hotel, Ltd.	75	–	75	Florida Partnership	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued share capital	Principal activities
<i>Joint venture companies (continued):</i>					
Incorporated in the British Virgin Islands with limited liability:					
Dazhongli Properties Limited (operates in Mainland China)	50	–	50	1,000 shares of US\$1 each	Holding company
Great City China Holdings Limited (operates in Mainland China)	50	–	50	100 shares of US\$1 each	Property development
Island Land Development Limited (operates in Hong Kong)	50	50	–	100 shares of HK\$10 each	Property investment
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	20	–	20	5 shares of US\$1 each	Holding company
Incorporated in Mainland China with limited liability and operate in Mainland China:					
<i>(Domestic company)</i>					
Beijing Linlian Real Estate Company Limited (2)	50	–	50	Registered capital of RMB400,000,000	Property investment
<i>(Wholly foreign owned enterprises)</i>					
Guan Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US\$500,000,000	Property investment
Pei Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US\$60,000,000	Property investment
Ying Feng (Shanghai) Real Estate Development Company Limited (2)	50	–	(3)	Registered capital of US\$336,500,000	Property investment
Chengdu Qianhao Real Estate Company Limited	50	–	(3)	Registered capital of US\$329,000,000	Property investment
<i>Associated companies:</i>					
Incorporated in Hong Kong with limited liability and operate in Hong Kong:					
Greenroll Limited (4)	20	20	–	45,441,000 shares of HK\$10 each	Hotel investment
Queensway Hotel Limited (4)	20	–	(3)	100,000 shares of HK\$10 each	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	20	20	–	5,000 shares of HK\$1 each and 10,000,000 non-voting deferred shares of HK\$1 each	Hotel investment

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	Gross floor areas in square feet								
	Hong Kong		Mainland China		U.S.A.		U.K.	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	2,324,862	99,696	2,859,885	469,747	–	–	–	5,184,747	5,754,190
Office	8,099,503	492,711	1,731,766	297,732	–	–	–	9,831,269	10,621,712
Techno-centre	893,516	–	–	–	–	–	–	893,516	893,516
Residential/ serviced apartment	483,711	–	51,517	–	–	–	–	535,228	535,228
Hotels	358,371	384,796	753,647	179,135	–	258,750	208,687	1,320,705	2,143,386
	12,159,963	977,203	5,396,815	946,614	–	258,750	208,687	17,765,465	19,948,032
Property developments for investment									
Retail	12,349	–	–	1,141,264	565,000	–	–	577,349	1,718,613
Office	1,555,035	–	–	925,704	260,000	–	–	1,815,035	2,740,739
Residential/ serviced apartment	62,741	–	–	41,038	109,000	–	–	171,741	212,779
Hotels	–	–	–	345,567	218,000	–	–	218,000	563,567
Under planning	–	92,000	–	–	1,300,000*	–	–	1,300,000	1,392,000
	1,630,125	92,000	–	2,453,573	2,452,000	–	–	4,082,125	6,627,698
Completed properties for sale									
Retail	–	3,820	–	–	–	–	–	–	3,820
Residential	211,273	44,278	–	–	5,359	–	–	216,632	260,910
Retail/office	–	–	–	–	12,586	–	–	12,586	12,586
	211,273	48,098	–	–	17,945	–	–	229,218	277,316
Property developments for sale									
Office	–	–	–	649,941	–	–	–	–	649,941
Industrial	–	191,250	–	–	–	–	–	–	191,250
Residential	425,732	–	–	–	1,985,800	–	–	2,411,532	2,411,532
Under planning	–	–	–	–	787,414	–	–	787,414	787,414
	425,732	191,250	–	649,941	2,773,214	–	–	3,198,946	4,040,137
	14,427,093	1,308,551	5,396,815	4,050,128	5,243,159	258,750	208,687	25,275,754	30,893,183

* 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 newly acquired site is included under "Land held for development" in the accounts.

Notes:

- All properties held through subsidiary companies are wholly-owned except for Island Place (60% owned), TaiKoo Hui (97% owned), Taikoo Li Sanlitun (Retail : 80% owned, Hotel : 100% owned), AZURA (87.5% owned), MOUNT PARKER RESIDENCES (80% owned), Brickell City Centre (Retail: 87.5% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these eight properties in 100%.
- "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.
- Gross floor areas in Hong Kong and Mainland China exclude car parking spaces; there are over 9,300 completed car parking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
- When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
- All properties in the United States are freehold.
- Gross floor areas in U.S.A. exclude car parking spaces; there are about 450 completed car parking spaces held by other companies for investment.
- Gross floor areas in U.K. 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.
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.

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Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office (continued)							
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 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 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.
14. Island Place, 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, of which the Group owns 60%.
15. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail area.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail and Office (continued)							
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 (formerly known as 8 Queen's Road East)	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 RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Office building linked to Dorset House. Floor area shown represents the whole development, of which the Group owns 50%.
20. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Office building. Floor area shown represents the whole development, of which the Group owns 50%.
21. Tung Chung Crescent (Site 1), Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	–	1998/99	Floor area shown represents the retail space, of which the Group owns 20%.
22. Citygate (Site 2), Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	Retail: 462,428 Office: 160,522	1,156	1999/ 2000	A 160,522 square foot office tower above a 462,428 square foot shopping centre of which the Group owns 20%. (Part of Site 1 and Site 2 North included on pages 168 and 162 respectively)
Held through joint venture companies				1,580,216	1,457		
– of which attributable to the Group				592,407			
Techno-centre							
1. TaiKoo Place	QBML 1 sQ (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.
Warwick House				554,934	78	1979	
Cornwall House				338,582	85	1984	Floor area excludes eight floors owned by Government.
Total held through subsidiaries				893,516	163		

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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. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
3. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
4. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	Seven apartment units.
Total held through subsidiaries				483,711	7		
Hotel							
1. EAST Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009	117-room hotel above the JW Marriott Hotel.
Total held through subsidiaries				358,371			
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602-room hotel, in which the Group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Group owns a 20% interest.
Total held through associated companies				1,687,222			
– of which attributable to the Group				337,444			
6. Novotel Citygate Hong Kong Hotel, Citygate (Site 2 North)	TCTL 2 (part)	2047	358,557 (part)	236,758	7	2005	440-room hotel, in which the Group owns a 20% interest.
Total held through joint venture companies				236,758	7		
– of which attributable to the Group				47,352			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema. Floor area shown represents the whole development, of which the Group owns 80%.
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. Floor area shown represents the whole development, of which the Group owns 80%.
3. Hui Fang (formerly known as Beaumonde Retail Podium)	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, of which the Group owns 97%.
Total held through subsidiaries				2,859,885	1,679		
5. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	631,072 (part)	939,493	617	2012	Shopping centre with restaurants and cinema. Floor areas shown represent the retail portion, of which the Group owns 50%.
Total held through joint venture companies				939,493	617		
– of which attributable to the Group				469,747			

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Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office								
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)		1,731,766	–	2011	Floor area shown represents the office portion, of which the Group owns 97%.
Total held through subsidiaries					1,731,766	–		
2. INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)		595,464	392	2011	Floor area shown represents the office portion, of which the Group owns 50%.
Total held through joint venture companies					595,464	392		
– of which attributable to the Group					297,732			
Hotel								
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)		169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel Serviced Apartment	584,184 51,517	– –	2012	263-room hotel and 24 serviced apartments. The bare-shell and exterior façade of cultural centre with 629,414 square feet is built according to the agreements with Cultural Bureau and awaiting handover to the Guangzhou Government. Floor area shown represents the hotel and serviced apartment portion, of which the Group owns 97%.
Total held through subsidiaries					805,164	32		
3. EAST, Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (part)		358,269	236	2012	369-room hotel. Floor area shown represents the hotel portion, of which the Group owns 50%. Open as of Q3 2012.
Total held through joint venture companies					358,269	236		
– of which attributable to the 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 Group has a 75% interest.
Total held through joint venture company			345,000	600		
– of which attributable to the 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. 23 Tong Chong Street, Quarry Bay	ML 703 sl	2881	8,664	Serviced Apartment Retail	62,741 12,349 75,090	–	Superstructure in progress	2014	Floor area shown represents a serviced apartment building above a retail podium.
2. New Kowloon Inland Lot No. 6312, Kowloon Bay	NKIL 6312	2063	46,253	Office	555,035	223	Design in progress	2017	Proposed scheme is under development. Floor area shown represents the total gross floor area permitted under the Conditions of Sale.
3. Somerset House Redevelopment	QBML 1 sQ (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	1,000,000	92	Design in progress	2017	Demolition will commence in 2014. Proposed scheme is under development and is subject to Government's agreement. Floor area shown is an approximation.
Total held through subsidiaries					1,630,125	315			

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Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
4. 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, which excludes the area of public transport terminus, 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 Group owns 20%.
Held through joint venture companies					460,000	127			
– of which attributable to the Group					92,000				

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 <hr/> 3,457,375	1,200 <hr/> 1,200	Piling & excavation works in progress	2016	Floor areas shown represent the whole development, of which the Group owns 50%.
2. Daci Temple Project (Retail: Sino-Ocean Taikoo Li Chengdu; Hotel & Serviced Apartment: The Temple House)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (part)	Retail Hotel Serviced Apartment	1,203,867 163,828 82,076 <hr/> 1,449,771	1,000 <hr/> 1,000	Superstructure in progress	2014	Floor areas shown represent the retail, hotel and serviced apartment portions of the development, of which the Group owns 50%.
Total held through joint venture companies					4,907,146	2,200			
– of which attributable to the Group					2,453,573				

Property developments for investment in the United States	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Year of completion	Remarks	
1. Brickell City Centre, Miami, Florida	380,670 (part)	Phase I	Retail	565,000	1,235	2015	Brickell City Centre is an urban mixed use development located in the Brickell financial district, comprised of retail, offices, hotel, serviced apartments and residential condominiums. Construction commenced in July 2012 and the project is scheduled to open by the end of 2015. The Group owns 87.5% interest in the retail portion.
			Office	128,000	144		
			Wellness	132,000	145		
			Office	218,000	100		
			Hotel	109,000	–		
			Serviced Apartment				
	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 comprised of retail, Class-A office space, condominiums and hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre containing approximately 1.3 million square feet is planned as an 80-storey luxury high rise tower.
			2,452,000	1,624			
Total held through subsidiaries			2,452,000	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)	13,164	41	2012	As at 31 December 2013, 119 units were closed and/or sold after the issuance of occupation permit. Floor area shown represents the remaining 7 residential units and 41 unsold car parking spaces, of which the Group owns 87.5%.

Schedule of Principal Group Properties

At 31st December 2013

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
2. ARGENTA, Mid Levels West	IL 2300	2856	7,975 (part)	46,155	17	2013	As at 31 December 2013, 12 units and 11 car parking spaces were closed and/or sold after the issuance of occupation permit. Floor area shown represents the remaining 18 residential units and 17 unsold car parking spaces.
3. MOUNT PARKER RESIDENCES, Quarry Bay	SIL 761 RP SIL 761 sA	2057	28,490	151,954	68	2013	Floor area shown represents the whole development, of which the Group owns 80%. The development comprises 92 residential units with 19 storeys above podium and 68 car parking spaces, of which the Group owns 80%.
Total held through subsidiaries				211,273	126		
4. DUNBAR PLACE, Ho Man Tin	KIL 3303 sA	2083	17,712	88,555	57	2013	Floor area shown represents the whole development, of which the Group owns 50%. The development comprises 53 residential units with 19 storeys above podium and 57 car parking spaces, of which the Group owns 50%. As at 31 December 2013, 25 units were presold.
5. Tung Chung Crescent (Site 1)	TCTL 1 (part)	2047	331,658 (part)	–	75	1998/99	75 unsold car parking spaces, of which the Group owns 20%.
Total held through joint venture companies				88,555	132		
– of which attributable to the Group				44,278			
Other holdings							
1. Belair Monte, Fanling	FSSTL 126 (part)	2047	223,674 (part)	Retail: 47,751	17	1998	Floor area shown represents the whole of the retail area, of which the Group owns 8%.
				47,751	17		
– Attributable holding				3,820			

Completed properties for sale in the United States	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
1. ASIA	900 Brickell Key, Miami, Florida	173,531	Residential: 5,359	4	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. As at 31 December 2013, 122 units were closed.
2. River Court	Fort Lauderdale, Florida	21,750	Retail/Office: 12,586	38	1966	The development site was acquired in October 2006, in which the Group has a 75% interest.
Total held through subsidiaries			17,945	42		

Property developments for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. AREZZO, Mid Levels West (formerly known as Phase 1, 33 Seymour Road)	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 in progress	2014	Floor area shown represents a proposed residential tower with 45 storeys (including 1 refuge floor) above podium.
2. 33 Seymour Road (Phase 2), 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	Pile cap construction 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 (formerly known as Residential sites in Cheung Sha, Lantau)	Lot 724 and Lot 726 in DD332	2062	161,029	Residential	64,407	–	Superstructure in progress	2015	Floor area shown represents a proposed residential development.
Total held through subsidiaries					425,732	43			
4. 8-10 Wong Chuk Hang Road, Aberdeen	A1L 338 A1L 339	2119 2120	25,500	Industrial	382,500	39	Foundation completed	On hold	Floor area shown represents the whole development, of which the Group owns 50%.
Total held through joint venture companies					382,500	39			
– of which attributable to the Group					191,250				

Schedule of Principal Group Properties

At 31st December 2013

Property developments for sale 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. Daci Temple Project (Office: Pinnacle One)	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	794,786 (part)	Office	1,299,882	499	Superstructure in progress	2014	Floor area shown represents the office portion of the development, of which the Group owns 50%.
Total held through joint venture companies					1,299,882	499			
– of which attributable to the Group					649,941				

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 Group has a 75% interest.
3. Brickell City Centre, Miami, Florida	380,670 (part)	Condominium	1,114,000	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	450,000	440	–	The development on the North Squared site is currently on hold.
Total held through subsidiaries			2,773,214	2,910		

Glossary

Terms

Attributable gross rental income Gross rental income less amount shared by non-controlling interests plus the Group's share of gross rental income of joint venture and associated companies.

Equity attributable to the Company's shareholders Equity before non-controlling interests.

Gross borrowings Total of loans, bonds, overdrafts and perpetual capital securities.

Gross rental income 100% of gross rental income of Group companies.

Net assets employed Total equity plus net debt.

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

Underlying equity attributable to the Company's shareholders Reported equity before non-controlling interests, adjusted for the impact of deferred tax on investment properties, unrecognised valuation gains on hotels held as part of mixed-use developments, revaluation of investment properties occupied by the Group and cumulative depreciation of investment properties occupied by the Group.

Underlying profit Reported profit adjusted principally for the impact of changes in the fair value of investment properties and the deferred tax on investment properties.

Ratios

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

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

$$\text{Return on average underlying equity attributable to the Company's shareholders} = \frac{\text{Underlying profit/(loss) attributable to the Company's shareholders}}{\text{Average underlying equity during the year attributable to the Company's shareholders}}$$

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

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

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

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

Financial Calendar and Information for Investors

Financial Calendar 2014

Share trade ex-dividend	2nd April
Share register closed for 2013 second interim dividend entitlement	4th April
Annual Report available to shareholders	7th April
Payment of 2013 second interim dividend	8th May
Share register closed for attending and voting at Annual General Meeting	8th – 13th May
Annual General Meeting	13th May
Interim results announcement	August 2014
2014 first interim dividend payable	October 2014

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