Notes to the Accounts

General Information

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 224 to 234.

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 HKFRS10, 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

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.

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 adoption of HKFRS 11 has prompted the Group to review the accounting treatment of certain of its franchise businesses in Mainland China within the Beverages Division. Having regard to HKFRS 11, it has concluded that certain franchises previously accounted for as jointly controlled companies no longer meet the definition of joint ventures under the new standard. Having regard to the relevant standards, the group has reclassified these franchise businesses as subsidiaries and has fully consolidated them in its accounts. The change has been applied retrospectively.

HKAS 19 was amended in 2011. The impact on the Group's defined benefit plans and post employment benefits 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 a 10% 'corridor' to be recognised in 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 the new HKFRS 11 and revised HKAS 19, the Group has changed its accounting policy with respect to interests in joint venture companies and defined benefit plans. These changes in accounting policy have been applied retrospectively by restating the balances at 31st December 2012 and 2011, and the results for the year ended 31st December 2012 as summarised in the below table:

Consolidated Statement of Profit or Loss
for the year ended 31st December 2012

	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Turnover	43,859	5,181	–	49,040
Cost of sales	24,923	3,609	–	28,532
Distribution costs	4,406	1,122	–	5,528
Administrative expenses	3,236	255	69	3,560
Other net gains	194	74	–	268
Finance charges	1,988	5	–	1,993
Finance income	191	1	–	192
Share of profits less losses of joint venture companies	1,647	(119)	(9)	1,519
Share of profits less losses of associated companies	607	50	(75)	582
Taxation	2,289	67	(13)	2,343
Profit attributable to the Company's shareholders	17,484	50	(124)	17,410
Profit attributable to non-controlling interests	3,971	79	(16)	4,034

	HK$	HK$	HK$	HK$
Earnings per 'A' share (basic and diluted)	11.62	0.03	(0.08)	11.57
Earnings per 'B' share (basic and diluted)	2.32	–	(0.01)	2.31

Consolidated Statement of Other Comprehensive Income
for the year ended 31st December 2012

	HK$M	HK$M	HK$M	HK$M
Defined benefit plans – remeasurement gains recognised during the year	–	–	67	67
Defined benefit plans – deferred tax	–	–	18	18
Cash flow hedge gains recognised during the year	86	6	–	92
Share of other comprehensive income of joint venture and associated companies	860	(6)	37	891
Total comprehensive income attributable to the Company's shareholders	18,767	46	(41)	18,772
Total comprehensive income attributable to non-controlling interests	4,018	79	(9)	4,088

1. Changes in Accounting Standards (continued)

Consolidated Statement of Financial Position
at 31st December 2012

	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Property, plant and equipment	33,641	1,201	–	34,842
Leasehold land and land use rights	998	82	–	1,080
Intangible assets	4,509	103	–	4,612
Joint venture companies	20,969	(731)	(16)	20,222
Associated companies	27,946	55	(581)	27,420
Deferred tax assets	338	78	139	555
Retirement benefit assets	637	–	(427)	210
Stocks and work in progress	3,860	405	–	4,265
Trade and other receivables	8,835	329	–	9,164
Cash and cash equivalents	5,888	192	–	6,080
Short-term deposits	310	(299)	–	11
Trade and other payables	14,376	1,297	–	15,673
Taxation payable	873	13	–	886
Derivative financial instrument liabilities	174	15	–	189
Bank overdrafts and short-term loans	1,918	(27)	–	1,891
Long-term loans and bonds	46,425	(244)	–	46,181
Deferred tax liabilities	5,757	–	(84)	5,673
Retirement benefit liabilities	304	–	512	816
Reserves	208,738	55	(1,229)	207,564
Non-controlling interests	39,693	306	(84)	39,915

Consolidated Statement of Financial Position
at 31st December 2011

	HK$M	HK$M	HK$M	HK$M
Property, plant and equipment	27,288	1,005	–	28,293
Leasehold land and land use rights	969	79	–	1,048
Intangible assets	4,270	91	–	4,361
Joint venture companies	18,866	(669)	(16)	18,181
Associated companies	27,145	4	(535)	26,614
Deferred tax assets	305	71	157	533
Retirement benefit assets	600	–	(387)	213
Stocks and work in progress	3,287	494	–	3,781
Trade and other receivables	6,275	571	–	6,846
Cash and cash equivalents	3,707	213	–	3,920
Short-term deposits	215	(148)	–	67
Trade and other payables	14,179	1,222	–	15,401
Taxation payable	557	14	–	571
Derivative financial instrument liabilities	326	21	–	347
Bank overdrafts and short-term loans	1,333	154	–	1,487
Deferred tax liabilities	5,050	–	(71)	4,979
Retirement benefit liabilities	258	–	548	806
Reserves	226,656	4	(1,183)	225,477
Non-controlling interests	4,917	296	(75)	5,138

1. Changes in Accounting Standards (continued)

Consolidated Statement of Cash Flows
for the year ended 31st December 2012

	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Cash generated from operations	10,186	643	–	10,829
Interest paid	2,053	5	–	2,058
Interest received	101	1	–	102
Tax paid	1,290	74	–	1,364
Dividends received from joint venture and associated companies and available-for-sale assets	1,337	165	–	1,502
Purchase of property, plant and equipment	7,183	349	–	7,532
Purchase of intangible assets	19	20	–	39
Proceeds from disposals of property, plant and equipment	149	2	–	151
Repayment of loans by joint venture companies	293	132	–	425
Net increase in deposits maturing after more than three months	134	23	–	157
Loans drawn and refinancing	19,455	(245)	–	19,210
Repayment of loans and bonds	9,129	203	–	9,332
Dividends paid to non-controlling interests	954	69	–	1,023
Cash and cash equivalents at 1st January	3,706	214	–	3,920
Cash and cash equivalents at 31st December	5,884	169	–	6,053

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 Company as it already complies with the requirements of the standard.

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 required entities to disclose quantitative information about financial assets and financial liabilities that are offset in the statement of financial position or subject to an 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 Group has considered whether to consolidate Cathay Pacific Airways Limited ("Cathay Pacific") as a subsidiary in its accounts in light of the provisions of HKFRS 10 and has concluded, as more specifically described in Note 19(b) on page 187, that it should continue to account for its interest in Cathay Pacific as an associate interest.

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 applicable disclosures.

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.

1. Changes in Accounting Standards (continued)

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 has yet to assess the full impact of the interpretation.

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. The Group has yet to assess the full impact of the new standard.

(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

The Group's approach to financial risk management is discussed on pages 138 to 139.

Interest rate exposure

The impact on the Group's 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 profit or loss: (loss)/gain	**(139)**	**139**
Impact on equity: gain/(loss)	**63**	**(100)**
At 31st December 2012		
Impact on profit or loss: (loss)/gain	(168)	168
Impact on equity: (loss)/gain	(8)	69

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

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

Currency exposure

The impact on the Group's profit or loss and equity of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.754 (2012: 7.751), with all other variables held constant, would have been:

	Strengthening in HK$ to lower peg limit (7.750) HK$M	Weakening in HK$ to upper peg limit (7.850) HK$M
At 31st December 2013		
Impact on profit or loss: gain/(loss)	**8**	**(146)**
Impact on equity: (loss)/gain	**(2)**	**41**
At 31st December 2012		
Impact on profit or loss: gain/(loss)	2	(69)
Impact on equity: gain	1	61

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

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

2. Financial Risk Management (continued)

Liquidity risk

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

Group
At 31st December 2013

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	27	**3,418**	**3,418**	**3,418**	**–**	**–**	**–**
Amounts due to immediate holding company	27	**213**	**213**	**213**	**–**	**–**	**–**
Amounts due to joint venture companies	27	**167**	**167**	**167**	**–**	**–**	**–**
Amounts due to associated companies	27	**227**	**227**	**227**	**–**	**–**	**–**
Interest-bearing advances from joint venture companies	27	**528**	**528**	**528**	**–**	**–**	**–**
Advances from non-controlling interests	27	**445**	**445**	**445**	**–**	**–**	**–**
Rental deposits from tenants	27	**2,124**	**2,124**	**466**	**389**	**986**	**283**
Put option over non-controlling interest in Taikoo Li Sanlitun	27	**1,256**	**1,256**	**1,256**	**–**	**–**	**–**
Put option over non-controlling interest in Brickell City Centre	27	**367**	**570**	**–**	**–**	**–**	**570**
Put options over non-controlling interests in subsidiary companies	27	**216**	**237**	**–**	**77**	**159**	**1**
Accruals and other payables	27	**8,061**	**8,061**	**8,040**	**21**	**–**	**–**
Borrowings (including interest obligations)	29	**59,518**	**71,387**	**10,865**	**5,824**	**25,549**	**29,149**
Derivative financial instruments	22	**209**	**209**	**97**	**13**	**11**	**88**
Financial guarantee contracts	36	**–**	**1,131**	**1,131**	**–**	**–**	**–**
		76,749	**89,973**	**26,853**	**6,324**	**26,705**	**30,091**

Group
At 31st December 2012

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	27	3,231	3,231	3,231	–	–	–
Amounts due to immediate holding company	27	253	253	253	–	–	–
Amounts due to joint venture companies	27	197	197	197	–	–	–
Amounts due to associated companies	27	134	134	134	–	–	–
Interest-bearing advances from joint venture companies	27	484	484	484	–	–	–
Advances from non-controlling interests	27	365	365	365	–	–	–
Rental deposits from tenants	27	1,953	1,953	447	438	830	238
Put option over non-controlling interest in Taikoo Li Sanlitun	27	1,112	1,157	1,157	–	–	–
Put options over non-controlling interests in subsidiary companies	27	215	280	–	–	266	14
Accruals and other payables	27	7,729	7,729	7,583	124	22	–
Borrowings (including interest obligations)	29	48,072	57,940	9,188	8,644	18,541	21,567
Derivative financial instruments	22	189	189	64	37	5	83
Financial guarantee contracts	36	–	1,107	1,107	–	–	–
		63,934	75,019	24,210	9,243	19,664	21,902

2. Financial Risk Management (continued)

Company
At 31st December 2013

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	27	**17**	**17**	**17**	**–**	**–**	**–**
Amounts due to subsidiary companies	27	**4,382**	**4,382**	**4,382**	**–**	**–**	**–**
Interest-bearing advances from a subsidiary company	27	**24,554**	**24,554**	**24,554**	**–**	**–**	**–**
Rental deposits from tenants	27	**8**	**8**	**–**	**–**	**8**	**–**
Accruals and other payables	27	**81**	**81**	**81**	**–**	**–**	**–**
Financial guarantee contracts	36	**–**	**569**	**569**	**–**	**–**	**–**
		29,042	**29,611**	**29,603**	**–**	**8**	**–**

Company
At 31st December 2012

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	27	30	30	30	–	–	–
Amounts due to subsidiary companies	27	4,229	4,229	4,229	–	–	–
Interest-bearing advances from a subsidiary company	27	17,835	17,835	17,835	–	–	–
Accruals and other payables	27	138	138	138	–	–	–
Financial guarantee contracts	36	–	1,039	1,039	–	–	–
		22,232	23,271	23,271	–	–	–

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:

(a) Taxation (Note 10)
(b) Impairment of assets (Notes 14 and 17)
(c) Estimates of fair value of investment properties (Note 15)
(d) Accounting for Cathay Pacific Airways Limited (Note 19b)

4. Turnover

Accounting Policy

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

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

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

(c) Sales of services, including aircraft maintenance services and services provided by hotel operations, are recognised when the services are rendered.

(d) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership, for example insurance and service costs.

(e) Revenue from vessel charter hire services is recognised over the period of charter hire in accordance with the vessel charter hire agreements.

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Gross rental income from investment properties	**9,606**	8,954
Property trading	**2,207**	4,147
Hotels	**942**	781
Aircraft and engine maintenance services	**6,972**	5,603
Sales of goods	**24,904**	24,447
Charter hire	**5,262**	4,271
Rendering of other services	**1,544**	837
Total	**51,437**	49,040

5. Other Net Gains

Other net gains include the following:

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Profit on sale of investment properties	**–**	66
Profit on sale of property, plant and equipment	**95**	22
Net foreign exchange (losses)/gains	**(54)**	18
Fair value gains/(losses) on cross-currency swaps transferred from cash flow hedge reserve	**4**	(33)
Fair value gains/(losses) on forward foreign exchange contracts not qualifying as hedges	**42**	(6)
Dividend income on available-for-sale assets	**1**	3
Other income	**249**	198
Total	**337**	268

6. Expenses by Nature

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

		Group	
		2013	2012 (Restated)
	Note	HK$M	HK$M
Direct operating expenses of investment properties that			
– generated rental income		**1,571**	1,490
– did not generate rental income		**127**	102
Cost of stocks sold		**19,622**	18,773
Write-down of stocks and work in progress		**51**	41
Goodwill written off	17	**–**	8
Impairment losses recognised on:			
– property, plant and equipment	14	**46**	58
– intangible assets	17	**20**	10
– trade receivables		**43**	22
Reversal of impairment losses on trading properties		**(21)**	(4)
Depreciation of property, plant and equipment	14	**2,294**	1,846
Amortisation of			
– leasehold land and land use rights	16	**32**	30
– intangible assets	17	**69**	60
– initial leasing costs on investment properties		**94**	89
Staff costs		**8,667**	7,807
Operating lease rentals			
– properties		**778**	728
– vessels		**135**	129
– plant and equipment		**22**	21
Auditors' remuneration			
– audit services		**38**	31
– tax services		**15**	5
– other services		**10**	2
Other expenses		**7,320**	6,720
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**40,933**	37,968

7. Segment Information

The Group is organised on a divisional basis: Property, Aviation, Beverages, Marine Services and Trading & Industrial.

Accounting Policy

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

The reportable segments within each of the five divisions are classified according to the nature of the business. The Head Office is also considered to be a reportable segment as discrete financial information is available for the Head Office activities and regularly provided to the executive directors of the Board.

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated statement of profit or loss in note 7(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of the Annual Report.

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2013

	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit for the year HK$M	Profit attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	9,707	79	7,309	(1,468)	76	208	(2)	(681)	5,442	4,443	(192)
Change in fair value of investment properties	–	–	6,141	–	–	683	(4)	(447)	6,373	5,211	–
Property trading	2,207	–	1,035	–	7	(46)	–	(185)	811	591	(27)
Hotels	942	–	(65)	(62)	–	(36)	145	(30)	(48)	(38)	(179)
	12,856	**79**	**14,420**	**(1,530)**	**83**	**809**	**139**	**(1,343)**	**12,578**	**10,207**	**(398)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	1,179	–	1,179	1,179	–
HAECO group	7,387	–	266	(59)	21	501	–	(33)	696	469	(446)
Others	–	–	(52)	–	–	6	(2)	–	(48)	(21)	(52)
	7,387	**–**	**214**	**(59)**	**21**	**507**	**1,177**	**(33)**	**1,827**	**1,627**	**(498)**
Beverages											
Mainland China	7,614	–	364	(62)	22	190	207	(144)	577	415	(288)
Hong Kong	2,144	1	209	–	–	–	–	(13)	196	177	(75)
Taiwan	1,418	–	36	(7)	–	–	–	(7)	22	22	(56)
USA	3,877	–	284	–	–	–	–	(67)	217	217	(162)
Central costs	–	–	(29)	–	–	–	–	–	(29)	(29)	–
	15,053	**1**	**864**	**(69)**	**22**	**190**	**207**	**(231)**	**983**	**802**	**(581)**
Marine Services											
Swire Pacific Offshore group	6,292	–	1,504	(163)	8	1	(2)	(98)	1,250	1,243	(914)
HUD group	–	–	–	–	–	64	–	–	64	64	–
	6,292	**–**	**1,504**	**(163)**	**8**	**65**	**(2)**	**(98)**	**1,314**	**1,307**	**(914)**
Trading & Industrial											
Swire Resources group	3,896	–	214	–	13	4	–	(101)	130	142	(30)
Taikoo Motors group	5,322	–	90	(4)	2	–	–	(31)	57	57	(60)
Swire Foods group	618	108	13	–	–	–	–	(6)	7	7	(2)
Campbell Swire	–	–	–	(8)	–	(117)	–	–	(125)	(125)	–
Swire Pacific Cold Storage group	–	–	(39)	(1)	1	9	–	(1)	(31)	(31)	(3)
Akzo Nobel Swire Paints	–	–	–	–	–	216	–	(10)	206	206	–
Other activities	–	–	(18)	–	–	(1)	–	–	(19)	(19)	–
	9,836	**108**	**260**	**(13)**	**16**	**111**	**–**	**(149)**	**225**	**237**	**(95)**
Head Office											
Net income/(expenses)	13	22	(280)	(1,117)	802	–	–	2	(593)	(593)	(3)
Change in fair value of investment properties	–	–	(296)	–	–	–	–	–	(296)	(296)	–
	13	**22**	**(576)**	**(1,117)**	**802**	**–**	**–**	**2**	**(889)**	**(889)**	**(3)**
Inter-segment elimination	**–**	**(210)**	**–**	**792**	**(792)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**51,437**	**–**	**16,686**	**(2,159)**	**160**	**1,682**	**1,521**	**(1,852)**	**16,038**	**13,291**	**(2,489)**

Notes:

Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2012

	External turnover (Restated) HK$M	Inter-segment turnover HK$M	Operating profit (Restated) HK$M	Finance charges (Restated) HK$M	Finance income (Restated) HK$M	Share of profits less losses of joint venture companies (Restated) HK$M	Share of profits less losses of associated companies (Restated) HK$M	Tax (charge)/ credit (Restated) HK$M	Profit for the year (Restated) HK$M	Profit attributable to the Company's shareholders (Restated) HK$M	Depreciation and amortisation charged to operating profit (Restated) HK$M
Property											
Property investment	9,060	63	6,861	(1,443)	113	146	–	(768)	4,909	4,011	(177)
Change in fair value of investment properties	–	–	12,159	–	–	568	1	(638)	12,090	9,900	–
Property trading	4,147	–	2,395	–	3	(14)	–	(422)	1,962	1,360	(20)
Hotels	781	1	(39)	(40)	–	(40)	160	(29)	12	11	(123)
	13,988	**64**	**21,376**	**(1,483)**	**116**	**660**	**161**	**(1,857)**	**18,973**	**15,282**	**(320)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	387	–	387	387	–
HAECO group	5,830	–	434	(35)	18	560	–	(122)	855	618	(443)
Others	–	–	(52)	–	–	6	–	–	(46)	(21)	(52)
	5,830	**–**	**382**	**(35)**	**18**	**566**	**387**	**(122)**	**1,196**	**984**	**(495)**
Beverages											
Mainland China	6,950	–	268	(67)	24	171	33	(113)	316	207	(263)
Hong Kong	2,122	1	212	–	–	–	–	(19)	193	175	(70)
Taiwan	1,500	–	30	(7)	–	–	–	(5)	18	18	(59)
USA	3,824	–	277	–	1	–	–	(100)	178	178	(146)
Central costs	–	–	(22)	–	–	–	–	–	(22)	(22)	–
	14,396	**1**	**765**	**(74)**	**25**	**171**	**33**	**(237)**	**683**	**556**	**(538)**
Marine Services											
Swire Pacific Offshore group	4,864	–	984	(24)	4	–	1	(42)	923	911	(590)
HUD group	–	–	–	–	–	53	–	–	53	53	–
	4,864	**–**	**984**	**(24)**	**4**	**53**	**1**	**(42)**	**976**	**964**	**(590)**
Trading & Industrial											
Swire Resources group	3,584	–	180	–	3	3	–	(53)	133	141	(22)
Taikoo Motors group	5,763	–	122	(8)	2	–	–	(27)	89	89	(55)
Swire Foods group	606	132	7	–	–	–	–	(4)	3	3	(2)
Campbell Swire	–	–	–	(6)	–	(76)	–	–	(82)	(82)	–
Swire Pacific Cold Storage group	–	–	(24)	–	–	3	–	(1)	(22)	(22)	–
Akzo Nobel Swire Paints	–	–	–	–	–	145	–	(7)	138	138	–
Other activities	3	–	(14)	–	–	(6)	–	–	(20)	(20)	(1)
	9,956	**132**	**271**	**(14)**	**5**	**69**	**–**	**(92)**	**239**	**247**	**(80)**
Head Office											
Net income/(expenses)	6	42	(279)	(1,414)	1,075	–	–	7	(611)	(611)	(2)
Change in fair value of investment properties	–	–	(12)	–	–	–	–	–	(12)	(12)	–
	6	**42**	**(291)**	**(1,414)**	**1,075**	**–**	**–**	**7**	**(623)**	**(623)**	**(2)**
Inter-segment elimination	**–**	**(239)**	**–**	**1,051**	**(1,051)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**49,040**	**–**	**23,487**	**(1,993)**	**192**	**1,519**	**582**	**(2,343)**	**21,444**	**17,410**	**(2,025)**

Notes:
Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2013

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	217,067	14,008	50	1,713	232,838	5,066
Property trading and development	9,255	1,128	–	729	11,112	538
Hotels	5,734	1,243	471	79	7,527	299
	232,056	**16,379**	**521**	**2,521**	**251,477**	**5,903**
Aviation						
Cathay Pacific group	–	–	28,799	–	28,799	–
HAECO group	8,719	1,213	–	2,364	12,296	524
Others	4,675	2,819	(2)	–	7,492	–
	13,394	**4,032**	**28,797**	**2,364**	**48,587**	**524**
Beverages						
Swire Beverages	**8,104**	**748**	**1,315**	**1,667**	**11,834**	**475**
Marine Services						
Swire Pacific Offshore group	23,086	–	4	1,031	24,121	5,101
HUD group	–	(29)	–	–	(29)	–
	23,086	**(29)**	**4**	**1,031**	**24,092**	**5,101**
Trading & Industrial						
Swire Resources group	702	22	62	457	1,243	47
Taikoo Motors group	1,856	–	–	559	2,415	123
Swire Foods group	169	–	–	130	299	6
Campbell Swire	–	(111)	–	–	(111)	–
Swire Pacific Cold Storage group	505	266	–	184	955	419
Akzo Nobel Swire Paints	–	481	–	–	481	–
Other activities	205	17	–	1	223	–
	3,437	**675**	**62**	**1,331**	**5,505**	**595**
Head Office	**5,105**	**–**	**–**	**2,425**	**7,530**	**2**
	285,182	**21,805**	**30,699**	**11,339**	**349,025**	**12,600**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)
Analysis of total assets of the Group (continued)

At 31st December 2012

	Segment assets (Restated) HK$M	Joint venture companies (Restated) HK$M	Associated companies (Restated) HK$M	Bank deposits and securities (Restated) HK$M	Total assets (Restated) HK$M	Additions to non-current assets (note) (Restated) HK$M
Property						
Property investment	205,888	12,737	55	1,529	220,209	2,396
Property trading and development	7,272	1,063	–	345	8,680	66
Hotels	5,532	1,078	666	66	7,342	414
	218,692	**14,878**	**721**	**1,940**	**236,231**	**2,876**
Aviation						
Cathay Pacific group	–	–	25,707	–	25,707	–
HAECO group	7,869	1,156	–	1,423	10,448	349
Others	4,727	2,821	–	–	7,548	–
	12,596	**3,977**	**25,707**	**1,423**	**43,703**	**349**
Beverages						
Swire Beverages	**8,311**	**696**	**981**	**649**	**10,637**	**863**
Marine Services						
Swire Pacific Offshore group	19,412	2	11	251	19,676	6,170
HUD group	–	53	–	–	53	–
	19,412	**55**	**11**	**251**	**19,729**	**6,170**
Trading & Industrial						
Swire Resources group	844	19	–	364	1,227	28
Taikoo Motors group	2,759	–	–	14	2,773	186
Swire Foods group	135	–	–	50	185	2
Campbell Swire	–	(55)	–	–	(55)	–
Swire Pacific Cold Storage group	81	255	–	33	369	–
Akzo Nobel Swire Paints	–	395	–	–	395	–
Other activities	143	2	–	78	223	59
	3,962	**616**	**–**	**539**	**5,117**	**275**
Head Office	**5,420**	**–**	**–**	**1,341**	**6,761**	**73**
	268,393	**20,222**	**27,420**	**6,143**	**322,178**	**10,606**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2013

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	6,979	5,700	8,892	19,829	41,400	34,957
Property trading and development	873	102	4,754	795	6,524	969
Hotels	247	1	–	547	795	1,227
	8,099	**5,803**	**13,646**	**21,171**	**48,719**	**37,153**
Aviation						
HAECO group	**2,084**	**338**	**–**	**2,545**	**4,967**	**4,095**
Beverages						
Swire Beverages	**3,756**	**379**	**1,268**	**65**	**5,468**	**945**
Marine Services						
Swire Pacific Offshore group	**1,560**	**89**	**9,427**	**655**	**11,731**	**17**
Trading & Industrial						
Swire Resources group	755	66	(194)	–	627	1
Taikoo Motors group	876	9	38	–	923	–
Swire Foods group	111	1	–	–	112	–
Campbell Swire	–	–	206	–	206	–
Swire Pacific Cold Storage group	36	–	–	–	36	–
Other activities	20	14	–	–	34	–
	1,798	**90**	**50**	**–**	**1,938**	**1**
Head Office	**563**	**114**	**(24,391)**	**37,408**	**13,694**	**–**
	17,860	**6,813**	**–**	**61,844**	**86,517**	**42,211**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total liabilities and non-controlling interests of the Group (continued)

At 31st December 2012

	Segment liabilities (Restated) HK$M	Current and deferred tax liabilities (Restated) HK$M	Inter-segment borrowings/ (advances) (Restated) HK$M	External borrowings (Restated) HK$M	Total liabilities (Restated) HK$M	Non-controlling interests (Restated) HK$M
Property						
Property investment	6,828	5,189	10,999	14,189	37,205	33,393
Property trading and development	557	469	4,265	423	5,714	604
Hotels	165	–	–	691	856	1,167
	7,550	**5,658**	**15,264**	**15,303**	**43,775**	**35,164**
Aviation						
HAECO group	**1,643**	**333**	**–**	**1,664**	**3,640**	**3,921**
Beverages						
Swire Beverages	**3,442**	**346**	**1,395**	**132**	**5,315**	**801**
Marine Services						
Swire Pacific Offshore group	**1,792**	**55**	**6,816**	**102**	**8,765**	**15**
Trading & Industrial						
Swire Resources group	724	14	(30)	–	708	14
Taikoo Motors group	1,026	25	–	470	1,521	–
Swire Foods group	84	2	–	–	86	–
Campbell Swire	–	–	144	–	144	–
Swire Pacific Cold Storage group	1	–	–	–	1	–
Other activities	27	12	–	–	39	–
	1,862	**53**	**114**	**470**	**2,499**	**14**
Head Office	**551**	**114**	**(23,589)**	**32,726**	**9,802**	**–**
	16,840	**6,559**	**–**	**50,397**	**73,796**	**39,915**

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

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

	Turnover		Non-current assets*	
	2013 HK$M	2012 (Restated) HK$M	2013 HK$M	2012 (Restated) HK$M
Hong Kong	**19,109**	20,329	**202,362**	193,014
Asia (excluding Hong Kong)	**22,337**	20,271	**35,311**	33,272
United States of America	**4,083**	4,039	**3,045**	1,911
United Kingdom	**185**	132	**568**	566
Ship owning and operating activities	**5,723**	4,269	**21,220**	17,564
	51,437	49,040	**262,506**	246,327

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

8. Directors' and Executive Officers' Emoluments

(a) The total emoluments of Directors and Executive Officers charged to the Group in 2013 and 2012 are as follows:

	Cash			Non cash				
	Salary/ fees (note i) HK$'000	Bonus (note ii) HK$'000	Allowance and benefits HK$'000	Retirement scheme contributions HK$'000	Bonus paid into retirement scheme (note ii) HK$'000	Housing benefits HK$'000	Total 2013 HK$'000	Total 2012 HK$'000
Executive Directors								
C D Pratt	8,583	6,728	477	2,189	2,079	6,189	**26,245**	27,476
M Cubbon	5,046	4,441	324	1,287	1,501	4,838	**17,437**	18,907
P A Kilgour	3,591	3,320	513	916	1,247	2,419	**12,006**	13,418
J R Slosar	846	768	42	216	267	621	**2,760**	3,148
I Shiu	1,014	1,575	688	173	–	–	**3,450**	3,800
G L Cundle (until 31st December 2012)	–	2,810	–	–	1,170	–	**3,980**	9,980
A K W Tang	3,112	4,210	1,484	532	–	–	**9,338**	10,069
J B Rae-Smith (from 1st January 2013)	2,165	404	491	552	196	3,246	**7,054**	–
A N Tyler (until 31st March 2011)	–	–	–	–	–	–	**–**	101
Non-Executive Directors								
Baroness Dunn	–	–	–	–	–	–	**–**	–
J W J Hughes-Hallett	–	–	–	–	–	–	**–**	–
P A Johansen	928	–	–	–	–	–	**928**	932
M B Swire	–	–	–	–	–	–	**–**	–
Independent Non-Executive Directors								
T G Freshwater	690	–	–	–	–	–	**690**	690
C K M Kwok	988	–	–	–	–	–	**988**	988
C Lee	945	–	–	–	–	–	**945**	941
R W M Lee (from 1st July 2012)	690	–	–	–	–	–	**690**	345
M Leung (until 30th June 2012)	–	–	–	–	–	–	**–**	345
M C C Sze	690	–	–	–	–	–	**690**	690
M M T Yang	690	–	–	–	–	–	**690**	690
Total 2013	**29,978**	**24,256**	**4,019**	**5,865**	**6,460**	**17,313**	**87,891**	
Total 2012	29,663	27,190	3,899	8,357	6,825	16,586		92,520
Executive Officers								
G L Cundle (until 31st July 2011)	–	–	–	–	–	–	**–**	2,774
A K W Tang (until 31st July 2011)	–	–	–	–	–	–	**–**	79
J B Rae-Smith (until 31st December 2012)	–	1,253	–	–	609	–	**1,862**	8,930
P Healy (from 1st January 2013)	1,914	–	740	488	–	2,802	**5,944**	–
Total 2013	**1,914**	**1,253**	**740**	**488**	**609**	**2,802**	**7,806**	
Total 2012	1,919	3,833	463	754	1,695	3,119		11,783

i. Independent Non-executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and Officers receive salaries.
ii. Bonuses are not yet approved for 2013. The amounts disclosed above are related to services as Executive Directors or Officers for 2012 but paid and charged to the Group in 2013.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2013 include four (2012: four) Executive Directors and Officers whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2012: one) individual during the year is as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**8,671**	7,838
Bonus	**2,114**	2,746
Retirement scheme contributions	**482**	668
	11,267	11,252

9. Net Finance Charges

Accounting Policy

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

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

Refer to page 122 for details of the Group's net finance charges.

10. 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.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Critical Accounting Estimates and Judgements

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year in which the outcomes become known.

		Group			
		2013		2012	
				(Restated)	(Restated)
	Note	HK$M	HK$M	HK$M	HK$M
Current taxation:					
Hong Kong profits tax		**(974)**		(1,240)	
Overseas taxation		**(544)**		(438)	
Over/(under)-provisions in prior years		**117**		(2)	
			(1,401)		(1,680)
Deferred taxation:	30				
Changes in fair value of investment properties		**(208)**		(249)	
Origination and reversal of temporary differences		**(243)**		(414)	
			(451)		(663)
			(1,852)		(2,343)

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.

10. 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$M	2012 (Restated) HK$M
Profit before taxation	**17,890**	23,787
Calculated at a tax rate of 16.5% (2012: 16.5%)	**(2,952)**	(3,925)
Share of profits less losses of joint venture and associated companies	**529**	348
Effect of different tax rates in other countries	**(157)**	(226)
Income not subject to tax	**1,136**	1,776
Expenses not deductible for tax purposes	**(241)**	(184)
Unused tax losses not recognised	**(191)**	(169)
Utilisation of previously unrecognised tax losses	**16**	8
Deferred tax assets written off	**(13)**	(24)
Over/(under)-provisions in prior years	**117**	(2)
Recognition of previously unrecognised tax losses	**28**	82
Others	**(124)**	(27)
Tax charge	**(1,852)**	(2,343)

The Group's share of joint venture and associated companies' tax charges of HK$371 million (2012: HK$246 million, as restated) and HK$363 million (2012: HK$220 million, as restated) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

11. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$2,296 million (2012: HK$5,591 million, as restated) is dealt with in the accounts of the Company.

12. 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
Cash dividends		
First interim dividend paid on 4th October 2013 of HK$1.00 per 'A' share and HK$0.20 per 'B' share (2012: HK$1.00 and HK$0.20)	**1,505**	1,505
Second interim dividend declared on 13th March 2014 of HK$2.50 per 'A' share and HK$0.50 per 'B' share (2012 actual dividend paid: HK$2.50 and HK$0.50)	**3,761**	3,761
Special interim dividend by way of a distribution in specie	**–**	31,589
	5,266	36,855

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

12. Dividends (continued)

On 21st December 2011, the Board declared conditional special interim dividends (the "Conditional Dividend") for the year ended 31st December 2011 of 7 Swire Properties shares for every 10 'A' shares held in the Company and 7 Swire Properties shares for every 50 'B' shares held in the Company to shareholders on the register of members as at the close of business on 6th January 2012. Fractional entitlements were disregarded. The Conditional Dividend became unconditional upon the listing of the Swire Properties shares under stock code 1972 on the Main Board of the Stock Exchange on 18th January 2012 and was satisfied wholly by way of a distribution in specie of an aggregate of 1,053,234,165 Swire Properties shares, representing 18% of the total of 5,850,000,000 Swire Properties shares in issue, on 18th January 2012. The net assets attributable to the distribution in specie of an aggregate of 1,053,234,165 Swire Properties shares were HK$31,589 million.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$13,291 million (2012: HK$17,410 million, as restated) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2013 and 2012 in the proportion five to one.

14. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major renovation costs and modifications that extend the life or usefulness of vessels are capitalised and depreciated over the period until the next drydocking. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred. Vessels under construction are not depreciated until they are completed.

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

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

Leasehold land	Over the lease term
Property	2% to 5% per annum
Plant and machinery	7% to 34% per annum
Vessels	4% to 7% per annum
Drydocking costs	20% to 50% per annum

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other net gains/(losses)' in the statement of profit or loss. When revalued assets are sold, the amounts included in the property revaluation reserve are transferred to revenue reserve.

14. Property, Plant and Equipment (continued)

Critical Accounting Estimates and Judgments

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

During the year, the carrying amounts of certain property, plant and equipment have been written down by HK$46 million to their recoverable amount.

		Group					Company
	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M	Plant and machinery HK$M
Cost:							
At 1st January 2013							
as originally stated		2,652	14,075	9,715	20,358	46,800	25
impact of change in accounting policy		–	452	1,670	–	2,122	–
as restated		2,652	14,527	11,385	20,358	48,922	25
Translation differences		–	144	90	6	240	–
Change in composition of the Group		–	–	2	–	2	–
Additions		–	558	1,373	4,990	6,921	1
Disposals		–	(40)	(524)	(959)	(1,523)	–
Transfer between categories		(4)	4	–	–	–	–
Net transfers from investment properties	15	287	75	–	–	362	–
Other transfers		–	(4)	–	–	(4)	–
Revaluation surplus		357	–	–	–	357	–
At 31st December 2013		3,292	15,264	12,326	24,395	55,277	26
Accumulated depreciation and impairment:							
At 1st January 2013							
as originally stated		102	3,630	6,353	3,074	13,159	17
impact of change in accounting policy		–	151	770	–	921	–
as restated		102	3,781	7,123	3,074	14,080	17
Translation differences		–	39	39	1	79	–
Change in composition of the Group		–	–	2	–	2	–
Charge for the year	6	21	445	957	871	2,294	2
Net impairment losses	6	–	(1)	47	–	46	–
Disposals		–	(11)	(411)	(249)	(671)	–
Net transfers from investment properties	15	(3)	(7)	–	–	(10)	–
At 31st December 2013		120	4,246	7,757	3,697	15,820	19
Net book value:							
At 31st December 2013		3,172	11,018	4,569	20,698	39,457	7

14. Property, Plant and Equipment (continued)

		Group					Company
	Note	Leasehold land held for own use under finance leases HK$M	Property HK$M	Plant and machinery HK$M	Vessels HK$M	Total HK$M	Plant and machinery HK$M
Cost:							
At 1st January 2012							
as originally stated		2,615	13,498	8,918	13,988	39,019	25
impact of change in accounting policy		–	420	1,382	–	1,802	–
as restated		2,615	13,918	10,300	13,988	40,821	25
Translation differences		–	80	70	(32)	118	–
Change in composition of the Group		–	21	45	863	929	–
Additions		–	606	1,338	5,809	7,753	–
Disposals		–	(10)	(381)	(270)	(661)	–
Transfer between categories		–	(11)	11	–	–	–
Net transfers to investment properties	15	23	(117)	–	–	(94)	–
Other transfers		–	–	2	–	2	–
Revaluation surplus		14	40	–	–	54	–
At 31st December 2012		2,652	14,527	11,385	20,358	48,922	25
Accumulated depreciation and impairment:							
At 1st January 2012							
as originally stated		82	3,236	5,754	2,659	11,731	15
impact of change in accounting policy		–	137	660	–	797	–
as restated		82	3,373	6,414	2,659	12,528	15
Translation differences		–	23	32	(6)	49	–
Change in composition of the Group		–	5	23	122	150	–
Charge for the year	6	20	407	880	539	1,846	3
Impairment losses	6	–	11	43	4	58	–
Disposals		–	(8)	(279)	(244)	(531)	(1)
Transfer between categories		–	(10)	10	–	–	–
Net transfers to investment properties	15	–	(17)	–	–	(17)	–
Transfer to leasehold land and land use rights	16	–	(3)	–	–	(3)	–
At 31st December 2012		102	3,781	7,123	3,074	14,080	17
Net book value:							
At 31st December 2012		2,550	10,746	4,262	17,284	34,842	8

As at 31st December 2013, bank borrowings of HK$535 million (2012: Nil) are secured on vessels with a net book value of HK$706 million (2012: Nil).

During the year properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from the carrying amount to the fair value at the date of transfer of HK$357 million (2012: HK$54 million) has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and machinery and vessels include costs of HK$480 million (2012: HK$1,368 million), HK$127 million (2012: HK$89 million) and HK$2,795 million (2012: HK$3,385 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

15. Investment Properties

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

Accounting Policy

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

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

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

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

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

Refer to page 29 for details of the Group's and Company's investment properties.

Critical Accounting Estimates and Judgements

DTZ Debenham Tie Leung, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio 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.

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.

15. Investment Properties (continued)

Fair value hierarchy (continued)

	Completed			Under Development				
	Hong Kong	Mainland China	Total	Hong Kong	Others	Total	2013 Total	2012 Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Level 2	2,902	194	3,096	9,416	–	9,416	**12,512**	12,068
Level 3	168,192	24,245	192,437	9,634	1,656	11,290	**203,727**	193,205
Total	171,094	24,439	195,533	19,050	1,656	20,706	**216,239**	205,273
Add: initial leasing costs							**285**	315
At 31st December							**216,524**	205,588

Fair value – Level 3

	Completed				Under Development			
	Hong Kong	Mainland China	Others	Total	Hong Kong	Others	Total	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January 2013	**167,030**	**22,923**	**104**	**190,057**	**2,698**	**450**	**3,148**	**193,205**
Translation differences	**–**	**676**	**–**	**676**	**–**	**–**	**–**	**676**
Additions	**220**	**(8)**	**–**	**212**	**2,981**	**1,123**	**4,104**	**4,316**
Transfer upon completion	**1,057**	**–**	**–**	**1,057**	**(1,057)**	**–**	**(1,057)**	**–**
Transfer to redevelopment	**(5,390)**	**–**	**(104)**	**(5,494)**	**5,390**	**104**	**5,494**	**–**
Other net transfers to property, plant and equipment	**(32)**	**–**	**–**	**(32)**	**–**	**–**	**–**	**(32)**
Fair value gains/(losses)	**5,307**	**654**	**–**	**5,961**	**(378)**	**(21)**	**(399)**	**5,562**
At 31st December 2013	**168,192**	**24,245**	**–**	**192,437**	**9,634**	**1,656**	**11,290**	**203,727**

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.

The valuation of the Group's investment properties under development is derived by making reference to market capitalisation rates and recent comparable sales transactions in the relevant property market (on the assumption that the property had already been completed at the valuation date). It has also taken into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk. Where the valuation is prepared based on the assumption that the property's title certificate has been received but this is not the case, the Group has made an estimate of the future land cost and deducted this from the valuation.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If the capitalisation rate increases, the fair value decreases. If the fair market rent increases, the fair value increases. If estimated costs to complete or the developer's estimated profit and margin for risk increase, the fair value decreases. The opposite is true for decreases in these inputs.

There are inter-relationships between observable and unobservable inputs. Expected vacancy rates may have an impact on yields, with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the property's features may result in an increase in future rental values. An increase in future rental income may be linked with higher costs.

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

15. Investment Properties (continued)

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

Information about level 3 fair value measurements using significant unobservable inputs is as follows:

		Fair value HK$M	Valuation technique	Fair market rent per month HK$ per sq. ft. (lettable) [(a)]	Capitalisation rate
Completed	Hong Kong	168,192	Income capitalisation	Low 10's-High 500's	2.50%-5.25%
	Mainland China	24,245	Income capitalisation	Less than 10-High 100's	7.00%-7.50%
		192,437			
Under development [(b)]	Hong Kong	9,634	Residual	High 30's-High 50's	2.00%-4.25%
	Others [(c)]	1,656			
		11,290			
Total		203,727			

Notes:

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

(b) 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 value of the Group's investment properties under development are not significantly affected by these unobservable inputs.

(c) 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.

16. Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments, the net book value of which is analysed as follows:

	Note	Group 2013 HK$M	Group 2012 HK$M
At 1st January			
as originally stated		**998**	969
impact of change in accounting policy		**82**	79
as restated		**1,080**	1,048
Translation differences		**14**	4
Change in composition of the Group		**–**	2
Additions		**102**	59
Transfer from property, plant and equipment	14	**–**	(3)
Amortisation charge for the year	6	**(32)**	(30)
At 31st December		**1,164**	1,080
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		**20**	21
Held outside Hong Kong:			
On short-term leases (less than 10 years)		**1**	1
On medium-term leases (10 to 50 years)		**1,143**	1,058
		1,164	1,080

Refer to Note 37 for details of the accounting policy.

17. Intangible Assets

Accounting Policy

(a) Goodwill

Goodwill represents the excess of consideration transferred over the fair value of the Group's share of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Goodwill is treated as an asset of the entity acquired and where attributable to a foreign entity will be translated at the closing rate.

Goodwill is stated at cost less accumulated impairment. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing, which is performed annually, or more often if an impairment indicator exists. Impairment losses recognised on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software

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

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

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

(c) Technical licenses

Technical licences acquired are shown at historical cost. Technical licences acquired in a business combination are recognised at fair value at the acquisition date. Technical licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technical licences over their estimated useful life of twenty two years.

		Group				
	Note	Goodwill HK$M	Computer Software HK$M	Technical Licences HK$M	Others HK$M	Total HK$M
Cost:						
At 1st January 2013						
as originally stated		3,975	231	535	–	4,741
impact of change in accounting policy		65	96	–	–	161
as restated		4,040	327	535	–	4,902
Translation differences		7	3	–	–	10
Other transfers		–	4	–	–	4
Additions		–	38	–	67	105
Disposals		(7)	–	–	–	(7)
At 31st December 2013		4,040	372	535	67	5,014
Accumulated amortisation and impairment:						
At 1st January 2013						
as originally stated		19	142	71	–	232
impact of change in accounting policy		–	58	–	–	58
as restated		19	200	71	–	290
Translation differences		–	1	–	–	1
Amortisation for the year	6	–	42	27	–	69
Impairment losses	6	20	–	–	–	20
At 31st December 2013		39	243	98	–	380
Net book value:						
At 31st December 2013		4,001	129	437	67	4,634

17. Intangible Assets (continued)

		Group			
	Note	Goodwill HK$M	Computer Software HK$M	Technical Licences HK$M	Total HK$M
Cost:					
At 1st January 2012					
as originally stated		3,696	208	536	4,440
impact of change in accounting policy		65	74	–	139
as restated		3,761	282	536	4,579
Translation differences		2	2	(1)	3
Change in composition of the Group		–	4	–	4
Additions		285	39	–	324
Written-off	6	(8)	–	–	(8)
At 31st December 2012		4,040	327	535	4,902
Accumulated amortisation and impairment:					
At 1st January 2012					
as originally stated		9	117	44	170
impact of change in accounting policy		–	48	–	48
as restated		9	165	44	218
Translation differences		–	2	–	2
Amortisation for the year	6	–	33	27	60
Impairment losses	6	10	–	–	10
At 31st December 2012		19	200	71	290
Net book value:					
At 31st December 2012		4,021	127	464	4,612

Amortisation of HK$69 million (2012: HK$60 million, as restated) is included in administrative expenses in the statement of profit or loss.

Impairment test of goodwill

Critical Accounting Estimates and Judgements

At each reporting date, an assessment is made as to whether there is any indication that goodwill may be impaired. These tests require the use of estimates to calculate recoverable amounts.

The recoverable amount of goodwill attributable to CGUs is determined based on value-in-use calculations. These calculations use financial budgets and plans covering five-year periods. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. The discount rates used at 31st December 2013 were between 7.0% and 12.0% (2012: 7.0% and 12.0%). These discount rates are pre-tax and reflect the specific risks relating to the relevant CGU.

Goodwill is allocated to the Group's cash-generating units identified by divisional business segment and geographic location.

	2013 HK$M	2012 (Restated) HK$M
HAECO – Hong Kong and Mainland China	**3,510**	3,510
Beverages franchises – Hong Kong and Mainland China	**219**	214
Marine Services	**272**	277
Retail franchises – Hong Kong and Mainland China	**–**	19
Others	**–**	1
	4,001	4,021

Goodwill attributable to HAECO arose from its highly skilled workforce in the aircraft engineering and maintenance business. It also represents the premium paid over the traded market price to obtain control of the business.

18. Subsidiary Companies

Accounting Policy

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

	Company	
	2013 HK$M	2012 HK$M
Shares at cost less provisions		
– Listed in Hong Kong	**16,831**	16,831
– Unlisted	**1,610**	1,657
	18,441	18,488
Loans and other amounts due from subsidiary companies		
– Interest-free	**14,311**	11,241
– Interest-bearing at 0.21% to 4.0% (2012: 0.28% to 4.0%)	**89**	50
	32,841	29,779

Loans and other amounts due from subsidiary companies are unsecured and have no fixed terms of repayment.

The principal subsidiary companies of Swire Pacific Limited are shown on pages 224 to 234.

The Group has two subsidiaries with material non-controlling interests; Swire Properties Limited ("Swire Properties") (18%) and Hong Kong Aircraft Engineering Company Limited ("HAECO") (25%). Except for goodwill and other assets of HK$7,461 million included in the Group consolidated statement of financial position (2012: HK$7,513 million) in respect of HAECO, there are no significant differences between the summarised financial information presented in the table below and the amounts in the separate consolidated financial statements of Swire Properties and HAECO.

Summarised Statement of Financial Position

	Swire Properties As at 31st December		HAECO As at 31st December	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Current				
Assets	**13,117**	11,886	**4,872**	3,412
Liabilities	**15,387**	12,380	**2,901**	1,824
Total current net (liabilities)/assets	**(2,270)**	(494)	**1,971**	1,588
Non-current				
Assets	**238,360**	224,345	**7,424**	7,036
Liabilities	**33,332**	31,395	**2,066**	1,816
Total non-current net assets	**205,028**	192,950	**5,358**	5,220
Net assets	**202,758**	192,456	**7,329**	6,808

18. Subsidiary Companies (continued)

Summarised Statement of Profit or Loss

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Revenue	**12,935**	14,052	**7,387**	5,830
Profit for the year attributable to shareholders	**12,448**	18,637	**625**	822
Other comprehensive income	**1,114**	157	**277**	44
Total comprehensive income attributable to shareholders	**13,562**	18,794	**902**	866
Total comprehensive income allocated to non-controlling interests	**2,441**	3,383	**226**	217
Dividends paid to non-controlling interests	**611**	421	**116**	257

Summarised Statement of Cash Flows

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Net cash generated from operating activities	**6,381**	5,845	**505**	684
Net cash (used in)/generated from investing activities	**(5,804)**	(4,371)	**17**	129
Net cash (used in)/generated from financing activities	**(4)**	(716)	**382**	(710)
Net increase in cash and cash equivalents	**573**	758	**904**	103
Cash and cash equivalents at 1st January	**1,936**	1,179	**1,418**	1,320
Currency adjustment	**12**	(1)	**19**	(5)
Cash and cash equivalents at 31st December	**2,521**	1,936	**2,341**	1,418

19. Joint Venture and Associated Companies

Accounting Policy

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

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

In the Group's consolidated statement of financial position, its investments in joint venture and associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The excess of the cost of investment in joint venture and associated companies over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition represents goodwill. The Group's investments in joint venture and associated companies include goodwill identified on acquisitions, net of any accumulated impairment loss.

19. Joint Venture and Associated Companies (continued)

Accounting Policy (continued)

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in joint venture and associated companies are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the joint venture and associated companies operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in a joint venture or associate is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

In the Company's statement of financial position, its investments in joint venture and associated companies are stated at cost less provision for any impairment losses. Income from joint venture and associated companies is recognised by the Company on the basis of dividends received and receivable. Long-term loans to joint venture and associated companies are considered to be quasi-equity in nature where there are no defined repayment terms and no historical repayment of the balances.

(a) Joint venture companies

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Unlisted shares at cost			**28**	28
Share of net assets, unlisted	**10,145**	9,014		
Goodwill	**94**	95		
	10,239	9,109		
Loans due from joint venture companies less provisions				
– Interest-free	**10,983**	10,395	**–**	–
– Interest-bearing at 1.71% to 5.00% (2012: 1.71% to 5.00%)	**583**	718	**86**	86
	21,805	20,222	**114**	114

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

The principal joint venture companies of the Group are shown on pages 224 to 234. There are no joint venture companies that are considered individually material to the Group.

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Non-current assets	**25,831**	23,340
Current assets	**7,239**	6,388
Current liabilities	**(8,349)**	(7,478)
Non-current liabilities	**(14,576)**	(13,236)
Net assets	**10,145**	9,014
Revenue	**15,352**	15,179
Expenses	**(13,299)**	(13,414)
Profit before taxation	**2,053**	1,765
Taxation	**(371)**	(246)
Profit for the year	**1,682**	1,519
Other comprehensive income	**282**	66
Total comprehensive income for the year	**1,964**	1,585

Capital commitments and contingencies in respect to joint venture companies are disclosed in Notes 35 and 36.

19. Joint Venture and Associated Companies (continued)

(b) Associated companies

Critical Accounting Estimates and Judgements

Under HKFRS 10, which applies to accounting periods starting on or after 1st January 2013, the Company is required to consolidate as subsidiaries in its accounts, companies which it controls. Under HKFRS 10, the Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has considered whether to consolidate Cathay Pacific as a subsidiary in its accounts in the light of the provisions of HKFRS 10.

Under HKFRS 10, the Company will be taken to have power over Cathay Pacific if the Company has rights which give the Company the current ability to direct the activities of Cathay Pacific which significantly affect the Company's returns from Cathay Pacific.

As the Company holds less than half (45%) of the voting rights in Cathay Pacific, the Company does not have power over Cathay Pacific by virtue of holding a majority of those voting rights. The Company has accordingly considered other relevant factors in order to determine whether it has such power. The Company is party to a shareholders agreement dated 8th June 2006 (the "Shareholders Agreement") between itself, Air China Limited ("Air China") and others in relation to the affairs of Cathay Pacific, as subsequently amended. The Shareholders Agreement contains provisions relating to the composition of the board of Cathay Pacific (including Air China being obliged to use its votes as a shareholder of Cathay Pacific to support the Company appointing a majority of the board of directors of Cathay Pacific). The Company is of the view, having considered the terms of the Shareholders Agreement, the terms of an operating agreement dated 8th June 2006 between Cathay Pacific and Air China and the way in which the board of Cathay Pacific governs the affairs of Cathay Pacific in practice, that the Company does not have power over Cathay Pacific for the purposes of HKFRS 10. It follows that, as one of the three requirements in HKFRS 10 for consolidation has not been met, the Company should not consolidate Cathay Pacific as a subsidiary in the Company's accounts and should continue to account for its interest in Cathay Pacific as an associated company.

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Shares at cost				
– Listed in Hong Kong			**4,624**	4,624
Share of net assets				
– Listed in Hong Kong	**28,042**	24,950		
– Unlisted	**1,847**	1,530		
	29,889	26,480		
Goodwill	**757**	757		
	30,646	27,237		
Loans due from associated companies				
– Interest-free	**52**	176	**–**	–
– Interest-bearing at 4.0% (2012: 6.0%)	**1**	7	**–**	–
	30,699	27,420	**4,624**	4,624

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

The market value of the shares in the listed associated company, Cathay Pacific at 31st December 2013 was HK$29,032 million (2012: HK$25,173 million).

The principal associated companies of the Group are shown on pages 224 to 234. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 220 to 223.

19. Joint Venture and Associated Companies (continued)

(b) Associated companies (continued)

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Non-current assets	**66,552**	61,049
Current assets	**15,269**	13,530
Current liabilities	**(15,248)**	(13,645)
Non-current liabilities	**(36,628)**	(34,402)
Non-controlling interests	**(56)**	(52)
Net assets	**29,889**	26,480
Revenue	**49,936**	48,968
Expenses	**(48,052)**	(48,166)
Profit before taxation	**1,884**	802
Taxation	**(363)**	(220)
Profit for the year	**1,521**	582
Other comprehensive income	**2,299**	825
Total comprehensive income for the year	**3,820**	1,407

Contingencies in respect of associated companies are disclosed in Note 36.

20. Financial Instruments by Category

Accounting Policy

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

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

(b) Derivatives used for hedging
Derivative instruments are classified within this category if they qualify for hedge accounting.

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

20. Financial Instruments by Category (continued)

Accounting Policy (continued)

Classification (continued)

(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 – 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.

Financial instruments classified as at fair value through profit and loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the statement of profit or loss in the period in which they arise. Derivatives used for hedging are subsequently carried at fair value. Accounting for the realised and unrealised gains and losses arising from changes in the fair value of derivatives are set out in Note 22.

Financial assets classified as available-for-sale are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains and losses from investments.

Financial instruments classified as loans and receivables and amortised cost are subsequently measured using the effective interest method.

The Group assesses at each period-end date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably measured.

20. Financial Instruments by Category (continued)

The accounting policy applied to financial instruments are shown below by line item:

Group	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position								
At 31st December 2013								
Available-for-sale assets	21	**–**	**–**	**713**	**–**	**–**	**713**	**713**
Long-term other receivables		**–**	**–**	**–**	**21**	**–**	**21**	**21**
Derivative financial assets	22	**27**	**588**	**–**	**–**	**–**	**615**	**615**
Trade and other receivables excluding prepayments	25	**–**	**–**	**–**	**8,181**	**–**	**8,181**	**8,181**
Bank balances and short-term deposits	26	**–**	**–**	**–**	**11,288**	**–**	**11,288**	**11,288**
Total		**27**	**588**	**713**	**19,490**	**–**	**20,818**	**20,818**
At 31st December 2012								
Available-for-sale assets	21	–	–	340	–	–	340	340
Long-term other receivables		–	–	–	17	–	17	17
Derivative financial assets	22	9	665	–	–	–	674	674
Trade and other receivables excluding prepayments	25	–	–	–	8,289	–	8,289	8,289
Bank balances and short-term deposits	26	–	–	–	6,091	–	6,091	6,091
Total		9	665	340	14,397	–	15,411	15,411
Liabilities as per consolidated statement of financial position								
At 31st December 2013								
Trade and other payables	27	**1,839**	**–**	**–**	**–**	**15,183**	**17,022**	**17,022**
Derivative financial liabilities	22	**2**	**207**	**–**	**–**	**–**	**209**	**209**
Bank overdrafts and short-term loans	29	**–**	**–**	**–**	**–**	**1,547**	**1,547**	**1,547**
Long-term loans and bonds due within one year	29	**–**	**–**	**–**	**–**	**7,130**	**7,130**	**7,130**
Perpetual capital securities	28	**–**	**–**	**–**	**–**	**2,326**	**2,326**	**2,559**
Long-term loans and bonds due after one year	29	**–**	**–**	**–**	**–**	**50,841**	**50,841**	**52,012**
Total		**1,841**	**207**	**–**	**–**	**77,027**	**79,075**	**80,479**
At 31st December 2012								
Trade and other payables	27	1,327	–	–	–	14,346	15,673	15,673
Derivative financial liabilities	22	11	178	–	–	–	189	189
Bank overdrafts and short-term loans	29	–	–	–	–	1,891	1,891	1,891
Long-term loans and bonds due within one year	29	–	–	–	–	5,322	5,322	5,322
Perpetual capital securities	28	–	–	–	–	2,325	2,325	2,604
Long-term loans and bonds due after one year	29	–	–	–	–	40,859	40,859	43,802
Total		1,338	178	–	–	64,743	66,259	69,481

20. Financial Instruments by Category (continued)

The accounting policies applied to financial instruments are shown below by line item:

Company	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per statement of financial position								
At 31st December 2013								
Available-for-sale assets	21	**–**	**–**	**93**	**–**	**–**	**93**	**93**
Trade and other receivables excluding prepayments	25	**–**	**–**	**–**	**47**	**–**	**47**	**47**
Bank balances and short-term deposits	26	**–**	**–**	**–**	**2,344**	**–**	**2,344**	**2,344**
Total		**–**	**–**	**93**	**2,391**	**–**	**2,484**	**2,484**
At 31st December 2012								
Available-for-sale assets	21	–	–	103	–	–	103	103
Long-term other receivables		–	–	–	1	–	1	1
Trade and other receivables excluding prepayments	25	–	–	–	53	–	53	53
Bank balances and short-term deposits	26	–	–	–	1,256	–	1,256	1,256
Total		–	–	103	1,310	–	1,413	1,413
Liabilities as per statement of financial position								
At 31st December 2013								
Trade and other payables	27	**–**	**–**	**–**	**–**	**29,042**	**29,042**	**29,042**
At 31st December 2012								
Trade and other payables	27	–	–	–	–	22,232	22,232	22,232

The fair values of financial instruments traded in active markets are based on quoted market prices at the year-end date. The quoted market prices used for financial assets held by the Group are the current bid prices.

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques such as estimated discounted cash flows which use assumptions that are based on market conditions existing at each year-end date.

The book values of trade and other receivables, trade and other payables and provisions approximate their fair values.

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings is not equal to their carrying value 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 is categorised within level 2 of the fair value hierarchy.

20. Financial Instruments by Category (continued)

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

Group	Note	Level 1 HK$M	Level 2 (Restated) HK$M	Level 3 (Restated) HK$M	Total carrying amount (Restated) HK$M
Assets as per consolidated statement of financial position					
At 31st December 2013					
Available-for-sale assets	21				
– Shares listed in Hong Kong		**94**	**–**	**–**	**94**
– Shares listed overseas		**486**	**–**	**–**	**486**
– Unlisted investments		**–**	**–**	**133**	**133**
Derivatives used for hedging	22	**–**	**615**	**–**	**615**
Total		**580**	**615**	**133**	**1,328**
At 31st December 2012					
Available-for-sale assets	21				
– Shares listed in Hong Kong		103	–	–	103
– Shares listed overseas		225	–	–	225
– Unlisted investments		–	–	12	12
Derivatives used for hedging	22	–	674	–	674
Total		328	674	12	1,014
Liabilities as per consolidated statement of financial position					
At 31st December 2013					
Derivatives used for hedging	22	**–**	**209**	**–**	**209**
Put option over non-controlling interest in Taikoo Li Sanlitun	27	**–**	**–**	**1,256**	**1,256**
Put option over non-controlling interest in Brickell City Centre	27	**–**	**–**	**367**	**367**
Put options over non-controlling interests in subsidiary companies	27	**–**	**–**	**216**	**216**
Total		**–**	**209**	**1,839**	**2,048**
At 31st December 2012					
Derivatives used for hedging	22	–	189	–	189
Put option over non-controlling interest in Taikoo Li Sanlitun	27	–	–	1,112	1,112
Put options over non-controlling interests in subsidiary companies	27	–	–	215	215
Total		–	189	1,327	1,516

Company	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per statement of financial position					
At 31st December 2013					
Available-for-sale assets	21				
– Shares listed in Hong Kong		**93**	**–**	**–**	**93**
At 31st December 2012					
Available-for-sale assets	21				
– Shares listed in Hong Kong		103	–	–	103

Notes:
The levels in the hierarchy represent the following:
Level 1 – Financial instruments measured at fair value using quoted prices in active markets.
Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

20. Financial Instruments by Category (continued)

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications and there were no transfers into or out of the level 3 fair value hierarchy classification. Following the adoption of HKFRS 13 in January 2013, the fair value of all put options over non-controlling interests in subsidiary companies and unlisted investments are categorised within the level 3 fair value hierarchy classification. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

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

Group	Put options over non-controlling interests HK$M	Unlisted investments HK$M
At 1st January 2013	**1,327**	**12**
Additions	**372**	**121**
Change in fair value recognised in profit or loss during the year	**140**	**–**
At 31st December 2013	**1,839**	**133**
Total losses for the year included in profit or loss in respect of financial liabilities held at 31st December 2013	**140**	**–**
Change in unrealised gains or losses for the year included in profit or loss in respect of financial liabilities and assets held at 31st December 2013	**140**	**–**

There has been no change in the valuation techniques for level 2 and level 3 fair value hierarchy classifications.

The fair value of derivatives used for hedging in level 2 has been determined based on quotes from market makers or alternative market participants supported by observable inputs. The most significant inputs are market interest rates, exchange rates and yields and commodity prices.

The fair value of the put options over non-controlling interests in subsidiary companies classified as level 3 is determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs to reasonable alternative assumptions would not significantly change the valuation of the put options.

In respect of the put option over the 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 40 'Events After the Reporting Period'.

The fair value estimate of the put option over the non-controlling interest in the retail portion of Brickell City Centre contains a number of unobservable inputs, including the expected fair value of the investment property at the expected 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 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.

The Group's finance departments perform the valuations of financial instruments required for reporting purposes, including level 3 fair values. The valuations are reviewed and approved by Divisional Finance Directors.

21. Available-for-sale Assets

	Group		Company	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Non-current assets				
Shares listed in Hong Kong	**94**	103	**93**	103
Shares listed overseas	**486**	225	**–**	–
Unlisted investments	**133**	12	**–**	–
	713	340	**93**	103

22. Derivative Financial Instruments

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (b) hedges of highly probable forecast transactions (cash flow hedges); or (c) hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings and foreign exchange risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of profit or loss within finance income or finance costs. The gain or loss relating to forward foreign exchange contracts, whether effective or ineffective, is recognised in the statement of profit or loss within other net gains.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised through the statement of profit or loss over the period to maturity.

(b) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled in the statement of profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the statement of profit or loss within cost of sales. The gain or loss relating to the ineffective portion of interest rate swaps or forward foreign exchange contracts is recognised in the statement of profit or loss within other net gains. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

22. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(c) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Gains and losses accumulated in equity are included in the statement of profit or loss when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

The fair value of interest rate swaps and cross-currency swaps are calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the period-end date.

	Group			
	2013		2012	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities (Restated) HK$M
Cross-currency swaps – cash flow hedges (a)	**562**	**88**	632	83
Interest rate swaps – cash flow hedges (b)	**17**	**11**	–	–
Forward foreign exchange contracts				
– cash flow hedges (c)	**9**	**105**	33	80
– not qualifying as hedges	**27**	**–**	5	9
Commodity swaps				
– cash flow hedges (d)	**–**	**3**	–	15
– not qualifying as hedges	**–**	**2**	4	2
Total	**615**	**209**	674	189
Less non-current portion:				
Cross-currency swaps – cash flow hedges (a)	**562**	**88**	632	83
Interest rate swaps – cash flow hedges (b)	**17**	**11**	–	–
Forward foreign exchange contracts				
– cash flow hedges (c)	**–**	**13**	9	34
– not qualifying as hedges	**11**	**–**	2	8
	590	**112**	643	125
Current portion	**25**	**97**	31	64

(a) The cross-currency swaps hedge the foreign currency risk relating to US$ note issues and US$ perpetual capital securities. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2013 are expected to affect the statement of profit or loss in the years to redemption of the notes and perpetual capital securities (up to and including 2023).

(b) These interest rate swaps hedge the interest rate risk associated with floating rate loans. Gains and losses recognised in other comprehensive income on interest rate swaps at 31st December 2013 are expected to affect the statement of profit or loss in the years to repayment of the loans (up to and including 2018). At 31st December 2013, the fixed interest rates varied from 0.775% to 3.1% (2012: 0.775% to 0.88%) and the main floating rates were HIBOR three-months (2012: same).

(c) The forward foreign exchange contracts hedge the foreign currency exposure relating to contractual obligations. Gains and losses recognised in other comprehensive income on foreign exchange contracts at 31st December 2013 are expected to affect the statement of profit or loss up to and including 2015.

(d) The commodity swaps hedge the price risk in commodities such as sugar. Gains and losses recognised in other comprehensive income on commodity swaps at 31st December 2013 are expected to affect the statement of profit or loss up to and including 2015.

22. Derivative Financial Instruments (continued)

For the years ended 31st December 2013 and 31st December 2012 all cash flow hedges were effective.

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

	2013 HK$M	2012 (Restated) HK$M
Cross currency swaps	**22,461**	17,828
Forward foreign exchange contracts	**2,951**	3,440
Interest rate swaps	**1,650**	150
Commodity swaps	**175**	394

23. Properties Held for Development and Properties for Sale

Accounting Policy

Properties held for development and properties for sale comprise freehold and leasehold land, construction costs and interest costs capitalised, less provisions for possible losses. Properties held for development are not expected to be sold within the Group's normal operating cycle and are classified as non-current assets. Properties for sale are available for immediate sale and are classified as current assets.

Refer to page 34 for details of the Group's properties held for development and properties for sale.

24. Stocks and Work in Progress

Accounting Policy

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents average unit cost and net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of finished goods and work in progress comprise direct material and labour costs and an appropriate proportion of production overhead expenses less provisions for foreseeable losses. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials or stocks.

	Group	
	2013 HK$M	2012 (Restated) HK$M
Goods for sale	**2,095**	2,987
Manufacturing materials	**320**	358
Production supplies	**669**	688
Work in progress	**150**	232
	3,234	4,265

25. Trade and Other Receivables

Accounting Policy

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

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

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Trade debtors	**3,845**	3,119	**–**	–
Amounts due from subsidiary companies	**–**	–	**26**	23
Amounts due from joint venture companies	**168**	369	**–**	–
Amounts due from associated companies	**624**	439	**–**	–
Interest-bearing advances to joint venture companies (2012: 3.0%-5.4%)	**–**	190	**–**	–
Prepayments and accrued income	**2,211**	1,867	**1**	2
Other receivables	**2,339**	3,180	**21**	30
	9,187	9,164	**48**	55

The amounts due from subsidiary, joint venture and associated companies are unsecured and interest free. Except for amounts due from subsidiary companies which have no fixed terms of repayment, the balances are on normal trade credit terms.

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Up to three months	**3,666**	2,957
Between three and six months	**103**	113
Over six months	**76**	49
	3,845	3,119

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

25. Trade and Other Receivables (continued)

At 31st December 2013, trade debtors of HK$1,083 million (2012: HK$1,032 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Up to three months	**943**	914
Between three and six months	**93**	77
Over six months	**47**	41
	1,083	1,032

At 31st December 2013, trade debtors of HK$102 million (2012: HK$68 million) were impaired and provided for. The amount of the provision was HK$59 million at 31st December 2013 (2012: HK$21 million). It was assessed that a portion of the trade debtors is expected to be recovered. The analysis of the ageing of these impaired trade debtors is as follows:

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Up to three months	**7**	8
Between three and six months	**6**	1
Over six months	**89**	59
	102	68

The maximum exposure to credit risk at 31st December 2013 and 31st December 2012 is the carrying value of trade debtors, amounts due from related parties and other receivables disclosed above. The value of rental deposits from tenants held as security against trade debtors at 31st December 2013 was HK$2,124 million (2012: HK$1,953 million).

26. 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, less bank overdrafts.

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Cash and cash equivalents	**10,950**	6,080	**2,154**	1,256
Short-term deposits maturing after more than three months	**338**	11	**190**	–
	11,288	6,091	**2,344**	1,256

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 10.5% (2012: 0.01% to 8.6%); these deposits have a maturity from 2 to 295 days (2012: 2 to 217 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.

27. Trade and Other Payables

Accounting Policy

Trade and other payables (except put options over non-controlling interests in subsidiary companies) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Trade creditors	**3,418**	3,231	**–**	–
Amounts due to immediate holding company	**213**	253	**17**	30
Amounts due to subsidiary companies	**–**	–	**4,382**	4,229
Amounts due to joint venture companies	**167**	197	**–**	–
Amounts due to associated companies	**227**	134	**–**	–
Interest-bearing advances from a subsidiary company at 0.32% (2012: 0.23%)	**–**	–	**24,554**	17,835
Interest-bearing advances from joint venture companies at 1.55% (2012: 1.58%)	**528**	484	**–**	–
Advances from non-controlling interests	**445**	365	**–**	–
Rental deposits from tenants	**2,124**	1,953	**8**	–
Put option over non-controlling interest in Taikoo Li Sunlitun	**1,256**	1,112	**–**	–
Put option over non-controlling interest in Brickell City Centre	**367**	–	**–**	–
Put options over non-controlling interests in subsidiary companies	**216**	215	**–**	–
Accrued capital expenditure	**988**	1,235	**9**	73
Other accruals	**4,728**	4,058	**21**	25
Other payables	**2,345**	2,436	**51**	40
	17,022	15,673	**29,042**	22,232
Amounts due after one year included under non-current liabilities	**(583)**	(215)	**–**	–
	16,439	15,458	**29,042**	22,232

The amounts due to and advances from immediate holding, subsidiary, joint venture and associated companies, and non-controlling interests are unsecured and have no fixed terms of repayment. Apart from certain amounts due to subsidiary, joint venture and associated companies, which are interest-bearing as specified above, the balances are interest free.

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Up to three months	**3,218**	2,995
Between three and six months	**126**	200
Over six months	**74**	36
	3,418	3,231

28. Perpetual Capital Securities

Refer to page 120 for details of the Group's perpetual capital securities.

29. Borrowings

Accounting Policy

Borrowings are recognised initially at fair value and subsequently measured at amortised cost. Transaction costs incurred are included for those not held at fair value through profit or loss. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and 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.

Refer to pages 118 to 126 for details of the Group's borrowings.

30. Deferred Taxation

Accounting Policy

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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.

30. Deferred Taxation (continued)

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

		Group		Company	
		2013	2012	2013	2012
	Note	HK$M	HK$M	HK$M	HK$M
At 1st January					
as originally stated		**5,419**	4,745	**19**	22
impact of change in accounting policy		**(301)**	(299)	**(7)**	(7)
as restated		**5,118**	4,446	**12**	15
Translation differences		**77**	16	**–**	–
Change in composition of the Group		**–**	(21)	**–**	–
Charged to statement of profit or loss	10	**451**	663	**(1)**	(4)
Charged to other comprehensive income		**144**	14	**3**	1
At 31st December		**5,790**	5,118	**14**	12

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$3,621 million (2012: HK$3,024 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group	
	2013	2012
	HK$M	HK$M
No expiry date	**1,814**	1,420
Expiring in 2013	**–**	40
Expiring in 2014	**258**	287
Expiring in 2015	**358**	375
Expiring in 2016	**399**	429
Expiring in 2017	**401**	473
Expiring in 2018 or after	**391**	–
	3,621	3,024

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	2012	2013	2012	2013	2012	2013	2012
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January								
as originally stated	**2,914**	2,517	**2,293**	2,014	**802**	633	**6,009**	5,164
impact of change in accounting policy	**(7)**	(7)	**–**	–	**(58)**	(53)	**(65)**	(60)
as restated	**2,907**	2,510	**2,293**	2,014	**744**	580	**5,944**	5,104
Translation differences	**(1)**	(1)	**72**	21	**(26)**	–	**45**	20
Charged to statement of profit or loss	**290**	398	**208**	249	**99**	171	**597**	818
Charged to other comprehensive income	**–**	–	**15**	9	**66**	(7)	**81**	2
At 31st December	**3,196**	2,907	**2,588**	2,293	**883**	744	**6,667**	5,944

30. Deferred Taxation (continued)

	Company					
	Accelerated tax depreciation		Others		Total	
	2013	2012	2013	2012	2013	2012
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January						
as originally stated	**6**	3	**19**	19	**25**	22
impact of change in accounting policy	**–**	–	**(7)**	(7)	**(7)**	(7)
as restated	**6**	3	**12**	12	**18**	15
Charged to statement of profit or loss	**7**	3	**(1)**	(1)	**6**	2
Charged to other comprehensive income	**–**	–	**3**	1	**3**	1
At 31st December	**13**	6	**14**	12	**27**	18

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January								
as originally stated	**279**	236	**249**	125	**62**	58	**590**	419
impact of change in accounting policy	**54**	48	**–**	–	**182**	191	**236**	239
as restated	**333**	284	**249**	125	**244**	249	**826**	658
Translation differences	**(8)**	1	**1**	–	**(25)**	3	**(32)**	4
Change in composition of the Group	**–**	21	**–**	–	**–**	–	**–**	21
Credited to statement of profit or loss	**93**	27	**35**	124	**18**	4	**146**	155
Charged to other comprehensive income	**–**	–	**–**	–	**(63)**	(12)	**(63)**	(12)
At 31st December	**418**	333	**285**	249	**174**	244	**877**	826

	Company	
	Tax losses	
	2013	2012
	HK$M	HK$M
At 1st January	**6**	–
Credited to statement of profit or loss	**7**	6
At 31st December	**13**	6

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	2012 (Restated)	2013	2012 (Restated)
	HK$M	HK$M	HK$M	HK$M
Deferred tax assets:				
– To be recovered after more than 12 months	**(396)**	(412)	**(13)**	(6)
– To be recovered within 12 months	**(171)**	(143)	**–**	–
	(567)	(555)	**(13)**	(6)
Deferred tax liabilities:				
– To be settled after more than 12 months	**6,253**	5,668	**27**	18
– To be settled within 12 months	**104**	5	**–**	–
	6,357	5,673	**27**	18
	5,790	5,118	**14**	12

31. Retirement Benefits

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

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

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

Accounting Policy

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

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

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

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

The majority of the Group's schemes are final salary guaranteed lump sum defined benefit plans.

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued annually by qualified actuaries for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. For the year ended 31st December 2013, the funding level was 117% (2012: 110%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$202 million to its defined benefit schemes in 2014.

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 at 31st December 2013 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the United States and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the United States. The plan is unfunded. The method of accounting and the frequency of valuations are similar to those used for defined benefit schemes.

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.

31. Retirement Benefits (continued)

	2013			
	Group			Company
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M
Present value of funded obligations	**4,721**	**–**	**4,721**	**120**
Fair value of plan assets	**(4,648)**	**–**	**(4,648)**	**(206)**
	73	**–**	**73**	**(86)**
Present value of unfunded obligations	**–**	**43**	**43**	**–**
Net retirement benefit liabilities/(assets)	**73**	**43**	**116**	**(86)**
Represented by:				
Retirement benefit assets	**(429)**	**–**	**(429)**	**(86)**
Retirement benefit liabilities	**502**	**43**	**545**	**–**
	73	**43**	**116**	**(86)**

	2012 (Restated)			
	Group			Company
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M
Present value of funded obligations	4,997	–	4,997	119
Fair value of plan assets	(4,441)	–	(4,441)	(190)
	556	–	556	(71)
Present value of unfunded obligations	–	50	50	–
Net retirement benefit liabilities/(assets)	556	50	606	(71)
Represented by:				
Retirement benefit assets	(210)	–	(210)	(71)
Retirement benefit liabilities	766	50	816	–
	556	50	606	(71)

Changes in the present value of the defined benefit obligation are as follows:

	Group				Company	
	Defined benefit plans		Other post-employment benefits		Defined benefit plan	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
At 1st January	**4,997**	4,619	**50**	50	**119**	97
Translation differences	**(7)**	9	**–**	–	**–**	–
Transfer of members	**2**	–	**–**	–	**1**	2
Current service cost	**261**	249	**1**	1	**8**	8
Interest expense	**163**	174	**2**	2	**4**	4
Actuarial losses/(gains) from changes in:						
demographic assumptions	**20**	(13)	**–**	–	**–**	–
financial assumptions	**(505)**	279	**(6)**	(2)	**(11)**	8
Experience losses/(gains)	**73**	29	**(2)**	–	**–**	4
Employee contributions	**1**	2	**1**	1	**–**	–
Benefits paid	**(284)**	(351)	**(3)**	(2)	**(1)**	(4)
At 31st December	**4,721**	4,997	**43**	50	**120**	119

The weighted average duration of the defined benefit obligation is 11.4 years (2012: 12.2 years).

31. Retirement Benefits (continued)

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

	Group		Company	
	Defined benefit plans		Defined benefit plan	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
At 1st January	**4,441**	4,076	**190**	169
Translation differences	**1**	(1)	**–**	–
Transfer of members	**2**	–	**1**	2
Interest income	**150**	162	**6**	7
Return on plan assets, excluding interest income	**149**	361	**10**	16
Contributions by employer	**188**	192	**–**	–
Employee contributions	**1**	2	**–**	–
Benefits paid	**(284)**	(351)	**(1)**	(4)
At 31st December	**4,648**	4,441	**206**	190

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

Net expenses recognised in the statement of profit or loss are as follows:

	Group					
	2013			2012 (Restated)		
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M
Current service cost	**261**	**1**	**262**	249	1	250
Net interest cost	**13**	**2**	**15**	12	2	14
	274	**3**	**277**	261	3	264

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

Total retirement benefit costs charged to the statement of profit or loss for the year ended 31st December 2013 amounted to HK$481 million (2012: HK$418 million as restated), including HK$204 million (2012: HK$154 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was HK$299 million (2012: HK$523 million).

The plan assets are invested in the Swire Group Unitised Trust ("the Trust"). The Trust has three sub-funds in which the assets are invested in accordance with separate and distinct investment policies and objectives. The Trust and sub-funds are overseen by an investment committee, which meets four times a year.

The make-up of the Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities, bonds and absolute return funds.

31. Retirement Benefits (continued)

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	2012
	HK$M	HK$M
Equities		
Asia Pacific	**557**	561
Europe	**316**	301
North America	**779**	708
Emerging markets	**573**	527
Bonds		
Global	**1,648**	1,867
Emerging markets	**466**	236
Absolute return funds	**112**	52
Cash	**197**	189
	4,648	4,441

At 31st December 2013, the prices of 100% of equities and 82% 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 loss and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the investment managers appointed. Investment managers enter into agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark and the predicted tracking error around this benchmark. The Group's investment committee monitors the overall market risk position on a quarterly basis.

The significant actuarial assumptions used are as follows:

	Group					
	Defined benefit plans				Other post-employment benefits	
	2013		2012		2013	2012
	Hong Kong %	Others %	Hong Kong %	Others %	USA %	USA %
Discount rate	**4.27**	**1.75-5.00**	3.32	1.40-4.46	**4.75**	4.46
Expected rate of future salary increases	**4.00**	**2.50-4.12**	3.50-4.61	2.50-4.12	**N/A**	N/A
Expected rate of increase in cost of covered health care benefits	**N/A**	**N/A**	N/A	N/A	**7.50**	7.50

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

	Group		
	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
Discount rate	0.50%	(262)	283
Expected rate of future salary increases	0.50%	235	(221)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the statement of financial position.

32. Share Capital

	Company				
	'A' shares of HK$0.60 each	'B' shares of HK$0.12 each	'A' shares HK$M	'B' shares HK$M	Total HK$M
Authorised:					
At 31st December 2013 and 2012	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 31st December 2013 and 2012	905,578,500	2,995,220,000	543	360	903

During the year, the Company did not purchase, sell or redeem any of its shares.

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion five to one. This has not changed following the abolition of nominal value by the Companies Ordinance (Cap.662), which came into effect on 3rd March 2014. The effect of paragraph 40 of Schedule 11 to that Ordinance is to preserve the rights attaching to the Company's 'A' shares and 'B' shares as if they still had their nominal values.

33. Reserves

Group	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2012									
as originally stated		221,209	342	49	1,650	435	(706)	3,677	226,656
impact of change in accounting policy		(1,181)	–	–	–	–	–	2	(1,179)
as restated		220,028	342	49	1,650	435	(706)	3,679	225,477
Profit for the year		17,410	–	–	–	–	–	–	17,410
Other comprehensive income									
Defined benefit plans									
– remeasurement gains recognised during the year		60	–	–	–	–	–	–	60
– deferred tax		(17)	–	–	–	–	–	–	(17)
Cash flow hedges									
– recognised during the year		–	–	–	–	–	106	–	106
– transferred to net finance charges		–	–	–	–	–	(19)	–	(19)
– transferred to operating profit – exchange differences		–	–	–	–	–	33	–	33
– transferred to initial cost of non-financial assets		–	–	–	–	–	(56)	–	(56)
– deferred tax		–	–	–	–	–	10	–	10
Net fair value gains on available-for-sale assets		–	–	–	–	153	–	–	153
Revaluation of property previously occupied by the Group									
– gains recognised during the year		–	–	–	44	–	–	–	44
– deferred tax		–	–	–	(8)	–	–	–	(8)
Share of other comprehensive income of joint venture and associated companies		35	–	–	–	17	737	93	882
Net translation differences on foreign operations		–	–	–	–	–	–	174	174
Total comprehensive income for the year		17,488	–	–	36	170	811	267	18,772
Change in composition of the Group		3	–	–	–	–	–	–	3
Recognition of put options over non-controlling interests in subsidiary companies		(58)	–	–	–	–	–	–	(58)
2011 second interim dividend	12	(3,536)	–	–	–	–	–	–	(3,536)
2012 first interim dividend	12	(1,505)	–	–	–	–	–	–	(1,505)
Special interim dividend by way of a distribution in specie	12	(31,589)	–	–	–	–	–	–	(31,589)
At 31st December 2012		200,831	342	49	1,686	605	105	3,946	207,564

33. Reserves (continued)

Group	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2013									
as originally stated		202,007	342	49	1,686	605	105	3,944	208,738
impact of change in accounting policy		(1,176)	–	–	–	–	–	2	(1,174)
as restated		200,831	342	49	1,686	605	105	3,946	207,564
Profit for the year		13,291	–	–	–	–	–	–	13,291
Other comprehensive income									
Defined benefit plans									
– remeasurement gains recognised during the year		485	–	–	–	–	–	–	485
– deferred tax		(125)	–	–	–	–	–	–	(125)
Cash flow hedges									
– recognised during the year		–	–	–	–	–	2	–	2
– transferred to net finance charges		–	–	–	–	–	(109)	–	(109)
– transferred to operating profit – exchange differences		–	–	–	–	–	(4)	–	(4)
– transferred to initial cost of non-financial assets		–	–	–	–	–	4	–	4
– deferred tax		–	–	–	–	–	10	–	10
Net fair value gains on available-for-sale assets		–	–	–	–	252	–	–	252
Revaluation of property previously occupied by the Group									
– gains recognised during the year		–	–	–	293	–	–	–	293
– deferred tax		–	–	–	(12)	–	–	–	(12)
Share of other comprehensive income of joint venture and associated companies		485	–	–	–	27	1,509	498	2,519
Net translation differences on foreign operations		–	–	–	–	–	–	509	509
Total comprehensive income for the year		14,136	–	–	281	279	1,412	1,007	17,115
Change in composition of the Group		(19)	–	–	–	–	–	–	(19)
2012 second interim dividend	12	(3,761)	–	–	–	–	–	–	(3,761)
2013 first interim dividend	12	(1,505)	–	–	–	–	–	–	(1,505)
At 31st December 2013		209,682	342	49	1,967	884	1,517	4,953	219,394

33. Reserves (continued)

Company	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
At 1st January 2012						
as originally stated		18,399	342	49	(24)	18,766
impact of change in accounting policy		(35)	–	–	–	(35)
as restated		18,364	342	49	(24)	18,731
Profit for the year	11	5,591	–	–	–	5,591
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		4	–	–	–	4
– deferred tax		(1)	–	–	–	(1)
Net fair value gains on available-for-sale assets		–	–	–	40	40
Total comprehensive income for the year		5,594	–	–	40	5,634
2011 second interim dividend	12	(3,536)	–	–	–	(3,536)
2012 first interim dividend	12	(1,505)	–	–	–	(1,505)
Special interim dividend by way of a distribution in specie		(2,050)	–	–	–	(2,050)
At 31st December 2012		16,867	342	49	16	17,274
At 1st January 2013						
as originally stated		**16,902**	**342**	**49**	**16**	**17,309**
impact of change in accounting policy		**(35)**	**–**	**–**	**–**	**(35)**
as restated		**16,867**	**342**	**49**	**16**	**17,274**
Profit for the year	11	**2,296**	**–**	**–**	**–**	**2,296**
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		**21**	**–**	**–**	**–**	**21**
– deferred tax		**(3)**	**–**	**–**	**–**	**(3)**
Net fair value losses on available-for-sale assets		**–**	**–**	**–**	**(10)**	**(10)**
Total comprehensive income for the year		**2,314**	**–**	**–**	**(10)**	**2,304**
2012 second interim dividend	12	**(3,761)**	**–**	**–**	**–**	**(3,761)**
2013 first interim dividend	12	**(1,505)**	**–**	**–**	**–**	**(1,505)**
At 31st December 2013		**13,915**	**342**	**49**	**6**	**14,312**

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$2,319 million (2012: HK$1,416 million, as restated) and retained revenue reserves from associated companies amounting to HK$22,428 million (2012: HK$20,973 million, as restated).

(b) Distributable reserves of the Company at 31st December 2013 amounted to HK$11,012 million (2012: HK$13,668 million).

(c) The Group and Company revenue reserves include HK$3,761 million (2012: HK$3,761 million) representing the declared second interim dividend for the year (note 12).

34. Non-controlling Interests

	Note	Group 2013 HK$M	Group 2012 HK$M
At 1st January			
as originally stated		**39,693**	4,917
impact of change in accounting policy		**222**	221
as restated		**39,915**	5,138
Share of profits less losses for the year		**2,747**	4,034
Defined benefit plans			
– remeasurement gains recognised during the year		**84**	7
– deferred tax		**(14)**	(1)
Share of cash flow hedges			
– recognised during the year		**2**	(14)
– deferred tax		**–**	3
Share of revaluation of property previously occupied by the Group			
– gains recognised during the year		**64**	10
– deferred tax		**(3)**	(1)
Share of other comprehensive income of joint venture and associated companies		**62**	9
Share of translation differences on foreign operations		**166**	41
Share of total comprehensive income		**3,108**	4,088
Dividends paid and payable		**(855)**	(990)
Special interim dividend by way of a distribution in specie	12	**–**	31,589
Acquisition of non-controlling interests in subsidiary companies		**23**	(1)
Disposal of non-controlling interests in subsidiary companies		**–**	12
Capital contribution from non-controlling interests		**20**	97
Recognition of a put option over a non-controlling interest in a subsidiary company		**–**	(18)
At 31st December		**42,211**	39,915

35. Capital Commitments

	Group 2013 HK$M	Group 2012 (Restated) HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**9,190**	8,291
Authorised by Directors but not contracted for	**5,097**	3,182
(b) Investment properties		
Contracted for	**2,069**	1,648
Authorised by Directors but not contracted for	**17,712**	7,064
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**3,142**	1,799
Authorised by Directors but not contracted for	**6,395**	4,898
	9,537	6,697

* of which the Group is committed to funding HK$4,383 million (2012: HK$818 million).

The Company had no commitments at 31st December 2013 (2012: HK$48 million in respect of investment properties).

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).

36. 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 the fee income earned in the statement of profit or loss on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the statement of profit or loss.

	Group		Company	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
(a) Guarantees provided in respect of bank loans and other liabilities of:				
Subsidiary companies	**–**	–	**37,592**	32,858
Joint venture companies	**1,131**	1,107	**569**	1,039
	1,131	1,107	**38,161**	33,897

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 statement of financial position.

(b) Cathay Pacific Airways

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions and continues to defend itself vigorously except as otherwise noted below. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

In 2006 the Competition Bureau of Canada (the “Bureau”) commenced a non-public investigation of Cathay Pacific’s air cargo operations. On 20th June 2013, pursuant to a plea agreement entered into by Cathay Pacific and the Bureau, the Ontario Superior Court of Justice accepted Cathay Pacific’s plea of guilty with respect to certain violations of the Canadian Competition Act relating to a NavCan surcharge. Pursuant to the plea agreement and the Court’s judgment, Cathay Pacific agreed to pay a fine of CAD$1.5 million (approximately HK$11.21 million at the exchange rate current when the judgment was entered). Cathay Pacific has satisfied the judgment.

In December 2008, Cathay Pacific received a statement of claim, since amended, from the New Zealand Commerce Commission (“NZCC”) with regard to Cathay Pacific’s air cargo operations. Agreement was reached between Cathay Pacific and the NZCC to settle the allegations which arose out of the amended statement of claim. Under the settlement, which was approved by the High Court of New Zealand, Cathay Pacific pleaded guilty to certain violations of the Commerce Act 1986 and agreed to make a payment of NZ$4.56 million (approximately HK$29.95 million at the exchange rate current when the judgment was entered), made up of a penalty of NZ$4.30 million and a contribution of NZ$0.26 million to the legal costs of the NZCC. Cathay Pacific satisfied the judgment in April 2013.

36. Provisions and Contingencies (continued)

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of €57.12 million (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. In January 2011, Cathay Pacific filed an appeal with the General Court of the European Union. The appeal is currently pending.

Cathay Pacific has been named as a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, the United Kingdom, the Netherlands, Norway and Australia alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending these actions, except as noted below.

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege Cathay Pacific and other carriers that provide air cargo services fixed the prices of various air cargo charges and surcharges in violation of United States federal and state antitrust laws, and certain foreign competition laws. Those cases have been consolidated into one case for all pre-trial purposes, *In re Air Cargo Shipping Services Antitrust Litigation*, MDL No. 1775, EDNY. Damages are demanded, but the amounts are not specified. Cathay Pacific has reached an agreement to settle this matter in February 2014, by paying the plaintiffs US$65 million (approximately HK$504 million at the exchange rate current at date of payment). The settlement, which is subject to Court approval, will resolve claims against all putative class members who choose not to opt out of the agreement.

The proceedings and civil actions, except as otherwise stated above, are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the accounting policy set out above in this note.

37. Leases

Accounting Policy

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

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

37. Leases (continued)

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

(a) Lessor

The Group leases out land and buildings and vessels under operating leases. The leases for land and buildings typically run for periods of three to six years. The retail turnover-related rental income received during the year amounted to HK$456 million (2012: HK$523 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease after that date, at which time all terms are renegotiated.

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

	Group		Company	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Land and buildings:				
Not later than one year	**7,444**	6,776	**24**	–
Later than one year but not later than five years	**15,743**	14,313	**61**	–
Later than five years	**2,574**	2,257	**–**	–
	25,761	23,346	**85**	–
Vessels:				
Not later than one year	**3,610**	3,496		
Later than one year but not later than five years	**6,375**	5,626		
Later than five years	**2,592**	3,625		
	12,577	12,747		
	38,338	36,093		

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

	Group				Company	
	2013		2012		2013	2012
	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Investment properties HK$M
Cost or fair value	**195,533**	**19,458**	192,991	15,055	**4,100**	4,396
Less: accumulated depreciation	**–**	**(3,697)**	–	(3,074)	**–**	–
	195,533	**15,761**	192,991	11,981	**4,100**	4,396
Depreciation for the year	**–**	**871**	–	539	**–**	–

37. Leases (continued)

(b) Lessee

The Group leases land and buildings, vessels and other equipment under operating leases. These leases typically run for an initial period of one to nine years with an option to renew the lease after that date, at which time all terms are renegotiated. The retail turnover-related rentals paid during the year amounted to HK$38 million (2012: HK$34 million).

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

	Group		Company	
	2013	2012 (Restated)	2013	2012
	HK$M	HK$M	HK$M	HK$M
Land and buildings:				
Not later than one year	**725**	629	**12**	6
Later than one year but not later than five years	**1,219**	1,103	**15**	5
Later than five years	**2,750**	2,851	**–**	–
	4,694	4,583	**27**	11
Vessels:				
Not later than one year	**135**	135		
Later than one year but not later than five years	**437**	502		
Later than five years	**201**	272		
	773	909		
Other equipment:				
Not later than one year	**21**	18		
	5,488	5,510		

At 31st December 2013, the Group had no significant plant and equipment under finance leases.

38. 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 are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements, which commenced on 1st January 2011 for a period of three years, expired on 31st December 2013. The Services Agreements were 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$287 million (2012: HK$296 million). Expenses of HK$177 million (2012: HK$170 million) were reimbursed at cost; in addition, HK$270 million (2012: HK$293 million) in respect of shared administrative services was reimbursed.

38. Related Party Transactions (continued)

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between the Company and JSSHK dated 5th August 2010, 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$86 million (2012: HK$73 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), 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 and the JSSHK 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.

		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
		2013	2012 (Restated)	2013	2012 (Restated)	2013	2012	2013	2012
	Notes	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Revenue from	(a)								
– Sales of beverage drinks		**6**	3	**16**	19	**–**	–	**–**	–
– Rendering of services		**1**	1	**4**	8	**4**	2	**–**	–
– Aircraft and engine maintenance		**42**	54	**2,691**	2,447	**–**	–	**–**	–
Purchase of beverage drinks	(a)	**51**	108	**2,286**	1,794	**–**	–	**–**	–
Purchase of other goods	(a)	**4**	4	**9**	17	**–**	–	**–**	–
Purchase of services	(a)	**27**	22	**12**	19	**47**	35	**–**	–
Rental revenue	(b)	**5**	5	**8**	9	**14**	13	**72**	60
Interest income	(c)	**35**	23	**–**	–	**–**	–	**–**	–
Interest charges	(c)	**9**	4	**–**	–	**–**	–	**–**	–

Notes:
(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.
(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
(c) Loans advanced to joint venture and associated companies at 31st December 2013 are disclosed in note 19. Advances to and from joint venture companies are disclosed in notes 25 and 27.

Amounts due to the immediate holding company at 31st December 2013 are disclosed in note 27. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management is disclosed in note 8.

39. Notes to the Consolidated Statement of Cash Flows

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

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Operating profit	**16,686**	23,487
Profit on sale of property, plant and equipment	**(95)**	(22)
Profit on sale of investment properties	**–**	(66)
Change in fair value of investment properties	**(5,845)**	(12,147)
Depreciation	**2,294**	1,846
Amortisation	**195**	179
Impairment losses recognised	**45**	64
Other items	**157**	131
Operating profit before working capital changes	**13,437**	13,472
Increase in long-term receivables	**(4)**	(11)
(Increase)/decrease in properties for sale	**(1,314)**	83
Decrease/(increase) in stocks and work in progress	**1,022**	(485)
Increase in trade and other receivables	**(280)**	(1,900)
Increase/(decrease) in trade and other payables	**1,440**	(330)
Cash generated from operations	**14,301**	10,829

(b) Purchase of property, plant and equipment

	Group	
	2013	2012 (Restated)
	HK$M	HK$M
Properties	**626**	610
Leasehold land and land use rights	**101**	60
Plant and machinery	**1,464**	1,363
Vessels	**4,194**	5,499
Total	**6,385**	7,532

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

(c) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2013	2012	2013	2012
	HK$M	HK$M	HK$M	HK$M
At 1st January				
as originally stated	**50,664**	39,650	**39,693**	4,917
impact of change in accounting policy	**(294)**	154	**222**	221
as restated	**50,370**	39,804	**39,915**	5,138
Net cash inflow from financing	**11,157**	9,878	**20**	97
Change in composition of the Group	**–**	585	**–**	–
Acquisition of non-controlling interests in subsidiary companies	**–**	–	**23**	(1)
Disposal of non-controlling interests in subsidiary companies	**–**	–	**–**	12
Non-controlling interests' share of total comprehensive income	**–**	–	**3,108**	4,088
Dividends paid to non-controlling interests	**–**	–	**(857)**	(1,023)
Dividends payable to non-controlling interests	**–**	–	**2**	33
Special interim dividend by way of a distribution in specie	**–**	–	**–**	31,589
Recognition of a put option over non-controlling interest in a subsidiary company	**–**	–	**–**	(18)
Other non-cash movements	**317**	103	**–**	–
At 31st December	**61,844**	50,370	**42,211**	39,915

40. Events after the Reporting Period

In October 2013, a wholly owned subsidiary of HAECO entered into a stock purchase agreement (the “Acquisition Agreement”) with TAS Management, LLC (“TASM”). Under the Acquisition Agreement, the subsidiary conditionally agreed to acquire and TASM conditionally agreed to sell all the outstanding shares in TIMCO Aviation Services, Inc. (“TIMCO”). TIMCO is a Delaware corporation based in the United States which provides aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing. The acquisition was completed on 6th February 2014 for a total consideration of HK$2,887 million. If the acquisition had occurred on 1st January 2013, the HAECO group’s consolidated revenue and consolidated net profit for the year ended 31st December 2013 would have been, on a pro-forma basis, HK$10,364 million and HK$724 million respectively. TIMCO’s identifiable net assets as at 31st December 2013 were HK$1,459 million.

In January 2014, Swire Properties acquired 50% of DCH Commercial Centre, an office building with a gross floor area of approximately 389,000 sq. ft. in Quarry Bay, Hong Kong.

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

In February 2014, Swire Properties’ acquisition of a 20% interest in 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, Swire Properties entered into an agreement 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 to be completed on or before 30th December 2016. The acquisition will allow Swire Properties to proceed with the redevelopment of three existing techno-centres in TaiKoo Place into two Grade-A office buildings.

In February 2014, the company which owns an industrial site at 8-10 Wong Chuk Hang Road in Aberdeen, Hong Kong (in which Swire Properties has a 50% interest) agreed with the 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.

41. Immediate and Ultimate Holding Company

The immediate holding company is John Swire & Sons (H.K.) Limited, a company incorporated in Hong Kong.

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