

PROPERTY DIVISION

TRANSFORMING URBAN AREAS

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





OVERVIEW OF THE BUSINESS

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

Property Investment

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

Hotel Investment

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

Property Trading

Swire Properties' trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), two residential towers under development at the Brickell City Centre development in Miami, a completed office property (Pinnacle One) at the Daci Temple project in Chengdu and the remaining units at completed residential developments. These completed developments include the ARGENTA, AZURA, DUNBAR PLACE and MOUNT PARKER RESIDENCES developments in Hong Kong. There are also land banks in Miami and Fort Lauderdale in Florida in the USA.

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

Particulars of the Group's key properties are set out on pages 235 to 243.

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

Location	At 31st December 2014						At 31st December 2013
	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,451*	12	–	63	–	5,526	5,257
Cityplaza	1,633	1,105	200	–	–	2,938	2,938
Others	410	608	47	87	–	1,152	1,163
– Hong Kong	9,680	2,436	743	593	–	13,452	13,194
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	298	470	179	–	–	947	947
Daci Temple	–	613	–	–	–	613	–
Others	–	91	–	–	–	91	91
– Mainland China	2,030	3,943	932	52	–	6,957	6,344
– USA	–	–	259	–	–	259	259
– UK	–	–	208	–	–	208	208
Total completed	11,710	6,379	2,142	645	–	20,876	20,005
Under and pending development							
– Hong Kong	1,766	–	–	–	92	1,858	1,722
– Mainland China	926	539	377	54	–	1,896	2,454
– USA	260	490	218	109	1,300	2,377	2,452
Total	14,662	7,408	2,737	808	1,392	27,007	26,633

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies. A schedule of the principal properties of the Group and its joint venture and associated companies is given on pages 235 to 243.

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

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

STRATEGY

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

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

2014 PERFORMANCE

Financial Highlights

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

* Other revenue is mainly estate management fees.

Sustainable Development Highlights

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

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

Reconciliation of Attributable to Underlying Profit

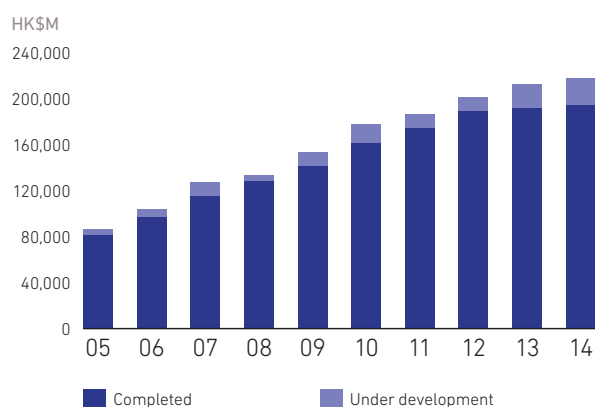
Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions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

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

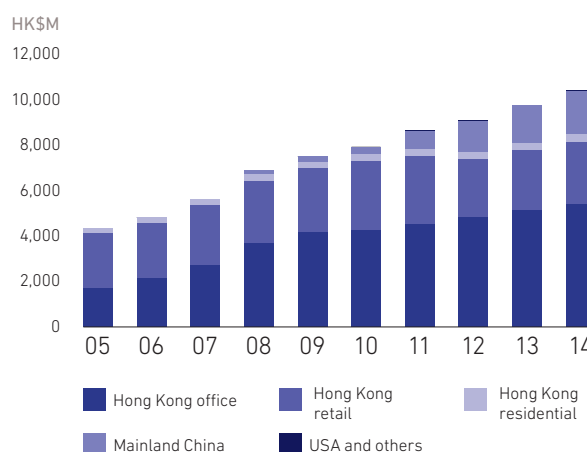
Notes:

- (a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture and associated companies.
(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

Valuation of Investment Properties



Gross Rental Income



PROPERTY INDUSTRY BACKGROUND

Office and Retail

Hong Kong OFFICE

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

RETAIL

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

Mainland China OFFICE

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

RETAIL

Overall, retail sales in Guangzhou and Beijing increased by 11% and 19% respectively. Sales of mid-priced products

were strong and rents increased as limited space was available at prime locations. However, retailers of luxury goods were cautious about taking more space because of weak sales.

Property Sales Markets

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

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

2014 RESULTS SUMMARY

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

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

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

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

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

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



KEY CHANGES TO THE PROPERTY PORTFOLIO

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

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

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

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

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

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

INVESTMENT PROPERTIES

Hong Kong

OFFICE

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

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

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

Pacific Place

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

Cityplaza

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

Taikoo Place

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

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

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

Others

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

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

RETAIL

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

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

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

RESIDENTIAL

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

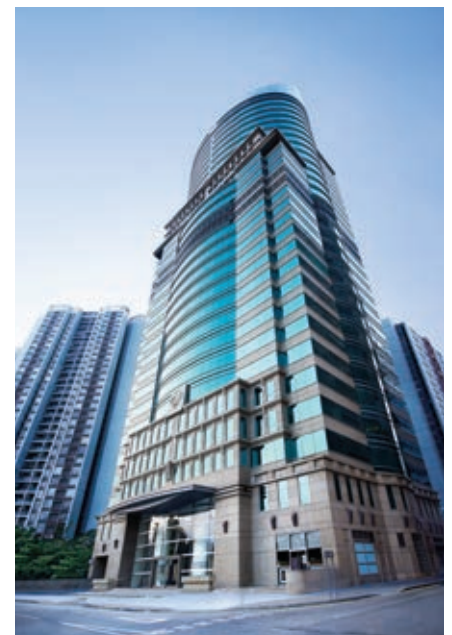
TAIKOO PLACE APARTMENTS is expected to open in the third quarter of 2015. The development comprises 111 serviced apartments with a gross floor area of approximately 63,000 square feet.

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



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

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



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

INVESTMENT PROPERTIES UNDER DEVELOPMENT

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

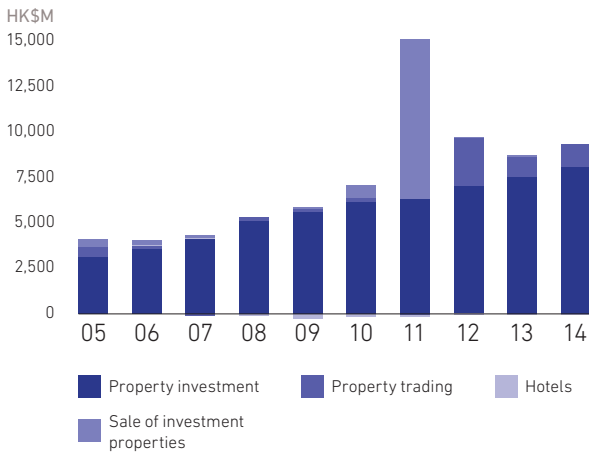
The commercial site (New Kowloon Inland Lot No. 6312) at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate gross floor area of approximately 555,000 square feet. Excavation and foundation works are proceeding. The development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

Somerset House in Taikoo Place has been demolished and will be redeveloped into a 50-storey office building with a gross floor area of approximately 1,020,000 square

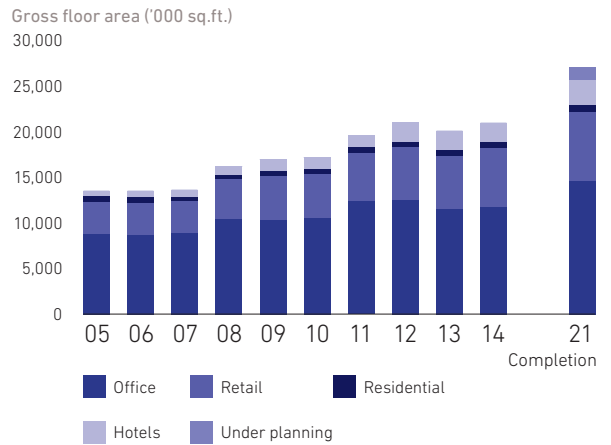
feet. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building) is being planned. The redevelopment will include a landscaped square of approximately 69,000 square feet.

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

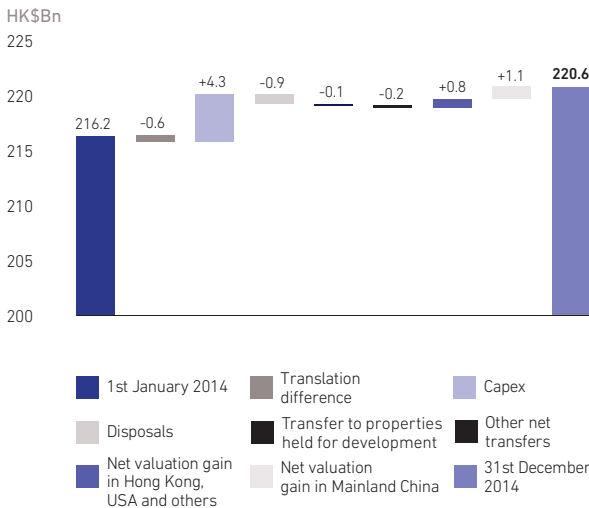
Underlying Operating Profit



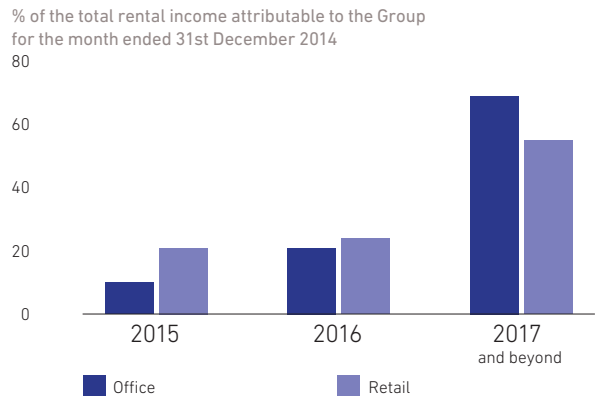
Completed Property Investment Portfolio



Movement in Investment Properties



Hong Kong Lease Expiry Profile – at 31st December 2014





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

Mainland China

Swire Properties owns and manages four developments in Mainland China.

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

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

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

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

RETAIL

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

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

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

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

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

OFFICE

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

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



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

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



Computer rendering of Brickell City Centre

INVESTMENT PROPERTIES UNDER DEVELOPMENT

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

USA

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

Phase I of the development consists of a shopping centre, a hotel and serviced apartments (to be operated by EAST), two office buildings and two residential towers. At 31st December 2014, Swire Properties owned 100% of the office, hotel and residential portions and 86.5% of the retail portion of the development,

with a 13.5% interest in the retail portion being owned by Bal Harbour Shops. Bal Harbour Shops has an option, exercisable from the fifth anniversary of the grand opening date of the retail portion of the development, to sell its interest to Swire Properties. The residential towers are being developed for sale. Construction work on Phase I commenced in 2012, with completion scheduled by the end of 2015. A light rail system station within the site is being renovated as part of the development.

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

VALUATION OF INVESTMENT PROPERTIES

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

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

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

Audited Financial Information

Investment Properties

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

Geographical Analysis of Investment Properties

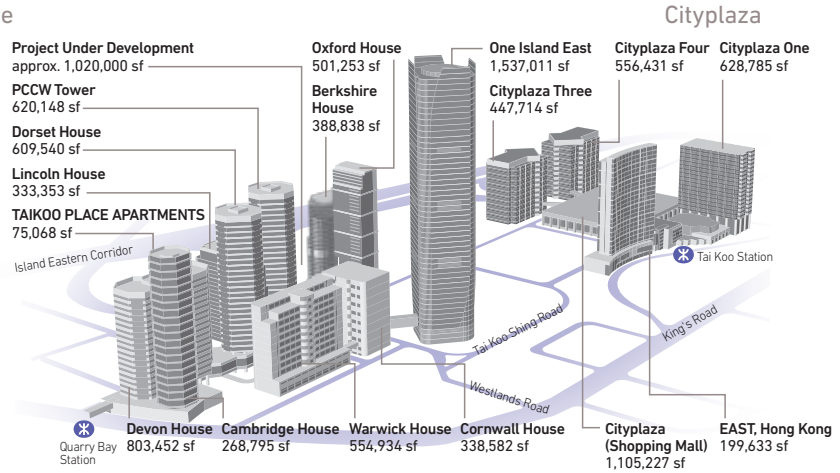
	Group		Company	
	2014 HK\$M	2013 HK\$M	2014 HK\$M	2013 HK\$M
Held in Hong Kong				
On medium-term leases (10 to 50 years)	29,785	29,349	–	–
On long-term leases (over 50 years)	162,535	160,795	3,218	4,100
	192,320	190,144	3,218	4,100
Held in Mainland China				
On medium-term leases (10 to 50 years)	25,077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

Notes:

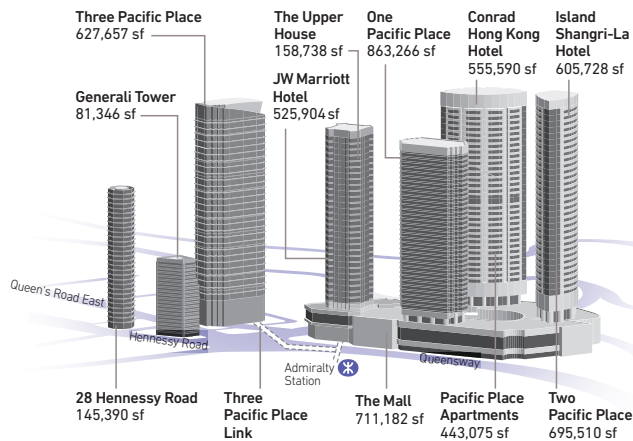
- The Group figures in the table above comprise investment properties owned by Swire Properties and a small number of properties owned by Swire Pacific which are managed by Swire Properties. The Company figures represent those investment properties owned directly by Swire Pacific.
- Fair value gains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

HONG KONG

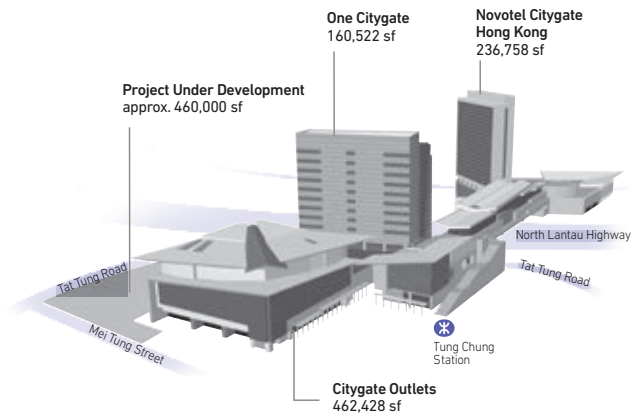
Taikoo Place



Pacific Place



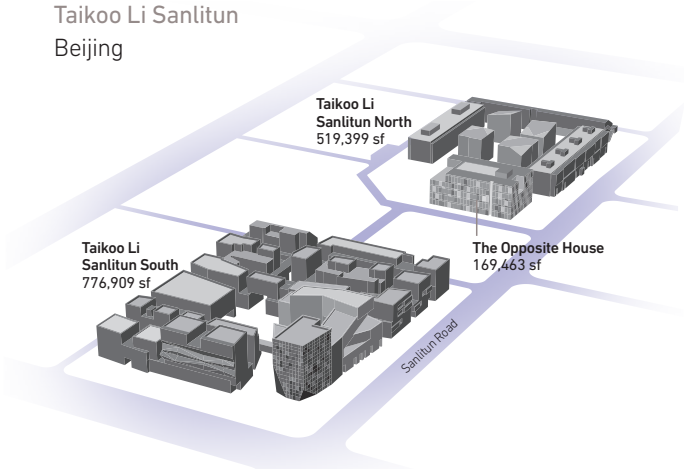
Citygate



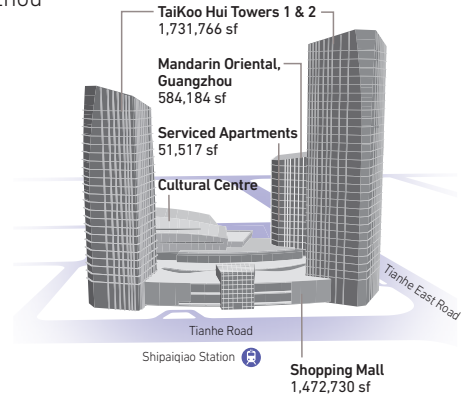
Note: These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 235 to 243.

MAINLAND CHINA

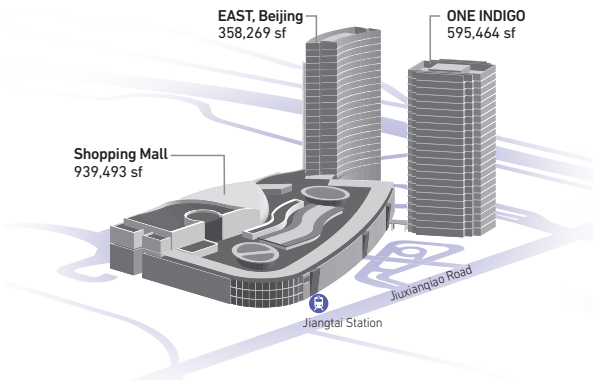
Taikoo Li Sanlitun
Beijing



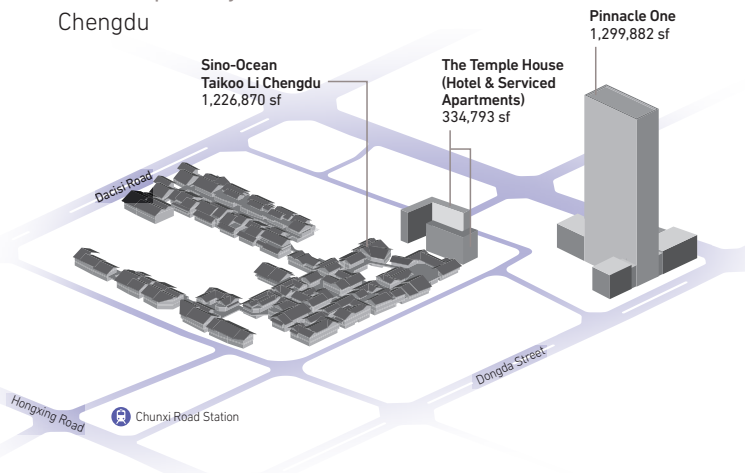
TaiKoo Hui
Guangzhou



INDIGO
Beijing

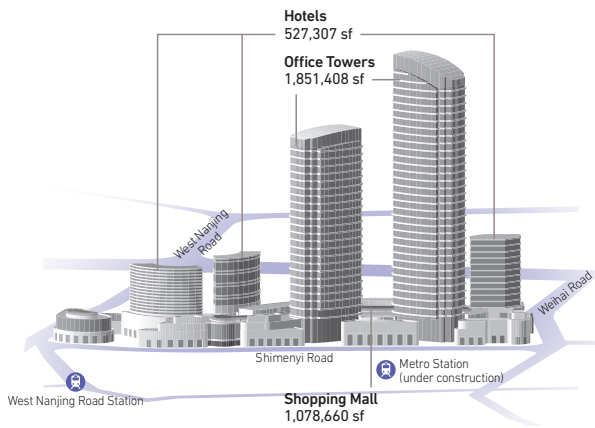


Daci Temple Project
Chengdu

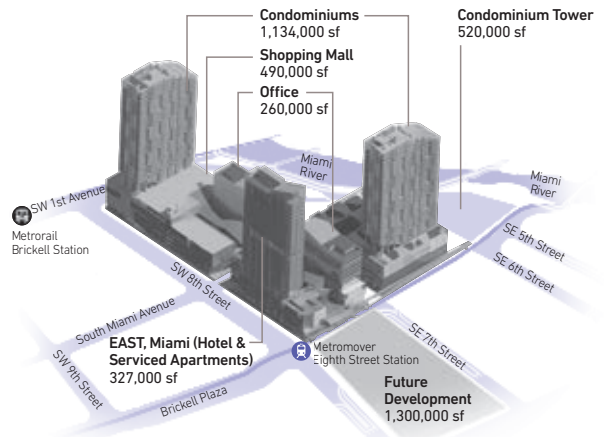


PROJECTS UNDER DEVELOPMENT

Dazhongli Project
Shanghai, Mainland China



Brickell City Centre
Miami, Florida, USA



HOTELS

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

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

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

CAPITAL EXPENDITURE AND COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

Capital expenditure in 2014 on Hong Kong investment properties and hotels,

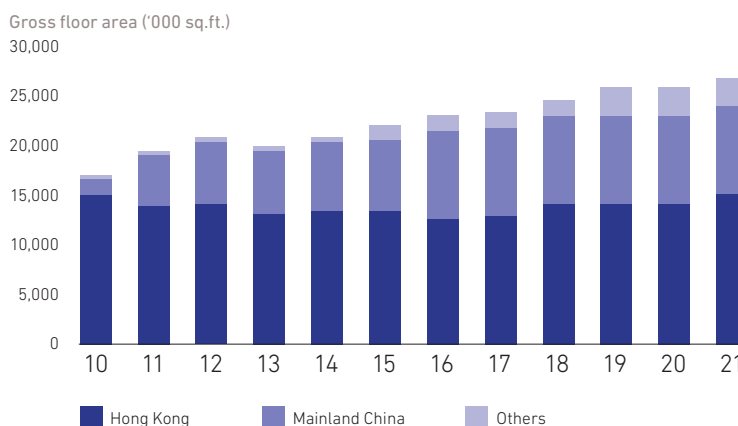
including the Group's share of the capital expenditure of joint venture companies, was HK\$4,657 million (2013: HK\$4,359 million). Outstanding capital commitments at 31st December 2014 were HK\$17,497 million (31st December 2013: HK\$20,291 million), including the Group's share of capital commitments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

Capital expenditure in 2014 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture

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

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

Completed Property Investment Portfolio



Profile of Capital Commitments for Investment Properties and Hotels

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

* The capital commitments represent 100% of the Group's capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies. The Group is committed to funding HK\$2,634 million of the capital commitments of joint venture companies.



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

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

SUSTAINABLE DEVELOPMENT

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

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

PROPERTY TRADING

Hong Kong

RESIDENTIAL DEVELOPMENTS IN MID-LEVELS WEST

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

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

The ARGENTA development was completed in 2013. At 17th March 2015,

27 out of the 30 units had been sold. The profit from the sale of 15 units was recognised in 2014. ARGENTA is wholly-owned by Swire Properties.

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

Superstructure work is in progress at 100 Caine Road (formerly known as 2 Castle Road) and the development is expected to be completed in 2016 and available for handover to purchasers in 2017. The development consists of a 50-storey tower of 197 residential units and 43 car parking spaces. The development is wholly-owned by Swire Properties.

MOUNT PARKER RESIDENCES, QUARRY BAY

Swire Properties has an 80% interest in MOUNT PARKER RESIDENCES, a

residential development in Quarry Bay. The development was completed in April 2014 and handover to purchasers commenced in May 2014. 86 of the 92 units had been sold at 17th March 2015. The profit from the sale of 82 units was recognised in 2014.

DUNBAR PLACE, HO MAN TIN

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

160 SOUTH LANTAU ROAD, CHEUNG SHA

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

Audited Financial Information

Property Trading Portfolio at Cost

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

Mainland China

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

USA

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

Swire Properties started to sell units in Reach (the north tower) in June 2014 and units in Rise (the west tower) in November 2014. 304 units in Reach and 65 units in Rise had been sold at 17th March 2015.

22 of the buyers had unexpired statutory rights of rescission. The development is expected to be completed and available for handover to purchasers from late 2015.

OUTLOOK

Office and Retail

Hong Kong

OFFICE

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

RETAIL

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

Mainland China

RETAIL

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



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

OFFICE

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

Hotels

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

Property Trading

Hong Kong

In Hong Kong, there is demand for luxury residential properties but there are not many transactions. Profits from property trading are still expected to be significant in 2015, with the completion of

the sale of pre-sold units in the AREZZO development, the sales of completed houses at the 160 South Lantau Road development and sales of remaining units at other completed residential developments.

Mainland China

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

USA

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

Guy Bradley