Notes to the Financial Statements

General Information

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

1. Changes in Accounting Standards

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

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

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

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

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

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

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

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

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

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

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

1. Changes in Accounting Standards (continued)

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

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

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

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

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

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

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

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

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

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 122 to 123 under the heading "Audited Financial Information".

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

	100 basis-points increase in interest rates HK$M	100 basis-points decrease in interest rates HK$M
At 31st December 2014		
Impact on profit or loss: (loss)/gain	**(151)**	**151**
Impact on other comprehensive income: gain/(loss)	**59**	**(67)**
At 31st December 2013		
Impact on profit or loss: (loss)/gain	(139)	139
Impact on other comprehensive income: gain/(loss)	63	(100)

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

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

Currency exposure
The impact on the Group's profit or loss and other comprehensive income of a strengthening or weakening in the Hong Kong dollar against the US dollar from the year-end rate of 7.756 (2013: 7.754), with all other variables held constant, would have been:

	Strengthening in HK$ to lower peg limit (7.750) HK$M	Weakening in HK$ to upper peg limit (7.850) HK$M
At 31st December 2014		
Impact on profit or loss: gain/(loss)	**4**	**(161)**
Impact on other comprehensive income: gain	**2**	**39**
At 31st December 2013		
Impact on profit or loss: gain/(loss)	7	(127)
Impact on other comprehensive income: (loss)/gain	(2)	40

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

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

2. Financial Risk Management (continued)

Liquidity risk

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

Group
At 31st December 2014

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	27	**3,812**	**3,812**	**3,812**	**–**	**–**	**–**
Amounts due to immediate holding company	27	**191**	**191**	**191**	**–**	**–**	**–**
Amounts due to joint venture companies	27	**179**	**179**	**179**	**–**	**–**	**–**
Amounts due to associated companies	27	**238**	**238**	**121**	**101**	**16**	**–**
Interest-bearing advances from joint venture companies	27	**402**	**402**	**402**	**–**	**–**	**–**
Interest-bearing advance from an associated company	27	**128**	**138**	**2**	**2**	**134**	**–**
Advances from non-controlling interests	27	**125**	**125**	**125**	**–**	**–**	**–**
Rental deposits from tenants	27	**2,303**	**2,303**	**471**	**552**	**1,016**	**264**
Put option over non-controlling interest in Brickell City Centre	27	**470**	**764**	**–**	**–**	**–**	**764**
Put options over non-controlling interests in subsidiary companies	27	**127**	**132**	**–**	**78**	**54**	**–**
Contingent consideration	27	**388**	**1,623**	**38**	**25**	**86**	**1,474**
Accruals and other payables	27	**9,570**	**9,570**	**9,570**	**–**	**–**	**–**
Borrowings (including interest obligations)	29	**68,788**	**80,717**	**8,340**	**14,671**	**29,573**	**28,133**
Derivative financial instruments	22	**74**	**74**	**34**	**2**	**15**	**23**
Financial guarantee contracts	37	**–**	**2,123**	**2,123**	**–**	**–**	**–**
		86,795	**102,391**	**25,408**	**15,431**	**30,894**	**30,658**

Group
At 31st December 2013

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Trade creditors	27	3,418	3,418	3,418	–	–	–
Amounts due to immediate holding company	27	213	213	213	–	–	–
Amounts due to joint venture companies	27	167	167	167	–	–	–
Amounts due to associated companies	27	264	264	227	11	26	–
Interest-bearing advances from joint venture companies	27	528	528	528	–	–	–
Advances from non-controlling interests	27	445	445	445	–	–	–
Rental deposits from tenants	27	2,124	2,124	466	389	986	283
Put option over non-controlling interest in Taikoo Li Sanlitun	27	1,256	1,256	1,256	–	–	–
Put option over non-controlling interest in Brickell City Centre	27	367	570	–	–	–	570
Put options over non-controlling interests in subsidiary companies	27	216	237	–	77	159	1
Accruals and other payables	27	8,061	8,061	8,040	21	–	–
Borrowings (including interest obligations)	29	61,844	73,713	10,865	5,824	27,875	29,149
Derivative financial instruments	22	209	209	97	13	11	88
Financial guarantee contracts	37	–	1,275	1,275	–	–	–
		79,112	92,480	26,997	6,335	29,057	30,091

2. Financial Risk Management (continued)

Company
At 31st December 2014

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	27	**31**	**31**	**31**	**–**	**–**	**–**
Amounts due to subsidiary companies	27	**5,333**	**5,333**	**5,333**	**–**	**–**	**–**
Interest-bearing advances from a subsidiary company	27	**26,797**	**26,797**	**26,797**	**–**	**–**	**–**
Rental deposits from tenants	27	**8**	**8**	**–**	**5**	**3**	**–**
Accruals and other payables	27	**99**	**99**	**99**	**–**	**–**	**–**
Financial guarantee contracts	37	**–**	**500**	**500**	**–**	**–**	**–**
		32,268	**32,768**	**32,760**	**5**	**3**	**–**

Company
At 31st December 2013

	Note	Carrying amount HK$M	Total contractual undiscounted cash flow HK$M	Within 1 year or on demand HK$M	More than 1 year but less than 2 years HK$M	More than 2 years but less than 5 years HK$M	More than 5 years HK$M
Amounts due to immediate holding company	27	17	17	17	–	–	–
Amounts due to subsidiary companies	27	4,382	4,382	4,382	–	–	–
Interest-bearing advances from a subsidiary company	27	24,554	24,554	24,554	–	–	–
Rental deposits from tenants	27	8	8	–	–	8	–
Accruals and other payables	27	81	81	81	–	–	–
Financial guarantee contracts	37	–	569	569	–	–	–
		29,042	29,611	29,603	–	8	–

3. Critical Accounting Estimates and Judgements

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

(a) Taxation (Note 10)
(b) Impairment of assets (Notes 14 and 17)
(c) Estimates of fair value of investment properties (Note 15)
(d) Accounting for Cathay Pacific Airways Limited (Note 19b)
(e) Provisions and contingencies for Cathay Pacific Airways Limited (Note 37)

4. Revenue

Accounting Policy

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

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

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

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

(d) Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership.

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

Revenue represents sales by the Company and its subsidiary companies to external customers and comprise:

	Group	
	2014	2013
	HK$M	HK$M
Gross rental income from investment properties	**10,256**	9,606
Property trading	**3,842**	2,207
Hotels	**1,089**	942
Aircraft and engine maintenance services	**10,733**	6,972
Sales of goods	**27,541**	24,904
Charter hire	**6,199**	5,257
Rendering of other services	**1,641**	1,549
Total	**61,301**	51,437

5. Other Net Gains

Other net gains include the following:

	Group	
	2014	2013
	HK$M	HK$M
Loss on sale of investment properties	**(39)**	–
(Loss)/profit on sale of property, plant and equipment	**(19)**	95
Profit on the sale of available-for-sale assets	**78**	–
Net foreign exchange losses	**(168)**	(54)
Fair value gains on cross-currency swaps transferred from cash flow hedge reserve	**3**	4
Fair value (losses)/gains on forward foreign exchange contracts not qualifying as hedges	**(1)**	42
Dividend income on available-for-sale assets	**5**	1
Other income	**212**	249
Total	**71**	337

6. Expenses by Nature

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

		Group	
		2014	2013
	Note	HK$M	HK$M
Direct operating expenses of investment properties that			
– generated rental income		**1,698**	1,571
– did not generate rental income		**88**	127
Cost of stocks sold		**23,647**	19,622
Write-down of stocks and work in progress		**65**	51
Impairment losses recognised on:			
– property, plant and equipment	14	**27**	46
– intangible assets	17	**89**	20
– trade receivables		**49**	43
Impairment reversals on properties held for development		**(45)**	(21)
Depreciation of property, plant and equipment	14	**2,566**	2,294
Amortisation of			
– leasehold land and land use rights	16	**33**	32
– intangible assets	17	**136**	69
– initial leasing costs on investment properties		**89**	94
Staff costs		**11,206**	8,667
Operating lease rentals			
– properties		**887**	778
– vessels		**137**	135
– plant and equipment		**35**	22
Auditors' remuneration			
– audit services		**40**	38
– tax services		**12**	15
– other services		**8**	10
Other expenses		**8,804**	7,320
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**49,571**	40,933

7. Segment Information

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

Accounting Policy

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

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

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

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2014

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax charge HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	10,366	90	7,870	(1,278)	92	308	–	(944)	6,048	4,938	(172)
Change in fair value of investment properties	–	–	1,942	–	–	956	–	(474)	2,424	1,987	–
Property trading	3,842	–	1,180	–	5	226	–	(211)	1,200	836	(7)
Hotels	1,089	–	(22)	(46)	–	(46)	160	(16)	30	25	(189)
	15,297	**90**	**10,970**	**(1,324)**	**97**	**1,444**	**160**	**(1,645)**	**9,702**	**7,786**	**(368)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	1,418	–	1,418	1,418	–
HAECO group	11,927	–	509	(100)	30	314	–	(94)	659	430	(615)
Others	–	–	(52)	–	–	6	(6)	–	(52)	(26)	(52)
	11,927	**–**	**457**	**(100)**	**30**	**320**	**1,412**	**(94)**	**2,025**	**1,822**	**(667)**
Beverages											
Mainland China	7,856	–	470	(56)	35	214	77	(181)	559	395	(290)
Hong Kong	2,163	1	220	–	–	–	–	(16)	204	185	(75)
Taiwan	1,415	–	35	(6)	–	–	–	(6)	23	23	(52)
USA	4,948	–	327	(10)	–	–	–	(109)	208	208	(187)
Central costs	–	–	43	–	–	–	–	–	43	43	–
	16,382	**1**	**1,095**	**(72)**	**35**	**214**	**77**	**(312)**	**1,037**	**854**	**(604)**
Marine Services											
Swire Pacific Offshore group	7,234	–	1,320	(284)	57	–	1	(42)	1,052	1,041	(1,078)
HUD group	–	–	–	–	–	31	–	–	31	31	–
	7,234	**–**	**1,320**	**(284)**	**57**	**31**	**1**	**(42)**	**1,083**	**1,072**	**(1,078)**
Trading & Industrial											
Swire Retail group	3,020	–	58	(1)	23	5	36	(39)	82	82	(30)
Taikoo Motors group	6,706	–	270	(3)	2	–	–	(56)	213	213	(55)
Swire Foods group	701	94	24	–	2	–	–	(8)	18	15	(5)
Campbell Swire	–	–	–	–	–	(14)	–	–	(14)	(14)	–
Swire Pacific Cold Storage group	3	–	(79)	(4)	1	10	–	(1)	(73)	(73)	(14)
Akzo Nobel Swire Paints	–	–	–	–	–	241	–	(11)	230	230	–
Swire Sustainable Business group	–	–	1	–	–	2	(8)	–	(5)	(5)	–
Other activities	–	–	(25)	1	(1)	–	–	–	(25)	(25)	–
	10,430	**94**	**249**	**(7)**	**27**	**244**	**28**	**(115)**	**426**	**423**	**(104)**
Head Office											
Net income/(expenses)	31	25	(348)	(1,645)	1,161	–	–	(10)	(842)	(842)	(3)
Change in fair value of investment properties	–	–	(46)	–	–	–	–	–	(46)	(46)	–
	31	**25**	**(394)**	**(1,645)**	**1,161**	**–**	**–**	**(10)**	**(888)**	**(888)**	**(3)**
Inter-segment elimination	**–**	**(210)**	**–**	**1,145**	**(1,145)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**61,301**	**–**	**13,697**	**(2,287)**	**262**	**2,253**	**1,678**	**(2,218)**	**13,385**	**11,069**	**(2,824)**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)
Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2013

	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property											
Property investment	9,707	79	7,309	(1,468)	76	208	(2)	(681)	5,442	4,443	(192)
Change in fair value of investment properties	–	–	6,141	–	–	683	(4)	(447)	6,373	5,211	–
Property trading	2,207	–	1,035	–	7	(46)	–	(185)	811	591	(27)
Hotels	942	–	(65)	(62)	–	(36)	145	(30)	(48)	(38)	(179)
	12,856	**79**	**14,420**	**(1,530)**	**83**	**809**	**139**	**(1,343)**	**12,578**	**10,207**	**(398)**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	1,179	–	1,179	1,179	–
HAECO group	7,387	–	266	(59)	21	501	–	(33)	696	469	(446)
Others	–	–	(52)	–	–	6	(2)	–	(48)	(21)	(52)
	7,387	**–**	**214**	**(59)**	**21**	**507**	**1,177**	**(33)**	**1,827**	**1,627**	**(498)**
Beverages											
Mainland China	7,614	–	364	(62)	22	190	207	(144)	577	415	(288)
Hong Kong	2,144	1	209	–	–	–	–	(13)	196	177	(75)
Taiwan	1,418	–	36	(7)	–	–	–	(7)	22	22	(56)
USA	3,877	–	284	–	–	–	–	(67)	217	217	(162)
Central costs	–	–	(29)	–	–	–	–	–	(29)	(29)	–
	15,053	**1**	**864**	**(69)**	**22**	**190**	**207**	**(231)**	**983**	**802**	**(581)**
Marine Services											
Swire Pacific Offshore group	6,292	–	1,504	(163)	8	1	(2)	(98)	1,250	1,243	(914)
HUD group	–	–	–	–	–	64	–	–	64	64	–
	6,292	**–**	**1,504**	**(163)**	**8**	**65**	**(2)**	**(98)**	**1,314**	**1,307**	**(914)**
Trading & Industrial											
Swire Retail group	3,896	–	211	–	13	4	–	(101)	127	139	(30)
Taikoo Motors group	5,322	–	90	(4)	2	–	–	(31)	57	57	(60)
Swire Foods group	618	108	13	–	–	–	–	(6)	7	7	(2)
Campbell Swire	–	–	–	(8)	–	(117)	–	–	(125)	(125)	–
Swire Pacific Cold Storage group	–	–	(39)	(1)	1	9	–	(1)	(31)	(31)	(3)
Akzo Nobel Swire Paints	–	–	–	–	–	216	–	(10)	206	206	–
Other activities	–	–	(15)	–	–	(1)	–	–	(16)	(16)	–
	9,836	**108**	**260**	**(13)**	**16**	**111**	**–**	**(149)**	**225**	**237**	**(95)**
Head Office											
Net income/(expenses)	13	22	(280)	(1,391)	1,076	–	–	2	(593)	(593)	(3)
Change in fair value of investment properties	–	–	(296)	–	–	–	–	–	(296)	(296)	–
	13	**22**	**(576)**	**(1,391)**	**1,076**	**–**	**–**	**2**	**(889)**	**(889)**	**(3)**
Inter-segment elimination	**–**	**(210)**	**–**	**1,066**	**(1,066)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**51,437**	**–**	**16,686**	**(2,159)**	**160**	**1,682**	**1,521**	**(1,852)**	**16,038**	**13,291**	**(2,489)**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2014

	Segment assets	Joint venture companies	Associated companies	Bank deposits and securities	Total assets	Additions to non-current assets (note)
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Property						
Property investment	222,590	16,046	28	2,092	240,756	4,452
Property trading and development	9,417	891	–	612	10,920	176
Hotels	6,301	1,270	507	170	8,248	554
	238,308	**18,207**	**535**	**2,874**	**259,924**	**5,182**
Aviation						
Cathay Pacific group	–	–	23,774	–	23,774	–
HAECO group	11,460	1,240	–	2,331	15,031	678
Others	4,624	2,818	(7)	–	7,435	–
	16,084	**4,058**	**23,767**	**2,331**	**46,240**	**678**
Beverages						
Swire Beverages	**9,072**	**615**	**1,407**	**949**	**12,043**	**914**
Marine Services						
Swire Pacific Offshore group	24,928	–	6	1,152	26,086	3,184
HUD group	–	(54)	–	–	(54)	–
	24,928	**(54)**	**6**	**1,152**	**26,032**	**3,184**
Trading & Industrial						
Swire Retail group	855	27	98	312	1,292	23
Taikoo Motors group	1,634	–	–	1,218	2,852	206
Swire Foods group	994	10	–	353	1,357	5
Campbell Swire	–	7	–	–	7	–
Swire Pacific Cold Storage group	1,161	264	–	105	1,530	660
Akzo Nobel Swire Paints	–	550	–	–	550	–
Swire Sustainable Business group	121	–	226	–	347	–
Other activities	211	19	–	–	230	–
	4,976	**877**	**324**	**1,988**	**8,165**	**894**
Head Office	**4,061**	**–**	**–**	**870**	**4,931**	**22**
	297,429	**23,703**	**26,039**	**10,164**	**357,335**	**10,874**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group (continued)

At 31st December 2013

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

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2014

	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	5,739	6,329	10,094	20,649	42,811	36,133
Property trading and development	1,815	283	4,260	1,796	8,154	681
Hotels	277	–	–	545	822	1,353
	7,831	**6,612**	**14,354**	**22,990**	**51,787**	**38,167**
Aviation						
HAECO group	**2,404**	**310**	**–**	**4,930**	**7,644**	**4,151**
Beverages						
Swire Beverages	**4,617**	**429**	**1,160**	**–**	**6,206**	**867**
Marine Services						
Swire Pacific Offshore group	**1,317**	**26**	**10,183**	**653**	**12,179**	**23**
Trading & Industrial						
Swire Retail group	785	58	(267)	–	576	–
Taikoo Motors group	842	34	134	–	1,010	–
Swire Foods group	264	6	–	–	270	147
Swire Pacific Cold Storage group	191	1	258	–	450	–
Other activities	28	18	2	–	48	–
	2,110	**117**	**127**	**–**	**2,354**	**147**
Head Office	**539**	**105**	**(25,824)**	**40,215**	**15,035**	**–**
	18,818	**7,599**	**–**	**68,788**	**95,205**	**43,355**

7. Segment Information (continued)

(a) Information about reportable segments (continued)

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

At 31st December 2013

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

(b) Information about geographical areas

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

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

	Revenue		Non-current assets (Note)	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Hong Kong	**21,928**	19,109	**204,917**	202,362
Asia (excluding Hong Kong)	**24,713**	22,232	**36,957**	35,309
United States of America	**7,648**	4,083	**8,531**	3,045
Others	**465**	290	**530**	570
Ship owning and operating activities	**6,547**	5,723	**23,125**	21,220
	61,301	51,437	**274,060**	262,506

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

8. Directors' and Executive Officers' Emoluments

(a) The total emoluments of Directors and Executive Officers charged to the Group, in accordance with the amount of time spent on its affairs, in 2014 and 2013 are as follows:

	Cash			Non cash				
	Salary/ fees (note i)	Bonus (note ii)	Allowance and benefits	Retirement scheme contributions	Bonus paid into retirement scheme (note ii)	Housing benefits	Total 2014	Total 2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors								
J R Slosar	7,474	728	261	2,334	259	4,125	**15,181**	2,760
I K L Chu (from 14th March 2014)	298	–	14	35	–	128	**475**	–
M Cubbon	5,940	4,276	302	1,823	1,481	4,867	**18,689**	17,437
P A Kilgour	3,821	3,239	400	2,277	1,250	2,350	**13,337**	12,006
J B Rae-Smith	2,421	1,852	516	743	890	3,260	**9,682**	7,054
I S C Shiu	1,084	1,520	702	125	–	–	**3,431**	3,450
A K W Tang	3,306	4,038	1,483	382	–	–	**9,209**	9,338
C D Pratt (until 13th March 2014)	1,825	9,134	21	560	–	1,050	**12,590**	26,245
G L Cundle (until 31st December 2012)	–	–	–	–	–	–	**–**	3,980
Non-Executive Directors								
Baroness Dunn	–	–	–	–	–	–	**–**	–
J W J Hughes-Hallett	–	–	–	–	–	–	**–**	–
P A Johansen	928	–	–	–	–	–	**928**	928
M B Swire	–	–	–	–	–	–	**–**	–
Independent Non-Executive Directors								
T G Freshwater	690	–	–	–	–	–	**690**	690
C K M Kwok	1,008	–	–	–	–	–	**1,008**	988
C Lee	950	–	–	–	–	–	**950**	945
R W M Lee	690	–	–	–	–	–	**690**	690
M C C Sze	690	–	–	–	–	–	**690**	690
M M T Yang	690	–	–	–	–	–	**690**	690
Total 2014	**31,815**	**24,787**	**3,699**	**8,279**	**3,880**	**15,780**	**88,240**	
Total 2013	29,978	24,256	4,019	5,865	6,460	17,313		87,891
Executive Officers								
J B Rae-Smith (until 31st December 2012)	–	–	–	–	–	–	**–**	1,862
P Healy	2,223	1,510	1,055	683	875	3,040	**9,386**	5,944
Total 2014	**2,223**	**1,510**	**1,055**	**683**	**875**	**3,040**	**9,386**	
Total 2013	1,914	1,253	740	488	609	2,802		7,806

i. Independent Non-executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and Officers receive salaries.

ii. Bonuses are not yet approved for 2014. The amounts disclosed above are related to services as Executive Directors or Officers for 2013 but paid and charged to the Group in 2014.

8. Directors' and Executive Officers' Emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2014 include four (2013: four) Executive Directors whose emoluments are reflected in the analysis presented on page 152. The emoluments payable to the remaining one (2013: one) individual during the year are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**8,449**	8,671
Bonus	**2,298**	2,114
Retirement scheme contributions	**759**	482
	11,506	11,267

9. Net Finance Charges

Accounting Policy

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

Refer to the table with the heading "Audited Financial Information" on page 107 for details of the Group's net finance charges.

10. Taxation

Accounting Policy

The tax charge comprises current and deferred tax. The tax charge is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly to equity.

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

Critical Accounting Estimates and Judgements

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

10. Taxation (continued)

		Group	
		2014	2013
	Note	HK$M	HK$M
Current taxation:			
Hong Kong profits tax		**(1,020)**	(974)
Overseas taxation		**(530)**	(544)
(Under)/over-provisions in prior years		**(13)**	117
		(1,563)	(1,401)
Deferred taxation:	30		
Changes in fair value of investment properties		**(265)**	(208)
Origination and reversal of temporary differences		**(390)**	(243)
		(655)	(451)
		(2,218)	(1,852)

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

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

	2014	2013
	HK$M	HK$M
Profit before taxation	**15,603**	17,890
Calculated at a tax rate of 16.5% (2013: 16.5%)	**(2,574)**	(2,952)
Share of profits less losses of joint venture and associated companies	**648**	529
Effect of different tax rates in other countries	**(257)**	(157)
Fair value gains on investment properties	**192**	933
Income not subject to tax	**337**	296
Expenses not deductible for tax purposes	**(253)**	(241)
Unused tax losses not recognised	**(194)**	(191)
Utilisation of previously unrecognised tax losses	**52**	16
Deferred tax assets written off	**(14)**	(13)
(Under)/over-provisions in prior years	**(13)**	117
Recognition of previously unrecognised tax losses	**11**	28
Others	**(153)**	(217)
Tax charge	**(2,218)**	(1,852)

The Group's share of joint venture and associated companies' tax charges of HK$542 million (2013: HK$371 million) and HK$333 million (2013: HK$363 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

11. Profit Attributable to the Company's Shareholders

Of the profit attributable to the Company's shareholders, HK$2,452 million (2013: HK$2,296 million) is dealt with in the financial statements of the Company.

12. Dividends

Accounting Policy

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

	Company	
	2014	2013
	HK$M	HK$M
First interim dividend paid on 7th October 2014 of HK$1.10 per 'A' share and HK$0.22 per 'B' share (2013: HK$1.00 and HK$0.20)	**1,655**	1,505
Second interim dividend declared on 19th March 2015 of HK$2.80 per 'A' share and HK$0.56 per 'B' share (2013 actual dividend paid: HK$2.50 and HK$0.50)	**4,213**	3,761
	5,868	5,266

The second interim dividend is not accounted for in 2014 because it had not been declared at the year end date. The actual amount payable in respect of 2014 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2015.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$11,069 million (2013: HK$13,291 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during 2014 and 2013 in the proportion five to one.

14. Property, Plant and Equipment

Accounting Policy

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

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

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

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

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

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

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

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

14. Property, Plant and Equipment (continued)

Critical Accounting Estimates and Judgments

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

During the year, the carrying amounts of certain property, plant and equipment have been written down by HK$27 million to their recoverable amount.

		Group					Company
	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 2014		3,292	15,264	12,326	24,395	55,277	26
Translation differences		–	(207)	(169)	6	(370)	–
Acquisition of subsidiary companies and new businesses	35	18	336	512	–	866	–
Additions		–	1,319	1,791	3,105	6,215	19
Disposals		–	(31)	(697)	(146)	(874)	(9)
Transfer between categories		–	19	(19)	–	–	–
Net transfers from investment properties	15	228	30	–	–	258	–
Other transfers		–	(36)	(21)	–	(57)	–
Revaluation surplus		1	7	–	–	8	–
At 31st December 2014		3,539	16,701	13,723	27,360	61,323	36
Accumulated depreciation and impairment:							
At 1st January 2014		120	4,246	7,757	3,697	15,820	19
Translation differences		(1)	(57)	(99)	1	(156)	–
Acquisition of subsidiary companies and new businesses	35	–	–	71	–	71	–
Charge for the year	6	22	496	1,021	1,027	2,566	3
Impairment losses	6	–	–	27	–	27	–
Disposals		–	(22)	(497)	(86)	(605)	(9)
Net transfers from investment properties	15	–	(1)	–	–	(1)	–
At 31st December 2014		141	4,662	8,280	4,639	17,722	13
Net book value:							
At 31st December 2014		3,398	12,039	5,443	22,721	43,601	23

14. Property, Plant and Equipment (continued)

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

As at 31st December 2014, bank borrowings of HK$535 million (2013: HK$535 million) are secured on vessels with a net book value of HK$767 million (2013: HK$706 million).

During the year properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from the carrying amount to the fair value at the date of transfer of HK$8 million (2013: HK$357 million) has been recognised in other comprehensive income and the property revaluation reserve.

Property, plant and machinery and vessels include costs of HK$1,185 million (2013: HK$480 million), HK$230 million (2013: HK$127 million) and HK$2,256 million (2013: HK$4,550 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

15. Investment Properties

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

Accounting Policy

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

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

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

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

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

Refer to the table with the heading "Audited Financial Information" on page 27 for details of the Group's and Company's investment properties.

Critical Accounting Estimates and Judgements

DTZ Debenham Tie Leung, an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio at 31st December 2014. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion". The assumptions are principally in respect of open market rents and yields.

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

15. Investment Properties (continued)

Fair value hierarchy

The Group's investment properties are measured at fair value. They principally comprise completed commercial and residential properties in Hong Kong and Mainland China and commercial and residential properties under development in Hong Kong. The Group has other investment property projects, principally comprising a mixed-use development at Brickell City Centre in Miami. Because of the unique nature of the Group's investment properties, most of them are valued by reference to a level 3 fair value measurement. In 2014 and 2013, there were no transfers between different levels within the fair value hierarchy.

Fair value hierarchy

	Completed			Under Development			
	Hong Kong	Mainland China	Total	Hong Kong	Others	Total	2014 Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Level 2	2,893	197	3,090	10,206	–	10,206	**13,296**
Level 3	169,043	24,880	193,923	10,178	3,237	13,415	**207,338**
Total	171,936	25,077	197,013	20,384	3,237	23,621	**220,634**
Add: initial leasing costs							**235**
At 31st December							**220,869**

	Completed			Under Development			
	Hong Kong	Mainland China	Total	Hong Kong	Others	Total	2013 Total
	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
Level 3	168,192	24,245	192,437	9,634	1,656	11,290	203,727
Total	171,094	24,439	195,533	19,050	1,656	20,706	216,239
Add: initial leasing costs							285
At 31st December							216,524

Fair value – Level 3

	Completed			Under Development			
	Hong Kong	Mainland China	Total	Hong Kong	Others	Total	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January 2014	**168,192**	**24,245**	**192,437**	**9,634**	**1,656**	**11,290**	**203,727**
Translation differences	**–**	**(570)**	**(570)**	**–**	**(25)**	**(25)**	**(595)**
Additions	**286**	**109**	**395**	**885**	**1,595**	**2,480**	**2,875**
Disposals	**(853)**	**–**	**(853)**	**–**	**–**	**–**	**(853)**
Transfer upon completion	**1,270**	**–**	**1,270**	**(1,270)**	**–**	**(1,270)**	**–**
Transfer to properties held for development	**–**	**–**	**–**	**–**	**(146)**	**(146)**	**(146)**
Other net transfers to property, plant and equipment	**(275)**	**–**	**(275)**	**–**	**–**	**–**	**(275)**
Other net transfers	**–**	**19**	**19**	**–**	**–**	**–**	**19**
Fair value gains	**423**	**1,077**	**1,500**	**929**	**157**	**1,086**	**2,586**
At 31st December 2014	**169,043**	**24,880**	**193,923**	**10,178**	**3,237**	**13,415**	**207,338**

15. Investment Properties (continued)

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

The Group's investment properties were valued at their fair values at 31st December 2014. 95% by value were valued by DTZ Debenham Tie Leung, an independent professionally qualified valuer which holds a recognised relevant professional qualification and has recent experience in the locations and types of investment properties valued. The remaining properties were valued by management. The current use of the investment properties equates to the highest and best use.

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

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

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

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

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

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

At 31st December 2014

		Fair value HK$M	Valuation technique	Fair market rent per month HK$ per sq. ft. (lettable) [a]	Capitalisation rate
Completed	Hong Kong	**164,647**	Income capitalisation	Mid 10's-Mid 500's	2.50%-4.88%
	Hong Kong	**4,396**	Residual [b]	Mid 50's	2.00%-4.25%
	Mainland China	**24,880**	Income capitalisation	Low 10's-Low 200's	7.00%-7.50%
		193,923			
Under development	Hong Kong	**10,178**	Residual [b]	Low 30's-High 50's	3.88%-4.25%
	USA	**2,417**	Residual [b]	High 20's-High 50's	5.00%-7.50%
	Others	**820**	Sales comparison	–	–
		13,415			
Total		**207,338**			

15. Investment Properties (continued)

At 31st December 2013

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

Notes:

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

(b) In using the residual method to make fair value measurements of investment properties under development or for future development, two additional unobservable inputs have been used. These are the estimated costs to complete the development and the developer's estimated profit and margin for risk. The fair values of the Group's investment properties under development or for future development are not significantly affected by these unobservable inputs.

16. Leasehold Land and Land Use Rights

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

		Group	
		2014	2013
	Note	HK$M	HK$M
At 1st January		**1,164**	1,080
Translation differences		**(14)**	14
Acquisition of subsidiary companies	35	**32**	–
Additions		**23**	102
Disposals		**(2)**	–
Amortisation charge for the year	6	**(33)**	(32)
At 31st December		**1,170**	1,164
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		**19**	20
Held outside Hong Kong:			
On short-term leases (less than 10 years)		**1**	1
On medium-term leases (10 to 50 years)		**1,150**	1,143
		1,170	1,164

Refer to Note 38 for details of the accounting policy.

17. Intangible Assets

Accounting Policy

(a) Goodwill

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

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

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

(b) Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

(c) Service and operating rights

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

(d) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Customer relationships are amortised over their estimated useful life of fifteen years.

17. Intangible Assets (continued)

		Group					
	Note	Goodwill HK$M	Computer software HK$M	Service and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost:							
At 1st January 2014		**4,040**	**372**	**535**	**–**	**67**	**5,014**
Translation differences		**(8)**	**(6)**	**–**	**–**	**–**	**(14)**
Acquisition of subsidiary companies and new businesses	35	**1,932**	**7**	**229**	**768**	**65**	**3,001**
Additions		**–**	**41**	**–**	**–**	**–**	**41**
At 31st December 2014		**5,964**	**414**	**764**	**768**	**132**	**8,042**
Accumulated amortisation and impairment:							
At 1st January 2014		**39**	**243**	**98**	**–**	**–**	**380**
Translation differences		**(1)**	**(4)**	**–**	**–**	**–**	**(5)**
Amortisation for the year	6	**–**	**43**	**26**	**45**	**22**	**136**
Impairment losses	6	**89**	**–**	**–**	**–**	**–**	**89**
At 31st December 2014		**127**	**282**	**124**	**45**	**22**	**600**
Net book value:							
At 31st December 2014		**5,837**	**132**	**640**	**723**	**110**	**7,442**

		Group				
	Note	Goodwill HK$M	Computer software HK$M	Service and operating rights HK$M	Others HK$M	Total HK$M
Cost:						
At 1st January 2013		4,040	327	535	–	4,902
Translation differences		7	3	–	–	10
Other transfers		–	4	–	–	4
Additions		–	38	–	67	105
Disposals		(7)	–	–	–	(7)
At 31st December 2013		4,040	372	535	67	5,014
Accumulated amortisation and impairment:						
At 1st January 2013		19	200	71	–	290
Translation differences		–	1	–	–	1
Amortisation for the year	6	–	42	27	–	69
Impairment losses	6	20	–	–	–	20
At 31st December 2013		39	243	98	–	380
Net book value:						
At 31st December 2013		4,001	129	437	67	4,634

17. Intangible Assets (continued)

Amortisation of HK$136 million (2013: HK$69 million) is included in administrative expenses in the statement of profit or loss.

Impairment test of goodwill

Critical Accounting Estimates and Judgements

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

The recoverable amount of goodwill attributable to cash-generating units is determined based on value-in-use calculations. These calculations use financial budgets and plans covering five-year periods. Key assumptions used in the financial budgets and plans are revenue growth and margins. Cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. The discount rates used at 31st December 2014 were between 7.0% and 12.0% (2013: 7.0% and 12.0%). These discount rates are pre-tax and reflect the specific risks relating to the relevant cash-generating unit.

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

	2014 HK$M	2013 HK$M
HAECO – Hong Kong and Mainland China	**3,510**	3,510
HAECO – USA	**1,388**	–
Beverages – Hong Kong and Mainland China	**214**	219
Beverages – USA	**54**	–
Marine Services	**184**	272
Trading & Industrial	**487**	–
	5,837	4,001

Goodwill attributable to HAECO's businesses in Hong Kong and Mainland China relates to the transaction to acquire majority control of HAECO and arose from its highly skilled workforce in the aircraft engineering and maintenance business. It also represents the premium paid over the traded market price to obtain control of the business.

Goodwill attributable to HAECO's business in the USA relates to the acquisition of TIMCO Aviation Services, Inc. and arose from its highly skilled workforce, management expertise and the synergies expected to be derived from improved services to a wider range of customers.

The recoverable amount of the HAECO group has been determined using a value in use calculation. That calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period and a weighted average pre-tax discount rate of 8.8%. Cash flows beyond the five-year period are assumed not to exceed growth of 2%.

18. Subsidiary Companies

Accounting Policy

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

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

	Company	
	2014 HK$M	2013 HK$M
Shares at cost less provisions		
– Listed in Hong Kong	**16,831**	16,831
– Unlisted	**1,548**	1,610
	18,379	18,441
Loans and other amounts due from subsidiary companies		
– Interest-free	**16,777**	14,311
– Interest-bearing at 0.23% to 4.0% (2013: 0.21% to 4.0%)	**372**	89
	35,528	32,841

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

The principal subsidiary companies of Swire Pacific Limited are shown on pages 212 to 222.

18. Subsidiary Companies (continued)

The Group has two subsidiaries with material non-controlling interests; Swire Properties Limited ("Swire Properties") (18%) and Hong Kong Aircraft Engineering Company Limited ("HAECO") (25%). Except for goodwill and other assets of HK$7,409 million included in the Group consolidated statement of financial position (2013: HK$7,461 million) in respect of HAECO, there are no significant differences between the summarised financial information presented in the table below and the amounts in the separate consolidated financial statements of Swire Properties and HAECO.

Summarised Statement of Financial Position

	Swire Properties		HAECO	
	At 31st December		At 31st December	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Current				
Assets	**13,751**	13,117	**5,339**	4,872
Liabilities	**12,362**	15,387	**3,746**	2,901
Total current net assets/(liabilities)	**1,389**	(2,270)	**1,593**	1,971
Non-current				
Assets	**246,173**	238,360	**9,692**	7,424
Liabilities	**39,425**	33,332	**3,898**	2,066
Total non-current net assets	**206,748**	205,028	**5,794**	5,358
Net assets	**208,137**	202,758	**7,387**	7,329

Summarised Statement of Profit or Loss

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Revenue	**15,387**	12,935	**11,927**	7,387
Profit for the year attributable to shareholders	**9,495**	12,448	**573**	625
Other comprehensive income	**(547)**	1,114	**(285)**	277
Total comprehensive income attributable to shareholders	**8,948**	13,562	**288**	902
Total comprehensive income allocated to non-controlling interests	**1,611**	2,441	**72**	226
Dividends paid to non-controlling interests	**653**	611	**81**	116

Summarised Statement of Cash Flows

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Net cash generated from operating activities	**9,273**	6,381	**1,115**	505
Net cash (used in)/generated from investing activities	**(6,392)**	(5,804)	**(3,326)**	17
Net cash (used in)/generated from financing activities	**(2,497)**	(4)	**2,205**	382
Net increase/(decrease) in cash and cash equivalents	**384**	573	**(6)**	904
Cash and cash equivalents at 1st January	**2,521**	1,936	**2,341**	1,418
Currency adjustment	**(31)**	12	**(25)**	19
Cash and cash equivalents at 31st December	**2,874**	2,521	**2,310**	2,341

19. Joint Venture and Associated Companies

Accounting Policy

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

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

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

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

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

(a) Joint venture companies

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Unlisted shares at cost			**28**	28
Share of net assets, unlisted	**10,515**	10,145		
Goodwill	**94**	94		
	10,609	10,239		
Loans due from joint venture companies less provisions				
– Interest-free	**12,217**	10,983	**–**	–
– Interest-bearing at 1.71% to 7.50% (2013: 1.71% to 7.50%)	**877**	583	**86**	86
	23,703	21,805	**114**	114

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

The principal joint venture companies of the Group are shown on pages 212 to 222. There are no joint venture companies that are considered individually material to the Group.

19. Joint Venture and Associated Companies (continued)

(a) Joint venture companies (continued)

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

	Group	
	2014 HK$M	2013 HK$M
Non-current assets	**31,947**	25,831
Current assets	**7,133**	7,239
Current liabilities	**(9,493)**	(8,349)
Non-current liabilities	**(19,072)**	(14,576)
Net assets	**10,515**	10,145
Revenue	**14,899**	15,352
Expenses	**(12,104)**	(13,299)
Profit before taxation	**2,795**	2,053
Taxation	**(542)**	(371)
Profit for the year	**2,253**	1,682
Other comprehensive income	**(148)**	282
Total comprehensive income for the year	**2,105**	1,964

Capital commitments and contingencies in respect to joint venture companies are disclosed in Notes 36 and 37.

(b) Associated companies

Critical Accounting Estimates and Judgements

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

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

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

19. Joint Venture and Associated Companies (continued)

(b) Associated companies (continued)

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Shares at cost				
– Listed in Hong Kong			**4,624**	4,624
Share of net assets				
– Listed in Hong Kong	**23,017**	28,042		
– Unlisted	**2,137**	1,847		
	25,154	29,889		
Goodwill	**850**	757		
	26,004	30,646		
Loans due from associated companies				
– Interest-free	**31**	52	**–**	–
– Interest-bearing at 4.0-6.0% (2013: 4.0%)	**4**	1	**–**	–
	26,039	30,699	**4,624**	4,624

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

The market value of the shares in the listed associated company, Cathay Pacific at 31st December 2014 was HK$29,917 million (2013: HK$29,032 million).

The principal associated companies of the Group are shown on pages 212 to 222. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 209 to 211.

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

	Group	
	2014 HK$M	2013 HK$M
Non-current assets	**68,666**	66,552
Current assets	**12,792**	15,269
Current liabilities	**(17,293)**	(15,248)
Non-current liabilities	**(38,952)**	(36,628)
Non-controlling interests	**(59)**	(56)
Net assets	**25,154**	29,889
Revenue	**52,543**	49,936
Expenses	**(50,532)**	(48,052)
Profit before taxation	**2,011**	1,884
Taxation	**(333)**	(363)
Profit for the year	**1,678**	1,521
Other comprehensive income	**(6,014)**	2,299
Total comprehensive income for the year	**(4,336)**	3,820

Contingencies in respect of associated companies are disclosed in Note 37.

20. Financial Instruments by Category

Accounting Policy

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

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

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

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

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

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

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

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

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

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

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

20. Financial Instruments by Category (continued)

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

Group	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per consolidated statement of financial position								
At 31st December 2014								
Available-for-sale assets	21	**–**	**–**	**771**	**–**	**–**	**771**	**771**
Long-term other receivables		**–**	**–**	**–**	**58**	**–**	**58**	**58**
Derivative financial assets	22	**10**	**510**	**–**	**–**	**–**	**520**	**520**
Trade and other receivables excluding prepayments	25	**–**	**–**	**–**	**8,423**	**–**	**8,423**	**8,423**
Bank balances and short-term deposits	26	**–**	**–**	**–**	**10,115**	**–**	**10,115**	**10,115**
Total		**10**	**510**	**771**	**18,596**	**–**	**19,887**	**19,887**
At 31st December 2013								
Available-for-sale assets	21	–	–	713	–	–	713	713
Long-term other receivables		–	–	–	21	–	21	21
Derivative financial assets	22	27	588	–	–	–	615	615
Trade and other receivables excluding prepayments	25	–	–	–	8,181	–	8,181	8,181
Bank balances and short-term deposits	26	–	–	–	11,288	–	11,288	11,288
Total		27	588	713	19,490	–	20,818	20,818
Liabilities as per consolidated statement of financial position								
At 31st December 2014								
Trade and other payables	27	**985**	**–**	**–**	**–**	**16,948**	**17,933**	**17,933**
Derivative financial liabilities	22	**3**	**71**	**–**	**–**	**–**	**74**	**74**
Short-term loans	29	**–**	**–**	**–**	**–**	**1,123**	**1,123**	**1,123**
Long-term loans and bonds due within one year	29	**–**	**–**	**–**	**–**	**4,820**	**4,820**	**4,820**
Perpetual capital securities	28	**–**	**–**	**–**	**–**	**2,327**	**2,327**	**2,466**
Long-term loans and bonds due after one year	29	**–**	**–**	**–**	**–**	**60,518**	**60,518**	**62,963**
Total		**988**	**71**	**–**	**–**	**85,736**	**86,795**	**89,379**
At 31st December 2013								
Trade and other payables	27	1,839	–	–	–	15,220	17,059	17,059
Derivative financial liabilities	22	2	207	–	–	–	209	209
Short-term loans	29	–	–	–	–	1,547	1,547	1,547
Long-term loans and bonds due within one year	29	–	–	–	–	7,130	7,130	7,130
Perpetual capital securities	28	–	–	–	–	2,326	2,326	2,559
Long-term loans and bonds due after one year	29	–	–	–	–	50,841	50,841	52,012
Total		1,841	207	–	–	77,064	79,112	80,516

20. Financial Instruments by Category (continued)

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

Company	Note	At fair value through profit or loss HK$M	Derivatives used for hedging HK$M	Available-for-sale HK$M	Loans and receivables HK$M	Amortised cost HK$M	Total carrying amount HK$M	Fair value HK$M
Assets as per statement of financial position								
At 31st December 2014								
Available-for-sale assets	21	**–**	**–**	**99**	**–**	**–**	**99**	**99**
Trade and other receivables excluding prepayments	25	**–**	**–**	**–**	**53**	**–**	**53**	**53**
Bank balances and short-term deposits	26	**–**	**–**	**–**	**810**	**–**	**810**	**810**
Total		**–**	**–**	**99**	**863**	**–**	**962**	**962**
At 31st December 2013								
Available-for-sale assets	21	–	–	93	–	–	93	93
Trade and other receivables excluding prepayments	25	–	–	–	47	–	47	47
Bank balances and short-term deposits	26	–	–	–	2,344	–	2,344	2,344
Total		–	–	93	2,391	–	2,484	2,484
Liabilities as per statement of financial position								
At 31st December 2014								
Trade and other payables	27	**–**	**–**	**–**	**–**	**32,268**	**32,268**	**32,268**
At 31st December 2013								
Trade and other payables	27	–	–	–	–	29,042	29,042	29,042

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

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

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

The fair value of current borrowings equals their carrying value, as the impact of discounting is not significant. The fair value of non-current borrowings is not equal to their carrying value, but is based on cash flows discounted using assumptions sourced from the relevant financial institutions or quotes from market makers or alternative market participants supported by observable inputs, such as interest rates. Non-current borrowings would be categorised within level 2 of the fair value hierarchy if they were accounted for at fair value.

20. Financial Instruments by Category (continued)

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

Group	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per consolidated statement of financial position					
At 31st December 2014					
Available-for-sale assets	21				
– Shares listed in Hong Kong		**99**	**–**	**–**	**99**
– Shares listed overseas		**334**	**–**	**–**	**334**
– Unlisted investments		**–**	**–**	**338**	**338**
Derivatives used for hedging	22	**–**	**520**	**–**	**520**
Total		**433**	**520**	**338**	**1,291**
At 31st December 2013					
Available-for-sale assets	21				
– Shares listed in Hong Kong		94	–	–	94
– Shares listed overseas		486	–	–	486
– Unlisted investments		–	–	133	133
Derivatives used for hedging	22	–	615	–	615
Total		580	615	133	1,328
Liabilities as per consolidated statement of financial position					
At 31st December 2014					
Derivatives used for hedging	22	**–**	**74**	**–**	**74**
Put option over non-controlling interest in Brickell City Centre	27	**–**	**–**	**470**	**470**
Put options over non-controlling interests in subsidiary companies	27	**–**	**–**	**127**	**127**
Contingent consideration	27	**–**	**–**	**388**	**388**
Total		**–**	**74**	**985**	**1,059**
At 31st December 2013					
Derivatives used for hedging	22	–	209	–	209
Put option over non-controlling interest in Taikoo Li Sanlitun	27	–	–	1,256	1,256
Put option over non-controlling interest in Brickell City Centre	27	–	–	367	367
Put options over non-controlling interests in subsidiary companies	27	–	–	216	216
Total		–	209	1,839	2,048

Company	Note	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M
Assets as per statement of financial position					
At 31st December 2014					
Available-for-sale assets	21				
– Shares listed in Hong Kong		**99**	**–**	**–**	**99**
At 31st December 2013					
Available-for-sale assets	21				
– Shares listed in Hong Kong		93	–	–	93

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

20. Financial Instruments by Category (continued)

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications and there were no transfers into or out of the level 3 fair value hierarchy classification. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

The following table presents the changes in level 3 financial instruments for the year ended 31st December 2014:

Group	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2014	**1,839**	**133**	**–**
Additions	**75**	**245**	**388**
Put option exercised during the year	**(1,256)**	**–**	**–**
Change in fair value recognised in profit or loss during the year	**(61)**	**–**	**–**
Change in composition of the Group	**–**	**(40)**	**–**
At 31st December 2014	**597**	**338**	**388**
Total gains for the year included in profit or loss in respect of financial instruments held at 31st December 2014	**61**	**–**	**–**
Change in unrealised gains for the year included in profit or loss in respect of financial instruments held at 31st December 2014	**61**	**–**	**–**

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

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

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

The put option over non-controlling interest in Taikoo Li Sanlitun, was exercised by the holder of the instrument in August 2013, and the Group paid HK$1,256 million in February 2014 for settlement of the put option.

The fair value estimate of the put option over the non-controlling interest in the retail portion of Brickell City Centre contains a number of unobservable inputs, including the expected fair value of the investment property at the expected time of exercise, the expected time of exercise itself and the discount rate used. The expected time of exercise is late 2022 and the discount rate used is 6.3%. The investment property's fair value at the expected time of exercise is, itself, subject to a number of unobservable inputs which are similar to the inputs for the Group's other completed investment properties, including the expected fair market rent and the capitalisation rate. If the investment property's expected fair value at the time of exercise is higher, the fair value of the put option would also be higher at 31st December 2014. If the expected time of exercise is later or if the discount rate is higher, then the fair value of the put option would be lower. The opposite is true for an earlier exercise time or a lower discount rate.

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

21. Available-for-sale Assets

	Group		Company	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
Non-current assets				
Shares listed in Hong Kong	**99**	94	**99**	93
Shares listed overseas	**334**	486	**–**	–
Unlisted investments	**338**	133	**–**	–
	771	713	**99**	93

22. Derivative Financial Instruments

Accounting Policy

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

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

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

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

22. Derivative Financial Instruments (continued)

Accounting Policy (continued)

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

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

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

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

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

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

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

22. Derivative Financial Instruments (continued)

	Group			
	2014		2013	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges (a)	**497**	**23**	562	88
Interest rate swaps – cash flow hedges (b)	**11**	**16**	17	11
Forward foreign exchange contracts				
– cash flow hedges (c)	**2**	**30**	9	105
– not qualifying as hedges	**10**	**2**	27	–
Commodity swaps				
– cash flow hedges (d)	**–**	**2**	–	3
– not qualifying as hedges	**–**	**1**	–	2
Total	**520**	**74**	615	209
Less non-current portion:				
Cross-currency swaps – cash flow hedges (a)	**497**	**23**	562	88
Interest rate swaps – cash flow hedges (b)	**11**	**16**	17	11
Forward foreign exchange contracts				
– cash flow hedges (c)	**–**	**–**	–	13
– not qualifying as hedges	**–**	**1**	11	–
	508	**40**	590	112
Current portion	**12**	**34**	25	97

(a) The cross-currency swaps hedge the foreign currency risk relating to US$ note issues and US$ perpetual capital securities. Gains and losses recognised in other comprehensive income on cross-currency swaps at 31st December 2014 are expected to affect the statement of profit or loss in the years to redemption of the notes and perpetual capital securities (up to and including 2023).

(b) These interest rate swaps hedge the interest rate risk associated with floating rate loans. Gains and losses recognised in other comprehensive income on interest rate swaps at 31st December 2014 are expected to affect the statement of profit or loss in the years to repayment of the loans (up to and including 2018). At 31st December 2014, the fixed interest rates varied from 1.238% to 3.1% (2013: 0.775% to 3.1%) and the main floating rates were HIBOR three-months and LIBOR three-months (2013: HIBOR three-months).

(c) The forward foreign exchange contracts hedge the foreign currency exposure relating to contractual obligations. Gains and losses recognised in other comprehensive income on foreign exchange contracts at 31st December 2014 are expected to affect the statement of profit or loss up to and including 2016.

(d) The commodity swaps hedge the price risk in commodities such as sugar. Gains and losses recognised in other comprehensive income on commodity swaps at 31st December 2014 are expected to affect the statement of profit or loss up to and including 2015.

For the years ended 31st December 2014 and 31st December 2013 all cash flow hedges were effective.

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

	2014 HK$M	2013 HK$M
Cross currency swaps	**22,466**	22,461
Forward foreign exchange contracts	**825**	2,951
Interest rate swaps	**7,148**	1,650
Commodity swaps	**145**	175

23. Properties Held for Development and Properties for Sale

Accounting Policy

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

Refer to the table with the heading "Audited Financial Information" on page 32 for details of the Group's properties held for development and properties for sale.

24. Stocks and Work in Progress

Accounting Policy

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

	Group	
	2014	2013
	HK$M	HK$M
Goods for sale	**1,858**	2,095
Manufacturing materials	**479**	320
Production supplies	**915**	669
Work in progress	**608**	150
	3,860	3,234

25. Trade and Other Receivables

Accounting Policy

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

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

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Trade debtors	**3,719**	3,845	**–**	–
Amounts due from immediate holding company	**2**	–	**–**	–
Amounts due from subsidiary companies	**–**	–	**28**	26
Amounts due from joint venture companies	**142**	168	**–**	–
Amounts due from associated companies	**457**	624	**–**	–
Interest-bearing advance to an associated company at 7.0%	**123**	–	**–**	–
Prepayments and accrued income	**2,314**	2,211	**2**	1
Other receivables	**2,795**	2,339	**25**	21
	9,552	9,187	**55**	48

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

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

	Group	
	2014 HK$M	2013 HK$M
Up to three months	**3,523**	3,666
Between three and six months	**132**	103
Over six months	**64**	76
	3,719	3,845

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

25. Trade and Other Receivables (continued)

At 31st December 2014, trade debtors of HK$1,264 million (2013: HK$1,083 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	Group	
	2014	2013
	HK$M	HK$M
Up to three months	**1,142**	943
Between three and six months	**71**	93
Over six months	**51**	47
	1,264	1,083

At 31st December 2014, trade debtors of HK$185 million (2013: HK$102 million) were impaired. The amount of the provision was HK$151 million at 31st December 2014 (2013: HK$59 million). It was assessed that a portion of the trade debtors is expected to be recovered. The analysis of the ageing of these impaired trade debtors is as follows:

	Group	
	2014	2013
	HK$M	HK$M
Up to three months	**41**	7
Between three and six months	**2**	6
Over six months	**142**	89
	185	102

The maximum exposure to credit risk at 31st December 2014 and 31st December 2013 is the carrying value of trade debtors, amounts due from related parties and other receivables disclosed above. The carrying value of rental deposits from tenants held as security against trade debtors at 31st December 2014 was HK$2,303 million (2013: HK$2,124 million).

26. Bank Balances and Short-Term Deposits

Accounting Policy

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term highly liquid investments which were within three months of maturity when acquired, less bank overdrafts.

	Group		Company	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
Bank balances and short-term deposits maturing within three months	**10,013**	10,950	**810**	2,154
Short-term deposits maturing after more than three months	**102**	338	**–**	190
	10,115	11,288	**810**	2,344

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 11.75% (2013: 0.01% to 10.5%); these deposits have a maturity from 2 to 167 days (2013: 2 to 295 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2014 and 31st December 2013 is the carrying value of the bank balances and short-term deposits disclosed above.

27. Trade and Other Payables

Accounting Policy

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

	Group		Company	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
Trade creditors	**3,812**	3,418	**–**	–
Amounts due to immediate holding company	**191**	213	**31**	17
Amounts due to subsidiary companies	**–**	–	**5,333**	4,382
Amounts due to joint venture companies	**179**	167	**–**	–
Amounts due to associated companies	**238**	264	**–**	–
Interest-bearing advances from a subsidiary company at 0.31% (2013: 0.32%)	**–**	–	**26,797**	24,554
Interest-bearing advances from joint venture companies at 0.27% to 4.63% (2013: 1.55%)	**402**	528	**–**	–
Interest-bearing advance from an associated company at 1.26%	**128**	–	**–**	–
Advances from non-controlling interests	**125**	445	**–**	–
Rental deposits from tenants	**2,303**	2,124	**8**	8
Put option over non-controlling interest in Taikoo Li Sunlitun	**–**	1,256	**–**	–
Put option over non-controlling interest in Brickell City Centre	**470**	367	**–**	–
Put options over non-controlling interests in subsidiary companies	**127**	216	**–**	–
Contingent consideration	**388**	–	**–**	–
Accrued capital expenditure	**734**	988	**13**	9
Other accruals	**5,117**	4,728	**32**	21
Other payables	**3,719**	2,345	**54**	51
	17,933	17,059	**32,268**	29,042
Amounts due after one year included under non-current liabilities	**(1,194)**	(620)	**–**	–
	16,739	16,439	**32,268**	29,042

The amounts due to and advances from immediate holding, subsidiary, joint venture and associated companies, and non-controlling interests are unsecured and have no fixed terms of repayment. The interest-bearing advance from an associated company is unsecured and repayable in 2019. Apart from certain amounts due to subsidiary, joint venture and associated companies, which are interest-bearing as specified above, the balances are interest free.

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

	Group	
	2014	2013
	HK$M	HK$M
Up to three months	**3,606**	3,218
Between three and six months	**139**	126
Over six months	**67**	74
	3,812	3,418

28. Perpetual Capital Securities

Refer to the table with the heading "Audited Financial Information" on page 105 for details of the Group's perpetual capital securities.

29. Borrowings

Accounting Policy

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

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

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

Refer to the tables with the heading "Audited Financial Information" on pages 103 to 111 for details of the Group's borrowings.

30. Deferred Taxation

Accounting Policy

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable nor accounting profit or loss, it is not recognised. Tax rates enacted or substantially enacted by the period-end date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

		Group		Company	
		2014	2013	2014	2013
	Note	HK$M	HK$M	HK$M	HK$M
At 1st January		**5,790**	5,118	**14**	12
Translation differences		**(64)**	77	**–**	–
Acquisition of subsidiary companies	35	**18**	–	**–**	–
Charged/(credited) to statement of profit or loss	10	**655**	451	**12**	(1)
(Credited)/charged to other comprehensive income		**(113)**	144	**(2)**	3
At 31st December		**6,286**	5,790	**24**	14

30. Deferred Taxation (continued)

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$3,133 million (2013: HK$3,621 million) to carry forward against future taxable income. These amounts are analysed as follows:

	Group	
	2014	2013
	HK$M	HK$M
No expiry date	**1,683**	1,814
Expiring in 2014	**–**	258
Expiring in 2015	**292**	358
Expiring in 2016	**314**	399
Expiring in 2017	**321**	401
Expiring in 2018	**261**	391
Expiring in 2019 or after	**262**	–
	3,133	3,621

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January	**3,196**	2,907	**2,588**	2,293	**883**	744	**6,667**	5,944
Translation differences	**–**	(1)	**(63)**	72	**(3)**	(26)	**(66)**	45
Acquisition of subsidiary companies	**–**	–	**–**	–	**363**	–	**363**	–
Charged to statement of profit or loss	**298**	290	**265**	208	**98**	99	**661**	597
Charged/(credited) to other comprehensive income	**–**	–	**2**	15	**(44)**	66	**(42)**	81
At 31st December	**3,494**	3,196	**2,792**	2,588	**1,297**	883	**7,583**	6,667

	Company					
	Accelerated tax depreciation		Others		Total	
	2014	2013	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January	**13**	6	**14**	12	**27**	18
(Credited)/charged to statement of profit or loss	**–**	7	**(1)**	(1)	**(1)**	6
(Credited)/charged to other comprehensive income	**–**	–	**(2)**	3	**(2)**	3
At 31st December	**13**	13	**11**	14	**24**	27

30. Deferred Taxation (continued)

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
At 1st January	**418**	333	**285**	249	**174**	244	**877**	826
Translation differences	**(6)**	(8)	**(1)**	1	**5**	(25)	**(2)**	(32)
Acquisition of subsidiary companies	**146**	–	**199**	–	**–**	–	**345**	–
Credited/(charged) to statement of profit or loss	**8**	93	**(93)**	35	**91**	18	**6**	146
Credited/(charged) to other comprehensive income	**–**	–	**–**	–	**71**	(63)	**71**	(63)
At 31st December	**566**	418	**390**	285	**341**	174	**1,297**	877

	Company	
	Tax losses	
	2014 HK$M	2013 HK$M
At 1st January	**13**	6
(Charged)/credited to statement of profit or loss	**(13)**	7
At 31st December	**–**	13

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Deferred tax assets:				
– To be recovered after more than 12 months	**(400)**	(396)	**–**	(13)
– To be recovered within 12 months	**(252)**	(171)	**–**	–
	(652)	(567)	**–**	(13)
Deferred tax liabilities:				
– To be settled after more than 12 months	**6,829**	6,253	**24**	27
– To be settled within 12 months	**109**	104	**–**	–
	6,938	6,357	**24**	27
	6,286	5,790	**24**	14

31. Retirement Benefits

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

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

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

Accounting Policy

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

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

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

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

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

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued annually by qualified actuaries for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance. The latest actuarial valuations indicate that the funding level was 114% (2013: 117%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$202 million to its defined benefit schemes in 2015.

For the years ended 31st December 2013 and 2014, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012, which were updated at 31st December 2013 and 2014 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the United States and Taiwan are valued by independent qualified actuaries. In addition, the Group operates a post-employment health care and life insurance benefit plan for certain retired employees in the United States. The plan is unfunded. The method of accounting and the frequency of valuations are similar to those used for defined benefit schemes.

31. Retirement Benefits (continued)

Most new employees in Hong Kong are offered the choice of joining the defined benefit retirement schemes or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant monthly income (capped at HK$25,000 up to 31st May 2014 and HK$30,000 from 1st June 2014). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

	2014			
	Group			Company
	Defined benefit plans HK$M	Other post-employment benefits HK$M	Total HK$M	Defined benefit plans HK$M
Present value of funded obligations	**5,313**	**–**	**5,313**	**137**
Fair value of plan assets	**(4,723)**	**–**	**(4,723)**	**(204)**
	590	**–**	**590**	**(67)**
Present value of unfunded obligations	**–**	**42**	**42**	**–**
Net retirement benefit liabilities/(assets)	**590**	**42**	**632**	**(67)**
Represented by:				
Retirement benefit assets	**(122)**	**–**	**(122)**	**(67)**
Retirement benefit liabilities	**712**	**42**	**754**	**–**
	590	**42**	**632**	**(67)**

	2013			
	Group			Company
	Defined benefit plans 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)

31. Retirement Benefits (continued)

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

	Group				Company	
	Defined benefit plans		Other post-employment benefits		Defined benefit plan	
	2014	2013	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
At 1st January	**4,721**	4,997	**43**	50	**120**	119
Translation differences	**(19)**	(7)	**1**	–	**–**	–
Transfer of members	**(7)**	2	**–**	–	**(11)**	1
Current service cost	**248**	261	**1**	1	**9**	8
Interest expense	**193**	163	**2**	2	**5**	4
Actuarial losses/(gains) from changes in:						
demographic assumptions	**2**	20	**–**	–	**–**	–
financial assumptions	**464**	(505)	**(5)**	(6)	**13**	(11)
Experience losses/(gains)	**38**	73	**–**	(2)	**1**	–
Employee contributions	**1**	1	**1**	1	**–**	–
Benefits paid	**(328)**	(284)	**(1)**	(3)	**–**	(1)
At 31st December	**5,313**	4,721	**42**	43	**137**	120

The weighted average duration of the defined benefit obligation is 9.2 years (2013: 9.8 years).

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

	Group		Company	
	Defined benefit plans		Defined benefit plan	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
At 1st January	**4,648**	4,441	**206**	190
Translation differences	**(2)**	1	**–**	–
Transfer of members	**(7)**	2	**(11)**	1
Interest income	**200**	150	**9**	6
Return on plan assets, excluding interest income	**–**	149	**–**	10
Contributions by employer	**211**	188	**–**	–
Employee contributions	**1**	1	**–**	–
Benefits paid	**(328)**	(284)	**–**	(1)
At 31st December	**4,723**	4,648	**204**	206

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

31. Retirement Benefits (continued)

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

	Group					
	2014			2013		
	Defined benefit plans	Other post-employment benefits	Total	Defined benefit plans	Other post-employment benefits	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Current service cost	**248**	**1**	**249**	261	1	262
Net interest (income)/cost	**(7)**	**2**	**(5)**	13	2	15
	241	**3**	**244**	274	3	277

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

Total retirement benefit costs charged to the statement of profit or loss for the year ended 31st December 2014 amounted to HK$478 million (2013: HK$481 million), including HK$234 million (2013: HK$204 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was HK$200 million (2013: HK$299 million).

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

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

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

	Group	
	Defined benefit plans	
	2014	2013
	HK$M	HK$M
Equities		
Asia Pacific	**627**	557
Europe	**295**	316
North America	**804**	779
Emerging markets	**474**	573
Bonds		
Global	**1,753**	1,648
Emerging markets	**465**	466
Absolute return funds	**181**	177
Cash	**124**	132
	4,723	4,648

At 31st December 2014, the prices of 95% of equities and 90% of bonds were quoted on active markets (31st December 2013: 100% and 82% respectively). The remainder of the prices were not quoted on active markets.

31. Retirement Benefits (continued)

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

The significant actuarial assumptions used are as follows:

	Group					
	Defined benefit plans				Other post-employment benefits	
	2014		2013		2014	2013
	Hong Kong	Others	Hong Kong	Others	USA	USA
	%	%	%	%	%	%
Discount rate	**3.27**	**2.00-4.30**	4.27	1.75-5.00	**4.00**	4.75
Expected rate of future salary increases	**4.00**	**2.75-4.12**	4.00	2.50-4.12	**N/A**	N/A
Expected rate of increase in cost of covered health care benefits	**N/A**	**N/A**	N/A	N/A	**7.50**	7.50

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

	Group		
	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		HK$M	HK$M
Discount rate	0.50%	(284)	307
Expected rate of future salary increases	0.50%	231	(218)

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

32. Share Capital

	Note	Company 'A' shares of HK$0.60 each[b]	'B' shares of HK$0.12 each[b]	Total HK$M
Authorised[a]:				
At 31st December 2013		1,140,000,000	3,600,000,000	1,116
At 31st December 2014		–	–	–

	Note	'A' shares	'B' shares	Total HK$M
Issued and fully paid:				
At 1st January 2014		905,578,500	2,995,220,000	903
Transition to no-par value regime on 3rd March 2014[c]	33	–	–	391
At 31st December 2014		905,578,500	2,995,220,000	1,294

On 3rd March 2014, the Hong Kong Companies Ordinance (Cap. 662) (the "New CO") came into effect. This had the following results:

(a) The Company's authorised share capital ceased to exist (by virtue of section 98(4) of the New CO).

(b) The Company's shares ceased to have nominal or par value (by virtue of section 135 of the New CO).

(c) The amounts standing to the credit of the Company's share premium account and capital redemption reserve became part of the Company's share capital (by virtue of paragraph 37 of Schedule 11 to the New CO).

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion of five to one. This was unaffected by the Company's shares ceasing to have nominal or par value as referred to in (b) above. Paragraph 40 of Schedule 11 to the New CO preserved the rights attaching to the Company's 'A' shares and 'B' shares as if they still had their nominal values.

33. Reserves

Group	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2014		209,682	342	49	1,967	884	1,517	4,953	219,394
Profit for the year		11,069	–	–	–	–	–	–	11,069
Other comprehensive income									
Defined benefit plans									
– remeasurement gains recognised during the year		(417)	–	–	–	–	–	–	(417)
– deferred tax		96	–	–	–	–	–	–	96
Cash flow hedges									
– recognised during the year		–	–	–	–	–	35	–	35
– transferred to net finance charges		–	–	–	–	–	(95)	–	(95)
– transferred to operating profit		–	–	–	–	–	6	–	6
– transferred to initial cost of non-financial assets		–	–	–	–	–	93	–	93
– deferred tax		–	–	–	–	–	9	–	9
Net fair value changes on available-for-sale assets									
– net losses recognised during the year		–	–	–	–	(53)	–	–	(53)
– net gains transferred to operating profit		–	–	–	–	(91)	–	–	(91)
Revaluation of property previously occupied by the Group									
– gains recognised during the year		–	–	–	7	–	–	–	7
– deferred tax		–	–	–	(2)	–	–	–	(2)
Share of other comprehensive income of joint venture and associated companies		(140)	–	–	–	32	(5,659)	(367)	(6,134)
Net translation differences on foreign operations		–	–	–	–	–	–	(635)	(635)
Total comprehensive income for the year		10,608	–	–	5	(112)	(5,611)	(1,002)	3,888
Change in composition of the Group		7	–	–	–	–	–	–	7
Transition to no-par value regime on 3rd March 2014	32	–	(342)	(49)	–	–	–	–	(391)
2013 second interim dividend	12	(3,761)	–	–	–	–	–	–	(3,761)
2014 first interim dividend	12	(1,656)	–	–	–	–	–	–	(1,656)
At 31st December 2014		214,880	–	–	1,972	772	(4,094)	3,951	217,481

33. Reserves (continued)

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

33. Reserves (continued)

Company	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
At 1st January 2014		**13,915**	**342**	**49**	**6**	**14,312**
Profit for the year	11	**2,452**	**–**	**–**	**–**	**2,452**
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		**(13)**	**–**	**–**	**–**	**(13)**
– deferred tax		**2**	**–**	**–**	**–**	**2**
Net fair value gains on available-for-sale assets		**–**	**–**	**–**	**6**	**6**
Total comprehensive income for the year		**2,441**	**–**	**–**	**6**	**2,447**
Transition to no-par value regime on 3rd March 2014	32	**–**	**(342)**	**(49)**	**–**	**(391)**
2013 second interim dividend	12	**(3,761)**	**–**	**–**	**–**	**(3,761)**
2014 first interim dividend	12	**(1,655)**	**–**	**–**	**–**	**(1,655)**
At 31st December 2014		**10,940**	**–**	**–**	**12**	**10,952**
At 1st January 2013		16,867	342	49	16	17,274
Profit for the year	11	2,296	–	–	–	2,296
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		21	–	–	–	21
– deferred tax		(3)	–	–	–	(3)
Net fair value losses on available-for-sale assets		–	–	–	(10)	(10)
Total comprehensive income for the year		2,314	–	–	(10)	2,304
2012 second interim dividend	12	(3,761)	–	–	–	(3,761)
2013 first interim dividend	12	(1,505)	–	–	–	(1,505)
At 31st December 2013		13,915	342	49	6	14,312

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$3,039 million (2013: HK$2,319 million) and retained revenue reserves from associated companies amounting to HK$23,403 million (2013: HK$22,428 million).

(b) Distributable reserves of the Company at 31st December 2014 amounted to HK$8,775 million (2013: HK$11,012 million).

(c) The Group and Company revenue reserves include HK$4,213 million (2013: HK$3,761 million) representing the declared second interim dividend for the year (note 12).

34. Non-controlling Interests

	Group	
	2014 HK$M	2013 HK$M
At 1st January	**42,211**	39,915
Share of profits less losses for the year	**2,316**	2,747
Defined benefit plans		
– remeasurement gains recognised during the year	**(82)**	84
– deferred tax	**13**	(14)
Share of cash flow hedges		
– recognised during the year	**13**	2
– transferred to operating profit	**3**	–
– deferred tax	**(3)**	–
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	**1**	64
– deferred tax	**–**	(3)
Share of other comprehensive income of joint venture and associated companies	**(28)**	62
Share of translation differences on foreign operations	**(147)**	166
Share of total comprehensive income	**2,086**	3,108
Dividends paid and payable	**(1,158)**	(855)
Acquisition of non-controlling interests in subsidiary companies	**–**	23
Non-controlling interests arising on acquisition of a subsidiary company	**141**	–
Disposal of interest in a subsidiary company	**71**	–
Capital contribution from non-controlling interests	**4**	20
At 31st December	**43,355**	42,211

35. Business Combination

Acquisition of Shares in TIMCO Aviation Services, Inc. ("TIMCO")
On 6th February 2014, a wholly owned subsidiary of HAECO acquired the entire issued share capital of TIMCO, the holding company of a group of companies based in the USA engaged in the provision of aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing.

This acquisition will expand the HAECO group's operations, broaden its sources of revenue and provide it with an opportunity to develop its business in one of the largest aviation markets in the world.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$M
Purchase consideration:	
Cash paid	**2,876**

	Fair value HK$M
Property, plant and equipment	**393**
Intangible assets	**812**
Stocks and work in progress	**448**
Cash and cash equivalents	**142**
Trade and other receivables	**395**
Trade and other payables	**(456)**
Taxation payable	**(2)**
Borrowings	**(228)**
Deferred tax liabilities	**(18)**
Net identifiable assets acquired	**1,486**
Goodwill	**1,390**
	2,876
Purchase consideration settled in cash	**2,876**
Repayment of borrowings	**208**
Cash and cash equivalents acquired	**(142)**
Net cash outflow on acquisition	**2,942**

The goodwill is attributable to TIMCO's highly skilled workforce, management expertise and the synergies expected to be derived from improved services to a wider range of customers. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired trade and other receivables was HK$395 million and includes trade receivables with a fair value of HK$365 million. The contractual amount of the trade receivables due was HK$377 million, in respect of which a bad debt provision of HK$12 million was made at the acquisition date.

Acquisition-related costs of HK$60 million and HK$4 million were recognised in the consolidated statement of profit or loss for the year ended 31st December 2013 and for the year ended 31st December 2014 respectively.

The acquired business contributed revenue of HK$2,885 million and a net loss of HK$45 million to the HAECO group for the period from 6th February 2014 to 31st December 2014. If the acquisition had occurred on 1st January 2014, the HAECO group's revenue and net profit for the year ended 31st December 2014 would have been, on a pro-forma basis, HK$12,285 million and HK$671 million respectively.

35. Business Combination (continued)

Acquisition of shares in Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery")
On 5th December 2014, Swire Foods acquired 65% of the equity of Qinyuan Bakery, a leading bakery chain in southwest China with over 460 stores in Chongqing, Guiyang and Chengdu. The acquisition allows Swire Foods to enter the bakery sector in Mainland China. It also provides Swire Foods with access to new consumers through its network of stores.

Details of the purchase consideration, the net assets acquired and goodwill are provisionally as follows:

	HK$M
Purchase consideration:	
Cash paid	**749**
	Provisional Fair value HK$M
Property, plant and equipment	**219**
Leasehold land and land use rights	**32**
Stocks and work in progress	**17**
Cash and cash equivalents	**161**
Trade and other receivables	**87**
Trade and other payables	**(110)**
Taxation payable	**(3)**
Non-controlling interests	**(141)**
Net identifiable assets acquired	**262**
Goodwill	**487**
	749
Purchase consideration settled in cash	**749**
Cash and cash equivalents acquired	**(161)**
Net cash outflow on acquisition	**588**

The fair value of the acquired assets (including identifiable intangible assets, if any) is provisional pending the receipt of the final valuations for those assets.

The goodwill is attributable to Qinyuan Bakery's management expertise, network of stores and growth prospects. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired trade and other receivables was HK$87 million and includes trade receivables with a fair value of HK$25 million. The contractual amount of the trade receivables due was HK$25 million, in respect of which no bad debt provision has been made at the acquisition date.

Acquisition-related costs totalled HK$40 million, of which HK$38 million has been recognised in the consolidated statement of profit or loss for the year ended 31st December 2014.

The acquired business contributed revenue of HK$60 million and a net attributable profit of HK$7 million to Swire Foods group for the period from 5th December 2014 to 31st December 2014. If the acquisition had occurred on 1st January 2014, Swire Foods group's revenue and net attributable profit for the year ended 31st December 2014 would have been, on a pro-forma basis, HK$687 million and HK$50 million respectively.

36. Capital Commitments

	Group	
	2014	2013
	HK$M	HK$M
Outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**3,305**	9,190
Authorised by Directors but not contracted for	**5,534**	5,097
(b) Investment properties		
Contracted for	**2,417**	2,069
Authorised by Directors but not contracted for	**15,773**	17,712
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**2,259**	3,142
Authorised by Directors but not contracted for	**3,609**	6,395
	5,868	9,537

* of which the Group is committed to funding HK$2,650 million (2013: HK$4,383 million).

The Company had no commitments at 31st December 2014 and 2013.

At 31st December 2014, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$229 million (2013: HK$214 million).

37. Provisions and Contingencies

Accounting Policy

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

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

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote.

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

37. Provisions and Contingencies (continued)

	Group		Company	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
(a) Guarantees provided in respect of bank loans and other liabilities of:				
Subsidiary companies	**–**	–	**40,381**	37,592
Joint venture companies	**1,977**	1,131	**500**	569
Bank guarantees given in lieu of utility deposits and others	**146**	144	**–**	–
	2,123	1,275	**40,881**	38,161

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

(b) Cathay Pacific Airways

Critical Accounting Estimates and Judgements

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

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

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

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

Cathay Pacific was a respondent (together with a number of other airlines) in an Australian civil antitrust class action in respect of its cargo operations. Cathay Pacific, together with other airlines, settled the Australian civil cargo antitrust class action in which it was a respondent. Under the terms of settlement, which was approved by the Federal Court of Australia in June 2014, Cathay Pacific made a payment to settle this litigation without any admission of liability or wrongdoing whatsoever. Any settlement amounts payable by individual airlines under the terms of settlement are to remain confidential. The amount payable by Cathay Pacific is not material to its financial position. An amount sufficient to cover the amount payable by Cathay Pacific was provided in the accounts of Cathay Pacific before 2014.

37. Provisions and Contingencies (continued)

(b) Cathay Pacific Airways (continued)

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

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege Cathay Pacific and other carriers fixed certain elements of the price charged for passenger air transportation services in violation of United States antitrust laws. Those cases were consolidated into one case for all pre-trial purposes, *In re Transpacific Passenger Air Transportation Antitrust Litigation*, MDL No. 1913, N.D. Cal. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle this matter in July 2014 by paying the plaintiffs US$7.5 million (approximately HK$58.1 million at the exchange rate current at date of payment). The settlement, which is subject to Court approval, will resolve claims against all putative class members who choose not to opt out of the agreement.

38. Leases

Accounting Policy

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

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

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

38. Leases (continued)

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

(a) Lessor

The Group leases out land and buildings and vessels under operating leases. The leases for land and buildings typically run for periods of three to six years. The retail turnover-related rental income received during the year amounted to HK$406 million (2013: HK$456 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease after that date, at which time all terms are renegotiated.

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

	Group		Company	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
Land and buildings:				
Not later than one year	**8,026**	7,444	**31**	24
Later than one year but not later than five years	**15,641**	15,743	**30**	61
Later than five years	**2,393**	2,574	**–**	–
	26,060	25,761	**61**	85
Vessels:				
Not later than one year	**3,519**	2,976		
Later than one year but not later than five years	**3,098**	3,838		
Later than five years	**521**	883		
	7,138	7,697		
	33,198	33,458		

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

	Group				Company	
	2014		2013		2014	2013
	Investment properties	Vessels	Investment properties	Vessels	Investment properties	Investment properties
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Cost or fair value	**197,013**	**25,104**	195,533	19,845	**3,218**	4,100
Less: accumulated depreciation	**–**	**(4,639)**	–	(3,697)	**–**	–
	197,013	**20,465**	195,533	16,148	**3,218**	4,100
Depreciation for the year	**–**	**1,027**	–	871	**–**	–

38. Leases (continued)

(b) Lessee

The Group leases land and buildings, vessels and other equipment under operating leases. These leases typically run for an initial period of one to nine years with an option to renew the lease after that date, at which time all terms are renegotiated. The retail turnover-related rentals paid during the year amounted to HK$33 million (2013: HK$38 million).

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

	Group		Company	
	2014 HK$M	2013 HK$M	2014 HK$M	2013 HK$M
Land and buildings:				
Not later than one year	**878**	725	11	12
Later than one year but not later than five years	**1,733**	1,219	5	15
Later than five years	**2,998**	2,750	–	–
	5,609	4,694	16	27
Vessels:				
Not later than one year	**137**	135		
Later than one year but not later than five years	**379**	437		
Later than five years	**135**	201		
	651	773		
Other equipment:				
Not later than one year	**23**	21		
Later than one year but not later than five years	**3**	–		
	6,286	5,488		

At 31st December 2014, the Group had plant and equipment under finance leases amounting to HK$17 million (2013: Nil) and included under borrowings in note 29.

39. Related Party Transactions

Accounting Policy

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

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements commenced on 1st January 2014 and will last for three years until 31st December 2016. For the year ended 31st December 2014, service fees payable amounted to HK$325 million (2013: HK$287 million). Expenses of HK$194 million (2013: HK$177 million) were reimbursed at cost; in addition, HK$311 million (2013: HK$270 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between JSSHK, the Company and Swire Properties Limited dated 14th August 2014, members of the Group enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of two years ending on 31st December 2015. For the year ended 31st December 2014, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$93 million (2013: HK$86 million).

The above transactions under the Services Agreements and the JSSHK Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules.

39. Related Party Transactions (continued)

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement), which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the financial statements.

		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
		2014	2013	2014	2013	2014	2013	2014	2013
	Notes	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Revenue from	(a)								
– Sales of beverage drinks		**1**	6	**15**	16	**–**	–	**–**	–
– Rendering of services		**1**	1	**5**	4	**20**	10	**–**	–
– Aircraft and engine maintenance		**35**	42	**2,583**	2,691	**–**	–	**–**	–
Purchase of beverage drinks	(a)	**59**	51	**1,976**	2,286	**–**	–	**–**	–
Purchase of other goods	(a)	**4**	4	**21**	9	**–**	–	**–**	–
Purchase of services	(a)	**17**	27	**7**	12	**66**	41	**–**	–
Rental revenue	(b)	**5**	5	**7**	8	**15**	14	**78**	72
Interest income	(c)	**50**	35	**8**	–	**–**	–	**–**	–
Interest charges	(c)	**16**	9	**1**	–	**–**	–	**–**	–

Notes:

(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.

(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.

(c) Loans advanced to joint venture and associated companies at 31st December 2014 are disclosed in note 19. Advances to and from joint venture companies are disclosed in notes 25 and 27.

Amounts due to the immediate holding company at 31st December 2014 are disclosed in note 27. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Remuneration of key management which includes executive and non-executive directors and executive officers is disclosed in note 8.

40. Notes to the Consolidated Statement of Cash Flows

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

	Group	
	2014	2013
	HK$M	HK$M
Operating profit	**13,697**	16,686
Loss/(profit) on sale of property, plant and equipment	**19**	(95)
Loss on sale of investment properties	**39**	–
Profit on sale of available-for-sale assets	**(78)**	–
Change in fair value of investment properties	**(1,896)**	(5,845)
Depreciation, amortisation and impairment losses	**2,895**	2,534
Other items	**(128)**	157
Operating profit before working capital changes	**14,548**	13,437
Increase in long-term other receivables	**(37)**	(4)
Decrease/(increase) in properties for sale	**274**	(1,314)
(Increase)/decrease in stocks and work in progress	**(236)**	1,022
Decrease/(increase) in trade and other receivables	**501**	(280)
Increase in trade and other payables	**1,200**	1,440
Cash generated from operations	**16,250**	14,301

40. Notes to the Consolidated Statement of Cash Flows (continued)

(b) Purchase of property, plant and equipment

	Group	
	2014	2013
	HK$M	HK$M
Properties	**1,249**	626
Leasehold land and land use rights	**23**	101
Plant and machinery	**1,696**	1,464
Vessels	**3,213**	4,194
Total	**6,181**	6,385

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

(c) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2014	2013	2014	2013
	HK$M	HK$M	HK$M	HK$M
At 1st January	**61,844**	50,370	**42,211**	39,915
Net cash inflow from financing	**7,017**	11,157	**4**	20
Acquisition of subsidiary companies	**20**	–	**141**	23
Disposal of interest in a subsidiary company	**–**	–	**71**	–
Non-controlling interests' share of total comprehensive income	**–**	–	**2,086**	3,108
Dividends paid to non-controlling interests	**–**	–	**(1,008)**	(857)
Dividends payable to non-controlling interests	**–**	–	**(150)**	2
Other non-cash movements	**(93)**	317	**–**	–
At 31st December	**68,788**	61,844	**43,355**	42,211

41. Immediate and Ultimate Holding Company

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

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