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 199 to 210.

1. Changes in Accounting Policies and Disclosures

(a) The following amendments to standards were required to be adopted by the Group effective from 1st January 2015:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010-2012 Cycle
	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions

The adoption of these amendments has had no significant impact on the Group's financial statements.

(b) Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) started to apply in respect of the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(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 2012-2014 Cycle[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 1 (Amendment)	Disclosure Initiative[1]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 To be applied by the Group from 1st January 2016
2 To be applied by the Group from 1st January 2018
3 The mandatory effective date has been postponed indefinitely

None of these new and revised standards is expected to have a significant effect on the Group's financial statements, except the following set out below:

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.

1. Changes in Accounting Policies and Disclosures (continued)

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.

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 108 and 109 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 2015		
Impact on profit or loss: (loss)/gain	**(126)**	**126**
Impact on other comprehensive income: gain/(loss)	**74**	**(66)**
At 31st December 2014		
Impact on profit or loss: (loss)/gain	(151)	151
Impact on other comprehensive income: gain/(loss)	59	(67)

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

2. Financial Risk Management (continued)

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 7.7512 (2014: 7.756), 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 2015		
Impact on profit or loss: gain/(loss)	**2**	**(153)**
Impact on other comprehensive income: gain	**3**	**40**
At 31st December 2014		
Impact on profit or loss: gain/(loss)	4	(161)
Impact on other comprehensive income: gain	2	39

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

Liquidity risk

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

At 31st December 2015

	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 and other payables	27	**20,008**	**21,104**	**17,073**	**610**	**1,930**	**1,491**
Borrowings (including interest obligations)	28, 29	**68,617**	**80,922**	**10,388**	**13,769**	**27,613**	**29,152**
Derivative financial instruments	22	**224**	**224**	**23**	**1**	**25**	**175**
Financial guarantee contracts	38	**–**	**3,948**	**3,948**	**–**	**–**	**–**
		88,849	**106,198**	**31,432**	**14,380**	**29,568**	**30,818**

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 and other payables	27	17,933	19,477	14,911	758	1,306	2,502
Borrowings (including interest obligations)	28, 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	38	–	2,123	2,123	–	–	–
		86,795	102,391	25,408	15,431	30,894	30,658

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 19(b))
(e) Retirement benefits (Note 31)
(f) Provisions and contingencies for Cathay Pacific Airways Limited (Note 38(b))

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 shortest 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 comprises:

	2015 HK$M	2014 HK$M
Gross rental income from investment properties	**10,654**	10,256
Property trading	**4,463**	3,842
Hotels	**1,127**	1,089
Aircraft and engine maintenance services	**10,815**	10,733
Sales of goods	**27,083**	27,541
Charter hire	**5,161**	6,199
Rendering of other services	**1,582**	1,641
Total	**60,885**	61,301

5. Other Net (Losses)/Gains

Other net (losses)/gains include the following:

	2015 HK$M	2014 HK$M
Loss on disposal of four hotels in the UK	**(229)**	–
Loss on sale of investment properties	**(135)**	(39)
Loss on sale of property, plant and equipment	**–**	(19)
Profit on sale of available-for-sale assets	**105**	78
Net foreign exchange losses	**(182)**	(168)
Fair value (losses)/gains on cross-currency swaps transferred from cash flow hedge reserve	**(7)**	3
Fair value losses on forward foreign exchange contracts transferred from cash flow hedge reserve	**(32)**	–
Fair value gains/(losses) on forward foreign exchange contracts not qualifying as hedges	**8**	(1)
Dividend income on available-for-sale assets	**11**	5
Other income	**295**	212
Total	**(166)**	71

6. Expenses by Nature

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

	Note	2015 HK$M	2014 HK$M
Direct operating expenses of investment properties that			
– generated rental income		**1,762**	1,698
– did not generate rental income		**210**	88
Cost of stocks sold		**22,969**	23,647
Write-down of stocks and work in progress		**102**	65
Impairment losses recognised on:			
– property, plant and equipment	14	**1,302**	27
– intangible assets	17	**104**	89
– trade receivables		**28**	49
Impairment reversals on properties held for development		**–**	(45)
Depreciation of property, plant and equipment	14	**2,833**	2,566
Amortisation of			
– leasehold land and land use rights	16	**34**	33
– intangible assets	17	**138**	136
– initial leasing costs on investment properties		**67**	89
– others		**87**	–
Staff costs		**11,578**	11,206
Operating lease rentals			
– properties		**1,029**	887
– vessels		**142**	137
– plant and equipment		**41**	35
Auditors' remuneration			
– audit services		**42**	40
– tax services		**12**	12
– other services		**5**	8
Other expenses		**8,826**	8,804
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**51,311**	49,571

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 discloseable 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 2015

	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	Underlying profit/(loss) attributable to the Company's shareholders HK$M	Depreciation and amortisation charged to operating profit HK$M
Property												
Property investment	10,761	96	8,090	(1,242)	92	274	–	(965)	6,249	5,104	5,131	(160)
Change in fair value of investment properties	–	–	7,067	–	–	828	–	(848)	7,047	5,745	–	–
Property trading	4,463	–	1,328	(6)	3	57	–	(231)	1,151	893	908	–
Hotels	1,127	–	(334)	(43)	1	(59)	141	(12)	(306)	(248)	(248)	(192)
	16,351	**96**	**16,151**	**(1,291)**	**96**	**1,100**	**141**	**(2,056)**	**14,141**	**11,494**	**5,791**	**(352)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	2,700	–	2,700	2,700	2,700	–
HAECO group	12,095	–	415	(96)	20	246	–	(33)	552	349	349	(601)
Others	–	–	(52)	–	–	4	(11)	–	(59)	(32)	(32)	(52)
	12,095	**–**	**363**	**(96)**	**20**	**250**	**2,689**	**(33)**	**3,193**	**3,017**	**3,017**	**(653)**
Beverages												
Mainland China	7,617	–	405	(65)	28	203	59	(116)	514	391	391	(287)
Hong Kong	2,198	2	246	–	–	–	–	(20)	226	204	204	(73)
Taiwan	1,392	–	48	(6)	–	–	–	(8)	34	34	34	(49)
USA	5,965	–	392	(1)	–	–	–	(118)	273	273	273	(228)
Central costs	–	–	73	–	–	–	–	–	73	74	74	(3)
	17,172	**2**	**1,164**	**(72)**	**28**	**203**	**59**	**(262)**	**1,120**	**976**	**976**	**(640)**
Marine Services												
Swire Pacific Offshore group	5,988	2	(846)	(335)	34	–	(1)	(131)	(1,279)	(1,285)	(1,285)	(1,262)
HUD group	–	–	–	–	–	30	–	–	30	30	30	–
	5,988	**2**	**(846)**	**(335)**	**34**	**30**	**(1)**	**(131)**	**(1,249)**	**(1,255)**	**(1,255)**	**(1,262)**
Trading & Industrial												
Swire Retail group	3,208	–	53	(1)	20	5	42	(26)	93	93	93	(27)
Taikoo Motors group	4,498	–	38	(4)	1	–	–	(32)	3	3	3	(71)
Swire Foods group	1,505	84	105	–	4	(3)	–	(44)	62	41	41	(118)
Swire Pacific Cold Storage group	34	–	(94)	(11)	–	6	–	(3)	(102)	(102)	(102)	(30)
Akzo Nobel Swire Paints	–	–	–	–	–	204	–	(7)	197	197	197	–
Swire Environmental Services group	–	–	(1)	–	–	–	(43)	–	(44)	(44)	(44)	–
Other activities	–	–	(33)	–	–	–	–	–	(33)	(33)	(33)	–
	9,245	**84**	**68**	**(16)**	**25**	**212**	**(1)**	**(112)**	**176**	**155**	**155**	**(246)**
Head Office												
Net income/(expenses)	34	26	(425)	(1,684)	1,145	–	–	20	(944)	(944)	1,208	(6)
Change in fair value of investment properties	–	–	(14)	–	–	–	–	–	(14)	(14)	–	–
	34	**26**	**(439)**	**(1,684)**	**1,145**	**–**	**–**	**20**	**(958)**	**(958)**	**1,208**	**(6)**
Inter-segment elimination	–	(210)	–	1,121	(1,121)	–	–	–	–	–	–	–
Total	60,885	–	16,461	(2,373)	227	1,795	2,887	(2,574)	16,423	13,429	9,892	(3,159)

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 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	Underlying 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	4,956	(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	860	(7)
Hotels	1,089	–	(22)	(46)	–	(46)	160	(16)	30	25	25	(189)
	15,297	**90**	**10,970**	**(1,324)**	**97**	**1,444**	**160**	**(1,645)**	**9,702**	**7,786**	**5,841**	**(368)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	1,418	–	1,418	1,418	1,418	–
HAECO group	11,927	–	509	(100)	30	314	–	(94)	659	430	430	(615)
Others	–	–	(52)	–	–	6	(6)	–	(52)	(26)	(26)	(52)
	11,927	**–**	**457**	**(100)**	**30**	**320**	**1,412**	**(94)**	**2,025**	**1,822**	**1,822**	**(667)**
Beverages												
Mainland China	7,856	–	470	(56)	35	214	77	(181)	559	395	395	(290)
Hong Kong	2,163	1	220	–	–	–	–	(16)	204	185	185	(75)
Taiwan	1,415	–	35	(6)	–	–	–	(6)	23	23	23	(52)
USA	4,948	–	327	(10)	–	–	–	(109)	208	208	208	(187)
Central costs	–	–	43	–	–	–	–	–	43	43	43	–
	16,382	**1**	**1,095**	**(72)**	**35**	**214**	**77**	**(312)**	**1,037**	**854**	**854**	**(604)**
Marine Services												
Swire Pacific Offshore group	7,234	–	1,320	(284)	57	–	1	(42)	1,052	1,041	1,041	(1,078)
HUD group	–	–	–	–	–	31	–	–	31	31	31	–
	7,234	**–**	**1,320**	**(284)**	**57**	**31**	**1**	**(42)**	**1,083**	**1,072**	**1,072**	**(1,078)**
Trading & Industrial												
Swire Retail group	3,020	–	58	(1)	23	5	36	(39)	82	82	82	(30)
Taikoo Motors group	6,706	–	270	(3)	2	–	–	(56)	213	213	213	(55)
Swire Foods group	701	94	24	–	2	(14)	–	(8)	4	1	1	(5)
Swire Pacific Cold Storage group	3	–	(79)	(4)	1	10	–	(1)	(73)	(73)	(73)	(14)
Akzo Nobel Swire Paints	–	–	–	–	–	241	–	(11)	230	230	230	–
Swire Environmental Services group	–	–	1	–	–	2	(8)	–	(5)	(5)	(5)	–
Other activities	–	–	(25)	1	(1)	–	–	–	(25)	(25)	(25)	–
	10,430	**94**	**249**	**(7)**	**27**	**244**	**28**	**(115)**	**426**	**423**	**423**	**(104)**
Head Office												
Net income/(expenses)	31	25	(348)	(1,645)	1,161	–	–	(10)	(842)	(842)	(273)	(3)
Change in fair value of investment properties	–	–	(46)	–	–	–	–	–	(46)	(46)	–	–
	31	**25**	**(394)**	**(1,645)**	**1,161**	**–**	**–**	**(10)**	**(888)**	**(888)**	**(273)**	**(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	9,739	(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 total assets of the Group

At 31st December 2015

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	232,503	17,307	–	3,901	253,711	4,677
Property trading and development	9,093	815	–	401	10,309	42
Hotels	6,333	1,270	534	84	8,221	490
	247,929	**19,392**	**534**	**4,386**	**272,241**	**5,209**
Aviation						
Cathay Pacific group	–	–	22,048	–	22,048	–
HAECO group	11,958	1,262	–	1,427	14,647	737
Others	4,571	2,816	–	–	7,387	–
	16,529	**4,078**	**22,048**	**1,427**	**44,082**	**737**
Beverages						
Swire Beverages	**9,037**	**725**	**1,366**	**940**	**12,068**	**835**
Marine Services						
Swire Pacific Offshore group	23,503	–	6	497	24,006	1,513
HUD group	–	(78)	–	–	(78)	–
	23,503	**(78)**	**6**	**497**	**23,928**	**1,513**
Trading & Industrial						
Swire Retail group	932	31	140	169	1,272	25
Taikoo Motors group	1,949	–	–	279	2,228	190
Swire Foods group	1,205	48	–	428	1,681	165
Swire Pacific Cold Storage group	1,472	254	–	68	1,794	401
Akzo Nobel Swire Paints	–	519	–	–	519	–
Swire Environmental Services group	121	19	227	–	367	–
Other activities	222	–	–	1	223	–
	5,901	**871**	**367**	**945**	**8,084**	**781**
Head Office	**1,124**	**–**	**–**	**838**	**1,962**	**51**
	304,023	**24,988**	**24,321**	**9,033**	**362,365**	**9,126**

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 2014

	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M	Additions to non-current assets (note) HK$M
Property						
Property investment	222,590	16,046	28	2,092	240,756	4,452
Property trading and development	9,417	891	–	612	10,920	176
Hotels	6,301	1,270	507	170	8,248	554
	238,308	**18,207**	**535**	**2,874**	**259,924**	**5,182**
Aviation						
Cathay Pacific group	–	–	23,774	–	23,774	–
HAECO group	11,460	1,240	–	2,331	15,031	678
Others	4,624	2,818	(7)	–	7,435	–
	16,084	**4,058**	**23,767**	**2,331**	**46,240**	**678**
Beverages						
Swire Beverages	**9,072**	**615**	**1,407**	**949**	**12,043**	**914**
Marine Services						
Swire Pacific Offshore group	24,928	–	6	1,152	26,086	3,184
HUD group	–	(54)	–	–	(54)	–
	24,928	**(54)**	**6**	**1,152**	**26,032**	**3,184**
Trading & Industrial						
Swire Retail group	855	27	98	312	1,292	23
Taikoo Motors group	1,634	–	–	1,218	2,852	206
Swire Foods group	994	17	–	353	1,364	5
Swire Pacific Cold Storage group	1,161	264	–	105	1,530	660
Akzo Nobel Swire Paints	–	550	–	–	550	–
Swire Environmental Services 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 liabilities and non-controlling interests of the Group

At 31st December 2015

	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	6,886	7,078	10,546	22,048	46,558	38,432
Property trading and development	2,217	239	1,996	2,659	7,111	810
Hotels	209	–	–	867	1,076	1,303
	9,312	**7,317**	**12,542**	**25,574**	**54,745**	**40,545**
Aviation						
HAECO group	**3,069**	**275**	**–**	**4,117**	**7,461**	**4,064**
Beverages						
Swire Beverages	**4,792**	**503**	**1,776**	**–**	**7,071**	**750**
Marine Services						
Swire Pacific Offshore group	**1,109**	**29**	**9,822**	**77**	**11,037**	**18**
Trading & Industrial						
Swire Retail group	823	45	(272)	–	596	–
Taikoo Motors group	615	(2)	137	–	750	–
Swire Foods group	911	31	–	–	942	160
Swire Pacific Cold Storage group	228	3	535	–	766	–
Other activities	30	10	12	–	52	–
	2,607	**87**	**412**	**–**	**3,106**	**160**
Head Office	**606**	**56**	**(24,552)**	**38,849**	**14,959**	**–**
	21,495	**8,267**	**–**	**68,617**	**98,379**	**45,537**

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 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**

(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)	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Hong Kong	**23,715**	21,928	**209,501**	204,917
Asia (excluding Hong Kong)	**23,026**	24,713	**37,606**	36,957
USA	**8,049**	7,648	**10,944**	8,531
Others	**531**	465	**1**	530
Ship owning and operating activities	**5,564**	6,547	**21,648**	23,125
	60,885	61,301	**279,700**	274,060

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 disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Cash			Non cash				
	Salary/ fees (note i) HK$'000	Bonus (note ii) HK$'000	Allowance and benefits HK$'000	Retirement scheme contributions HK$'000	Bonus paid into retirement scheme (note ii) HK$'000	Housing benefits HK$'000	Total 2015 HK$'000	Total 2014 HK$'000
Executive Directors								
J R Slosar	9,249	6,560	229	3,125	2,051	6,715	**27,929**	15,181
GMC Bradley (from 1st January 2015)	3,705	1,759	962	1,252	1,015	3,085	**11,778**	–
I K L Chu (from 14th March 2014)	493	451	255	146	–	–	**1,345**	475
M Cubbon	5,690	5,363	300	1,923	1,788	4,626	**19,690**	18,689
J B Rae-Smith	2,633	2,084	699	890	991	3,274	**10,571**	9,682
I S C Shiu	1,133	1,739	1,031	335	–	–	**4,238**	3,431
A K W Tang	3,648	4,582	2,175	1,080	–	–	**11,485**	9,209
C D Pratt (until 13th March 2014)	–	2,039	–	–	–	–	**2,039**	12,590
P A Kilgour (until 31st December 2014)	–	5,150	–	–	–	–	**5,150**	13,337
Non-Executive Directors								
P A Johansen	928	–	–	–	–	–	**928**	928
M B Swire	–	–	–	–	–	–	**–**	–
S C Swire (from 1st January 2015)	–	–	–	–	–	–	**–**	–
Baroness Dunn (until 20th May 2015)	–	–	–	–	–	–	**–**	–
Independent Non-Executive Directors								
T G Freshwater	850	–	–	–	–	–	**850**	690
C Lee	950	–	–	–	–	–	**950**	950
R W M Lee	725	–	–	–	–	–	**725**	690
G R H Orr (from 21st August 2015)	251	–	–	–	–	–	**251**	–
M C C Sze	690	–	–	–	–	–	**690**	690
M M T Yang	690	–	–	–	–	–	**690**	690
C K M Kwok (until 20th May 2015)	389	–	–	–	–	–	**389**	1,008
Total 2015	**32,024**	**29,727**	**5,651**	**8,751**	**5,845**	**17,700**	**99,698**	
Total 2014	31,815	24,787	3,699	8,279	3,880	15,780		88,240
Executive Officer								
P Healy	**2,679**	**1,621**	**1,056**	**905**	**952**	**3,386**	**10,599**	
Total 2014	2,223	1,510	1,055	683	875	3,040		9,386

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 2015. The amounts disclosed above are related to services as Executive Directors or Officers for 2014 but paid and charged to the Group in 2015.
iii. The total emoluments of Executive Directors and Officers are charged to the Group in accordance with the amount of time spent on its affairs.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2015 include four Executive Directors and one Executive Officer whose emoluments are reflected in the analysis presented on page 144 (2014: four Executive Directors). The emoluments payable to the remaining one individual in 2014 is as follows:

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

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 94 for details of the Group's net finance charges.

10. Taxation

Accounting Policy

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

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

Critical Accounting Estimates and Judgements

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

10. Taxation (continued)

	Note	2015 HK$M	2014 HK$M
Current taxation:			
Hong Kong profits tax		**1,190**	1,020
Overseas taxation		**741**	530
(Over)/under-provisions in prior years		**(14)**	13
		1,917	1,563
Deferred taxation:	30		
Changes in fair value of investment properties		**592**	265
Origination and reversal of temporary differences		**65**	390
		657	655
		2,574	2,218

Hong Kong profits tax is calculated at 16.5% (2014: 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:

	2015 HK$M	2014 HK$M
Profit before taxation	**18,997**	15,603
Calculated at a tax rate of 16.5% (2014: 16.5%)	**3,135**	2,574
Share of profits less losses of joint venture and associated companies	**(773)**	(648)
Effect of different tax rates in other countries	**340**	257
Fair value gains on investment properties	**(786)**	(192)
Income not subject to tax	**(61)**	(337)
Expenses not deductible for tax purposes	**510**	253
Unused tax losses not recognised	**276**	194
Utilisation of previously unrecognised tax losses	**(6)**	(52)
Deferred tax assets written off	**(16)**	14
(Over)/under-provisions in prior years	**(14)**	13
Recognition of previously unrecognised tax losses	**(54)**	(11)
Others	**23**	153
Tax charge	**2,574**	2,218

The Group's share of joint venture and associated companies' tax charges of HK$445 million (2014: HK$542 million) and HK$489 million (2014: HK$333 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. Underlying Profit Attributable to the Company's Shareholders

Accounting Policy

Underlying profit attributable to the Company's shareholders is provided for greater understanding of the Group's underlying business performance. Underlying profit principally adjusts for net revaluation movements on investment properties and the associated deferred tax and for other deferred tax provisions in relation to investment properties.

Reported and underlying profit attributable to the Company's shareholders is reconciled as follows:

	Note	2015 HK$M	2014 HK$M
Profit attributable to the Company's shareholders		**13,429**	11,069
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(8,123)**	(3,088)
Deferred tax on investment properties	(b)	**1,090**	710
Realised profit on sale of investment properties	(c)	**2,180**	598
Depreciation of investment properties occupied by the Group	(d)	**23**	23
Non-controlling interests' share of adjustments		**1,293**	427
Underlying profit attributable to the Company's shareholders		**9,892**	9,739

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

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.

	2015 HK$M	2014 HK$M
First interim dividend paid on 6th October 2015 of HK¢112.0 per 'A' share and HK¢22.4 per 'B' share (2014: HK¢110.0 and HK¢22.0)	**1,685**	1,655
Second interim dividend declared on 10th March 2016 of HK¢278.0 per 'A' share and HK¢55.6 per 'B' share (2014 actual dividend paid: HK¢280.0 and HK¢56.0)	**4,182**	4,213
	5,867	5,868

The second interim dividend is not accounted for in 2015 because it had not been declared at the year end date. The actual amount payable in respect of 2015 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2016.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$13,429 million (2014: HK$11,069 million) by the weighted average number of 905,397,863 'A' shares and 2,995,220,000 'B' shares in issue during the year, (2014: 905,578,500 'A' shares and 2,995,220,000 'B' shares) 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 items of 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 amounts 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$1,302 million to their recoverable amount.

Swire Pacific Offshore ("SPO") has vessels with aggregate carrying values of HK$21,348 million. Following a review of the business; the outlook for the offshore oil services industry assuming that oil prices will not recover for some time; and SPO's operating plans, management has assessed these carrying values. An impairment provision of HK$743 million has been recorded to reduce the carrying value of certain vessels to their estimated recoverable value, which is the higher of fair value less cost to sell, and value in use. The recoverable amount of vessels subject to impairment provisions amounts to HK$9,981 million. Fair value less costs to sell is based on management estimates having regard to estimated resale values provided by an independent external valuer. Fair value less costs to sell is a level 3 fair value measurement. Value in use is determined using cash flow projections based on financial budgets prepared by management. The key assumptions include utilisation, charter hire rates, disposal values and discount rates applied to future cash flows. The discount rate used at 31st December 2015 was 8.0% (2014: 8.0%). Changes in any or all of the key assumptions could result in a material reduction in the carrying value of vessels.

The HAECO group has property, plant and equipment and land use rights at Xiamen Airport, Mainland China with a net book value totalling HK$1,494 million at 31st December 2015 (2014 HK$1,648 million). The municipal government of Xiamen has announced that the proposed new airport at Xiang'an will commence operations in 2020. This is subject to the National Development and Reform Committee's approval. The HAECO group has engaged an independent consultant to perform preliminary compensation assessments in order to evaluate the recoverable amounts of property, plant and equipment and land use rights at the existing Xiamen airport which might be affected by the proposal to develop a new airport and has concluded that there was no impairment loss on these assets at 31st December 2015. The HAECO group maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO group in Xiamen.

14. Property, Plant and Equipment (continued)

	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
Cost:						
At 1st January 2015		3,539	16,701	13,723	27,360	61,323
Translation differences		–	(331)	(271)	(15)	(617)
Acquisition of a subsidiary company						
– measurement period adjustment	36	–	69	–	–	69
Disposal of subsidiary companies	41(c)	–	(679)	(84)	–	(763)
Additions		–	1,127	1,640	1,483	4,250
Disposals		–	(27)	(589)	(987)	(1,603)
Transfer between categories		26	(26)	–	–	–
Net transfers from investment properties	15	448	174	–	–	622
Other transfers		–	51	(82)	–	(31)
Revaluation surplus		20	10	–	–	30
At 31st December 2015		4,033	17,069	14,337	27,841	63,280
Accumulated depreciation and impairment:						
At 1st January 2015		141	4,662	8,280	4,639	17,722
Translation differences		–	(94)	(149)	(3)	(246)
Disposal of subsidiary companies	41(c)	–	(202)	(63)	–	(265)
Depreciation for the year	6	23	515	1,080	1,215	2,833
Impairment losses	6	–	–	74	1,228	1,302
Disposals		–	(14)	(369)	(586)	(969)
Net transfers to investment properties	15	–	(2)	–	–	(2)
Other transfers		–	–	(30)	–	(30)
At 31st December 2015		164	4,865	8,823	6,493	20,345
Net book value:						
At 31st December 2015		3,869	12,204	5,514	21,348	42,935

14. Property, Plant and Equipment (continued)

	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
Cost:						
At 1st January 2014		3,292	15,264	12,326	24,395	55,277
Translation differences		–	(207)	(169)	6	(370)
Acquisition of subsidiary companies and new businesses		18	336	512	–	866
Additions		–	1,319	1,791	3,105	6,215
Disposals		–	(31)	(697)	(146)	(874)
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
Accumulated depreciation and impairment:						
At 1st January 2014		120	4,246	7,757	3,697	15,820
Translation differences		(1)	(57)	(99)	1	(156)
Acquisition of subsidiary companies and new businesses		–	–	71	–	71
Depreciation for the year	6	22	496	1,021	1,027	2,566
Impairment losses	6	–	–	27	–	27
Disposals		–	(22)	(497)	(86)	(605)
Net transfers to investment properties	15	–	(1)	–	–	(1)
At 31st December 2014		141	4,662	8,280	4,639	17,722
Net book value:						
At 31st December 2014		3,398	12,039	5,443	22,721	43,601

Property, plant and machinery and vessels include costs of HK$1,340 million (2014: HK$1,185 million), HK$101 million (2014: HK$230 million) and HK$356 million (2014: HK$2,256 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

An impairment charge on vessels of HK$485 million arising from the cancellation of contracts with a Brazilian shipyard for the construction of four large PSVs was recorded in 2015. The contracts were cancelled by SPO due to the shipyard's failure to deliver the vessels in accordance with the contractually agreed schedule. The matter is the subject of arbitration proceedings in Brazil.

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 that expenditure will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs of an investment property 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.

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 2015. 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)

	Note	Completed HK$M	Under Development HK$M	Total HK$M
At 1st January 2015		**197,013**	**23,621**	**220,634**
Translation differences		**(1,203)**	**(36)**	**(1,239)**
Additions		**239**	**4,285**	**4,524**
Disposals		**(3,237)**	**(21)**	**(3,258)**
Transfer from properties for sale		**–**	**19**	**19**
Net transfers to property, plant and equipment	14	**(558)**	**(66)**	**(624)**
Fair value gains		**5,907**	**1,146**	**7,053**
		198,161	**28,948**	**227,109**
Add: Initial leasing costs		**126**	**65**	**191**
At 31st December 2015		**198,287**	**29,013**	**227,300**
At 1st January 2014		195,533	20,706	216,239
Translation differences		(574)	(24)	(598)
Additions		404	3,932	4,336
Disposals		(853)	(1)	(854)
Transfer to properties for sale		–	(146)	(146)
Transfer upon completion		1,270	(1,270)	–
Net transfers (to)/from property, plant and equipment	14	(270)	11	(259)
Other net transfers		19	1	20
Fair value gains		1,484	412	1,896
		197,013	23,621	220,634
Add: Initial leasing costs		235	–	235
At 31st December 2014		197,248	23,621	220,869

15. Investment Properties (continued)

Geographical Analysis of Investment Properties

	2015 HK$M	2014 HK$M
Held in Hong Kong		
On medium-term leases (10 to 50 years)	**31,125**	29,785
On long-term leases (over 50 years)	**165,229**	162,535
	196,354	192,320
Held in Mainland China		
On medium-term leases (10 to 50 years)	**25,145**	25,077
Held in USA and others		
Freehold	**5,610**	3,237
	227,109	220,634

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 2015. 93% by value were valued by DTZ Debenham Tie Leung and 96% by value in total were valued by independent valuers on the basis of open market value.
The independent professionally qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have 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 also takes into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project plus the developer's estimated profit and margin for risk.

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

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

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

15. Investment Properties (continued)

Fair value hierarchy

The Group's investment properties are measured at fair value and categorised within the fair value hierarchy as follows:

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2015 Total HK$M
Level 2	**3,093**	**189**	**3,282**	**11,576**	**–**	**11,576**	**14,858**
Level 3	**169,924**	**24,955**	**194,879**	**11,762**	**5,610**	**17,372**	**212,251**
Total	**173,017**	**25,144**	**198,161**	**23,338**	**5,610**	**28,948**	**227,109**
Add: initial leasing costs							**191**
At 31st December							**227,300**

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

The change in level 3 investment properties during the year is as follows:

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2015	**169,043**	**24,880**	**193,923**	**10,178**	**3,237**	**13,415**	**207,338**
Translation differences	**–**	**(1,194)**	**(1,194)**	**–**	**(36)**	**(36)**	**(1,230)**
Additions	**224**	**13**	**237**	**771**	**2,052**	**2,823**	**3,060**
Disposals	**(3,237)**	**–**	**(3,237)**	**–**	**–**	**–**	**(3,237)**
Other net transfers	**(494)**	**(64)**	**(558)**	**–**	**19**	**19**	**(539)**
Fair value gains	**4,388**	**1,320**	**5,708**	**813**	**338**	**1,151**	**6,859**
At 31st December 2015	**169,924**	**24,955**	**194,879**	**11,762**	**5,610**	**17,372**	**212,251**

	Completed			Under Development			
	Hong Kong HK$M	Mainland China HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2014	168,192	24,245	192,437	9,634	1,656	11,290	203,727
Translation differences	–	(570)	(570)	–	(25)	(25)	(595)
Additions	286	109	395	885	1,595	2,480	2,875
Disposals	(853)	–	(853)	–	–	–	(853)
Transfer upon completion	1,270	–	1,270	(1,270)	–	(1,270)	–
Other net transfers	(275)	19	(256)	–	(146)	(146)	(402)
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

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

15. Investment Properties (continued)

In 2015 and 2014, there were no transfers between different levels within the fair value hierarchy.

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

		Fair market rent per month HK$ per sq. ft. (lettable)		Capitalisation rate	
	Valuation method	2015	2014	2015	2014
Completed					
Hong Kong	Income capitalisation	**Mid 10's-Mid 500's**	Mid 10's-Mid 500's	**2.50%-4.88%**	2.50%-4.88%
Hong Kong	Residual	**Low 50's-Mid 50's**	Mid 50's	**2.00%-4.25%**	2.00%-4.25%
Mainland China	Income capitalisation	**Less than 10-Low 200's**	Low 10's-Low 200's	**7.00%-7.50%**	7.00%-7.50%
Under development					
Hong Kong	Residual	**Low 30's-Low 60's**	Low 30's-High 50's	**2.50%-4.25%**	3.88%-4.25%
Others	Residual	**High 20's-High 70's**	High 20's-High 50's	**5.00%-7.50%**	5.00%-7.50%

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

Note 2: 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 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:

	Note	2015 HK$M	2014 HK$M
At 1st January		**1,170**	1,164
Translation differences		**(26)**	(14)
Acquisition of a subsidiary company	36	**6**	32
Additions		**30**	23
Disposals		**–**	(2)
Amortisation for the year	6	**(34)**	(33)
At 31st December		**1,146**	1,170
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		**19**	19
Held in Mainland China:			
On short-term leases (less than 10 years)		**–**	1
On medium-term leases (10 to 50 years)		**1,127**	1,150
		1,146	1,170

Refer to Note 39 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 period-end 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, franchise and operating rights
Service, franchise and operating rights acquired are shown at historical cost. Service, franchise and operating rights acquired in a business combination are recognised at fair value at the acquisition date. Service, franchise and operating rights have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of service, franchise and operating rights over their estimated useful lives 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 subsequently carried at cost less accumulated amortisation. Customer relationships are amortised over their estimated useful lives of fifteen years.

17. Intangible Assets (continued)

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost:							
At 1st January 2015		5,964	414	764	768	132	8,042
Translation differences		(16)	(9)	–	(1)	–	(26)
Acquisition of a subsidiary company							
– measurement period adjustment	36	80	–	–	–	–	80
Additions		–	58	–	–	–	58
Other transfers		–	49	–	–	38	87
Disposals		–	(12)	–	–	(17)	(29)
At 31st December 2015		6,028	500	764	767	153	8,212
Accumulated amortisation and impairment:							
At 1st January 2015		127	282	124	45	22	600
Translation differences		1	(8)	–	–	–	(7)
Amortisation for the year	6	–	50	33	51	4	138
Impairment losses	6	95	–	–	–	9	104
Other transfers		–	28	–	–	–	28
Disposals		–	(11)	–	–	(17)	(28)
At 31st December 2015		223	341	157	96	18	835
Net book value:							
At 31st December 2015		5,805	159	607	671	135	7,377

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise 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		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

Amortisation of HK$138 million (2014: HK$136 million) is included in administrative expenses in the statement of profit or loss.

17. Intangible Assets (continued)

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 unless a longer period can be justified. 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 2015 were between 7.0% and 14.0% (2014: 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 ("CGUs") identified by divisional business segment and geographic location.

	2015 HK$M	2014 HK$M
HAECO – Hong Kong and Mainland China	**3,511**	3,510
HAECO – USA	**1,387**	1,388
Beverages – Hong Kong and Mainland China	**204**	214
Beverages – USA	**50**	54
Marine Services	**86**	184
Trading & Industrial	**567**	487
	5,805	5,837

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. The recoverable amount of HAECO's businesses in Hong Kong and Mainland China has been determined using a value in use calculation. This 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 9.0% (2014: 8.9%). Cash flows beyond the five-year period are assumed not to grow by more than 2% per annum (2014: 2%).

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 HAECO's businesses in the USA has been determined using a value in use calculation on its airframe services and cabin solutions CGUs. This calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period for airframe services and a ten-year period for cabin solutions. A ten-year period is considered appropriate for cabin solutions in order to take into account of the expected significant growth in the business from the development of new product models over the next three to five years.

The key assumptions used for the airframe services and cabin solutions CGUs are as follows:

	Airframe Services		Cabin Solutions	
	2015	2014	2015	2014
Discount rate	**8.5%**	8.5%	**8.5%**	8.5%
Revenue growth – cumulative average growth rate per annum	**5.9%**	1.9%	**16.8%**	17.8%

Revenue growth is based on past performance, current industry trends and management's expectations of market development. Assumptions of no growth in cash flows after year five of airframe services and year ten of cabin solutions have been made.

17. Intangible Assets (continued)

Impairment test of goodwill (continued)

The recoverable amount based on the value in use calculation exceeded the carrying value of airframe services by HK$347 million (2014: HK$969 million) and cabin solutions by HK$333 million (2014: HK$1,677 million). The below changes in key assumptions taken in isolation, would remove the remaining headroom.

	Airframe Services		Cabin Solutions	
	2015	2014	2015	2014
Discount rate	**10.1%**	16.9%	**10.1%**	15.6%
Revenue growth – cumulative average growth rate per annum	**4.3%**	(8.7%)	**15.1%**	8.0%

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.

The principal subsidiary companies of Swire Pacific Limited are shown on pages 199 to 210.

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$7,357 million included in the Group consolidated statement of financial position (2014: HK$7,409 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	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Current				
Assets	**14,921**	13,751	**4,962**	5,339
Liabilities	**16,701**	12,362	**2,671**	3,746
Total current net (liabilities)/assets	**(1,780)**	1,389	**2,291**	1,593
Non-current				
Assets	**257,320**	246,173	**9,685**	9,692
Liabilities	**38,044**	39,425	**4,790**	3,898
Total non-current net assets	**219,276**	206,748	**4,895**	5,794
Net assets	**217,496**	208,137	**7,186**	7,387

Summarised Statement of Profit or Loss

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Revenue	**16,447**	15,387	**12,095**	11,927
Profit for the year attributable to shareholders	**14,017**	9,495	**464**	573
Other comprehensive income	**(1,599)**	(547)	**(311)**	(285)
Total comprehensive income attributable to shareholders	**12,418**	8,948	**153**	288
Total comprehensive income allocated to non-controlling interests	**2,235**	1,611	**38**	72
Dividends paid to non-controlling interests	**706**	653	**85**	81

18. Subsidiary Companies (continued)

Summarised Statement of Cash Flows

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Net cash generated from operating activities	**8,170**	9,273	**696**	1,115
Net cash used in investing activities	**(4,425)**	(6,392)	**(415)**	(3,326)
Net cash (used in)/generated from financing activities	**(2,179)**	(2,497)	**(1,141)**	2,205
Net increase/(decrease) in cash and cash equivalents	**1,566**	384	**(860)**	(6)
Cash and cash equivalents at 1st January	**2,874**	2,521	**2,310**	2,341
Currency adjustment	**(82)**	(31)	**(37)**	(25)
Cash and cash equivalents at 31st December	**4,358**	2,874	**1,413**	2,310

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 the statement of profit or loss for the amount by which the carrying amount exceeds 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 credited to profit or loss.

(a) Joint venture companies

	2015 HK$M	2014 HK$M
Unlisted shares at cost		
Share of net assets, unlisted	**11,183**	10,515
Goodwill	**106**	94
	11,289	10,609
Loans due from joint venture companies less provisions		
– Interest-free	**12,377**	12,217
– Interest-bearing at 1.71% to 7.50% (2014: 1.71% to 7.50%)	**1,322**	877
	24,988	23,703

19. Joint Venture and Associated Companies (continued)

(a) Joint venture companies (continued)

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 199 to 210. There are no joint venture companies that are considered individually material to the Group.

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

	2015 HK$M	2014 HK$M
Non-current assets	**34,233**	31,947
Current assets	**5,919**	7,133
Current liabilities	**(7,892)**	(9,493)
Non-current liabilities	**(21,077)**	(19,072)
Net assets	**11,183**	10,515
Revenue	**14,636**	14,899
Expenses	**(12,396)**	(12,104)
Profit before taxation	**2,240**	2,795
Taxation	**(445)**	(542)
Profit for the year	**1,795**	2,253
Other comprehensive income	**(559)**	(148)
Total comprehensive income for the year	**1,236**	2,105

Capital commitments and contingencies in respect to joint venture companies are disclosed in Note 37 and 38(a), respectively.

(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)

	2015 HK$M	2014 HK$M
Share of net assets		
– Listed in Hong Kong	**21,291**	23,017
– Unlisted	**2,171**	2,137
	23,462	25,154
Goodwill	**855**	850
	24,317	26,004
Loans due from associated companies		
– Interest-free	**–**	31
– Interest-bearing at 4.0%-6.0% (2014: 4.0%-6.0%)	**4**	4
	24,321	26,039

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 2015 was HK$23,757 million (2014: HK$29,917 million).

The principal associated companies of the Group are shown on pages 199 to 210. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 197 and 198.

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

	2015 HK$M	2014 HK$M
Non-current assets	**67,481**	68,666
Current assets	**13,927**	12,792
Current liabilities	**(17,394)**	(17,293)
Non-current liabilities	**(40,483)**	(38,952)
Non-controlling interests	**(69)**	(59)
Net assets	**23,462**	25,154
Revenue	**50,462**	52,543
Expenses	**(47,086)**	(50,532)
Profit before taxation	**3,376**	2,011
Taxation	**(489)**	(333)
Profit for the year	**2,887**	1,678
Other comprehensive income	**(3,549)**	(6,014)
Total comprehensive income for the year	**(662)**	(4,336)

Provisions and contingencies in respect of Cathay Pacific are disclosed in Note 38(b).

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

Financial assets classified as available-for-sale are subsequently carried at fair value. Unrealised gains and losses arising from changes in 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.

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 occur 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:

	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 2015								
Available-for-sale assets	21	–	–	508	–	–	508	508
Derivative financial assets	22	–	298	–	–	–	298	298
Trade and other receivables excluding prepayments	25	–	–	–	9,105	–	9,105	9,105
Bank balances and short-term deposits	26	–	–	–	8,985	–	8,985	8,985
Total		–	298	508	18,090	–	18,896	18,896
At 31st December 2014								
Available-for-sale assets	21	–	–	771	–	–	771	771
Derivative financial assets	22	10	510	–	–	–	520	520
Trade and other receivables excluding prepayments	25	–	–	–	8,481	–	8,481	8,481
Bank balances and short-term deposits	26	–	–	–	10,115	–	10,115	10,115
Total		10	510	771	18,596	–	19,887	19,887
Liabilities as per consolidated statement of financial position								
At 31st December 2015								
Trade and other payables	27	1,515	–	–	–	18,493	20,008	20,008
Derivative financial liabilities	22	7	217	–	–	–	224	224
Short-term loans	29	–	–	–	–	669	669	669
Long-term loans and bonds due within one year	29	–	–	–	–	6,841	6,841	6,841
Perpetual capital securities	28	–	–	–	–	2,325	2,325	2,575
Long-term loans and bonds due after one year	29	–	–	–	–	58,782	58,782	60,843
Total		1,522	217	–	–	87,110	88,849	91,160
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

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 or based on quotes from market makers, which use assumptions that are based on market conditions existing at each year-end date.

20. Financial Instruments by Category (continued)

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.

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

	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 2015					
Available-for-sale assets	21				
– Listed investments		**262**	**–**	**–**	**262**
– Unlisted investments		**–**	**–**	**246**	**246**
Derivatives used for hedging	22	**–**	**298**	**–**	**298**
Total		**262**	**298**	**246**	**806**
At 31st December 2014					
Available-for-sale assets	21				
– Listed investments		433	–	–	433
– Unlisted investments		–	–	338	338
Derivatives used for hedging	22	–	520	–	520
Total		433	520	338	1,291
Liabilities as per consolidated statement of financial position					
At 31st December 2015					
Derivatives used for hedging	22	**–**	**224**	**–**	**224**
Put option over non-controlling interest in Brickell City Centre	27	**–**	**–**	**509**	**509**
Put options over non-controlling interests in subsidiary companies	27	**–**	**–**	**74**	**74**
Contingent consideration	27	**–**	**–**	**932**	**932**
Total		**–**	**224**	**1,515**	**1,739**
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

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 instruments between the levels in the fair value hierarchy. 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 change in level 3 financial instruments for the year is as follows:

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2015	597	338	388
Translation differences	(1)	–	–
Additions	23	–	541
Disposals	–	(92)	–
Change in fair value recognised in profit or loss during the year	(36)	–	22
Payment of consideration	–	–	(19)
At 31st December 2015	583	246	932
Total gains/(losses) for the year included in profit or loss in respect of financial instruments held at 31st December 2015	36	–	(22)
Change in unrealised gains/(losses) for the year included in profit or loss of financial instruments held at 31st December 2015	36	–	(22)

	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 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 based on quotes from market makers or discounted cash flow valuation techniques and is supported by observable inputs. The most significant observable inputs are market interest rates, exchange rates and yields and commodity prices.

The fair value estimate of the put option over a non-controlling interest in the retail portion of Brickell City Centre classified as level 3 is determined using a discounted cash flow valuation technique and 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 2019 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 expected 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 2015. 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.

20. Financial Instruments by Category (continued)

The fair value of the put options over non-controlling interests in subsidiary companies (other than the subsidiary company holding a non-controlling interest in the retail portion of Brickell City Centre), 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, unlisted investments and contingent consideration.

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

	2015 HK$M	2014 HK$M
Non-current assets		
Shares listed in Hong Kong	**101**	99
Shares listed overseas	**161**	334
Unlisted investments	**246**	338
	508	771

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

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

22. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(b) Cash flow hedges (continued)
Amounts accumulated in equity are transferred to the statement of profit or loss in the periods when the hedged items will affect profit or loss (for instance when a 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 a 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 transferred to 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 is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward relevant exchange market rates at the period-end date.

	2015		2014	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges (a)	**287**	**180**	497	23
Interest rate swaps – cash flow hedges	**3**	**21**	11	16
Forward foreign exchange contracts				
– cash flow hedges	**6**	**16**	2	30
– not qualifying as hedges	**–**	**–**	10	2
Commodity swaps				
– cash flow hedges	**2**	**–**	–	2
– not qualifying as hedges	**–**	**7**	–	1
Total	**298**	**224**	520	74
Analysed as:				
– Current	**68**	**23**	12	34
– Non-current	**230**	**201**	508	40
	298	**224**	520	74

22. Derivative Financial Instruments (continued)

(a) The cross-currency swaps principally 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 2015 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 2025). The total notional principal amount of the outstanding cross currency swap contracts at 31st December 2015 was HK$26,329 million (2014: HK$22,466 million).

For the years ended 31st December 2015 and 31st December 2014 all cash flow hedges were effective.

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.

	2015 HK$M	2014 HK$M
Properties held for development		
Freehold land	**795**	794
Development cost	**147**	126
	942	920
Properties for sale		
Completed properties – development costs	**1,045**	345
Completed properties – freehold land	**1**	1
Completed properties – leasehold land	**582**	171
Properties under development – development costs	**4,205**	4,005
Freehold land under development for sale	**349**	350
Leasehold land under development for sale	**1,433**	3,069
	7,615	7,941

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.

	2015 HK$M	2014 HK$M
Goods for sale	**2,219**	1,858
Manufacturing materials	**423**	479
Production supplies	**1,059**	915
Work in progress	**898**	608
	4,599	3,860

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.

	2015 HK$M	2014 HK$M
Trade debtors	3,529	3,719
Amounts due from immediate holding company	2	2
Amounts due from joint venture companies	160	142
Amounts due from associated companies	610	457
Interest-bearing advance to an associated company at 7.0% (2014:7.0%)	117	123
Prepayments and accrued income	2,578	2,314
Other receivables	3,432	2,853
	10,428	9,610
Amounts due after one year included under non-current assets	(466)	(58)
	9,962	9,552

The amounts due from joint venture and associated companies are unsecured, interest free (except where specified) and 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:

	2015 HK$M	2014 HK$M
Up to three months	3,318	3,523
Between three and six months	115	132
Over six months	96	64
	3,529	3,719

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 2015, trade debtors of HK$856 million (2014: HK$1,264 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:

	2015 HK$M	2014 HK$M
Up to three months	**763**	1,142
Between three and six months	**32**	71
Over six months	**61**	51
	856	1,264

At 31st December 2015, trade debtors of HK$188 million (2014: HK$185 million) were impaired. The amount of the provision was HK$131 million at 31st December 2015 (2014: HK$151 million). It was assessed that a portion of the trade debtors is expected to be recovered.

The maximum exposure to credit risk at 31st December 2015 and 31st December 2014 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 2015 was HK$2,389 million (2014: HK$2,303 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.

	2015 HK$M	2014 HK$M
Bank balances and short-term deposits maturing within three months	**8,936**	10,013
Short-term deposits maturing after more than three months	**49**	102
	8,985	10,115

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 14.25% (2014: 0.01% to 11.75%); these deposits have a maturity from 7 to 365 days (2014: 2 to 167 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2015 and 31st December 2014 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.

	2015 HK$M	2014 HK$M
Trade creditors	**3,645**	3,812
Amounts due to immediate holding company	**168**	191
Amounts due to joint venture companies	**207**	179
Amounts due to associated companies	**101**	238
Interest-bearing advances from joint venture companies at 0.28% to 4.63% (2014: 0.27% to 4.63%)	**343**	402
Interest-bearing advances from an associated company at 1.90% (2014: 1.26%)	**296**	128
Advances from non-controlling interests	**159**	125
Rental deposits from tenants	**2,389**	2,303
Put option over non-controlling interest in Brickell City Centre	**509**	470
Put options over non-controlling interests in subsidiary companies	**74**	127
Contingent consideration	**932**	388
Accrued capital expenditure	**1,454**	734
Other accruals	**5,229**	5,117
Other payables	**4,502**	3,719
	20,008	17,933
Amounts due after one year included under non-current liabilities	**(1,198)**	(1,194)
	18,810	16,739

The amounts due to and advances from immediate holding, 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 2018. Apart from certain amounts due to 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:

	2015 HK$M	2014 HK$M
Up to three months	**3,470**	3,606
Between three and six months	**123**	139
Over six months	**52**	67
	3,645	3,812

28. Perpetual Capital Securities

Refer to the table with the heading "Audited Financial Information" on page 92 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. 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 90 to 96 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.

Deferred taxation relating to investment properties in Hong Kong is calculated having regard to the presumption that the value of these properties is capable of being recovered entirely through sale. This presumption is rebutted in relation to investment properties in Mainland China, because the business model applicable to them is to consume substantially all the economic benefits embodied in them over time rather than through sale. Accordingly, deferred tax relating to investment properties in Mainland China is determined on the basis of recovery through use.

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:

	2015 HK$M	2014 HK$M
Deferred tax assets	**847**	652
Deferred tax liabilities	**(7,605)**	(6,938)
	(6,758)	(6,286)

Substantially all deferred tax balances are to be recovered or settled after more than 12 months.

30. Deferred Taxation (continued)

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

	Note	2015 HK$M	2014 HK$M
At 1st January		**6,286**	5,790
Translation differences		**(63)**	(64)
Acquisition of subsidiary companies	36	**4**	18
Charged to statement of profit or loss	10	**657**	655
Credited to other comprehensive income		**(126)**	(113)
At 31st December		**6,758**	6,286

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

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1st January	**3,494**	3,196	**2,792**	2,588	**1,297**	883	**7,583**	6,667
Translation differences	**–**	–	**(49)**	(63)	**(29)**	(3)	**(78)**	(66)
Acquisition of subsidiary companies	**–**	–	**–**	–	**10**	363	**10**	363
Charged/(credited) to statement of profit or loss	**238**	298	**592**	265	**(83)**	98	**747**	661
Charged/(credited) to other comprehensive income	**–**	–	**3**	2	**(44)**	(44)	**(41)**	(42)
At 31st December	**3,732**	3,494	**3,338**	2,792	**1,151**	1,297	**8,221**	7,583

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1st January	**566**	418	**390**	285	**341**	174	**1,297**	877
Translation differences	**(7)**	(6)	**(1)**	(1)	**(7)**	5	**(15)**	(2)
Acquisition of subsidiary companies	**6**	146	**–**	199	**–**	–	**6**	345
(Charged)/credited to statement of profit or loss	**(73)**	8	**67**	(93)	**96**	91	**90**	6
Credited to other comprehensive income	**–**	–	**–**	–	**85**	71	**85**	71
At 31st December	**492**	566	**456**	390	**515**	341	**1,463**	1,297

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$3,997 million (2014: HK$3,133 million) to carry forward against future taxable income, of which HK$2,016 million (2014: HK$ 1,450 million) will expire at various dates up to 2028.

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.

Critical Accounting Estimates and Judgements

The Group's obligations and expenses in respect of defined benefit schemes are dependent on a number of factors that are determined using a number of actuarial assumptions. The details of the actuarial assumptions used, including applicable sensitives are disclosed in note 31(f).

For the year ended 31st December 2015, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2015. For the year ended 31st December 2014, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2012, which were updated at 31st December 2014 by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. Schemes in the USA 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 USA. The plan is unfunded. The method of accounting and the frequency of valuations are similar to those used for defined benefit schemes.

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

31. Retirement Benefits (continued)

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 113% (2014: 114%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$211 million to its defined benefit schemes in 2016.

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$30,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

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

	2015 HK$M	2014 HK$M
Present value of funded obligations	**5,606**	5,313
Fair value of plan assets	**(4,528)**	(4,723)
	1,078	590
Present value of unfunded obligations	**31**	42
Net retirement benefit liabilities	**1,109**	632
Represented by:		
Retirement benefit assets	**(76)**	(122)
Retirement benefit liabilities	**1,185**	754
	1,109	632

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

	2015 HK$M	2014 HK$M
At 1st January	**5,355**	4,764
Translation differences	**(13)**	(18)
Transfer of members	**6**	(7)
Current service cost	**272**	249
Interest expense	**176**	195
Actuarial losses/(gains) from changes in:		
demographic assumptions	**68**	2
financial assumptions	**(90)**	459
Experience losses	**207**	38
Employee contributions	**3**	2
Benefits paid	**(347)**	(329)
At 31st December	**5,637**	5,355

The weighted average duration of the defined benefit obligation is 8.9 years (2014: 9.2 years).

31. Retirement Benefits (continued)

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

	2015 HK$M	2014 HK$M
At 1st January	**4,723**	4,648
Translation differences	**(3)**	(2)
Transfer of members	**6**	(7)
Interest income	**159**	200
Return on plan assets, excluding interest income	**(226)**	–
Contributions by employer	**208**	211
Employee contributions	**2**	1
Benefits paid	**(341)**	(328)
At 31st December	**4,528**	4,723

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

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

	2015 HK$M	2014 HK$M
Current service cost	**272**	249
Net interest cost/(income)	**17**	(5)
	289	244

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 2015 amounted to HK$562 million (2014: HK$478 million), including HK$273 million (2014: HK$234 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was a loss of HK$67 million (2014: gain of HK$200 million).

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

The make-up of the Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of 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:

	2015 HK$M	2014 HK$M
Equities		
Asia Pacific	**569**	627
Europe	**287**	295
North America	**785**	804
Emerging markets	**402**	474
Bonds		
Global	**1,906**	1,753
Emerging markets	**74**	465
Absolute return funds	**187**	181
Cash	**318**	124
	4,528	4,723

31. Retirement Benefits (continued)

At 31st December 2015, the prices of 96% of equities and 76% of bonds were quoted on active markets (31st December 2014: 95% and 66% respectively). The remainder of the prices were not quoted on active markets.

The most significant risk facing the defined benefit schemes of the Group is market risk. This risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments by the investment managers appointed. Investment managers 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.

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

	2015		2014	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	**3.22**	**2.00-4.90**	3.27	2.00-4.30
Expected rate of future salary increases	**4.00**	**2.75-4.12**	4.00	2.75-4.12

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

	Increase/(decrease) in defined benefit obligation		
	Change in assumption	Increase in assumption HK$M	Decrease in assumption HK$M
Discount rate	0.50%	(271)	296
Expected rate of future salary increases	0.50%	233	(217)

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 in the statement of financial position.

32. Share Capital

	Note	'A' shares	'B' shares	Total HK$M
Issued and fully paid:				
At 1st January 2015		**905,578,500**	**2,995,220,000**	**1,294**
Repurchased during the year		**(372,500)**	**–**	**–**
At 31st December 2015		**905,206,000**	**2,995,220,000**	**1,294**
At 1st January 2014		905,578,500	2,995,220,000	903
Transition to no-par value regime on 3rd March 2014	33	–	–	391
At 31st December 2014		905,578,500	2,995,220,000	1,294

The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3rd March 2014. On that date, the share premium account and the capital redemption reserve became part of share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not affect the number of shares in issue or the relative entitlements of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

In July 2015, the company repurchased 372,500 'A' shares on The Stock Exchange of Hong Kong Limited for a total aggregate price paid of HK$35 million. The highest and lowest price paid per 'A' share was HK$92.86. The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid for the repurchased 'A' shares was paid wholly out of the distributable profits included in revenue reserve.

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in proportion five to one.

33. Reserves

	Note	Revenue 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 2015		214,880	1,972	772	(4,094)	3,951	217,481
Profit for the year		13,429	–	–	–	–	13,429
Other comprehensive income							
Defined benefit plans							
– remeasurement gains recognised during the year		(332)	–	–	–	–	(332)
– deferred tax		57	–	–	–	–	57
Cash flow hedges							
– losses recognised during the year		–	–	–	(410)	–	(410)
– transferred to net finance charges		–	–	–	(94)	–	(94)
– transferred to operating profit		–	–	–	49	–	49
– deferred tax		–	–	–	57	–	57
Net fair value changes on available-for-sale assets							
– losses recognised during the year		–	–	(74)	–	–	(74)
– transferred to profit or loss on disposal		–	–	(99)	–	–	(99)
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	25	–	–	–	25
– deferred tax		–	(3)	–	–	–	(3)
Share of other comprehensive income of joint venture and associated companies		(125)	–	(156)	(2,806)	(920)	(4,007)
Net translation differences on foreign operations							
– losses recognised during the year		–	–	–	–	(1,269)	(1,269)
– reclassified to profit or loss on disposal		–	–	–	–	116	116
Total comprehensive income for the year		13,029	22	(329)	(3,204)	(2,073)	7,445
Acquisition of additional interests in subsidiary companies	34(b)	(1,310)	–	–	–	–	(1,310)
Change in composition of the Group		13	–	–	–	–	13
Repurchase of the Company's shares	32	(35)	–	–	–	–	(35)
Recognition of contingent consideration		(541)	–	–	–	–	(541)
2014 second interim dividend	12	(4,213)	–	–	–	–	(4,213)
2015 first interim dividend	12	(1,685)	–	–	–	–	(1,685)
At 31st December 2015		220,138	1,994	443	(7,298)	1,878	217,155

33. Reserves (continued)

	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									
– gains 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									
– losses recognised during the year		–	–	–	–	(53)	–	–	(53)
– transferred to profit or loss on disposal		–	–	–	–	(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)
		10,608	–	–	5	(112)	(5,611)	(1,002)	3,888
Total comprehensive income for the year									
Change in composition of the Group		6	–	–	–	–	–	–	6
Transition to no-par value regime on 3rd March 2014	32	–	(342)	(49)	–	–	–	–	(391)
2013 second interim dividend		(3,761)	–	–	–	–	–	–	(3,761)
2014 first interim dividend	12	(1,655)	–	–	–	–	–	–	(1,655)
At 31st December 2014		214,880	–	–	1,972	772	(4,094)	3,951	217,481

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$4,055 million (2014: HK$3,039 million) and retained revenue reserves from associated companies amounting to HK$25,142 million (2014: HK$23,403 million).

(b) The Group revenue reserve includes HK$4,182 million (2014: HK$4,213 million) representing the declared second interim dividend for the year (note 12).

34. Non-controlling Interests

(a) The movement of non-controlling interests during the year is as follows:

	Note	2015 HK$M	2014 HK$M
At 1st January		43,355	42,211
Share of profits less losses for the year		2,994	2,316
Defined benefit plans			
– remeasurement gains recognised during the year		(79)	(82)
– deferred tax		12	13
Share of cash flow hedges			
– (losses)/gains recognised during the year		(20)	13
– transferred to net finance charges		1	–
– transferred to operating profit		3	3
– deferred tax		3	(3)
Share of revaluation gains of property previously occupied by the Group		5	1
Share of other comprehensive income of joint venture and associated companies		(101)	(28)
Share of translation differences on foreign operations			
– losses recognised during the year		(320)	(147)
– reclassified to profit or loss on disposal		26	–
Share of total comprehensive income		2,524	2,086
Dividends paid and payable		(876)	(1,158)
Acquisition of non-controlling interests in subsidiary companies	34(b)	(231)	–
Non-controlling interests arising on acquisition of a subsidiary company	36	11	141
Disposal of interest in a subsidiary company		(13)	71
Capital contribution from non-controlling interests		767	4
At 31st December		45,537	43,355

(b) Transactions with non-controlling interests

Acquisition of additional interests in subsidiary companies

On 21st July 2015, Swire Beverages Holdings Limited acquired an additional 15% interest in Swire BCD Limited, an additional 20% interest in Swire Coca-Cola Beverages Hefei Limited and an additional 12.86% interest in Swire Coca-Cola Beverages Zhengzhou Limited for a total consideration of HK$1,541 million. After completion of these transactions, the Group's attributable interest in Swire BCD Limited increased from 74.38% to 89.38%, the Group's attributable interest in Swire Coca-Cola Beverages Hefei Limited increased from 59.50% to 91.50% and the Group's attributable interest in Swire Coca-Cola Beverages Zhengzhou Limited increased from 60.68% to 85.78%.

The effect of changes in the ownership interests in Swire BCD Limited, Swire Coca-Cola Beverages Hefei Limited and Swire Coca-Cola Beverages Zhengzhou Limited is summarised as follows:

	2015 HK$M
Consideration paid for additional shareholding	1,541
Less : carrying amount of non-controlling interests acquired	231
Excess of consideration paid recognised within equity	1,310

35. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

	Note	2015 HK$M	2014 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		15	23
Investment properties		–	3,218
Subsidiary companies		36,083	35,528
Joint venture companies		114	114
Associated companies		4,624	4,624
Available-for-sale assets		101	99
Other receivables		386	–
Retirement benefit assets		38	67
		41,361	43,673
Current assets			
Trade and other receivables		340	55
Bank balances and short-term deposits		776	810
		1,116	865
Current liabilities			
Trade and other payables		33,101	32,268
Net current liabilities		(31,985)	(31,403)
Total assets less current liabilities		9,376	12,270
Non-current liabilities			
Deferred tax liabilities		4	24
NET ASSETS		9,372	12,246
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	32	1,294	1,294
Reserves	35(b)	8,078	10,952
TOTAL EQUITY		9,372	12,246

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Directors
Hong Kong, 10th March 2016

35. Company Statement of Financial Position and Reserves (continued)

(b) The movement of reserves during the year is as follows:

	Note	Revenue reserve HK$M	Share premium HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
Company						
At 1st January 2015		10,940	–	–	12	10,952
Profit for the year		3,084	–	–	–	3,084
Other comprehensive income						
Defined benefit plans						
– remeasurement gains recognised during the year		(22)	–	–	–	(22)
– deferred tax		4	–	–	–	4
Net fair value losses on available-for-sale assets		–	–	–	(7)	(7)
Total comprehensive income for the year		3,066	–	–	(7)	3,059
2014 second interim dividend	12	(4,213)	–	–	–	(4,213)
2015 first interim dividend	12	(1,685)	–	–	–	(1,685)
Repurchase of the Company's shares	32	(35)	–	–	–	(35)
At 31st December 2015		8,073	–	–	5	8,078
At 1st January 2014		13,915	342	49	6	14,312
Profit for the year		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		(3,761)	–	–	–	(3,761)
2014 first interim dividend	12	(1,655)	–	–	–	(1,655)
At 31st December 2014		10,940	–	–	12	10,952

(i) Distributable reserves of the Company at 31st December 2015 amounted to HK$8,073 million (2014: HK$8,775 million).

(ii) The Company revenue reserve includes HK$4,182 million (2014: HK$4,213 million) representing the declared second interim dividend for the year (note 12).

36. Business Combination

Acquisition of shares in Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery")

On 5th December 2014, Swire Foods acquired 65% of the equity of Chongqing New Qinyuan Bakery Co. Ltd, a leading bakery chain in southwest China with over 460 stores in Chongqing, Guiyang and Chengdu.

At 31st December 2014, the initial accounting for the business combination of Qinyuan Bakery was incomplete and provisional amounts were reported pending the receipt of final valuations of the assets acquired. After finalisation of the completion financial statements and receipt of the final valuations of the assets acquired, the following measurement period adjustments were recognised in the current year:

	Provisional amounts at 31st December 2014 HK$M	Final amounts at 31st December 2015 HK$M	Measurement period adjustments recognised in the current year HK$M
Purchase consideration:			
Cash paid	749	849	100
Property, plant and equipment	219	288	69
Leasehold land and land use rights	32	38	6
Stocks and work in progress	17	17	–
Cash and cash equivalents	161	145	(16)
Trade and other receivables	87	103	16
Trade and other payables	(110)	(147)	(37)
Taxation payable	(3)	(6)	(3)
Deferred tax liabilities	–	(4)	(4)
Non-controlling interests	(141)	(152)	(11)
Net identifiable assets acquired	262	282	20
Goodwill	487	567	80
	749	849	100
Purchase consideration settled in cash	749	849	100
Cash and cash equivalents acquired	(161)	(145)	16
Net cash outflow on acquisition	588	704	116

37. Capital Commitments

	2015 HK$M	2014 HK$M
The Group's outstanding capital commitments at the year-end in respect of:		
(a) Property, plant and equipment		
Contracted for	**4,379**	3,305
Authorised by Directors but not contracted for	**3,992**	5,534
(b) Investment properties		
Contracted for	**3,186**	2,417
Authorised by Directors but not contracted for	**13,130**	15,773
	24,687	27,029
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	**613**	2,259
Authorised by Directors but not contracted for	**3,286**	3,609
	3,899	5,868

* of which the Group is committed to funding HK$1,478 million (2014: HK$2,650 million).

At 31st December 2015, the Group had unprovided contractual obligations for future repairs and maintenance on investment properties of HK$171 million (2014: HK$229 million).

38. 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 the existence of which 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.

38. Provisions and Contingencies (continued)

		2015 HK$M	2014 HK$M
(a)	Guarantees provided in respect of bank loans and other liabilities of:		
	Joint venture companies	**3,771**	1,977
	Bank guarantees given in lieu of utility deposits and others	**177**	146
		3,948	2,123

The Group has assessed the fair value of the above guarantees and does 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 was heard by the General Court in Luxembourg in May 2015. The General Court delivered judgment in December 2015 annulling the European Commission's finding against Cathay Pacific. The fine of €57.12 million was refunded to Cathay Pacific in February 2016.

Cathay Pacific is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including Canada, the United Kingdom, Germany, the Netherlands, Norway and Korea alleging violations of applicable competition laws arising from Cathay Pacific's alleged 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 alleged 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 defendant in various putative class action cases filed in the United States, in which the plaintiffs alleged 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 antitrust 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 were 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 was approved by the Court in October 2015, resolved claims brought by all putative class members who chose not to opt out of the agreement. Certain plaintiffs opted out of the agreement. The claims of opt-out plaintiff DPWN Holdings (USA) were resolved by the payment of US$15.4 million in December 2014. The claims of opt-out plaintiff Schenker, AG were resolved by the payment of US$8.2 million in January 2015. Cathay Pacific is not aware of any other opt-out plaintiff having asserted a claim, but none of the other opt-outs' claims would be material.

38. Provisions and Contingencies (continued)

(b) Cathay Pacific Airways (continued)

Cathay Pacific was a defendant in various putative class action cases filed in the United States, in which the plaintiffs alleged 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 was approved by the Court in May 2015, resolves claims by all putative class members who chose not to opt out of the agreement. Only one passenger opted out. Cathay Pacific is not aware of any claim being filed by that passenger, but any claim on behalf of that passenger would not be material.

Cathay Pacific is a defendant in three putative class action cases filed in Canada, 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 the Canadian Competition Act. Two of the actions were stayed pending resolution of the third class action, which was certified in August 2015. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle all three actions in December 2015, by paying the plaintiffs C$6 million. The settlement, which is subject to Court approval, will resolve claims by all putative class members in all three actions.

39. 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.

39. 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 investment properties and vessels under operating leases. The leases for investment properties typically run for periods of three to six years. The retail turnover-related rental income received during the year amounted to HK$347 million (2014: HK$406 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew them 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 were as follows:

	2015 HK$M	2014 HK$M
Investment properties:		
Not later than one year	**8,029**	8,026
Later than one year but not later than five years	**15,027**	15,641
Later than five years	**3,121**	2,393
	26,177	26,060
Vessels:		
Not later than one year	**2,741**	3,519
Later than one year but not later than five years	**2,401**	3,098
Later than five years	**212**	521
	5,354	7,138
	31,531	33,198

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

	2015		2014	
	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Vessels HK$M
Cost or fair value	**198,161**	**27,485**	197,013	25,104
Less: accumulated depreciation and impairment	**–**	**(6,493)**	–	(4,639)
	198,161	**20,992**	197,013	20,465
Depreciation for the year	**–**	**1,215**	–	1,027

39. 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 them after that date, at which time all terms are renegotiated. The retail turnover-related rentals paid during the year amounted to HK$55 million (2014: HK$33 million).

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

	2015 HK$M	2014 HK$M
Land and buildings:		
Not later than one year	**1,157**	878
Later than one year but not later than five years	**1,696**	1,733
Later than five years	**2,880**	2,998
	5,733	5,609
Vessels:		
Not later than one year	**136**	137
Later than one year but not later than five years	**306**	379
Later than five years	**61**	135
	503	651
Other equipment:		
Not later than one year	**26**	23
Later than one year but not later than five years	**11**	3
Later than five years	**2**	–
	39	26
	6,275	6,286

40. 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 2015, service fees payable amounted to HK$288 million (2014: HK$325 million). Expenses of HK$217 million (2014: HK$194 million) were reimbursed at cost; in addition, HK$338 million (2014: HK$311 million) in respect of shared administrative services was reimbursed.

40. Related Party Transactions (continued)

Under a tenancy framework agreement ("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 Tenancy Framework Agreement was for an initial term of two years ending on 31st December 2015 and was renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the year ended 31st December 2015, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$101 million (2014: HK$93 million).

On 31st July 2015, the Company and R W M Lee, an Independent Non-Executive Director, entered into a preliminary agreement for sale and purchase in respect of the sale by the Company to R W M Lee of the residential unit on the 6th floor and parking spaces nos. 13 and 14 on the lower ground floor of OPUS HONG KONG, No. 53 Stubbs Road, Hong Kong for a cash consideration of HK$375 million. On completion of the transaction, R W M Lee was entitled to a cash benefit of HK$28 million subject to proof of due payment of ad valorem stamp duty payable on the transaction.

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	
	Notes	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Revenue from									
– Sales of beverage drinks	(a)	4	1	20	15	–	–	–	–
– Rendering of services		1	1	5	5	23	20	–	–
– Aircraft and engine maintenance		46	36	2,548	2,583	–	–	–	–
Purchase of beverage drinks	(a)	108	59	1,814	1,976	–	–	–	–
Purchase of other goods	(a)	4	4	12	21	–	–	–	–
Purchase of services	(a)	22	17	7	7	41	66	–	–
Rental revenue	(b)	6	5	11	7	16	15	85	78
Interest income	(c)	74	50	8	8	–	–	–	–
Interest charges	(c)	12	16	4	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 2015 are disclosed in note 19. Advances to and from joint venture and associated companies are disclosed in notes 25 and 27.

Amounts due to the immediate holding company at 31st December 2015 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.

41. Notes to the Consolidated Statement of Cash Flows

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

	2015 HK$M	2014 HK$M
Operating profit	16,461	13,697
Loss on disposal of four hotels in the UK	229	–
Loss on sale of property, plant and equipment	–	19
Loss on sale of investment properties	135	39
Profit on disposal of available-for-sale assets	(105)	(78)
Change in fair value of investment properties	(7,053)	(1,896)
Depreciation, amortisation and impairment losses	4,593	2,895
Other items	(125)	(128)
Operating profit before working capital changes	14,135	14,548
Decrease in properties for sale	472	274
Increase in stocks and work in progress	(823)	(236)
(Increase)/decrease in trade and other receivables	(311)	464
Increase in trade and other payables	889	1,200
Cash generated from operations	14,362	16,250

(b) Purchase of property, plant and equipment

	2015 HK$M	2014 HK$M
Properties	1,089	1,249
Leasehold land and land use rights	31	23
Plant and machinery	1,659	1,696
Vessels	1,466	3,213
Total	4,245	6,181

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

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

(c) Disposal of subsidiary companies owning four hotels in the UK

	2015 HK$M
Net assets disposed:	
Property, plant and equipment	498
Stocks	1
Trade and other receivables	32
Cash and cash equivalents	7
Trade and other payables	(59)
Exchange losses reclassified from translation reserve	142
	621
Loss on disposal of four hotels in the UK	(229)
	392
Satisfied by:	
Cash received (net of transaction costs)	380
Other consideration	12
	392
Analysis of the net inflow from disposal of four hotels in the UK:	
Net cash proceeds	380
Cash and cash equivalents	(7)
Net inflow of cash and cash equivalents per consolidated statement of cash flows	373

(d) Analysis of changes in financing during the year

	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1st January	68,788	61,844	43,355	42,211
Net cash inflow from financing	14	7,017	767	4
Acquisition of interests in subsidiary companies	–	20	(220)	141
Disposal of interest in a subsidiary company	–	–	(13)	71
Non-controlling interests' share of total comprehensive income	–	–	2,524	2,086
Dividends paid to non-controlling interests	–	–	(1,026)	(1,009)
Movement in dividends payable to non-controlling interests	–	–	150	(149)
Currency adjustment	(291)	(200)	–	–
Other non-cash movements	106	107	–	–
At 31st December	68,617	68,788	45,537	43,355

42. 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.