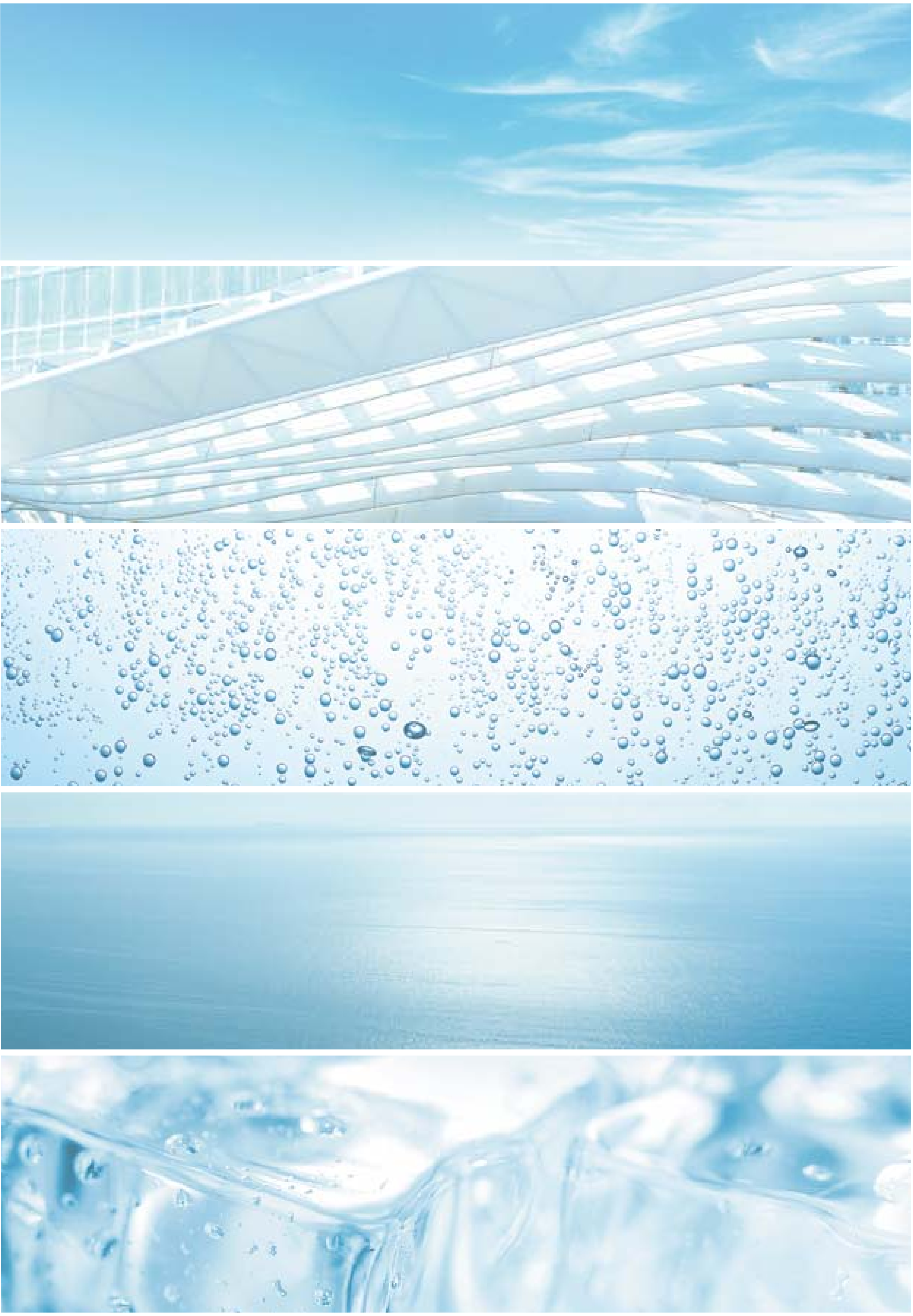
SWIRE PACIFIC



ANNUAL REPORT 2016

Stock Codes: 'A' Shares 00019 'B' Shares 00087

CONTENTS

Note: Definitions of the terms and ratios used in this report can be found in the Glossary.

CORPORATE STATEMENT

SUSTAINABLE GROWTH

Swire Pacific has its headquarters in Hong Kong. It is one of the leading companies in Hong Kong, with five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. The Group's operations are predominantly in Greater China, where the name Swire or 太古 has been established for over 150 years.

The Group has a long history in the region. We take a long-term perspective in formulating strategy and this is reflected in the nature of our investments. We pride ourselves on being forward-looking and innovative. These qualities have helped us to grow and have enabled us to set benchmarks in the industries in which we operate.

Swire Pacific is a highly diversified group. We have a wide range of commercial activities and conduct them internationally. We have interests in three other listed companies, Swire Properties Limited ("Swire Properties"), Cathay Pacific Airways Limited ("Cathay Pacific") and Hong Kong Aircraft Engineering Company Limited ("HAECO").

Swire Properties is one of Hong Kong's largest commercial landlords and operators of retail space, with a portfolio totalling 12.3 million square feet of lettable space and an additional 2.3 million square feet under development. In Mainland China, Swire Properties' mixed-use property developments in Guangzhou, Shanghai, Beijing and Chengdu will, when they are all completed, have 8.9 million square feet of lettable space. In the USA, Swire Properties' mixed-use developments in Miami, Florida will have 2.5 million square feet of lettable space upon completion.

In 2016, our airlines (which are based in Hong Kong) carried 34.3 million passengers and flew to over 185 destinations. Through Cathay Pacific, we have an interest of more than 18% in Air China Limited ("Air China"). Hong Kong Dragon Airlines Limited ("Cathay Dragon") (a wholly-owned subsidiary of Cathay Pacific) flies to 53 destinations in Mainland China and elsewhere in Asia. The HAECO group is a leading provider of international aircraft engineering services. In 2016, it performed 9.1 million manhours of airframe maintenance in Hong Kong, Mainland China and the USA.

In 2016, our Beverages Division sold 1,105 million unit cases of Coca-Cola products to a franchise population of over 470 million people in Greater China and the USA.

The Swire Pacific Offshore group ("SPO") operates a fleet of 81 specialist vessels supporting the offshore energy industry in every major offshore production and exploration region outside the USA.

At 31st December 2016, we operated 205 retail outlets in Hong Kong, Macau and Mainland China. We have joint ventures in Hong Kong and Mainland China with Akzo Nobel in paint manufacturing. Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Its largest business is in Taiwan where it sells (among other vehicles) Volkswagen, Mercedes Benz, Audi and Mazda cars. We are building a network of cold stores in Mainland China. Five are completed and two are under construction.

Swire Pacific is one of Hong Kong's largest and oldest employers, where we have over 45,000 employees. In Mainland China, in ventures under our own management, we have approximately 28,000 employees. Globally, we employ over 90,000 staff.

OUR STRATEGY

We concentrate on businesses where we have expertise, and where our expertise can add value. Our aim is sustainable long-term growth in shareholder value.

- We deploy capital and people where we see opportunities to generate returns which exceed our cost of capital over the long term.
- We invest in existing and new businesses, focussing on those where we have a competitive advantage and where our capital and people can generate long-term value.
- We divest from businesses which have reached their full potential and deploy the capital released to existing or new businesses.
- Our people, and our ability to deploy them across our businesses (which is facilitated by services agreements with our principal shareholder), are critical to our ability to generate long-term value. We recruit the best people and invest heavily in their training and development.
- We are conservative financial managers. This lets us execute long-term investment plans irrespective of short-term financial market volatility.
- We provide premium quality products and services, so as to differentiate ourselves from our competitors.
- We invest in sustainable development, not just because it is the right thing to do, but because it helps to achieve long-term growth through innovation and improved efficiency.
- We are committed to the highest standards of corporate governance and to the preservation and development of the Swire brand.

In implementing the above strategy, the principal risks and uncertainties facing the Group are that the economies in which it operates (in particular Hong Kong and Mainland China) will not perform as well in the future as they have in the past and the uncertainties as to whether this will happen.

We are and intend to remain a conglomerate with diverse businesses capable of generating sustainable long-term growth in value.

2016 PERFORMANCE HIGHLIGHTS

Attributable Profit
28% decrease from 2015

HK$9.6 bn

Underlying Profit
69% decrease from 2015

HK$3.1 bn

Net Assets Employed
4% increase from 2015

HK$336.2 bn

Underlying Return on Equity Attributable to the Company's Shareholders
3.1 percentage points decrease from 2015

1.4%

Dividends Per Share
46% decrease from 2015

HK$2.10 per 'A' share
HK$0.42 per 'B' share

Underlying Return on Equity Attributable to the Company's Shareholders by Division

PROPERTY	AVIATION	BEVERAGES	MARINE SERVICES	TRADING & INDUSTRIAL
3.2%	1.3%	18.5%	-26.1%	2.2%

GHG Emissions
Tonnes of CO_2e (Million)

2016	18.6
2015	18.3

LTIR
(No. of injuries per 100 full-time equivalent employees)

2016	1.62
2015	1.64

Water Consumed
cbm (Million)

2016	10.9
2015	10.0

Energy Consumed
GJ (Million)

2016	252.4
2015	250.4

Employee Fatalities
(No. of fatalities)

2016	1
2015	0

2016 FINANCIAL PERFORMANCE

	Note	2016 HK$M	2015 HK$M	Change %
Revenue		62,389	60,885	+2%
Operating profit		15,384	16,461	-7%
Profit attributable to the Company's shareholders		9,644	13,429	-28%
Cash generated from operations		14,864	14,362	+3%
Net cash inflow before financing		2,831	6,824	-59%
Total equity (including non-controlling interests)		272,168	263,986	+3%
Net debt		64,046	59,584	+7%

	Note	HK$	HK$	
Earnings per share	(a)			
'A' share		6.41	8.93	-28%
'B' share		1.28	1.79	
Dividends per share				
'A' share		2.10	3.90	-46%
'B' share		0.42	0.78	
Equity attributable to the Company's shareholders per share	(a)			
'A' share		149.50	145.22	+3%
'B' share		29.90	29.04	

UNDERLYING PROFIT

		HK$M	HK$M	Change %
Underlying profit attributable to the Company's shareholders	(b)	3,063	9,892	-69%

		HK$	HK$	
Underlying earnings per share	(a)			
'A' share		2.04	6.58	-69%
'B' share		0.41	1.32	

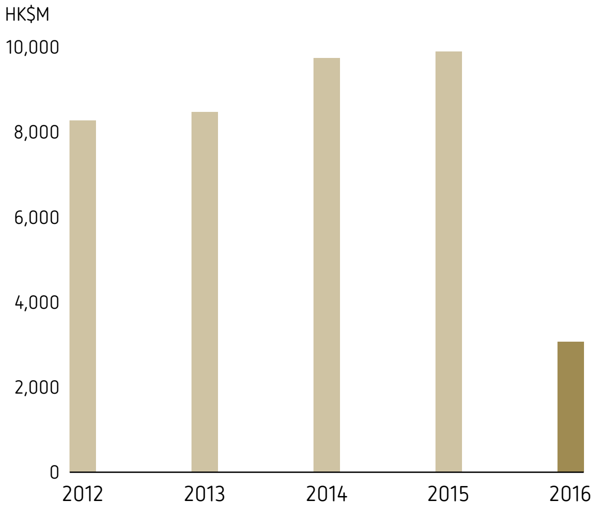
2016 SUSTAINABLE DEVELOPMENT PERFORMANCE

	2016	2015	Change %
GHG emissions (Million tonnes of CO_2e)	18.6	18.3	+1%
Energy consumed (GJ Million)	252.4	250.4	+1%
Water consumed (cbm Million)	10.9	10.0	+10%
LTIR (Number of injuries per 100 full-time equivalent employees)	1.62	1.64	-1%
Employee fatalities (Number of fatalities)	1	0	N/A

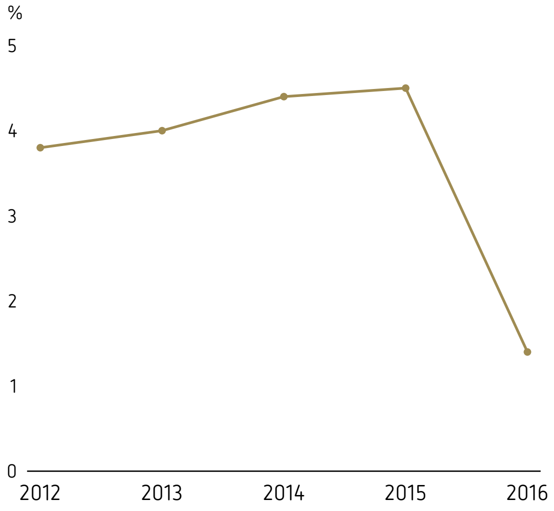
Notes:
(a) Refer to note 13 in the financial statements for the weighted average number of shares.
(b) A reconciliation between the reported and underlying profit attributable to the Company's shareholders is provided on page 72.

SUMMARY OF PAST PERFORMANCE

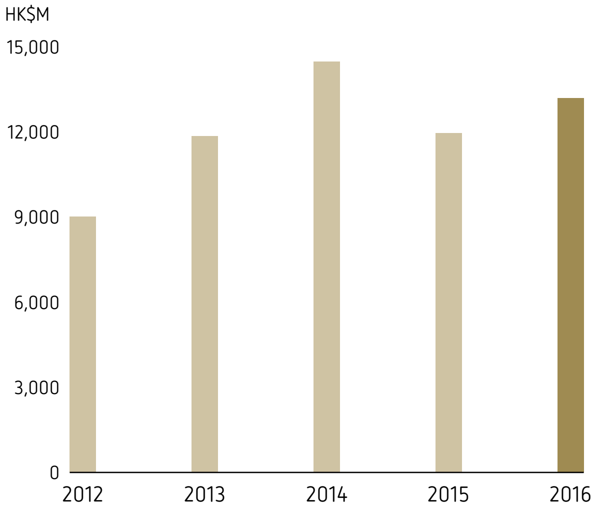
Underlying Profit Attributable to the Company's Shareholders



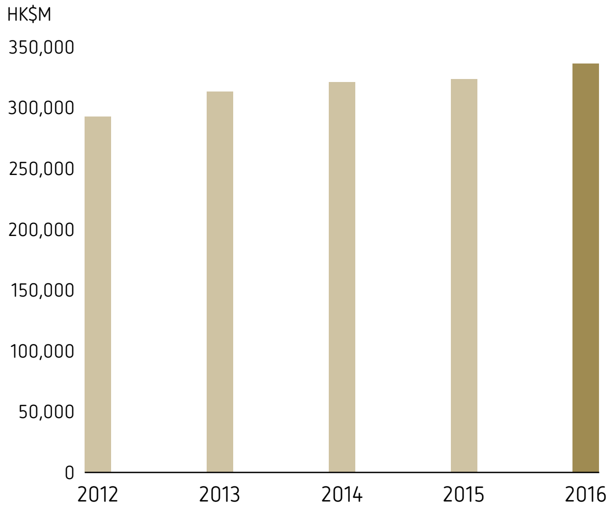
Underlying Return on Equity Attributable to the Company's Shareholders



Net Cash Generated from Operating Activities



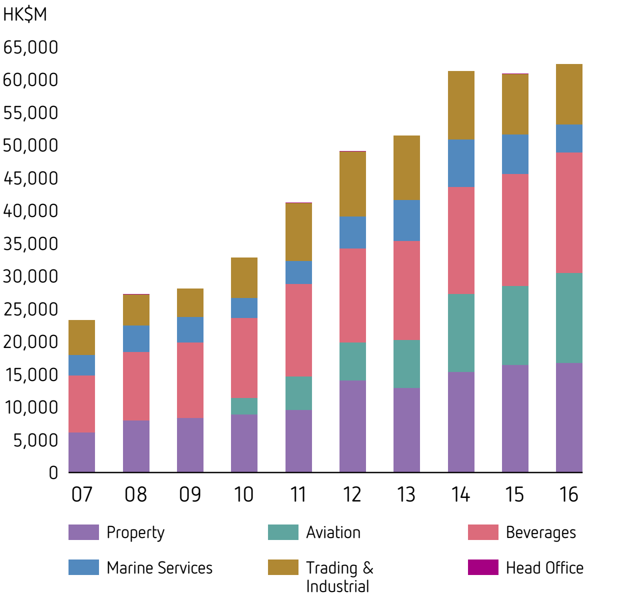
Net Assets Employed



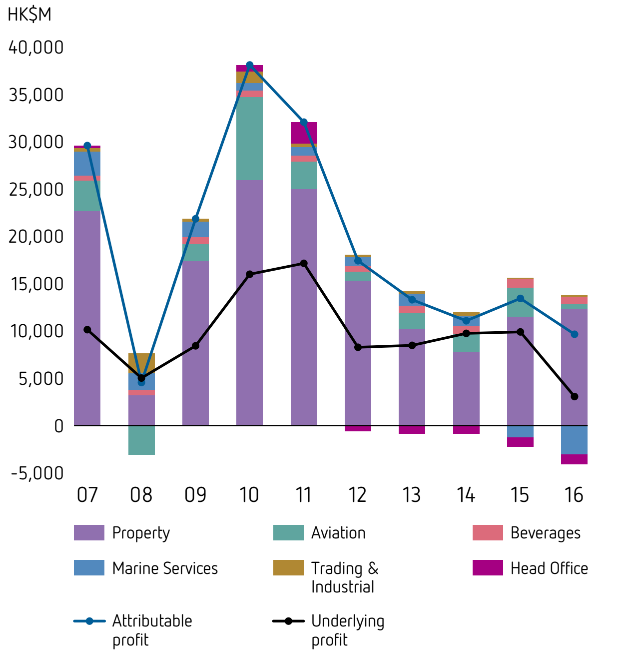
Note: The same measures of performance are presented for each Division in the 2016 Performance Review and Outlook section.

	2007 HK$M	2008 HK$M	2009 HK$M	2010 HK$M	2011 HK$M	2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M	2016 HK$M
Statement of Profit or Loss										
Revenue										
Property	6,060	7,903	8,288	8,809	9,518	13,988	12,856	15,297	16,351	16,691
Aviation	–	–	–	2,574	5,171	5,830	7,387	11,927	12,095	13,760
Beverages	8,771	10,534	11,560	12,189	14,105	14,396	15,053	16,382	17,172	18,420
Marine Services	3,104	4,007	3,892	3,046	3,505	4,864	6,292	7,234	5,988	4,237
Trading & Industrial	5,306	4,746	4,320	6,212	8,862	9,956	9,836	10,430	9,245	9,276
Head Office	17	13	10	7	8	6	13	31	34	5
	23,258	27,203	28,070	32,837	41,169	49,040	51,437	61,301	60,885	62,389
Profit attributable to the Company's shareholders										
Property	22,669	3,190	17,356	25,925	24,981	15,282	10,207	7,786	11,494	12,357
Aviation	3,220	(3,088)	1,772	8,767	2,869	984	1,627	1,822	3,017	441
Beverages	492	571	760	705	664	556	802	854	976	813
Marine Services	2,541	1,756	1,631	782	854	964	1,307	1,072	(1,255)	(3,013)
Trading & Industrial	401	2,088	350	1,197	416	247	237	423	155	114
Head Office	256	28	(29)	719	2,269	(623)	(889)	(888)	(958)	(1,068)
	29,579	4,545	21,840	38,095	32,053	17,410	13,291	11,069	13,429	9,644
Dividends for the year	4,898	3,591	4,213	5,266	9,780	5,266	5,266	5,868	5,867	3,159
Share repurchases	1,296	649	–	–	–	–	–	–	35	–
Retained profit less share repurchases	23,385	305	17,627	32,829	22,273	12,144	8,025	5,201	7,527	6,485
Statement of Financial Position										
Net assets employed										
Property – cost and working capital	57,333	66,229	68,444	75,491	71,868	76,907	84,035	88,491	89,009	90,797
– valuation surplus	82,343	82,712	96,807	119,072	131,609	144,176	151,019	154,116	162,217	171,591
Aviation	22,216	16,583	21,715	38,306	39,689	40,304	43,801	41,195	39,311	42,606
Beverages	3,555	4,039	4,605	5,205	5,662	6,200	6,032	6,048	5,833	7,845
Marine Services	6,487	7,416	7,862	8,872	11,233	17,631	21,412	23,537	22,293	18,170
Trading & Industrial	1,780	3,615	1,511	1,004	1,594	2,663	2,286	3,950	4,445	5,246
Head Office	1,181	(139)	363	2,657	5,631	4,755	4,428	3,417	462	(41)
	174,895	180,455	201,307	250,607	267,286	292,636	313,013	320,754	323,570	336,214
Financed by										
Equity attributable to the Company's shareholders	151,099	148,402	168,745	204,464	226,380	208,467	220,297	218,775	218,449	224,879
Non-controlling interests	1,328	1,649	1,098	4,922	5,138	39,915	42,211	43,355	45,537	47,289
Net debt	22,468	30,404	31,464	41,221	35,768	44,254	50,505	58,624	59,584	64,046
	174,895	180,455	201,307	250,607	267,286	292,636	313,013	320,754	323,570	336,214
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
'A' Shares										
Earnings per share	19.45	3.00	14.52	25.32	21.30	11.57	8.83	7.36	8.93	6.41
Dividends per share	3.23	2.38	2.80	3.50	6.50	3.50	3.50	3.90	3.90	2.10
Equity attributable to shareholders per share	99.65	98.63	112.15	135.89	150.46	138.55	146.41	145.40	145.22	149.50
'B' Shares										
Earnings per share	3.89	0.60	2.90	5.06	4.26	2.31	1.77	1.47	1.79	1.28
Dividends per share	0.65	0.48	0.56	0.70	1.30	0.70	0.70	0.78	0.78	0.42
Equity attributable to shareholders per share	19.93	19.73	22.43	27.18	30.09	27.71	29.28	29.08	29.04	29.90
Ratios										
Return on average equity attributable to the Company's shareholders	21.3%	3.0%	13.8%	20.4%	14.9%	8.0%	6.2%	5.0%	6.1%	4.4%
Gearing ratio	14.7%	20.3%	18.5%	19.7%	15.4%	17.8%	19.2%	22.4%	22.6%	23.5%
Interest cover – times	54.0	10.1	23.4	27.1	19.6	13.0	8.4	6.8	7.7	6.7
Dividend cover – times	6.0	1.3	5.2	7.2	3.3	3.3	2.5	1.9	2.3	3.1
Underlying										
Profit (HK$M)	10,131	5,019	8,422	15,986	17,135	8,270	8,471	9,739	9,892	3,063
Return on average equity attributable to the Company's shareholders	7.3%	3.4%	5.3%	8.6%	8.0%	3.8%	4.0%	4.4%	4.5%	1.4%
Return on average equity attributable to the Company's shareholders (historic cost)	15.2%	7.4%	12.0%	19.9%	18.9%	8.9%	8.9%	10.1%	11.2%	3.6%
Earnings per 'A' share (HK$)	6.7	3.3	5.6	10.6	11.4	5.5	5.6	6.5	6.6	2.0
Earnings per 'B' share (HK$)	1.3	0.7	1.1	2.1	2.3	1.1	1.1	1.3	1.3	0.4
Interest cover – times	14.8	9.9	8.3	10.3	10.4	6.7	5.5	6.1	5.4	3.0
Dividend cover – times	2.1	1.4	2.0	3.0	1.8	1.6	1.6	1.7	1.7	1.0

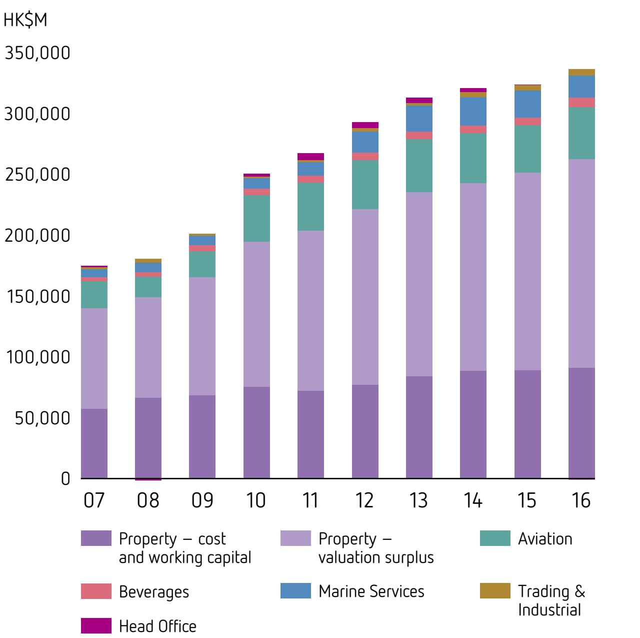
Revenue



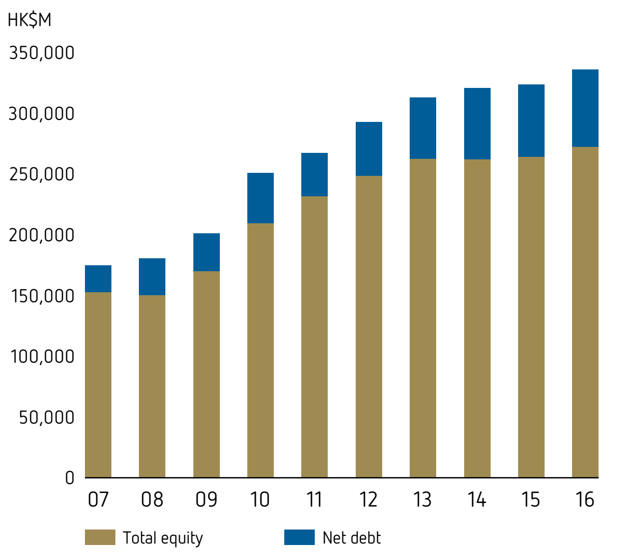
Profit Attributable to the Company's Shareholders



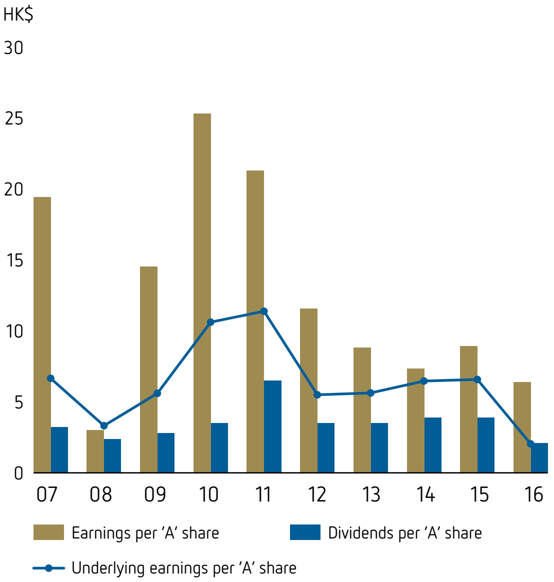
Net Assets Employed



Total Equity and Net Debt



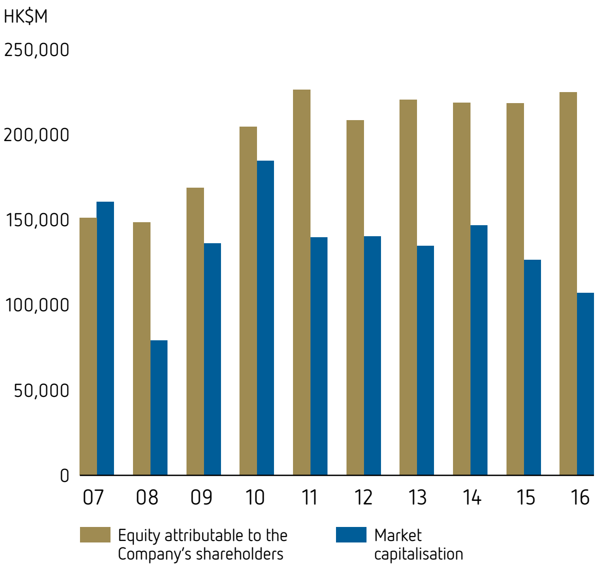
Earnings and Dividends Per 'A' Share



Returns on Average Equity*

* Returns on average equity for the Trading & Industrial Division are not shown on the graph as restructuring within the division has rendered the comparison of returns between years unmeaningful.

Equity Attributable to the Company's Shareholders and Market Capitalisation at Year-end



Swire Pacific Share Price Relative to Hang Seng Index

CHAIRMAN'S STATEMENT

Year in Review

The results of the Group in 2016 were affected by difficult economic conditions. Oil prices recovered somewhat but this did not lead to a recovery in exploration and production spending by oil majors. Retail sales in Hong Kong slowed. Intense competition and overcapacity reduced demand for our airlines' passenger and cargo services. Economic growth in the USA was robust, but a stronger US dollar and depreciation of the Renminbi adversely affected our results.

Results Summary

Our consolidated profit attributable to shareholders for 2016 was HK$9,644 million, a 28% decrease compared to 2015. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, fell 69% to HK$3,063 million. The decrease primarily reflected weak results from our Aviation and Marine Services Divisions (which included impairment charges at Swire Pacific Offshore ("SPO") and HAECO) and the absence of profits from sales of units in OPUS HONG KONG recorded in 2015.

The Property Division was the largest contributor to the Group's underlying profits in 2016. The profits of Swire Properties were little changed from those in 2015. Gross rental income from investment properties fell in Hong Kong but increased in Mainland China and the USA. The reduction in Hong Kong largely reflected lower retail rental income consequent on lower retail sales. Office rental income in Hong Kong increased despite the loss of rental income resulting from the Taikoo Place redevelopment. In Mainland China, gross rental income increased despite depreciation of the Renminbi. Profits from property trading increased in the USA. Fewer residential properties were sold in Hong Kong. The performance of the hotels in Mainland China improved, while at the same time the results of the hotels in Hong Kong were adversely affected by a reduction in the number of visitors to Hong Kong.

The profits at the Aviation Division were significantly lower. This principally reflected a loss at Cathay Pacific's airline operations, with a number of factors adversely affecting performance. Intense and increasing competition with other airlines was the most important. Other airlines significantly increased capacity. There were more direct flights between Mainland China and international destinations. Competition from low cost carriers increased. Overcapacity in the market was a particular competitive problem for the cargo business. Three economic factors were also important, the reduced rate of economic growth in Mainland China, a reduction in the number of visitors to Hong Kong and the strength of the HK dollar. All these factors put severe competitive pressure on yields.

HAECO's profits were higher. The increase was principally due to a gain on disposal of HAESL's interest in SAESL. Disregarding the gain on disposal and impairment charges at HAECO Americas and HAECO Landing Gear Services, profits were slightly higher. The benefits of more engine repair work at HAESL and TEXL, more line services work at HAECO Hong Kong and better results at HAECO Xiamen were partly offset by a higher loss in HAECO Americas' cabin and seats businesses and the HAECO group's share of SAESL's results for the first half year of 2016 being lower than that for the whole of 2015.

Swire Beverages' profits fell. The business in the USA continued to grow, with existing and new territories (Arizona and New Mexico) doing well. However, sales volumes and profits fell in Mainland China. Sales volumes fell in Hong Kong and Taiwan, but profits were little changed from those in 2015.

The Marine Services Division recorded higher losses. Low oil prices and a reduction in exploration and production spending by oil majors continued to have a material adverse effect on the market. The oversupply of offshore support vessels has resulted in reduced charter hire and utilisation rates. This in turn has led to the widespread stacking of vessels. SPO recorded further impairment charges in respect of its fleet. The business continued to generate positive operating cash flows in 2016.

The Trading & Industrial Division's profits were lower, principally due to weaker retail sales, costs associated with developing the cold storage business and losses from Swire Environmental Services.

Dividends

The Directors have declared second interim dividends of HK¢110.0 per 'A' share and HK¢22.0 per 'B' share which, together with the first interim dividends paid in October 2016, amount to full year dividends of HK¢210.0 per 'A' share and HK¢42.0 per 'B' share.

Implementing Our Strategy

The Group's aim is to generate sustainable long-term growth in shareholder value. We deploy capital where we see opportunities to generate long-term value.

The difficult market conditions faced by some of our businesses have led them to take measures to improve efficiency, to reduce costs where possible and to focus on core operations. This should serve us well in the longer term when market conditions improve.

The largest recipient of capital in the group is Swire Properties. This year, returns will be generated from two large mixed-used developments which were completed in 2016, the Brickell City Centre development in Miami and HKRI Taikoo Hui in Shanghai. Swire Properties is investing HK$15 billion in the redevelopment of Taikoo Place in Hong Kong. The first phase of this redevelopment is expected to be completed in 2018, the second in 2021 or 2022. Swire Properties conditionally agreed to sell its 100% interest in the company which owns an uncompleted investment property development in Kowloon Bay, Hong Kong for a cash consideration of HK$6,528 million, subject to adjustments. Completion is expected in 2018.

The Aviation Division is a significant investment for the Group. In response to weak revenues, Cathay Pacific has undertaken a critical review of its business. In the short term, it is implementing measures designed to improve revenues and reduce costs. The longer term strategy which is being developed in response to the review is designed to improve performance over a three-year period. We remain supportive of the long term investment plans of Cathay Pacific.

At HAECO, the disposal of HAESL's stake in SAESL will allow HAESL to compete more effectively for Rolls Royce engine overhaul business. At HAECO Americas, costs were incurred in 2016 with a view to improving efficiency and work flow. The HAECO Americas line service business was closed having regard to a review of its long term viability.

The Beverages Division continues to expand. In Mainland China, conditional agreements were entered into in 2016 which, if they become unconditional, will result in a realignment of the Coca-Cola bottling system in Mainland China. If the realignment proceeds, it will result in Swire Beverages having controlling interests in companies operating in territories in which 49% of the Mainland China population live (compared to 31% prior to the realignment). Swire Beverages will control larger bottling operations in contiguous territories. This is expected to improve efficiency and save costs. In the USA in 2016, Swire Beverages expanded its bottling territories in Arizona and New Mexico, and agreed to acquire additional territory rights and production facilities in the Pacific Northwest.

SPO is reducing its operating costs by cutting costs and the disposal and stacking of vessels. SPO has also disposed of its non-core logistics subsidiary, Altus Oil & Gas Services.

The Trading & Industrial Division has terminated certain loss-making dealerships at Taikoo Motors in Mainland China and Hong Kong, and a loss-making distributorship at Swire Resources. The division acquired the 35% interest which it did not already own in a bakery business in Southwest China in 2016 and continues to invest in its cold storage business.

Outlook

In the Property Division, high occupancy is expected to result in office rents being resilient in Hong Kong despite increased supply in Kowloon East and other districts. Demand for space from Hong Kong retailers dependent on tourism is likely to remain weak in 2017. Demand for space from other retailers is likely to be stable. Retail sales are expected to grow modestly in Guangzhou and Beijing and more briskly in Chengdu. Property trading profits are expected to be recognised in 2017 from the handover of pre-sold units at ALASSIO and sales of units at WHITESANDS in Hong Kong, and at the Reach and Rise developments in Miami. Trading conditions for our hotels are expected to be difficult.

In the Aviation Division, the operating environment for the Cathay Pacific group in 2017 is expected to remain challenging. Strong competition from other airlines and the adverse effect of the strength of the HK dollar are expected to continue to put pressure on yield. The cargo market got off to a good start, but overcapacity is expected to persist. The prospects of the HAECO group's different businesses in 2017 are mixed. Demand for airframe services work is expected to improve. Demand for line services in Hong Kong is expected to be firm. The engine overhaul businesses are expected to be stable. The cabin and seats businesses in the USA are expected to be weak.

The Beverages Division expects sales volume in its franchise territories in Mainland China to grow modestly in 2017. In Hong Kong, the market will be difficult. Moderate growth in sales volume is expected. The retail market in Taiwan is expected to be weak. In the USA, the beverages market is expected to grow moderately. The business is expected to start to benefit from the acquisition of additional bottling territories and production facilities in the Pacific Northwest.

In the Marine Services Division, industry conditions for SPO are expected to remain difficult and a market recovery is expected to take longer than previously expected. Exploration and production projects have been delayed and the oversupply of vessels will take time to correct.

The overall profits of the Trading & Industrial Division are expected to increase, but to continue to be affected by the cost of new business development.

In 2016, the Swire business celebrated its 200th anniversary and the 150th anniversary of the opening of its first office in Mainland China. We believe that seeking sustainable growth in a broad range of businesses will be a successful strategy in the long term. The commitment and hard work of employees of the Group and its joint venture and associated companies are central to our future success. I take this opportunity to thank them.

John Slosar
Chairman
Hong Kong, 16th March 2017

Shopping mall at
Brickell City Centre,
Miami.

PROPERTY DIVISION

TRANSFORMING URBAN AREAS

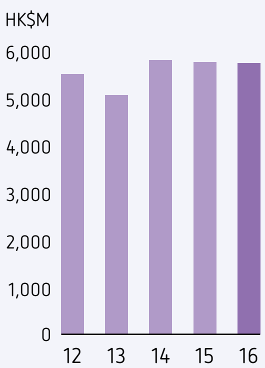
Swire Properties'
growing portfolio of offices,
retail space and hotels is continuing
to transform urban areas.

OVERVIEW OF THE BUSINESS

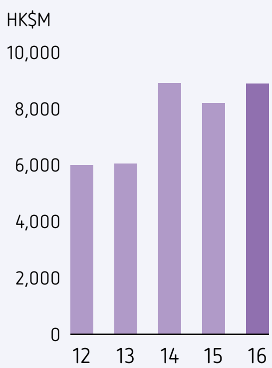
PROPERTY DIVISION

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

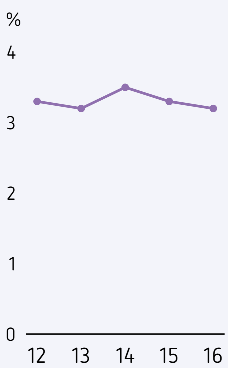
Underlying Profit Attributable to the Company's Shareholders



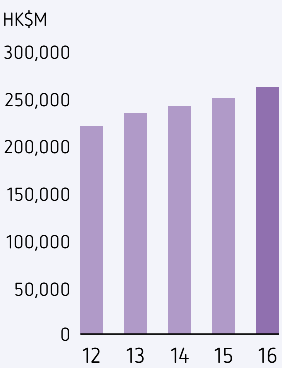
Net Cash Generated from Operating Activities



Underlying Return on Equity



Net Assets Employed



Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury residential accommodation in prime locations. The completed portfolio in Hong Kong totals 12.3 million square feet of gross floor area, with an additional 2.3 million square feet under development. In Mainland China, Swire Properties owns and operates major commercial mixed-use developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in certain cases, which will total 8.9 million square feet on completion. Of this, 8.3 million square feet has already been completed. In the USA, Swire Properties is the primary developer of a 1.1 million square feet mixed-use commercial development at Brickell City Centre in Miami, with an adjoining 1.4 million square feet development under planning.

Hotel Investment

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

Property Trading

Swire Properties' trading portfolio comprises a luxury residential development fully pre-sold on Hong Kong Island (ALASSIO) and completed developments available for sale in Hong Kong, Mainland China and Miami, USA. The principal completed developments available for sale are the WHITESANDS development in Hong Kong, the remaining portion of the office property at Sino-Ocean Taikoo Li Chengdu (Pinnacle One) in Mainland China and the Reach and Rise residential developments at Brickell City Centre in Miami, USA. There are also land banks in Miami and Fort Lauderdale in Florida in the USA.

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

Particulars of the Group's key properties are set out on pages 209 to 219.

STRATEGY

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

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

Principal Property Investment Portfolio – Gross Floor Area

('000 Square Feet)

	At 31st December 2016						At 31st December 2015
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place*	4,557	12	–	63	–	4,632	5,526
Cityplaza	1,398	1,105	200	–	–	2,703	2,938
Others	410	608	47	88	–	1,153	1,106
– Hong Kong	8,551	2,436	743	594	–	12,324	13,406
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	298	470	179	–	–	947	947
Sino-Ocean Taikoo Li Chengdu	–	624	114	64	–	802	802
HKRI Taikoo Hui	565	551	–	–	–	1,116	–
Others	–	91	–	–	–	91	91
– Mainland China	2,595	4,505	1,046	116	–	8,262	7,146
– USA	260	497	477	109	–	1,343	259
Total completed	11,406	7,438	2,266	819	–	21,929	20,811
Under and pending development							
– Hong Kong^	2,211	70	25	–	–	2,306	1,862
– Mainland China	349	–	195	74	–	618	1,734
– USA	–	–	–	–	1,444	1,444	2,521
Total	13,966	7,508	2,486	893	1,444	26,297	26,928

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies.

* Excludes the two techno-centres (Warwick House and Cornwall House), which are being or will be demolished as part of the Taikoo Place redevelopment.

^ Excludes an office building under development in Kowloon Bay (the subsidiary owning which was conditionally agreed to be sold in October 2016) and includes the new buildings which will comprise the Taikoo Place redevelopment (One Taikoo Place and Two Taikoo Place).

2016 PERFORMANCE

Financial Highlights

	2016 HK$M	2015 HK$M
Revenue		
Gross rental income derived from		
Office	6,053	5,972
Retail	4,304	4,366
Residential	416	378
Other revenue*	129	141
Property investment	10,902	10,857
Property trading	4,760	4,463
Hotels	1,130	1,127
Total revenue	16,792	16,447
Operating profit/(loss) derived from		
Property investment	7,743	8,090
Valuation gains on investment properties	8,445	7,067
Property trading	1,332	1,328
Hotels	(182)	(334)
Total operating profit	17,338	16,151
Share of post-tax profits from joint venture and associated companies	1,419	1,241
Attributable profit	15,069	14,017
Swire Pacific share of attributable profit	12,357	11,494

* Other revenue is mainly estate management fees.

Underlying Profit/(Loss) by Segment

	2016 HK$M	2015 HK$M
Property Investment	5,960	6,258
Property Trading	1,200	1,107
Hotels	(117)	(303)
Total underlying attributable profit	7,043	7,062

2016 PERFORMANCE (continued)

Reconciliation of Attributable to Underlying Profit

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

	Note	2016 HK$M	2015 HK$M
Reported attributable profit		**15,069**	14,017
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(9,637)**	(8,137)
Deferred tax on investment properties	(b)	**1,459**	1,090
Realised profit on sale of investment properties	(c)	**3**	28
Depreciation of investment properties occupied by the Group	(d)	**28**	23
Non-controlling interests' share of revaluation movements less deferred tax		**121**	41
Underlying attributable profit		**7,043**	7,062
Swire Pacific share of underlying attributable profit		**5,776**	5,791

Notes:
(a) This represents the Group's net revaluation movements and 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.

PROPERTY INDUSTRY BACKGROUND

Office and Retail

Hong Kong

OFFICE | Demand for office space was strong in 2016 and occupancy levels were high.

RETAIL | Demand for retail space from retailers dependent on tourism was weak in 2016. Demand for space from other retailers was stable.

Mainland China

RETAIL | Demand for retail space from retailers of luxury goods was weak. Demand for retail space from retailers of non-luxury goods was firm.

OFFICE | In Guangzhou, office rents were stable in 2016, despite a substantial supply of new office space. Office rents in Beijing were weak, with reduced demand and increased supply. In Shanghai, domestic demand for office space was strong. Foreign demand was weak.

USA

OFFICE | In Miami, there was limited new supply of Grade-A office space.

RETAIL | Retail sales have declined since 2015. This made some retailers more cautious about expansion.

Property Sales Markets

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and the increase in property stamp duty in November 2016 demand overall remained resilient.

In Miami, the strength of the US dollar against other major currencies adversely affected demand and the availability of financing for condominiums by non-US buyers. Condominium development has slowed down in Miami.

2016 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$12,357 million compared to HK$11,494 million in 2015. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK$9,637 million and HK$8,137 million in 2016 and 2015 respectively. Attributable underlying profit in 2016 (HK$5,776 million), which principally adjusts for changes in the valuation of investment properties, was little changed from that in 2015 (HK$5,791 million). The 2015 profit included an attributable loss of HK$188 million on disposal of four hotels in the UK. In 2016, there was a small decrease in underlying profit from property investment and a small increase in underlying profit from property trading. Disregarding the loss on disposal in 2015, the underlying loss from hotels was little changed in 2016.

Gross rental income fell in Hong Kong and increased in Mainland China and the USA. The reduction in Hong Kong largely reflected lower retail rental income consequent on lower retail sales. Office rental income in Hong Kong increased despite the loss of rental income resulting from the Taikoo Place redevelopment. In Mainland China, gross rental income increased by 2% despite a 6% depreciation of the Renminbi against the Hong Kong dollar.

Profit from property trading in 2016 included that recognised on the sales of residential units in the USA. Fewer residential properties were sold in Hong Kong. No sales of office property took place in Mainland China.

The performance of the hotels in Mainland China improved, while at the same time hotels in Hong Kong were adversely affected by a reduction in the number of visitors to Hong Kong. EAST, Miami opened in June 2016.

KEY CHANGES TO THE PROPERTY PORTFOLIO

In March 2016, Swire Properties opened the first of two office towers (Three Brickell City Centre) in the Brickell City Centre development in Miami, USA.

In April 2016, Swire Properties started to pre-sell units in ALASSIO, a residential development in Mid-Levels West, Hong Kong. The development consists of a 50-storey tower of 197 residential units. All units have been pre-sold.

In June 2016, EAST, Miami opened at the Brickell City Centre development in Miami, USA. It has 352 rooms, including 89 serviced apartments.

In July 2016, Swire Properties announced the HK$15 billion redevelopment of Taikoo Place. Two new Grade-A office buildings, each with an aggregate gross floor area of around one million square feet, are expected to be completed, the first (One Taikoo Place) in 2018 and the second (Two Taikoo Place) in 2021 or 2022.

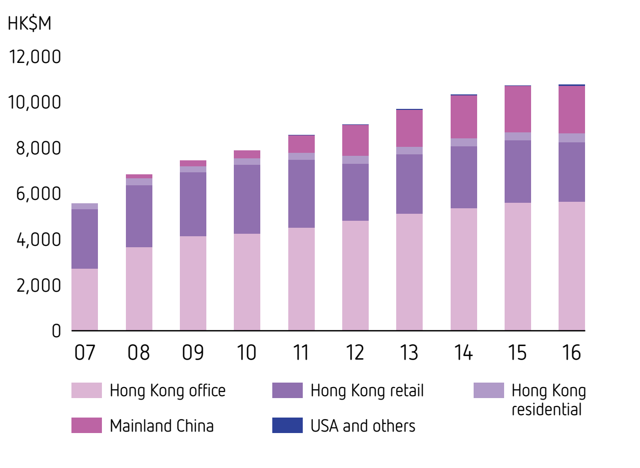
In August 2016, the shopping mall and one of the two premium Grade-A office towers (HKRI Centre One) at the HKRI Taikoo Hui development in Puxi, Shanghai were completed. Handover to tenants is in progress.

In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns an uncompleted investment property development in Kowloon Bay, Hong Kong for a cash consideration of HK$6,528 million, subject to adjustments. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018. Completion is expected in 2018.

In November 2016, Swire Properties opened its 60.9% owned 500,000 square feet shopping centre in the Brickell City Centre development in Miami, USA.

Valuation of Investment Properties

Gross Rental Income



INVESTMENT PROPERTIES

Hong Kong

OFFICE | Gross rental income from the Hong Kong office portfolio in 2016 was HK$5,629 million, a slight increase from 2015. This reflected positive rental reversions and improved occupancy. At 31st December 2016, the office portfolio was 99% let. Demand for the Group's office space in Hong Kong was strong in all districts. However, gross rental income decreased at Warwick House and Cornwall House, as space was vacated ahead of the Taikoo Place redevelopment, and at Cityplaza, as 10 floors in Cityplaza Three were handed over to the Hong Kong Government.

Pacific Place

The offices at One, Two and Three Pacific Place performed well in 2016. Demand from Mainland China entities was strong. The occupancy rate was almost 100% at 31st December 2016.

Cityplaza

The three office towers (Cityplaza One, Three and Four) were almost fully let at 31st December 2016.

Taikoo Place

The occupancy rate of Taikoo Place was 98% at 31st December 2016.

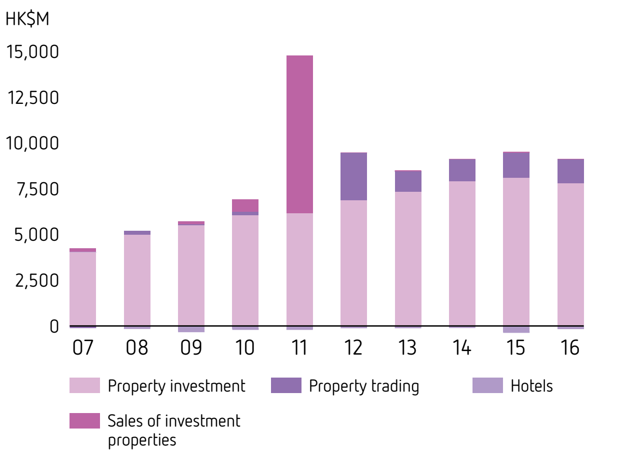
RETAIL | The Hong Kong retail portfolio's gross rental income decreased from HK$2,725 million in 2015 to HK$2,609 million in 2016. This reflected weak retail sales in Hong Kong. The Group's malls were almost fully let throughout the year.

Retail sales decreased by 13% at The Mall, Pacific Place, by 4% at Cityplaza and by 8% at Citygate. This reflected reduced spending by tourists and more space being allocated to food and beverage outlets.

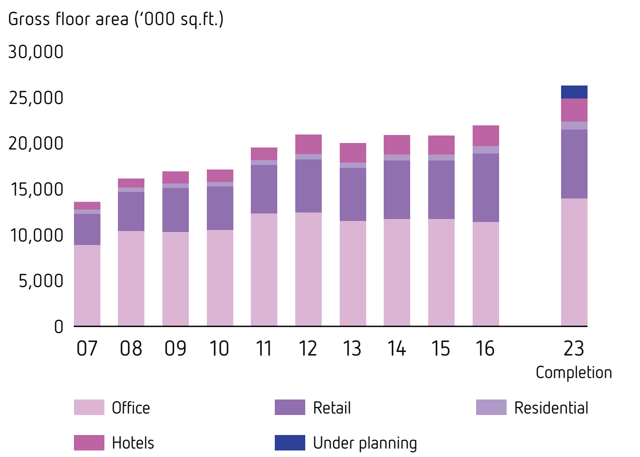
RESIDENTIAL | The completed residential portfolio comprises Pacific Place Apartments at Pacific Place, Taikoo Place Apartments at Taikoo Place, STAR STUDIOS in Wanchai and a small number of luxury houses and apartments on Hong Kong Island. Occupancy in the residential portfolio (excluding STAR STUDIOS) was approximately 85% at 31st December 2016.

Leasing of the refurbished STAR STUDIOS development began in October 2016. 50% of the 120 units in the development had been leased at 31st December 2016.

Underlying Operating Profit



Completed Investment Property Portfolio by Type



INVESTMENT PROPERTIES UNDER DEVELOPMENT | The commercial site (Tung Chung Town Lot No. 11) next to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel gross floor area of approximately 475,000 square feet. Excavation, substructure and superstructure works are in progress. The development is expected to be completed in 2018. Swire Properties has a 20% interest in the development.

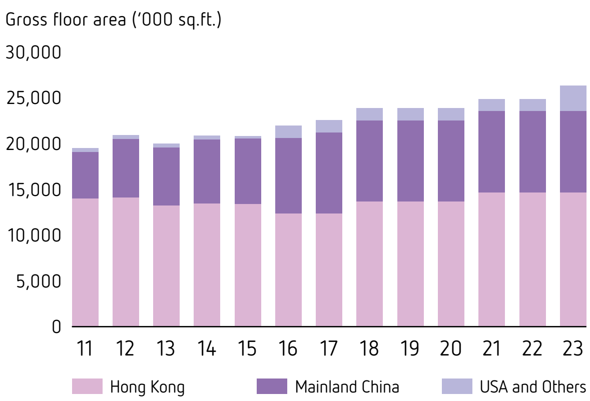
The first phase of the Taikoo Place redevelopment (the redevelopment of Somerset House) is the construction of a 48-storey office building with an aggregate gross floor area of approximately 1,020,000 square feet, to be called One Taikoo Place. Substructure and superstructure works are in progress. The redevelopment is expected to be completed in 2018.

The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House) is the construction of an office building with an aggregate gross floor area of approximately 1,000,000 square feet, to be called Two Taikoo Place. The acquisition of the Hong Kong Government's interest in Cornwall House was completed at the end of 2016. Demolition of Warwick House has started. Demolition of Cornwall House will start in the second quarter of 2017. Completion of the redevelopment is expected in 2021 or 2022.

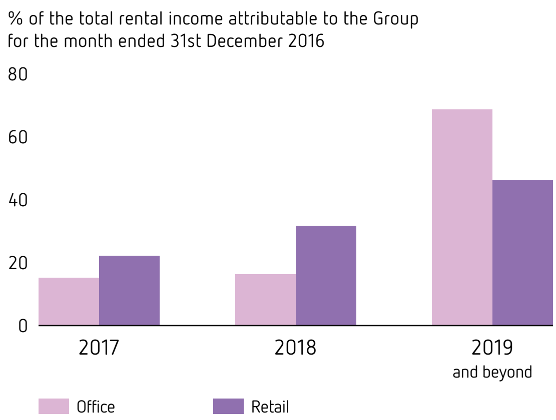
The commercial site at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate gross floor area of approximately 382,500 square feet. Substructure and superstructure works are in progress. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

The commercial site (New Kowloon Inland Lot No. 6312) at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate gross floor area of approximately 555,000 square feet. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this uncompleted investment property development. The property was transferred to other non-current assets at fair value in the financial statements at the same time. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

Completed Property Investment Portfolio by Location



Hong Kong Lease Expiry Profile – at 31st December 2016



Mainland China

RETAIL | The Mainland China retail portfolio's gross rental income for 2016 increased by 3% compared with 2015, to HK$1,688 million.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2016, reflecting positive growth in reversionary rents. Retail sales grew by 6% in 2016. The occupancy rate was 94% at 31st December 2016. Demand for retail space in Taikoo Li Sanlitun remains solid as it reinforces its position as a fashionable retail destination in Beijing. This is expected to continue to have a positive impact on occupancy and rents.

Gross rental income at TaiKoo Hui grew satisfactorily in 2016, reflecting in part improvements to the tenant mix. The occupancy rate at TaiKoo Hui was 99% at 31st December 2016. Retail sales at the mall increased by 10% in 2016.

The occupancy rate at the mall at INDIGO was 98% at 31st December 2016 and 97% of the shops were open. Retail sales increased by 20% in 2016.

Retail sales at Sino-Ocean Taikoo Li Chengdu increased by 78% in 2016. At 31st December 2016, tenants had committed (including by way of letters of intent) to take 92% of the retail space and 87% of the space was open for business.

OFFICE | The Mainland China office portfolio's gross rental income for 2016 increased by 0.3% compared with 2015, to HK$361 million.

At 31st December 2016, the occupancy rates at the office towers at TaiKoo Hui and at ONE INDIGO were 99% and 90% respectively.

INVESTMENT PROPERTIES UNDER DEVELOPMENT | The HKRI Taikoo Hui development in Shanghai comprises a retail mall, two office towers, two hotels and a serviced apartment tower. Construction of the shopping mall and one of the office towers was completed in August 2016. Fit-out of some of the space to be occupied by retail and office tenants is in progress. Interior decoration and mechanical and electrical installation works for the other office tower, two hotels and a serviced apartment tower are in progress. These works are expected to be completed in phases in 2017.

Sino-Ocean Taikoo Li Chengdu is an open-plan mall that provides a new interpretation of traditional Sichuan architecture.

Opened in June 2016, EAST, Miami is the first hotel in the USA managed by Swire Hotels.

USA

Brickell City Centre consists of a shopping centre, two office buildings (Two Brickell City Centre and Three Brickell City Centre), a hotel and serviced apartments (EAST, Miami) managed by Swire Hotels and two residential towers (Reach and Rise). The residential towers have been developed for sale.

The development was completed in 2016. Three Brickell City Centre opened in March, followed by EAST, Miami and serviced apartments in June and the shopping centre in November. Construction of Two Brickell City Centre was completed in September. It opened in February 2017. At 31st December 2016, occupancy rates at Two Brickell City Centre, Three Brickell City Centre and the shopping centre were 61%, 100% and 91% (in each case taking into account space which is the subject of letters of intent) respectively.

At 31st December 2016, Swire Properties owned 100% of the office, hotel and residential portions and 60.9% of the shopping centre at Brickell City Centre. The remaining interest in the shopping centre was held by Simon Property Group (25%) and Bal Harbour Shops (14.1%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the shopping centre, to sell its interest to Swire Properties.

One Brickell City Centre is planned to be a mixed-use development comprising retail, office, hotel and residential space in an 80-storey tower. It will incorporate the site at 700 Brickell Avenue acquired by Swire Properties in 2013. Development of this site will connect the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of One Brickell City Centre.

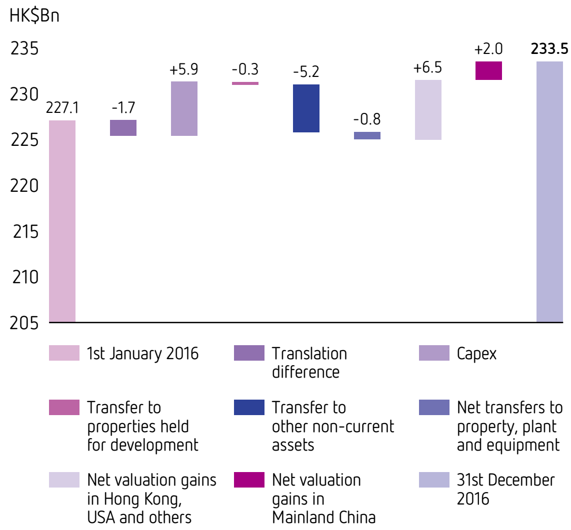
VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2016 on the basis of open market value (93% by value having been valued by DTZ Cushman & Wakefield Limited and 2% by value having been valued by another independent valuer). The amount of this valuation was HK$233,451 million, compared to HK$227,109 million at 31st December 2015 and HK$229,966 million at 30th June 2016.

The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong, partially offset by a decrease in the valuation of the retail properties in Hong Kong.

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

Movement in Investment Properties



Profile of Capital Commitments for Investment Properties and Hotels

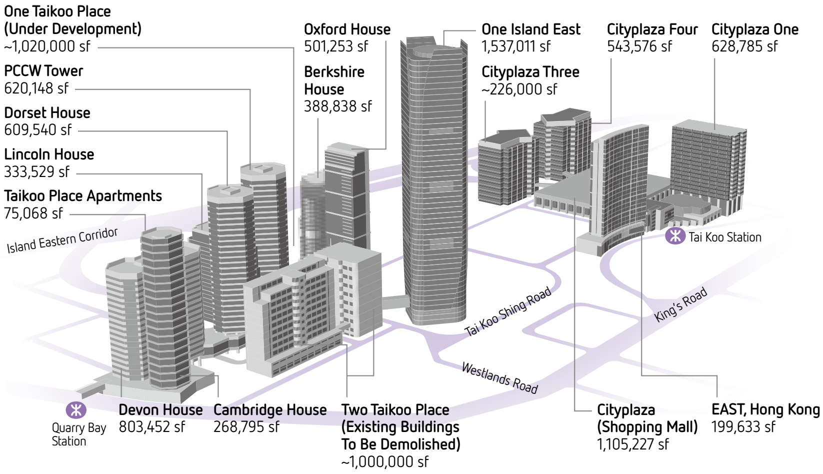
	Expenditure	Forecast year of expenditure				Total Commitments	Commitments relating to joint venture companies*
	2016 HK$M	2017 HK$M	2018 HK$M	2019 HK$M	2020 and later HK$M	At 31st December 2016 HK$M	At 31st December 2016 HK$M
Hong Kong	**5,549**	5,673	2,747	1,750	5,541	**15,711**	**1,214**
Mainland China	**1,070**	1,087	567	181	47	**1,882**	**1,279**
USA and others	**950**	360	255	67	53	**735**	**–**
Total	**7,569**	7,120	3,569	1,998	5,641	**18,328**	**2,493**

Note: The capital commitments represent 100% of the capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies.
* The Group is committed to funding HK$588 million and HK$226 million of the capital commitments of joint venture companies in Hong Kong and Mainland China, respectively.

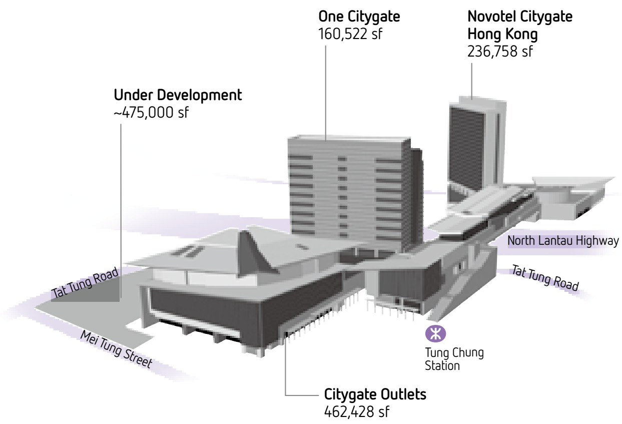
Hong Kong

Taikoo Place

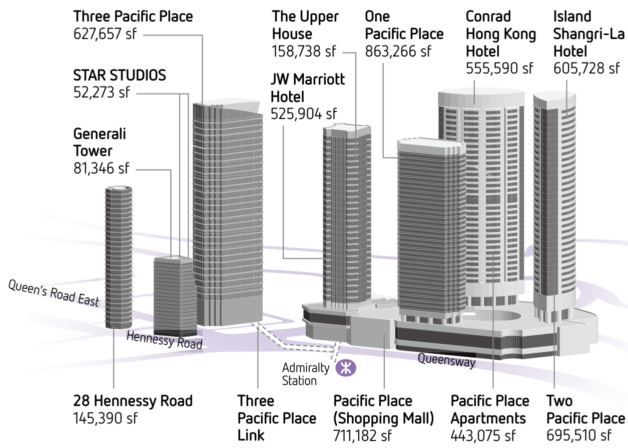
Cityplaza



Citygate



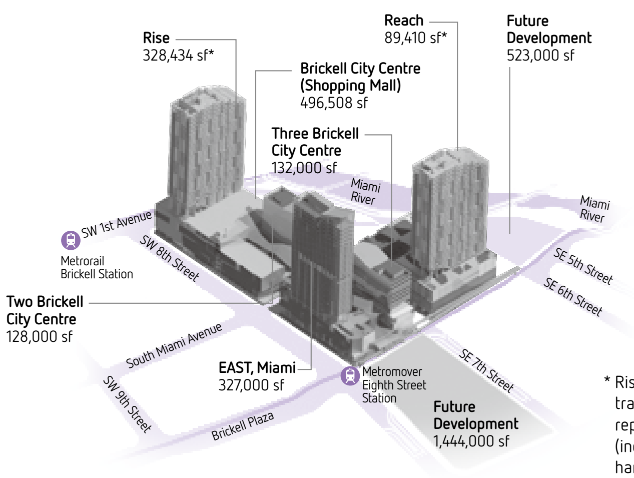
Pacific Place



USA

Brickell City Centre

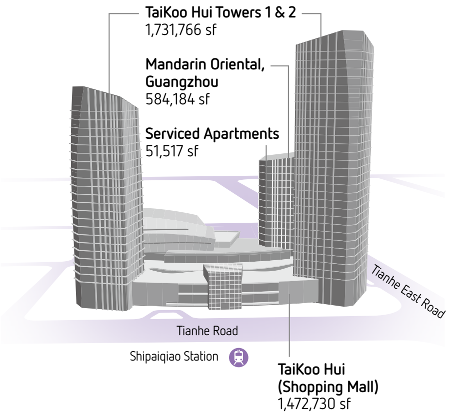
Miami, Florida



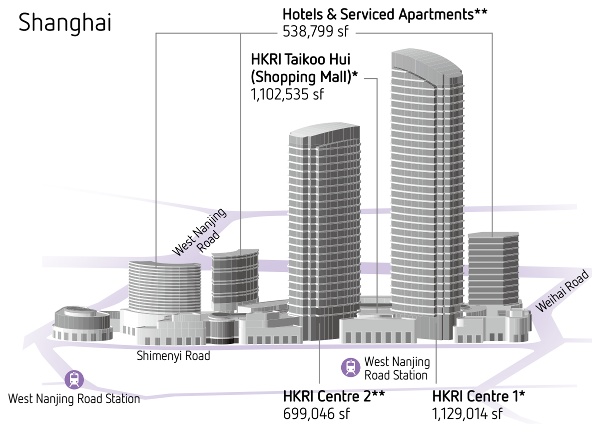
* Rise and Reach are developed for trading purpose. Floor area shown represents the unsold portion (including sold units but not yet handed over).

Mainland China

TaiKoo Hui
Guangzhou

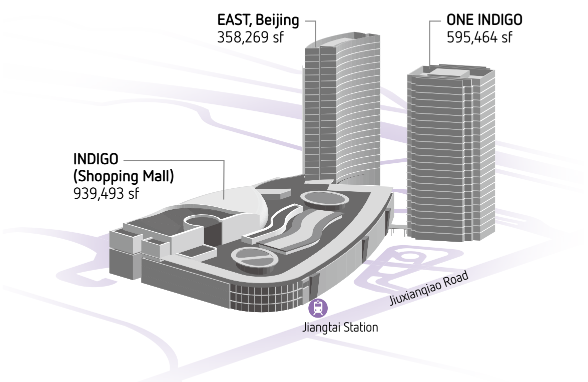


HKRI Taikoo Hui
Shanghai

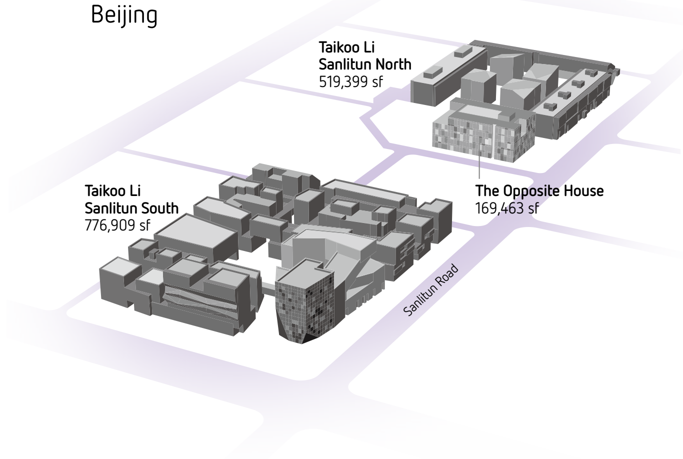


* Shopping mall and HKRI Centre 1 were completed in 2016.
** HKRI Centre 2 and Hotels & Serviced Apartments are expected to complete in 2017.

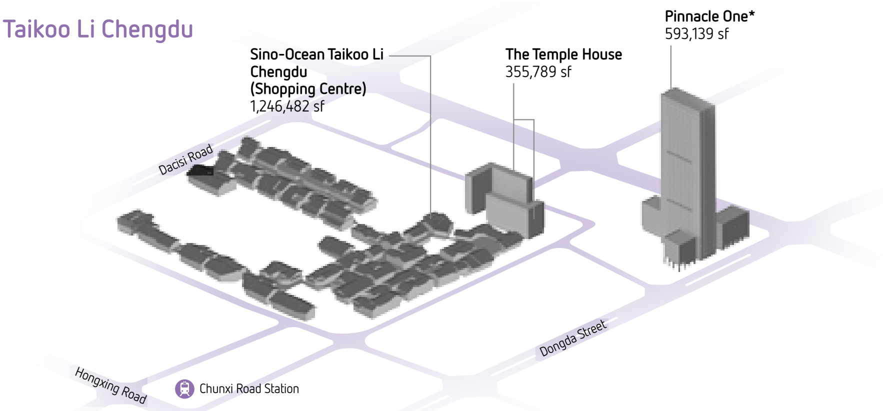
INDIGO
Beijing



Taikoo Li Sanlitun
Beijing



Sino-Ocean Taikoo Li Chengdu
Chengdu



* Pinnacle One is developed for trading purpose. Floor area shown represents the unsold portion (including pre-sold portion but not yet handed over).

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

These diagrams illustrate the major developments of Swire Properties. For details of other developments, please refer to the Schedule of Principal Group Properties on pages 209 to 219.

HOTELS

Excluding the loss on disposal of four hotels in the UK in 2015, the underlying loss from hotels was little changed in 2016.

In 2016, trading conditions for the managed and non-managed hotels in Hong Kong were difficult because of a reduction in the number of visitors to Hong Kong. The performance of the managed and non-managed hotels in Mainland China improved. EAST, Miami opened in June 2016 and is building up its occupancy levels. The performance of the Mandarin Oriental, Miami in the USA improved in 2016.

Two hotels (one managed, the other non-managed) and a serviced apartment tower at the HKRI Taikoo Hui development in Shanghai are expected to open in the second half of 2017.

PROPERTY TRADING

Hong Kong

All 92 units at the MOUNT PARKER RESIDENCES development in Quarry Bay had been sold at 31st December 2016. The profit from the sales of one unit and 64 carparking spaces was recognised in 2016.

All 127 units at the AREZZO development at 33 Seymour Road had been sold at 31st December 2016. The profit from the sales of 15 units was recognised in 2016.

All 197 units at the ALASSIO development at 100 Caine Road had been pre-sold at 31st December 2016. The profit from the sales of pre-sold units is expected to be recognised in 2017.

The WHITESANDS development consists of 28 detached houses with an aggregate gross floor area of 64,410 square feet. Two houses had been sold at 14th March 2017. The profit from the sale of one house was recognised in 2016.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 carparking spaces were pre-sold in 2013. The profit from the sales of approximately 52% of the pre-sold gross floor area was recognised in 2015. Application has been made to the court to cancel the sale of the remaining pre-sold gross floor area and 350 carparking spaces, as part of the consideration was not received on time.

USA

The residential portion of the Brickell City Centre development was developed for trading purposes. There are 780 units in two towers (Reach and Rise).

The Reach and Rise developments were completed and started to be handed over to purchasers in April and September 2016 respectively. 355 units (out of 390 units) at Reach and 187 units (out of 390 units) at Rise had been sold at 14th March 2017. The profits from the sales of 347 units at Reach and 171 units at Rise were recognised in 2016.

OUTLOOK

Office and Retail

Hong Kong

OFFICE | In the Central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2017. High occupancy is expected to result in office rents in our Taikoo Place and Cityplaza developments being resilient despite increased supply in Kowloon East and other districts.

RETAIL | Demand for space from Hong Kong retailers dependent on tourism is likely to remain weak in 2017. Demand for space from other retailers is likely to be stable.

Scheduled for completion in 2017, ALASSIO is Swire Properties' latest luxury residential development in Mid-Levels West, Hong Kong.

Mainland China

RETAIL | Retail sales are expected to grow modestly in Guangzhou and Beijing and more briskly in Chengdu. In Shanghai, demand for retail space is expected to remain firm except for space for luxury goods.

OFFICE | In Guangzhou, office rents are expected to be stable in 2017 despite a substantial supply of new office space. In Beijing, office rents are expected to be weak in 2017, with reduced demand and increased supply. In Shanghai, there will be limited new supply of office space in the Puxi business district.

USA

RETAIL | Retail sales have declined since 2015. This has made some retailers more cautious about expansion.

OFFICE | There is limited new supply of Grade-A office space in Miami.

Hotels

Trading conditions for our hotels are expected to remain difficult in 2017.

Property Trading

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates, demand overall remains resilient. Trading profits are expected to be recognised in 2017 from the handover of pre-sold units at ALASSIO and sales of units at WHITESANDS. Profits are also expected to be recognised on the sales of units at the Reach and Rise developments in Miami.

Guy Bradley

A Cathay Pacific
Boeing 777-300ER.

AVIATION DIVISION

ADVANCING WORLD-CLASS SERVICE

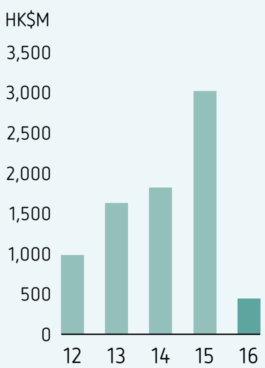
We aim to continue to improve our products and services on the ground and in the air, to expand our fleet by acquiring fuel efficient aircraft and to strengthen our aircraft engineering business.

OVERVIEW OF THE BUSINESS

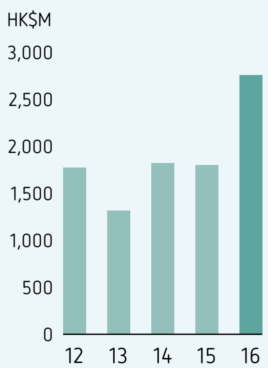
AVIATION DIVISION

The Aviation Division comprises significant investments in the Cathay Pacific group and the HAECO group.

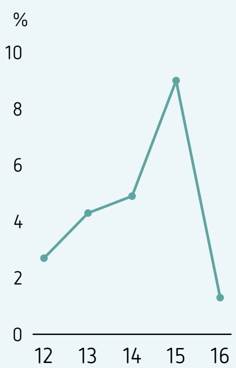
Profit Attributable to the Company's Shareholders



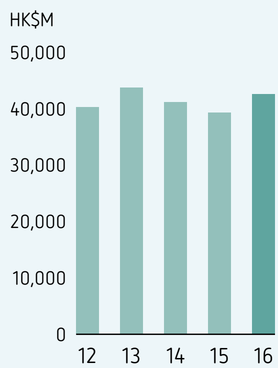
Net Cash Generated from Operating Activities



Return on Equity



Net Assets Employed



The Cathay Pacific group

The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiary Hong Kong Dragon Airlines Limited ("Cathay Dragon"), its 60%-owned subsidiary AHK Air Hong Kong Limited ("Air Hong Kong"), an associate interest in Air China and an interest in Air China Cargo Co. Ltd. ("Air China Cargo"). Cathay Pacific also has interests in companies providing flight catering and ramp and cargo handling services, and owns and operates a cargo terminal at Hong Kong International Airport. It is listed on The Stock Exchange of Hong Kong Limited.

Cathay Pacific offers scheduled passenger and cargo services to 181 destinations in 43 countries and territories. At 31st December 2016, it operated 146 aircraft and had 59 new aircraft due for delivery up to 2024.

Cathay Dragon is a regional airline registered and based in Hong Kong. It operates 43 aircraft on scheduled services to 53 destinations in Mainland China and elsewhere in Asia.

Cathay Pacific owns 18.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. At 31st December 2016, Air China operated 262 domestic and 116 international, including regional, routes. Cathay Pacific has a cargo joint venture with Air China, Air China Cargo, which operated 15 freighters at 31st December 2016 and also carries cargo in the bellies of Air China's passenger aircraft.

Air Hong Kong, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities. At 31st December 2016, Air Hong Kong operated 13 freighters.

Cathay Pacific and its subsidiaries employ more than 33,800 people worldwide (around 26,200 of them in Hong Kong).

The HAECO group

The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO Hong Kong), in Xiamen (by HAECO Xiamen) and in the USA (by HAECO Americas).

Engine overhaul work is performed by HAECO's 50% joint venture company Hong Kong Aero Engine Services Limited ("HAESL"), by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited ("TEXL") and by HAECO Americas. The HAECO group has other subsidiaries and joint venture companies in Mainland China, which offer a range of aircraft engineering services and has a 70% interest in HAECO ITM Limited ("HAECO ITM"), an inventory technical management joint venture with Cathay Pacific in Hong Kong. HAESL's interest in its joint venture company Singapore Aero Engine Services Pte. Limited ("SAESL") was disposed of in June 2016.

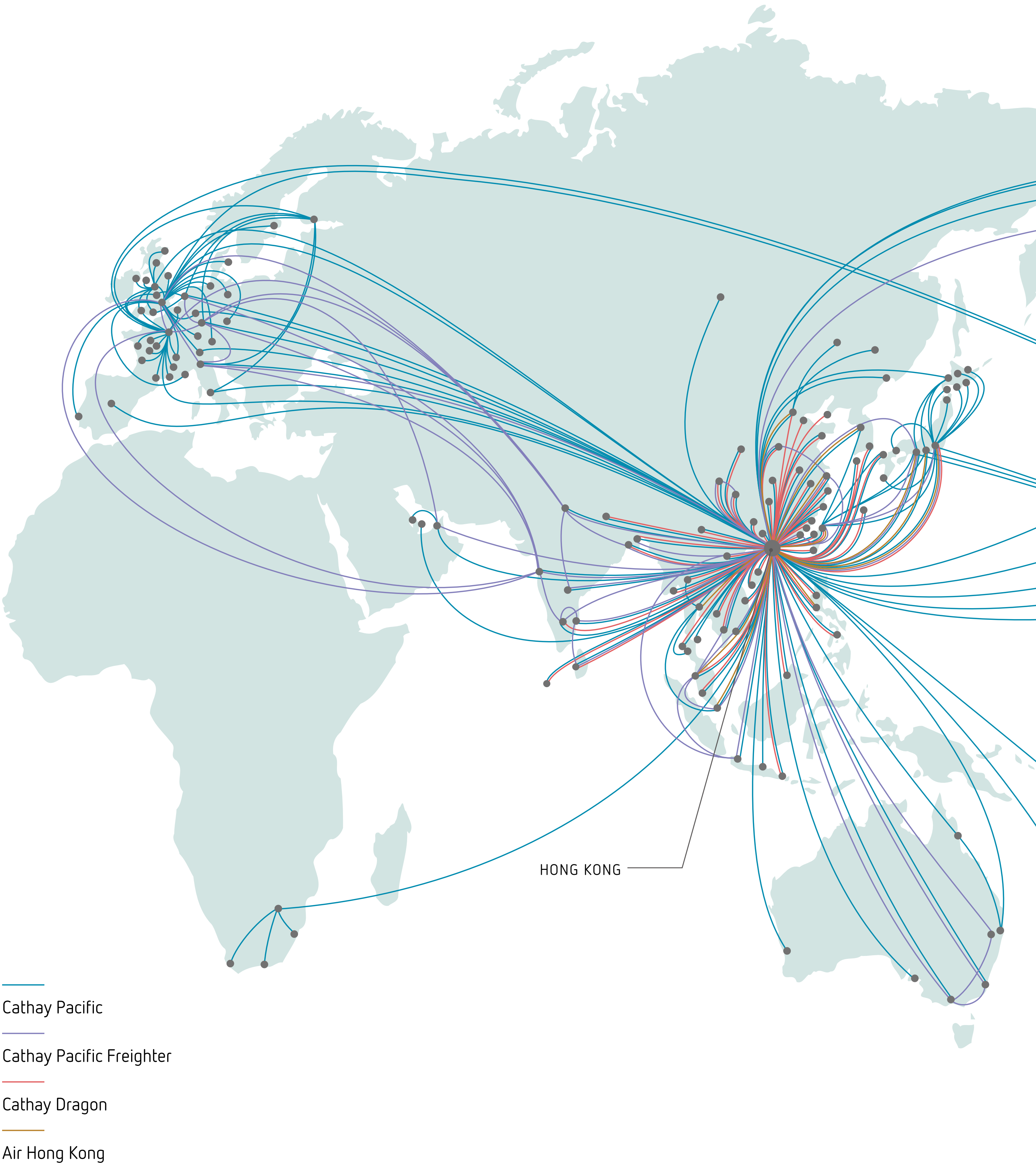
HAECO is listed on The Stock Exchange of Hong Kong Limited.

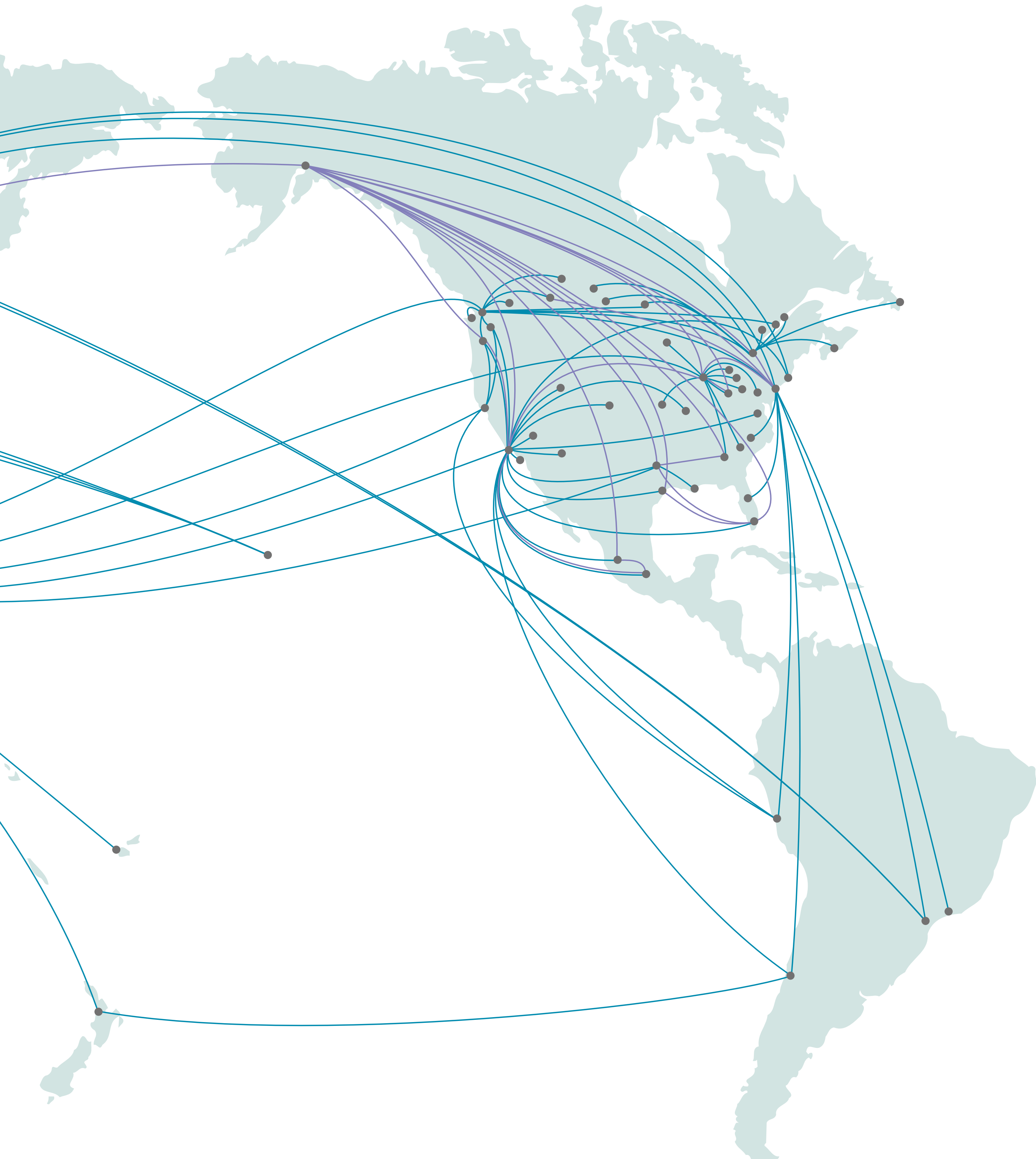
STRATEGY

The strategic objective of Cathay Pacific and HAECO (as listed companies in their own right) is sustainable growth in shareholder value over the long-term. The strategies employed in order to achieve this objective are these:

- **The development and strengthening of Hong Kong as a centre for aviation services, including passenger, cargo and aircraft engineering services.**
- **The development and strengthening of the airline (Cathay Pacific and Cathay Dragon) and aircraft engineering (HAECO) brands.**
- **Developing the fleets of Cathay Pacific and Cathay Dragon (by investing in modern fuel efficient aircraft) with a view to their becoming two of the youngest, most fuel efficient fleets in the world.**
- **Maintaining and enhancing high standards of service to passenger, cargo and aircraft engineering customers.**
- **Strengthening the airlines' passenger and cargo networks and improving what they do on the ground and in the air.**
- **Continuing to build the strategic relationship with Air China.**
- **Increasing the range and depth of aircraft engineering services offered by HAECO.**
- **Endeavouring to minimise the impact of the airlines and of HAECO on the environment.**

Cathay Pacific group – Network Coverage





2016 PERFORMANCE

Financial Highlights

	2016 HK$M	2015 HK$M
HAECO group		
Revenue	**13,760**	12,095
Operating profit	**127**	415
Attributable profit	**731**	349
Cathay Pacific group		
Share of post-tax (losses)/profits from associated companies	**(259)**	2,700
Attributable profit	**441**	3,017

Accounting for the Aviation Division
The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss. For more information on the results and financial position of the Cathay Pacific group, please refer to the abridged financial statements on pages 195 and 196. The figures above do not include consolidation adjustments.

CATHAY PACIFIC GROUP

Cathay Pacific and Cathay Dragon – 2016 Performance

		2016	2015	Change
Available tonne kilometres ("ATK")	Million	**30,462**	30,048	+1.4%
Available seat kilometres ("ASK")	Million	**146,086**	142,680	+2.4%
Passenger revenue	HK$M	**66,926**	73,047	-8.4%
Revenue passenger kilometres ("RPK")	Million	**123,478**	122,330	+0.9%
Revenue passengers carried	'000	**34,323**	34,065	+0.8%
Passenger load factor	%	**84.5**	85.7	-1.2%pt
Passenger yield	HK¢	**54.1**	59.6	-9.2%
Cargo revenue – group	HK$M	**20,063**	23,122	-13.2%
Cargo revenue – Cathay Pacific and Cathay Dragon	HK$M	**17,024**	20,079	-15.2%
Cargo and mail carried	Tonnes '000	**1,854**	1,798	+3.1%
Cargo and mail load factor	%	**64.4**	64.2	+0.2%pt
Cargo and mail yield	HK$	**1.59**	1.90	-16.3%
Cost per ATK (with fuel)	HK$	**3.02**	3.14	-3.8%
Cost per ATK (without fuel)	HK$	**2.12**	2.06	+2.9%
Aircraft utilisation	Hours per day	**12.2**	12.2	–
On-time performance	%	**72.1**	64.7	+7.4%pt
Average age of fleet	Years	**9.0**	9.1	-1.1%
Fuel consumption – group	Barrels (million)	**43.9**	43.5	+0.9%

In 2016, Cathay Pacific took delivery of 10 A350-900 aircraft. These fuel efficient, technologically advanced aircraft are being used on selected long haul routes.

AIRLINE INDUSTRY BACKGROUND

The operating environment for a Hong Kong based airline was difficult in 2016, with a number of factors adversely affecting performance. Intense and increasing competition with other airlines was the most important. Other airlines significantly increased capacity. There were more direct flights between Mainland China and international destinations. Competition from low cost carriers increased. Overcapacity in the market was a particular competitive problem for cargo business. Three economic factors were also important, the reduced rate of economic growth in Mainland China, a reduction in the number of visitors to Hong Kong and the strength of the HK dollar. HK dollar strength made Hong Kong an expensive destination and caused revenues earned in other currencies to be reduced on conversion into HK dollars. All these factors put severe competitive pressure on yields. Airlines benefited from low fuel prices, but in our case the benefit was reduced by fuel hedging losses, largely incurred on hedges put in place when the fuel price was much higher than today.

2016 RESULTS SUMMARY

The Cathay Pacific group's attributable loss on a 100% basis was HK$575 million in 2016, compared with a profit of HK$6,000 million in 2015. The airlines' loss after tax was HK$3,363 million (2015: profit of HK$3,572 million), and the share of profits from subsidiaries and associates was HK$2,788 million (2015: HK$2,428 million).

Passenger Services

Passenger revenue in 2016 was HK$66,926 million, a decrease of 8% compared with 2015. 34 million passengers were carried, an increase of 1% compared to the previous year.

Capacity increased by 2%, reflecting the introduction of new routes (to Madrid in June and to London Gatwick in September) and increased frequencies on some other routes. The passenger load factor decreased by 1.2 percentage points.

Yield decreased by 9% to HK54.1 cents. Competition with other airlines was intense, as indicated under "Airline Industry Background" above. Economy class demand was stable, but not as strong as in 2015. Premium class demand weakened considerably, especially on long-haul routes.

Cargo Services

Cathay Pacific and Cathay Dragon

Cathay Pacific and Cathay Dragon's cargo revenue in 2016 was HK$17,024 million, a decrease of 15% compared to 2015. The tonnage carried in 2016 increased by 3% to 1.9 million tonnes compared to 2015. The market was very weak in the first quarter. Tonnage recovered from the second quarter, becoming seasonally strong in the fourth quarter.

The cargo capacity of Cathay Pacific and Cathay Dragon increased by 1%. Freighter services to Portland and Brisbane West Wellcamp were introduced. The freighter capacity was managed in line with demand, and a higher proportion of cargo was carried in the bellies of passenger aircraft.

Re-opened in June 2016 after refurbishment, the new Business Class Lounge at The Pier is the largest of Cathay Pacific's lounges.

The cargo load factor increased by 0.2 of a percentage point to 64.4%.

Cargo yield fell 16% to HK$1.59, reflecting strong competition, overcapacity, and the suspension of fuel surcharges.

Demand on European routes was weak. Demand on transpacific routes grew slightly in the second half of the year.

Air Hong Kong

Air Hong Kong achieved a marginal increase in profit for 2016 compared with 2015. Capacity (in terms of available tonne kilometres) increased by 0.1% to 777 million. The load factor decreased by 1.2 percentage points to 65.3%.

Operating Costs

Total fuel costs for the Cathay Pacific group (before the effect of fuel hedging) decreased by HK$4,997 million (or 20%) compared with 2015. A 21% decrease in average fuel prices was partially offset by a 1% increase in consumption. Fuel is still the Cathay Pacific group's most significant cost, accounting for 30% of total operating costs in 2016 (compared to 34% in 2015). Fuel hedging losses of HK$8,456 million reduced the benefit of low fuel costs. After taking fuel hedging losses into account, net fuel costs decreased by HK$5,015 million (or 15%) compared to 2015.

There was a 3% increase in non-fuel costs per available tonne kilometre.

Congestion at Hong Kong International Airport and air traffic control constraints in the Greater China region continued to impose costs on Cathay Pacific. The airlines are doing more to improve the reliability of their operations, and this was reflected in a 7.4 percentage points improvement in on-time performance.

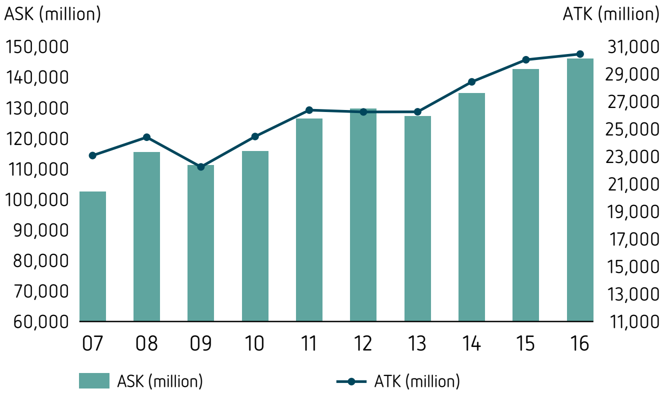
In response to weak revenues, Cathay Pacific has undertaken a critical review of its business. In the short term, it is implementing measures designed to improve revenues and reduce costs. The longer term strategy which is being developed in response to the review is designed to improve performance over a three-year period.

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances.

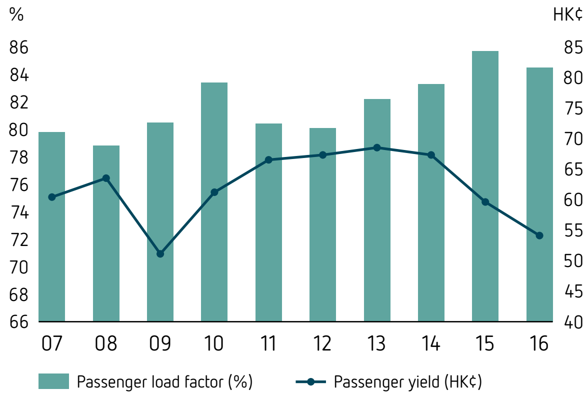
Cathay Dragon Rebranding

During the year, the Dragonair brand name was replaced by Cathay Dragon, bringing the brands of the two Cathay Pacific airlines into closer alignment. The first aircraft with the Cathay Dragon livery went into service in April 2016.

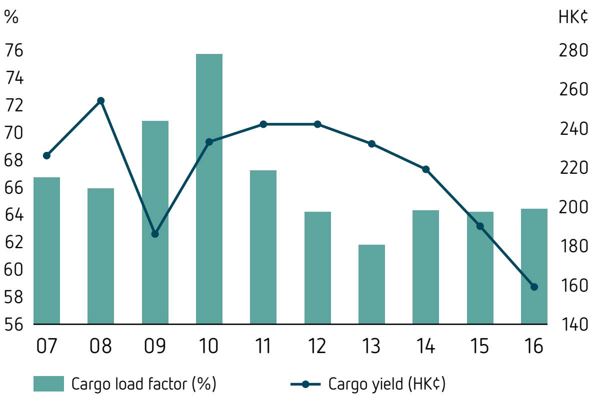
Capacity – Available Seat Kilometres and Available Tonne Kilometres



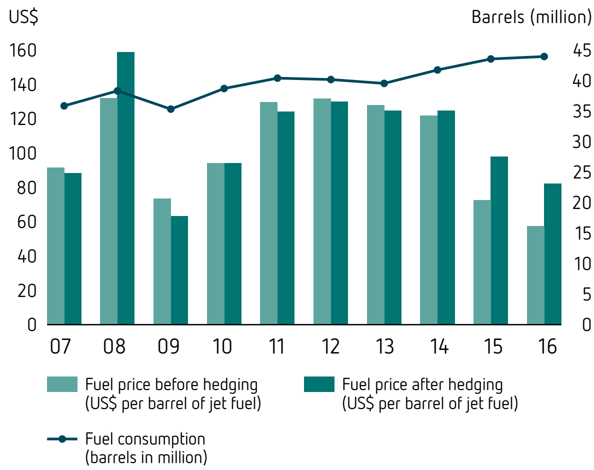
Passenger Services Load Factor and Yield



Cargo Services Load Factor and Yield



Fuel Price and Consumption



Fleet Profile

At 31st December 2016, the total number of aircraft in the Cathay Pacific and Cathay Dragon fleets was 189, an increase of one since 31st December 2015.

In 2016, Cathay Pacific took delivery of 10 Airbus A350-900 aircraft. These fuel efficient, technologically advanced long-haul aircraft are being used on the Auckland, Düsseldorf, London Gatwick, Paris and Rome routes. 22 aircraft of this type are expected to be in service by the end of 2017. The Cathay Pacific group also took delivery of its final Boeing 747-8F freighter in August.

Cathay Pacific will start to take delivery of Airbus A350-1000 aircraft (which have a longer range and more capacity than Airbus A350-900 aircraft) in 2018 and expects to have 26 aircraft of this type in service by the end of 2020.

At 31st December 2016, the Cathay Pacific group had 59 new aircraft on order for delivery up to 2024.

The remaining three Boeing 747-400 passenger aircraft were retired during the year. Three Airbus A340-300 aircraft were retired in 2016 and the remaining four will be retired in 2017.

Fleet Profile*

Aircraft type	Number at 31st December 2016				Firm orders				Expiry of operating leases						
		Leased													
Aircraft type	Owned	Finance	Operating	**Total**	'17	'18	'19 and beyond	**Total**	'17	'18	'19	'20	'21	'22 and beyond	Options
Aircraft operated by Cathay Pacific:															
A330-300	23	12	6	**41**						3	1	2			
A340-300	4			**4**[a]											
A350-900	5	3	2	**10**	12[b]			**12**						2	
A350-1000						8	18	**26**							
747-400BCF			1	**1**						1					
747-400ERF		6		**6**											
747-8F	3	11		**14**											
777-200	5			**5**											
777-200F															3[c]
777-300	12			**12**		2	3	**5**[d]							
777-300ER	19	11	23	**53**						1	2		5	15	
777-9X							21	**21**							
Total	71	43	32	**146**	12	10	42	**64**		5	3	2	5	17	3
Aircraft operated by Cathay Dragon:															
A320-200	5		10	**15**						2	1	1	3	3	
A321-200	2		6	**8**								1	2	3	
A330-300	10		10[e]	**20**					6		2		2		
Total	17		26	**43**					6	2	3	2	7	6	
Aircraft operated by Air Hong Kong:															
A300-600F	4	4	2	**10**							2				
747-400BCF			3[e]	**3**						3					
Total	4	4	5	**13**						3	2				
Grand total	**92**	**47**	**63**[e]	**202**	**12**	**10**	**42**	**64**[d]	**6**	**10**	**8**	**4**	**12**	**23**	**3**

* Includes parked aircraft. The table does not reflect aircraft movements after 31st December 2016.

(a) Cathay Pacific is accelerating the retirement of its Airbus A340-300 aircraft. Three of these aircraft were retired in 2016. One Airbus A340-300 was retired in January 2017. The remaining three such aircraft will be retired before the end of 2017.
(b) Two of these Airbus A350-900 aircraft were delivered after 31st December 2016, one in February 2017, the other in March 2017.
(c) Purchase options for aircraft to be delivered before the end of 2019.
(d) Five Boeing 777-300 used aircraft will be delivered from 2018.
(e) 57 of the 63 aircraft which are subject to operating leases are leased from third parties. The remaining six of such aircraft (three Boeing 747-400BCFs and three Airbus A330-300s) are leased within the Cathay Pacific group.

The rebranding of Dragonair as Cathay Dragon brings the brands of the two Cathay Pacific airlines into closer alignment.

Other Operations

Air China

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, the 2016 results include Air China's results for the 12 months ended 30th September 2016, adjusted for any significant events or transactions for the period from 1st October 2016 to 31st December 2016.

In the year ended 30th September 2016, Air China's results improved, principally as a result of low fuel prices and strong passenger demand, partly offset by the adverse effect of the devaluation of the Renminbi.

In July 2015, Air China proposed an issue of A shares. On 10th March 2017, the procedures for Air China's registration of the new A shares were completed. As a consequence, Cathay Pacific's shareholding in Air China was diluted from 20.13% to 18.13%.

Air China Cargo

Air China Cargo's 2016 financial results were better than those of 2015. Savings from lower fuel prices were partially offset by unrealised exchange losses on loans denominated in United States dollars and lower yield in the highly competitive air cargo market.

OUTLOOK

The operating environment in 2017 is expected to remain challenging. Strong competition from other airlines and the adverse effect of the strength of the Hong Kong dollar are expected to continue to put pressure on yield. The cargo market got off to a good start, but overcapacity is expected to persist. Cathay Pacific expects to continue to benefit in 2017 from the fact that fuel prices are much lower than their previous high levels, but to a lesser extent (because of some increase in oil prices in recent months) than in 2016. Cathay Pacific also expects to incur further fuel hedging losses in 2017, but these should be less than in 2016. The subsidiaries and associates are expected to continue to perform satisfactorily.

The objective of the Cathay Pacific group is to provide sustainable growth in shareholder value over the long term. Cathay Pacific is confident of longer-term success. The group celebrated its 70th anniversary in 2016 and the commitment to Hong Kong and its people remains unwavering.

Ivan Chu

HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

Financial Highlights

	2016 HK$M	2015 HK$M
Revenue		
HAECO Hong Kong	**3,879**	3,628
HAECO Americas	**2,836**	2,554
HAECO Xiamen	**1,640**	1,712
TEXL	**4,808**	3,719
Others	**597**	482
Net operating profit	**38**	339
Attributable profit		
HAECO Hong Kong	**194**	167
HAECO Americas	**(238)**	(158)
HAECO Xiamen	**94**	69
TEXL	**196**	149
Share of profit of:		
HAESL and SAESL	**218**	194
Other subsidiary and joint venture companies	**52**	56
Attributable profit (excluding gain on disposal of HAESL's interest in SAESL and impairment charges)	**516**	477
Gain on disposal of HAESL's interest in SAESL, net of associated expenses	**783**	–
Impairment charges attributable to:		
HAECO Americas	**(285)**	–
HAECO Landing Gear Services	**(39)**	(13)
Attributable profit	**975**	464
Swire Pacific share of attributable profit	**731**	349

Operating Highlights

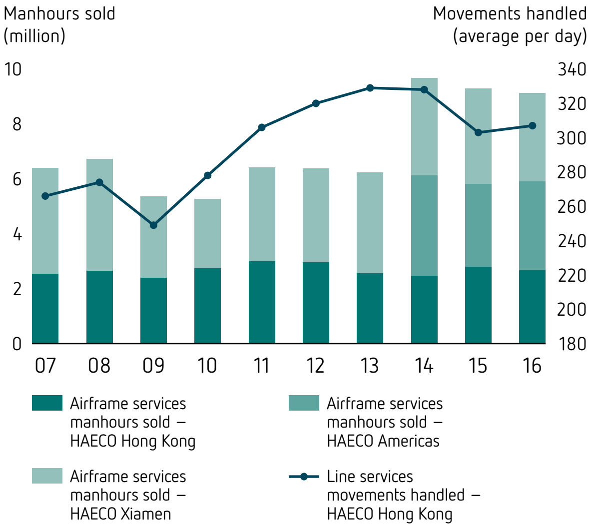
		2016	2015
Airframe services manhours sold			
HAECO Hong Kong	Million	**2.67**	2.80
HAECO Americas	Million	**3.24**	3.02
HAECO Xiamen	Million	**3.21**	3.46
Line services movements handled			
HAECO Hong Kong	Average per day	**307**	303
Engines overhauled			
TEXL		**90**	89
HAESL		**114**	115

The HAECO group continues to invest in strengthening its technical capabilities in order to widen the range of services it can offer to customers.

AVIATION MAINTENANCE AND REPAIR INDUSTRY BACKGROUND

Orders for new aircraft are firm. Aircraft manufacturers have record order books and are increasing production. More aircraft means in principle more demand for their maintenance and repair. But new aircraft need less maintenance and repair than older aircraft and original equipment manufacturers are doing more maintenance and repair than they used to. On balance, maintenance and repair demand is still expected to grow in the medium and longer term.

HAECO group – Key Operating Highlights



2016 RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in 2016 on a 100% basis was HK$975 million. This included a gain (before associated expenses) of HK$805 million on disposal of HAESL's interest in SAESL and was after an impairment charge of HK$285 million in respect of the goodwill recorded on the acquisition of the HAECO Americas business.

Disregarding the gain on disposal in 2016 and impairment charges in both years, the HAECO group's 2016 attributable profit was HK$516 million, 8% higher than in 2015. The benefits of more engine repair work at HAESL and TEXL, more line services work at HAECO Hong Kong and better results at HAECO Xiamen were partly offset by a higher loss in HAECO Americas' cabin and seat businesses and the HAECO group's share of SAESL's results for the first half year of 2016, being lower than that for the whole of 2015.

A total of 9.12 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in 2016, 2% fewer than in 2015. Manhours sold increased at HAECO Americas but decreased at HAECO Hong Kong and HAECO Xiamen.

HAECO Hong Kong

Excluding expenses arising in connection with the disposal of SAESL, HAECO Hong Kong recorded a 16% increase in profit in 2016 to HK$194 million. This mainly reflected more line services activity.

Manhours sold for airframe services decreased by 5% to 2.67 million in 2016. The reduction reflected deferral of work by some customers. 77% of the work was for airlines based outside Hong Kong.

The average number of aircraft movements handled increased in 2016 by 1% to 307 per day. Line services manhours sold increased because of this increase in volume and the fact that more work was done per movement.

Manhours sold in 2016 for component and avionics work (together with those sold by HAECO Component Overhaul (Xiamen)) were 0.21 million, an increase of 4% compared to 2015. The increase reflected additional component maintenance capabilities.

HAECO Americas

HAECO Americas recorded a loss of HK$523 million (including an impairment charge in respect of goodwill of HK$285 million) in 2016. Excluding the impairment charge, HAECO Americas' 2016 loss was HK$238 million, compared to a loss of HK$158 million in 2015.

The bigger loss principally reflected losses on some seat contracts, and a reduction in the number of seats sold and in cabin integration work. Airframe services results improved, with more manhours having been sold. However, this was offset in part by costs incurred with a view to improving efficiency and work flow.

Manhours sold for airframe services increased by 7% to 3.24 million in 2016, largely as a result of more airframes being overhauled. Profits also benefited from more higher-margin checks being done, but were adversely affected by the payment of consultancy fees. The line services business was closed having regard to a review of its long term viability.

In 2016, the cabin and seats business lost more money than in 2015. 30 cabin integrations were done compared with 40 in 2015. Rescheduling caused some of the reduction. Approximately 3,400 premium economy and economy class seats were shipped in 2016, compared with approximately 4,200 in 2015. Demand for our old seats fell. The new ones were not available until the second quarter of 2016. Money was lost on some seat contracts. More Panasonic communication equipment installation kits were done.

An impairment charge of HK$285 million was made in respect of the goodwill which recorded the acquisition of the HAECO Americas business. The charge relates to the cabin and seats business. It reflects a reduction in the expected profitability of the seats business and a weak cabin integration order book.

HAECO Xiamen

HAECO Xiamen recorded a 36% increase in attributable profit compared with 2015, to HK$94 million. Fewer airframe services manhours were sold but hourly rates were higher. More line services work was done and more aircraft parts were manufactured. More technical training was done. Operating costs were lower.

Manhours sold for airframe services decreased by 7% to 3.21 million in 2016. Less work was performed for a major North American customer. A typhoon disrupted work in the fourth quarter. Profitability benefited from the fact that services are priced in US dollars (which increased in value against Renminbi) and a high proportion of costs are incurred in Renminbi.

An average of 50 aircraft movements were handled per day in 2016, 9% more than in 2015. The profit from line services increased accordingly.

Revenue from private jet work declined slightly in 2016. Less work was done.

TEXL

Profits increased by 32% at TEXL to HK$196 million.

In 2016, TEXL completed 48 engine performance restorations and 42 quick turn repairs on GE90 aircraft engines, compared to 30 engine performance restorations and 59 quick turn repairs in 2015. With more engine work and more component repair work, TEXL recorded a higher profit in 2016 than that in 2015.

HAESL and SAESL

The agreements entered into in November 2015 for the restructuring of shareholdings in HAESL and SAESL were completed in June 2016. The gain to HAESL arising from selling its 20% shareholding in SAESL under the restructuring was US$229 million. 45% of the gain to HAESL, equivalent to approximately HK$805 million, has been included in the profit of the HAECO group in 2016. Under the restructuring, HAECO increased its shareholding in HAESL from 45% to 50%. HAESL is now 50% owned by HAECO and 50% by Rolls-Royce. HAESL no longer has any shareholding in SAESL.

Excluding the non-recurring profit described above, HAESL recorded a 43% increase in attributable profit in 2016, primarily because more work was done per engine. Engine output was 114 in 2016 compared with 115 in 2015.

The HAECO group's share of SAESL's results for the first half of 2016 was HK$12 million, compared with the share of its results for the whole of 2015 of HK$50 million.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 275 aircraft in 2016, compared with 259 in 2015. However, profits decreased in 2016. This reflected lower demand for the loan of aircraft parts and higher finance charges.

Taikoo (Xiamen) Landing Gear Services Company Limited ("HAECO Landing Gear Services") did more work in 2016 than in 2015, but its losses increased. This principally reflected an impairment charge of HK$57 million made in respect of plant, machinery and tools. The impairment charge reflected the fact that less work is expected because of strong competition.

OUTLOOK

The prospects for the HAECO group's different businesses in 2017 are mixed.

HAECO Hong Kong expects its results to be affected again by deferral of airframe services work by some customers. Demand for line services in Hong Kong is expected to be firm. The component and avionics overhaul business is expected to improve gradually with the development of new capabilities.

Demand for HAECO Americas airframe services is expected to increase in 2017. However, its airframe services results will depend on the outcome of efforts to improve efficiency and work flow. The number of seats sold is expected to grow, but sales of the new Vector seats are expected to remain modest. Forward bookings for cabin integration work are weak. Fewer Panasonic communication equipment installation kits are expected. Demand for HAECO Xiamen's airframe services is expected to improve. Demand for TEXL's overhaul services is expected to be stable in 2017. HAESL is expected to have a similar level of workload in 2017 to that in 2016. But its results will be adversely affected by higher depreciation and training costs associated with developing the capability to overhaul Trent XWB engines from 2018. HAECO Landing Gear Services is expected to do more work in 2017, but to continue to make losses.

The municipal government of Xiamen announced that the proposed new airport at Xiang'an would commence operations in 2020. This remains subject to the National Development and Reform Commission's approval. Management 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.

—

Augustus Tang

Coca-Cola beverages
bring a refreshing taste to
consumers.

BEVERAGES DIVISION

DELIVERING REFRESHING SOFT DRINKS

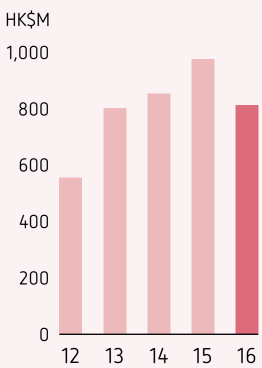
Swire Beverages manufactures, markets and distributes refreshing soft drinks to consumers in Hong Kong, Taiwan, Mainland China and the USA.

OVERVIEW OF THE BUSINESS

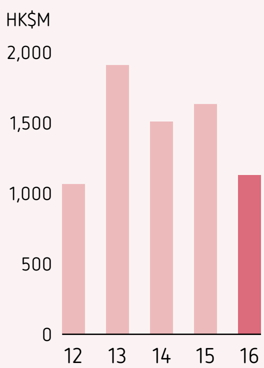
BEVERAGES DIVISION

Swire Beverages has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company ("TCCC") in Hong Kong, Taiwan, seven provinces in Mainland China and an extensive area of the mid-western USA.

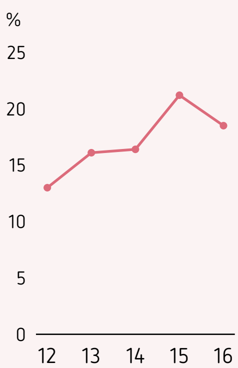
Profit Attributable to the Company's Shareholders



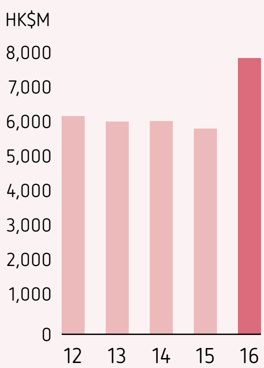
Net Cash Generated from Operating Activities



Return on Equity



Net Assets Employed



Swire Beverages has two wholly-owned franchise businesses, in Taiwan and the USA, and five majority-owned franchise businesses, in Hong Kong and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China. It has joint venture interests in three other franchises in Mainland China and an associate interest in a manufacturing company, Coca-Cola Bottlers Manufacturing Holdings Limited ("CCBMH"), which supplies still beverages to all Coca-Cola franchises in Mainland China.

At the end of 2016, Swire Beverages manufactured 59 beverage brands and distributed them to a franchise population of over 470 million people.

STRATEGY

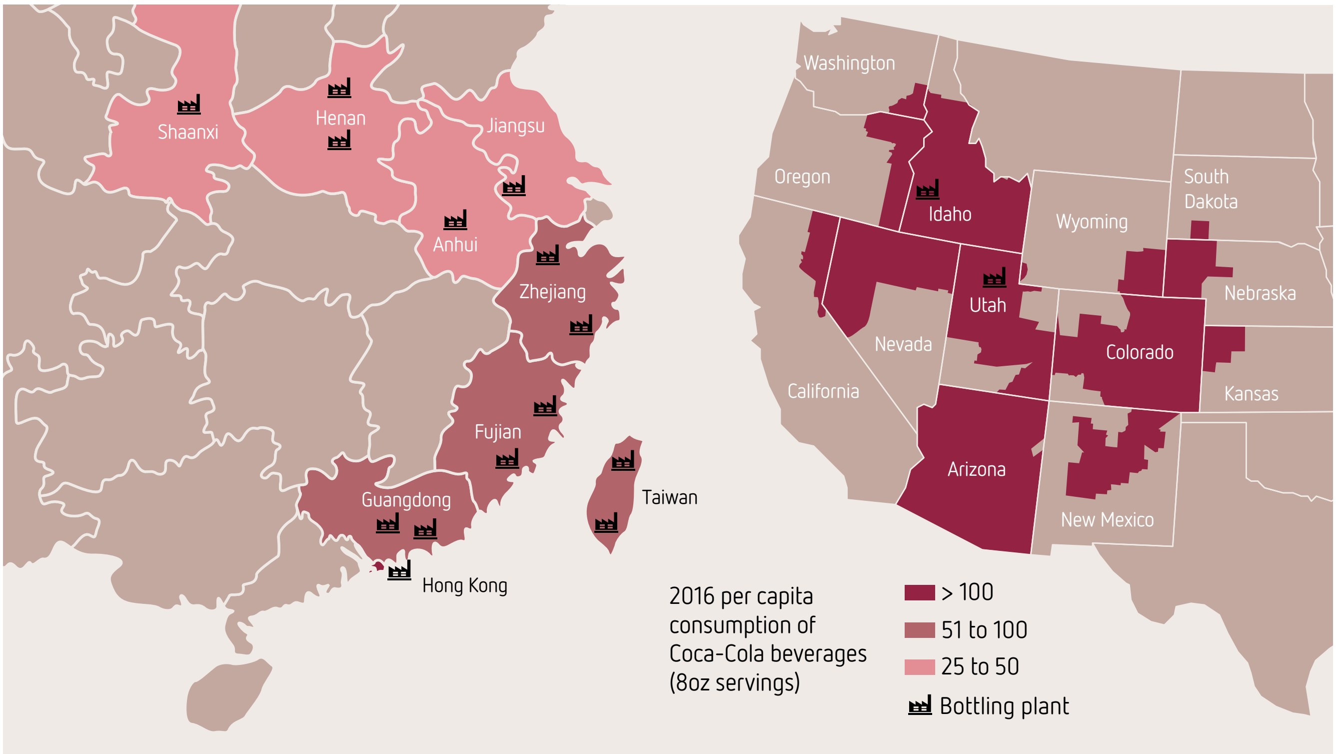
The strategic objective of Swire Beverages is to build a world-class bottling system which is recognised as a first class employer, a first class entity with which to do business and a first class corporate citizen in all territories where it does business. The strategies employed in order to achieve this objective are:

- **An uncompromising commitment to safety and quality.**
- **A commitment to work with TCCC to improve our understanding of our customers' businesses, and to use that understanding to create value for our customers and consumers.**
- **A focus on market execution in sales outlets, recognising that our business depends critically on selling to millions of consumers through such outlets in our franchise territories.**
- **Effective revenue management, through volume growth and optimisation of pricing and product mix, and product innovation.**
- **Effective management of costs, through improvements in productivity and efficiency in our supply chain and in sales and distribution.**
- **A commitment to sustainability, by seeking to reduce the environmental impact of our operations, with a particular focus on water conservation, and by engaging with the communities in which we operate.**

Franchise Territories

GREATER CHINA

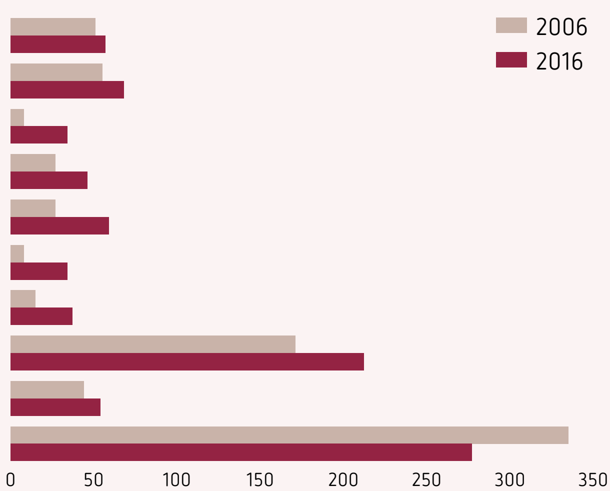
USA



Per Capita Consumption in Franchise Territories

	Franchise population (millions) (end 2016)	GDP per capita (US$)	Sales volume (million unit cases) 2016	Sales volume (million unit cases) 2006
Mainland China				
Guangdong	80.4	12,532	191	127
Zhejiang	50.9	11,895	144	107
Henan	94.8	5,836	135	34
Jiangsu	55.5	12,102	106	61
Fujian	38.7	10,806	96	42
Anhui	62.0	5,522	89	21
Shaanxi	38.1	7,459	59	23
Hong Kong	7.3	43,110	64	50
Taiwan	23.5	22,450	53	42
USA	19.0	45,644	168	84

Per capita consumption of Coca-Cola Beverages (8oz servings)



Note 1: A unit case comprises 24 8oz servings.
Note 2: USA per capita consumption in 2016 includes annualised consumption figures for the new territories assumed during the year.

2016 PERFORMANCE

Financial Highlights

	2016 HK$M	2015 HK$M
Revenue	18,421	17,174
Operating profit	1,003	1,164
Share of post-tax profits from joint venture and associated companies	218	262
Attributable profit	813	976

Segment Financial Highlights

	Revenue		Attributable Profit	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
Mainland China	6,873	7,617	288	391
Hong Kong	2,212	2,200	205	204
Taiwan	1,323	1,392	33	34
USA	8,013	5,965	306	273
Central costs	–	–	(19)	74
	18,421	17,174	813	976

Accounting for the Beverages Division

The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China) are accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue and operating profit shown above, therefore, are attributable to these franchise businesses only. The division's joint venture interests in three other franchises in Mainland China and its associate interest in CCBMH are accounted for using the equity method of accounting. Swire Pacific recognises its share of net profit or loss from each of these interests as a single line-item in the consolidated statement of profit or loss.

For reference, the total revenue and operating profit from the joint venture interests in three franchises in Mainland China was HK$7,480 million and HK$309 million, respectively, in 2016 (2015: HK$8,930 million and HK$469 million, respectively). The revenue of CCBMH, excluding sales to the seven Mainland China franchises, was HK$3,792 million in 2016 (2015: HK$4,324 million).

The sales volume for Mainland China represents sales in the seven franchises, including products supplied by CCBMH.

Central costs are arrived at after crediting gains on disposal of available-for-sale investments of HK$11 million (2015: HK$103 million).

Segment Performance

		Percentage Change				
		Mainland China**	Hong Kong	Taiwan	USA	Swire Beverages
Quality	Production Quality Index	-0.8%	0.1%	-1.3%	0.7%	N/A
Customers	Active Outlets	1.9%	-1.4%	-11.1%	63.2%	3.9%
Revenue Management	Sales Volume	-2.0%	-0.9%	-4.7%	33.4%	2.1%
	Revenue*	-6.3%	1.5%	0.6%	-0.3%	-3.6%
Cost Management	Gross Margin*	-1.4%	3.3%	0.1%	-4.1%	-1.3%
	Operating Profit	-16.5%	0.3%	-2.6%	5.9%	-11.2%
Sustainability	Water Use Ratio	6.0%	3.0%	2.0%	-1.0%	4.0%
	Energy Use Ratio	14.0%	2.0%	6.0%	-4.0%	13.0%
Safety	LTIR	-11.0%	-6.0%	45.0%	-31.0%	-10.0%

* Per unit case.
** Segment performance for Mainland China represents performance in the seven franchises.

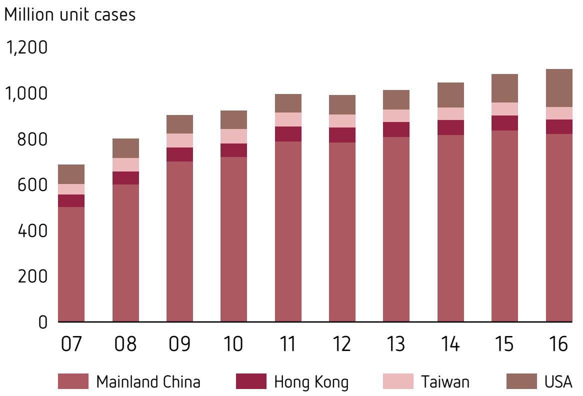
2016 BEVERAGE INDUSTRY REVIEW

In Mainland China, the total volume of non-alcoholic ready-to-drink beverages sold grew by 2% in 2016. The volume of water sold grew by 5%. The volume of sparkling beverages and juice sold declined by 1% and 5% respectively.

In Hong Kong, the total volume of non-alcoholic ready-to-drink beverages sold in the modern trade grew by 1% in 2016. Sparkling beverages volume grew by 2%. Still beverages volume grew by 1%. Tea grew by 2%. Water volume grew by 1%.

In Taiwan, the total volume of non-alcoholic ready-to-drink beverages sold grew by 2% in 2016. The volume of tea and juice sold grew by 2% and 1% respectively. Sparkling beverages volume declined by 2%.

Sales Volume



In the USA, the total volume of sparkling beverages sold grew by 2% in 2016. Still beverages volume grew by 6%. The volume of energy drinks and water sold grew by 4% and 12% respectively.

2016 RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$813 million in 2016, a 17% decrease from 2015. Excluding non-recurring gains on disposal of available-for-sale investments in 2015 and 2016 (accounted for as a credit to central costs), attributable profit decreased by 8% to HK$802 million in 2016.

The decrease in attributable profit principally reflected lower profits in Mainland China.

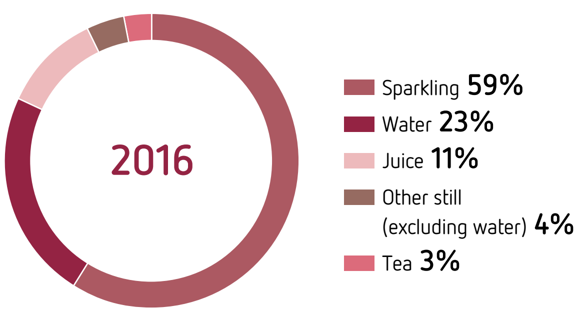
Overall sales volume increased by 2% to 1,105 million unit cases, compared with an increase of 4% in 2015. Volume grew in the USA, reflecting the inclusion of sales in Arizona and New Mexico with effect from August 2016. Volume declined in Mainland China, Hong Kong and Taiwan.

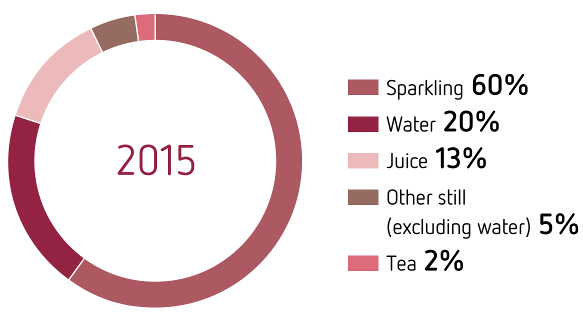
Mainland China

Attributable profit from Mainland China was HK$288 million, a 26% decrease from 2015.

Total sales volume decreased by 2% in 2016. This reflected the slowdown in the growth of the Mainland China economy and stronger competition from new types of beverages. Sparkling sales volume declined by 6%. Juice sales volume declined by 15%. Water sales volume grew by 19%.

Breakdown of Total Volume by Category





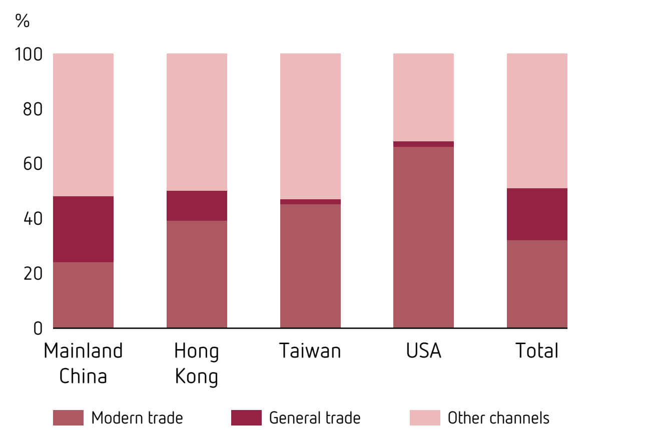
In November and December 2016, SBHL conditionally agreed with TCCC and a subsidiary of China Foods for the realignment of the Coca-Cola bottling system in Mainland China.

Adverse changes in the sales mix and promotional pricing resulted in a 6% decline in revenue per unit case.

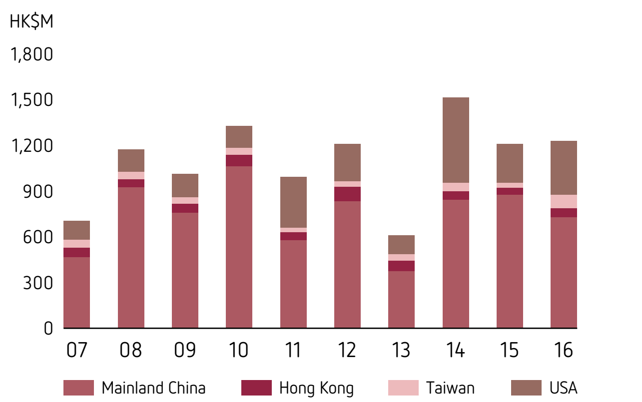
Gross margins per unit case decreased by 1%. Lower raw material costs (mainly sweetener, aluminium and resin) partly offset the decrease in revenue per unit case.

In November and December 2016, Swire Beverages Holdings Limited ("SBHL") entered into conditional agreements with TCCC and a subsidiary of China Foods Limited ("China Foods") for the realignment of the Coca-Cola bottling system in Mainland China. SBHL also agreed (conditionally on the realignment proceeding) to acquire from a subsidiary of TCCC the 12.5% interest in Swire Beverages Limited ("SBL") which is not already owned by SBHL. SBL is the holding company for the majority of Swire Pacific's interests in companies engaged in the non-alcoholic ready to drink business in Mainland China and Hong Kong. If the realignment proceeds, it will result in SBHL having controlling interests in companies operating in territories in which 49% of the Mainland China population live, and in which 51% of Coca-Cola beverages were consumed in Mainland China in 2015. The corresponding percentages before the realignment are 31% and 34% respectively. At present, SBHL has interests in franchise territories in Mainland China in Fujian, Anhui, Henan, Shaanxi, Guangdong, Zhejiang and Jiangsu. If the realignment proceeds, SBHL will take on franchise territories in Hubei, Guangxi, Yunnan, Jiangxi, Hainan and Shanghai and the cities of Zhanjiang and Maoming in Guangdong, and will increase its interests in franchise territories in Jiangsu, Zhejiang, Anhui, Fujian, Henan and Guangdong. The Shaanxi territory will be transferred to a subsidiary of China Foods. The net amount expected to be payable by SBHL in respect of the realignment and the acquisition of 12.5% of SBL is RMB5,869 million, subject to completion adjustments. They remain subject to satisfaction of regulatory and other conditions. Assuming satisfaction of these conditions, the completion of the transactions is expected to occur later in the first half of 2017.

Breakdown of Total Volume by Channel



Capital Expenditure



Swire Coca-Cola, USA is the third largest independent Coca-Cola bottler in the USA.

Hong Kong

Attributable profit from Hong Kong in 2016 was HK$205 million, a 1% increase from 2015.

Total sales volume decreased by 1% in 2016 due to the decline in sales outside the modern trade channel. Sparkling sales volume declined by 4%. Still sales volume grew by 2%. Tea and water sales volume both increased by 2%.

Revenue per unit case increased by 2%. Raw material costs per unit case decreased by 1%. Together, these factors contributed to a 3% increase in gross margin per unit case. The increase in gross margins was offset by an increase in operating costs.

Taiwan

Attributable profit from Taiwan was HK$33 million, a 3% decrease from 2015.

Sales volume in 2016 decreased by 5%. Sparkling sales volume decreased by 2%. Still sales volume decreased by 8%. Tea and juice sales volumes decreased by 8% and 9% respectively.

Revenue per unit case increased by 1%. Raw material costs per unit case increased by 1%. Gross margins per unit case were unchanged.

USA

Attributable profit from the USA was HK$306 million, a 12% increase from 2015.

Sales volume in the USA increased by 33% in 2016, principally as a result of the acquisition of new franchise territories in Arizona and New Mexico from August 2016. Sales volume increased by 3% excluding these new franchise territories. Attributable profit from the new franchise territories for 2016 was HK$21 million.

Sparkling sales volume increased by 33%. Still sales volume increased by 34%, principally due to increases in sales of energy and water drinks of 25% and 43% respectively.

Revenue per unit case decreased marginally, by 0.3%. Cost of goods per unit case increased by 3%. Gross margins increased as a result of higher sales volume, but the beneficial effect of this was partially offset by higher operating costs in the newly acquired territories.

In October 2016, Swire Beverages conditionally agreed to acquire from TCCC additional territory rights in the states of Washington, Oregon and Idaho in the Pacific Northwest and production facilities near Seattle and Portland. The acquisition of additional territory rights in Washington was completed in February 2017. The remainder of the acquisition is expected to be completed later in the first half of 2017.

OUTLOOK

Sales volume in the Swire Beverages franchise territories in Mainland China is expected to grow modestly in 2017. Revenue is also expected to grow modestly, reflecting a better sales mix, the introduction of new products and packaging, strong marketing support for products and improved market execution. Increases in costs, in particular raw materials, staff and compliance costs, will put pressure on margins.

In Hong Kong, the market will be difficult. Moderate growth in sales volume is expected, reflecting the introduction of new products and effective marketing. Raw material costs are expected to increase (especially sugar costs). Production capacity constraints will result in inefficiencies in production and logistics.

The retail market in Taiwan is expected to be weak. However, sales of sparkling beverages, tea and juice are expected to improve due to the launch of new products and improvements in the execution of sales and marketing plans.

In the USA, the beverages market is expected to grow moderately in 2017. Sales of energy drinks and water are expected to continue to grow, assisted by introduction of additional flavours. The business is expected to start to benefit from the acquisition of additional bottling territories and production facilities in the Pacific Northwest.

Patrick Healy

Pacific Orca, a windfarm installation vessel.

MARINE SERVICES DIVISION

PROVIDING EXCELLENT OFFSHORE SUPPORT

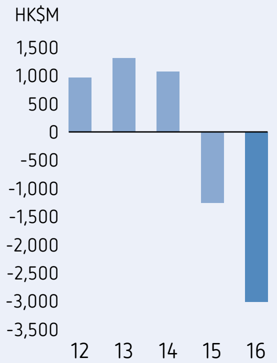
We aim to provide outstanding specialised offshore support to the global oil and gas industry.

OVERVIEW OF THE BUSINESS

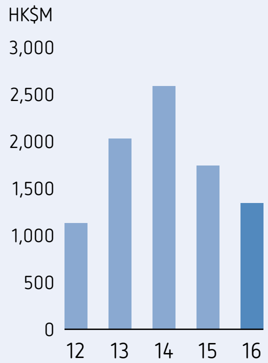
MARINE SERVICES DIVISION

The Marine Services Division, through Swire Pacific Offshore ("SPO"), operates offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA. SPO has a windfarm installation business and a subsea inspection, maintenance and repair ("IMR") business.

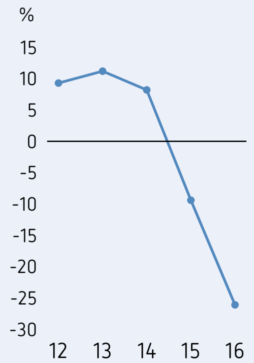
Profit/(loss) Attributable to the Company's Shareholders



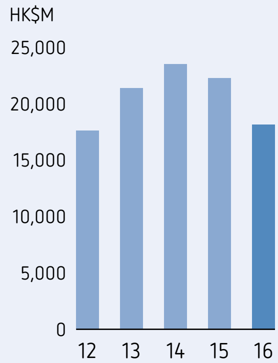
Net Cash Generated from Operating Activities



Return on Equity



Net Assets Employed



SPO can support drilling, production, exploration, pipe-laying, subsea construction and floating production, storage, offloading operations and high speed crew changes. SPO and its subsidiaries can carry out seismic survey support, marine salvage, oil spill preparedness and response, offshore wind farm construction and servicing, oil rig decommissioning and subsea remotely operated vehicle support.

The division has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

SPO

SPO's Fleet

At 31st December 2016, SPO operated a fleet of 81 offshore support vessels. The fleet consists of anchor handling tug supply vessels ("AHTSs"), platform supply vessels ("PSVs") and construction and specialist vessels ("CSVs"). The CSVs consist of inspection, maintenance and repair vessels, seismic survey vessels, wind farm installation vessels ("WIVs"), accommodation barges, a light construction subsea vessel and a high speed catamaran crew boat.

Except for those committed to long-term charters, SPO's vessels can be relocated from one operating region to another to take advantage of the most favourable employment opportunities.

SPO's Geographical Distribution

SPO is headquartered in Singapore, with shore support for its vessels provided by outport offices in Angola, Australia, Azerbaijan, Brazil, Brunei, Cameroon, Canada, Denmark, Equatorial Guinea, Ghana, India, Indonesia, Kenya, Malaysia, New Zealand, Norway, Qatar, the Philippines, Scotland, Trinidad & Tobago and the United Arab Emirates. SPO also has a representative office in the USA.

HUD

HUD, a joint venture between Hutchison Whampoa and Swire Pacific, provides engineering, harbour towage and salvage services from its facilities on Tsing Yi Island in Hong Kong. It is the largest towage operator in Hong Kong, operating 13 tugs and providing a 24-hour service.

STRATEGY

The principal strategic objective of the Marine Services Division is to maintain and strengthen SPO's position as a leading supplier of marine services, focusing primarily on the offshore energy industry. The strategies employed in order to achieve this objective are these:

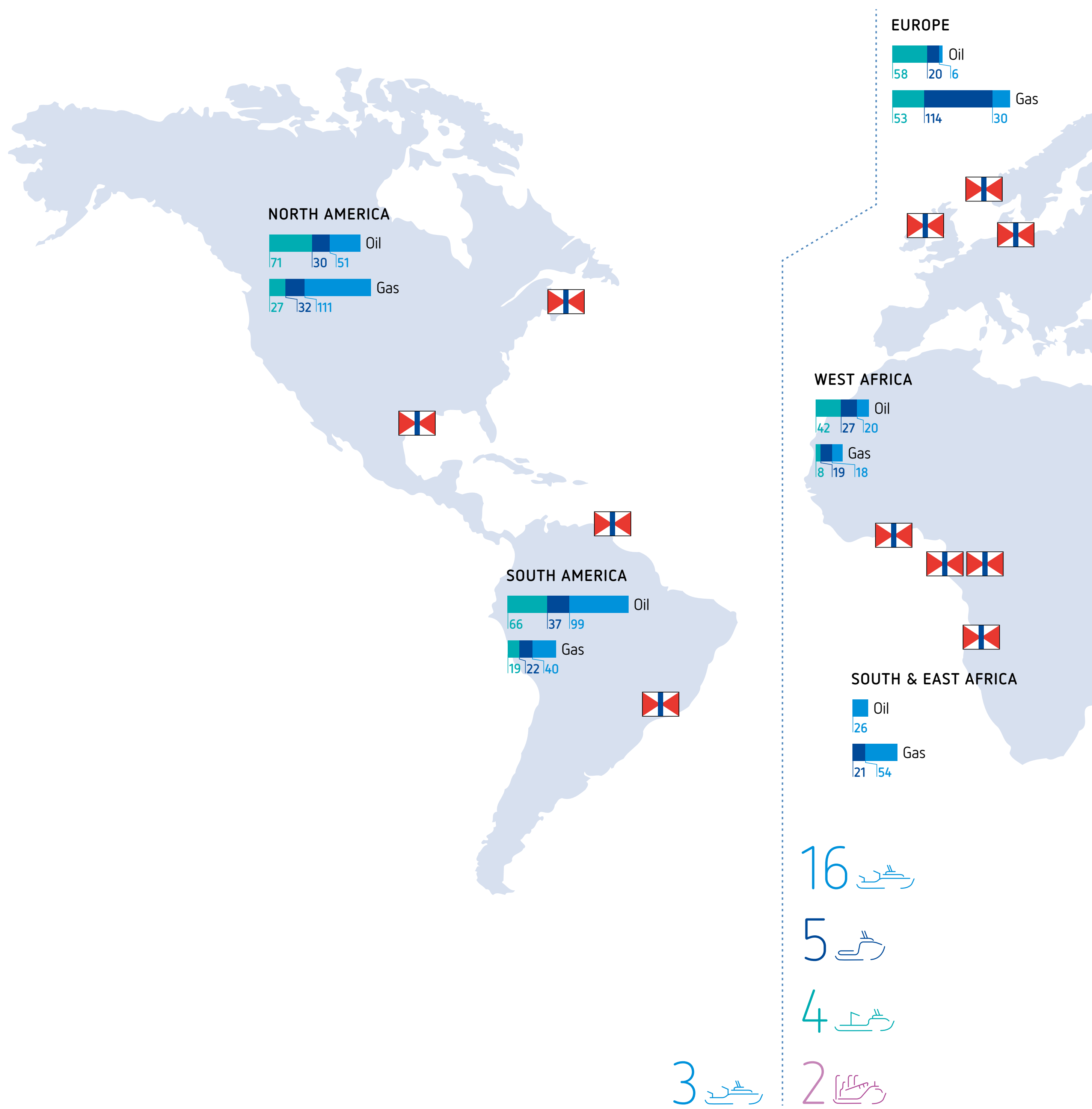
- **Ensuring safety always comes first in every aspect of our business.**
- **Being strongly committed to delivering operational excellence in marine services.**
- **Developing an Industry leading team recognised for quality and professionalism.**
- **Operating a modern and reliable fleet efficiently.**
- **Managing our business sustainably with high standards of corporate governance.**
- **Developing complementary marine services that add value.**
- **Delivering long term value and attractive returns.**

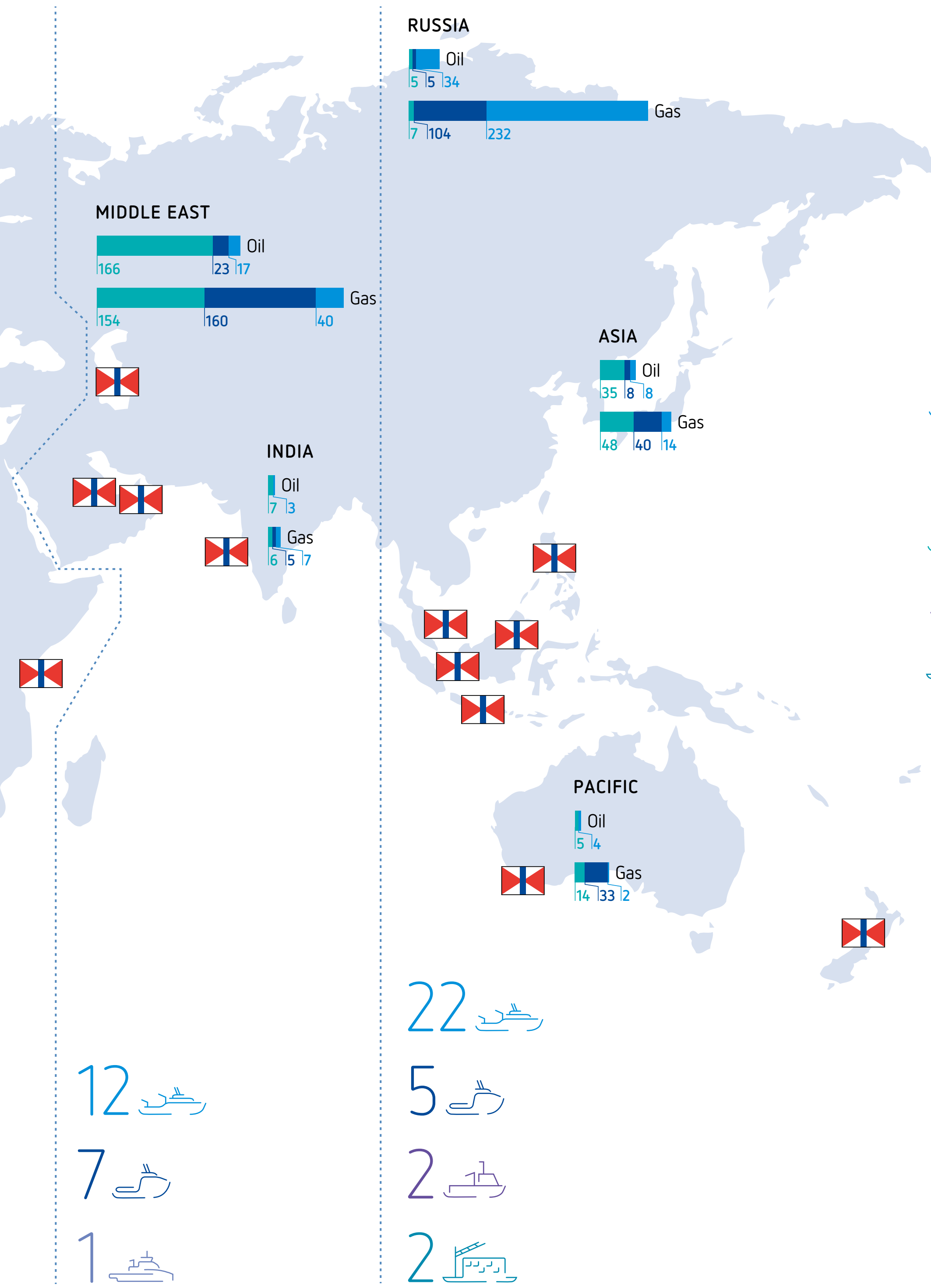
SPO – Fleet Size

		Additions	Disposals	Year-end	Vessels expected to be received in:	
Vessel class	2015		2016		2017	2018
Anchor Handling Tug Supply Vessels	40	–	6	34	–	–
Large Anchor Handling Tug Supply Vessels	23	–	4	19	–	–
Platform Supply Vessels	12	–	3	9	3	3
Large Platform Supply Vessels	8	–	–	8	–	–
Construction and Specialist Vessels	9	2	–	11	–	–
	92	2	13	81	3	3

Note: SPO's fleet at 31st December 2015 included one PSV and one CSV chartered from external parties. The PSV was redelivered to its owner during the year and is included as a disposal above. SPO's fleet at 31st December 2016 included one CSV chartered from an external party.

SPO – Global Footprint and Offshore Oil & Gas Reserves





SPO Group Office

Offshore reserves in billion barrels of oil equivalent (BOE) for main hydrocarbon regions

Onstream

Discovered, not onstream

Undiscovered

Number of Vessels at 31st December 2016

Anchor Handling Tug Supply Vessels

Platform Supply Vessels

Inspection, Maintenance and Repair Vessels

Seismic Survey Vessels

Accommodation Barges

Wind Farm Installation Vessels

Fast Catamaran

Source: Clarksons Research
Note: Vessel locations at 31st December 2016

2016 PERFORMANCE

Financial Highlights

	2016 HK$M	2015 HK$M
Swire Pacific Offshore group		
Revenue	4,238	5,990
Operating (loss)/profit derived from:		
Operating activities	(165)	432
Impairment charges	(2,313)	(1,278)
Loss on disposal of a subsidiary	(118)	–
Total operating loss	(2,596)	(846)
Attributable loss	(3,033)	(1,285)
HUD group		
Share of post-tax profits from joint venture companies	20	30
Attributable loss	(3,013)	(1,255)

Fleet Size

	2016	2015
Number of vessels		
Swire Pacific Offshore group	81	92
HUD group	19	19
Total	100	111

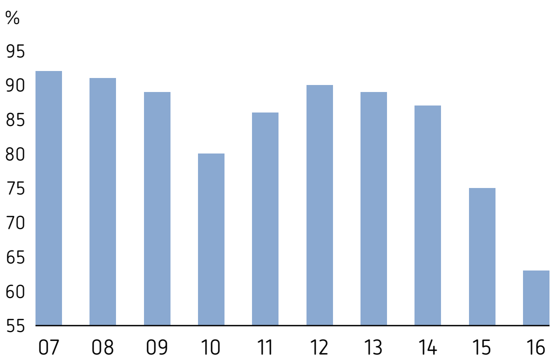
Swire Pacific Offshore has a modern, highly specified and fuel efficient fleet which is capable of meeting the needs of its customers.

SWIRE PACIFIC OFFSHORE GROUP

OFFSHORE EXPLORATION AND PRODUCTION INDUSTRY BACKGROUND

Low oil prices and a reduction in exploration and production spending by oil majors continued to have a material adverse effect on the offshore exploration market in 2016. The oversupply of offshore support vessels has resulted in reduced charter hire and utilisation rates. This in turn has led to the widespread stacking of vessels.

SPO – Average Utilisation Rates



2016 RESULTS SUMMARY

SPO reported an attributable loss of HK$3,033 million in 2016, compared to a loss of HK$1,285 million in 2015.

In the second half of 2016, a review of the carrying value of SPO's assets was completed. Vessel market values and the outlook for the offshore industry had a significant impact on the assessment. SPO's outlook for the industry indicates a longer period for the downturn and a slower rate of recovery than previously expected. The results for the year include vessel impairment charges of HK$2,313 million arising from the review.

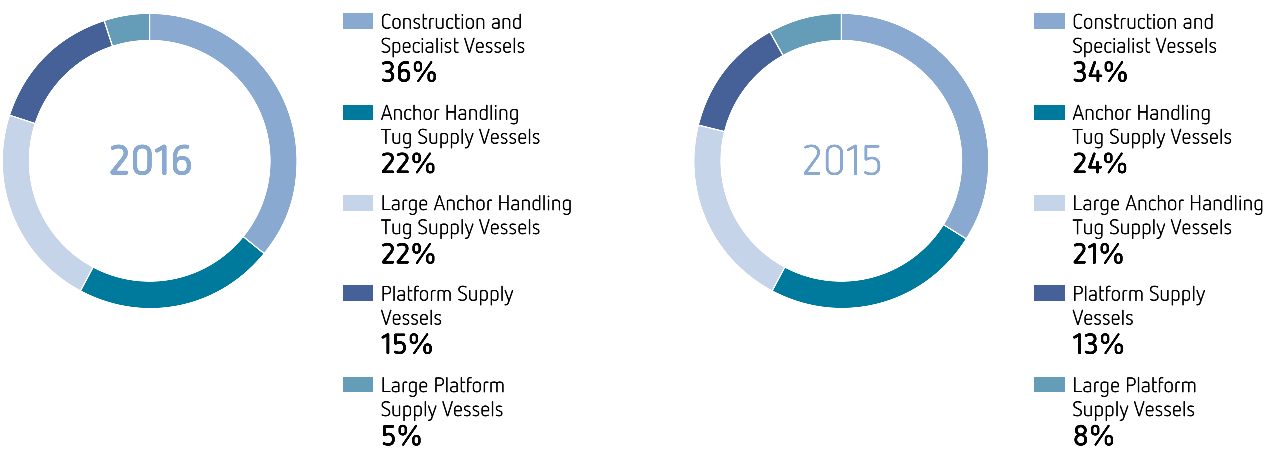
The results for the year also include a loss of HK$118 million arising from the disposal of SPO's logistics subsidiary, Altus Oil & Gas Services in November 2016. The disposal reflects SPO's strategy of refocusing on its core marine operations.

SPO disposed of twelve vessels in 2016 for an aggregate profit of HK$147 million.

Excluding the impairment charges, the loss on disposal on Altus Oil & Gas Services, and the profit on disposal of vessels, SPO reported an attributable loss of HK$749 million in 2016 (compared to a loss of HK$29 million in 2015). These results reflect the difficult market conditions in the offshore energy industry.

SPO generated net cash from operating activities amounting to HK$1,303 million in 2016.

SPO – Charter Hire Revenue by Vessel Class



Charter Hire

Charter hire revenue decreased by 31% to HK$3,574 million in 2016, reflecting reduced charter hire and utilisation rates.

SPO had a fleet utilisation rate of 63.4% in 2016, a decline of 11.5 percentage points from 2015. Average charter hire rates declined by 15% to USD23,100 per day.

Core Fleet (AHTSs and PSVs)

The utilisation rate of SPO's AHTSs and PSVs decreased by 12 percentage points to 63.2% in 2016. Charter hire rates for the core fleet decreased by 17% to USD16,600 per day.

Four AHTSs were in cold stack at 31st December 2016.

Specialist Fleet

The utilisation rate of SPO's CSVs decreased by 7.1 percentage points to 64.9% in 2016. Charter hire rates for the CSVs decreased by 19% to USD76,200 per day.

The wind farm installation vessels were on charter installing wind farm foundations and turbines for the majority of the year. One accommodation barge and two seismic survey vessels were in cold stack at 31st December 2016.

Non-charter Hire

Non-charter hire income was HK$664 million in 2016, a decline of 20% compared to 2015, mainly due to lower revenue from Altus Oil & Gas Services.

Operating Costs

Total operating costs in 2016 decreased by HK$819 million (or 15%) to HK$4,594 million. The reduction principally reflected cost cutting and the disposal and stacking of vessels. SPO had seven vessels in cold stack at 31st December 2016. The vessels will be returned to service (when opportunities arise and deferred maintenance is completed) or sold.

SPO recorded a foreign exchange gain of HK$63 million in 2016, mainly due to SPO's exposure to the Brazilian Real in connection with contracts with a Brazilian shipyard for the construction of four large PSVs. In 2014, SPO cancelled these contracts 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.

FLEET

The fleet size at 31st December 2016 was 81 compared to 92 at 31st December 2015.

SPO disposed of ten older AHTSs, four of which were large AHTSs, and two PSVs in 2016. One PSV chartered from an external party was redelivered to its owner during the year.

A high speed catamaran crew boat was delivered in November 2016 and a light construction subsea vessel was purchased in December 2016. SPO deferred delivery of three PSVs to 2017 and a further three PSVs to 2018 (from 2016 and 2017, respectively).

Total capital expenditure on new vessels and other fixed assets in 2016 was HK$946 million, compared to HK$1,490 million in 2015.

At 31st December 2016, SPO had total capital expenditure commitments of HK$2,278 million (31st December 2015: HK$2,670 million).

OUTLOOK

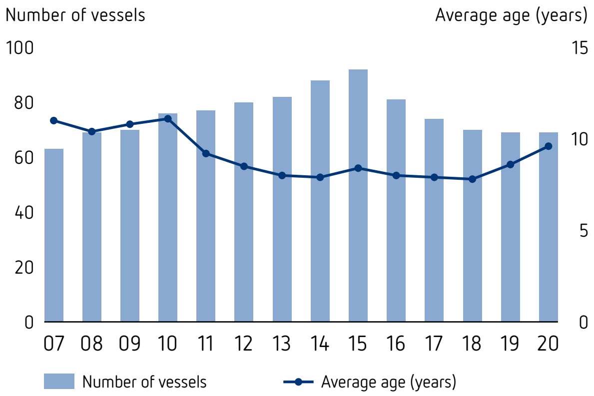
Industry conditions are expected to remain difficult and the market recovery is expected to take longer than previously expected. Exploration and production projects have been delayed and the oversupply of vessels will take time to correct.

SPO remains committed to providing high-quality services to clients and is well placed to take advantage of any improvement in the market when it comes.

SPO – Profile of Capital Commitments

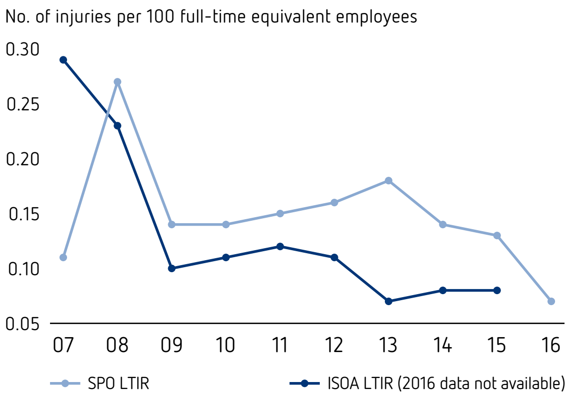
	Expenditure	Forecast year of expenditure			Commitments
	2016 HK$M	2017 HK$M	2018 HK$M	2019 HK$M	at 31st December 2016 HK$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	247	988	692	232	1,912
Construction and Specialist Vessels	597	107	49	86	242
Other fixed assets	102	72	7	45	124
Total	946	1,167	748	363	2,278

SPO – Fleet Size and Average Age of Vessels*



* Including vessels chartered from external parties.

SPO – LTIR



HONGKONG UNITED DOCKYARDS GROUP

INDUSTRY BACKGROUND

The shipping industry remained weak in 2016. Shipping lines continued to cut costs as freight rates remained under pressure. Container terminal throughput in Hong Kong was depressed.

Demand for engineering services for infrastructure projects and for logistics support was firm in Hong Kong. This was supported by the Hong Kong government's large-scale infrastructure projects.

2016 RESULTS SUMMARY

The attributable profit of the HUD group for 2016 was HK$20 million compared to HK$30 million in 2015.

The salvage and towage division's profit (before tax and interest and on a 100% basis) was HK$118 million in 2016, compared with HK$138 million in 2015. Fewer container, bulker and tanker ship movements meant fewer tug moves. Tug rates also remained under pressure. This was offset in part by lower fuel costs.

The engineering division recorded a loss (before tax and interest and on a 100% basis) for 2016 of HK$62 million, compared to a HK$58 million loss in 2015. Fewer marine engineering contracts were obtained due to the competitive market, and the profitability of non-marine contracts was adversely affected by delays in starting work and higher labour costs.

Hong Kong Salvage & Towage ("HKST") has 19 vessels in its fleet, including six container vessels.

OUTLOOK

HKST will aim to maintain its position as a leading tug operator in Hong Kong, both in the harbour and on the ocean. New safety regulations in Mirs Bay may be implemented by the Hong Kong Marine Department. These should increase demand for tug moves.

Demand for marine engineering work is expected to be weak in 2017. The outlook for land based work is better. HUD started to do rebar work in 2016. More such work will be done in 2017 and it is expected to be profitable.

—

Ronald Mathison – SPO
Derrick Chan – HUD

Swire Pacific Cold Storage's
facility in Fengxian, Shanghai.

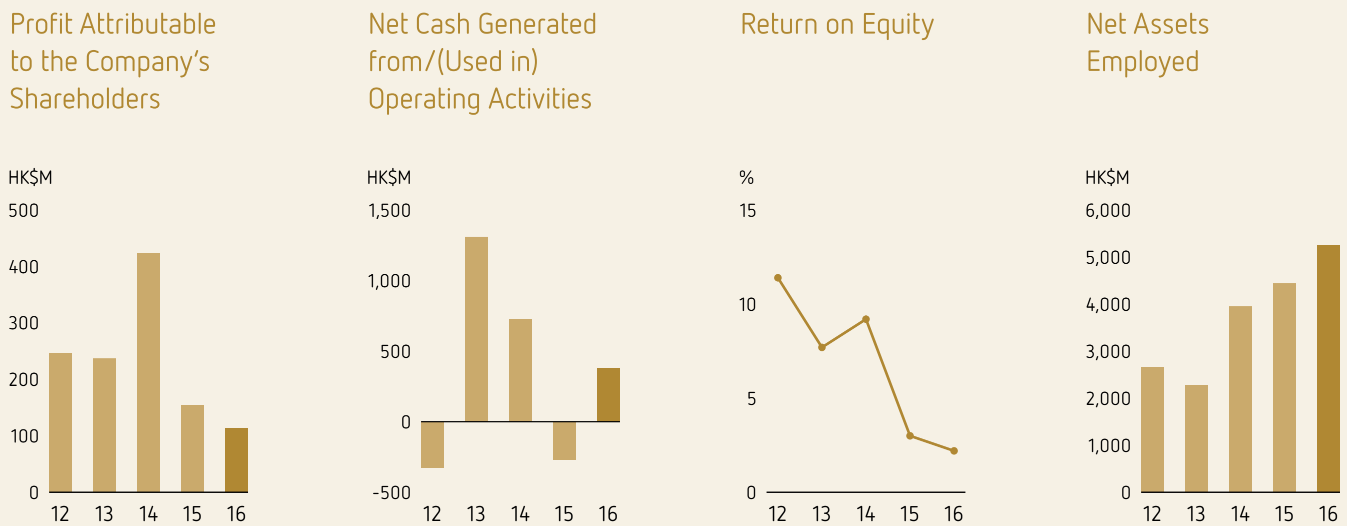
EXPANDING RANGE OF PRODUCTS AND SERVICES

We aim to broaden the range of
our products and
to expand our cold storage business.

OVERVIEW OF THE BUSINESS

TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in the following companies: Swire Retail group, Taikoo Motors group, Swire Foods group, Swire Pacific Cold Storage group, Akzo Nobel Swire Paints and Swire Environmental Services group.



SWIRE RETAIL GROUP

Swire Resources group

Swire Resources retails and distributes footwear, apparel and related accessories. At 31st December 2016, it operated 187 retail outlets in Hong Kong and Macau and 18 retail outlets in Mainland China.

Swire Brands group

Swire Brands holds investments in brand-owning companies. It has an interest in an associated company with Columbia, which distributes and retails Columbia products in Mainland China, and a 9.4% minority interest in Rebecca Minkoff, which sells apparel, handbags and accessories.

TAIKOO MOTORS GROUP

Taikoo Motors sells passenger cars, commercial vehicles, motorcycles and scooters. Taikoo Motors' largest business is in Taiwan, where it sells Volkswagen, Mercedes Benz, Audi and Mazda cars, Volkswagen light commercial vehicles, Volvo trucks and buses, Harley-Davidson motorcycles and Vespa scooters. Taikoo Motors also distributes cars, motorcycles and commercial vehicles in Hong Kong, Macau, Mainland China and Malaysia.

SWIRE FOODS GROUP

Chongqing New Qinyuan Bakery Co., Ltd ("Qinyuan Bakery")

Qinyuan Bakery is a leading bakery chain in southwest China, with over 550 stores in Chongqing, Guiyang and Chengdu.

Swire Foods (including Taikoo Sugar)

Swire Foods distributes food products in Mainland China and Hong Kong. Taikoo Sugar packages and sells sugar in Hong Kong and Mainland China under the Taikoo Sugar brand.

SWIRE PACIFIC COLD STORAGE GROUP

Swire Pacific Cold Storage wholly owns cold storage facilities in Shanghai, Hebei, Nanjing and Ningbo and owns a 60% equity interest in a cold storage facility in Guangzhou. It owns land in Chengdu and (with a 35% joint venture partner) Xiamen, on which cold storage facilities are being built and are due to open later in 2017.

AKZO NOBEL SWIRE PAINTS

Akzo Nobel Swire Paints is a joint venture with Akzo Nobel which manufactures and distributes decorative paints, primarily under the Dulux brand, in Mainland China, Hong Kong and Macau. The joint venture has manufacturing plants in Guangzhou, Shanghai, Hebei and Chengdu.

SWIRE ENVIRONMENTAL SERVICES GROUP

Swire Waste Management

Swire Waste Management is a 50:50 joint venture with a subsidiary of Waste Management Inc. The joint venture seeks waste management contracts in Hong Kong. It has contracts to provide waste management services to seven outlying islands and to the north west New Territories.

Swire sustainability fund

The Swire sustainability fund has an associate interest in Green Biologics and minority equity interests in NanoSpun Technologies and Avantium. Green Biologics is a biotechnology company which is developing renewable chemical and biofuel technology. NanoSpun Technologies is a company which is developing a water treatment process using nanotechnology. Avantium is a biotechnology company that develops and commercialises bioplastics and chemicals.

STRATEGY

The strategic objective of the Trading & Industrial Division is to expand the businesses which it operates and to seek new business opportunities in related fields where advantage can be taken of existing skills, assets or relationships. The strategies employed in order to achieve this objective are these:

- **Strengthening the capability of Swire Resources in branded footwear, apparel and related accessories by expanding the range and quality of those branded goods and by increasing the number of retail outlets and sales channels (including online channels) through which products are sold.**
- **Strengthening the capability of Taikoo Motors in the import and distribution of motor vehicles, including by selective additions to brands represented.**
- **Using Taikoo Motors' existing capability in order to expand into other motor-related businesses.**
- **Broadening the range of products sold by Swire Foods.**
- **Strengthening the capability of Qinyuan Bakery by increasing the range of products and the number of stores.**
- **Expanding the network of the cold storage business in Mainland China in order to improve operating efficiency and customer service and thereby to acquire new customers.**
- **Expanding and strengthening the distribution network and sales channels of Akzo Nobel Swire Paints in Mainland China.**
- **Increasing the number of waste management contracts awarded to Swire Waste Management.**

INDUSTRY BACKGROUND

Retailing in Hong Kong and Mainland China

Hong Kong retail sales declined by 8% in 2016 as the number of visitors from Mainland China decreased by 7%. The growth in retail sales of 10% in Mainland China in 2016 was similar to that in 2015.

Car sales in Taiwan

Car registrations in Taiwan increased by 5% to 434,727 units in 2016.

Sugar sales in Mainland China

The total amount of sugar sold in Mainland China increased by 1% to 33,069 million pounds in 2016.

Cold storage demand in Mainland China

Demand for frozen food and food safety concerns are increasing. This is in turn increasing demand for high quality cold storage facilities

Paint sales in Mainland China

Total sales of decorative paints in Mainland China increased by 4% to 3,031 million litres in 2016.

2016 PERFORMANCE

Financial Highlights

	2016 HK$M	2015 HK$M
Revenue		
Swire Retail group	3,216	3,208
Taikoo Motors group	4,514	4,498
Swire Foods group	1,540	1,589
Swire Pacific Cold Storage group	80	34
	9,350	9,329
Operating profits/(losses)		
Swire Retail group	27	53
Taikoo Motors group	18	38
Swire Foods group	61	105
Swire Pacific Cold Storage group	(102)	(94)
Swire Environmental Services group	(7)	(1)
Other subsidiary companies and central costs	(44)	(33)
	(47)	68
Attributable profits/(losses)		
Swire Retail group	83	93
Taikoo Motors group	15	3
Swire Foods group	59	41
Swire Pacific Cold Storage group	(126)	(102)
Swire Environmental Services group	(79)	(44)
Akzo Nobel Swire Paints	198	197
Other subsidiary companies and central costs	(36)	(33)
Attributable profit	114	155

2016 RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in 2016 decreased by 26% to HK$114 million. The decrease principally reflected weaker results from Swire Retail, costs associated with developing the cold storage business and losses from Swire Environmental Services. The attributable profits of Swire Foods and Taikoo Motors increased. Results from Akzo Nobel Swire Paints were similar compared to last year.

Swire Retail group

Attributable profit decreased by 11% in 2016 to HK$83 million. There was a non-recurring expense of HK$13 million on termination of a distribution agreement. The multibrand business in Hong Kong recorded lower profits. The results of the Columbia associated company improved. Losses in Mainland China decreased.

Revenue in Hong Kong and Macau was similar to that in 2015. Gross margins declined due to more discounting in response to competitive activities. Operating costs, in particular advertising costs, decreased, although occupancy and employment costs were higher. The group managed 187 retail outlets in Hong Kong and Macau at the end of 2016, one less than at the end of 2015.

The number of retail outlets operated in Mainland China decreased by seven (to 18) at the end of 2016. The decrease principally reflects the closure of loss-making outlets.

The attributable profit of the Columbia associated company in 2016 was HK$56 million, 33% higher than in 2015. Cold weather early in the year helped to increase sales.

Taikoo Motors group

Attributable profit in 2016 was HK$15 million, compared with an attributable profit of HK$3 million in 2015. The results in 2015 included non-recurring income relating to the termination of Volkswagen and Škoda importerships in Taiwan and were after restructuring costs of HK$62 million relating to loss-making businesses in Mainland China and Hong Kong.

Qinyuan Bakery became a wholly-owned subsidiary in 2016.

In total, 16,985 cars, commercial vehicles and motorcycles were sold in 2016, 3% less than in 2015. 91% of these units were sold by businesses in Taiwan.

Gross margins declined due to an unfavourable sales mix. This was offset in part by lower operating costs, in particular employment costs and promotional expenditure.

Swire Foods group

During the year, Swire Foods acquired the 35% interest in Qinyuan Bakery which it did not already own for HK$640 million. Qinyuan Bakery was accounted for as a 100% owned subsidiary from 1st January 2016.

Swire Foods reported an attributable profit of HK$59 million in 2016, compared with an attributable profit of HK$41 million in 2015.

The attributable profit of Qinyuan Bakery in 2016 was HK$55 million, compared with an attributable profit of HK$27 million in 2015. The increase in attributable profits reflected the fact that the business was treated as 100% owned during 2016 (as opposed to 65% owned in 2015) and the release of tax provisions.

Revenue of Qinyuan Bakery decreased by 5% compared with 2015. This principally reflected the depreciation of the Renminbi against the Hong Kong dollar. In Renminbi terms, revenue was little changed. A decline of 3% in same store sales was offset by an increase in store numbers. The gross margin rate was higher than in 2015 due to a favourable sales mix, partially offset by higher material costs. Higher operating costs (consequent upon the integration of the business into the Swire Foods group) reduced operating profits. A new factory in Chongqing started operations in May 2016. Qinyuan Bakery operated 550 stores in southwest China at the end of 2016, a net increase of 49 stores since 31st December 2015.

Volumes of sugar sold decreased by 13% in Hong Kong and increased by 5% in Mainland China.

A 34% owned sugar refinery in Guangdong will start operating in April 2017.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss of HK$126 million in 2016 compared with a loss of HK$102 million in 2015. The loss principally reflected operating losses at the cold stores in Ningbo and Nanjing, and the cost of developing new cold stores in Chengdu and Xiamen. The Guangdong cold store recorded a small profit.

The businesses in Shanghai, Hebei, Ningbo and Nanjing are growing. Average occupancy rates at these facilities in 2016 were 55%, 61%, 23% and 13% respectively. The Ningbo and Nanjing facilities were opened in July 2015 and January 2016 respectively.

The Xiamen and Chengdu facilities are expected to be completed in 2017.

The capital commitments of the Swire Pacific Cold Storage group at 31st December 2016 were HK$685 million.

Swire Environmental Services group

Swire Environmental Services reported an attributable loss of HK$79 million in 2016, compared with an attributable loss of HK$44 million in 2015. The higher loss principally reflected start-up costs at Green Biologics' renewable fuel plant.
The Swire sustainability fund's other investments are accounted for at cost.

In late 2016, Swire Resources opened Go Wild, a travel specialist shop featuring outdoor and travel apparel, footwear and accessories.

In September 2016, Swire Waste Management started a 10-year contract to operate the North West New Territories Refuse Transfer Station in Hong Kong.

Akzo Nobel Swire Paints

The attributable profit for 2016 was HK$198 million, compared with an attributable profit of HK$197 million in 2015.

Sales volume in Mainland China increased by 20% from 2015. Revenue increased by 5% in Renminbi terms. The sales mix was unfavourable and average selling prices were lower. Gross margins increased as a result of lower average material costs. Attributable profit was adversely affected by higher operating costs. Akzo Nobel Swire Paints distributed paint in approximately 541 cities in Mainland China at the end of 2016.

A fourth plant (in Chengdu) started operating in April 2016.

OUTLOOK

The retail market in Hong Kong is expected to remain weak and highly competitive. More discounting and higher employment costs are expected to put pressure on profit margins at Swire Resources.

Taikoo Motors will open more dealerships and enter into additional motor-related businesses in Taiwan. Some loss-making businesses elsewhere will be closed.

Qinyuan Bakery plans to increase the number of its stores, to upgrade existing stores, to broaden the range of its products and to improve its supply chain.

Taikoo Sugar will increase retail prices to offset the effect of increase in the cost of sugar. The new sugar refinery in Mainland China is expected to start commercial production in the second quarter of 2017.

Occupancy rates at Swire Pacific Cold Storage are expected to increase progressively but the market remains highly competitive with pricing under pressure.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network in Mainland China.

The overall profits of the Trading & Industrial Division are expected to increase but to continue to be affected by the cost of new business development.

Derrick Chan / Clement Lam / Richard Sell

Financial Review

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

Audited Financial Information

Underlying profit	Note	2016 HK$M	2015 HK$M
Profit attributable to the Company's shareholders		9,644	13,429
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(9,637)	(8,123)
Deferred tax on investment properties	(b)	1,459	1,090
Realised profit on sale of investment properties	(c)	3	2,180
Depreciation of investment properties occupied by the Group	(d)	28	23
Non-controlling interests' share of adjustments		1,566	1,293
Underlying profit attributable to the Company's shareholders		3,063	9,892

Notes:
(a) This represents the 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 consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

Adjusted underlying profit is provided below to show the effect of other significant non-recurring items.

Adjusted underlying profit	2016 HK$M	2015 HK$M
Underlying profit attributable to the Company's shareholders	3,063	9,892
Other significant items:		
Profit on disposal of HAESL's interest in SAESL, net of associated expenses	(587)	–
Profit on sale of investment properties	(65)	(2,023)
Loss/(profit) on sale of property, plant and equipment and other investments	18	(74)
Net impairment of property, plant and equipment and intangible assets	2,568	1,348
Adjusted underlying profit	4,997	9,143

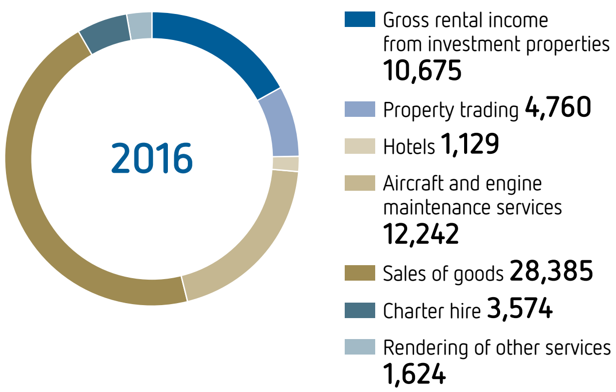
Commentary on and Analysis of Major Balances and Year on Year Variances in the Financial Statements

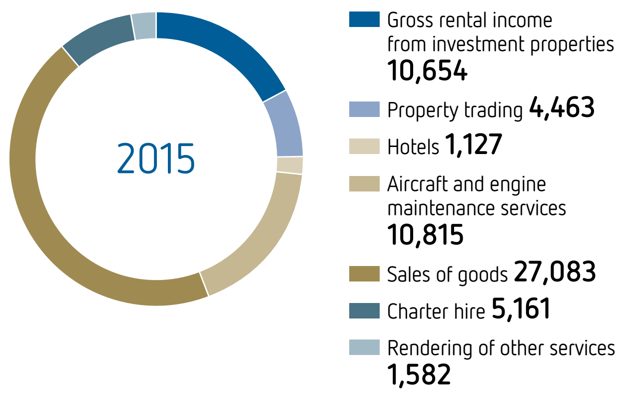
Consolidated Statement of Profit or Loss

	Notes to the Financial Statements	2016 HK$M	2015 HK$M	Increase / (Decrease) HK$M	%
Revenue	4	62,389	60,885	1,504	2%
Cost of sales	6	(40,392)	(38,000)	2,392	6%
Expenses	6	(12,777)	(11,905)	872	7%
Other net losses	5	(2,281)	(1,572)	709	45%
Change in fair value of investment properties		8,445	7,053	1,392	20%
Operating profit		15,384	16,461	(1,077)	-7%
Net finance charges	9	(2,297)	(2,146)	151	7%
Share of profits less losses of joint venture companies	19(a)	2,731	1,795	936	52%
Share of profits less losses of associated companies	19(b)	(70)	2,887	(2,957)	-102%
Taxation	10	(2,816)	(2,574)	242	9%
Profit for the year		12,932	16,423	(3,491)	-21%
Profit attributable to the Company's shareholders	34	9,644	13,429	(3,785)	-28%
Underlying profit	11	3,063	9,892	(6,829)	-69%

Revenue

Revenue by Category





The increase in revenue of HK$1,504 million compared to 2015 reflected higher revenue from the Property Division (HK$340 million), the Aviation Division (HK$1,665 million), the Beverages Division (HK$1,248 million) and the Trading & Industrial Division (HK$31 million). These improvements were partially offset by a decrease in revenue from the Marine Services Division (HK$1,751 million).

In the Property Division, revenue from property trading increased by HK$297 million compared to 2015. This principally reflected the handover and sale of 347 units at Reach and 171 units at Rise at the Brickell City Centre development in the USA, partially offset by the fact that fewer units were sold at residential developments in Hong Kong. Gross rental income from property investment increased by HK$21 million. In the USA, there was higher rental income due to a contribution from the newly completed office tower and shopping centre at Brickell City Centre. There was higher rental income in Mainland China, reflecting higher retail rents. In Hong Kong, gross rental income decreased slightly, mainly reflecting lower gross rental income from The Mall at Pacific Place, partially offset by higher gross rental income from the offices at Pacific Place and Taikoo Place (despite the loss of rental income from the Taikoo Place redevelopment). Revenue from hotels increased slightly compared to 2015.

In the Aviation Division, the increase in revenue from the HAECO group was principally due to more engine repair work at TEXL, higher line services revenue at HAECO Hong Kong and higher airframe services revenue and more Panasonic communication equipment installation kit work at HAECO Americas. This was partially offset by a reduction in airframe services revenue at HAECO Xiamen.

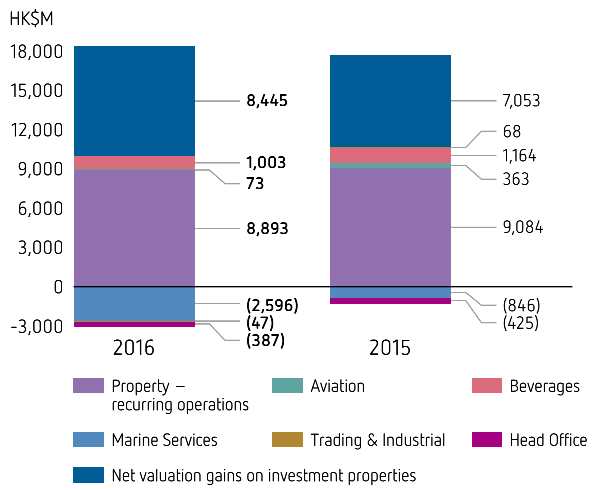
In the Beverages Division, the increase in revenue was principally due to increased sales volume in the USA, which in turn was principally due to the acquisition of new franchise territories in Arizona and New Mexico in July 2016. Revenue was lower in Mainland China and Taiwan, principally due to lower sales volume and, in the case of Mainland China, adverse changes in the sales mix and promotional pricing.

In the Marine Services Division, the decrease in revenue at SPO was due to lower fleet utilisation and charter hire rates and the disposal of 12 vessels and redelivery of one vessel to its owner during the year.

In the Trading & Industrial Division, there were small increases in revenue at Swire Retail, Taikoo Motors and Swire Pacific Cold Storage partially offset by a small decrease in revenue at Swire Foods.

Operating Profit

Operating Profit/(Loss) by Division



The operating profits in 2016 and 2015 include net valuation gains on investment properties of HK$8,445 million and HK$7,053 million, respectively. The higher net revaluation gains on investment properties principally reflected an increase in the valuation of office properties in Hong Kong partially offset by a decrease in the valuation of retail properties in Hong Kong. Excluding net revaluation gains, operating profit decreased by HK$2,469 million. This reflected adverse movements at all divisions, with the principal adverse movement being at the Marine Services Division.

The Property Division's operating profit from recurring operations decreased by HK$191 million. Profit from property investment decreased by HK$347 million, mainly due to lower net rental income from the retail portfolio in Hong Kong and pre-opening costs at Brickell City Centre, partially offset by higher net rental income from the office portfolio in Hong Kong and from Mainland China. Profit from property trading increased by HK$4 million, principally reflecting the fact that more residential properties were sold in the USA, partially offset by the fact that fewer residential properties were sold in Hong Kong. The loss from hotels decreased by HK$152 million, principally due to the absence of the loss on disposal of four hotels in the UK, partially offset by pre-opening costs at EAST, Miami in the USA.

In the Aviation Division, the decrease in operating profit from the HAECO group was principally due to increased losses at HAECO Americas. These reflected an impairment charge in respect of goodwill of HK$285 million and losses in the cabin and seats business, partially offset by higher profits at HAECO Hong Kong, TEXL and HAECO Xiamen.

In the Beverages Division, the lower operating profit included a smaller gain on the sale of investments. Disregarding these gains, operating profit was lower principally due to lower sales volume, adverse changes in the sales mix and promotional pricing in Mainland China. These were partially offset by higher profits in the USA, which principally reflected additional profit from new franchise territories and higher sales volume from existing franchise territories.

In the Marine Services Division, the increased operating loss at SPO principally reflected a higher impairment charge (HK$2,313 million compared with HK$1,228 million in 2015) in respect of vessels, a loss of HK$118 million on the disposal of a logistics subsidiary and lower fleet utilisation and charter hire rates. These were partially offset by a gain of HK$147 million on disposal of 12 vessels.

In the Trading & Industrial Division, the operating loss (compared to an operating profit in 2015) was principally due to higher operating costs at Qinyuan Bakery in Swire Foods, more discounting and costs relating to the termination of a distribution agreement at Swire Retail, the absence of non-recurring income recognised in 2015 at Taikoo Motors and costs associated with developing the cold storage business in Mainland China.

Net Finance Charges

The increase in net finance charges mainly reflected an increased change in the fair value of put options in respect of non-controlling interests in subsidiary companies and higher net borrowings.

Share of Profits Less Losses of Joint Venture Companies

In the Property Division, net revaluation gains recorded on investment properties held by joint venture companies increased by HK$154 million compared to 2015, reflecting higher valuations in Hong Kong and Mainland China. There was an increase in profit from investment properties owned by joint venture companies in Hong Kong and Mainland China.

In the Aviation Division, profits from joint venture companies in the HAECO group increased by HK$826 million, principally reflecting an HK$805 million gain on disposal of HAESL's interest in SAESL. Profits from HAESL also increased, mainly due to more work being done per engine.

In the Beverages Division, there was a decrease in the contribution from joint venture companies in Mainland China. This principally reflected lower sales volume, adverse changes in the sales mix and promotional pricing.

In the Trading & Industrial Division, the contribution from Akzo Nobel Swire Paints was slightly higher. This reflected higher sales volume and lower raw material costs, partly offset by lower average selling prices and higher operating costs in Mainland China.

Share of Profits Less Losses of Associated Companies

The Cathay Pacific group contributed a loss of HK$259 million in 2016 compared to a profit of HK$2,700 million in 2015. This principally reflected lower passenger and cargo revenue partially offset by lower net fuel costs and increases in profits from non-airline subsidiaries and associates. Passenger and cargo revenue was adversely affected by intense and increasing competition with other airlines and by adverse economic factors. Profit from Cathay Pacific's associate company, Air China, was higher in 2016, principally reflecting lower fuel prices and strong passenger demand, partially offset by the adverse effect of the devaluation of the Renminbi.

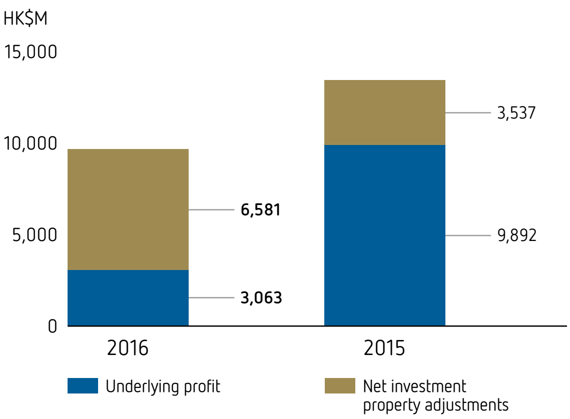
In the Property Division, profits from the four associate hotels in Hong Kong were similar to 2015.

In the Beverages Division, there was an increase in the contribution from Coca-Cola Bottlers Manufacturing Holdings Limited in Mainland China. This was principally due to lower raw material costs, partially offset by lower sales volume.

Taxation

The increase in taxation principally reflected higher deferred tax recorded on investment properties in the Property Division partially offset by lower tax charges in the Trading & Industrial Division and at SPO.

Profit and Underlying Profit Attributable to the Company's Shareholders



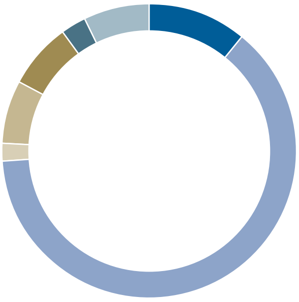
The decrease in profit attributable to the Company's shareholders is after net revaluation gains on investment properties of HK$6,581 million and HK$3,537 million in 2016 and 2015 respectively. Excluding net investment property adjustments, underlying profit decreased by HK$6,829 million. The decrease principally reflected the absence of underlying profits from the sale of eight units at OPUS HONG KONG within head office in 2016, a loss from the Cathay Pacific group (compared with a profit in 2015) and increased losses at SPO.

Consolidated Statement of Financial Position

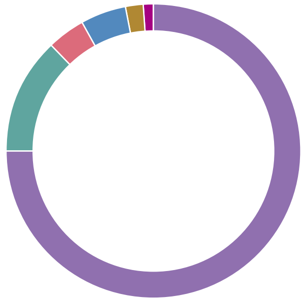
	Notes to the Financial Statements	2016 HK$M	2015 HK$M	Increase / (Decrease) HK$M	%
Property, plant and equipment	14	40,922	42,935	(2,013)	-5%
Investment properties	15	233,718	227,300	6,418	3%
Intangible assets	17	9,195	7,377	1,818	25%
Joint venture companies	19(a)	25,908	24,988	920	4%
Associated companies	19(b)	27,546	24,321	3,225	13%
Other non-current assets	32	5,479	–	5,479	N/A
Properties under development and for sale	23	5,669	7,615	(1,946)	-26%
Stocks and work in progress	24	4,790	4,599	191	4%
Trade and other receivables	25	9,646	10,428	(782)	-7%
Bank balances and short-term deposits	26	6,477	8,985	(2,508)	-28%
Other assets		4,148	3,817	331	9%
Total assets		373,498	362,365	11,133	3%
Trade and other payables	27	20,875	20,086	789	4%
Loans, bonds and perpetual capital securities	28, 29	70,570	68,617	1,953	3%
Deferred tax liabilities	30	8,291	7,605	686	9%
Other liabilities		1,594	2,071	(477)	-23%
Total liabilities		101,330	98,379	2,951	3%
Net assets		272,168	263,986	8,182	3%
Equity attributable to the Company's shareholders	33, 34	224,879	218,449	6,430	3%
Non-controlling interests	35	47,289	45,537	1,752	4%
Total equity		272,168	263,986	8,182	3%

Total Assets

Total Assets by Category



Total Assets by Division



Property, Plant and Equipment

The decrease in property, plant and equipment principally reflected impairment charges and disposal of vessels at SPO. This was partially offset by capital expenditure (net of depreciation) and the transfer of certain investment properties to owner-occupied properties.

Investment Properties

The increase in investment properties principally reflected net revaluation gains, construction costs incurred on new investment properties and renovation costs incurred on existing investment properties. This was partially offset by foreign exchange translation losses on investment properties in Mainland China and the transfer of an uncompleted development in Kowloon Bay, Hong Kong to other non-current assets.

Intangible Assets

The increase in intangible assets in 2016 includes intangible assets (principally franchise rights) of HK$2,198 million recognised as a result of the acquisition of the new beverages franchise territories in the USA. This was partially offset by an impairment charge in respect of goodwill at HAECO Americas.

Investments in Joint Venture Companies

The increase in investments in joint venture companies principally reflected advances of loans to fund joint venture property projects in Hong Kong and the acquisition of an additional 5% interest in HAESL. There were also increases in retained profits in the Property Division (principally as a result of valuation gains on investment properties held by joint venture companies), the Beverages Division, HAESL and Akzo Nobel Swire Paints, partially offset by dividends paid and foreign exchange translation losses from joint venture companies in Mainland China.

Investments in Associated Companies

The increase in investments in associated companies principally reflected an increase in the share of net assets of the Cathay Pacific group. The increase in net assets of the Cathay Pacific group is principally due to a reduction in unrealised losses from fuel hedging contracts in the cash flow hedge reserve.

Other Non-current Assets

Other non-current assets arose from the transfer of an uncompleted property in Kowloon Bay, Hong Kong from Investment Properties (at fair value of HK$5,200 million) upon signing of a sale and purchase agreement for the sale of the subsidiary company owning the development. The carrying value of the property at 31st December 2016 represents its fair value at the date of transfer plus the development costs incurred from the date of transfer to 31st December 2016.

Properties Under Development and for Sale

The decrease in properties under development and for sale principally reflected sales of residential properties at the AREZZO, MOUNT PARKER RESIDENCES and WHITESANDS developments in Hong Kong and the Reach and Rise developments at Brickell City Centre, Miami, partially offset by construction and development costs incurred during the year on the ALASSIO development in Hong Kong.

Stocks and Work in Progress

The increase in stocks and work in progress was principally due to the inclusion of stock and work in progress at the new beverages franchise territories in the USA.

Trade and Other Receivables

The decrease in trade and other receivables principally reflected settlement of receivables from the sale of units at OPUS HONG KONG and of claims relating to the cancellation (in 2015) of vessel construction contracts and lower trade receivables at the HAECO group and SPO. These were partially offset by higher trade and other receivables in the Beverages Division, principally reflecting the inclusion of the new beverages franchise territories in the USA.

Trade and Other Payables

The increase in trade and other payables principally reflected the inclusion of trade and other payables and the recognition of contingent consideration in respect of the new beverages franchise territories in the USA, and deposits received on the sale of a subsidiary owning an uncompleted property in Kowloon Bay, Hong Kong. These were partially offset by the settlement of contingent consideration in the Swire Foods group and lower trade and other payables in the Property Division, HAECO group and SPO.

Bank Balances and Short-Term Deposits/Loan, Bonds and Perpetual Capital Securities

The increase in net borrowings reflects funding to finance the Group's property developments, the purchase of new vessels and other fixed assets and investments in subsidiary and joint venture companies and new businesses.

Deferred Tax Liabilities

The increase in deferred tax liabilities was principally attributable to higher deferred tax relating to depreciation allowances on investment properties and on revaluation gains on investment properties held by the Group in Mainland China and the USA.

Equity Attributable to the Company's Shareholders

In each year, the movement in equity attributable to the Company's shareholders represents the total comprehensive income for the year attributable to the Company's shareholders (HK$12,068 million in 2016) less dividends paid to shareholders (HK$5,686 million in 2016).

Non-controlling Interests

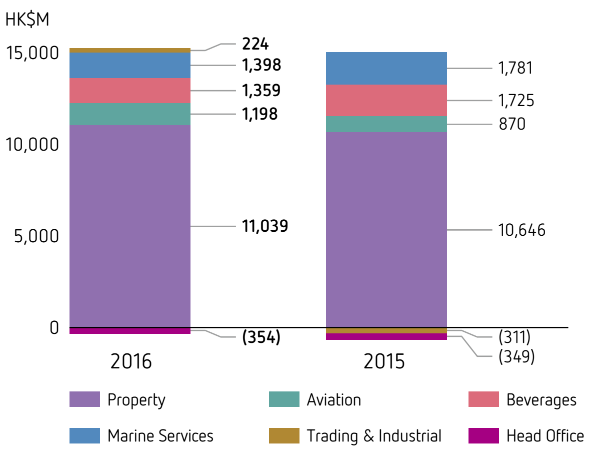
The non-controlling interests principally reflect the 18% non-controlling interest in Swire Properties and the 25% non-controlling interest in HAECO.

Consolidated Statement of Cash Flows

	Notes to the Financial Statements	2016 HK$M	2015 HK$M	Increase/(Decrease) HK$M
Cash generated from operations	42(a)	14,864	14,362	502
Net interest paid		(2,354)	(2,297)	57
Tax paid		(1,993)	(1,909)	84
Dividends received		2,673	1,807	866
Investing activities				
Purchase of property, plant and equipment	42(b)	(3,551)	(4,245)	(694)
Additions of investment properties		(5,883)	(3,624)	2,259
Additions of other non-current assets		(254)	–	254
Proceeds from disposals of property, plant and equipment		1,364	275	1,089
Proceeds from disposals of investment properties		735	2,543	(1,808)
Proceeds from disposals of subsidiary companies, net of cash disposed of		(16)	373	(389)
Proceeds from disposals of available-for sale assets		35	209	(174)
Purchase of shares in new subsidiary companies		–	(116)	(116)
Purchase of shares in joint venture companies		(543)	(114)	429
Purchase of shares in associated companies		(23)	(39)	(16)
Purchase of new businesses	37	(1,455)	–	(1,455)
Purchase of available-for-sale assets		(41)	(4)	37
Net loans to joint venture companies		(474)	(438)	36
Others		(253)	41	(294)
Net cash generated from businesses and investments		2,831	6,824	(3,993)
Dividends paid	34, 42(c)	(6,716)	(6,924)	(208)
Loans drawn and refinancing		15,321	12,993	2,328
Repayment of loans and bonds		(13,195)	(12,979)	216
Capital contributions from non-controlling interests		90	767	(677)
Repurchase of the Company's shares	33	–	(35)	(35)
Purchase of shares in existing subsidiary companies		(640)	(1,541)	(901)
Cash paid to shareholders and net funding by external debt		(5,140)	(7,719)	(2,579)
Decrease in cash and cash equivalents		(2,309)	(895)	1,414

Cash Generated from Operations

Cash Generated from/(Used in) Operations by Division



Dividends Received

Dividends received in 2016 principally reflected dividends from Cathay Pacific, HAESL (including a special dividend received following the disposal of interests in SAESL), Akzo Nobel Swire Paints, the Property Division's associate hotels in Hong Kong and the Beverages Division's joint venture companies in Mainland China.

Purchase of Property, Plant and Equipment

Purchase of property, plant and equipment in 2016 principally reflected the acquisition of new vessels by SPO, the cost of construction of cold storage facilities in Mainland China and of the EAST hotel at Brickell City Centre, Miami and the purchase of new production and marketing equipment in the Beverages Division and of rotable and repairable spare parts in the HAECO group.

Additions of Investment Properties

The additions of investment properties in 2016 principally reflected capital expenditure on the Taikoo Place office redevelopment and other projects in Hong Kong and the Brickell City Centre development in the USA.

Additions of Other Non-current Assets

The additions of other non-current assets represented the development costs incurred on the uncompleted property in Kowloon Bay, Hong Kong following its transfer from Investment Properties.

Proceeds from Disposals of Property, Plant and Equipment

The proceeds from disposals of property, plant and equipment principally reflected proceeds from the disposal of 12 vessels.

Proceeds from Disposals of Investment Properties

Proceeds from disposals of investment properties principally reflected proceeds received from the sale (in 2015) of units at OPUS HONG KONG.

Purchase of Shares in Joint Venture Companies

In 2016, the HAECO group purchased an additional 5% interest in HAESL for HK$452 million, increasing its interest to 50%.

Purchase of New Businesses

In 2016, the Beverages Division acquired new franchise territories in Arizona and New Mexico in the USA.

Net Loans to Joint Venture Companies

Loans to joint venture companies in 2016 principally reflected funding made available to joint venture property projects.

Loans Drawn and Refinancing

In 2016, loans drawn and refinancing comprised new financing under the Group's medium term note programmes and new loans and drawdowns of existing financing from banks.

Purchase of Shares in Existing Subsidiary Companies

In 2016, the Swire Foods group purchased the remaining 35% interest in Qinyuan Bakery for HK$640 million.

Investment Appraisal and Performance Review

	Net assets employed		Capital commitments*	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
Property investment	248,252	235,846	17,628	19,564
Property trading	6,616	7,452	–	–
Hotels	7,520	7,928	700	234
Property – overall	262,388	251,226	18,328	19,798
Aviation	42,606	39,311	1,593	2,184
Beverages	7,845	5,833	9,231	2,098
Marine Services	18,170	22,293	2,365	2,770
Trading & Industrial	5,246	4,445	875	1,736
Head Office	(41)	462	–	–
Total net assets employed	336,214	323,570	32,392	28,586
Less: net debt	(64,046)	(59,584)		
Less: non-controlling interests	(47,289)	(45,537)		
Equity attributable to the Company's shareholders	224,879	218,449		

	Equity attributable to the Company's shareholders		Return on average equity attributable to the Company's shareholders	
	2016 HK$M	2015 HK$M	2016	2015
Property investment	177,455	168,721	6.6%	6.6%
Property trading	1,689	2,388	48.2%	39.9%
Hotels	5,401	5,842	-1.7%	-4.2%
Property – overall	184,545	176,951	6.8%	6.6%
Aviation	36,089	32,557	1.3%	9.0%
Beverages	4,544	4,247	18.5%	21.2%
Marine Services	10,197	12,873	-26.1%	-9.4%
Trading & Industrial	5,388	4,818	2.2%	3.0%
Head Office	(15,884)	(12,997)		
Total	224,879	218,449	4.4%	6.1%

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of joint venture companies.

Financing

Capital Structure

The Group aims to maintain a capital structure that is appropriate for long-term credit ratings of A1 to A3 on Moody's scale, A+ to A- on Standard & Poor's scale and A+ to A- on Fitch's scale. Actual credit ratings may depart from these levels from time to time due to macro-economic or other circumstances. At 31st December 2016 the Company's long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, and Swire Properties' long-term credit ratings were A2 from Moody's, A- from Standard & Poor's and A from Fitch.

Changes in Financing

Analysis of Changes in Financing During The Year

Audited Financial Information

	2016 HK$M	2015 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	68,617	68,788
Loans drawn and refinancing	15,321	12,993
Repayment of loans and bonds	(13,195)	(12,979)
Currency adjustment	(276)	(291)
Other non-cash movements	103	106
At 31st December	70,570	68,617

Sources of Finance

At 31st December 2016, committed loan facilities and debt securities amounted to HK$94,059 million, of which HK$23,664 million (25%) were undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$9,027 million. Sources of funds at 31st December 2016 comprised:

Audited Financial Information

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring beyond one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	46,147	46,147	–	–
Bank loans, overdrafts and other loans	45,585	21,921	1,831	21,833
Perpetual capital securities	2,327	2,327	–	–
Total committed facilities	94,059	70,395	1,831	21,833
Uncommitted facilities				
Bank loans, overdrafts and other loans	9,622	595	8,804	223
Total	103,681	70,990	10,635	22,056

Note: The figures above are stated before unamortised loan fees of HK$420 million.

i) Loans and Bonds

For accounting purposes, the loans and bonds are classified as follows:

Audited Financial Information

	2016			2015		
	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M	Drawn, before unamortised loan fees HK$M	Unamortised loan fees HK$M	Carrying value HK$M
Short-term loans – unsecured	595	–	595	669	–	669
Long-term loans and bonds at amortised cost	68,068	(420)	67,648	66,061	(438)	65,623
Less: amount due within one year included under current liabilities	(5,365)	8	(5,357)	(6,847)	6	(6,841)
	62,703	(412)	62,291	59,214	(432)	58,782

The maturity of long-term loans and bonds is as follows:

Audited Financial Information

	2016 HK$M	2015 HK$M
Bank loans (unsecured)		
Repayable within one year	4,854	2,188
Repayable between one and two years	3,743	8,610
Repayable between two and five years	13,067	10,179
Repayable after five years	–	1,005
Other borrowings (unsecured)		
Repayable within one year	503	4,653
Repayable between one and two years	5,174	502
Repayable between two and five years	9,832	13,193
Repayable after five years	30,475	25,293
	67,648	65,623
Amount due within one year included under current liabilities	(5,357)	(6,841)
	62,291	58,782

ii) Perpetual Capital Securities

Audited Financial Information

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

The perpetual capital securities are recorded in the statement of financial position at amortised cost. The Issuer has given notice of its intention to redeem the perpetual capital securities at par on 13th May 2017. The perpetual capital securities are listed on the Luxembourg Stock Exchange.

iii) Bank Balances and Short-Term Deposits

The Group had bank balances and short-term deposits of HK$6,477 million at 31st December 2016 compared to HK$8,985 million at 31st December 2015.

Maturity Profile and Refinancing

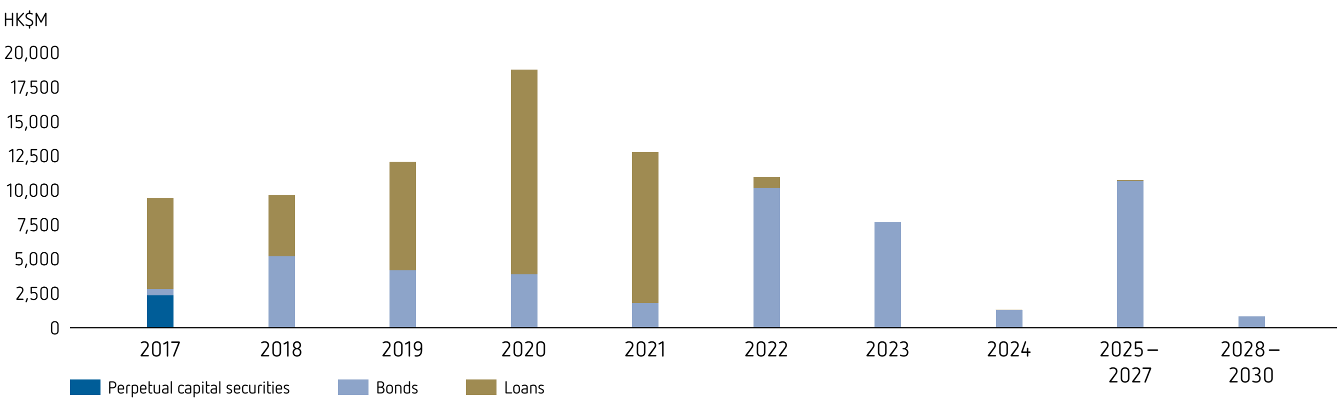
Bank loans and other borrowings are repayable on various dates up to 2030 (2015: same).

The weighted average term and cost of the Group's debt is:

	2016	2015
Weighted average term of debt	4.2 years	4.3 years
Weighted average term of debt (excluding perpetuals)	4.3 years	4.4 years
Weighted average cost of debt	4.0%	4.0%
Weighted average cost of debt (excluding perpetuals)	3.8%	3.8%

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

Total Available Committed Facilities by Maturity
(at 31st December 2016)



Currency Profile

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

Audited Financial Information

	2016		2015	
	HK$M		HK$M	
Currency				
Hong Kong dollar	46,184	66%	43,829	64%
Renminbi	3,296	5%	4,507	7%
United States dollar	20,779	29%	20,019	29%
Others	311	–	262	–
Total	70,570	100%	68,617	100%

Finance Charges

At 31st December 2016, 73% of the Group's gross borrowings were on a fixed rate basis and 27% were on a floating rate basis (2015: 72% and 28%).

The exposure of the Group's loans and bonds to interest rate changes (after interest rate swaps) can be illustrated as follows:

Audited Financial Information

		Fixed interest rate maturing in:			
	Floating interest rate HK$M	1 year or less HK$M	1 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31st December 2016	18,762	503	18,502	30,476	68,243
At 31st December 2015	19,059	4,653	17,288	25,292	66,292

Interest charged and earned during the year was as follows:

Audited Financial Information

	2016 HK$M	2015 HK$M
Interest charged		
Bank loans and overdrafts	503	642
Other loans, bonds and perpetual capital securities	2,109	1,988
Fair value gains on derivative instruments		
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	(92)	(93)
Interest rate swaps not qualifying as hedges	–	(30)
Amortised loan fees – loans at amortised cost	117	106
	2,637	2,613
Fair value loss on put options over non-controlling interests in subsidiary companies	116	18
Other financing costs	137	136
Capitalised on		
Investment properties	(248)	(199)
Properties under development and for sale	(140)	(150)
Hotels and other properties	(31)	(16)
Vessels	(13)	(29)
	2,458	2,373
Less: interest income		
Short-term deposits and bank balances	66	107
Other loans	95	120
	161	227
Net finance charges	2,297	2,146

The capitalised interest charges on funds borrowed for the development of investment properties, properties under development and for sale, hotels and other properties and vessels were between 1.30% and 4.30% per annum (2015: 1.43% and 4.18% per annum).

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$2,637 million (2015: HK$2,613 million).

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

Audited Financial Information

	2016				2015			
	HK$ %	US$ %	RMB %	Others %	HK$ %	US$ %	RMB %	Others %
Short-term loans	0.93	2.80	3.83	0.72-1.52	–	2.20-2.27	3.83	1.79-2.84
Long-term loans and bonds	1.15-5.05	1.22-6.25	3.90-4.41	1.37	1.00-5.05	1.15-6.25	3.90-5.23	1.64
Perpetual capital securities	–	8.84	–	–	–	8.84	–	–

Covenants and Credit Triggers

Audited Financial Information

There are no specific covenants given by the Group for its debt facilities which would require debt repayment or termination of a facility should its credit rating be revised by the credit rating agencies.

The Company has entered into financial covenants in respect of gearing limits and maintenance of minimum consolidated net worth, to secure funding for itself and its subsidiaries. These covenants are set out below:

	Covenant requirements	2016	2015
Gearing			
Consolidated borrowed money/adjusted consolidated net worth	≤ 200%	23.5%	22.6%
	HK$M	HK$M	HK$M
Maintenance of minimum adjusted consolidated tangible net worth			
Adjusted consolidated tangible net worth	≥ 20,000	262,973	256,609

These financial covenants, together with the long-term credit rating objective, establish the framework within which the capital structure of the Group is determined.

To date, none of the covenants have been breached.

Capital Management

Audited Financial Information

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

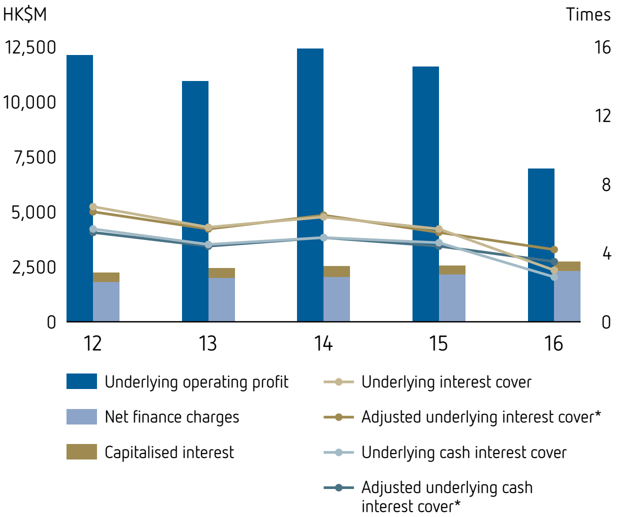
The Group considers a number of factors in monitoring its capital structure, principally the gearing ratio, cash interest cover and the return cycle of its investments. For the purpose of the gearing ratio, the Group defines net debt as total borrowings (comprising borrowings net of security deposits plus perpetual capital securities issued by the Group) less short-term deposits and bank balances and certain available-for-sale investments. Capital comprises total equity, as shown in the consolidated statement of financial position.

In order to maintain or adjust the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, repurchase shares, raise new debt financing or sell assets to reduce debt. The gearing ratios at 31st December 2016 and 31st December 2015 were as follows:

	2016 HK$M	2015 HK$M
Total borrowings	70,570	68,617
Less: Short-term deposits, bank balances and certain available-for-sale investments	(6,524)	(9,033)
Net debt	64,046	59,584
Total equity	272,168	263,986
Gearing ratio	23.5%	22.6%
Interest cover – times	6.7	7.7
Cash interest cover – times	5.6	6.5
Underlying cash interest cover – times	2.6	4.6
Return on average equity attributable to the Company's shareholders	4.4%	6.1%

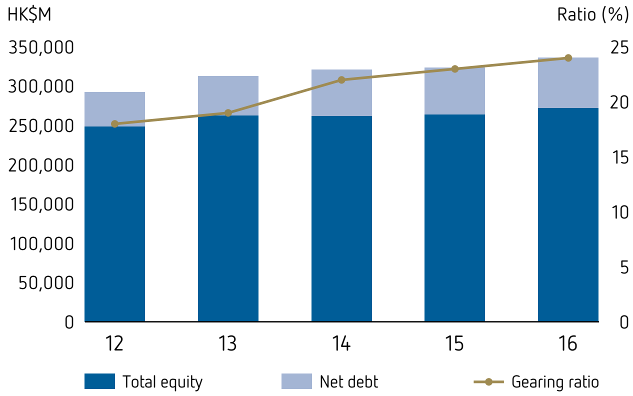
The following graphs illustrate the underlying interest cover and the gearing ratios for each of the last five years:

Underlying Interest Cover



* Calculated using adjusted underlying operating profit which excludes the effect of capital profits less impairments.

Gearing Ratio



Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at the end of 2016 and 2015:

	Total net debt / (cash) of joint venture and associated companies		Portion of net debt / (cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
Property Division	15,887	13,653	6,568	5,836	1,459	3,271
Aviation Division						
Cathay Pacific group	49,879	42,458	22,445	19,106	–	–
HAECO group	473	2,098	207	342	–	–
Others	3	6	1	3	–	–
Beverages Division	388	1,282	116	453	–	–
Marine Services Division	795	833	398	416	500	500
Trading & Industrial Division	(3,090)	(3,527)	(1,102)	(1,188)	1	–
	64,335	56,803	28,633	24,968	1,960	3,771

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 34.1%.

Corporate Governance Report

Governance Culture

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

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

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

Corporate Governance Statement

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

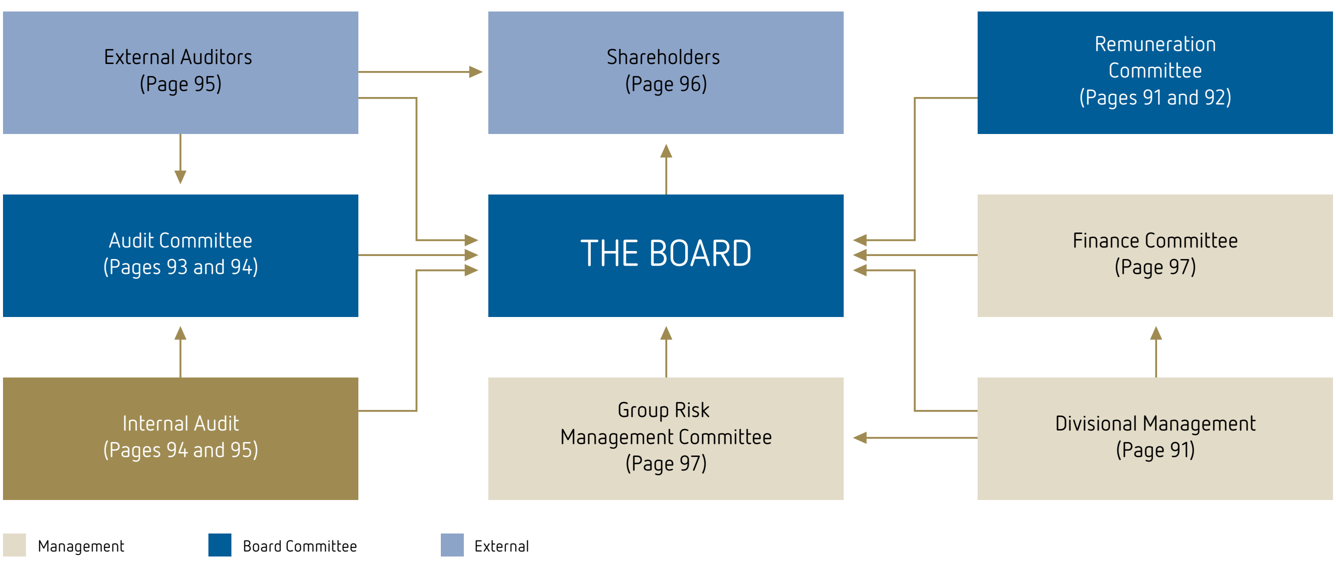
- code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only

The Company supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Swire Pacific has adopted its own corporate governance code which is available on its website www.swirepacific.com. Corporate governance does not stand still; it evolves with each business and operating environment. The Company is always ready to learn and adopt best practices. As part of its commitment to enhance corporate governance standards within the region, Swire Pacific is a member of the Asian Corporate Governance Association.

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

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

Governance Structure



The Board of Directors

Role of the Board

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

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

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including financial statements
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of the Group's risk management and internal control systems
- ensuring the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see pages 93 and 94) and the Remuneration Committee (see pages 91 and 92).

Chairman and Chief Executive

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

J R Slosar, the Chairman, is responsible for:

- leadership of the Board
- setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
- facilitating effective contributions from and dialogue with all Directors and constructive relations between them
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information
- obtaining consensus amongst the Directors
- ensuring, through the Board, that good corporate governance practices and procedures are followed.

Each division of the Group has one or more Executive Directors or Officers who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 91).

Throughout the year, there was a clear division of responsibilities between the Chairman and the management executives responsible for the divisions of the Group.

Board Composition

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

The Board comprises the Chairman, four other Executive Directors and eight Non-Executive Directors. Their biographical details are set out in the section of this annual report headed Directors and Officers and are posted on the Company's website.

G M C Bradley, I K L Chu, M Cubbon, J R Slosar and A K W Tang are directors and employees of the John Swire & Sons Limited ("Swire") group. M B Swire and S C Swire are shareholders, directors and employees of Swire. Before they ceased to be directors of the Company, J B Rae-Smith and I S C Shiu were directors and employees of the Swire group (and also a shareholder of Swire in the case of J B Rae-Smith).

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

The Board considers that six of the eight Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. T G Freshwater, C Lee, M C C Sze and M M T Yang have served as Non-Executive Directors for more than nine years. The Directors are of the opinion that they remain independent, notwithstanding their length of tenure. T G Freshwater, C Lee, M C C Sze and M M T Yang continue to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that their tenure has had any impact on their independence. The Board believes that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company, and that they maintain an independent view of its affairs.

Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors:

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

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

Appointment and Re-election

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

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

Full details of changes in the Board during the year and to the date of this report are provided in the section of this annual report headed Directors' Report.

Board Diversity

The Board has a board diversity policy, which is available on the Company's website.

In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders.

Responsibilities of Directors

On appointment, the Directors receive information about the Group including:

– the role of the Board and the matters reserved for its attention
– the role and terms of reference of Board Committees
– the Group's corporate governance practices and procedures
– the powers delegated to management and
– the latest financial information.

Directors update their skills, knowledge and familiarity with the Group through their participation at meetings of the Board and its committees and through regular meetings with management at the head office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

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

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

Details of Directors' other appointments are shown in their biographies in the section of this annual report headed Directors and Officers.

Board Processes

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

The dates of the 2016 Board meetings were determined in 2015 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met five times in 2016. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 90. Average attendance at Board meetings was 96%. All Directors attended Board meetings in person or through electronic means of communication during the year.

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

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

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

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

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

A typical Board meeting would consist of:

– review of a report by each Executive Director or Executive Officer on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
– the raising of new initiatives and ideas
– the presentation of papers to support decisions requiring Board approval
– an update of legal and compliance matters for Directors' consideration
– any declarations of interest.

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

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. One such meeting was held in 2016.

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

	Meetings Attended/Held				Continuous Professional Development
Directors	Board	Audit Committee	Remuneration Committee	2016 Annual General Meeting	Type of Training (Note)
Executive Directors					
J R Slosar – Chairman	5/5			√	A
G M C Bradley	5/5			√	A
I K L Chu	5/5			√	A
M Cubbon	5/5			√	A
J B Rae-Smith (resigned on 26th August 2016)	4/4			√	A
I S C Shiu (resigned on 31st December 2016)	5/5			√	A
A K W Tang	5/5			√	A
Non-Executive Directors					
P A Johansen (retired on 12th May 2016)	2/2	1/1	1/1	√	A
M B Swire	4/5		1/1	√	A
S C Swire	5/5			√	A
Independent Non-Executive Directors					
T G Freshwater	5/5	3/3		√	A
C Lee	4/5	3/3	2/2	√	A
R W M Lee	5/5		2/2	√	A
G R H Orr	5/5	2/2		√	A
M C C Sze	5/5			√	A
M M T Yang	4/5			√	A
Average attendance	96%	100%	100%	100%	

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

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

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

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

Delegation by the Board
Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the Executive Director or Executive Officer at the head of each business unit. These individuals have been given clear guidelines and directions as to their powers and, in particular, the circumstances under which they should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

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

– detailed monthly management accounts consisting of statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
– internal and external audit reports
– feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers.

Securities Transactions
The Company has adopted a code of conduct (the "Securities Code") regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are available on the Company's website.

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director twice annually, immediately before the two financial period ends, with a reminder that the Director cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors and senior executives of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests at 31st December 2016 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the section of this annual report headed Directors' Report.

Remuneration Committee
Full details of the remuneration of the Directors and an Executive Officer are provided in note 8 to the financial statements.

The Remuneration Committee comprises three Non-Executive Directors, C Lee, R W M Lee and M B Swire. Two of the Committee members are Independent Non-Executive Directors, one of whom, C Lee is Chairman. M B Swire succeeded P A Johansen as a member of the Remuneration Committee with effect from the conclusion of the Company's 2016 Annual General Meeting held on 12th May 2016. All the other members served for the whole of 2016.

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

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

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

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire Pacific Group. Although the remuneration of executives is not entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability profiles of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre senior management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors and an Executive Officer at its meeting in October 2016. At this meeting the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors and an Executive Officer, as disclosed in note 8 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following fee levels have been approved by the Board:

Fee	2016 HK$	2017 HK$
Director's Fee	690,000	690,000
Fee for Audit Committee Chairman	260,000	260,000
Fee for Audit Committee Member	180,000	180,000
Fee for Remuneration Committee Chairman	80,000	80,000
Fee for Remuneration Committee Member	58,000	58,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim financial statements and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate.

Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 93 and 94.

The foundation of strong risk management and internal control systems is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

Since profits are, in part, the reward for successful risk taking in business, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key components of the Group's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. This is more significant than any written procedures.

The Company aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by example from the Board down. The Company has a Code of Conduct, which is posted on its internal intranet site.

The Company is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's ways of thinking and acting.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Company's Code of Conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk assessment: The Board of Directors and the management each have a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated.

There are two key management committees which monitor risk processes throughout the Group; the Group Risk Management Committee ("GRMC") and the Finance Committee. These primarily comprise senior management and both are chaired by the Corporate Development and Finance Director, who reports to the Board on matters of significance that arise.

The GRMC, discussed further in the section of this annual report headed Risk Management, focuses on business, operational, safety, security, legal and reputational risks. The Finance Committee, discussed further in the section of this annual report headed Risk Management, focuses on broad financial and treasury risks.

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

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

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

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

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

Internal audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 94 and 95.

Audit Committee

The Audit Committee, consisting of three Independent Non-Executive Directors, T G Freshwater, C Lee and G R H Orr, assists the Board in discharging its responsibilities for corporate governance and financial reporting. T G Freshwater is the Chairman of the Audit Committee. G R H Orr succeeded P A Johansen as a member of the Audit Committee with effect from the conclusion of the Company's 2016 Annual General Meeting held on 12th May 2016. All the other members served for the whole of 2016.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website.

The Audit Committee met three times in 2016. Regular attendees at the meetings are the Corporate Development and Finance Director, the Head of Internal Audit and the external auditors. The Audit Committee meets at least twice a year with the external auditors, and at least once a year with the Head of Internal Audit, without the presence of management. Each meeting receives written reports from the GRMC, the external auditors and Internal Audit. Other attendees during the year included the Group Finance Manager and the Head of Group Risk Management.

The work of the Committee during 2016 included reviews of the following matters:

– the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2015 annual and 2016 interim reports and announcements, with recommendations to the Board for approval
– the Group's compliance with regulatory and statutory requirements
– the Group's risk management and internal control systems
– the Group's risk management processes
– the approval of the 2017 annual Internal Audit programme and review of progress on the 2016 programme
– periodic reports from Internal Audit and progress in resolving any matters identified in them
– significant accounting and audit issues
– the Company's policy regarding connected transactions and the nature of such transactions
– the relationship with the external auditors as discussed on page 95
– the Company's compliance with the CG Code.

In 2017, the Committee has reviewed, and recommended to the Board for approval, the 2016 financial statements.

Assessing the Effectiveness of Risk Management and Internal Control Systems
On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

– the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems, the work and effectiveness of Internal Audit and the assurances provided by the Corporate Development and Finance Director
– the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
– the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
– the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
– the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
– areas of risk identified by management
– significant risks reported by Internal Audit and the Group Risk Management Committee
– work programmes proposed by both Internal Audit and the external auditors
– significant issues arising from internal and external audit reports
– the results of management's control self assessment exercise.

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the CG Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update his skills and knowledge.

Internal Audit Department

The Swire group has had an Internal Audit Department ("IA") in place for 21 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 23 audit professionals and conducts audits of the Group and of other companies in the Swire group. The 23 professionals include a team based in Mainland China which reports to IA in Hong Kong.

IA reports directly to the Chairman of the Board and, without the need to consult with management, to the Chairman of the Audit Committee and via him to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

Scope of Work
Business unit audits are designed to provide assurance that the risk management and internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the GRMC and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 38 assignments were conducted for Swire Pacific in 2016.

IA specifically assists the Audit Committee in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad-hoc projects and investigative work as may be required by management or the Audit Committee.

Audit Conclusion and Response
Copies of IA reports are sent to the Chairman of the Board, the Corporate Development and Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations, including those aimed at resolving material internal control defects. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the "auditors"). PricewaterhouseCoopers, the auditors, have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity is not, and is not seen to be, compromised
- approval of audit and non-audit fees.

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

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

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

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

The fees in respect of audit and non-audit services provided to the Group by the auditors for 2016 amounted to approximately HK$43 million and HK$20 million respectively. Fees paid to the auditors are disclosed in note 6 to the financial statements.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Shareholders

Communication with Shareholders and Investors

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The methods used to communicate with shareholders include the following:

– The Corporate Development and Finance Director makes himself available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2016 the Corporate Development and Finance Director held seventeen meetings or calls with analysts and investors, conducted three analyst briefings, three overseas roadshows and spoke at four investor conferences.
– through the Company's website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses.
– through publication of interim and annual reports
– through the annual general meeting as discussed below.

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

The Annual General Meeting

The annual general meeting is an important forum in which to engage with shareholders. The most recent annual general meeting was held on 12th May 2016. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 90.

At the annual general meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

– receiving the report of the Directors and the audited financial statements for the year ended 31st December 2015
– re-electing Directors
– re-appointing the auditors and authorising the Directors to set their remuneration
– a general mandate authorising the Directors to make on-market share buy-backs
– a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares of any class then in issue, provided that the aggregate number of the shares of any class so allotted wholly for cash would not exceed 5% of the number of the shares of that class then in issue.

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

Shareholder Engagement

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

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

Shareholder(s) representing at least 5% of the total voting rights of all members may request the Board to convene a general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

Other Information for Shareholders

Key shareholder dates for 2017 are set out in the section of this annual report headed Financial Calendar and Information for Investors and in the Financial Calendar on the Company's website.

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

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital is held by the public. Details of substantial shareholders' and other interests are included in the section of this annual report headed Directors' Report.

Risk Management

The Board of Directors and the management of each division are responsible for identifying and analysing the risks underlying the achievement of business objectives, and for determining how such risks should be managed and mitigated.

There are two key management committees which seek to monitor the risks to which the Group is subject; the Group Risk Management Committee ("GRMC") and the Finance Committee. These are made up of members of senior management and both are chaired by the Corporate Development and Finance Director, who reports to the Board on matters of significance that arise.

Group Risk Management Committee

The GRMC provides oversight of all the risks to which the Group is subject (except for those expressly covered by the Finance Committee) including setting risk management policies and strategies. The GRMC reports via the Audit Committee to the Board. It comprises the Corporate Development and Finance Director and the Executive Directors and an Executive Officer with responsibility for the operating divisions.

The GRMC oversees a number of committees and working groups. These cover the following areas: Insurance, Human Resources, Health and Safety, Legal, Information Technology, Cyber Security, Sustainability, Environmental Best Practices, Supply Chain Sustainability, Energy, Enterprise Risk Management and US Risk Management. The GRMC's oversight role includes those areas which can be collectively categorised as sustainable development.

In 2016, the GRMC met three times and its functional Group committees and working groups met a total of 33 times.

The members of the functional Group committees and working groups are specialists in their respective areas and each committee is chaired by an individual with relevant experience. The role of the functional Group committees and working groups is to identify risks and opportunities which fall within their respective functional areas and to draw up policy recommendations for GRMC review and approval. The policies approved by the GRMC apply to all companies in which Swire Pacific has a controlling interest. The boards of these operating companies are required to adopt these policies and to establish procedures to ensure compliance with them. Joint venture and associated companies are encouraged to adopt Group policies.

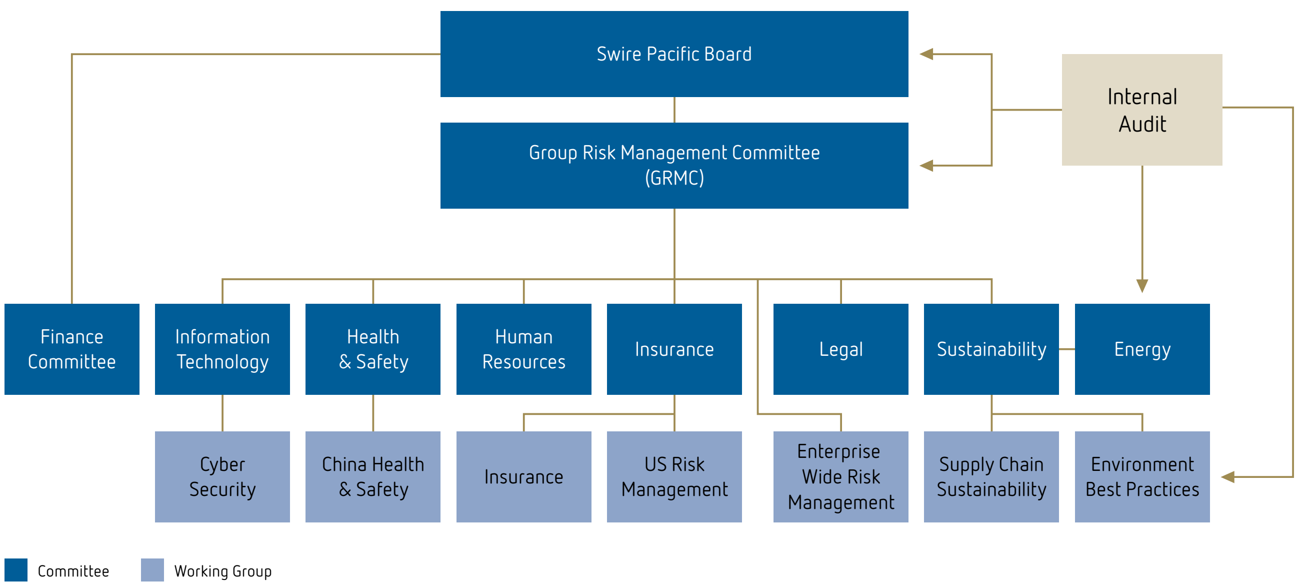
The management of risks is subject to audit by the Group's Internal Audit department, with support from specialist external consultants where necessary.

Finance Committee

The role of the Finance Committee is to provide oversight of the Group's financial risks, including setting the Group's financial risk management policies and procedures. These are implemented within both the Group's central financial reporting function and the divisional finance functions.

The Finance Committee consists of the Corporate Development and Finance Director, five Divisional Finance Directors, the Director of the Office for Financial Planning, the Corporate Finance Director, the Group Treasurer, the Group Finance Manager and the Group Taxation Manager. In 2016, the Finance Committee met four times.

Risk Governance Structure



The Group's approach to financial risk management is discussed below.

Financial Risk Management

Audited Financial Information

Structure and Policies
In the normal course of business the Group is exposed to financial risks attributable to interest rates, currencies, credit and liquidity.

The Finance Committee maintains and develops the Group's financial risk management policies and procedures. These policies and procedures are implemented by the head office treasury department, within an agreed framework authorised by the Board.

The treasury department manages the funding needs of the Group's non-listed subsidiaries, as well as resulting interest rate, currency, credit and liquidity risks. Operating subsidiaries manage currency and credit exposures that are specific to their trading transactions.

It is the Group's policy not to enter into derivative transactions for speculative purposes. Derivatives are used solely for management of an underlying risk and the Group minimises its exposure to market risk by applying hedge accounting for derivative instruments. By applying hedge accounting, gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. Accounting for derivative financial instruments and hedging activities is discussed on pages 167 to 169.

The Group's listed companies and its joint venture and associated companies arrange their financial and treasury affairs on a stand-alone basis. The Company may provide financial support by way of guarantees to its non-listed joint venture and associated companies in cases where significant cost savings are available and risks are acceptable.

Interest Rate Exposure
The Group's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group earns interest income on cash deposits.

The Group maintains a significant proportion of debt on a fixed rate basis with a view to increasing certainty of funding costs. The level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and the expected cash flows of the Group's businesses and investments. The Group uses interest rate swaps to manage its long-term interest rate exposure. The Corporate Development and Finance Director approves all interest rate hedges prior to implementation.

On a quarterly basis, the treasury department calculates the effect of the Group's exposure to interest rate fluctuations on forecast earnings and cash flows by performing sensitivity testing with varying forecast interest rates. The treasury department reports the results of this testing to the Finance Committee. Refer to page 130 for details of the sensitivity testing performed at 31st December 2016.

Currency Exposure
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Chinese Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations.

The Group's policy is to hedge in full all highly probable transactions in each major currency where their value or time to execution gives rise to a significant currency exposure, provided that the cost of the foreign exchange forward or other derivative contract is not prohibitively expensive having regard to the underlying exposure.

Financial Risk Management (continued)

Audited Financial Information (continued)

Exposure to movements in exchange rates on transactions is minimised by using appropriate hedging instruments where active markets for the relevant currencies exist. At 31st December 2016, the Group had hedged its significant foreign currency funding exposures, by fixing the foreign exchange rates with forward contracts.

Exposure arising from the Group's investments in operating subsidiaries with net assets denominated in foreign currencies is reduced, where practical, by providing funding in the same currency.

Foreign currency funding and deposit exposure is monitored by the treasury department on a continuous basis and hedging proposals are presented to the Finance Committee.

Refer to page 131 for details of the sensitivity analysis of the Group's exposure to currency risk arising from recognised financial assets or financial liabilities denominated in a currency other than the functional currency at 31st December 2016.

Credit Exposure
The Group's credit risk is primarily attributable to trade and other receivables with wholesale customers, derivative financial instruments and cash and deposits with banks and financial institutions. Individual operating entities are responsible for setting credit terms appropriate to their industry and assessing the credit profile of individual customers.

Standard settlement terms within the HAECO group, the Beverages Division and SPO are 30 days from the date of invoice. In accordance with the provisions of Swire Properties' standard tenancy agreements, rentals and other charges are due on the first day of each calendar month. Typically sales to retail customers within Swire Resources are made by cash or major credit cards. The Group has no significant credit risk with any one customer.

When depositing surplus funds or entering into derivative contracts, the Group controls its exposure to non-performance by counterparties by dealing with investment grade counterparties, setting approved counterparty limits and applying monitoring procedures. Counterparty credit exposure limits for financial institutions are proposed by the treasury department and approved by the Corporate Development and Finance Director. The treasury department monitors the counterparties' credit ratings and issues an approved list of counterparties with their limits on a quarterly basis to all subsidiaries. Group companies require prior approval from the Group's treasurer to deal with banks not on the approved list.

The Group is not required by its counterparties to provide collateral or any other form of security against any change in the market value of derivatives. There are no specific conditions that would require the termination of derivative contracts should the credit rating of Swire Pacific be downgraded.

The maximum credit risk in respect of contingencies is disclosed in note 39 to the financial statements.

Liquidity Risk
The Group takes liquidity risk into consideration when deciding its sources of funds and their tenors, so as to avoid over reliance on funds from any one source and to prevent substantial refinancing in any one period. The Group maintains significant undrawn committed revolving credit facilities and cash deposits in order to reduce liquidity risk further and to allow for flexibility in meeting funding requirements.

The Group aims to maintain immediate access to committed funds to meet its refinancing and capital commitments for the following 12 months on a rolling basis, excluding its onshore Renminbi debt funding, where forward commitments are not readily available. The Group does not have significant offshore Renminbi debt funding.

The treasury department produces a forecast funding plan for the Group on a quarterly basis and a summary forecast on a monthly basis, in order to assess committed and probable funding requirements. The plan includes an analysis of debt refinancing by year and by source of funds. The Group's treasurer presents the forecast funding plan together with funding proposals to the Corporate Development and Finance Director on a regular basis, and to the Finance Committee. Refer to page 132 for details of the Group's contractual obligations at 31st December 2016.

Price Risk
The Group is exposed to price risk in relation to listed equity securities held as available-for-sale investments. Management regularly reviews the expected returns from holding such investments, on an individual basis.

Directors and Officers

Executive Directors

SLOSAR, John Robert, aged 60, has been a Director of the Company since May 2006 and its Chairman since March 2014. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited and a Director of Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. He joined the Swire group in 1980 and has worked with the group in Hong Kong, the USA and Thailand.

BRADLEY, Guy Martin Coutts, aged 51, has been a Director of the Company since January 2015. He is also a Director and Chief Executive of Swire Properties Limited. He joined the Swire group in 1987 and has worked with the group in Hong Kong, Papua New Guinea, Japan, the USA, Vietnam, Mainland China, Taiwan and the Middle East.

CHU, Kwok Leung Ivan, aged 55, has been a Director of the Company since March 2014. He is also a Director and Chief Executive of Cathay Pacific Airways Limited and Chairman of Hong Kong Dragon Airlines Limited. He joined the Swire group in 1984 and has worked with the group in Hong Kong, Mainland China, Taiwan, Thailand and Australia.

CUBBON, Martin, aged 59, has been a Director of the Company since September 1998. He was Finance Director from September 1998 to March 2009 and Executive Director responsible for the Property Division from May 2009 to December 2014. He became Corporate Development and Finance Director in January 2015. He is also a Director of Swire Properties Limited and Cathay Pacific Airways Limited. He joined the Swire group in 1986.

TANG, Kin Wing Augustus, aged 58, has been a Director of the Company since August 2011. He is also a Director and Chief Executive Officer of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1982 and has worked with Cathay Pacific Airways Limited in Hong Kong, Malaysia and Japan.

Non-Executive Directors

SWIRE, Merlin Bingham, aged 43, has been a Director of the Company since January 2009. He is also Deputy Chairman and Chief Executive and a shareholder of John Swire & Sons Limited and a Director of Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is brother to S C Swire, a Non-Executive Director of the Company.

SWIRE, Samuel Compton, aged 37, has been a Director of the Company since January 2015. He is also a Director and shareholder of John Swire & Sons Limited and a Director of Cathay Pacific Airways Limited. He joined the Swire group in 2003 and has worked with the group in Hong Kong, Singapore, Mainland China, Sri Lanka and London. He is brother to M B Swire, a Non-Executive Director of the Company.

Independent Non-Executive Directors

ETCHELLS, Paul Kenneth, aged 66, is to be appointed as a Director of the Company with effect from 17th May 2017. He is an Independent Non-Executive Director of Swire Properties Limited (until 16th May 2017), China Foods Limited and Samsonite International S.A. He is also an adviser to Cassia Investments Limited. He was employed by the Swire group in Hong Kong from 1976 to 1998. He was employed by The Coca-Cola Company from July 1998 to June 2010 and worked in the USA, Mainland China and Hong Kong.

FRESHWATER, Timothy George, aged 72, has been a Director of the Company since January 2008. He is a Non-Executive Director of Savills plc. He is also an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited.

LEE, Chien, aged 63, has been a Director of the Company since January 1993. He is a Non-Executive Director of Hysan Development Company Limited. He is a Council member of the Chinese University of Hong Kong and St. Paul's Co-educational College and also a Trustee Emeritus of Stanford University and Director of Stanford Health Care.

LEE, Wai Mun Rose, JP, aged 64, has been a Director of the Company since July 2012. She is Vice-Chairman and Chief Executive of Hang Seng Bank Limited, a Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-Executive Director of CK Hutchison Holdings Limited. She is also Vice President of The Hong Kong Institute of Bankers, Executive Vice-Chairman of the Finance Professional Committee of Guangdong's Association for Promotion of Cooperation between Guangdong, Hongkong & Macao, Vice-Chairman of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen and a member of the Consulting Committee of Qianhai & Shekou Area of Shenzhen, China (Guangdong) Pilot Free Trade Zone, and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen. In addition, she is a Board member of the Community Chest of Hong Kong, a member of the court of The Hong Kong University of Science and Technology and a member of the Financial Services Advisory Committee of Hong Kong Trade Development Council.

ORR, Gordon Robert Halyburton, aged 54, has been a Director of the Company since August 2015. He joined McKinsey & Company in 1986 and retired in 2015. He was a member of McKinsey's global shareholder board from 2003 to 2015. He is a Non-Executive Director of Lenovo Group Limited and a Board member of the China-Britain Business Council.

SZE, Cho Cheung Michael, GBS, CBE, ISO, JP, aged 71, has been a Director of the Company since November 2004. He is a former Executive Director of the Hong Kong Trade Development Council, a position he held for eight years prior to his retirement on 1st May 2004. Before that, he worked for 25 years in various capacities in the Hong Kong Government. He is also a Consultant to the Board of Lee Kum Kee Co., Ltd., a Director of SADS HK Foundation Limited and an Independent Non-Executive Director of Yangtzekiang Garment Limited and YGM Trading Limited.

YANG, Mun Tak Marjorie, aged 64, has been a Director of the Company since October 2002. She is Chairman of Esquel Group, and a Director of The Hongkong and Shanghai Banking Corporation Limited. She is also a Deputy Chairman of the Seoul International Business Advisory Council. She is the Co-Chairman of the advisory board of Computer Science and Artificial Intelligence Lab at MIT, and sits on advisory boards at Harvard Business School and Tsinghua School of Economics and Management.

Executive Officer

HEALY, Patrick, aged 51, has been Executive Director of the Beverages Division since January 2013. He is also a Director of Swire Properties Limited. He joined the Swire group in 1988 and has worked with the group in Hong Kong, Germany and Mainland China.

Company Secretary

FU, Yat Hung David, aged 53, has been Company Secretary since January 2006. He joined the Swire group in 1988. He is a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission of Hong Kong. He is also a member of the Standing Committee on Company Law Reform.

Notes:
1. The Audit Committee comprises T G Freshwater (committee chairman), C Lee and G R H Orr.
2. The Remuneration Committee comprises C Lee (committee chairman), R W M Lee and M B Swire.
3. All the Executive Directors and the Executive Officer are also Directors of John Swire & Sons (H.K.) Limited.
4. All the Executive Directors, the Executive Officer, M B Swire and S C Swire are employees of the John Swire & Sons Limited group.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31st December 2016, which are set out on pages 124 to 208.

Principal Activities

The principal activity of Swire Pacific Limited (the "Company") is that of a holding company, and the principal activities of its principal subsidiary, joint venture and associated companies are shown on pages 197 to 208. An analysis of the Group's performance for the year by reportable business segment and geographical area is set out in note 7 to the financial statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") together with the Group's interests in joint venture and associated companies. Details of the joint venture and associated companies are provided under note 19 to the financial statements.

Dividends

The Directors have declared second interim dividends of HK¢110.0 per 'A' share and HK¢22.0 per 'B' share which, together with the first interim dividends of HK¢100.0 per 'A' share and HK¢20.0 per 'B' share paid in October 2016, amount to full year dividends of HK¢210.0 per 'A' share and HK¢42.0 per 'B' share, compared to full year dividends of HK¢390.0 per 'A' share and HK¢78.0 per 'B' share in respect of 2015. The second interim dividends will be paid on 12th May 2017 to shareholders registered at the close of business on the record date, being Thursday, 13th April 2017. Shares of the Company will be traded ex-dividend from Tuesday, 11th April 2017.

Closure of Register of Members

The register of members will be closed on Thursday, 13th April 2017, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 12th April 2017.

To facilitate the processing of proxy voting for the annual general meeting to be held on 18th May 2017, the register of members will be closed from 15th May 2017 to 18th May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 12th May 2017.

Business Review

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chairman's Statement, 2016 Performance Review and Outlook, Financial Review, Financing and Risk Management and in the Notes to the Financial Statements. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Sustainable Development Review. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group is provided in the sections of this annual report headed Sustainable Development Review, Corporate Governance Report, Risk Management and Directors' Report.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 34 and 36(b) respectively, to the financial statements.

Share Capital

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year and the Group has not adopted any share option scheme.

At 31st December 2016, 905,206,000 'A' shares and 2,995,220,000 'B' shares were in issue (31st December 2015: 905,206,000 'A' shares and 2,995,220,000 'B' shares). Details of the movement of share capital are set out in note 33 to the financial statements.

Accounting Policies

The principal accounting policies of the Group are set out in the relevant Notes to the Financial Statements (if they relate to a particular item) and in the section of this annual report headed Principal Accounting Policies.

Auditors

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Financial Review

A review of the consolidated results, financial position and cash flows of the Group is shown in the section of this annual report headed Financial Review. A ten-year summary of the financial performance of the Group is shown in the section of this annual report headed Summary of Past Performance.

Corporate Governance

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

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

Details of the Company's corporate governance practices are set out in the section of this annual report headed Corporate Governance Report.

Environmental, Social and Governance

The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report.

Donations

During the year, the Group made donations for charitable purposes of HK$43 million and donations towards various scholarships of HK$3 million.

Fixed Assets

For details of movements in fixed assets refer to notes 14 and 15 to the financial statements.

The annual valuation of the Group's investment property portfolio, whether completed or in the course of development, was carried out by professionally qualified valuers (93% by value having been valued by DTZ Cushman & Wakefield Limited and 2% by value in total having been valued by another independent valuer) on the basis of open market value at 31st December 2016. This valuation resulted in an increase of HK$8,445 million in the carrying value of the investment property portfolio.

A schedule of the principal properties of the Group and its joint venture and associated companies is given in the section of this annual report headed Schedule of Principal Group Properties.

Borrowings

For details of the Group's borrowings refer to the section of this annual report headed Financing.

Interest

For details of the amount of interest capitalised by the Group refer to page 84.

Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and suppliers respectively.

Directors

P K Etchells is to be appointed as a Director with effect from 17th May 2017. All the present Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the calendar year 2016. P A Johansen retired as a Director of the Company with effect from the conclusion of the 2016 annual general meeting held on 12th May 2016. J B Rae-Smith and I S C Shiu resigned as Directors with effect from 27th August 2016 and 1st January 2017 respectively.

Independence Confirmation
The Company has received from all of its Independent Non-Executive Directors (listed in the section of this annual report headed Directors and Officers) confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

Term of Appointment
Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, I K L Chu, M Cubbon, T G Freshwater and C Lee retire this year and, being eligible, offer themselves for re-election. M C C Sze also retires this year but does not offer himself for re-election. P K Etchells, having been appointed to the Board under Article 91 since the last annual general meeting, will also retire this year and will offer himself for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees and Emoluments
Full details of Directors' fees and emoluments are set out in note 8 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$4.9 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2016, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
T G Freshwater	41,000	–	–	41,000	0.0045	
G R H Orr	9,000	–	–	9,000	0.0010	
M C C Sze	20,000	–	–	20,000	0.0022	
'B' shares						
C Lee	1,000,000	–	21,605,000	22,605,000	0.7547	1

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
M B Swire	2,075,023	130,000	22,146,927	24,351,950	24.35	2
S C Swire	1,351,805	–	19,222,920	20,574,725	20.57	2
8% Cum. Preference Shares of £1						
M B Swire	2,769,489	–	17,189,190	19,958,679	22.18	2
S C Swire	1,102,323	–	17,189,190	18,291,513	20.32	2

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Swire Properties Limited						
Ordinary Shares						
T G Freshwater	28,700	–	–	28,700	0.00049	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	1
M C C Sze	4,200	–	–	4,200	0.00007	

	Capacity			
	Beneficial interest			
	Personal	Other	Total no. of shares	Percentage of voting shares (%)
Hong Kong Aircraft Engineering Company Limited				
Ordinary Shares				
M C C Sze	12,800	–	12,800	0.0077

Notes:
1. All the shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire and S C Swire are trustees of trusts which held 10,823,591 ordinary shares and 7,899,584 ordinary shares respectively and 6,976,788 preference shares in John Swire & Sons Limited included under "Trust interest" and do not have any beneficial interest in those shares.

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

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

Other than as stated in this report, no transaction, arrangement or contract of significance to which the Group was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Businesses

None of the Directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2016 or during the period from 1st January 2017 to the date of this Report are available on the Company's website www.swirepacific.com.

Permitted Indemnity

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), every Director is entitled under the Company's Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by such Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

Substantial Shareholders' and Other Interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2016 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	'A' shares	Percentage of voting shares (comprised in the class) (%)	'B' shares	Percentage of voting shares (comprised in the class) (%)	Note
John Swire & Sons Limited	412,558,720	45.58	2,074,008,782	69.24	1
Aberdeen Asset Management plc	63,175,386	6.98	329,447,420	10.99	2

Notes:
1. John Swire & Sons Limited is deemed to be interested in a total of 412,558,720 'A' shares and 2,074,008,782 'B' shares of the Company at 31st December 2016, comprising:
   (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 322,603,700 'A' shares and 117,747,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 9,140,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 27,716,500 'A' shares held by Waltham Limited.
2. Aberdeen Asset Management plc is interested in the 'A' shares and 'B' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.

At 31st December 2016, the Swire group was interested in 55.00% of the equity of the Company and controlled 63.75% of the voting rights attached to shares in the Company.

Public Float

Listing Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total number of issued shares must at all times be held by the public. The Company has been granted by the Stock Exchange a waiver from strict compliance with Listing Rule 8.08(1) such that the Company's public float percentage continues to be calculated based on its issued share capital as if its shares still had nominal values. From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 25% of the Company's total issued share capital (calculated as described in the previous sentence) is held by the public.

Continuing Connected Transactions

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK"), a wholly-owned subsidiary of John Swire & Sons Limited ("Swire"), provided to the Company and some of its subsidiary and associated companies advice and expertise of the directors and senior officers of the Swire group, full or part time services of members of the staff of the Swire group, other administrative and similar services and such other services as may be agreed from time to time, and procured for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by Swire.

In return for these services, JSSHK receives annual service fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associates and joint ventures of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiaries and associates with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in arrear in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The Services Agreements, which took effect from 1st January 2005 and were renewed on 1st October 2007, 1st October 2010 and 14th November 2013, were renewed again on 1st October 2016 for a term of three years from 1st January 2017 to 31st December 2019. They are renewable for successive periods of three years thereafter unless either party to them gives to the other notice of termination of not less than three months expiring on any 31st December.

Under the Services Agreement between JSSHK and the Company, JSSHK is obliged to procure for the Company and its subsidiaries, associates and joint ventures the use of relevant trademarks owned by Swire. No fee is payable in consideration of such procuration obligation or such use. This procuration obligation would fall away if the Services Agreement between JSSHK and the Company were terminated or not renewed.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2016 are given in note 41 to the financial statements.

The Company, JSSHK and Swire Properties Limited ("Swire Properties") entered into a Tenancy Framework Agreement ("Tenancy Framework Agreement") on 14th August 2014 to govern existing and future tenancy agreements between members of the Group, members of the JSSHK group and members of the Swire Properties group. Pursuant to the Tenancy Framework Agreement, members of the Group, members of the JSSHK group and members of the Swire Properties group enter into tenancy agreements from time to time on normal commercial terms based on prevailing market rentals. The Tenancy Framework Agreement was renewed for a term of three years from 1st January 2016 to 31st December 2018 and is renewable for successive periods of three years thereafter unless any party to it gives to the other parties notice of termination of not less than three months expiring on any 31st December.

Particulars of the aggregate rentals payable to the Group under tenancies subject to the Tenancy Framework Agreement for the year ended 31st December 2016 are given in note 41 to the financial statements.

The Swire group was interested in 55.00% of the equity of the Company and controlled 63.75% of the voting rights attached to shares in the Company at 31st December 2016. JSSHK, as a wholly-owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the Services Agreements and the Tenancy Framework Agreement are continuing connected transactions in respect of which announcements dated 19th August 2016 and 20th August 2015 respectively were published.

As directors and employees of the Swire group, G M C Bradley, I K L Chu, M Cubbon, I S C Shiu, J R Slosar and A K W Tang are interested in the Services Agreements and the Tenancy Framework Agreement. Before they ceased to be directors of the Company, J B Rae-Smith and I S C Shiu were so interested as directors and employees of the Swire group (and also as a shareholder of Swire in the case of J B Rae-Smith). M B Swire and S C Swire are so interested as shareholders, directors and employees of Swire.

The Independent Non-Executive Directors of the Company, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed these transactions and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that the relevant annual caps have been exceeded.

Discloseable Transactions

On 28th October 2016, Swire Properties (as seller) entered into a sale and purchase agreement with Lucky Melody Limited (as purchaser) for the sale of Swire Properties' 100% interest in Star Wing International Limited ("Star Wing") to the purchaser for a total cash consideration of HK$6,528 million (subject to adjustment) (the "Disposal"). Star Wing owns the land situated at Kowloon Bay, Hong Kong, known and registered in the Land Registry as New Kowloon Inland Lot No. 6312 and the building being developed on the land. Completion is conditional upon an occupation permit and a certificate of compliance being obtained on or before 31st December 2018. The Disposal constituted a discloseable transaction of the Company under the Listing Rules, in respect of which an announcement dated 28th October 2016 was published.

On 30th October 2016, Swire Coca-Cola, USA (a wholly-owned subsidiary of the Company, as purchaser) and Coca-Cola Refreshments USA, Inc. and BCI Coca-Cola Bottling Company of Los Angeles (as sellers) entered into sale and purchase agreements, under which the purchaser was conditionally granted additional territory rights in the Pacific Northwest of the USA and conditionally agreed to acquire from the sellers certain production assets and distribution assets for the production and sale of Coca-Cola and other beverage products in the states of Washington, Oregon and Idaho (including the cities of Seattle and Spokane in Washington and the city of Portland in Oregon) for a consideration of US$170.1 million (subject to adjustment) (the "Transactions"). As a related transaction, the purchaser will make quarterly sub-bottler payments to one of the sellers. The net present value of such payments on 30th October 2016 was estimated to be US$7.9 million. The Transactions constituted a discloseable transaction of the Company under the Listing Rules, in respect of which an announcement dated 31st October 2016 was published.

Discloseable and Connected Transactions

On 17th November 2016, Swire Beverages Holdings Limited ("SBHL"), a wholly-owned subsidiary of the Company, entered into a Master Agreement with The Coca-Cola Company ("TCCC") and COFCO Coca-Cola Beverages Limited ("COFCO") in relation to a realignment of the Coca-Cola bottling system in Mainland China (the "Realignment"). On 16th December 2016, SBHL's conditional bid for the equity interests of COFCO referred to below was accepted. For the purposes of the Realignment, (i) SBHL (a) conditionally agreed to acquire TCCC's equity interests in Coca-Cola bottling companies in Guangxi, Yunnan, Hubei and Shanghai for an aggregate consideration of RMB3,014 million (subject to completion adjustments) and (b) submitted a conditional bid (under an auction required to be held under Mainland China law) to acquire COFCO's equity interests in Coca-Cola bottling companies in Hainan, Jiangxi, Zhanjiang/Maoming, Jiangsu, Zhejiang, Guangdong and Shanghai for an aggregate consideration of RMB2,122 million and (ii) COFCO conditionally agreed to acquire (a) TCCC's equity interests in Coca-Cola bottling companies in Chongqing, Heilongjiang, Jilin, Liaoning, Sichuan and Shanxi for an aggregate consideration of RMB2,900 million (subject to completion adjustments) and (b) SBHL's equity interest in the Coca-Cola bottling company in Shaanxi for a consideration of RMB487 million (subject to completion adjustments). The net amount of the consideration payable by SBHL in respect of the Realignment is RMB4,649 million, subject to completion adjustments. Completion of the Realignment is conditional on, amongst other things, the obtaining of regulatory approvals in Mainland China.

On 17th November 2016, SBHL entered into an agreement (the "Swire Beverages Agreement") with Coca-Cola South Asia Holdings, Inc. under which SBHL conditionally agreed to acquire the 12.5% equity interest in Swire Beverages Limited not already owned by SBHL for a consideration of RMB1,220 million. Completion of the Swire Beverages Agreement is conditional on completion of the Realignment.

The transactions described above to which subsidiaries of the Company were parties together constituted a discloseable transaction under the Listing Rules. As China Foods Limited is a substantial shareholder of Swire Coca-Cola Beverages Zhejiang Limited, Swire Coca-Cola Beverages Jiangsu Limited and Swire Guangdong Coca-Cola Limited and such companies are subsidiaries of the Company, China Foods Limited is a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions under the Realignment to which subsidiaries of the Company and of China Foods Limited are parties together constituted a connected transaction for the Company under the Listing Rules. On 18th November 2016, the Company published an announcement in respect of such discloseable and connected transactions.

On behalf of the Board

John Slosar
Chairman
Hong Kong, 16th March 2017

Sustainable Development Review

At Swire Pacific, we do not view sustainability as a cost or just a set of good intentions; it is a key strategic objective for the business. Sustainability represents an opportunity for innovation, growth and improved efficiency. It helps to fulfil our aim to create long-term value for our shareholders by safeguarding our natural resources, supporting the communities in which we operate, concentrating on the wellbeing of our staff and encouraging our suppliers to maintain high ethical and environmental standards.

The Swire Pacific Sustainable Development Office helps to set policies and monitors their implementation by business units. Policies are set to reflect key sustainability trends, as well as to address major risks and opportunities in sustainability. The Sustainable Development Office also coordinates committees and working groups that enable operating companies to exchange information and best practices with a view to improving efficiency, reducing costs and engaging with staff. Sustainability matters are overseen by a sustainability committee, which reports to the Swire Pacific Group Risk Management Committee. The Head of Sustainable Development reports directly to the Chairman.

Environment

We believe that business growth should not come at the cost of the environment. We wish to protect the environment we work in, by encouraging our staff to work to this end, by improving efficiency, by using appropriate technologies and by funding appropriate research and development. This is because ultimately we believe that when we help the world in which we operate to thrive, so do we.

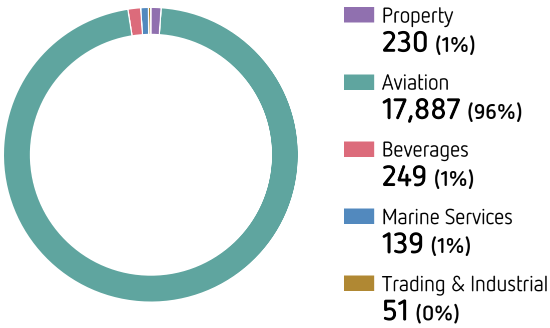
In 2016 we launched our new Group-wide Environmental Sustainability Strategy –"THRIVE". The THRIVE strategy focuses on six key target areas that have been identified as material to our businesses between now and 2030 with the initial emphasis on 2020 milestones for carbon, waste, water, sustainable materials, biodiversity and climate resilience.

Greenhouse Gas Emissions

Mitigating and adapting to the effects of climate change is one of the major challenges for our businesses. To reduce the risks associated with climate change, greenhouse gas emissions must be reduced. We work with industry groups and regulators to support emissions reductions.

Total GHG Emissions by Division

Thousand tonnes of CO_2e



Note: The figures above consist of Scope 1 and Scope 2 greenhouse gas emissions as defined by the Greenhouse Gas Protocol.

In 2016, our greenhouse gas emissions were 18.6 million tonnes of CO_2e, an increase from 18.3 million tonnes of CO_2e in 2015. This increase is principally attributable to more jet fuel consumption by the Cathay Pacific group, as a result of more flights being operated.

The Aviation Division accounted for 96% of our total emissions in 2016. Cathay Pacific has set a target of improving fuel efficiency by 2% per annum up to 2020, and achieving carbon neutral growth thereafter. This exceeds the agreed industry target of 1.5%. Our strategy for achieving this follows IATA's four pillar strategy (for details, please refer to: http://www.iata.org/policy/environment/pages/climate-change.aspx). In 2016, Cathay Pacific increased fuel efficiency by 1%, principally as a result of using more fuel efficient aircraft. Ten A350-900 aircraft were delivered in 2016. These aircraft are 25% more fuel efficient than the existing wide-body fleet.

We encourage the use of biofuels in the engines of our aircraft, vehicles and vessels. Cathay Pacific is a member of the Round Table on Sustainable Biomaterials and of the Sustainable Aviation Fuel Users Group Asia. Cathay Pacific has a minority stake in Fulcrum BioEnergy Inc., a company which converts municipal solid waste into sustainable aviation fuel. All of our A350-900 delivery flights used jet fuel that contains a 10% blend of biofuel.

Cathay Pacific's FLY greener programme offset 14,400 tonnes of CO_2 in 2016, by investing in offsets generated by Gold Standard certified offset projects, including projects in Taiwan and Mainland China.

Energy

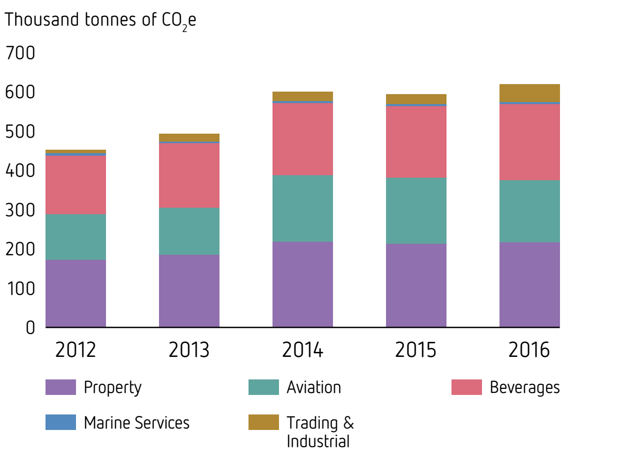
Electricity consumption represents our second largest source of greenhouse gas emissions. Our emissions from using electricity in 2016 were 618,000 tonnes of CO_2e, a 4% increase from 2015. This increase primarily results from an increase in the scope of this report, as more projects have now been fully operational for the whole year.

Our operating companies exchange information about energy efficiency through our energy committee. Making our buildings and operations more energy efficient is a priority. Our sustainable building design policy requires new and substantially renovated buildings to try to obtain the highest or, as a minimum, the second highest international or local building environmental certification.

At the end of 2016, 75 buildings, representing 70% of our total property portfolio (including buildings in our investment and trading portfolios) had been certified or provisionally certified as green buildings under independent third-party rating systems, including BEAM Plus and LEED.

Operating companies are encouraged to reduce energy use and to set energy efficiency targets. The Swire Properties energy management plan, which has been in place since 2001, has achieved a 17.8% decrease in energy usage from 2001 to 2016 despite a 16.6% increase in gross floor area. Energy intensity per square metre decreased by 2% in Swire Properties' Hong Kong and Mainland China property portfolios in 2016.

Indirect GHG Emissions by Division



Swire Properties offers free energy audits to tenants. Since 2008, audits have covered 433,000m^2 of commercial space, identifying savings of 6.3 million kWh per year.

We encourage the use of renewable energy in our operations. 56 million kWh of electricity was generated from renewable energy sources at SPO, Swire Beverages and HAECO Xiamen in 2016. The expansion of the Group's renewable capacity through implementation of new and existing projects will be greatly assisted by the Swire Pacific Sustainable Development Fund. This fund will make available up to HK$100 million per annum for innovative sustainable projects which, but for disbursements from the fund, would not meet the Group's cost of capital targets.

A number of our operating companies have systems designed to manage their environmental impact. Each of our divisions has operations covered by ISO 14001. In 2016, HAECO Xiamen became one of Mainland China's first maintenance, repair and overhaul organisations with an environmental management system implemented to ISO 14001:2004 standard.

Swire Properties has obtained ISO 50001:2011 certifications for its energy management systems at its entire Hong Kong property portfolio, and at its Taikoo Li Sanlitun, Beijing and TaiKoo Hui, Guangzhou developments in Mainland China.

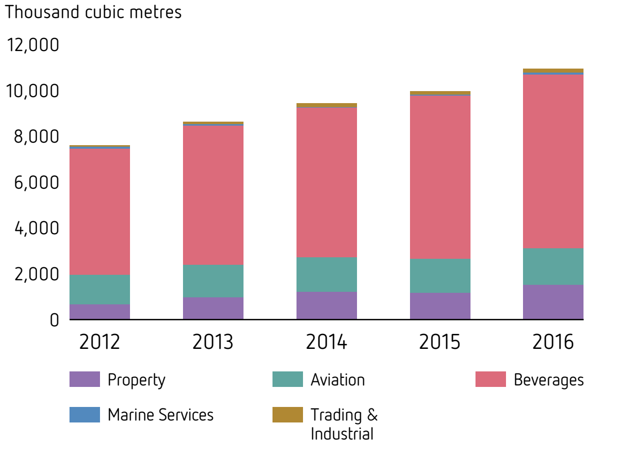
We work with others to provide innovative solutions to our energy needs. In 2016, Swire Beverages joined Swire Properties in establishing a partnership with Tsinghua University to explore energy efficiency and management at Swire Beverages' bottling plant operations in Mainland China.

Water

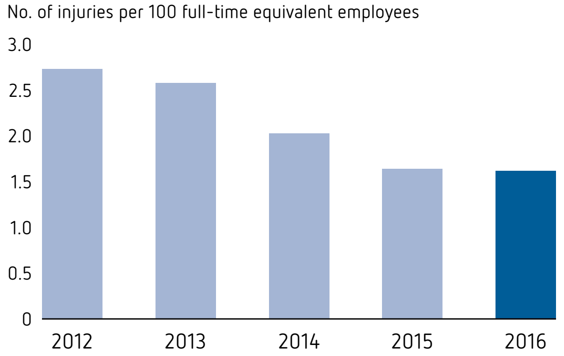
In 2016, we consumed 10.9 million cubic metres of water, an increase from 10.0 million cubic metres in 2015. We set water intensity targets and encourage operating companies to use water more efficiently. Some of our operations use rainwater for irrigation and cleaning.

Using water to make beverages and maintain hygiene, the Beverages Division accounts for 69% of our water use. Swire Beverages has increased its water efficiency by 37% since 2004. It has a target of a 25% improvement in water efficiency by 2020 over 2010 levels. In 2016, water intensity at the Beverages Division, which reflects the amount of water needed to produce a litre of beverage product, increased slightly due to calibration of new production lines in Fuzhou, an increase in the frequency of new product trials and a slight increase in production of still products. The Beverages Division reuses treated water and replaces and repairs water piping.

Water Consumption by Division



Lost Time Injury Rate



All wastewater is required to be treated so that it meets or exceeds legal requirements and can be returned to the environment.

Swire Beverages aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020. In 2015, The Coca-Cola Company and its bottlers (including Swire Beverages) met and exceeded their 2020 water replenishment goal. They achieved a positive water balance by returning 191.9 billion litres of clean water back to nature, which is equivalent to 115% of water used in global sales volume.

Health and Safety

The health and safety of our employees, visitors and partners is of critical importance. We believe that all incidents are preventable. We aim to improve our health and safety management systems continuously with a view to causing zero harm.

Our Performance

In 2016 the number of injuries per 100 full-time equivalent employees (lost time injury rate or 'LTIR') decreased to 1.62 from 1.64 in 2015. This represents a 1.2% decrease from 2015 and a cumulative 41% decrease over the past 5 years.

Regrettably there was one fatality in 2016. This occurred when an employee at Qinyuan Bakery in Mainland China was struck by a vehicle while he was delivering goods to a store. Following a full investigation, road safety procedures have been improved and relevant training enhanced to raise staff safety awareness.

Towards Zero Harm

The Swire Pacific Zero Harm Framework focuses on five areas: management commitment, a safe workplace, safe behaviour, continuous improvement of management systems and effective injury management. In 2016:

- Safety became the first agenda item for key management and committee meetings within the Group.
- Swire Beverages adopted interview-style job safety analyses to identify hazards with a view to improving workplace safety.
- Cathay Pacific and HAECO were engaged in manual handling campaigns to reinforce safe behaviour and reduce injuries related to manual handling.
- All HAECO group companies in Hong Kong achieved OHSAS18001 safety management certification.
- Swire Properties and Swire Resources conducted cross safety observation to share best practices.
- Rehabilitation service providers were appointed to improve staff injury management and to implement a return-to-work programme.

The annual Swire Pacific Health & Safety Conference took place in November 2016. This year's theme was "Safety is good for business". It was attended by representatives from Group companies in Hong Kong, Mainland China, Taiwan, Singapore and the USA.

Staff

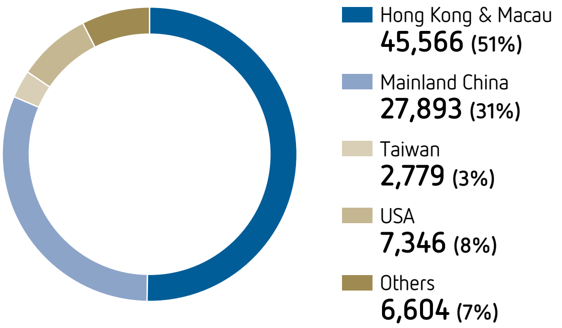
Swire Pacific is a people business. We believe in our people. Our success is built by creating the most talented and diverse workforce possible. We believe that diversity of thought helps us to identify and mitigate risk, create market opportunities and deliver strong, sustainable business performance.

We believe that our success depends critically on our ability to attract and retain talented people in an increasingly competitive marketplace. We aim to be an employer of choice through offering a competitive remuneration package and investing in our staff's training and development so they can reach their potential. For when our staff thrive, so do we.

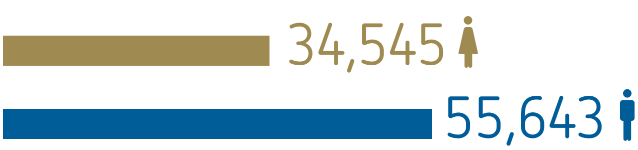
Employee Profile

At the end of 2016, the Swire Pacific Group (including joint ventures and associated companies) employed over 90,000 staff globally, an increase of 9.29% from the end of 2015. Most staff are based in Hong Kong or Mainland China.

Employee Numbers by Region



Employee Breakdown by Gender



Equal Opportunities and Diversity

We believe that the diversity of our employees provides us with a broader range of skills and experience with which to respond to the challenges and opportunities facing our commercially diverse businesses. We therefore work to create an inclusive workforce, which offers equal opportunities for all our employees.

Our Diversity Council and Women's Network help us to accomplish our aim of creating a diverse and inclusive workforce. Over the last three years the percentage of women in our workforce has increased from 36% to 38%.

Consistent with our Code of Conduct, we do not tolerate unlawful discrimination or harassment in the workplace. Employees are required to be fully compliant with applicable employment and other laws.

Code of Conduct

Our corporate code of conduct is publicly available and can be viewed at http://www.swirepacific.com/en/governance/code.php.

Staff Retention

We offer competitive remuneration and benefits, even in difficult economic times. Decisions on remuneration are made by reference to job responsibilities, individual and business performance, conditions in the job market and the economy. We operate a 24-hour counselling and consultation hotline for employees. We engage with our staff through our intranet, newsletters, staff surveys and forums. We monitor staff turnover with a view to identifying and managing problems.

Training and Education

By our training and development programmes, we aim to attract and retain outstanding people and enable them to realise their career goals. We develop our people by on-the-job learning, mentoring or coaching, classroom training and online learning. Ethos International, Swire's in-house leadership development company, provides training programmes for promising staff. The programmes were developed in partnership with INSEAD and Forum for the Future.

Managing for the Future

Under our management trainee programme, we select high calibre graduates to work in general management roles in our operating companies. Over the following 15 years we coach and mentor them, send them on courses and plan the steps in their careers.

Our summer internship programme gives exceptional students the opportunity to gain experience of working at Swire. Interns first learn about what we do and our values. They are then posted to work on business projects at our operating companies.

Working with Others

We have suppliers in many countries. Some of these countries have lower sustainability standards than others. We try to select suppliers which have high standards. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

Our operating companies are responsible for their own supply chain management. Support is provided by our supply chain sustainability working group. The group's role is to share best practices and to develop sustainability policies and guidelines for suppliers.

Our Supplier Corporate Social Responsibility Code of Conduct has been adopted by all Swire Pacific operating companies. It deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting. Suppliers' compliance with the code is assessed.

Operating companies use a risk matrix based on the above supplier code of conduct, with a view to managing and mitigating risks. The results determine which suppliers need to be audited in order to ensure compliance.

Our Sustainable Procurement Policy commits operating companies where possible to purchasing products which do not adversely affect the environment. Our guidelines on doing so are in accordance with international standards.

Community Involvement

We believe that if the communities in which we operate thrive, so do our businesses. We support the communities in which we operate through the Swire Group Charitable Trust ("The Trust") and through the community programmes of our operating companies. More information on the activity of the Trust and our operating companies can be found in their separate sustainability reports, which can be found at http://www.swirepacific.com/en/sd/sd_reports.php. In 2016 the Trust distributed HK$55,673,632 in funds.

Reporting and Recognition

In July 2017, we will be publishing a separate standalone sustainability report. Our sustainability report will follow the Global Reporting Initiative's ("GRI") G4 reporting guidelines at the core level and the ESG Reporting Guide for listed companies issued by Hong Kong Exchanges and Clearing Limited. This report together with separate reports from our major operating companies will be available at http://www.swirepacific.com/en/sd/sd_reports.php.

PricewaterhouseCoopers have been engaged to provide a limited assurance report in respect of selected sustainability information of Swire Pacific Limited for the year ended 31st December 2016. Further information on the scope and boundaries of the sustainability data found in this report can be found along with the full text of the limited assurance report from PricewaterhouseCoopers at http://www.swirepacific.com/en/sd/sd_reports.php.

We report to the Carbon Disclosure Project ("CDP") and to the Carbon Footprint Repository for Listed Companies in Hong Kong. In 2016 Swire Pacific, the HAECO group and Cathay Pacific all received a CDP climate change programme score of B.

Swire Pacific Limited and Swire Properties are included in the 2016 Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Index and in the MSCI World ESG and MSCI Global SRI Indices. In 2016, Swire Properties joined Cathay Pacific in being listed in the FTSE4Good Index.

Statistics – Environmental

		Property		Cathay Pacific group		HAECO group	
	Note	2016	2015	2016	2015	2016	2015
Total Energy Consumption (thousand GJ)							
Direct energy consumption		154	102	245,729	244,603	349	169
Indirect energy consumption		1,023	982	682	464	481	464
Total	1	1,177	1,084	246,412	245,067	830	633
% Change year-on-year		9%		1%		31%	
Total Greenhouse Gas Emissions by Weight (thousand tonnes CO_2e)							
Direct (Scope 1)	2	13	6	17,702	17,535	27	12
Indirect (Scope 2)		216	212	80	85	78	83
Total	1	230	218	17,782	17,620	105	95
% Change year-on-year		6%		1%		11%	
Total Water Used (thousand cbm)							
Water used	3	1,522	1,169	866	846	710	633
% Change year-on-year		30%		2%		12%	

Statistics – Health & Safety

	Property		Cathay Pacific group		HAECO group	
	2016	2015	2016	2015	2016	2015
Thousand hours worked	11,674	9,689	69,059	66,135	39,415	33,884
Total lost time injuries	105	92	970	913	299	238
Lost time injury rate (LTIR)	1.80	1.90	2.81	2.77	1.52	1.40
% Change year-on-year (LTIR)	-5%		1%		9%	
Total fatalities	–	–	–	–	–	–

Notes:
1. Totals may not be the exact sum of numbers shown here due to rounding.
2. For the Cathay Pacific group, only CO_2 emissions for aviation turbine fuel are reported as there is no scientific consensus on the global warming effect of other emissions. Cathay Pacific monitors developments in these areas of atmospheric science, including studies from the UKs OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre.
3. Virtually all water consumption by the Swire Pacific Group is withdrawn from municipal water supplies provided by local water supply authorities. Swire Properties' buildings have installed rainwater catching facilities but the amount of rainwater caught is insignificant in relation to the Group's total water consumption.
4. This figure excludes on-hire vessel fuel consumption as this belongs to scope 3 as defined by the Greenhouse Gas Protocol.
R. Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the independent limited assurance report for further details.

	Beverages		Swire Pacific Offshore (Note 4)		HUD group		Trading & Industrial		Total (Note 1)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	781	657	1,337	1,443	329	331	51	29	248,730	247,334
	1,170	1,034	5	6	19	22	244	131	3,624	3,103
	1,951	1,691	1,342	1,449	347	353	295	160	252,354[R]	250,438
	15%		-7%		-2%		84%		1%	
	55	44	108	115	27	27	6	2	17,938	17,740
	194	182	1	1	3	4	46	25	618	593
	249	226	109	116	30	31	51	27	18,556[R]	18,333
	10%		-6%		-3%		89%		1%	
	7,585	7,105	–	–	77	57	178	155	10,938[R]	9,963
	10%		–		35%		15%		10%	

	Beverages		Swire Pacific Offshore		HUD group		Trading & Industrial		Swire Pacific (Head Office)		Total (Note 1)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	45,304	42,328	12,194	15,443	1,995	1,765	17,767	9,808	84	77	197,492	179,130
	113	119	4	10	12	13	96	79	0	0	1,599[R]	1,467
	0.50	0.56	0.07	0.13	1.20	1.47	1.08	1.61	0.00	0.00	1.62	1.64
	-11%		-46%		-18%		-33%		–		-1%	
	–	–	–	–	–	–	1	–	–	–	1[R]	–

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FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

Independent Auditor's Report

To the Shareholders of Swire Pacific Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Swire Pacific Limited ("the Group financial statements") and its subsidiaries ("the Group") set out on pages 124 to 208, which comprise:

– The consolidated statement of financial position as at 31st December 2016;
– The consolidated statement of profit or loss for the year then ended;
– The consolidated statement of other comprehensive income for the year then ended;
– The consolidated statement of changes in equity for the year then ended;
– The consolidated statement of cash flows for the year then ended; and
– The notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements as at and for the year ended 31st December 2016. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and impairment of property, plant and equipment *Refer to note 14 in the Group financial statements.* Swire Pacific Offshore ("SPO") recognised an impairment provision to reduce the aggregate carrying values of vessels to HK$17,717 million as at 31st December 2016. Following a review of the business, the outlook for the industry and SPO's operating plans, management assessed vessel carrying values. An impairment provision of HK$2,313 million was recorded to reduce the carrying values of certain vessels to their estimated recoverable values, which is the higher of fair value less costs of disposal and value in use. For the remaining vessels, management concluded that the recoverable amount was higher than their carrying values such that no impairment provision was required. These conclusions are dependent upon significant management judgement, including in respect of: – Estimated resale values, provided by an independent external valuer; and – Estimated utilisation, charter hire rates, disposal values, and discount rates applied to future cash flows.	Our procedures in relation to management's impairment assessment of vessels included: – Understanding the methodologies used by the external valuer to estimate resale values and by management to estimate values in use; – Evaluating the independent external valuer's competence, capabilities and objectivity; – Checking, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer and the input data used by management to estimate value in use; – Considering the appropriateness of the resale values estimated by the external valuer based on our knowledge of the offshore oil services industry and values obtained by the group in respect of vessels that have been disposed of during the year; – Assessing the key assumptions used by management to estimate values in use based on our knowledge of the offshore oil services industry; and – Considering the potential impact of reasonably possible downside changes in these key assumptions. Based on available evidence we found management's assumptions in relation to the fair value less costs of disposal and value in use calculations to be reasonable. We found the disclosures in note 14 to be appropriate.
The HAECO group has assets of HK$1,321 million located at Xiamen Airport, Mainland China. The Municipal Government of Xiamen has announced its proposal to construct a new airport to replace the existing one at Gaoqi. The proposal is subject to the approval of the relevant government bodies of the People's Republic of China. If the proposal is implemented, the HAECO group expects to receive compensation. If the present value of the compensation together with the present value of future cash flows from the operations located at Xiamen Airport were assessed to be less than the carrying value of the relevant assets, impairment would arise. Management has concluded that there is no impairment in respect of the proposed airport relocation. This conclusion required significant management judgement and was based on the current status of the approval process, regular communications with the local authorities and preliminary compensation assessments performed by management with the assistance of an independent consultant.	Our procedures in relation to management's assessment of the carrying value of the assets included: – Evaluating management's preliminary compensation assessment; – Discussing the status of the airport relocation with the HAECO group's New Airport Planning & Development Committee; – Assessing correspondence between the HAECO group and the Xiamen Municipal Government; and – Assessing the terms of the existing land use rights. We consider management's assessment to be reasonable based on the available information.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 15 in the Group financial statements.* Management has estimated the fair value of the Group's investment properties to be HK$233,718 million at 31st December 2016, with a revaluation gain for the year ended 31st December 2016 recorded in the consolidated statement of profit or loss of HK$8,445 million. Independent external valuations were obtained in respect of 95% of the portfolio in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and fair market rents. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.	Our procedures in relation to management's valuation of investment properties included: – Evaluation of the independent external valuers' competence, capabilities and objectivity; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts; and – Checking on a sample basis the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. The fair market rents were supported by recent renewals and capitalisation rates were in line with our expectations. We found the disclosures in note 15 to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment of HAECO Americas *Refer to note 17 in the Group financial statements.* The HAECO group recognised goodwill of HK$1,388 million relating to HAECO USA Holdings, Inc.'s ("HAECO Americas") acquisition of TIMCO Aviation Services, Inc. in 2014. The goodwill is allocated between the airframe services and the cabin solutions cash generating units. HAECO Americas incurred losses in the year ended 31st December 2016 indicating that the carrying values of goodwill and other assets may be impaired. Management's impairment assessment in 2016 of HAECO Americas identified that an impairment charge of HK$285 million should be recorded against the cabin solutions cash generating unit to reduce the carrying value to its value in use. This impairment charge has been recorded against goodwill. No impairment was identified for the airframe services cash generating unit. This conclusion was based on a value in use model that required significant management judgement on key assumptions with respect to the discount rate and the underlying cash flows, in particular future revenue growth. The significant inputs have been disclosed on page 157.	Our procedures in relation to management's impairment assessment included: – Assessing the valuation methodology; – Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; – Reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of these budgets; – Assessing the basis and calculation of the impairment charge recorded in the current year; and – Assessing the appropriateness of disclosures of significant inputs in the financial statements. We found management's assessment in relation to the value in use calculations to be reasonable based on available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited, ("Cathay Pacific") *Refer to note 19 in the Group financial statements and the abridged financial statements of Cathay Pacific on pages 195 and 196.*	
The Group's 45% interest in Cathay Pacific is accounted for under the equity method. The Group's share of the loss after tax from Cathay Pacific for the year ended 31st December 2016 was HK$259 million and the Group's share of Cathay Pacific's net assets was HK$25,386 million as at 31st December 2016. The amounts noted below are those in the Cathay Pacific financial statements (i.e. on a 100% basis). In the context of our audit of the Group's financial statements, the key audit matters relating to the Group's share of the losses and net assets of Cathay Pacific are summarised below.	Cathay Pacific is a significant associate of the Group and is audited by a non-PwC auditor ("the CX Auditor"). We have met with the CX Auditor and have: discussed their identified audit risks and audit approach, results of their work and key audit matters identified; and have reviewed their working papers. Together with their reporting to us in accordance with our instructions we have determined that the audit work performed and evidence obtained were sufficient for our purpose. We discussed the key audit matters relating to Cathay Pacific with Swire Pacific management and evaluated the impact on our audit of the Group financial statements. The procedures performed on the respective key audit matters are summarised below.
Revenue recognition – Cathay Pacific's revenue amounted to HK$92,751 million for the year ended 31st December 2016. Revenue from passenger and cargo sales is recorded when the related transportation service is provided, using complex information technology systems to track the point of service delivery and, where necessary, estimates of fair values for the services provided that involve a significant degree of management judgement.	– Testing IT controls and key application controls over Cathay Pacific's revenue systems; – Performing analytical procedures on revenue; and – Inspecting underlying documentation for journal entries related to revenue to assess the timing and fair values of revenues recorded.
Hedge accounting – Cathay Pacific uses derivative financial instrument contracts to manage its exposure to fuel price risk, foreign currency risk and interest rate risk. These contracts gave rise to derivative financial assets of HK$2,176 million and liabilities of HK$9,849 million as at 31st December 2016. These contracts are recorded at fair value and for the majority of them hedge accounting is applied, such that gains and losses arising from fair value changes are deferred in equity and recognised in the consolidated statement of profit or loss when hedges mature. The large number of contracts necessitates a sophisticated system to record and track each contract and calculate the related valuations at each financial reporting date. The valuation of hedging instruments and consideration of hedge effectiveness can involve a significant degree of both complexity and management judgement and are subject to an inherent risk of error.	– Testing Cathay Pacific's key internal controls over derivative financial instruments and hedge accounting; – Inspecting, on a sample basis, Cathay Pacific's hedge documentation and contracts; – Re-performing, on a sample basis, the year end valuations of derivative financial instruments and calculations of hedge effectiveness; and – Obtaining confirmation of year end derivative financial instruments from counterparties on a sample basis.

Key Audit Matter	How our audit addressed the Key Audit Matter
Key Audit Matters in relation to Cathay Pacific Airways Limited, ("Cathay Pacific") (continued)	
Assessment of provisions for taxation, litigation and claims – As at 31st December 2016, Cathay Pacific had provisions in respect of possible or actual taxation disputes, litigation (including anti-trust proceedings in various jurisdictions) and claims amounting to HK$1,126 million. These provisions are estimated using a significant degree of management judgement in interpreting the various relevant rules, regulations and practices and in considering precedents in the various jurisdictions.	– Assessing the adequacy of Cathay Pacific's tax provisions by reviewing correspondence with tax authorities; – Discussing significant litigation and claims with Cathay Pacific's internal legal counsel; – Obtaining letters from Cathay Pacific's external legal advisors including their views regarding the likely outcome and magnitude of and exposure to the relevant litigation and claims; – Reviewing previous judgements made by the relevant taxation authorities; and opinions given by Cathay Pacific's third party advisers; and – Assessing the reliability of Cathay Pacific's management's past estimates.
Assessing the carrying value of aircraft and related equipment – The carrying value of Cathay Pacific's aircraft and related equipment as at 31st December 2016 was HK$93,987 million and the related depreciation charge for the year ended 31st December 2016 was HK$7,179 million. The carrying value, estimated useful lives and residual values are reviewed annually by management with reference to fleet composition, current and forecast market values and relevant technical factors. This involves a significant degree of management judgement.	– Assessing estimated useful lives and residual values using the policies of other comparable airlines and Cathay Pacific's historical experience and future operating plans; – Discussing indicators of possible impairment with Cathay Pacific's management and, where identified, assessing Cathay Pacific's management's impairment testing; and – Challenging the assumptions and critical judgements used by Cathay Pacific's management and assessing the reliability of past estimates and taking into account recent industry developments and market conditions.
Assessing aircraft maintenance provisions – Cathay Pacific is contractually committed to return 57 aircraft held under operating leases to the lessors in a physical condition agreed at the inception of each lease. Management estimates the maintenance costs and the costs associated with the restitution of life-limited parts and accrues such costs over the lease term on a systematic basis. Provisions of HK$2,204 million were held as at 31st December 2016 in respect of this. Determining the provisions requires significant management judgement and complex estimates, including the utilisation of the aircraft, the cost of maintenance and the lifespans of life-limited parts.	– Testing Cathay Pacific's key internal controls over accounting for maintenance provisions for aircraft held under operating leases; – Evaluating the provisioning model and key assumptions adopted by Cathay Pacific's management through reviewing the terms of the operating leases, information from lessors and Cathay Pacific's maintenance cost experience by having regard to the expected useful lives of life-limited parts of the aircraft; and – Assessing the reliability of Cathay Pacific's management's past assumptions.
	We found that, in the context of our audit of the consolidated financial statements of Swire Pacific Limited, Cathay Pacific's management judgements and estimates associated with the key audit matters noted in respect of the Group's share of the profit and net assets of Cathay Pacific were supported by the available evidence.

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Swire Pacific 2016 annual report other than the Group financial statements and our auditor's report thereon ("the Other Information").

Our opinion on the Group financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Group Financial Statements

The directors are responsible for the preparation of Group financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Group Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the Group financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sean William Tuckfield.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 16th March 2017

Consolidated Statement of Profit or Loss

For the year ended 31st December 2016

	Note	2016 HK$M	2015 HK$M
Revenue	4	62,389	60,885
Cost of sales		(40,392)	(38,000)
Gross profit		21,997	22,885
Distribution costs		(7,082)	(6,848)
Administrative expenses		(5,402)	(4,718)
Other operating expenses		(293)	(339)
Other net losses	5	(2,281)	(1,572)
Change in fair value of investment properties		8,445	7,053
Operating profit		15,384	16,461
Finance charges		(2,458)	(2,373)
Finance income		161	227
Net finance charges	9	(2,297)	(2,146)
Share of profits less losses of joint venture companies	19(a)	2,731	1,795
Share of profits less losses of associated companies	19(b)	(70)	2,887
Profit before taxation		15,748	18,997
Taxation	10	(2,816)	(2,574)
Profit for the year		12,932	16,423
Profit for the year attributable to:			
The Company's shareholders	34	9,644	13,429
Non-controlling interests	35	3,288	2,994
		12,932	16,423
Underlying profit attributable to the Company's shareholders	11	3,063	9,892

		HK$	HK$
Earnings per share from profit attributable to the Company's shareholders			
(basic and diluted)	13		
'A' share		6.41	8.93
'B' share		1.28	1.79

The notes on pages 129 to 208 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2016

	2016 HK$M	2015 HK$M
Profit for the year	12,932	16,423
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property previously occupied by the Group		
gains recognised during the year	120	30
deferred tax	(3)	(3)
Defined benefit plans		
remeasurement gains/(losses) recognised during the year	68	(411)
deferred tax	14	69
Share of other comprehensive income of joint venture and associated companies	271	(130)
	470	(445)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
gains/(losses) recognised during the year	568	(430)
transferred to net finance charges	(92)	(93)
transferred to operating profit	(33)	52
deferred tax	(66)	60
Net fair value changes on available-for-sale assets		
losses recognised during the year	(51)	(74)
transferred to profit or loss on disposal	(10)	(99)
Share of other comprehensive income of joint venture and associated companies	3,128	(3,978)
Net translation differences on foreign operations		
losses recognised during the year	(1,913)	(1,589)
reclassified to profit or loss on disposal	–	142
	1,531	(6,009)
Other comprehensive income for the year, net of tax	2,001	(6,454)
Total comprehensive income for the year	14,933	9,969
Total comprehensive income attributable to:		
The Company's shareholders	12,068	7,445
Non-controlling interests	2,865	2,524
	14,933	9,969

The notes on pages 129 to 208 form part of these financial statements.

Consolidated Statement of Financial Position

At 31st December 2016

	Note	2016 HK$M	2015 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	40,922	42,935
Investment properties	15	233,718	227,300
Leasehold land and land use rights	16	1,087	1,146
Intangible assets	17	9,195	7,377
Properties held for development	23	1,279	942
Joint venture companies	19(a)	25,908	24,988
Associated companies	19(b)	27,546	24,321
Available-for-sale assets	21	457	508
Other receivables	25	49	466
Derivative financial instruments	22	528	230
Deferred tax assets	30	697	847
Retirement benefit assets	31	80	76
Other non-current assets	32	5,479	–
		346,945	331,136
Current assets			
Properties under development and for sale	23	5,669	7,615
Stocks and work in progress	24	4,790	4,599
Trade and other receivables	25	9,597	9,962
Derivative financial instruments	22	20	68
Bank balances and short-term deposits	26	6,477	8,985
		26,553	31,229
Current liabilities			
Trade and other payables	27	17,448	18,810
Taxation payable		388	662
Derivative financial instruments	22	32	23
Short-term loans	29	595	669
Perpetual capital securities	28	2,327	-
Long-term loans and bonds due within one year	29	5,357	6,841
		26,147	27,005
Net current assets		406	4,224
Total assets less current liabilities		347,351	335,360
Non-current liabilities			
Perpetual capital securities	28	–	2,325
Long-term loans and bonds	29	62,291	58,782
Derivative financial instruments	22	34	201
Other payables	27	3,427	1,276
Deferred tax liabilities	30	8,291	7,605
Retirement benefit liabilities	31	1,140	1,185
		75,183	71,374
NET ASSETS		272,168	263,986
EQUITY			
Share capital	33	1,294	1,294
Reserves	34	223,585	217,155
Equity attributable to the Company's shareholders		224,879	218,449
Non-controlling interests	35	47,289	45,537
TOTAL EQUITY		272,168	263,986

John R Slosar
Martin Cubbon
Timothy G Freshwater
Directors
Hong Kong, 16th March 2017

The notes on pages 129 to 208 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2016

	Note	2016 HK$M	2015 HK$M
Operating activities			
Cash generated from operations	42(a)	14,864	14,362
Interest paid		(2,514)	(2,526)
Interest received		160	229
Tax paid		(1,993)	(1,909)
		10,517	10,156
Dividends received from joint venture and associated companies and available-for-sale assets		2,673	1,807
Net cash generated from operating activities		13,190	11,963
Investing activities			
Purchase of property, plant and equipment	42(b)	(3,551)	(4,245)
Additions of investment properties		(5,883)	(3,624)
Additions of other non-current assets		(254)	–
Purchase of intangible assets		(65)	(54)
Proceeds from disposals of property, plant and equipment		1,364	275
Proceeds from disposals of investment properties		735	2,543
Proceeds from disposals of subsidiary companies, net of cash disposed of		(16)	373
Proceeds from disposals of available-for-sale assets		35	209
Purchase of shares in new subsidiary companies		–	(116)
Purchase of shares in joint venture companies		(543)	(114)
Purchase of shares in associated companies		(23)	(39)
Purchase of new businesses	37	(1,455)	–
Purchase of available-for-sale assets		(41)	(4)
Loans to joint venture companies		(648)	(909)
Repayment of loans by joint venture companies		174	471
Net loans (to)/from associated companies		(73)	113
Decrease in deposits maturing after more than three months		19	52
Initial leasing costs incurred		(134)	(70)
Net cash used in investing activities		(10,359)	(5,139)
Net cash inflow before financing		2,831	6,824
Financing activities			
Loans drawn and refinancing		15,321	12,993
Repayment of loans and bonds		(13,195)	(12,979)
	42(c)	2,126	14
Capital contributions from non-controlling interests		90	767
Repurchase of the Company's shares	33	–	(35)
Purchase of shares in existing subsidiary companies		(640)	(1,541)
Dividends paid to the Company's shareholders	34	(5,686)	(5,898)
Dividends paid to non-controlling interests	42(c)	(1,030)	(1,026)
Net cash used in financing activities		(5,140)	(7,719)
Decrease in cash and cash equivalents		(2,309)	(895)
Cash and cash equivalents at 1st January		8,936	10,013
Currency adjustment		(177)	(182)
Cash and cash equivalents at 31st December		6,450	8,936
Represented by:			
Bank balances and short-term deposits maturing within three months	26	6,450	8,936

The notes on pages 129 to 208 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2016

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2016	1,294	220,138	(2,983)	218,449	45,537	263,986
Profit for the year	–	9,644	–	9,644	3,288	12,932
Other comprehensive income	–	320	2,104	2,424	(423)	2,001
Total comprehensive income for the year	–	9,964	2,104	12,068	2,865	14,933
Dividends paid	–	(5,686)	–	(5,686)	(1,056)	(6,742)
Capital contribution from non-controlling interests	–	–	–	–	90	90
Acquisition of non-controlling interest	–	147	–	147	(147)	–
Recognition of contingent consideration	–	(99)	–	(99)	–	(99)
At 31st December 2016	1,294	224,464	(879)	224,879	47,289	272,168

		Attributable to the Company's shareholders					
	Note	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2015		1,294	214,880	2,601	218,775	43,355	262,130
Profit for the year		–	13,429	–	13,429	2,994	16,423
Other comprehensive income		–	(400)	(5,584)	(5,984)	(470)	(6,454)
Total comprehensive income for the year		–	13,029	(5,584)	7,445	2,524	9,969
Dividends paid		–	(5,898)	–	(5,898)	(876)	(6,774)
Repurchase of the Company's shares	33	–	(35)	–	(35)	–	(35)
Acquisition of additional interests in subsidiary companies		–	(1,310)	–	(1,310)	(231)	(1,541)
Change in composition of the Group		–	13	–	13	(2)	11
Capital contribution from non-controlling interests		–	–	–	–	767	767
Recognition of contingent consideration		–	(541)	–	(541)	–	(541)
At 31st December 2015		1,294	220,138	(2,983)	218,449	45,537	263,986

The notes on pages 129 to 208 form part of these financial statements.

Notes to the Financial Statements

GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is that of a holding company. The principal activities of its major subsidiary, joint venture and associated companies are shown on pages 197 to 208.

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 2016:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 1 (Amendment)	Disclosure Initiative
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations

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

(b) The Group has not early adopted the following relevant new and revised standards that have been issued but are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements:

HKAS 7 (Amendment)	Disclosure Initiative[1]
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1. To be applied by the Group from 1st January 2017
2. To be applied by the Group from 1st January 2018
3. To be applied by the Group from 1st January 2019
4. 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 is assessing the 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 is assessing the impact of the new standard.

HKFRS 16 replaces HKAS 17 and related interpretations and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised on the balance sheet for all leases by lessees. The standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in the financial statements. In the Group's statement of profit or loss, operating lease rentals will be replaced with depreciation and interest expenses. The Group is assessing the impact of the new standard.

2. Financial Risk Management

The Group's approach to financial risk management is discussed on pages 98 and 99 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 2016		
Impact on profit or loss: (loss)/gain	(137)	129
Impact on other comprehensive income: gain	3	3
At 31st December 2015		
Impact on profit or loss: (loss)/gain	(126)	126
Impact on other comprehensive income: gain/(loss)	74	(66)

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 following analysis details the Group's exposure to currency risk from recognised financial assets or financial liabilities denominated in a currency other than the functional currency.

The impact on the Group's profit or loss and other comprehensive income of a weakening or strengthening in the US dollar against the Hong Kong dollar from the year-end rate of 7.7557 (2015: 7.7512), with all other variables held constant, would have been:

	Weakening in USD to lower peg limit (7.750) HK$M	Strengthening in USD to upper peg limit (7.850) HK$M
At 31st December 2016		
Impact on profit or loss: gain/(loss)	7	(129)
Impact on other comprehensive income: (loss)/gain	(2)	31
At 31st December 2015		
Impact on profit or loss: gain/(loss)	2	(153)
Impact on other comprehensive income: gain	3	40

The impact on the Group's profit or loss and other comprehensive income of a weakening or strengthening in the Renminbi against the Hong Kong dollar from the year-end rate of 1.1159 (2015: 1.1937), with all other variables held constant, would have been:

	Weakening in RMB by 5% HK$M	Strengthening in RMB by 5% HK$M
At 31st December 2016		
Impact on profit or loss: gain/(loss)	20	(20)
Impact on other comprehensive income	–	–
At 31st December 2015		
Impact on profit or loss: (loss)/gain	(9)	9
Impact on other comprehensive income	–	–

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
- Currency risk does not arise from financial instruments that are non-monetary items

2. Financial Risk Management (continued)

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 2016

	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	20,875	26,317	15,841	1,592	2,090	6,794
Borrowings (including interest obligations)	28 & 29	70,570	81,922	10,896	10,938	27,129	32,959
Derivative financial instruments	22	66	66	32	8	–	26
Financial guarantee contracts	39	–	2,135	2,135	–	–	–
		91,511	110,440	28,904	12,538	29,219	39,779

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	20,086	21,182	17,151	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	39	–	3,948	3,948	–	–	–
		88,927	106,276	31,510	14,380	29,568	30,818

3. Critical Accounting Estimates and Judgement

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 39(b))

4. Revenue

Accounting Policy

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

(a) Rental income 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 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:

	2016 HK$M	2015 HK$M
Gross rental income from investment properties	10,675	10,654
Property trading	4,760	4,463
Hotels	1,129	1,127
Aircraft and engine maintenance services	12,242	10,815
Sales of goods	28,385	27,083
Charter hire	3,574	5,161
Rendering of other services	1,624	1,582
Total	62,389	60,885

5. Other Net Losses

Other net losses include the following:

	Note	2016 HK$M	2015 HK$M
Loss on disposal of four hotels in the UK		–	(229)
Loss on disposal of a subsidiary		(118)	–
Profit/(loss) on sale of investment properties		76	(135)
Profit on sale of property, plant and equipment		114	–
Profit on sale of available-for-sale assets		9	105
Net foreign exchange gains/(losses)		7	(182)
Fair value gains/(losses) on cross-currency swaps transferred from cash flow hedge reserve		15	(7)
Fair value gains/(losses) on forward foreign exchange contracts transferred from cash flow hedge reserve		22	(32)
Fair value gains on forward foreign exchange contracts not qualifying as hedges		3	8
Impairment losses recognised on*			
– property, plant and equipment	14	(2,362)	(1,302)
– intangible assets	17	(286)	(104)
Dividend income on available-for-sale assets		14	11
Other income		225	295
Total		(2,281)	(1,572)

* Impairment losses recognised on property, plant and equipment and intangible assets have been reclassified in the prior year from administrative expenses to other net losses. This has had no impact on the Group's results and financial position.

6. Expenses by Nature

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

	Note	2016 HK$M	2015 HK$M
Direct operating expenses of investment properties that			
– generated rental income		1,879	1,762
– did not generate rental income		249	210
Cost of goods sold		25,157	22,969
Write-down of stocks and work in progress		66	102
Impairment losses recognised on trade receivables		26	28
Depreciation of property, plant and equipment	14	2,944	2,833
Amortisation of			
– leasehold land and land use rights	16	37	34
– intangible assets	17	171	138
– initial leasing costs on investment properties		60	67
– others		–	87
Staff costs		12,251	11,578
Operating lease rentals			
– properties		1,086	1,029
– vessels		125	142
– plant and equipment		42	41
Auditors' remuneration			
– audit services		43	42
– tax services		8	12
– other services		12	5
Other expenses		9,013	8,826
Total cost of sales, distribution costs, administrative expenses and other operating expenses		53,169	49,905

7. Segment Information

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

Accounting Policy

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

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

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

7. Segment Information (continued)

(a) Information about reportable segments

Analysis of Consolidated Statement of Profit or Loss

Year ended 31st December 2016

	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	10,802	100	7,743	(1,158)	94	339	–	(1,086)	5,932	4,864	4,889	(167)
Change in fair value of investment properties	–	–	8,445	–	–	982	–	(1,249)	8,178	6,606	–	–
Property trading	4,760	–	1,332	(22)	3	(6)	–	(70)	1,237	983	983	–
Hotels	1,129	1	(182)	(36)	–	(35)	139	(5)	(119)	(96)	(96)	(216)
	16,691	**101**	**17,338**	**(1,216)**	**97**	**1,280**	**139**	**(2,410)**	**15,228**	**12,357**	**5,776**	**(383)**
Aviation												
Cathay Pacific group	–	–	–	–	–	–	(259)	–	(259)	(259)	(259)	–
HAECO group	13,760	–	127	(98)	9	267	–	(17)	288	127	127	(624)
Sale of HAESL's interest in SAESL	–	–	–	–	–	805	–	–	805	604	604	–
Others	–	–	(54)	–	–	5	(10)	–	(59)	(31)	(31)	(54)
	13,760	**–**	**73**	**(98)**	**9**	**1,077**	**(269)**	**(17)**	**775**	**441**	**441**	**(678)**
Beverages												
Mainland China	6,873	–	291	(78)	16	141	77	(117)	330	288	288	(292)
Hong Kong	2,211	1	247	–	–	–	–	(20)	227	205	205	(70)
Taiwan	1,323	–	47	(6)	–	–	–	(8)	33	33	33	(49)
USA	8,013	–	434	(9)	–	–	–	(119)	306	306	306	(300)
Central costs	–	–	(16)	–	–	–	–	(3)	(19)	(19)	(19)	(3)
	18,420	**1**	**1,003**	**(93)**	**16**	**141**	**77**	**(267)**	**877**	**813**	**813**	**(714)**
Marine Services												
Swire Pacific Offshore group	4,237	1	(2,596)	(326)	3	–	1	(95)	(3,013)	(3,033)	(3,033)	(1,236)
HUD group	–	–	–	–	–	20	–	–	20	20	20	–
	4,237	**1**	**(2,596)**	**(326)**	**3**	**20**	**1**	**(95)**	**(2,993)**	**(3,013)**	**(3,013)**	**(1,236)**
Trading & Industrial												
Swire Retail group	3,216	–	27	(2)	17	3	56	(18)	83	83	83	(25)
Taikoo Motors group	4,514	–	18	(2)	2	–	–	(3)	15	15	15	(70)
Swire Foods group	1,466	74	61	(1)	3	(7)	–	2	58	59	59	(58)
Swire Pacific Cold Storage group	80	–	(102)	(20)	–	(1)	–	(3)	(126)	(126)	(126)	(46)
Akzo Nobel Swire Paints	–	–	(8)	–	–	216	–	(10)	198	198	198	–
Swire Environmental Services group	–	–	(7)	–	–	2	(74)	–	(79)	(79)	(79)	–
Other activities	–	–	(36)	–	–	–	–	–	(36)	(36)	(36)	–
	9,276	**74**	**(47)**	**(25)**	**22**	**213**	**(18)**	**(32)**	**113**	**114**	**114**	**(199)**
Head Office												
Net income/(expenses)	**5**	**31**	**(387)**	**(1,635)**	**949**	**–**	**–**	**5**	**(1,068)**	**(1,068)**	**(1,068)**	**(2)**
Inter-segment elimination	**–**	**(208)**	**–**	**935**	**(935)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**62,389**	**–**	**15,384**	**(2,458)**	**161**	**2,731**	**(70)**	**(2,816)**	**12,932**	**9,644**	**3,063**	**(3,212)**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 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)**

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

7. Segment Information (continued)

(a) Information about reportable segments (continued)

Analysis of total assets of the Group

At 31st December 2016

	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	245,337	18,476	–	1,399	265,212	6,469
Property trading and development	7,656	493	–	161	8,310	34
Hotels	6,355	1,016	361	121	7,853	253
	259,348	**19,985**	**361**	**1,681**	**281,375**	**6,756**
Aviation						
Cathay Pacific group	–	–	25,386	–	25,386	–
HAECO group	11,422	1,607	–	1,321	14,350	710
Others	4,516	2,817	–	–	7,333	–
	15,938	**4,424**	**25,386**	**1,321**	**47,069**	**710**
Beverages						
Swire Beverages	**12,690**	**630**	**1,352**	**858**	**15,530**	**949**
Marine Services						
Swire Pacific Offshore group	18,991	–	57	445	19,493	953
HUD group	–	(49)	–	–	(49)	–
	18,991	**(49)**	**57**	**445**	**19,444**	**953**
Trading & Industrial						
Swire Retail group	882	35	196	162	1,275	27
Taikoo Motors group	1,990	–	–	167	2,157	239
Swire Foods group	1,264	35	–	224	1,523	119
Swire Pacific Cold Storage group	1,617	328	–	106	2,051	293
Akzo Nobel Swire Paints	–	474	–	–	474	–
Swire Environmental Services group	121	46	194	–	361	–
Other activities	228	–	–	–	228	–
	6,102	**918**	**390**	**659**	**8,069**	**678**
Head Office	**451**	**–**	**–**	**1,560**	**2,011**	**3**
	313,520	**25,908**	**27,546**	**6,524**	**373,498**	**10,049**

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 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 liabilities and non-controlling interests of the Group

At 31st December 2016

	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	7,474	8,087	4,809	26,864	47,234	40,523
Property trading and development	1,510	23	2,783	1,669	5,985	636
Hotels	212	–	12	1,021	1,245	1,207
	9,196	**8,110**	**7,604**	**29,554**	**54,464**	**42,366**
Aviation						
HAECO group	**2,806**	**336**	**–**	**3,689**	**6,831**	**4,149**
Beverages						
Swire Beverages	**6,730**	**97**	**2,220**	**1,187**	**10,234**	**752**
Marine Services						
Swire Pacific Offshore group	**802**	**27**	**8,396**	**–**	**9,225**	**22**
Trading & Industrial						
Swire Retail group	843	41	(127)	–	757	–
Taikoo Motors group	662	(21)	6	–	647	–
Swire Foods group	336	8	(43)	–	301	–
Swire Pacific Cold Storage group	242	3	660	–	905	–
Other activities	31	19	21	–	71	–
	2,114	**50**	**517**	**–**	**2,681**	**–**
Head Office	**433**	**59**	**(18,737)**	**36,140**	**17,895**	**–**
	22,081	**8,679**	**–**	**70,570**	**101,330**	**47,289**

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 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**

(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)	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
Hong Kong	20,415	23,715	220,580	209,501
Asia (excluding Hong Kong)	23,268	23,026	37,507	37,606
USA	14,610	8,049	15,607	10,944
Others	150	531	–	1
Ship owning and operating activities	3,946	5,564	17,986	21,648
	62,389	60,885	291,680	279,700

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 Officer's Emoluments

The total emoluments of Directors which are disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation and of an Executive Officer 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 2016 HK$'000	Total 2015 HK$'000
Executive Directors								
J R Slosar	10,190	9,304	170	3,362	2,755	8,467	34,248	27,929
GMC Bradley	4,464	3,378	742	1,473	1,411	3,028	14,496	11,778
I K L Chu	800	722	382	181	–	–	2,085	1,345
M Cubbon	5,918	5,910	1,795	1,953	1,880	820	18,276	19,690
J B Rae-Smith (until 26th August 2016)	1,789	2,567	384	590	1,169	2,184	8,683	10,571
I S C Shiu (until 31st December 2016)	1,178	2,057	1,114	266	–	–	4,615	4,238
A K W Tang	3,794	5,657	2,175	858	–	–	12,484	11,485
C D Pratt (until 13th March 2014)	–	–	–	–	–	–	–	2,039
P A Kilgour (until 31st December 2014)	–	–	–	–	–	–	–	5,150
Non-Executive Directors								
P A Johansen (until 11th May 2016)	337	–	–	–	–	–	337	928
M B Swire	–	–	–	–	–	–	–	–
S C Swire	–	–	–	–	–	–	–	–
Independent Non-Executive Directors								
T G Freshwater	950	–	–	–	–	–	950	850
C Lee	950	–	–	–	–	–	950	950
R W M Lee	748	–	–	–	–	–	748	725
G R H Orr (from 21st August 2015)	805	–	–	–	–	–	805	251
M C C Sze	690	–	–	–	–	–	690	690
M M T Yang	690	–	–	–	–	–	690	690
C K M Kwok (until 20th May 2015)	–	–	–	–	–	–	–	389
Total 2016	**33,303**	**29,595**	**6,762**	**8,683**	**7,215**	**14,499**	100,057	
Total 2015	32,024	29,727	5,651	8,751	5,845	17,700		99,698
Executive Officer								
P Healy	**3,135**	**2,580**	**1,140**	**1,034**	**1,157**	**3,931**	12,977	
Total 2015	2,679	1,621	1,056	905	952	3,386		10,599

i. Independent Non-Executive Directors and P A Johansen receive fees as members of the Board and its committees. Executive Directors and the Executive Officer receive salaries.
ii. Bonuses are not yet approved for 2016. The amounts disclosed above are related to services as Executive Directors and as an Executive Officer for 2015 but paid and charged to the Group in 2016.
iii. The total emoluments of Executive Directors and the Executive Officer are charged to the Group in accordance with the amount of time spent on its affairs.

The five highest paid individuals in the Group in both 2016 and 2015 were Executive Directors and the Executive Officer, as disclosed above.

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 84 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.

	Note	2016 HK$M	2015 HK$M
Current taxation			
Hong Kong profits tax		911	1,190
Overseas taxation		763	741
Under/(over)-provisions in prior years		45	(14)
		1,719	1,917
Deferred taxation	30		
Changes in fair value of investment properties		902	592
Origination and reversal of temporary differences		195	65
		1,097	657
		2,816	2,574

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

10. Taxation (continued)

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

	2016 HK$M	2015 HK$M
Profit before taxation	15,748	18,997
Calculated at a tax rate of 16.5% (2015: 16.5%)	2,598	3,135
Share of profits less losses of joint venture and associated companies	(439)	(773)
Effect of different tax rates in other countries	458	340
Fair value gains on investment properties	(909)	(786)
Income not subject to tax	(66)	(61)
Expenses not deductible for tax purposes	922	510
Unused tax losses not recognised	283	276
Utilisation of previously unrecognised tax losses	(64)	(6)
Deferred tax assets written off	1	(16)
Under/(over)-provisions in prior years	45	(14)
Recognition of previously unrecognised tax losses	(67)	(54)
Others	54	23
Tax charge	2,816	2,574

The Group's share of joint venture and associated companies' tax charges of HK$400 million (2015: HK$445 million) and HK$276 million (2015: HK$489 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.

Refer to the table with the heading "Audited Financial Information" on page 72 for details of the Group's underlying profit attributable to the Company's shareholders.

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.

	2016 HK$M	2015 HK$M
First interim dividend paid on 6th October 2016 of HK¢100.0 per 'A' share and HK¢20.0 per 'B' share (2015: HK¢112.0 and HK¢22.4)	1,504	1,685
Second interim dividend declared on 16th March 2017 of HK¢110.0 per 'A' share and HK¢22.0 per 'B' share (2015 actual dividend paid: HK¢278.0 and HK¢55.6)	1,655	4,182
	3,159	5,867

The second interim dividend is not accounted for in 2016 because it had not been declared at the year end date. The actual amount payable in respect of 2016 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2017.

13. Earnings Per Share (Basic and Diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK$9,644 million (2015: HK$13,429 million) by the weighted average number of 905,206,000 'A' shares and 2,995,220,000 'B' shares in issue during the year (2015: 905,397,863 '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 Judgements

At each period-end date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs to sell 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 within other net gains/losses.

During the year, the carrying amounts of certain property, plant and equipment have been written down by HK$2,362 million to their recoverable amount.

Swire Pacific Offshore ("SPO") has vessels with aggregate carrying values of HK$17,717 million. Following a review of the business, which assumes a more prudent outlook for the offshore oil services industry under a lower oil price for some time and SPO's consequent operating plans, management has reassessed these carrying values. An impairment provision of HK$2,313 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$13,146 million. Fair value less costs to sell is based on management estimates having regard to estimated resale values provided by an 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 2016 was 8.5% (2015: 8.0%). Changes in any or all of the key assumptions could result in a material change in the carrying value of vessels.

The HAECO group has property, plant and equipment and land use rights at Xiamen Airport with a net book value totalling HK$1,321 million at 31st December 2016 (2015 HK$1,494 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 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 the carrying value remains appropriate at 31st December 2016. 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 2016		4,033	17,069	14,337	27,841	63,280
Translation differences		–	(399)	(296)	15	(680)
Acquisition of new businesses	37	–	201	268	–	469
Disposal of a subsidiary company		–	(23)	(58)	–	(81)
Additions		–	876	1,776	900	3,552
Disposals		–	(24)	(747)	(2,707)	(3,478)
Net transfers from investment properties	15	685	120	1	–	806
Other transfers		–	(22)	30	–	8
Revaluation surplus		–	120	–	–	120
At 31st December 2016		4,718	17,918	15,311	26,049	63,996
Accumulated depreciation and impairment						
At 1st January 2016		164	4,865	8,823	6,493	20,345
Translation differences		–	(114)	(157)	1	(270)
Disposal of a subsidiary company		–	(16)	(45)	–	(61)
Depreciation for the year	6	28	570	1,165	1,181	2,944
Impairment losses	5	–	–	49	2,313	2,362
Disposals		–	(14)	(558)	(1,656)	(2,228)
Net transfers to investment properties	15	(9)	(11)	–	–	(20)
Other transfers		–	–	2	–	2
At 31st December 2016		183	5,280	9,279	8,332	23,074
Net book value						
At 31st December 2016		4,535	12,638	6,032	17,717	40,922

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		–	69	–	–	69
Disposal of subsidiary companies		–	(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		–	(202)	(63)	–	(265)
Depreciation for the year	6	23	515	1,080	1,215	2,833
Impairment losses	5	–	–	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

Property, plant and machinery and vessels include costs of HK$316 million (2015: HK$1,340 million), HK$172 million (2015: HK$101 million) and HK$429 million (2015: HK$356 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

15. Investment Properties

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

Accounting Policy

Investment property comprises freehold land, leasehold land and buildings. Land held under an operating lease 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 in respect 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 Cushman & Wakefield Limited, 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 2016. 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 2016		198,161	28,948	227,109
Translation differences		(1,690)	(20)	(1,710)
Additions		294	5,648	5,942
Disposals		(6)	–	(6)
Transfer between categories		2,234	(2,234)	–
Transfer to properties held for development		–	(303)	(303)
Transfer to other non-current assets	32	–	(5,200)	(5,200)
Net transfers to property, plant and equipment	14	(563)	(263)	(826)
Fair value gains		5,646	2,799	8,445
		204,076	29,375	233,451
Add: Initial leasing costs		267	–	267
At 31st December 2016		204,343	29,375	233,718
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 under development and 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

The fair value gains on investment properties under development of HK$2,799 million include a valuation gain of HK$1,170 million on an uncompleted property in Kowloon Bay, Hong Kong from 30th June 2016 to 28th October 2016 (being the date of its transfer, at fair value of HK$5,200 million, to other non-current assets) (note 32). The transfer occurred on the signing of a conditional agreement dated 28th October 2016 between Swire Properties and a third party for the sale of Swire Properties' 100% interest in a subsidiary company owning the property.

15. Investment Properties (continued)

Geographical Analysis of Investment Properties

	2016 HK$M	2015 HK$M
Held in Hong Kong		
On medium-term leases (10 to 50 years)	29,269	31,125
On long-term leases (over 50 years)	171,771	165,229
	201,040	196,354
Held in Mainland China		
On medium-term leases (10 to 50 years)	25,357	25,145
Held in USA and others		
Freehold	7,054	5,610
	233,451	227,109

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 2016. 93% by value were valued by DTZ Cushman & Wakefield Limited and 2% by value were valued by another independent valuer, in each case 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	USA HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	2016 Total HK$M
Level 2	3,127	173	–	3,300	13,023	–	13,023	16,323
Level 3	169,494	25,184	6,098	200,776	15,396	956	16,352	217,128
Total	172,621	25,357	6,098	204,076	28,419	956	29,375	233,451
Add: initial leasing costs								267
At 31st December								233,718

	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

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

	Completed				Under Development			
	Hong Kong HK$M	Mainland China HK$M	USA HK$M	Total HK$M	Hong Kong HK$M	Others HK$M	Total HK$M	Total HK$M
At 1st January 2016	169,924	24,955	–	194,879	11,762	5,610	17,372	212,251
Translation differences	–	(1,676)	(1)	(1,677)	–	(19)	(19)	(1,696)
Additions/(cost written back)	291	(57)	73	307	2,120	810	2,930	3,237
Transfer to properties held for development	–	–	–	–	–	(303)	(303)	(303)
Transfer between categories	(3,713)	–	5,947	2,234	3,713	(5,947)	(2,234)	–
Transfer to other non-current assets	–	–	–	–	(5,200)	–	(5,200)	(5,200)
Net transfers to property, plant and equipment	(490)	19	(91)	(562)	–	–	–	(562)
Fair value gains	3,482	1,943	170	5,595	3,001	805	3,806	9,401
At 31st December 2016	169,494	25,184	6,098	200,776	15,396	956	16,352	217,128

15. Investment Properties (continued)

	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)
Transfer from properties under development and for sale	–	–	–	–	19	19	19
Net transfers to property, plant and equipment	(494)	(64)	(558)	–	–	–	(558)
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

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.

In 2016 and 2015, 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:

At 31st December 2016	Valuation method	Fair market rent per month HK$ per sq. ft. (lettable) 2016	Capitalisation rates 2016
Completed			
Hong Kong	Income capitalisation	Less than 10-Low 500's	2.50%-4.88%
Hong Kong	Residual	Low 50's	2.00%
Mainland China	Income capitalisation	Less than 10-High 100's	6.50%-7.00%
USA	Income capitalisation	Low 10's-Low 100's	4.75%-5.50%
USA	Sales comparison	–	–
Under development			
Hong Kong	Residual	High 50's-Low 60's	4.13%
Others	Sales comparison	–	–

At 31st December 2015	Valuation method	Fair market rent per month HK$ per sq. ft. (lettable) 2015	Capitalisation rates 2015
Completed			
Hong Kong	Income capitalisation	Mid 10's-Mid 500's	2.50%-4.88%
Hong Kong	Residual	Low 50's-Mid 50's	2.00%-4.25%
Mainland China	Income capitalisation	Less than 10-Low 200's	6.50%-7.00%
Under development			
Hong Kong	Residual	Low 30's-Low 60's	2.50%-4.25%
Others	Residual	High 20's-High 70's	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, 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.
Note 3: Fair market rents and capitalisation rates in Mainland China for the year ended 31st December 2015 have been restated to reflect the "net of tax" basis under the new VAT Regime effective from 2016.

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	2016 HK$M	2015 HK$M
At 1st January		1,146	1,170
Translation differences		(41)	(26)
Acquisition of a subsidiary company		–	6
Additions		15	30
Other transfers		4	–
Amortisation for the year	6	(37)	(34)
At 31st December		1,087	1,146
Held in Hong Kong			
On medium-term leases (10 to 50 years)		18	19
Held outside Hong Kong			
On medium-term leases (10 to 50 years)		1,066	1,127
On long-term leases (over 50 years)		3	–
		1,087	1,146

Refer to note 40 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 ten 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 ten years).

17. Intangible Assets (continued)

Accounting Policy (continued)

(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.

	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 2016		6,028	500	764	767	153	8,212
Translation differences		(15)	(10)	–	–	1	(24)
Acquisition of new businesses	37	114	–	1,957	127	–	2,198
Additions		–	65	–	–	25	90
Other transfers		–	(5)	–	–	3	(2)
Disposals		–	(1)	–	–	(9)	(10)
At 31st December 2016		6,127	549	2,721	894	173	10,464
Accumulated amortisation and impairment							
At 1st January 2016		223	341	157	96	18	835
Translation differences		(4)	(6)	–	–	(1)	(11)
Amortisation for the year	6	–	55	54	55	7	171
Impairment losses	5	286	–	–	–	–	286
Other transfers		–	(3)	–	–	–	(3)
Disposals		–	–	–	–	(9)	(9)
At 31st December 2016		505	387	211	151	15	1,269
Net book value							
At 31st December 2016		5,622	162	2,510	743	158	9,195

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		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	5	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

Amortisation of HK$171 million (2015: HK$138 million) is included in administrative expenses in the statement of profit or loss.

Impairment test of goodwill

Critical Accounting Estimates and Judgements

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

The recoverable amount of goodwill attributable to cash-generating units is determined based on value-in-use calculations. These calculations use financial budgets and plans covering five-year periods 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 2016 were between 6.5% and 14.0% (2015: 7.0% and 14.0%). These discount rates are pre-tax and reflect the specific risks relating to the relevant cash-generating unit.

17. Intangible Assets (continued)

Goodwill is allocated to the Group's cash-generating units ("CGUs"), after impairment, identified by divisional business segment and geographic location.

	2016 HK$M	2015 HK$M
HAECO – Hong Kong and Mainland China	3,510	3,511
HAECO – USA	1,105	1,387
Beverages – Hong Kong and Mainland China	191	204
Beverages – USA	164	50
Marine Services	85	86
Trading & Industrial	567	567
	5,622	5,805

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. That calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period and a weighted average pre-tax discount rate of 9.1% (2015: 9.0%). Cash flows beyond the five-year period are assumed not to grow by more than 2% per annum (2015: 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. That calculation uses cash flow projections based on financial budgets prepared by management covering a five-year period for airframe services and a nine-year (2015: ten-year) period until 2025 for cabin solutions. A nine-year period (until 2025) is considered appropriate for cabin solutions in order to take into account the expected significant growth in the business from the development of new product models over the next three to five years.

The carrying amount of the cabin solutions CGU has been reduced to its recoverable amount of HK$619 million through recognition of an impairment charge of HK$285 million against goodwill following a reduction in the expected profitability of the seats business and a weak cabin integration order book. This loss has been included in other net losses in the statement of profit or loss.

The airframe services CGU recoverable amount exceeded its carrying value by HK$927 million (2015: HK$347 million).

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

	Airframe Services		Cabin Solutions	
	2016	2015	2016	2015
Discount rate	8.5%	8.5%	8.5%	8.5%
Revenue growth – cumulative average growth rate per annum	3.4%	5.9%	16.9%	16.8%

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 nine of cabin solutions have been made respectively.

The below changes in key assumptions taken in isolation, would remove the remaining headroom in the airframe services CGU.

	Airframe Services	
	2016	2015
Discount rate	12.9%	10.1%
Revenue growth – cumulative average growth rate per annum	-0.6%	4.3%

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 197 to 208.

Swire Pacific Limited 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$7,303 million included in the Group consolidated statement of financial position (2015: HK$7,357 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	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
Current				
Assets	10,310	14,921	4,621	4,962
Liabilities	15,597	16,701	2,534	2,671
Total current net (liabilities)/assets	(5,287)	(1,780)	2,087	2,291
Non-current				
Assets	271,065	257,320	9,729	9,685
Liabilities	38,867	38,044	4,297	4,790
Total non-current net assets	232,198	219,276	5,432	4,895
Net assets	226,911	217,496	7,519	7,186

Summarised Statement of Profit or Loss

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
Revenue	16,792	16,447	13,760	12,095
Profit for the year attributable to shareholders	15,069	14,017	975	464
Other comprehensive income	(1,656)	(1,599)	(3)	(311)
Total comprehensive income attributable to shareholders	13,413	12,418	972	153
Total comprehensive income allocated to non-controlling interests	2,414	2,235	243	38
Dividends paid to non-controlling interests	748	706	170	85

18. Subsidiary Companies (continued)

Summarised Statement of Cash Flows

	Swire Properties		HAECO	
	For the year ended 31st December		For the year ended 31st December	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
Net cash generated from operating activities	8,625	8,170	1,023	696
Net cash (used in)/generated from investing activities	(6,627)	(4,425)	39	(415)
Net cash used in financing activities	(4,604)	(2,179)	(1,139)	(1,141)
Net (decrease)/increase in cash and cash equivalents	(2,606)	1,566	(77)	(860)
Cash and cash equivalents at 1st January	4,358	2,874	1,413	2,310
Currency adjustment	(71)	(82)	(37)	(37)
Cash and cash equivalents at 31st December	1,681	4,358	1,299	1,413

19. Joint Venture and Associated Companies

Accounting Policy

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

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

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

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

(a) Joint venture companies

	2016 HK$M	2015 HK$M
Unlisted shares at cost		
Share of net assets, unlisted	11,582	11,183
Goodwill	471	106
	12,053	11,289
Loans due from joint venture companies less provisions		
– Interest-free	12,501	12,377
– Interest-bearing at 1.71% to 7.50% (2015: 1.71% to 7.50%)	1,354	1,322
	25,908	24,988

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 197 to 208. 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:

	2016 HK$M	2015 HK$M
Non-current assets	36,072	34,233
Current assets	5,231	5,919
Current liabilities	(6,941)	(7,892)
Non-current liabilities	(22,780)	(21,077)
Net assets	11,582	11,183
Revenue	13,687	14,636
Expenses	(11,361)	(12,396)
Gain on disposal of SAESL	805	–
Profit before taxation	3,131	2,240
Taxation	(400)	(445)
Profit for the year	2,731	1,795
Other comprehensive income	(680)	(559)
Total comprehensive income for the year	2,051	1,236

Capital commitments and contingencies in respect to joint venture companies are disclosed in notes 38(a) and 39(a), respectively.

Disposal of Hong Kong Aero Engine Services Limited's ("HAESL") interest in Singapore Aero Engine Services Pte. Limited ("SAESL")

In June 2016, HAESL completed the disposal of its 20% shareholding in SAESL for a cash consideration of HK$2,106 million. The gain to HAESL arising from the disposal was HK$1,789 million. The gain included in the share of profits less losses of joint venture companies shown in the consolidated statement of profit or loss is HK$805 million, of which HK$604 million is attributable to the Group after deducting the portion attributable to the non-controlling interests in the HAECO group.

Acquisition of an additional 5% shareholding in HAESL

In June 2016, the HAECO group completed the acquisition of an additional 5% shareholding in HAESL for a cash consideration of HK$452 million, increasing its interest to 50%.

Details of net assets acquired and goodwill are as follows:

	HK$M
Purchase consideration	452
Share of fair value of net assets acquired	(87)
Goodwill	365

19. Joint Venture and Associated Companies (continued)

(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.

	2016 HK$M	2015 HK$M
Share of net assets		
– Listed in Hong Kong	24,629	21,291
– Unlisted	1,987	2,171
	26,616	23,462
Goodwill	855	855
	27,471	24,317
Interest-bearing loans at 4.0%-6.0% (2015: 4.0%-6.0%)	75	4
	27,546	24,321

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 2016 was HK$18,056 million (2015: HK$23,757 million). The forecast cash flows of Cathay Pacific indicate that no impairment exists.

19. Joint Venture and Associated Companies (continued)

(b) Associated companies (continued)

The principal associated companies of the Group are shown on pages 197 to 208. In addition, Cathay Pacific is considered individually material to the Group and abridged financial statements are shown on pages 195 and 196.

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

	2016 HK$M	2015 HK$M
Non-current assets	69,575	67,481
Current assets	13,313	13,927
Current liabilities	(15,968)	(17,394)
Non-current liabilities	(40,227)	(40,483)
Non-controlling interests	(77)	(69)
Net assets	26,616	23,462
Revenue	45,588	50,462
Expenses	(45,382)	(47,086)
Profit before taxation	206	3,376
Taxation	(276)	(489)
Profit for the year	(70)	2,887
Other comprehensive income	4,079	(3,549)
Total comprehensive income for the year	4,009	(662)

Contingencies in respect of Cathay Pacific are disclosed in note 39(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.

20. Financial Instruments by Category (continued)

Accounting Policy (continued)

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

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

Recognition and measurement
Purchases and sales of financial instruments are recognised on their trade date, 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. The accounting for realised and unrealised gains and losses arising from changes in the fair value of derivatives is set out in note 22.

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

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

The Group assesses at each period-end date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that 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 2016								
Available-for-sale assets	21	–	–	457	–	–	457	457
Derivative financial assets	22	–	548	–	–	–	548	548
Trade and other receivables excluding prepayments	25	–	–	–	8,300	–	8,300	8,300
Bank balances and short-term deposits	26	–	–	–	6,477	–	6,477	6,477
Total		–	548	457	14,777	–	15,782	15,782
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
Liabilities as per consolidated statement of financial position								
At 31st December 2016								
Trade and other payables	27	2,517	–	–	–	18,358	20,875	20,875
Derivative financial liabilities	22	–	66	–	–	–	66	66
Short-term loans	29	–	–	–	–	595	595	595
Long-term loans and bonds due within one year	29	–	–	–	–	5,357	5,357	5,357
Perpetual capital securities	28	–	–	–	–	2,327	2,327	2,327
Long-term loans and bonds due after one year	29	–	–	–	–	62,291	62,291	63,927
Total		2,517	66	–	–	88,928	91,511	93,147
At 31st December 2015								
Trade and other payables	27	1,515	–	–	–	18,571	20,086	20,086
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	–	–	87,188	88,927	91,238

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 2016					
Available-for-sale assets	21				
– Listed investments		191	–	–	191
– Unlisted investments		–	–	266	266
Derivatives used for hedging	22	–	548	–	548
Total		191	548	266	1,005
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
Liabilities as per consolidated statement of financial position					
At 31st December 2016					
Derivatives used for hedging	22	–	66	–	66
Put option over non-controlling interest in Brickell City Centre	27	–	–	670	670
Put option over non-controlling interest in a subsidiary company	27	–	–	77	77
Contingent consideration	27	–	–	1,770	1,770
Total		–	66	2,517	2,583
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 option over non-controlling interest in a subsidiary company	27	–	–	74	74
Contingent consideration	27	–	–	932	932
Total		–	224	1,515	1,739

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 cause 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 2016	**583**	**246**	**932**
Translation differences	**1**	**1**	**–**
Additions	**47**	**41**	**1,427**
Disposals	**–**	**(22)**	**–**
Change in fair value recognised in profit or loss during the year	**116**	**–**	**102**
Payment of consideration	**–**	**–**	**(691)**
At 31st December 2016	**747**	**266**	**1,770**
Total losses for the year included in profit or loss in respect of financial instruments held at 31st December 2016	**(116)**	**–**	**(102)**
Change in unrealised losses for the year included in profit or loss of financial instruments held at 31st December 2016	**(116)**	**–**	**(102)**

	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)

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, 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 within 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 in 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 2016. 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 within 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 unobservable inputs based on 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

	2016 HK$M	2015 HK$M
Non-current assets		
Shares listed in Hong Kong	92	101
Shares listed overseas	99	161
Unlisted investments	266	246
	457	508

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/losses.

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/losses. 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.

	2016		2015	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges (a)	533	25	287	180
Interest rate swaps – cash flow hedges	8	9	3	21
Forward foreign exchange contracts				
– cash flow hedges	5	32	6	16
– not qualifying as hedges	1	–	–	–
Commodity swaps				
– cash flow hedges	–	–	2	–
– not qualifying as hedges	1	–	–	7
Total	548	66	298	224
Analysed as:				
Current	20	32	68	23
Non-current	528	34	230	201
	548	66	298	224

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 2016 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 2026). The total notional principal amount of the outstanding cross currency swap contracts at 31st December 2016 was HK$25,568 million (2015: HK$26,329 million).

For the years ended 31st December 2016 and 31st December 2015 all cash flow hedges were effective.

23. Properties Held for Development and Properties under Development and for Sale

Accounting Policy

Properties held for development comprise freehold land at cost, less provisions for possible losses. Properties held for development are not expected to be sold or developed within the Group's normal operating cycle and are classified as non-current assets.

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

	2016 HK$M	2015 HK$M
Properties held for development		
Freehold land	1,119	795
Development cost	160	147
	1,279	942
Properties under development and for sale		
Completed properties – development costs	3,760	1,045
Completed properties – freehold land	130	1
Completed properties – leasehold land	1,779	582
Properties under development – development costs	–	4,205
Freehold land under development for sale	–	349
Leasehold land under development for sale	–	1,433
	5,669	7,615

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.

	2016 HK$M	2015 HK$M
Goods for sale	2,302	2,219
Manufacturing materials	476	423
Production supplies	1,108	1,059
Work in progress	904	898
	4,790	4,599

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.

	2016 HK$M	2015 HK$M
Trade debtors	3,862	3,529
Amounts due from immediate holding company	4	2
Amounts due from joint venture companies	135	160
Amounts due from associated companies	465	610
Interest-bearing advance to an associated company at 7.0% (2015: 7.0%)	113	117
Prepayments and accrued income	2,042	2,578
Other receivables	3,025	3,432
	9,646	10,428
Amounts due after one year included under non-current assets	(49)	(466)
	9,597	9,962

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:

	2016 HK$M	2015 HK$M
Up to three months	3,635	3,318
Between three and six months	152	115
Over six months	75	96
	3,862	3,529

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 2016, trade debtors of HK$975 million (2015: HK$856 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:

	2016 HK$M	2015 HK$M
Up to three months	898	763
Between three and six months	29	32
Over six months	48	61
	975	856

At 31st December 2016, trade debtors of HK$71 million (2015: HK$188 million) were impaired. The amount of the provision was HK$24 million at 31st December 2016 (2015: HK$131 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 2016 and 31st December 2015 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 2016 was HK$2,494 million (2015: HK$2,389 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.

	2016 HK$M	2015 HK$M
Bank balances and short-term deposits maturing within three months	6,450	8,936
Short-term deposits maturing after more than three months	27	49
	6,477	8,985

The effective interest rates on short-term deposits of the Group ranged from 0.01% to 4.35% (2015: 0.01% to 14.25%); these deposits have maturities from 7 to 365 days (2015: 7 to 365 days).

The maximum exposure to credit risk in respect of bank balances and short-term deposits at 31st December 2016 and 31st December 2015 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.

	2016 HK$M	2015 HK$M
Trade creditors	3,150	3,645
Amounts due to immediate holding company	171	168
Amounts due to joint venture companies	78	207
Amounts due to associated companies	120	101
Interest-bearing advances from joint venture companies at 0.39% to 4.63% (2015: 0.28% to 4.63%)	326	343
Interest-bearing advances from an associated company at 2.30% (2015: 1.90%)	289	296
Advances from non-controlling interests	150	159
Rental deposits from tenants	2,494	2,389
Put option over non-controlling interest in Brickell City Centre	670	509
Put option over a non-controlling interest in a subsidiary company	77	74
Deposit received on the sale of a subsidiary company	653	–
Contingent consideration	1,770	932
Accrued capital expenditure	1,484	1,454
Other accruals	5,487	5,229
Other payables	3,956	4,580
	20,875	20,086
Amounts due after one year included under non-current liabilities	(3,427)	(1,276)
	17,448	18,810

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:

	2016 HK$M	2015 HK$M
Up to three months	2,985	3,470
Between three and six months	133	123
Over six months	32	52
	3,150	3,645

28. Perpetual Capital Securities

Refer to the table with the heading "Audited Financial Information" on page 82 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 80 to 86 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 and the USA 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:

	2016 HK$M	2015 HK$M
Deferred tax assets	697	847
Deferred tax liabilities	(8,291)	(7,605)
	(7,594)	(6,758)

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	2016 HK$M	2015 HK$M
At 1st January		6,758	6,286
Translation differences		(238)	(63)
Acquisition of new businesses	37	(80)	4
Disposal of a subsidiary company		2	–
Charged to statement of profit or loss	10	1,097	657
Charged/(credited) to other comprehensive income		55	(126)
At 31st December		7,594	6,758

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

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of investment properties		Others		Total	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
At 1st January	3,732	3,494	3,338	2,792	1,151	1,297	8,221	7,583
Translation differences	(34)	–	(211)	(49)	(9)	(29)	(254)	(78)
Acquisition of new businesses	–	–	–	–	438	10	438	10
Charged/(credited) to statement of profit or loss	461	238	902	592	21	(83)	1,384	747
Charged/(credited) to other comprehensive income	–	–	3	3	63	(44)	66	(41)
At 31st December	4,159	3,732	4,032	3,338	1,664	1,151	9,855	8,221

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
At 1st January	492	566	456	390	515	341	1,463	1,297
Translation differences	(7)	(7)	(4)	(1)	(5)	(7)	(16)	(15)
Acquisition of new businesses	–	6	–	–	518	–	518	6
Disposal of a subsidiary	(2)	–	–	–	–	–	(2)	–
Credited/(charged) to statement of profit or loss	78	(73)	156	67	53	96	287	90
Credited to other comprehensive income	–	–	–	–	11	85	11	85
At 31st December	561	492	608	456	1,092	515	2,261	1,463

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$2,635 million (2015: HK$3,997 million) to carry forward against future taxable income, of which HK$1,246 million (2015: HK$2,016 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 periods 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 sensitivities 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 2016, disclosures are based on valuations prepared by Mercer (Hong Kong) Limited at 31st December 2015, which were updated to reflect the position at 31st December 2016 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 ongoing basis, as computed by reference to actuarial valuations. The principal schemes in Hong Kong are valued 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% (2015: 113%) of the accrued liabilities on an ongoing basis. The Group expects to make contributions of HK$197 million to its defined benefit schemes in 2017.

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 the 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:

	2016 HK$M	2015 HK$M
Present value of funded obligations	5,734	5,606
Fair value of plan assets	(4,716)	(4,528)
	1,018	1,078
Present value of unfunded obligations	42	31
Net retirement benefit liabilities	1,060	1,109
Represented by:		
Retirement benefit assets	(80)	(76)
Retirement benefit liabilities	1,140	1,185
	1,060	1,109

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

	2016 HK$M	2015 HK$M
At 1st January	5,637	5,355
Translation differences	8	(13)
Transfer of members	(1)	6
Current service cost	278	272
Interest expense	188	176
Actuarial losses/(gains) from changes in:		
demographic assumptions	15	68
financial assumptions	(57)	(90)
Experience losses	62	207
Employee contributions	3	3
Benefits paid	(357)	(347)
At 31st December	5,776	5,637

The weighted average duration of the defined benefit obligations is 9.0 years (2015: 8.9 years).

31. Retirement Benefits (continued)

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

	2016 HK$M	2015 HK$M
At 1st January	4,528	4,723
Translation differences	1	(3)
Transfer of members	(1)	6
Interest income	155	159
Return on plan assets, excluding interest income	88	(226)
Contributions by employer	298	208
Employee contributions	1	2
Benefits paid	(354)	(341)
At 31st December	4,716	4,528

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:

	2016 HK$M	2015 HK$M
Current service cost	278	272
Net interest cost	33	17
	311	289

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 2016 amounted to HK$613 million (2015: HK$562 million), including HK$302 million (2015: HK$273 million) in respect of defined contribution schemes.

The actual return on defined benefit plan assets was a gain of HK$243 million (2015: loss of HK$67 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 may be 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:

	2016 HK$M	2015 HK$M
Equities		
Asia Pacific	493	569
Europe	302	287
North America	862	785
Emerging markets	577	402
Bonds		
Global	1,950	1,906
Emerging markets	99	74
Absolute return funds	187	187
Cash	246	318
	4,716	4,528

31. Retirement Benefits (continued)

At 31st December 2016, the prices of 96% of equities and 45% of bonds were quoted on active markets (31st December 2015: 96% and 38% respectively). The percentage of bonds quoted on active markets at 31st December 2015 has been restated to reflect a change in the basis of assessment. 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 appointed investment managers. 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:

	2016		2015	
	Hong Kong %	Others %	Hong Kong %	Others %
Discount rate	**3.64**	**1.00-4.55**	3.22	2.00-4.90
Expected rate of future salary increases	**4.00**	**3.00-3.83**	4.00	2.75-4.12

The sensitivity of the defined benefit obligations 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%	(291)	316
Expected rate of future salary increases	0.50%	243	(231)

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 obligations to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit liability recognised within the statement of financial position.

32. Other Non-current Assets

Other non-current assets comprise an uncompleted property in Kowloon Bay, Hong Kong transferred from investment properties under development (note 15) at fair value on 28th October 2016. The carrying value of the property at 31st December 2016 represents its fair value at the date of transfer plus the development costs incurred subsequently. The transfer to other non-current assets occurred on the signing of an agreement dated 28th October 2016 between Swire Properties and a third party for the sale of Swire Properties' 100% interest in a subsidiary company owning the property. The consideration for the sale is HK$6,528 million, subject to adjustment. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

33. Share Capital

	'A' shares	'B' shares	Total HK$M
Issued and fully paid			
At 31st December 2016	**905,206,000**	**2,995,220,000**	**1,294**
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

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

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.

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

34. 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 2016		220,138	1,994	443	(7,298)	1,878	217,155
Profit for the year		9,644	–	–	–	–	9,644
Other comprehensive income							
Defined benefit plans							
– remeasurement gains recognised during the year		36	–	–	–	–	36
– deferred tax		16	–	–	–	–	16
Cash flow hedges							
– gains recognised during the year		–	–	–	517	–	517
– transferred to net finance charges		–	–	–	(91)	–	(91)
– transferred to operating profit		–	–	–	(34)	–	(34)
– deferred tax		–	–	–	(57)	–	(57)
Net fair value changes on available-for-sale assets							
– losses recognised during the year		–	–	(51)	–	–	(51)
– transferred to profit or loss on disposal		–	–	(10)	–	–	(10)
Revaluation of property previously occupied by the Group							
– gains recognised during the year		–	98	–	–	–	98
– deferred tax		–	(2)	–	–	–	(2)
Share of other comprehensive income of joint venture and associated companies		268	–	87	4,459	(1,295)	3,519
Net translation differences on foreign operations		–	–	–	–	(1,517)	(1,517)
Total comprehensive income for the year		9,964	96	26	4,794	(2,812)	12,068
Acquisition of non-controlling interest		147	–	–	–	–	147
Recognition of contingent consideration		(99)	–	–	–	–	(99)
2015 second interim dividend	12	(4,182)	–	–	–	–	(4,182)
2016 first interim dividend	12	(1,504)	–	–	–	–	(1,504)
At 31st December 2016		224,464	2,090	469	(2,504)	(934)	223,585

34. Reserves (continued)

	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 losses 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
		13,029	22	(329)	(3,204)	(2,073)	7,445
Total comprehensive income for the year							
Acquisition of additional interests in subsidiary companies		(1,310)	–	–	–	–	(1,310)
Change in composition of the Group		13	–	–	–	–	13
Repurchase of the Company's shares	33	(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

(a) The Group revenue reserve includes retained revenue reserves from joint venture companies amounting to HK$4,881 million (2015: HK$4,055 million) and retained revenue reserves from associated companies amounting to HK$24,443 million (2015: HK$25,142 million).

(b) The Group revenue reserve includes HK$1,655 million (2015: HK$4,182 million) representing the declared second interim dividend for the year (note 12).

35. Non-controlling Interests

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

	2016 HK$M	2015 HK$M
At 1st January	45,537	43,355
Share of profits less losses for the year	3,288	2,994
Share of defined benefit plans		
– remeasurement gains/(losses) recognised during the year	32	(79)
– deferred tax	(2)	12
Share of cash flow hedges		
– gains/(losses) recognised during the year	51	(20)
– transferred to net finance charges	(1)	1
– transferred to operating profit	1	3
– deferred tax	(9)	3
Share of revaluation of property previously occupied by the Group		
– gains recognised during the year	22	5
– deferred tax	(1)	–
Share of other comprehensive income of joint venture and associated companies	(120)	(101)
Share of translation differences on foreign operations		
– losses recognised during the year	(396)	(320)
– reclassified to profit or loss on disposal	–	26
Share of total comprehensive income	2,865	2,524
Dividends paid and payable	(1,056)	(876)
Acquisition of non-controlling interests in subsidiary companies	(147)	(231)
Non-controlling interests arising on acquisition of a subsidiary company	–	11
Disposal of interest in a subsidiary company	–	(13)
Capital contribution from non-controlling interests	90	767
At 31st December	47,289	45,537

36. Company Statement of Financial Position and Reserves

(a) Company Statement of Financial Position

	Note	2016 HK$M	2015 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		15	15
Subsidiary companies		35,745	36,083
Joint venture companies		114	114
Associated companies		4,624	4,624
Available-for-sale assets		92	101
Other receivables		–	386
Retirement benefit assets		39	38
		40,629	41,361
Current assets			
Trade and other receivables		46	340
Bank balances and short-term deposits		1,502	776
		1,548	1,116
Current liabilities			
Trade and other payables		35,356	33,101
Net current liabilities		(33,808)	(31,985)
Total assets less current liabilities		6,821	9,376
Non-current liabilities			
Deferred tax liabilities		5	4
NET ASSETS		6,816	9,372
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	33	1,294	1,294
Reserves	36(b)	5,522	8,078
TOTAL EQUITY		6,816	9,372

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Martin Cubbon
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Directors
Hong Kong, 16th March 2017

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

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

	Note	Revenue reserve HK$M	Investment revaluation reserve HK$M	Total HK$M
Company				
At 1st January 2016		8,073	5	8,078
Profit for the year		3,122	–	3,122
Other comprehensive income				
Defined benefit plans				
– remeasurement gains recognised during the year		10	–	10
– deferred tax		(2)	–	(2)
Net fair value changes on available-for-sale assets		–	–	–
– losses recognised during the year		–	(1)	(1)
– transferred to operating profit		–	1	1
Total comprehensive income for the year		3,130	–	3,130
2015 second interim dividend	12	(4,182)	–	(4,182)
2016 first interim dividend	12	(1,504)	–	(1,504)
At 31st December 2016		5,517	5	5,522
At 1st January 2015		10,940	12	10,952
Profit for the year		3,084	–	3,084
Other comprehensive income				
Defined benefit plans				
– remeasurement losses 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	33	(35)	–	(35)
At 31st December 2015		8,073	5	8,078

(i) Distributable reserves of the Company at 31st December 2016 amounted to HK$5,517 million (2015: HK$8,073 million).

(ii) The Company revenue reserve includes HK$1,655 million (2015: HK$4,182 million) representing the declared second interim dividend for the year (note 12).

37. Acquisition of New Businesses

Acquisition of distribution rights and assets in Arizona and New Mexico

In July 2016, Swire Coca-Cola, USA completed the acquisition from subsidiaries of The Coca-Cola Company ("TCCC") of the distribution rights to certain territories and certain distribution assets in Arizona and New Mexico in the USA. The acquisition expands the Group's beverage business in the USA.

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

	Provisional fair value HK$M
Purchase consideration	
Cash paid	1,455
Contingent consideration	1,328
	2,783

	HK$M
Property, plant and equipment	469
Intangible assets	2,084
Stocks and work in progress	128
Trade and other payables	(92)
Deferred tax assets	80
Net identifiable assets acquired	2,669
Goodwill	114
	2,783
Purchase consideration settled in cash and net cash outflow on acquisition	1,455

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

The contingent consideration represents a requirement for Swire Coca-Cola, USA to make quarterly sub-bottler payments to a subsidiary of TCCC. The fair value of the contingent consideration of US$171 million (HK$1,328 million) was determined using a discounted cash flow valuation technique. The key unobservable inputs used are the expected future gross profit and discount rate. This is a level 3 fair value measurement.

The goodwill is not expected to be deductible for tax purposes.

Acquisition-related costs of HK$6 million have been recognised in the consolidated statement of profit or loss.

The acquired business contributed revenue of HK$1,516 million and net profit of HK$21 million to the Group for the period from 30th July 2016 to 31st December 2016.

38. Capital and Other Commitments

	2016 HK$M	2015 HK$M
(a) The Group's outstanding capital commitments at the year-end in respect of:		
Property, plant and equipment		
Contracted for	11,147	4,379
Authorised by Directors but not contracted for	2,530	3,992
Investment properties		
Contracted for	5,577	3,186
Authorised by Directors but not contracted for	10,152	13,130
	29,406	24,687
The Group's share of capital commitments of joint venture companies at the year-end*		
Contracted for	1,725	613
Authorised by Directors but not contracted for	1,261	3,286
	2,986	3,899

* of which the Group is committed to funding HK$977 million (2015: HK$1,478 million).

At 31st December 2016, the outstanding capital commitments include commitments arising under the conditional agreement described in note 43 and under the following agreements:

(i) In September 2015, Swire Coca-Cola, USA entered into a conditional agreement with a subsidiary of TCCC to acquire certain production assets in existing franchise territories in Denver, Colorado Springs and Arizona. The aggregate initial cash consideration under the agreement is US$106 million (approximately HK$822 million), subject to closing adjustments.

(ii) In November and December 2016, Swire Beverages Holdings Limited ("SBHL") entered into conditional agreements with TCCC and a subsidiary of China Foods Limited ("China Foods") for the realignment of the Coca-Cola bottling system in Mainland China. SBHL also agreed (conditionally on the realignment proceeding) to acquire from a subsidiary of TCCC the 12.5% interest in Swire Beverages Limited ("SBL") which is not already owned by SBHL. SBL is the holding company for the majority of Swire Pacific's interests in companies engaged in the non-alcoholic ready to drink business in Mainland China and Hong Kong. At present, SBHL has interests in franchise territories in Mainland China in Fujian, Anhui, Henan, Shaanxi, Guangdong, Zhejiang and Jiangsu. If the realignment proceeds, SBHL will take on franchise territories in Hubei, Guangxi, Yunnan, Jiangxi, Hainan and Shanghai and the cities of Zhanjiang and Maoming in Guangdong, and will increase its interests in franchise territories in Jiangsu, Zhejiang, Anhui, Fujian, Henan and Guangdong. The Shaanxi territory will be transferred to a subsidiary of China Foods. The net amount expected to be payable by SBHL in respect of the realignment and the acquisition of 12.5% of SBL is RMB5,869 million (approximately HK$6,549 million), subject to completion adjustments.

(b) At 31st December 2016, the Group had unprovided contractual obligations for future repairs and maintenance in respect of investment properties of HK$219 million (2015: HK$171 million).

39. Provisions and Contingencies

Accounting Policy

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

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

Contingent liabilities are possible obligations that arise from past events and 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.

39. Provisions and Contingencies (continued)

Accounting Policy (continued)

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.

		2016 HK$M	2015 HK$M
(a)	Guarantees provided in respect of bank loans and other liabilities of:		
	Joint venture companies	1,960	3,771
	Bank guarantees given in lieu of utility deposits and others	175	177
		2,135	3,948

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 Euros 57.12 million on Cathay Pacific. However, The General Court delivered judgement in December 2015 annulling the European Commission's finding against Cathay Pacific and the fine of Euros 57.12 million was refunded to Cathay Pacific in February 2016. The European Commission has informed Cathay Pacific and the other airlines involved in the case of its intention to issue a new decision.

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 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 involved in three putative class action cases filed in Canada, 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 the Canadian Competition Act. Cathay Pacific reached an agreement to settle all three actions in December 2015, by paying the plaintiffs CAD$6 million (approximately HK$34.9 million at the exchange rate current at date of payment). The settlements, which were approved by the Courts in Ontario and British Columbia in July 2016 and the Courts in Quebec in August 2016, will resolve claims by all putative class members in all three actions.

40. 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.

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$286 million (2015: HK$347 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:

	2016 HK$M	2015 HK$M
Investment properties		
Not later than one year	7,933	8,029
Later than one year but not later than five years	15,250	15,027
Later than five years	4,511	3,121
	27,694	26,177
Vessels		
Not later than one year	1,819	2,741
Later than one year but not later than five years	463	2,401
Later than five years	260	212
	2,542	5,354
	30,236	31,531

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

	2016		2015	
	Investment properties HK$M	Vessels HK$M	Investment properties HK$M	Vessels HK$M
Cost or fair value	204,076	25,620	198,161	27,485
Less: accumulated depreciation and impairment	–	(8,332)	–	(6,493)
	204,076	17,288	198,161	20,992
Depreciation for the year	–	1,181	–	1,215

40. Leases (continued)

(b) Lessee

The Group leases land and buildings, vessels and 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$57 million (2015: HK$55 million).

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

	2016 HK$M	2015 HK$M
Land and buildings		
Not later than one year	847	1,157
Later than one year but not later than five years	1,567	1,696
Later than five years	2,856	2,880
	5,270	5,733
Vessels		
Not later than one year	26	136
Later than one year but not later than five years	–	306
Later than five years	–	61
	26	503
Equipment		
Not later than one year	30	26
Later than one year but not later than five years	14	11
Later than five years	–	2
	44	39
	5,340	6,275

41. 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, which commenced on 1st January 2014 for a period of three years, expired on 31st December 2016. The Services Agreements were renewed on 1st October 2016 and will last for another three years on the same terms and conditions commencing on 1st January 2017. For the year ended 31st December 2016, service fees payable amounted to HK$293 million (2015: HK$288 million). Expenses of HK$251 million (2015: HK$217 million) were reimbursed at cost; in addition, HK$375 million (2015: HK$338 million) in respect of shared administrative services was reimbursed.

41. 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 2016, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$105 million (2015: HK$101 million).

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

		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
Revenue from									
– Sales of beverage drinks	(a)	21	4	38	20	–	–	–	–
– Rendering of services		1	1	4	5	16	23	–	–
– Aircraft and engine maintenance		60	46	2,795	2,548	–	–	–	–
Purchase of beverage drinks	(a)	65	108	1,226	1,814	–	–	–	–
Purchase of other goods	(a)	5	4	33	12	–	–	–	–
Purchase of services	(a)	29	22	8	7	51	41	–	–
Rental revenue	(b)	2	6	8	11	13	16	92	85
Interest income	(c)	74	74	8	8	–	–	–	–
Interest charges	(c)	8	12	6	4	–	–	–	–

Notes:
(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.
(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
(c) Loans advanced to joint venture and associated companies at 31st December 2016 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 2016 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 an Executive Officer, is disclosed in note 8.

42. Notes to the Consolidated Statement of Cash Flows

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

	2016 HK$M	2015 HK$M
Operating profit	15,384	16,461
Loss on disposal of a subsidiary	118	–
Loss on disposal of four hotels in the UK	–	229
Gain on sale of property, plant and equipment	(114)	–
(Gain)/loss on sale of investment properties	(76)	135
Profit on sale of available-for-sale assets	(9)	(105)
Change in fair value of investment properties	(8,445)	(7,053)
Depreciation, amortisation and impairment losses	5,860	4,593
Other items	34	(125)
Operating profit before working capital changes	12,752	14,135
Decrease in properties for sale	2,052	472
Increase in stocks and work in progress	(98)	(823)
Decrease/(increase) in trade and other receivables	12	(311)
Increase in trade and other payables	146	889
Cash generated from operations	14,864	14,362

(b) Purchase of property, plant and equipment

	2016 HK$M	2015 HK$M
Properties	849	1,089
Leasehold land and land use rights	15	31
Plant and machinery	1,782	1,659
Vessels	905	1,466
Total	3,551	4,245

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

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

(c) Analysis of changes in financing during the year

	Loans, bonds and perpetual capital securities		Non-controlling interests	
	2016 HK$M	2015 HK$M	2016 HK$M	2015 HK$M
At 1st January	68,617	68,788	45,537	43,355
Net cash inflow from financing	2,126	14	90	767
Acquisition of interests in subsidiary companies	–	–	(147)	(220)
Disposal of interest in a subsidiary company	–	–	–	(13)
Non-controlling interests' share of total comprehensive income	–	–	2,865	2,524
Dividends paid to non-controlling interests	–	–	(1,030)	(1,026)
Movement in dividends payable to non-controlling interests	–	–	(26)	150
Currency adjustment	(276)	(291)	–	–
Other non-cash movements	103	106	–	–
At 31st December	70,570	68,617	47,289	45,537

43. Event after the Reporting Period

In October 2016, Swire Coca-Cola, USA entered into a conditional agreement with subsidiaries of TCCC for the grant of additional territory rights in the states of Washington, Oregon and Idaho in the Pacific Northwest and the acquisition of certain distribution and production assets. The aggregate initial cash consideration payable under the agreement is US$170 million (approximately HK$1,318 million), subject to closing adjustments. As part of the transaction, Swire Coca-Cola, USA is required to make quarterly sub-bottler payments, the net present value of which was estimated at the date of the agreement to be US$7.9 million (approximately HK$61 million). The acquisition of additional territory rights in Washington was completed in February 2017. The remainder of the acquisition is expected to be completed later in the first half of 2017. The accounting for the part of the transaction which has been completed was incomplete at the date of the publication of the annual report.

44. 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.

Principal Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, the other principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention as modified in relation to the revaluation of certain available-for-sale assets, financial assets and financial liabilities (including derivative instruments) and investment properties, each of which are carried at fair value.

2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Swire Pacific Limited, its subsidiary companies (together referred to as the "Group") and the Group's interests in joint venture and associated companies.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquired subsidiary either at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired subsidiary and the acquisition-date fair value of any previous equity interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquired subsidiary, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests where control is not lost are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture company or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the statement of other comprehensive income are reclassified to the statement of profit or loss.

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the owner of the non-controlling interest, which is not part of a business combination, the Group records a financial liability in respect of the present value of the redemption amount with a corresponding charge directly to equity. Changes to the value of the financial liability are recognised in the statement of profit or loss within net finance charges.

The Group's share of its joint venture and associated companies' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the joint venture or associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associated company.

The Group recognises the disposal of an interest in a joint venture company when it ceases to have joint control and the risks and rewards of ownership have passed to the acquirer.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint venture and associated companies are eliminated to the extent of the Group's interest in these companies. Unrealised losses on assets transferred between the Group and its joint venture and associated companies are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Accounting policies of joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in respect of investments in associated companies are recognised in the consolidated statement of profit and loss.

3. Subsidiary Companies

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

4. Joint Venture and Associated Companies

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

5. Foreign Currency Translation

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any associated translation difference is also recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the statement of profit or loss, any associated translation difference is also recognised in the statement of profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated statement of profit or loss and consolidated statement of other comprehensive income for the year ended 31st December 2016 and consolidated statement of financial position at 31st December 2016, modified to conform to the Group's financial statements presentation.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2016

	2016 HK$M	2015 HK$M
Revenue	92,751	102,342
Operating expenses	(93,276)	(95,678)
Operating (loss)/profit	(525)	6,664
Finance charges	(1,561)	(1,380)
Finance income	260	216
Net finance charges	(1,301)	(1,164)
Share of profits less losses of associated companies	2,049	1,965
Profit before taxation	223	7,465
Taxation	(497)	(1,157)
(Loss)/profit for the year	(274)	6,308
(Loss)/profit for the year attributable to:		
– Cathay Pacific's shareholders	(575)	6,000
– Non-controlling interests	301	308
	(274)	6,308
Dividends		
Interim - paid	197	1,023
Second interim - declared/paid	–	1,062
	197	2,085

	HK¢	HK¢
(Loss)/earnings per share from profit attributable to Cathay Pacific's shareholders (basic and diluted)	(14.6)	152.5

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December 2016

	2016 HK$M	2015 HK$M
(Loss)/profit for the year	(274)	6,308
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plans	606	(210)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges	9,690	(5,417)
Net fair value changes on available-for-sale assets	178	(321)
Share of other comprehensive income of associated companies	334	(741)
Net translation differences on foreign operations	(1,536)	(1,060)
Other comprehensive income for the year, net of tax	9,272	(7,749)
Total comprehensive income for the year	8,998	(1,441)
Total comprehensive income attributable to:		
Cathay Pacific's shareholders	8,697	(1,749)
Non-controlling interests	301	308
	8,998	(1,441)

Consolidated Statement of Financial Position

At 31st December 2016

	2016 HK$M	2015 HK$M
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	106,456	100,552
Intangible assets	10,934	10,606
Investments in associates	23,298	22,878
Other long-term receivables and investments	4,604	5,069
Deferred tax assets	737	497
	146,029	139,602
Current assets		
Stock	1,514	1,366
Trade, other receivables and other assets	9,588	11,212
Liquid funds	20,290	20,647
	31,392	33,225
Current liabilities		
Current portion of long-term liabilities	11,263	13,782
Related pledged security deposits	–	(544)
Net current portion of long-term liabilities	11,263	13,238
Trade and other payables	19,104	23,025
Unearned transportation revenue	12,926	13,012
Taxation	707	502
Dividend payable to non-controlling interests	92	–
	44,092	49,777
Net current liabilities	(12,700)	(16,552)
Total assets less current liabilities	133,329	123,050
Non-current liabilities		
Long-term liabilities	58,906	49,867
Other long-term payables	7,517	15,838
Deferred taxation	11,380	9,278
	77,803	74,983
NET ASSETS	55,526	48,067
EQUITY		
Share capital	17,106	17,106
Reserves	38,259	30,821
Equity attributable to Cathay Pacific's shareholders	55,365	47,927
Non-controlling interests	161	140
TOTAL EQUITY	55,526	48,067

Principal Subsidiary, Joint Venture and Associated Companies and Investments

Showing proportion of capital owned at 31st December 2016

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
PROPERTY DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Cathay Limited	82	–	100	807 shares	Property investment
Citiluck Development Limited	82	–	100	1,000 shares	Property investment
Cityplaza Holdings Limited	82	–	100	100 shares	Property investment
Coventry Estates Limited	82	–	100	4 shares	Property investment
Keen Well Holdings Limited	65.60	–	100	1 share	Property trading
One Island East Limited	82	–	100	2 shares	Property investment
One Queen's Road East Limited	82	–	100	2 shares	Property investment
Oriental Landscapes Limited	82	–	100	60,000 shares	Landscaping services
Pacific Place Holdings Limited	82	–	100	2 shares	Property investment
Redhill Properties Limited	82	–	100	250,000 shares	Property investment
Super Gear Investment Limited	82	–	100	2 shares	Property investment
Swire Properties (Finance) Limited	82	–	100	1,000,000 shares	Financial services
Swire Properties Limited	82	82	–	5,850,000,000 shares	Holding company
Swire Properties Management Limited	82	–	100	2 shares	Property management
Swire Properties MTN Financing Limited	82	–	100	1 share	Financial services
Swire Properties Real Estate Agency Limited	82	–	100	2 shares	Real estate agency
Taikoo Place Holdings Limited	82	–	100	2 shares	Property investment
Incorporated in Mainland China:					
(Domestic company)					
Beijing Tianlian Real Estate Company Limited • ^	82	–	100	Registered capital of RMB865,000,000	Holding company
(Sino-foreign joint venture)					
TaiKoo Hui (Guangzhou) Development Company Limited ^	79.54	–	97	Registered capital of RMB3,050,000,000	Property investment
(Wholly foreign owned enterprises)					
Beijing Sanlitun Hotel Management Company Limited ^	82	–	100	Registered capital of RMB800,000,000	Hotel investment
Beijing Sanlitun North Property Management Company Limited ^	82	–	100	Registered capital of RMB2,784,000,000	Property investment
Beijing Sanlitun South Property Management Company Limited ^	82	–	100	Registered capital of RMB1,598,000,000	Property investment
Sunshine Melody (Guangzhou) Properties Management Limited	82	–	100	Registered capital of RMB295,000,000	Property investment
Swire Properties (China) Investment Company Limited ^	82	–	100	Registered capital of US$30,000,000	Holding company

Notes:
1. This table lists the principal subsidiary, joint venture and associated companies of the Group including those which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give full details of these companies would, in the opinion of the Directors, result in particulars of excessive length.
2. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. The activities of ship owning and operating are international, and are not attributable to a principal country of operation.
3. * Group interest held through joint venture or associated companies.
4. • Companies not audited by PricewaterhouseCoopers. These companies accounted for approximately 10% of attributable net assets at 31st December 2016.
5. ^ Translated name.

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
PROPERTY DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in the USA:					
700 Brickell City Centre LLC	82	–	100	Limited Liability Company	Property trading
Brickell City Centre Plaza LLC	82	–	100	Limited Liability Company	Property investment
Brickell City Centre Project LLC	82	–	100	Limited Liability Company	Property trading and investment
Brickell City Centre Retail LLC	49.92	–	85.88	Limited Liability Company	Property investment
FTL/AD LTD	61.50	–	75	Florida Partnership	Property trading
Swire Jadeco LLC	82	–	100	Limited Liability Company	Property trading
Swire Pacific Holdings Asia LLC	82	–	100	Limited Liability Company	Property trading
Swire Properties Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Properties One LLC	82	–	100	Limited Liability Company	Property trading and investment
Swire Properties US Inc	82	–	100	1,000 shares of US$0.01 each	Holding company
Swire Realty LLC	82	–	100	Limited Liability Company	Real estate agency
Incorporated in the British Virgin Islands and operating in Hong Kong:					
Bao Wei Enterprises Limited	82	–	100	1 share of US$1	Property trading
Boom View Holdings Limited	82	–	100	2 shares of US$1 each	Property investment
Endeavour Technology Limited	71.75	–	87.50	1,000 shares of US$1 each	Holding company
Excel Free Ltd.	82	–	100	1 share of US$1	Property trading
Novel Ray Limited	82	–	100	1 share of US$1	Property investment
Peragore Limited	65.60	–	80	1,000 shares of US$1 each	Holding company
Sino Flagship Investments Limited	82	–	100	1 share of US$1	Property investment
Star Wing International Limited	82	–	100	1 share of US$1	Property investment
Swire and Island Communication Developments Limited	49.20	–	60	100 shares of HK$10 each and 1 non-voting dividend share of HK$10	Property investment
Swire Properties China Holdings Limited	82	–	100	1 share of US$1	Holding company
Wonder Cruise Group Limited	82	–	100	1 share of US$1	Property trading
Joint venture companies:					
Incorporated in Hong Kong:					
Hareton Limited	41	–	50	100 shares	Property investment
Pacific Grace Limited	41	–	*	2 shares	Property investment
Richly Leader Limited	41	–	50	1,000,000,000 shares	Property investment
Incorporated in the USA:					
Swire Brickell Key Hotel, Ltd.	61.50	–	75	Florida Partnership	Hotel investment

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
PROPERTY DIVISION (continued)					
Joint venture companies (continued):					
Incorporated in the British Virgin Islands:					
Dazhongli Properties Limited (operates in Mainland China)	41	–	50	1,000 shares of US$1 each	Holding company
Great City China Holdings Limited (operates in Mainland China)	41	–	50	100 shares of US$1 each	Holding company
Island Land Development Limited (operates in Hong Kong)	41	–	50	100 shares of HK$10 each	Property investment
Newfoundworld Investment Holdings Limited (operates in Hong Kong)	16.40	–	20	5 shares of US$1 each	Holding company
Incorporated in Mainland China:					
(Domestic company)					
Beijing Linlian Real Estate Company Limited ^	41	–	50	Registered capital of RMB400,000,000	Property investment
(Wholly foreign owned enterprises)					
Chengdu Qianhao Real Estate Company Limited	41	–	*	Registered capital of US$329,000,000	Property investment
Guan Feng (Shanghai) Real Estate Development Company Limited ^	41	–	*	Registered capital of US$1,136,530,000	Property investment
Associated companies:					
Incorporated in Hong Kong:					
Greenroll Limited •	16.40	–	20	45,441,000 shares	Hotel investment
Queensway Hotel Limited •	16.40	–	*	100,000 shares	Hotel investment
Shangri-La International Hotels (Pacific Place) Limited	16.40	–	20	10,005,000 shares	Hotel investment
AVIATION DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
HAECO ITM Limited	65.99	–	70 & *	100 shares	Aircraft inventory technical management
Hong Kong Aircraft Engineering Company Limited	74.99	74.99	–	166,324,850 shares	Aircraft overhaul and maintenance
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Shanghai Taikoo Aircraft Engineering Services Company Limited • ^	52.19	–	75	Registered capital of US$3,700,000	Line services
Taikoo Engine Services (Xiamen) Company Limited	59.05	–	76.59 & *	Registered capital of US$113,000,000	Commercial aero engine overhaul services
Taikoo (Xiamen) Aircraft Engineering Company Limited	48	–	58.55 & *	Registered capital of US$41,500,000	Aircraft overhaul and maintenance
Taikoo (Xiamen) Landing Gear Services Company Limited	55.27	–	73.80 & *	Registered capital of US$36,890,000	Landing gear repair and overhaul
(Wholly foreign owned enterprise)					
HAECO Component Overhaul (Xiamen) Limited	74.99	–	100	Registered capital of US$18,600,000	Aircraft component overhaul

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
AVIATION DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Singapore:					
Singapore HAECO Pte. Limited	74.99	–	100	Registered capital of S$1	Line services
Incorporated in the USA:					
HAECO USA Holdings, Inc.	74.99	–	100	2,200 shares of US$0.01 each	Aircraft overhaul and maintenance, cabin modification and interior products manufacturing
Joint venture companies:					
Incorporated in Hong Kong:					
Goodrich Asia-Pacific Limited	36.75	–	49	9,200,000 shares	Carbon brake machining and wheel hub overhaul
Hong Kong Aero Engine Services Limited	37.50	–	50	20 shares	Commercial aero engine overhaul services
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	25.32	–	37	Registered capital of US$7,500,000	Tyre services for commercial aircraft
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited	16.80	–	35	Registered capital of US$5,000,000	Aircraft fuel control, flight control and electrical component repairs
Honeywell TAECO Aerospace (Xiamen) Company Limited •	23.55	–	35	Registered capital of US$5,000,000	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs
Taikoo (Shandong) Aircraft Engineering Company Limited •	27.30	–	40	Registered capital of RMB200,000,000	Airframe maintenance services for narrow-body aircraft
Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited	38.96	–	52.56 & *	Registered capital of US$11,663,163	Composite material aeronautic parts/systems repair, manufacturing and sales
Associated companies:					
Incorporated in Hong Kong:					
AHK Air Hong Kong Limited •	27	–	*	54,402,000 'A' shares and 36,268,000 'B' shares	Cargo airline
Airline Property Limited •	45	–	*	2 shares	Property investment
Airline Stores Property Limited •	45	–	*	2 shares	Property investment
Airline Training Property Limited •	45	–	*	2 shares	Property investment
Asia Miles Limited •	45	–	*	2 shares	Travel reward programme
Cathay Holidays Limited •	45	–	*	40,000 shares	Travel tour operator
Cathay Pacific Aero Limited •	45	–	*	1 share	Financial services
Cathay Pacific Aircraft Lease Finance Limited •	45	–	*	1 share	Aircraft leasing facilitator
Cathay Pacific Airways Limited •	45	45	–	3,933,844,572 shares	Operation of scheduled airline services
Cathay Pacific Catering Services (H.K.) Limited •	45	–	*	600 shares	Airline catering
Cathay Pacific Services Limited •	45	–	*	1 share	Cargo terminal
Deli Fresh Limited •	45	–	*	20 shares	Food processing and catering
Global Logistics System (HK) Company Limited •	43.49	–	*	100 shares	Computer network for interchange of air cargo related information

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
AVIATION DIVISION (continued)					
Associated companies (continued):					
Incorporated in Hong Kong (continued):					
Ground Support Engineering Limited	22.50	–	*	2 shares	Airport ground engineering support and equipment maintenance
Hong Kong Airport Services Limited •	45	–	*	100 shares	Aircraft ramp handling services
Hong Kong Aviation and Airport Services Limited •	45	–	*	2 shares	Property investment
Hong Kong Dragon Airlines Limited •	45	–	*	500,000,000 shares	Operation of scheduled airline services
LSG Lufthansa Service Hong Kong Limited	14.37	–	*	501 shares	Airline catering
Vehicle Engineering Services Limited	22.50	–	*	2 shares	Repair and maintenance services for transportation companies
Vogue Laundry Service Limited •	45	–	*	3,700 shares	Laundry and dry cleaning
Incorporated in Mainland China:					
Air China Cargo Co., Ltd. •	15.87	–	*	Registered capital of RMB5,235,294,118	Cargo carriage service
Air China Limited •	9.06	–	*	4,562,683,364 'H' shares of RMB1 each 8,522,067,640 'A' shares of RMB1 each	Operation of scheduled airline services
Shanghai International Airport Services Co., Limited • ^	13.42	–	*	Registered capital of RMB360,000,000	Ground handling
(Wholly foreign owned enterprise)					
Guangzhou Guo Tai Information Processing Company Limited •	45	–	*	Registered capital of HK$8,000,000	Information processing
Incorporated in Cayman Islands:					
Cathay Pacific MTN Financing Limited •	45	–	*	1 share of US$1	Financial services
Incorporated in Bermuda:					
Troon Limited •	45	–	*	12,000 shares of US$1 each	Financial services
Incorporated in the Isle of Man:					
Cathay Pacific Aircraft Services Limited •	45	–	*	10,000 shares of US$1 each	Aircraft acquisition facilitator
Snowdon Limited •	45	–	*	2 shares of GBP1 each	Financial services
Incorporated in the Philippines:					
Cebu Pacific Catering Services Inc. •	18	–	*	37,500,000 shares of PHP1 each	Airline catering
Incorporated in Taiwan:					
China Pacific Catering Services Limited •	22.05	–	*	86,100,000 shares of NTD10 each	Airline catering

Showing proportion of capital owned at 31st December 2016

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
BEVERAGES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Mount Limited	87.50	–	100	1 share	Holding company
Swire Beverages Holdings Limited	100	100	–	10,002 shares	Holding company
Swire Beverages Limited	87.50	–	87.50	14,194 'A' shares and 406 'B' shares	Holding company and sale of non-alcoholic beverages
Swire Coca-Cola HK Limited	87.50	–	100	2,400,000 shares	Manufacture and sale of non-alcoholic beverages
Top Noble Limited	100	–	100	1 share	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Swire Coca-Cola Beverages Xiamen Ltd.	93.63	–	100	Registered capital of US$52,737,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhengzhou Ltd.	85.78	–	94.44	Registered capital of US$18,000,000	Manufacture and sale of non-alcoholic beverages
(Wholly foreign owned enterprises)					
Swire BCD Co., Ltd.	89.38	–	100	Registered capital of US$60,000,000	Holding company
Swire Coca-Cola Beverages Hefei Ltd.	91.50	–	100	Registered capital of US$12,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Luohe Limited	85.78	–	100	Registered capital of RMB115,180,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Shaanxi Limited ^	89.38	–	100	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Xiamen Luquan Industries Company Limited	100	–	100	Registered capital of RMB63,370,000	Manufacture and sale of non-alcoholic beverages
Incorporated in Bermuda:					
Swire Pacific Industries Limited	100	–	100	12,000 shares of US$1 each	Holding company
Incorporated in the British Virgin Islands:					
SPHI Holdings Limited	100	–	100	2 shares of US$1 each	Holding company
Swire Coca-Cola Beverages Limited (operates principally in Taiwan)	100	–	100	1,599,840,000 'A' shares of US$0.01 each 200,160,000 'B' shares of US$0.01 each	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola (S&D) Limited (operates principally in Taiwan)	100	–	100	20,100 shares of US$1 each	Sale of non-alcoholic beverages
Incorporated in the USA:					
Swire Pacific Holdings Inc.	100	–	100	8,950.28 shares of US$1 each	Manufacture and sale of non-alcoholic beverages

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
BEVERAGES DIVISION (continued)					
Joint venture companies:					
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Swire Coca-Cola Beverages Jiangsu Limited	53.63	–	60	Registered capital of US$19,000,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Wenzhou Limited	53.63	–	21.46 & *	Registered capital of RMB71,300,000	Manufacture and sale of non-alcoholic beverages
Swire Coca-Cola Beverages Zhejiang Limited	53.63	–	60	Registered capital of US$20,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola (Huizhou) Limited	44.63	–	20.40 & *	Registered capital of US$5,000,000	Manufacture and sale of non-alcoholic beverages
Swire Guangdong Coca-Cola Limited	44.63	–	51	Registered capital of RMB510,669,000	Manufacture and sale of non-alcoholic beverages
Associated companies:					
Incorporated in Hong Kong:					
Coca-Cola Bottlers Manufacturing Holdings Limited	35.88	–	41	30,000 shares	Holding company
Incorporated in Mainland China:					
(Sino-foreign joint venture)					
Coca-Cola Bottlers Manufacturing (Wuhan) Company Limited	35.88	–	*	Registered capital of US$39,341,450	Manufacture and sale of non-carbonated beverages
(Wholly foreign owned enterprises)					
Coca-Cola Bottlers Management Service (Shanghai) Company Limited ^	35.88	–	*	Registered capital of US$5,000,000	Management services
Coca-Cola Bottlers Manufacturing (Dongguan) Company Limited ^	35.88	–	*	Registered capital of US$141,218,820	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Foshan) Company Limited ^	35.88	–	*	Registered capital of US$31,496,700	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Hangzhou) Company Limited ^	35.88	–	*	Registered capital of US$14,272,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Jinan) Company Limited	35.88	–	*	Registered capital of US$5,720,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Nanning) Company Limited	35.88	–	*	Registered capital of US$9,600,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Shijiazhuang) Company Limited	35.88	–	*	Registered capital of US$11,460,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Suzhou) Company Limited	35.88	–	*	Registered capital of US$2,566,000	Manufacture and sale of non-carbonated beverages
Coca-Cola Bottlers Manufacturing (Yingkou) Company Limited	35.88	–	*	Registered capital of US$12,667,000	Manufacture and sale of non-carbonated beverages
MARINE SERVICES DIVISION					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Pacific Ship Management Limited	100	–	100	1,000 shares	Ship personnel management
Incorporated in Australia:					
Swire Pacific Offshore Pty. Limited •	100	–	100	40,000 shares of AUD1 each	Ship chartering and operating
Swire Pacific Ship Management (Australia) Pty. Limited •	100	–	100	20,000 shares of AUD1 each	Ship personnel management

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Bermuda:					
Swire Pacific Offshore Holdings Limited •	100	–	100	500,000 shares of US$100 each	Holding company
Swire Pacific Offshore Limited •	100	–	100	120 shares of US$100 each	Management services
Incorporated in the United Kingdom:					
Swire Pacific Offshore (North Sea) Limited	100	–	100	2 shares of GBP1 each	Ship chartering and operating
Incorporated in Singapore:					
SCF Swire Offshore Pte. Ltd. •	50 100	–	50 100	10,000 shares of S$1 each 1 special rights redeemable preference share of S$1	Ship management services and other related activities
Swire Emergency Response Services Pte. Ltd.	100	–	100	10,000 shares of S$1 each	Emergency response services
Swire Pacific Offshore Operations (Pte) Ltd	100	–	100	500,000 shares of S$1 each and 2,000,000,000 preference shares of US$1 each	Ship owning and operating
Swire Pacific Offshore Services (Pte.) Limited	100	–	100	500,000 shares of S$1 each	Ship operating
Swire Production Solutions Pte. Ltd.	100	–	100	100,000 shares of US$1 each and 2 shares of S$1 each	Owning, chartering and operating vessels servicing the offshore marine industry
Swire Salvage Pte. Ltd.	100	–	100	2 shares of S$1 each	Salvage and maritime emergency response services
Incorporated in Norway:					
Swire Seabed AS	100	–	100	100 shares of NOK1,000 each	Ship operating
Swire Seabed Shipping AS	100	–	100	126,000 shares of NOK1,402 each	Ship owning and operating
Incorporated in New Zealand:					
Swire Pacific Offshore NZ Limited •	100	–	100	1 share of NZD100	Supply services to offshore oil and gas exploration and development activities
Incorporated in Cameroon:					
Swire Pacific Offshore Africa •	100	–	100	1,000 shares of XAF10,000 each	Ship operator
Incorporated in Denmark:					
Swire Blue Ocean A/S •	100	–	100	780,000 shares of DKK1 each	Ship operator
Incorporated in Cyprus:					
Swire Pacific Offshore (Cyprus) Limited •	100	–	100	1,000 shares of EUR1.71 each	Owning, chartering and operating vessels servicing the offshore marine industry
Incorporated in Brazil:					
Swire Pacific Navegação Offshore Ltda.	100	–	100	41,600,000 shares of R$1 each	Ship management services
Incorporated in Dubai:					
Swire Pacific Offshore (Dubai) (L.L.C) •	49	–	49	300 shares of AED1,000 each	Management services
Incorporated in Angola:					
Swire Serviços Maritimos LDA •	49	–	49	20,191,908 shares of AOA1 each	Ship chartering and operating

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
MARINE SERVICES DIVISION (continued)					
Subsidiary companies (continued):					
Incorporated in Azerbaijan:					
Swire Pacific Offshore (Caspian) LLC	100	–	100	1,000 shares of US$5 each	Ship chartering and operating
Joint venture companies:					
Incorporated in Hong Kong:					
Hongkong United Dockyards Limited	50	50	–	7,600,000 shares	Ship repairing, general engineering, marine towage, salvage, time/bareboat chartering and management of container vessels for waste disposal
Hongkong United Reinforcement Engineering Limited	27.5	–	*	1,000 shares	Providing off-site rebar cutting, bending and prefabrication services
HUD General Engineering Services Limited	50	–	*	4,120,000 shares	General engineering services
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL					
Subsidiary companies:					
Incorporated in Hong Kong:					
Rise Merit Limited	100	–	100	1 share	Sustainable development business investment
Swire Bakery Limited	100	–	100	1 share	Holding company
Swire Environmental Services Limited	100	–	100	1 share	Holding company
Swire Foods Holdings Limited	100	100	–	1 share	Holding company
Swire Industrial Limited	100	100	–	2 shares	Holding company
Swire MP Foods Limited	60	–	60	10,000,000 shares	Marketing and trading of branded food products
Swire Pacific Cold Storage Limited	100	–	100	1 share	Holding company
Taikoo Sugar Limited	100	–	100	300,000 shares	Packing and trading of branded food products
Incorporated in Mainland China:					
(Wholly foreign owned enterprises)					
Chongqing New Qinyuan Bakery Co., Ltd	100	–	100	Registered capital of RMB75,595,238	Bakery chain stores
Reservoir Management Services (Shanghai) Company Limited • ^	100	–	100	Registered capital of RMB200,000	Provision of business consultancy services
Swire Cold Chain Logistics (Chengdu) Company Limited •	100	–	100	Registered capital of US$25,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Langfang) Company Limited	100	–	100	Registered capital of RMB165,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Nanjing) Company Limited •	100	–	100	Registered capital of US$30,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Ningbo) Company Limited •	100	–	100	Registered capital of US$30,000,000	Provision of cold storage facilities
Swire Cold Chain Logistics (Shanghai) Company Limited ^	100	–	100	Registered capital of RMB220,000,000	Provision of cold storage facilities

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China (continued):					
(Wholly foreign owned enterprises) (continued)					
Swire Cold Chain Logistics (Wuhan) Company Limited • ^	100	–	100	Registered capital of RMB150,000,000	Provision of cold storage facilities
Swire Foods Trading (China) Limited • ^	100	–	100	Registered capital of HK$63,500,000	Trading of branded food products
Swire MP Foods (Guangzhou) Limited • ^	60	–	100	Registered capital of RMB7,000,000	Packing and trading of branded food products
Taikoo Sugar (China) Limited • ^	100	–	100	Registered capital of HK$61,350,000	Packing and trading of branded food products
(Domestic companies)					
Chengdu Bageri Food Company Limited ^	100	–	100	Registered capital of RMB10,000,000	Bakery chain stores
Chengdu Xin Qinyuan Trading Company Limited ^	100	–	100	Registered capital of RMB11,000,000	Bakery chain stores
Chongqing Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB100,000	Bakery chain stores
Chongqing Qinyuan Trading Company Limited ^	100	–	100	Registered capital of RMB100,000	Bakery chain stores
Guangzhou Mo Fan Catering Management Ltd • ^	100	–	100	Registered capital of RMB2,000,000	Catering services
Guiyang Qinyuan Catering Management Co., Ltd. ^	100	–	100	Registered capital of RMB13,000,000	Bakery chain stores
Guiyang Yuqinyuan Food Company Limited ^	100	–	100	Registered capital of RMB20,000,000	Bakery chain stores
Swire Foods and Beverages (Shanghai) Limited • ^	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products
Taikoo Sugar Chengdu Limited • ^	100	–	100	Registered capital of RMB5,000,000	Packing and trading of branded food products
Incorporated in the British Virgin Islands:					
Sustainable Capital Holdings Limited	100	100	–	1 share of US$1	Holding company
Incorporated in the Cayman Islands:					
Aqua Blue Limited	100	–	100	1 share of US$1	Sustainable development businesses investment
Cell Energy Limited	100	–	100	1 share of US$1	Sustainable development businesses investment
Joint venture companies:					
Incorporated in Hong Kong:					
Akzo Nobel Swire Paints Limited •	40	–	40	10,000 shares	Sale of paints and provision of related services
Campbell Swire Equipment Leasing Limited	40	–	40	37,300,000 shares	Production lines leasing
Campbell Swire (HK) Limited	40	–	40	30 shares	Holding company
STS Sugar Company Limited	34	–	34	12,400,000 shares	Holding company
Swire Waste Management Limited •	50	–	50	1 'A' share and 1 'B' share	Provision of waste management services

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
TRADING & INDUSTRIAL DIVISION – INDUSTRIAL (continued)					
Joint venture companies (continued):					
Incorporated in Mainland China:					
(Sino-foreign joint ventures)					
Akzo Nobel Swire Paints (Guangzhou) Limited •	36	–	36	Registered capital of HK$180,000,000	Manufacturing and distribution of paints
Guangdong Swire Cold Chain Logistics Co. Ltd. • ^	60	–	60	Registered capital of RMB144,600,000	Provision of cold storage facilities
Swire Haitou Cold Chain Logistics (Xiamen) Co., Ltd. • ^	65	–	65	Registered capital of RMB125,000,000	Provision of cold storage facilities
(Wholly foreign owned enterprises)					
Akzo Nobel Decorative Coatings (Langfang) Co Ltd. •	30	–	30	Registered capital of US$7,200,000	Manufacturing and distribution of paints
Akzo Nobel Swire Paints (Chengdu) Co., Ltd. • ^	30	–	30	Registered capital of US$20,000,000	Manufacturing and distribution of paints
Akzo Nobel Swire Paints (Shanghai) Limited • ^	30	–	30	Registered capital of US$25,640,000	Manufacturing and distribution of paints
Campbell Swire (Xiamen) Co., Limited	40	–	*	Registered capital of RMB593,800,000	Distribution of soup and broth products
STS Sugar (Foshan) Company Limited • ^	34	–	*	Registered capital of RMB76,000,000	Operating sugar refinery
Associated company:					
Incorporated in United Kingdom:					
Green Biologics Limited	32.68	–	32.68	39,202,851 Ordinary shares of GBP1 each	Developing renewable chemical and biofuel technology
TRADING & INDUSTRIAL DIVISION – TRADING					
Subsidiary companies:					
Incorporated in Hong Kong:					
Bel Air Motors Limited	100	–	100	1 share	Automobile distribution in Taiwan
Beldare Motors Limited	100	–	100	10,000 shares	Automobile distribution in Taiwan
Chevon Holdings Limited	85	–	85	160,000,000 shares	Holding company
Chevon (Hong Kong) Limited	85	–	100	1,000,000 shares	Marketing, distribution and retailing of branded casual apparel and accessories
Excel Marketing Limited	100	–	100	2 shares	Marketing, distribution and retailing of branded casual apparel and accessories
International Automobiles Limited	100	–	100	10,000 shares	Automobile distribution in Hong Kong
Liberty Motors Limited	100	–	100	2 shares	Automobile distribution in Taiwan
Swire Brands Limited	100	–	100	1 share	Investment holding
Swire Resources Limited	100	–	100	4,010,000 shares	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Swire Trading Limited	100	100	–	2 shares	Holding company
Taikoo Commercial Vehicles Limited	100	–	100	2,000 shares	Automobile distribution in Taiwan
United Sheen Limited	100	–	100	1 share	Holding company
Yuntung Motors Limited	100	–	100	2 shares	Automobile distribution in Taiwan

	Attributable to the Group %	Owned directly %	Owned by subsidiaries %	Issued shares/Registered capital	Principal activities
TRADING & INDUSTRIAL DIVISION – TRADING (continued)					
Subsidiary companies (continued):					
Incorporated in Mainland China:					
(Wholly foreign owned enterprises)					
Chevon (Shanghai) Trading Company Limited ^	85	–	100	Registered capital of US$12,000,000	Marketing, distribution and retailing of branded casual apparel and accessories
Shenzhen Honour Automobiles Limited • ^	100	–	100	Registered capital of RMB11,000,000	Automobile distribution in Shenzhen
Swire Motorcycle Sales and Services (Fujian) Limited •	100	–	100	Registered capital of RMB13,000,000	Automobile distribution in Fujian
Swire Resources (Shanghai) Trading Company Limited ^	100	–	100	Registered capital of US$6,040,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Incorporated in Malaysia:					
Swire Motors Sales and Services Sdn. Bhd. •	100	–	100	25,000,000 shares of RM1 each	Automobile distribution in Malaysia
Incorporated in Taiwan:					
Biao Yi Limited ^	100	–	100	10,000,000 shares of NTD1 each	Automobile distribution in Taiwan
Incorporated in the British Virgin Islands:					
Biao Da Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Supreme Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motorcycle Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Taikoo Motors Limited	100	–	100	1 share of US$1	Automobile distribution in Taiwan
Joint venture company:					
Incorporated in Hong Kong:					
Intermarket Agencies (Far East) Limited	70	–	70	7 'A' shares and 3 'B' shares	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
Associated company:					
Incorporated in Mainland China:					
(Wholly foreign owned enterprise)					
Columbia Sportswear Commercial (Shanghai) Co., Ltd. ^	40	–	40	Registered capital of US$20,000,000	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories
OTHERS					
Subsidiary companies:					
Incorporated in Hong Kong:					
Swire Finance Limited	100	100	–	1,000 shares	Financial services
Incorporated in the Cayman Islands:					
Swire Pacific Capital Limited	100	100	–	10 shares of US$1 each	Financial services
Swire Pacific MTN Financing Limited	100	100	–	1 share of US$1	Financial services

Schedule of Principal Group Properties

At 31st December 2016

	Gross floor areas in square feet							
	Hong Kong		Mainland China		USA		Totals	
	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through other companies	Held through subsidiaries	Held through subsidiaries and other companies
Completed properties for investment								
Retail	2,337,174	99,696	2,859,885	1,644,255	496,508	–	5,693,567	7,437,518
Office	7,865,110	687,130	1,731,766	862,239	260,000	–	9,856,876	11,406,245
Residential/serviced apartment	593,543	–	51,517	63,790	109,000	–	754,060	817,850
Hotels	358,371	384,796	753,647	293,240	218,000	258,750	1,330,018	2,266,804
	11,154,198	1,171,622	5,396,815	2,863,524	1,083,508	258,750	17,634,521	21,928,417
Property developments for investment								
Retail	–	69,600	–	–	–	–	–	69,600
Office	2,020,000	191,250	–	349,523	–	–	2,020,000	2,560,773
Residential/serviced apartment	–	–	–	74,544	–	–	–	74,544
Hotels	–	25,400	–	194,856	–	–	–	220,256
Under planning	–	–	–	–	1,444,000*	–	1,444,000	1,444,000
	2,020,000	286,250	–	618,923	1,444,000	–	3,464,000	4,369,173
Completed properties for sale								
Retail	–	–	–	–	–	–	–	–
Residential	255,128	–	–	–	423,203	–	678,331	678,331
Office	–	–	–	296,570	–	–	–	296,570
	255,128	–	–	296,570	423,203	–	678,331	974,901
Property developments for sale								
Office	–	–	–	–	–	–	–	–
Residential	–	–	–	–	1,073,000	–	1,073,000	1,073,000
Under planning	–	–	–	–	825,000	–	825,000	825,000
	–	–	–	–	1,898,000	–	1,898,000	1,898,000
	13,429,326	1,457,872	5,396,815	3,779,017	4,848,711	258,750	23,674,852	29,170,491

* One Brickell City Centre is currently under planning. The site is included under "Land held for development" in the financial statements.

Notes:

1. All properties held through subsidiary companies are wholly-owned by Swire Properties group except for Island Place (60% owned), TaiKoo Hui, Guangzhou (97% owned), Brickell City Centre (Retail: 60.875% owned), River Court and Fort Lauderdale (100% owned; 75% defined profits). The above summary table includes the floor areas of these five properties on a 100% basis.
2. "Other companies" comprise joint venture or associated companies. The floor areas of properties held through such companies are shown on an attributable basis to Swire Properties.
3. Gross floor areas in Hong Kong and Mainland China exclude car parking spaces; there are about 9,400 completed car parking spaces in Hong Kong and Mainland China, which are held by subsidiaries and other companies for investment.
4. When a Hong Kong property is held under a renewable lease, the expiry date of the renewal period is shown.
5. All properties in the USA are freehold.
6. Gross floor areas for all properties in the USA represent saleable/leasable areas for completed and nearly completed properties, which exclude car parking spaces; there are about 1,976 completed car parking spaces held by subsidiaries and other companies for investment.
7. For NKIL 6312 (an uncompleted property in Kowloon Bay, Hong Kong), a sale and purchase agreement for the sale of the company owning the property was signed in October 2016. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018. The property was transferred to "other non-current assets" in the financial statements on the date of agreement. Accordingly, it is not included in the summary above.

At 31st December 2016

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pacific Place, 88 Queensway, Central							
One Pacific Place	IL 8571 (part)	2135	115,066 (part)	863,266	–	1988	
Two Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	695,510	–	1990	
2. Three Pacific Place, One Queen's Road East	IL 47A sA RP IL 47A sB RP IL 47A sC RP IL 47B sC RP IL 47A RP IL 47C sA ss1 RP IL 47C sA RP IL 47B sA RP IL 47B sB RP IL 47B RP IL 47A sB ss2 IL 47A sD IL 47B sD IL 47C RP IL 47D RP IL 47D sA RP IL 47 sA ss1 IL 47 sA RP IL 47 sB ss1 & RP IL 47 sC ss1 & ss2 sA & ss2 RP & ss3 sA & ss3 RP & ss4 & ss5 & ss6 sA & ss6 RP & ss7 RP & RP IL 47 sP IL 47 RP IL 47 sC ss5 Ext. IL 47 sC ss1 Ext.	2050-2852	40,236	627,657	111	2004/07	Linked to The Mall at Pacific Place and Admiralty MTR station.
3. Cityplaza One, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	628,785	–	1997	Above part of Cityplaza shopping centre.
4. Cityplaza Three, Taikoo Shing	QBML 2 & Ext. sK ss18 (part)	2899	33,734 (part)	226,000	10	1992	Linked by a footbridge to Cityplaza shopping centre. Floor area is approximation and excludes ten floors which were assigned to the Government on 30th December 2016.
5. Cityplaza Four, Taikoo Shing	QBML 2 & Ext. sK RP (part)	2899	41,864	543,576	–	1991	Linked by a footbridge to Cityplaza shopping centre.
6. Devon House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	803,452	311	1993	Linked to Dorset House and Cambridge House.
7. Dorset House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	609,540	215	1994	Linked to Devon House.

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office (continued)							
8. Lincoln House, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	333,529	164	1998	Linked to PCCW Tower.
9. Oxford House, Taikoo Place	QBML 1 sC ss4 QBML 1 sC ss7 (part) QBML 2 & Ext. sD	2881/2899	33,434	501,253	182	1999	Linked to Cornwall House.
10. Cambridge House, Taikoo Place	QBML 1 sE ss2 (part) QBML 1 sF ss1 (part) QBML 1 sF RP (part) ML 703 sN (part)	2881	70,414 (part)	268,795	–	2003	Linked to Devon House.
11. One Island East, Taikoo Place	QBML 1 sC ss5 QBML 1 sC ss6 QBML 2 & Ext. sF QBML 2 & Ext. sG QBML 2 & Ext. sH ss6 sB RP QBML 2 & Ext. sH RP QBML 2 & Ext. RP QBIL 15 sD	2881/2899	109,929	1,537,011	–	2008	Linked to Cornwall House.
12. Generali Tower, Wanchai	IL 5250 IL 7948 IL 7950	2089/ 2103/ 2113	4,612	81,346	–	2013 (Refurbishment)	With ground floor retail.
13. 28 Hennessy Road, Wanchai	ML 23 IL 2244 RP IL 2245 RP	2843	9,622	145,390	–	2012	
	Total held through subsidiaries			7,865,110	993		
14. PCCW Tower, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	620,148	217	1994	Linked to Dorset House. Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
15. Berkshire House, Taikoo Place	IL 8854	2047	25,926	388,838	84	1998	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
16. 625 King's Road, North Point	IL 7550	2108	20,000	301,065	84	1998	Floor area shown represents the whole development, in which the Swire Properties group owns a 50% interest.
17. Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	160,522	63	1999/ 2000	Above Citygate shopping centre. Floor area shown represents the whole of the office area of the development, in which the Swire Properties group owns a 20% interest. Citygate also comprises a hotel, details of which are given in the Hotel Category below.
	Held through joint venture companies			1,470,573	448		
	– of which attributable to the Swire Properties group			687,130			

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Pacific Place, 88 Queensway, Central							
The Mall at Pacific Place	IL 8571 (part)/ IL 8582 & Ext. (part)	2135/2047	318,289 (part)	711,182	430	1988/90	Shopping centre with restaurants and a cinema. Access to Admiralty MTR station. Pacific Place also comprises serviced apartments and hotels, details of which are given in the Residential and Hotel categories below.
2. Cityplaza, Taikoo Shing	QBML 2 & Ext. sK ss5 QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	334,475 (part)	1,105,227	834	1983/87/ 97/2000	Shopping centre with restaurants, ice-skating rink, cinema and access to Tai Koo MTR station.
3. Commercial areas in Stages I - X of Taikoo Shing	SML 1 sA ss1, SML 1 sA RP SML 1 sB, SML 2 sC RP SML 2 sC ss2 SML 2 sD, SML 2 RP QBML 2 & Ext. sJ ss1 QBML 2 & Ext. sJ ss3 QBML 2 & Ext. sL QBML 2 & Ext. sN QBML 2 & Ext. sQ ss4 & ss5 QBML 2 & Ext. sQ ss2 sC QBML 2 & Ext. sS ss1 QBML 2 & Ext. sH ss1 QBML 2 & Ext. sH ss3 sA QBML 2 & Ext. sK ss3 sA QBML 2 & Ext. sU ss1 QBML 2 & Ext. sK ss3 RP QBML 2 & Ext. sK ss4 sA & RP QBML 2 & Ext. sT ss1 & RP QBML 2 & Ext. sU RP QBML 2 & Ext. sK ss9 & ss10 & ss11 & ss13 & ss16 (part)	2081/ 2889/ 2899	–	331,079	3,826	1977-85	Neighbourhood shops, schools and car parking spaces.
4. Island Place, 500 King's Road, North Point	IL 8849 (part)	2047	106,498 (part)	150,223	288	1996	Floor area shown represents the whole shopping centre podium, in which the Swire Properties group owns a 60% interest.
5. StarCrest, 9 Star Street, Wanchai	IL 8853 (part)	2047	40,871 (part)	13,112	83	1999	Floor area shown represents the whole of the retail podium.
6. 21-29 Wing Fung Street, Wanchai	IL 526 sA ss1 sC IL 526 sA ss1 sB RP IL 526 sA ss1 sB ss1 IL 526 sA ss2 IL 526 sA ss3	2856	2,967	14,039	–	1992/ 2006	Floor area shown represents the existing buildings.
7. Taikoo Place Apartments, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	12,312	–	2014	Floor area shown represents the whole of a 3-storey retail podium (excluding serviced suites above).
	Total held through subsidiaries			2,337,174	5,461		

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail (continued)							
8. Tung Chung Crescent, Tung Chung, Lantau	TCTL 1 (part)	2047	331,658 (part)	36,053	75	1998/99	Floor area shown represents the retail space, in which the Swire Properties group owns a 20% interest.
9. Citygate, Tung Chung, Lantau	TCTL 2 (part)	2047	358,557 (part)	462,428	1,093	1999/ 2000	Floor area shown represents the whole of the retail area of the development, in which the Swire Properties group owns a 20% interest. Approximately 120,000 square feet of the shopping centre is currently under major renovation.
	Held through joint venture companies			498,481	1,168		
	– of which attributable to the Swire Properties group			99,696			
Residential							
1. Pacific Place Apartments, 88 Queensway	IL 8582 & Ext. (part)	2047	203,223 (part)	443,075	–	1990	270 serviced suites within the Conrad Hong Kong Hotel tower.
2. Taikoo Place Apartments, 23 Tong Chong Street, Taikoo Place	ML 703 sI (part)	2881	8,664 (part)	62,756	–	2014	111 serviced suites above a 3-storey retail podium. Floor area shown excludes retail portion.
3. STAR STUDIOS I & II 8-10 & 18 Wing Fung Street	IL 47 sF (part) IL 47 sG (part) IL 47 sH (part) IL 47 sI (part) IL 8464 (part)	2056/2852	6,775 (part)	47,076	–	2016 (Refurbishment)	120 apartments above ground floor shops. Floor area shown excludes retail area (5,197 square feet).
4. Rocky Bank, 6 Deep Water Bay Road	RBL 613 RP	2099	28,197	14,768	–	1981	Six semi-detached houses.
5. House B, 36 Island Road, Deep Water Bay	RBL 507 & Ext. (part)	2097	20,733 (part)	2,644	–	1980	One detached house.
6. Eredine, 38 Mount Kellett Road	RBL 587 & Ext. (part)	2038	51,430 (part)	23,224	7	1965	Seven apartment units.
	Total held through subsidiaries			593,543	7		
Hotel							
1. EAST, Hong Kong, Taikoo Shing	QBML 2 & Ext. sR RP (part) QBML 2 & Ext. sR ss1 sA (part) QBML 2 & Ext. sQ RP (part) QBML 2 & Ext. sQ ss7 sA (part) QBML 2 & Ext. sQ ss7 RP (part) QBML 2 & Ext. sQ ss2 sB (part) QBML 2 & Ext. sQ ss2 sA ss1 (part) QBML 2 & Ext. sQ ss2 sA RP (part) QBML 2 & Ext. sJ RP (part)	2899	146,184 (part)	199,633	–	2009	345-room hotel.
2. The Upper House, Pacific Place	IL 8571 (part)	2135	115,066 (part)	158,738	–	2009 (Refurbishment)	117-room hotel above the JW Marriott Hotel.
	Total held through subsidiaries			358,371			

Completed properties for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Hotel (continued)							
3. JW Marriott Hotel, Pacific Place	IL 8571 (part)	2135	115,066 (part)	525,904	–	1988	602-room hotel, in which the Swire Properties group owns a 20% interest.
4. Conrad Hong Kong Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	555,590	–	1990	513-room hotel, in which the Swire Properties group owns a 20% interest.
5. Island Shangri-La Hotel, Pacific Place	IL 8582 & Ext. (part)	2047	203,223 (part)	605,728	–	1991	565-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through associated companies			1,687,222			
	– of which attributable to the Swire Properties group			337,444			
6. Novotel Citygate Hong Kong Hotel, Citygate	TCTL 2 (part)	2047	358,557 (part)	236,758	7	2005	440-room hotel, in which the Swire Properties group owns a 20% interest.
	Total held through joint venture companies			236,758	7		
	– of which attributable to the Swire Properties group			47,352			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail							
1. Taikoo Li Sanlitun (Taikoo Li Sanlitun South)	19 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	776,909	451	2007	Shopping centre with restaurants and cinema.
2. Taikoo Li Sanlitun (Taikoo Li Sanlitun North)	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	519,399	410	2007	Shopping centre with restaurants.
3. Hui Fang	75 Tianhe East Road, Tianhe District, Guangzhou	2044	174,377 (part)	90,847	100	2008	Shopping centre with restaurants and car parking spaces.
4. TaiKoo Hui	381-389 Tianhe Road (odd numbers), Tianhe District, Guangzhou	2051	526,941 (part)	1,472,730	718	2011	Shopping centre with restaurants. Floor area shown represents the retail portion, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			2,859,885	1,679		
5. INDIGO	18 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	631,072 (part)	939,493	615	2012	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
6. Sino-Ocean Taikoo Li Chengdu	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	1,246,482	1,056	2014	Shopping centre with restaurants and cinema. Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
7. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2049	676,091 (part)	1,102,535	240	2016	Floor area shown represents the retail portion, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			3,288,510	1,911		
	– of which attributable to the Swire Properties group			1,644,255			

Completed properties for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. TaiKoo Hui	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	1,731,766	–	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			1,731,766	–		
2. INDIGO	20 Jiuxianqiao Road, Chaoyang District, Beijing	2054	631,072 (part)	595,464	390	2011	Floor area shown represents the office portion, in which the Swire Properties group owns a 50% interest.
3. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2059	676,091 (part)	1,129,014	491	2016	Floor area shown represents the office portion (HKRI Centre 1), in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,724,478	881		
	– of which attributable to the Swire Properties group			862,239			
Hotel							
1. The Opposite House	11 Sanlitun Road, Chaoyang District, Beijing	2044 (2054 for Carpark)	566,332 (part)	169,463	32	2007	99-room hotel.
2. Mandarin Oriental, Guangzhou	North of Tianhe Road and west of Tianhe East Road, Tianhe District, Guangzhou	2051	526,941 (part)	Hotel: 584,184 Serviced apartment: 51,517 635,701	– –	2012	263-room hotel and 24 serviced apartments, in which the Swire Properties group owns a 97% interest.
	Total held through subsidiaries			805,164	32		
3. EAST, Beijing	22 Jiuxianqiao Road, Chaoyang District, Beijing	2044 (2054 for Office and Carpark)	631,072 (part)	358,269	240	2012	369-room hotel, in which the Swire Properties group owns a 50% interest.
4. The Temple House	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	814,604 (part)	Hotel: 228,210 Serviced apartment: 127,579 355,789	– –	2015	100-room hotel and 42 serviced apartments, in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			714,058	240		
	– of which attributable to the Swire Properties group			357,029			

Completed properties for investment in the USA	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Retail						
1. Brickell City Centre Retail	701 S Miami Avenue Miami, Florida	380,670 (part)	496,508	1,137	2016	Floor area shown represents the whole shopping centre, in which the Swire Properties group owns a 60.875% interest.
	Total held through subsidiaries		496,508	1,137		
Office						
1. Two Brickell City Centre	78 SW 7th Street Miami, Florida	380,670 (part)	128,000	145	2016	
2. Three Brickell City Centre	98 Southeast Seventh Street Miami, Florida	380,670 (part)	132,000	144	2016	
	Total held through subsidiaries		260,000	289		
Serviced apartments						
1. EAST, Residences	788 Brickell Plaza Miami, Florida	380,670 (part)	109,000	20	2016	89 serviced suites within the EAST, Miami Hotel tower.
	Total held through subsidiaries		109,000	20		
Hotel						
1. Mandarin Oriental, Miami	South Brickell Key, Miami, Florida	120,233	345,000	600	2000	326-room luxury hotel in central Miami, in which the Swire Properties group owns a 75% interest.
	Total held through joint venture company		345,000	600		
	– of which attributable to the Swire Properties group		258,750			
2. EAST, Miami	788 Brickell Plaza Miami, Florida	380,670 (part)	218,000	80	2016	263-room hotel.
	Total held through subsidiaries		218,000	80		

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Office								
1. One Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,020,000	82	Substructure and superstructure in progress	2018	Floor area shown is an approximation.
2. Two Taikoo Place, Taikoo Place	QBML 1 sQ (part) QBML 1 sR ss1 (part) QBML 1 sR RP (part) QBML 1 sS (part) QBML 1 sT ss1 (part) QBML 1 sT ss2 (part) QBML 1 sT RP (part) QBML 1 sU (part) QBML 1 sW (part) QBML 1 RP (part)	2881	238,582 (part)	1,000,000	184	Works preparatory to demolition of Warwick House in progress	2021/ 2022	Floor area shown is an approximation. Number of car parks is subject to Government approval. Acquisition of the Hong Kong Government's interest in Cornwall House was completed at the end of December 2016.
	Total held through subsidiaries			2,020,000	266			

Property developments for investment in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
Office (continued)								
3. 8-10 Wong Chuk Hang Road, Aberdeen	AIL 461	2064	25,500	382,499	137	Substructure and superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the total gross floor area permitted for the whole development, in which the Swire Properties group owns a 50% interest.
	Held through joint venture companies			382,499	137			
	– of which attributable to the Swire Properties group			191,250				
Retail								
1. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	348,000	122	Excavation, substructure and superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the retail portion of the development, in which the Swire Properties group owns a 20% interest, and excludes the area of a public transport terminus. The area is an approximation and is subject to change. A public transport terminus of approximately 64,200 square feet is to be built and handed over to the Government upon completion.
	Held through joint venture companies			348,000	122			
	– of which attributable to the Swire Properties group			69,600				
Hotel								
1. Tung Chung Town Lot No. 11, Tung Chung, Lantau	TCTL 11 (part)	2063	107,919 (part)	127,000	5	Excavation, substructure and superstructure in progress	2018	Proposed scheme is under development. Floor area shown represents the hotel portion of the development, in which the Swire Properties group owns a 20% interest, and excludes the area of a public transport terminus. The area is an approximation and is subject to change.
	Held through joint venture companies			127,000	5			
	– of which attributable to the Swire Properties group			25,400				

Property developments for investment in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Stage of completion	Expected completion date	Remarks
1. HKRI Taikoo Hui	South of West Nanjing Road and east of Shimenyi Road, Jingan District, Shanghai	2049 (for Hotel/ Serviced apartment); 2059 (for Office)	676,091 (part)	Office: 699,046 Hotel: 389,711 Serviced apartment: 149,088	Office: 307 Hotel: 117 Serviced apartment: 45	Construction in progress	2017	Floor areas shown represent the office portion (HKRI Centre 2) and the hotel and serviced apartment portion, which are under development and in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			1,237,845	469			
	– of which attributable to the Swire Properties group			618,923				

Property developments for investment in the USA	Site area in square feet	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. One Brickell City Centre, Miami, Florida	123,347	Under planning 1,444,000	To be determined	2023	One Brickell City Centre is being planned as a future mixed-use development comprised of retail, Grade A office space, condominiums and a hotel. Located at the corner of Brickell Avenue and SW 8th Street, One Brickell City Centre (comprising approximately 1.4 million square feet) is planned as an 80-storey luxury high rise tower.
	Total held through subsidiaries	1,444,000	0		

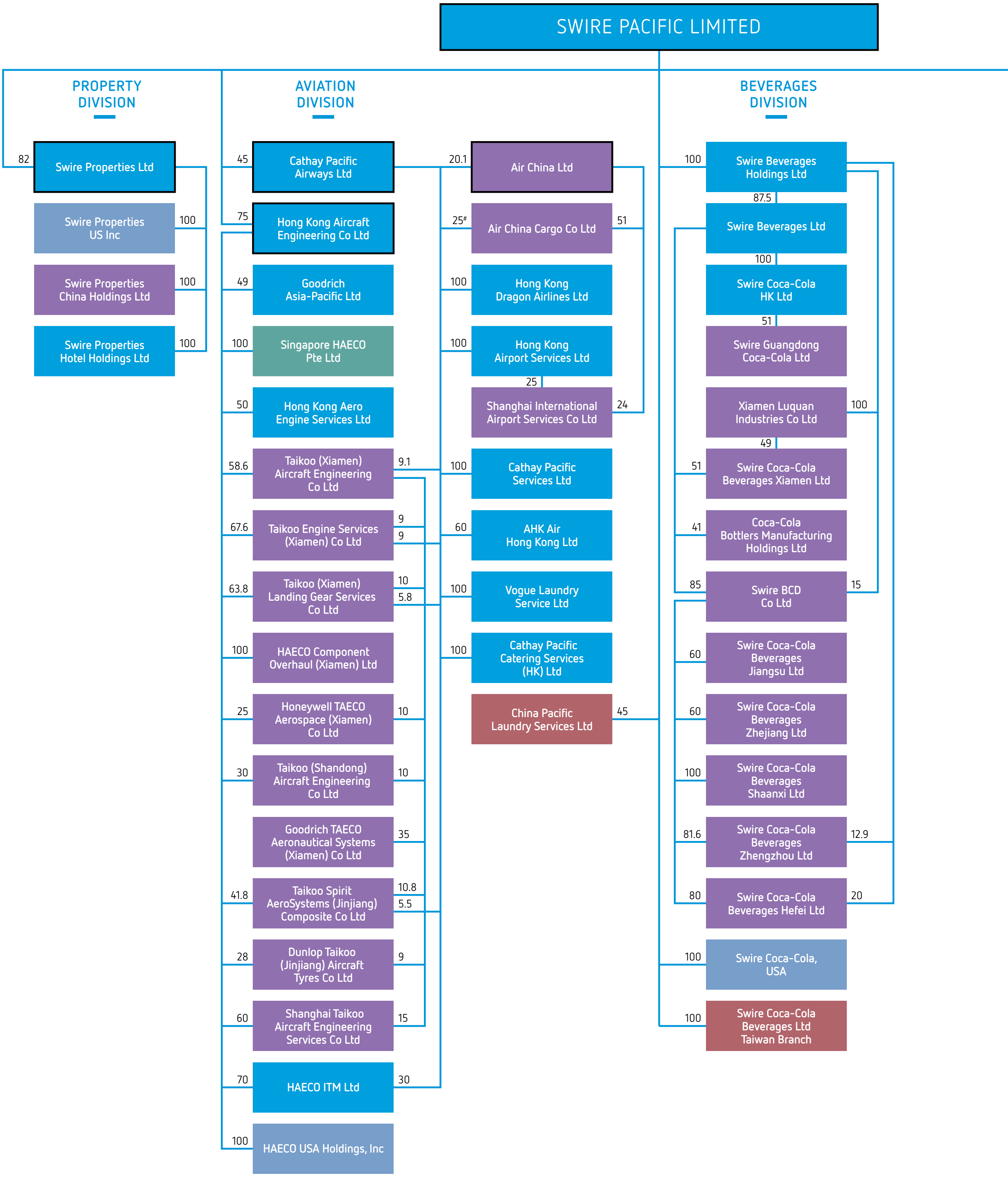
Completed properties for sale in Hong Kong	Lot number	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential							
1. ALASSIO, Mid-Levels West	IL 425 s1 RP IL 425 s2 IL 425 s3 IL 425 s4 IL 425 s5 ss1 IL 425 s5 RP IL 425 RP	2854	21,726	195,533	43	2016	At 31st December 2016, all 197 units and 5 car parking spaces had been pre-sold. No sale had been completed. Floor area shown represents all 197 units and 43 car parking spaces.
2. WHITESANDS, 160 South Lantau Road, Cheung Sha	Lot 724 and Lot 726 in DD332	2062	161,029	59,595	26	2015	The development comprises 28 detached houses and 28 car parking spaces. At 31st December 2016, 2 units and 2 car parking spaces had been sold. Floor area shown represents the remaining 26 units and 26 car parking spaces.
	Total held through subsidiaries			255,128	69		

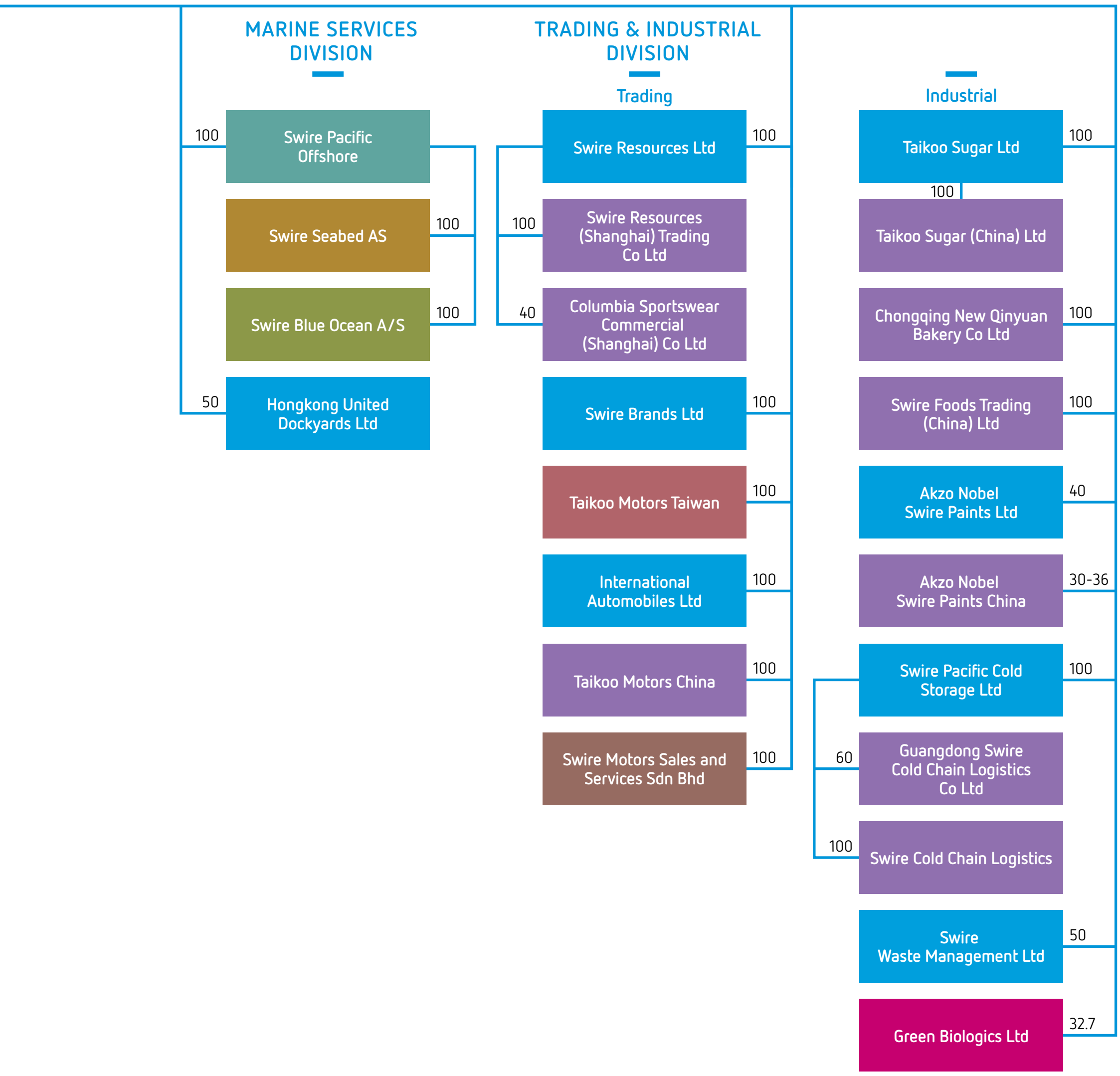
Completed properties for sale in Mainland China	Address	Leasehold expiry	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Office							
1. Pinnacle One	Daci Temple Area, 9 Dongda Street, Jinjiang District, Chengdu	2051	702,243 (part)	593,139	447	2014	Floor area shown represents the unsold office portion (including pre-sold portion but not yet handed over), in which the Swire Properties group owns a 50% interest.
	Total held through joint venture companies			593,139	447		
	– of which attributable to the Swire Properties group			296,570			

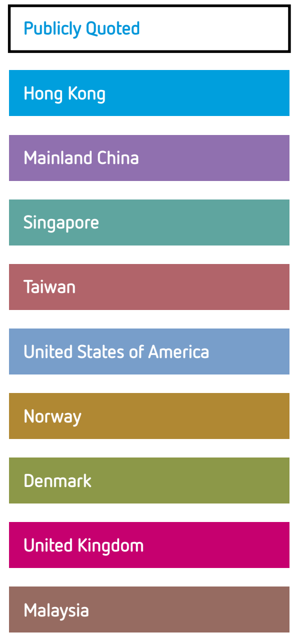
Completed properties for sale in the USA	Address	Site area in square feet	Gross floor area in square feet	Number of car parks	Year of completion	Remarks
Residential						
1. ASIA	900 Brickell Key, Miami, Florida	173,531	5,359	4	2008	36-storey residential condominium tower comprising 123 units with 5-storey parking garage. At 31st December 2016, sales of 122 units had been closed.
2. Reach, Brickell City Centre, Miami, Florida	68 SE 6th Street, Miami, Florida	380,670 (part)	89,410	62	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2016, sales of 347 units had been closed.
3. Rise, Brickell City Centre, Miami, Florida	1 SW 8 Street, Miami, Florida	380,670 (part)	328,434	326	2016	43-storey residential condominium tower comprising 390 units. At 31st December 2016, sales of 171 units had been closed.
	Total held through subsidiaries		423,203	392		

Property developments for sale in the USA	Site area in square feet	Use	Gross floor area in square feet	Number of car parks	Expected completion date	Remarks
1. South Brickell Key, Miami, Florida	105,372	Residential	550,000	395	–	Development site in central Miami acquired in January 1997 along with Mandarin Oriental site. Plans for condominium tower currently on hold.
2. Development Site, Fort Lauderdale, Florida	203,941	Under planning	825,000	1,050	–	Development site in Fort Lauderdale acquired in October 2006, in which the Swire Properties group owns a 75% interest.
3. North Squared, Miami, Florida	380,670 (part)	Residential	523,000	544	–	The development on the North Squared site is currently on hold.
	Total held through subsidiaries		1,898,000	1,989		

Group Structure Chart







* This organisation chart is for illustrative purposes only and does not represent the legal structure of the Group.

\# Shareholding held through subsidiary at 25%, another 24% held through an economic interest with total holding at 49%.

Glossary

TERMS

Financial

Adjusted consolidated net worth
Total of share capital, reserves and non-controlling interests.

Adjusted consolidated tangible net worth
Adjusted consolidated net worth less goodwill and other intangible assets.

Equity attributable to the Company's shareholders
Equity before non-controlling interests.

Gross borrowings
Total of loans, bonds, overdrafts and perpetual capital securities.

Net assets employed
Total equity plus net debt.

Net debt or consolidated borrowed money
Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Underlying profit
Reported profit adjusted principally for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the USA, and for 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.

Aviation

Available seat kilometres ("ASK")
Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available tonne kilometres ("ATK")
Overall capacity, measured in tonnes available for the carriage of airline passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

On-time performance
Departure within 15 minutes of scheduled departure time.

Revenue passenger kilometres ("RPK")
Number of passengers carried on each sector multiplied by the sector distance.

Beverages

Energy use ratio represents the energy consumed (measured in Mega joules) used to produce a litre of production. Energy consumed consists of all energy consumed, except for fuel used in fleet operations. Production volume only includes volume produced by Swire Beverages and excludes volume that is purchased from third parties.

General Trade
Small, usually independent, grocery outlets.

Modern Trade
Supermarkets and convenience stores, which are usually members of large retail chains.

Other Channels
Includes wholesalers, restaurants and outlets at entertainment and educational establishments.

Production Quality Index
An index used throughout the TCCC system for evaluating the quality during the production process over a 12 month period.

Water use ratio represents the litres of water used to produce a litre of production. It is calculated as total water used divided by total production volume. Production volume only includes volume produced by Swire Beverages and excludes volume that is purchased from third parties.

Marine Services

ISOA
International Support Vessel Owners' Association.

Sustainable Development

Carbon Dioxide Equivalent ("CO_2e")
A measure of the global warming potential of releases of the six greenhouse gases specified by the Kyoto protocol. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

Greenhouse Gas ("GHG")
A gas in the atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect because part of the re-radiation is back towards the surface of the earth and the lower atmosphere, resulting in an elevation of the average surface temperature above what it would be in the absence of greenhouse gases.

Cubic metres (cbm)
A metric unit of volume or capacity equal to 1,000 litres or 1.0 metric tonne of water.

Global Reporting Initiative ("GRI")
(www.globalreporting.org)
An institution which provides a generally accepted framework for sustainability reporting. The updated GRI G4 framework sets out the principles and indicators that entities can use to measure and report their economic, environmental and social performance.

Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total days Lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Lost Time Injury Rate ("LTIR") represents the number of injuries per 100 employees per year. It is calculated as the total injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year. The definitions of an injury and the number of hours worked may vary slightly in different jurisdictions and in different industries. In such cases local legal definitions and industry norms will take precedence.

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the Group.

Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat and steam as well as GHG emissions from the generation and transportation of Towngas in Hong Kong from the production plant to the users.

Total injuries are the number of injuries in the year which result in lost time of a minimum of one scheduled working day.

RATIOS

Financial

$$\text{Earnings/(loss) per share} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Return on average equity attributable to the Company's shareholders} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Average equity during the year attributable to the Company's shareholders}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Total of net finance charges and capitalised interest}}$$

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the Company's shareholders}}{\text{Dividends paid and proposed}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

Aviation

$$\text{Passenger/Cargo and mail load factor} = \frac{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}{\text{Available seat kilometres/Available cargo and mail tonne kilometres}}$$

$$\text{Passenger/Cargo and mail yield} = \frac{\text{Passenger turnover/Cargo and mail turnover}}{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

Financial Calendar and Information for Investors

Financial Calendar 2017

Annual Report available to shareholders	11th April
'A' and 'B' shares trade ex-dividend	11th April
Share registers closed for second interim dividends entitlement	13th April
Payment of 2016 second interim dividends	12th May
Share registers closed for attending and voting at Annual General Meeting	15th – 18th May
Annual General Meeting	18th May
Interim results announcement	August
First interim dividends payable	October

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Tel: Calls within USA – toll free: 1-888-BNY-ADRS
International callers: 1-201-680-6825

Stock Codes

Stock Codes	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

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Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

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