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SWIRE PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1972)

2016 Final Results

CONTENTS

	Page
Financial Highlights	1
Chairman's Statement	2
Review of Operations	5
Financing	31
Consolidated Financial Statements	35
Additional Information	54
Glossary	56
Financial Calendar and Information for Investors	57

FINANCIAL HIGHLIGHTS

	Note	2016 HK\$M	2015 HK\$M	Change
Results				
For the year				
Revenue		16,792	16,447	+2%
Operating profit		17,320	16,207	+7%
Profit attributable to the Company's shareholders				
Underlying	(a),(b)	7,112	7,078	+1%
Reported		15,050	14,072	+7%
Cash generated from operations		10,767	10,616	+1%
Net cash inflow before financing		1,998	3,745	-47%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	1.22	1.21	+1%
Reported	(c)	2.57	2.41	+7%
		HK\$	HK\$	
Dividends per share				
First interim		0.23	0.23	-
Second interim		0.48	0.48	-
		HK\$M	HK\$M	
Financial Position				
At 31st December				
Total equity (including non-controlling interests)		227,225	217,949	+4%
Net debt		35,377	33,348	+6%
Gearing ratio	(a)	15.6%	15.3%	+0.3%pt.
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share	(a)	38.52	36.97	+4%

Notes:

- (a) Refer to glossary on page 56 for definition.
(b) A reconciliation between reported profit and underlying profit attributable to the Company's shareholders is provided on page 6.
(c) Refer to Note 9 in the financial statements for the weighted average number of shares.

Underlying profit/(loss) by segment	2016	2015
	HK\$M	HK\$M
Property investment	6,029	6,274
Property trading	1,200	1,107
Hotels ⁽¹⁾	(117)	(303)
	7,112	7,078

- (1) Including a loss of HK\$229 million on disposal of four hotels in the U.K. in 2015.

CHAIRMAN'S STATEMENT

Our consolidated profit attributable to shareholders for 2016 was HK\$15,050 million, compared to HK\$14,072 million in 2015. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$34 million from HK\$7,078 million in 2015 to HK\$7,112 million in 2016.

Dividends

The Directors have declared a second interim dividend of HK\$0.48 (2015: HK\$0.48) per share which, together with the first interim dividend of HK\$0.23 per share paid in October 2016, amounts to full year dividends of HK\$0.71 (2015: HK\$0.71) per share. The second interim dividend, which totals HK\$2,808 million (2015: HK\$2,808 million), will be paid on Thursday, 11th May 2017 to shareholders registered at the close of business on the record date, being Friday, 7th April 2017. Shares of the Company will be traded ex-dividend from Wednesday, 5th April 2017.

Key Developments

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

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, U.S.A. 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 ("GFA") 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.

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

Operating Performance

The underlying profit in 2016 (HK\$7,112 million) recorded a marginal increase from that in 2015 (HK\$7,078 million). The 2015 profit included a loss of HK\$229 million on disposal of four hotels in the U.K. 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 was HK\$10,773 million in 2016 compared to HK\$10,716 million in 2015. Gross rental income fell in Hong Kong and increased in Mainland China and the U.S.A. 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 U.S.A. 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.

On an attributable basis, net investment property valuation gains in 2016, after deferred tax relating to investment properties in Mainland China and the U.S.A., were HK\$8,030 million, compared to net gains of HK\$7,055 million in 2015.

Finance

Net debt at 31st December 2016 was HK\$35,377 million, compared with HK\$33,348 million at 31st December 2015. Gearing increased from 15.3% at 31st December 2015 to 15.6% at 31st December 2016. The increase in net debt was mainly due to expenditure on investment and trading properties in Hong Kong and on the Brickell City Centre development in Miami in the U.S.A., partially offset by sales proceeds from trading properties in Hong Kong and Miami. Cash and undrawn committed facilities totalled HK\$10,178 million at 31st December 2016, compared with HK\$12,193 million at 31st December 2015.

Sustainable Development

In 2016, Swire Properties launched a new sustainable development strategy. Swire Properties is included in the Dow Jones Sustainability Indices, the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI World ESG Index.

Prospects

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. 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 only modest demand and increased supply. In Shanghai, there will be limited new supply of office space in the Puxi business district. In Miami, there is limited new supply of Grade-A office space.

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. In Shanghai, demand for retail space is expected to remain firm except for space for luxury goods. In the U.S.A., weak retail sales have made some retailers cautious about expansion.

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates, over demand for residential property 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. In Miami, profits are expected to be recognised on the sales of units at the Reach and Rise developments.

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

On behalf of the shareholders and my fellow Directors, I wish to express our appreciation to all our employees, whose commitment and hard work have been central to our continuing success.

John Slosar
Chairman
Hong Kong, 16th March 2017

REVIEW OF OPERATIONS

	2016 HK\$M	2015 HK\$M
Revenue		
Gross Rental Income derived from		
Offices	6,053	5,972
Retail	4,304	4,366
Residential	416	378
Other Revenue ⁽¹⁾	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	7,752	8,097
Valuation gains on investment properties	8,418	7,116
Property trading	1,332	1,328
Hotels ⁽²⁾	(182)	(334)
Total Operating Profit	17,320	16,207
Share of Post-tax Profits from Joint Venture and Associated Companies	1,419	1,241
Profit Attributable to the Company's Shareholders	15,050	14,072

(1) Other revenue is mainly estate management fees.

(2) Including a loss of HK\$229 million on disposal of four hotels in the U.K. in 2015.

Additional information is provided in the following section to reconcile reported and underlying profit attributable to the Company's shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the U.S.A., and for other deferred tax provisions in relation to investment properties. There is a further adjustment to remove the effect of the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest.

	Note	2016 HK\$M	2015 HK\$M
Underlying Profit			
Profit attributable to the Company's shareholders per financial statements		15,050	14,072
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(9,610)	(8,186)
Deferred tax on investment properties	(b)	1,459	1,090
Realised profit on sale of properties	(c)	3	28
Depreciation of investment properties occupied by the Group	(d)	20	17
Non-controlling interests' share of revaluation movements less deferred tax		121	41
Movements in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	(e)	69	16
Underlying Profit Attributable to the Company's Shareholders		7,112	7,078
Loss on disposal of four hotels in the U.K.		-	229
Adjusted Underlying Profit Attributable to the Company's Shareholders		7,112	7,307

Notes:

- (a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss 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, plus 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 U.S.A., 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.
- (e) The value of the put option in favour of the owner of a non-controlling interest is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the non-controlling interest is interested.

Underlying Profit

Movement in Underlying Profit

	HK\$M
Underlying profit in 2015 ⁽¹⁾	7,078
Decrease in profit from property investment	(245)
Increase in profit from property trading	93
Increase in profit from hotels	186
Underlying profit in 2016	7,112

(1) Including a loss of HK\$229 million on disposal of four hotels in the U.K. in 2015.

The underlying profit in 2016 (HK\$7,112 million) recorded a marginal increase from that in 2015 (HK\$7,078 million). The 2015 profit included a loss of HK\$229 million on disposal of four hotels in the U.K. 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 U.S.A. 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. Profit from property trading in 2016 included that recognised on the sales of residential units in the U.S.A. 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.

Portfolio Overview

The aggregate GFA attributable to the Group at 31st December 2016 was approximately 29.4 million square feet.

Of the aggregate GFA attributable to the Group, approximately 26.5 million square feet are investment properties, comprising completed investment properties of approximately 22.1 million square feet and investment properties under development or held for future development of approximately 4.4 million square feet. In Hong Kong, the investment property portfolio comprises approximately 15.1 million square feet attributable to the Group of primarily Grade-A office and retail premises, hotels, serviced apartments and other luxury residential accommodation. In Mainland China, Swire Properties has interests in five major commercial mixed-use developments in prime locations in Beijing, Guangzhou, Chengdu and Shanghai. These developments are expected to comprise approximately 8.7 million square feet of attributable GFA when they are all completed. Outside Hong Kong and Mainland China, the investment property portfolio principally comprises the Brickell City Centre development and interests in hotels in Miami in the U.S.A.

The tables below illustrate the GFA (or expected GFA) attributable to the Group of the investment property portfolio at 31st December 2016.

Completed Investment Properties

(GFA attributable to the Group in million square feet)

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	9.0	2.5	0.7	0.6	-	12.8
Mainland China	2.5	4.5	1.0	0.1	-	8.1
U.S.A.	0.3	0.3	0.5	0.1	-	1.2
TOTAL	11.8	7.3	2.2	0.8	-	22.1

Investment Properties Under Development or Held for Future Development

(expected GFA attributable to the Group in million square feet)

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
Hong Kong	2.2	0.1	-	-	-	2.3
Mainland China	0.3	-	0.2	0.1	-	0.6
U.S.A. and elsewhere	-	-	-	0.1	1.4 ⁽²⁾	1.5
TOTAL	2.5	0.1	0.2	0.2	1.4	4.4

Total Investment Properties

(GFA (or expected GFA) attributable to the Group in million square feet)

	Office	Retail	Hotels ⁽¹⁾	Residential/ Serviced Apartments	Under Planning	Total
TOTAL	14.3	7.4	2.4	1.0	1.4	26.5

(1) Hotels are accounted for under property, plant and equipment in the financial statements.

(2) The site is accounted for under properties held for development in the financial statements.

(3) The above excludes an uncompleted office building in Kowloon Bay, which was conditionally agreed to be sold in October 2016. This site is accounted for under other non-current assets in the financial statements.

The 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, U.S.A. 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 developments at Brickell City Centre in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

The table below illustrates the GFA (or expected GFA) attributable to the Group of the trading property portfolio at 31st December 2016.

Trading Properties
(GFA (or expected GFA) attributable to the Group in million square feet)

	Completed	Under Development or Held for Development	Total
Hong Kong	0.3	-	0.3
Mainland China	0.3	-	0.3
U.S.A.	0.4	1.9	2.3
TOTAL	1.0	1.9	2.9

Investment Properties – Hong Kong

Offices

Overview

The completed office portfolio in Hong Kong comprises an aggregate of 9.3 million square feet of space on a 100% basis. Total attributable gross rental income from our office properties in Hong Kong was HK\$5,956 million in 2016. At 31st December 2016, our office properties in Hong Kong were valued at HK\$135,622 million. Of this amount, Swire Properties' attributable interest was HK\$129,019 million.

Hong Kong Office Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Pacific Place	2,186,433	100%	100%
Cityplaza ⁽¹⁾	1,398,361	100%	100%
Taikoo Place Office Towers ⁽²⁾	3,136,717	98%	50%/100%
One Island East	1,537,011	100%	100%
Others ⁽³⁾	1,077,161	99%	20%/50%/100%
Total	9,335,683		

(1) Excluding 10 floors in Cityplaza Three owned by the Hong Kong Government.

(2) Including PCCW Tower, of which Swire Properties owns 50%.

(3) Others comprise One Citygate (20% owned), 625 King's Road (50% owned), Berkshire House (50% owned), Generali Tower (wholly-owned) and 28 Hennessy Road (wholly-owned).

(4) Warwick House and Cornwall House were transferred from "Completed Investment Properties" to "Investment Properties Under Development" as part of the Taikoo Place Redevelopment at 31st December 2016.

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 Taikoo Place redevelopment, and at Cityplaza, as 10 floors in Cityplaza Three were handed over to the Hong Kong Government.

The table below shows the mix of tenants of the office properties by the principal nature of their businesses (based on internal classifications) as a percentage of the office area at 31st December 2016.

Office Area by Tenants' Trades

(At 31st December 2016)

Banking/Finance/Securities/Investment	26.7%
Trading	15.7%
Technology/Media/Telecoms	15.1%
Insurance	12.2%
Real estate/Construction/Property development/Architecture	9.2%
Professional services (Accounting/Legal/Management consulting/Corporate secretarial)	7.7%
Advertising and public relations	4.1%
Others	9.3%

At 31st December 2016, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2016) together occupied approximately 21% of the Group's total attributable office area in Hong Kong.

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. ING Bank, Resona Bank, Bank of Jinzhou, SPDB International, Huarong Financial, Huarong Investment Stock, Haiyin Wealth Management, Hong Kong Agile Property, SinoAero Leasing, HongDa Financial, Jason Pow Chambers, Rifa Securities and Dragonite International became tenants. CLSA, ICBC Standard Bank, Citic PE, Temple Chambers, Matthews Global, Anchor Equity and Yanchang Petroleum leased more space. HKMA, CLSA, China Overseas, PineBridge Investment, Sino Ocean, Evergrande, Jones Lang Lasalle, Global Enterprises, IG Investment, Heidrick & Struggles, Cigna Insurance, Net-A-Porter and Nekkei renewed their leases.

Cityplaza

The three office towers (Cityplaza One, Three and Four) were almost fully let at 31st December 2016. Luxury Hotels International, Allianz Global Corporate & Specialty, Euler Hermes and Sun Life Assurance leased more space. Wells Fargo, adidas and Next Sourcing renewed their leases.

Taikoo Place

There are six office towers at Taikoo Place (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 98% at 31st December 2016. Allegis, Berwin Leighton Paisner, Burberry, FCA (HK) Automotive Ltd, Gucci, Gravitas, Norwegian Cruise Line and Stryker China became tenants. HKT Services, The Wrigley Company and Bupa International leased more space. LVMH, BNP Paribas, WPP, Continental Engineering Corporation, Polycom Hong Kong, Paramount Vintage, Lanxess, World Standard, Excellent Management and First Data Merchant Solutions renewed their leases.

One Island East, our landmark property in Taikoo Place, had an occupancy rate of 100% at 31st December 2016. Accenture, Ince & Co and Taubman Asia became tenants. Facebook leased more space. Tiffany & Co and La Prairie renewed their leases.

Warwick House and Cornwall House were transferred from "Completed Investment Properties" to "Investment Properties Under Development" as part of the Taikoo Place redevelopment at 31st December 2016. Demolition of Warwick House has started. Demolition of Cornwall House will start in the second quarter of 2017.

Hong Kong Office Market Outlook

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.

The following table shows the percentage of the total rental income attributable to the Group from its office properties in Hong Kong for the month ended 31st December 2016, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately

15.1% of rental income in the month of December 2016 are due to expire in 2017, with tenancies accounting for a further 16.2% of such rental income due to expire in 2018.

Office Lease Expiry Profile (At 31st December 2016)

2017	15.1%
2018	16.2%
2019 and later	68.7%

Retail
Overview

The completed retail portfolio in Hong Kong comprises an aggregate of 2.8 million square feet of space on a 100% basis. The portfolio principally consists of The Mall at Pacific Place, Cityplaza in Taikoo Shing and Citygate Outlets at Tung Chung. The malls are wholly-owned by Swire Properties (except for Citygate Outlets, in which Swire Properties has a 20% interest) and are managed by Swire Properties. Total attributable gross rental income from our retail properties in Hong Kong was HK\$2,687 million in 2016. At 31st December 2016, our retail properties in Hong Kong were valued at HK\$51,892 million. Of this amount, Swire Properties' attributable interest was HK\$45,486 million.

Hong Kong Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others ⁽¹⁾	556,818	100%	20%/60%/100%
Total	2,835,655		

(1) Others largely comprise Taikoo Shing neighbourhood shops and StarCrest retail premises (which are wholly-owned), Island Place retail premises (60% owned) and Tung Chung Crescent neighbourhood shops (20% owned).

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.

The table below shows the mix of the tenants of the retail properties by the principal nature of their businesses (based on internal classifications) as a percentage of the retail area at 31st December 2016.

**Retail Area by Tenants' Trades
(At 31st December 2016)**

Fashion and accessories	28.5%
Department stores	18.0%
Food and beverages	17.3%
Cinemas	3.8%
Supermarkets	5.3%
Jewellery and watches	1.5%
Ice rink	1.0%
Others	24.6%

At 31st December 2016, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2016) together occupied approximately 26% of our total attributable retail area in Hong Kong.

The Mall, Pacific Place

The Mall at Pacific Place is an integral part of the mixed-use Pacific Place development. The offices and the four hotels at Pacific Place provide a secure flow of shoppers for the Mall. There was a 13% decrease in retail sales at The Mall in 2016. This was caused by void periods during which more space was allocated to food and beverage outlets and reduced spending by tourists, especially on luxury goods.

The Mall was fully let during the year, with the only void periods resulting from tenant changes and reconfiguration works. Drivepro, Moncler, Nike and The North Face Urban Exploration became tenants during the year. Apinara Thai Cuisine and Bar, BIZOU American Brasserie, Commissary, Fuel Espresso, Le Pain Quotidien, Operetta Italian Restaurant & Cocktail Bar and Starbucks Reserve opened during the year.

The MTR South Island Line started to operate at the end of 2016, connecting The Mall, via Admiralty station, with the south side of Hong Kong Island. When the MTR Shatin to Central Link opens, it will provide a further connection to The Mall.

Cityplaza

Cityplaza is one of the most popular regional shopping centres in Hong Kong and is the largest shopping centre on Hong Kong Island. It principally serves customers who live or work in the eastern part of Hong Kong Island. The adjacent hotel (EAST, Hong Kong) generates patronage from international businesses based at the Cityplaza and Taikoo Place offices and generally from overseas visitors.

Cityplaza was fully let in 2016, except for void periods during tenancy changes and reconfiguration works. Retail sales decreased by 4%. This was mainly due to void periods during changes in the mix of food and beverage outlets. Starbucks Reserve, Venchi, Jade Garden, Garrett Popcorn and CIAK-All Day Italian started operating. New food and beverage outlets, including Jardin de Jade, Mango Tree Café, Passion by Gérard Dubois, and Hokkaidon, took over the previous Food Republic space. TREATS food hall, an agnès b full concept store with café and Go Wild (a travel and outdoor gear shop) opened at the end of the year.

Citygate Outlets

Citygate Outlets was almost fully let in 2016. Retail sales decreased by 8%. This reflected reduced spending by tourists and the closure of the cinema, food court and some shops in September. The area occupied by the tenants of these outlets will be reconstructed and reconfigured with the adjacent Tung Chung Town Lot 11 development. Citygate is in a good location near tourist attractions and transport links. It continues to attract tourists, albeit fewer of them, and local shoppers. Hugo Boss, Sandro and Snidel opened in 2016. So did PizzaExpress, TeaWood Taiwanese Café & Restaurant, Nha Trang Vietnamese Cuisine, Moon Lok Chiu Chow and Starbucks. Demand from retailers for space remains relatively strong.

Hong Kong Retail Market Outlook

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.

The following table shows the percentage of the total rental income attributable to the Group from its retail properties in Hong Kong, for the month ended 31st December 2016, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 22.1% of rental income in the month of December 2016 are due to expire in 2017, with tenancies accounting for a further 31.7% of such rental income due to expire in 2018.

Retail Lease Expiry Profile (At 31st December 2016)

2017	22.1%
2018	31.7%
2019 and later	46.2%

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, with an aggregate GFA of 593,543 square feet. Occupancy in the residential portfolio (excluding STAR STUDIOS) was approximately 85% at 31st December 2016. Demand for furnished accommodation at Pacific Place Apartments and Taikoo Place Apartments is expected to remain stable in 2017.

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.

Investment Properties Under Development

Tung Chung Town Lot No. 11

This commercial site next to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel GFA 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.

Taikoo Place Redevelopment

The first phase of the Taikoo Place redevelopment (the redevelopment of Somerset House) is the construction of a 48-storey Grade-A office building with an aggregate GFA 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 GFA 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.

8-10 Wong Chuk Hang Road

This commercial site at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate GFA 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.

New Kowloon Inland Lot No. 6312

This commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate GFA 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.

Investment Properties – Mainland China

Overview

The property portfolio in Mainland China comprises an aggregate of 13.0 million square feet of space (9.1 million square feet attributable to the Group), of which 11.7 million square feet are completed properties, with the remaining 1.3 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China grew by 6% to HK\$2,614 million in 2016 (despite a 6% depreciation of Renminbi against the Hong Kong dollar). At 31st December 2016, our investment property portfolio in Mainland China was valued at HK\$60,581 million. Of this amount, Swire Properties' attributable interest was HK\$42,627 million.

Mainland China Property Portfolio ⁽¹⁾

	GFA (sq. ft.) (100% Basis)			Attributable Interest
	Total	Investment Properties	Hotels, Trading Properties and Others	
<i>Completed</i>				
Taikoo Li Sanlitun, Beijing	1,465,771	1,296,308	169,463	100%
TaiKoo Hui, Guangzhou	3,840,197	3,256,013	584,184	97%
INDIGO, Beijing	1,893,226	1,534,957	358,269	50%
Sino-Ocean Taikoo Li Chengdu ⁽²⁾	2,195,410	1,374,061	821,349	50%
HKRI Taikoo Hui, Shanghai ⁽³⁾	2,231,549	2,231,549	-	50%
Hui Fang, Guangzhou	90,847	90,847	-	100%
Others	4,349	1,442	2,907	100%
Sub-Total	11,721,349	9,785,177	1,936,172	
<i>Under Development</i>				
HKRI Taikoo Hui, Shanghai ⁽³⁾	1,237,845	848,134	389,711	50%
Total	12,959,194	10,633,311	2,325,883	

(1) Including the hotel and property trading portions of these developments.

(2) The office portion of Sino-Ocean Taikoo Li Chengdu, Pinnacle One, was developed for trading purposes.

(3) Construction of the shopping mall and one of the office towers at HKRI Taikoo Hui was completed in 2016. Construction of another office tower, hotels and serviced apartments is expected to be completed in phases in 2017.

The Group's gross rental income from investment properties in Mainland China increased by 2% to HK\$2,062 million in 2016 (despite a 6% depreciation of the Renminbi against the Hong Kong dollar). HK\$1,688 million was from retail properties and HK\$361 million was from office properties.

The table below illustrates the expected attributable area of the completed property portfolio (excluding the property trading portion) in Mainland China.

Attributable Area of Completed Property Portfolio (excluding the property trading portion) in Mainland China

GFA (sq. ft.)	2016	2017 and later
Taikoo Li Sanlitun, Beijing	1,465,771	1,465,771
TaiKoo Hui, Guangzhou	3,724,990	3,724,990
INDIGO, Beijing	946,614	946,614
Sino-Ocean Taikoo Li Chengdu	801,136	801,136
HKRI Taikoo Hui, Shanghai	1,115,775	1,734,698
Hui Fang, Guangzhou	90,847	90,847
Others	4,349	2,907
Total	8,149,482	8,766,963

Completed Investment Properties
Taikoo Li Sanlitun, Beijing
Taikoo Li Sanlitun, Beijing

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Taikoo Li Sanlitun	1,296,308	94%	100%

Situated in the Sanlitun area of the Chaoyang district of Beijing, Taikoo Li Sanlitun was our first retail development in Mainland China. It comprises two neighbouring retail sites, South and North.

Taikoo Li Sanlitun South concentrates on contemporary fashion and lifestyle brands, with tenants including the largest adidas store in the world, the first Apple store in Mainland China, H&M, Starbucks, Uniqlo and a 1,597-seat Megabox cinema. In 2016, Abercrombie & Fitch and MADNESS opened their first stores in Beijing in Taikoo Li Sanlitun. Tenants in Taikoo Li Sanlitun North are principally international and local retailers of designer fashion and lifestyle brands, including Alexander McQueen, Christian Louboutin, Givenchy, I.T Beijing Market, Kenzo, Moncler and Miu Miu. Delvaux, Gentle Monster, Golden Goose Deluxe Brand, Lululemon, MSGM, Philipp Plein, RIMOWA, Versus and SpaceCycle became tenants in 2016.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2016, reflecting positive growth in reversionary rents. Retail sales grew by 6%. 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.

Beijing Retail Market Outlook

Retail sales are expected to grow modestly in Beijing in 2017. Demand for space for luxury goods is weak, but demand for space for fashion and lifestyle brands and food and beverages is expected to remain solid.

TaiKoo Hui, Guangzhou

TaiKoo Hui, Guangzhou			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Retail	1,472,730	99%	97%
Office	1,731,766	99%	97%
Serviced apartments	51,517	89%	97%
Total	3,256,013		97%

TaiKoo Hui is a large-scale retail-led mixed-use development in a prime location in the Tianhe district of Guangzhou. The development comprises a shopping mall, two Grade-A office towers, a cultural centre owned by a third party and a Mandarin Oriental hotel. The hotel has 287 rooms, including 24 serviced apartments.

Gross rental income grew satisfactorily in 2016, reflecting in part improvements to the tenant mix. Retail sales increased by 10% in 2016. Tenants include Chanel, Hermes, I.T, Louis Vuitton, Uniqlo, Fangsuo bookstore and Ole Supermarket. Bottega Veneta, Cartier, Dolce & Gabbana and Gucci became tenants in 2016. At 31st December 2016, the occupancy rate of the shopping mall was 99%.

At 31st December 2016, the occupancy rate of the office towers at TaiKoo Hui was 99%.

The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Its performance improved in 2016.

Swire Properties has a 97% interest in the TaiKoo Hui development, which is a joint venture with Guangzhou Da Yang Properties Investment Limited.

Guangzhou Market Outlook

Retail sales are expected to grow modestly in Guangzhou in 2017. Demand for retail space for high quality brands and food and beverage outlets is strong.

Office rents are expected to be stable in 2017 despite a substantial supply of new office space.

INDIGO, Beijing

INDIGO, Beijing			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Retail	939,493	98%	50%
Office	595,464	90%	50%
Total	1,534,957		50%

INDIGO is a retail-led mixed-use development in the Jiang Tai area in the Chaoyang district of Beijing. The development consists of a shopping mall, a Grade-A office tower (ONE INDIGO) and a 369-room business hotel (EAST, Beijing). The development is directly linked to the Beijing Metro Line 14 and is near the airport expressway.

Occupancy at the shopping mall was 98% at 31st December 2016 and 97% of the shops were open. Retail sales increased by 20% in 2016. Tenants include H&M, Massimo Dutti, GAP, Muji, BHG supermarket and a seven-house, 1,000-seat CGV cinema. Dyson, L'OCCITANE, Miss Sixty, PUTIEN Restaurant, Superdry, Swarovski and Tesla became tenants in 2016.

The occupancy of ONE INDIGO was 90% at 31st December 2016. Business at EAST, Beijing improved during the year.

INDIGO is a 50:50 joint venture with Sino-Ocean Group Holding Limited.

Beijing Office Market Outlook

Office rents in Beijing are expected to be weak in 2017, with only modest demand and increased supply.

Sino-Ocean Taikoo Li Chengdu

Sino-Ocean Taikoo Li Chengdu			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2016)	Attributable Interest
Retail	1,246,482	92%	50%
Serviced apartments	127,579	50%	50%
Total	1,374,061		50%

Sino-Ocean Taikoo Li Chengdu is in the Jinjiang district of Chengdu and is part of the Chunxi Road/Daci Temple shopping district. It is a large-scale retail-led development consisting of a retail complex, a boutique hotel (The Temple House), which has 100 rooms and 42 serviced apartments, and a Grade-A office tower (Pinnacle One). It is directly connected to the Chunxi Road metro station.

Sino-Ocean Taikoo Li Chengdu is our second Taikoo Li project in Mainland China. It opened in 2015. Tenants include adidas, Apple, Cartier, Gucci, Hermes, I.T, Muji, Nike, Tiffany & Co., ZARA, Fangsuo bookstore, Ole Supermarket and a 1,720-seat Palace Cinema. Retail sales 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 total lettable retail space was open for business.

Sino-Ocean Taikoo Li Chengdu is a 50:50 joint venture with Sino-Ocean Group Holding Limited.

Chengdu Retail Market Outlook

Retail sales are expected to grow more briskly in Chengdu in 2017. Demand for retail space for high quality brands and food and beverage outlets is firm.

Investment Properties Under Development

HKRI Taikoo Hui, Shanghai

HKRI Taikoo Hui, Shanghai		
	GFA (sq. ft.) (100% Basis)	Attributable Interest
Retail	1,102,535	50%
Office	1,828,060	50%
Hotels ⁽¹⁾	389,711	50%
Serviced apartments	149,088	50%
Total	3,469,394	50%

(1) The hotels are accounted for under property, plant and equipment in the financial statements.

HKRI Taikoo Hui is a large-scale retail-led mixed-use development. It occupies a prime location on Nanjing West Road, one of Shanghai's major shopping and business thoroughfares, in the Jingan district of Puxi, Shanghai. It has excellent transport connections, being adjacent to the existing Nanjing West Road metro station (which serves three metro lines) and near the Yan'an Expressway. The project comprises a retail mall, two office towers, two hotels and a serviced apartment tower. It is expected to become a landmark development in Shanghai.

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 another office tower, two hotels and a serviced apartment tower are in progress. These works are expected to be completed in phases in 2017.

HKRI Taikoo Hui is a 50:50 joint venture with HKR International Limited.

Shanghai Market Outlook

In the retail sector, demand for space for luxury goods is weak, but demand for space for fashion and lifestyle brands and food and beverage outlets is expected to remain firm.

There will be limited new supply of office space in the Puxi business district in the next few years. Domestic demand for office space is strong. Foreign demand is weak.

Investment Properties – U.S.A.
Brickell City Centre, Miami

Brickell City Centre, Miami	GFA (sq. ft.) ⁽³⁾ (100% Basis)	Attributable Interest
<i>Completed</i>		
Shopping centre	496,508	60.9%
Two and Three Brickell City Centres	260,000	100%
EAST, Miami - hotel ⁽¹⁾	218,000	100%
EAST, Miami - serviced apartments	109,000	100%
Reach and Rise ⁽²⁾	376,397	100%
Sub-Total	1,459,905	
<i>Future Development</i>		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
Total	3,426,905	

(1) The hotel is accounted for under property, plant and equipment in the financial statements.

(2) Remaining unsold units at 31st December 2016.

(3) Represents leasable/saleable area except for the carpark, roof top and circulation areas.

Brickell City Centre is an urban mixed-use development in the Brickell financial district of Miami, Florida. It has a site area of 504,017 square feet (approximately 11.6 acres).

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 including space which is the subject of letters of intent) respectively.

The shopping centre was developed jointly with Bal Harbour Shops and Simon Property Group. Swire Properties is the primary developer of the Brickell City Centre project.

At 31st December 2016, Swire Properties owned 100% of the office, hotel and remaining unsold residential portions and 60.9% of the shopping centre at the Brickell City Centre development. 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.

Miami Market Outlook

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

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

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 were valued by DTZ Cushman & Wakefield Limited and 2% by value were valued by another independent valuer). The amount of this valuation was HK\$235,101 million, compared to HK\$228,449 million at 31st December 2015.

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.

Property Trading

Overview

The trading portfolio comprises a luxury residential project fully pre-sold on Hong Kong Island (ALASSIO) and completed developments available for sale in Hong Kong, Mainland China and Miami, U.S.A. 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 developments at Brickell City Centre in Miami. There are also land banks in Miami and Fort Lauderdale in Florida, U.S.A.

Property Trading Portfolio (At 31st December 2016)

	GFA (sq. ft.) (100% Basis)	Actual Construction Completion Date	Attributable Interest
<u>Completed</u> ⁽¹⁾			
Hong Kong			
- 5 Star Street	408 ⁽²⁾	2010	100%
- WHITESANDS	60,647 ⁽²⁾	2015	100%
- ALASSIO	-	2016	100%
Mainland China			
- Pinnacle One, Chengdu	593,139 ⁽³⁾	2014	50%
U.S.A.			
- ASIA, Miami	5,359 ⁽²⁾	2008	100%
- Reach, Miami	73,059 ⁽²⁾	2016	100%
- Rise, Miami	303,338 ⁽²⁾	2016	100%
<u>Held for Development</u>			
U.S.A.			
- Fort Lauderdale, Florida	825,000	N/A	75%
- South Brickell Key, Miami, Florida	550,000	N/A	100%
- Brickell City Centre, Miami, Florida - North Squared site	523,000	N/A	100%

(1) Remaining unsold portion.

(2) Remaining saleable area.

(3) Including pre-sold portion but not yet handed over.

Hong Kong

AREZZO, 33 Seymour Road

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. The property is managed by Swire Properties.

ALASSIO, 100 Caine Road

The occupation permit was issued in December 2016. The development consists of a 50-storey tower of 197 residential units with an aggregate GFA of 195,533 square feet. Presales of the units commenced in April 2016. All 197 units had been pre-sold at 31st December 2016. The profit from the sales of pre-sold units is expected to be recognised in 2017.

MOUNT PARKER RESIDENCES, 1 Sai Wan Terrace

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 66 carparking spaces was recognised in 2016. The property is managed by Swire Properties.

WHITESANDS, 160 South Lantau Road

The development consists of 28 detached houses with an aggregate GFA 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. The property is managed by Swire Properties.

Hong Kong Residential Market Outlook

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.

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.

U.S.A.

The residential portion of the Brickell City Centre development was developed for trading purposes. There are 780 units in Reach and Rise, with an aggregate GFA of 1,134,078 square feet.

The Reach and Rise developments were completed and started to be handed over to purchasers in April and September 2016 respectively. 355 units at Reach and 187 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.

Since the ASIA development was completed in 2008, 122 out of the 123 units have been sold. One penthouse unit remains unsold.

Miami Residential Market Outlook

In Miami, the strength of the US dollar against other major currencies has adversely affected demand and the availability of financing for condominiums by non-US buyers. Condominium development has slowed down in Miami. Further profits are expected to be recognised in 2017 from the sales of units at the Reach and Rise developments.

Estate Management

Swire Properties manages 20 residential estates which it has developed. It also manages OPUS, a residential property in Hong Kong which Swire Properties redeveloped for Swire Pacific. The management services include day to day assistance for occupants, management, maintenance, cleaning, security and renovation of common areas and facilities. Swire Properties places great emphasis on maintaining good relationships with occupants.

Hotels

Managed Hotels and Restaurants

Overview

Swire Properties owns and manages (through Swire Hotels) hotels in Hong Kong, Mainland China and the U.S.A. The House Collective, comprising The Upper House in Hong Kong, The Opposite House in Beijing and The Temple House in Chengdu, is a group of small and distinctive hotels. EAST hotels are business hotels.

In 2016, trading conditions in Hong Kong were difficult because of a reduction in the number of visitors to Hong Kong. The performance of our hotels in Mainland China improved. EAST, Miami in the U.S.A. opened in June 2016.

A hotel and a serviced apartment tower at HKRI Taikoo Hui in Shanghai are expected to open in the second half of 2017.

Hotel Portfolio (managed by Swire Hotels)

	No. of Rooms (100% Basis)	Attributable Interest
<i><u>Completed</u></i>		
Hong Kong		
- The Upper House	117	100%
- EAST, Hong Kong	345	100%
- Headland Hotel ⁽¹⁾	501	0%
Mainland China		
- The Opposite House	99	100%
- EAST, Beijing	369	50%
- The Temple House ⁽²⁾	142	50%
U.S.A.		
- EAST, Miami ⁽²⁾	352	100%
<i><u>Under Development</u></i>		
Mainland China		
- One hotel and one serviced apartment tower at HKRI Taikoo Hui, Shanghai	213	50%
Total	2,138	

(1) Headland Hotel is owned by Airline Hotel Limited, a wholly-owned subsidiary of Cathay Pacific Airways Limited.

(2) Including serviced apartments in the hotel tower.

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room was stable in 2016. During the year, the hotel received awards from Condé Nast Traveller and The Telegraph. Café Gray Deluxe received an award from Wine Luxe.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel in Taikoo Shing, revenue per available room was stable in 2016, but food and beverage business declined. During the year, the hotel received an award from Luxury Travel Guide. The hotel's Sugar bar received awards from TripAdvisor and Concierge Hong Kong magazine.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Its revenue per available room and occupancy improved in 2016. During the year, the hotel received awards from Best Travel Magazine and Travel + Leisure. The hotel's Jing Yaa Tang and Sureño restaurants received awards from TATLER.

EAST, Beijing

EAST, Beijing is a 369-room business hotel at INDIGO in Beijing, in which Swire Properties holds a 50% interest. Revenue per available room was stable in 2016. During the year, the hotel received an award from Forbes Travel. The hotel's Xian bar received an award from Travel + Leisure.

The Temple House

The Temple House consists of 100 hotel rooms and 42 serviced apartments, the latter known as The Temple House Residences. It opened in 2015 and is part of the Sino-Ocean Taikoo Li Chengdu project, in which Swire Properties holds a 50% interest. Revenue per available room and occupancy improved in 2016. During the year, the hotel received awards from Travel + Leisure, Condé Nast Traveller and Ctrip. The hotel's MI XUN Spa received an award from Asia Spa Awards.

EAST, Miami

EAST, Miami consists of 263 hotel rooms and 89 serviced apartments. It opened in June 2016 and is building up its occupancy levels.

Swire Restaurants

Swire Hotels operates restaurants in Hong Kong. PUBLIC is a restaurant at One Island East. Ground PUBLICs are cafés at One Island East and in North Point. The Continental is a European restaurant at Pacific Place. Mr & Mrs Fox is a restaurant with an international menu in Quarry Bay. The Plat du Jour restaurants are French bistros at Pacific Place and in Quarry Bay. During the year, Mr & Mrs Fox and The Continental received awards from the South China Morning Post.

Non-managed Hotels

Overview

Swire Properties has ownership interests in (but does not manage) hotels with 2,934 rooms in aggregate.

Hotel Portfolio (not managed by the Group)

	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</i>		
Hong Kong		
- Island Shangri-La Hong Kong	565	20%
- JW Marriott Hotel Hong Kong	602	20%
- Conrad Hong Kong	513	20%
- Novotel Citygate Hong Kong	440	20%
Mainland China		
- Mandarin Oriental, Guangzhou ⁽¹⁾	287	97%
U.S.A.		
- Mandarin Oriental, Miami	326	75%
<i>Under Development</i>		
Mainland China		
- Hotel at HKRI Taikoo Hui, Shanghai	201	50%
Total	2,934	

(1) Including serviced apartments in the hotel tower.

The performance of the non-managed hotels in Hong Kong was adversely affected by the reduced number of visitors to Hong Kong in 2016. The performance of the Mandarin Oriental, Miami in the U.S.A. improved in 2016 due to better food and beverage results. The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Its performance improved in 2016 despite an over-supply of hotel rooms in Guangzhou.

There is a non-managed hotel under development at HKRI Taikoo Hui in Shanghai. It is expected to open in the second half of 2017.

Hotels Market Outlook

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

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in 2016 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$5,549 million (2015: HK\$2,731 million). Outstanding capital commitments at 31st December 2016 were HK\$15,711 million (2015: HK\$16,029 million), including the Group's share of the capital commitments of joint venture companies of HK\$1,214 million (2015: HK\$1,363 million). The Group is committed to funding HK\$588 million (2015: HK\$689 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2016 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$1,070 million (2015: HK\$1,497 million). Outstanding capital commitments at 31st December 2016 were HK\$1,882 million (2015: HK\$2,520 million), including the Group's share of the capital commitments of joint venture companies of HK\$1,279 million (2015: HK\$1,885 million). The Group is committed to funding HK\$226 million (2015: HK\$501 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2016 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK\$950 million (2015: HK\$2,372 million). Outstanding capital commitments at 31st December 2016 were HK\$735 million (2015: HK\$1,249 million).

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure		Forecast year of expenditure			Commitments ⁽¹⁾
	2016 HK\$M	2017 HK\$M	2018 HK\$M	2019 HK\$M	2020 and later HK\$M	At 31st December 2016 HK\$M
Hong Kong	5,549	5,673	2,747	1,750	5,541	15,711
Mainland China	1,070	1,087	567	181	47	1,882
U.S.A. and elsewhere	950	360	255	67	53	735
Total	7,569	7,120	3,569	1,998	5,641	18,328

(1) The capital commitments represent the Group's capital commitments of HK\$15,835 million plus the Group's share of the capital commitments of joint venture companies of HK\$2,493 million. The Group is committed to funding HK\$814 million of the capital commitments of joint venture companies.

FINANCING

Sources of Finance

At 31st December 2016, committed loan facilities and debt securities amounted to HK\$45,233 million, of which HK\$8,497 million (18.8%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$1,149 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 After One Year HK\$M
Facilities from third parties				
Term loans	10,365	9,715	-	650
Revolving loans	11,388	3,541	1,000	6,847
Bonds	15,974	15,974	-	-
Facilities from Swire Finance				
Bonds	5,177	5,177	-	-
Perpetual capital securities	2,329	2,329	-	-
Total committed facilities	45,233	36,736	1,000	7,497
Uncommitted facilities				
Bank loans and overdrafts	1,649	500	1,149	-
Total	46,882	37,236	2,149	7,497

Note: The figures above are stated before unamortised loan fees of HK\$178 million.

At 31st December 2016, 63% of the Group's gross borrowings were on fixed rate basis and 37% were on floating rate basis (2015: 61% and 39% respectively).

The Group had bank balances and short-term deposits of HK\$1,681 million at 31st December 2016, compared to HK\$4,386 million at 31st December 2015.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2026 (2015: up to 2025). The weighted average term and cost of the Group's debt are:

	2016	2015
Weighted average term of debt	3.7 years	3.1 years
Weighted average term of debt (excluding perpetuals)	3.9 years	3.2 years
Weighted average cost of debt	4.1%	4.3%
Weighted average cost of debt (excluding perpetuals)	3.8%	4.0%

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

(HK\$M)	Maturity Profile										
	Total	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Facilities from third parties											
Term and revolving loans	21,753	5,175	2,624	4,514	1,790	7,650	-	-	-	-	-
Bonds	15,974	500	-	300	3,878	300	3,878	200	600	1,740	4,578
Facilities from Swire Finance											
Bonds	5,177	-	5,177	-	-	-	-	-	-	-	-
Perpetual capital securities ⁽¹⁾	2,329	2,329	-	-	-	-	-	-	-	-	-
Total	45,233	8,004	7,801	4,814	5,668	7,950	3,878	200	600	1,740	4,578

(1) The perpetual capital securities have no fixed maturity date. In the above table their maturity is presented as their first call date, 13th May 2017.

The table below sets forth the maturity profile of the Group's borrowings:

Audited Financial Information	2016		2015	
	HK\$M		HK\$M	
Bank borrowings and bonds from third parties due				
Within 1 year	5,170	14%	2,602	7%
1 - 2 years	2,423	7%	8,009	21%
2 - 5 years	11,021	30%	7,783	21%
After 5 years	10,940	29%	7,180	19%
Borrowings from Swire Finance due				
Within 1 year	2,329	6%	4,658	12%
1 - 2 years	5,175	14%	2,329	6%
2 - 5 years	-	-	5,173	14%
Total	37,058	100%	37,734	100%
Less: Amount due within one year included under current liabilities	7,499		7,260	
Amount due after one year included under non-current liabilities	29,559		30,474	

Upon maturity of the financing arrangements provided by Swire Finance Limited, the Group obtains new funding (as necessary) on a stand-alone basis without recourse to the Swire Pacific group.

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 dollars	27,315	74%	26,718	71%
United States dollars	6,775	18%	6,917	18%
Renminbi	2,689	7%	3,858	10%
Singapore dollars	279	1%	241	1%
Total	37,058	100%	37,734	100%

Gearing Ratio and Interest Cover

	2016	2015
Gearing ratio ⁽¹⁾	15.6%	15.3%
Interest cover – times ⁽¹⁾		
Per financial statements	15.5	13.6
Underlying	8.9	7.8
Cash interest cover – times ⁽¹⁾		
Per financial statements	11.3	10.4
Underlying	6.3	5.9

(1) Refer to Glossary on page 56 for definitions.

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Properties 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:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	2016 HK\$M	2015 HK\$M	2016 HK\$M	2015 HK\$M	2016 HK\$M	2015 HK\$M
Hong Kong Entities	3,826	2,987	1,841	1,641	975	975
Mainland China Entities	11,506	10,098	5,753	5,049	-	1,803
U.S.A. Entities	555	568	416	426	484	493
	15,887	13,653	8,010	7,116	1,459	3,271

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 19.1%.

CONSOLIDATED FINANCIAL STATEMENTS
**Consolidated Statement of Profit or Loss
For the year ended 31st December 2016**

	Note	2016 HK\$M	2015 HK\$M
Revenue	2	16,792	16,447
Cost of sales	3	(6,486)	(5,781)
Gross profit		10,306	10,666
Administrative and selling expenses		(1,294)	(1,166)
Other operating expenses		(213)	(215)
Other net gains/(losses)	4	103	(194)
Change in fair value of investment properties		8,418	7,116
Operating profit		17,320	16,207
Finance charges		(1,216)	(1,291)
Finance income		97	96
Net finance charges	6	(1,119)	(1,195)
Share of profits less losses of joint venture companies		1,280	1,100
Share of profits less losses of associated companies		139	141
Profit before taxation		17,620	16,253
Taxation	7	(2,411)	(2,057)
Profit for the year		15,209	14,196
Profit for the year attributable to:			
The Company's shareholders		15,050	14,072
Non-controlling interests		159	124
		15,209	14,196
		HK\$	HK\$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	9	2.57	2.41

**Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2016**

	2016 HK\$M	2015 HK\$M
Profit for the year	15,209	14,196
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties previously occupied by the Group		
- gains recognised during the year	-	13
Defined benefit plans		
- remeasurement gains/(losses) recognised during the year	50	(79)
- deferred tax (charge)/credit	(8)	13
	42	(53)
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
- gains/(losses) recognised during the year	300	(110)
- (gains)/losses transferred to net finance charges	(5)	2
- deferred tax (charge)/credit	(49)	18
Share of other comprehensive losses of joint venture and associated companies	(591)	(462)
Net translation differences on foreign operations		
- movement during the year	(1,494)	(1,168)
- reclassification to profit or loss on disposal of four hotels in the U.K.	-	142
	(1,839)	(1,578)
Other comprehensive losses for the year, net of tax	(1,797)	(1,631)
Total comprehensive income for the year	13,412	12,565
Total comprehensive income attributable to:		
The Company's shareholders	13,276	12,460
Non-controlling interests	136	105
	13,412	12,565

**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		8,471	8,052
Investment properties	10	235,368	228,640
Intangible assets		154	127
Properties held for development	11	1,279	942
Joint venture companies		19,985	19,392
Associated companies		361	534
Available-for-sale assets		-	6
Derivative financial instruments		219	-
Deferred tax assets		73	90
Other non-current assets	12	5,479	-
		271,389	257,783
Current assets			
Properties under development and for sale	13	5,669	7,615
Stocks and work in progress		79	72
Trade and other receivables	14	2,881	2,848
Amount due from immediate holding company - Swire Pacific Limited		9	20
Short-term deposits maturing after three months		-	28
Cash and cash equivalents		1,681	4,358
		10,319	14,941
Current liabilities			
Trade and other payables	15	7,845	8,943
Tax payable		279	541
Bank overdrafts and short-term loans		500	592
Long-term loans and bonds due within one year		4,670	2,010
Loans due to a fellow subsidiary company - Swire Finance Limited		2,329	4,658
		15,623	16,744
Net current liabilities		(5,304)	(1,803)
Total assets less current liabilities		266,085	255,980
Non-current liabilities			
Long-term loans and bonds		24,384	22,972
Loans due to a fellow subsidiary company - Swire Finance Limited		5,175	7,502
Other payables	15	1,323	509
Derivative financial instruments		-	84
Deferred tax liabilities		7,840	6,787
Retirement benefit liabilities		138	177
		38,860	38,031
NET ASSETS		227,225	217,949
EQUITY			
Share capital	16	10,449	10,449
Reserves	17	214,920	205,798
Equity attributable to the Company's shareholders		225,369	216,247
Non-controlling interests		1,856	1,702
TOTAL EQUITY		227,225	217,949

**Consolidated Statement of Cash Flows
For the year ended 31st December 2016**

	2016 HK\$M	2015 HK\$M
Operating activities		
Cash generated from operations	10,767	10,616
Interest paid	(1,324)	(1,510)
Interest received	96	96
Profits tax paid	(1,413)	(1,267)
	8,126	7,935
Dividends received from joint venture and associated companies and available-for-sale assets	499	235
Net cash from operating activities	8,625	8,170
Investing activities		
Purchase of property, plant and equipment	(349)	(558)
Additions to investment properties	(5,883)	(3,616)
Additions to other non-current assets	(254)	-
Purchase of intangible assets	(17)	(18)
Purchase of available-for-sale assets	-	(4)
Proceeds from disposals of property, plant and equipment	1	1
Proceeds from disposals of investment properties	55	34
Proceeds from disposal of subsidiary companies – U.K. hotels	-	373
Proceeds from disposal of an associated company	-	1
Proceeds from disposal of an available-for-sale asset	-	98
Loans to joint venture companies	(246)	(836)
Repayment of loans by joint venture companies	174	167
Repayment of loans by associated companies	-	31
Decrease/(Increase) in deposits maturing after three months	26	(28)
Initial leasing costs incurred	(134)	(70)
Net cash used in investing activities	(6,627)	(4,425)
Net cash inflow before financing	1,998	3,745
Financing activities		
Loans drawn and refinancing	5,470	3,689
Bonds issued	5,078	1,740
Repayment of loans	(6,358)	(2,645)
	4,190	2,784
Capital contribution from a non-controlling interest	90	767
Decrease in loans due to a fellow subsidiary company	(4,658)	(1,800)
Dividends paid to the Company's shareholders	(4,154)	(3,920)
Dividends paid to non-controlling interests	(72)	(10)
Net cash used in financing activities	(4,604)	(2,179)
(Decrease)/Increase in cash and cash equivalents	(2,606)	1,566
Cash and cash equivalents at 1st January	4,358	2,874
Currency adjustment	(71)	(82)
Cash and cash equivalents at end of the year	1,681	4,358
Represented by:		
Bank balances and short-term deposits maturing within three months	1,681	4,358

1. Segment Information

The Group is organised on a divisional basis: Property investment, Property trading and development, and Hotels. The reportable segments that make up each of the three divisions are classified according to the nature of business.

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

	External revenue	Inter-segment revenue	Operating profit/(loss) after depreciation and amortisation	Finance charges	Finance income	Share of profits less losses of joint venture companies	Share of profits less losses of associated companies	Profit/(Loss) before taxation	Taxation	Profit/(Loss) for the year	Profit/(Loss) attributable to the Company's shareholders	Depreciation and amortisation charged to operating profit
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Year ended 31st December 2016												
Property investment	10,902	38	7,752	(1,158)	94	339	-	7,027	(1,087)	5,940	5,938	(158)
Property trading	4,760	-	1,332	(22)	3	(6)	-	1,307	(70)	1,237	1,199	-
Hotels	1,130	3	(182)	(36)	-	(35)	139	(114)	(5)	(119)	(117)	(216)
Change in fair value of investment properties	-	-	8,418	-	-	982	-	9,400	(1,249)	8,151	8,030	-
Inter-segment elimination	-	(41)	-	-	-	-	-	-	-	-	-	-
	16,792	-	17,320	(1,216)	97	1,280	139	17,620	(2,411)	15,209	15,050	(374)
Year ended 31st December 2015												
Property investment	10,857	23	8,097	(1,242)	92	274	-	7,221	(966)	6,255	6,231	(153)
Property trading	4,463	-	1,328	(6)	3	57	-	1,382	(231)	1,151	1,089	-
Hotels	1,127	3	(334)	(43)	1	(59)	141	(294)	(12)	(306)	(303)	(192)
Change in fair value of investment properties	-	-	7,116	-	-	828	-	7,944	(848)	7,096	7,055	-
Inter-segment elimination	-	(26)	-	-	-	-	-	-	-	-	-	-
	16,447	-	16,207	(1,291)	96	1,100	141	16,253	(2,057)	14,196	14,072	(345)

Note: Sales between business segments are accounted for at competitive prices charged to unaffiliated customers for similar goods and services.

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

	Segment assets	Joint venture companies	Associated companies	Bank deposits and cash	Total assets	Additions to non-current assets
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
At 31st December 2016						
Property investment	245,670	18,476	-	1,399	265,545	6,469
Property trading and development	7,656	493	-	161	8,310	34
Hotels	6,355	1,016	361	121	7,853	253
	259,681	19,985	361	1,681	281,708	6,756
At 31st December 2015						
Property investment	232,986	17,307	-	3,901	254,194	4,677
Property trading and development	9,093	815	-	401	10,309	42
Hotels	6,333	1,270	534	84	8,221	490
	248,412	19,392	534	4,386	272,724	5,209

Note: Additions to non-current assets exclude joint venture and associated companies, available-for-sale assets, financial instruments, deferred tax assets and retirement benefit assets.

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

	Segment liabilities	Current and deferred tax liabilities	Gross borrowings	Total liabilities	Non-controlling interests
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
At 31st December 2016					
Property investment	7,584	8,096	31,573	47,253	1,569
Property trading and development	1,510	23	4,452	5,985	265
Hotels	212	-	1,033	1,245	22
	9,306	8,119	37,058	54,483	1,856
At 31st December 2015					
Property investment	7,287	7,089	32,212	46,588	1,395
Property trading and development	2,217	239	4,655	7,111	286
Hotels	209	-	867	1,076	21
	9,713	7,328	37,734	54,775	1,702

1. Segment Information (continued)

(b) Information about geographical areas

The activities of the Group are principally based in Hong Kong, Mainland China and the U.S.A.

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

	Revenue		Non-current assets	
	2016 HK\$M	2015 HK\$M	2016 HK\$M	2015 HK\$M
Hong Kong	10,514	13,917	213,639	202,797
Mainland China	2,383	2,335	27,248	27,254
U.S.A.	3,895	26	8,908	6,740
U.K. and others	-	169	956	970
	16,792	16,447	250,751	237,761

Note: The above non-current assets exclude joint venture and associated companies, available-for-sale assets, financial instruments, deferred tax assets and retirement benefit assets.

2. Revenue

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	10,773	10,716
Property trading	4,760	4,463
Hotels	1,130	1,127
Rendering of other services	129	141
	16,792	16,447

3. Cost of Sales

	2016	2015
	HK\$M	HK\$M
Direct rental outgoings in respect of investment properties that		
- generated rental income	1,879	1,750
- did not generate rental income	249	210
	2,128	1,960
Property trading	3,236	2,733
Hotels	1,091	1,052
Rendering of other services	31	36
	6,486	5,781

4. Other Net Gains/(Losses)

	2016	2015
	HK\$M	HK\$M
Loss on disposal of four hotels in the U.K.	-	(229)
Profit on disposal of investment properties	76	13
Loss on disposal of property, plant and equipment	(4)	-
Net foreign exchange losses	(8)	(12)
Recognition of income on forfeited deposits on trading properties	5	12
Others	34	22
	103	(194)

5. Expenses by Nature

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

	2016	2015
	HK\$M	HK\$M
Depreciation of property, plant and equipment	300	266
Amortisation of		
- intangible assets	14	12
- initial leasing costs in respect of investment properties	60	67
Staff costs	1,687	1,474
Operating lease rentals		
- properties	52	68
- plant and equipment	6	3
Auditors' remuneration		
- audit services	11	11
- tax services	4	6
- other services	1	-

6. Net Finance Charges

	2016 HK\$M	2015 HK\$M
Interest charged on:		
Bank loans and overdrafts	349	441
Bonds	516	337
Loans from fellow subsidiary companies	507	699
Loans from joint venture and related companies	7	8
Fair value (gain)/loss on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	(5)	2
Other financing costs	146	148
	1,520	1,635
Loss on the movement in the fair value of the liability in respect of a put option in favour of the owner of a non-controlling interest	114	16
Capitalised on:		
Investment properties	(248)	(199)
Properties under development and for sale	(140)	(150)
Hotels	(5)	(11)
Other non-current assets	(25)	-
	1,216	1,291
Interest income on:		
Short-term deposits and bank balances	(26)	(28)
Loans to joint venture companies	(69)	(67)
Others	(2)	(1)
	(97)	(96)
Net finance charges	1,119	1,195

7. Taxation

	2016		2015	
	HK\$M	HK\$M	HK\$M	HK\$M
Current taxation:				
Hong Kong profits tax	843		1,107	
Overseas taxation	240		196	
Under/(Over)-provisions in prior years	72		(2)	
		1,155		1,301
Deferred taxation:				
Changes in fair value of investment properties	902		592	
Origination and reversal of temporary differences	354		164	
		1,256		756
		2,411		2,057

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.

8. Dividends

	2016	2015
	HK\$M	HK\$M
First interim dividend paid on 5th October 2016 of HK\$0.23 per share (2015: HK\$0.23)	1,346	1,346
Second interim dividend declared on 16th March 2017 of HK\$0.48 per share (2015: HK\$0.48)	2,808	2,808
	4,154	4,154

The second interim dividend is not accounted for in 2016 because it had not been declared at the year end date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2017.

The Directors have declared a second interim dividend of HK\$0.48 (2015: HK\$0.48) per share which, together with the first interim dividend of HK\$0.23 per share paid in October 2016, amounts to full year dividends of HK\$0.71 (2015: HK\$0.71) per share. The second interim dividend, which totals HK\$2,808 million (2015: HK\$2,808 million), will be paid on Thursday, 11th May 2017 to shareholders registered at the close of business on the record date, being Friday, 7th April 2017. Shares of the Company will be traded ex-dividend from Wednesday, 5th April 2017.

The register of members will be closed on Friday, 7th April 2017, during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, 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 Thursday, 6th April 2017.

8. Dividends (continued)

To facilitate the processing of proxy voting for the annual general meeting to be held on 16th May 2017, the register of members will be closed from 11th May 2017 to 16th 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 Wednesday, 10th May 2017.

9. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK\$15,050 million (2015: HK\$14,072 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2016 (2015: 5,850,000,000 ordinary shares).

10. Investment Properties

	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2016	199,380	29,069	228,449
Translation differences	(1,691)	(20)	(1,711)
Additions	438	5,649	6,087
Cost written back	(141)	(1)	(142)
Disposals	(6)	-	(6)
Transfer to properties held for development	-	(303)	(303)
Transfer to other non-current assets	-	(5,200)	(5,200)
Net transfers between categories	2,234	(2,234)	-
Net transfers to property, plant and equipment	(228)	(263)	(491)
Net fair value gains	5,619	2,799	8,418
	205,605	29,496	235,101
Add: Initial leasing costs	267	-	267
At 31st December 2016	205,872	29,496	235,368

At 1st January 2015	194,991	23,729	218,720
Translation differences	(1,202)	(36)	(1,238)
Additions	207	4,285	4,492
Disposals	-	(21)	(21)
Transfer from properties under development and for sale	-	19	19
Net transfers to property, plant and equipment	(573)	(66)	(639)
Net fair value gains	5,957	1,159	7,116
	199,380	29,069	228,449
Add: Initial leasing costs	126	65	191
At 31st December 2015	199,506	29,134	228,640

Note: The net 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 12). The transfer occurred on the signing of a conditional agreement dated 28th October 2016 between the Company and a third party for the sale of the Company's 100% interest in a subsidiary company owning the property.

Geographical Analysis of Investment Properties

	2016 HK\$M	2015 HK\$M
Held in Hong Kong:		
On medium-term leases (10 to 50 years)	29,282	31,138
On long-term leases (over 50 years)	173,375	166,502
	202,657	197,640
Held in Mainland China:		
On medium-term leases (10 to 50 years)	25,390	25,199
Held in U.S.A. and elsewhere:		
Freehold	7,054	5,610
	235,101	228,449

11. Properties Held for Development

	2016	2015
	HK\$M	HK\$M
Freehold land	1,119	795
Development cost	160	147
	1,279	942

12. Other Non-current Assets

Other non-current assets comprise an uncompleted property in Kowloon Bay, Hong Kong transferred from investment properties under development (note 10) 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 the Company and a third party for the sale of the Company's 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.

13. Properties under Development and for Sale

	2016	2015
	HK\$M	HK\$M
Properties for sale		
Properties under development		
- development costs	-	4,205
- freehold land	-	349
- leasehold land	-	1,433
Completed properties		
- development costs	3,760	1,045
- freehold land	130	1
- leasehold land	1,779	582
	5,669	7,615

14. Trade and Other Receivables

	2016	2015
	HK\$M	HK\$M
Trade debtors	471	293
Prepayments and accrued income	309	488
Other receivables	2,101	2,067
	2,881	2,848

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

	2016	2015
	HK\$M	HK\$M
Under three months	465	287
Between three and six months	4	4
Over six months	2	2
	471	293

The Group does not grant any credit terms to its customers, except to corporate customers in the hotel division where commercial trade credit terms are given. The Group also holds rental deposits as security against trade debtors.

15. Trade and Other Payables

	2016 HK\$M	2015 HK\$M
Trade and other payables – current:		
Trade creditors	565	1,210
Rental deposits from tenants	2,494	2,389
Other current payables		
Accrued capital expenditure	1,190	1,171
Deposits received on the sale of trading properties	806	1,496
Amounts due to intermediate holding company	112	96
Amounts due to a fellow subsidiary company	75	76
Amounts due to an associated company	50	70
Interest-bearing advances from fellow subsidiary companies at 3.3% to 4.1% (2015: 3.5% to 4.6%)	100	382
Interest-bearing advances from joint venture and related companies at 2.8% (2015: 2.8% to 3.4%)	223	239
Advances from a non-controlling interest	34	34
Others	2,196	1,780
	4,786	5,344
	7,845	8,943
Other payables – non-current:		
Put option in respect of a non-controlling interest	670	509
Deposit received on the sale of a subsidiary company	653	-
	1,323	509

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

	2016 HK\$M	2015 HK\$M
Under three months	565	1,210

16. Share Capital

	Ordinary shares	HK\$M
<i>Issued and fully paid:</i>		
At 1st January 2016 and 31st December 2016	5,850,000,000	10,449
At 1st January 2015 and 31st December 2015	5,850,000,000	10,449

There was no purchase, sale or redemption by the Company of its shares during the years ended 31st December 2016 and 31st December 2015.

17. Reserves

	Revenue reserve HK\$M	Merger reserve HK\$M	Property revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2016	204,380	(1,108)	1,689	(66)	903	205,798
Profit for the year	15,050	-	-	-	-	15,050
Other comprehensive income						
Defined benefit plans						
- remeasurement gains recognised during the year	50	-	-	-	-	50
- deferred tax charge	(8)	-	-	-	-	(8)
Cash flow hedges						
- gains recognised during the year	-	-	-	300	-	300
- gains transferred to net finance charges	-	-	-	(5)	-	(5)
- deferred tax charge	-	-	-	(49)	-	(49)
Share of other comprehensive gains/(losses) of joint venture and associated companies	-	-	-	1	(592)	(591)
Net translation differences on foreign operations	-	-	-	-	(1,471)	(1,471)
Total comprehensive income/(losses) for the year	15,092	-	-	247	(2,063)	13,276
2015 second interim dividend (note 8)	(2,808)	-	-	-	-	(2,808)
2016 first interim dividend (note 8)	(1,346)	-	-	-	-	(1,346)
At 31st December 2016	215,318	(1,108)	1,689	181	(1,160)	214,920

17. Reserves (continued)

	Revenue reserve HK\$M	Merger reserve HK\$M	Property revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2015	194,278	(1,108)	1,676	24	2,372	197,242
Profit for the year	14,072	-	-	-	-	14,072
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
- gain recognised during the year	-	-	13	-	-	13
Defined benefit plans						
- remeasurement losses recognised during the year	(79)	-	-	-	-	(79)
- deferred tax credit	13	-	-	-	-	13
Cash flow hedges						
- losses recognised during the year	-	-	-	(110)	-	(110)
- losses transferred to net finance charges	-	-	-	2	-	2
- deferred tax credit	-	-	-	18	-	18
Share of other comprehensive losses of joint venture and associated companies	-	-	-	-	(462)	(462)
Net translation differences on foreign operations						
- movement during the year	-	-	-	-	(1,149)	(1,149)
- reclassification to profit or loss on disposal of four hotels in the U.K.	-	-	-	-	142	142
Total comprehensive income/(losses) for the year	14,006	-	13	(90)	(1,469)	12,460
Change in composition of the Group	16	-	-	-	-	16
2014 second interim dividend	(2,574)	-	-	-	-	(2,574)
2015 first interim dividend (note 8)	(1,346)	-	-	-	-	(1,346)
At 31st December 2015	204,380	(1,108)	1,689	(66)	903	205,798

18. Changes in Accounting Standards and Disclosures

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.

19. Requirement in Connection with Publication of "Non-statutory Accounts" under Section 436 of the Hong Kong Companies Ordinance Cap. 622

The financial information relating to the years ended 31st December 2015 and 2016 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2015 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2016 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2015 and 2016. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

ADDITIONAL INFORMATION

Corporate Governance

The Company is committed to maintaining a high standard of 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 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.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions.

Details of the Company’s corporate governance principles and processes will be available in the 2016 annual report.

The annual results have been reviewed by the Audit Committee of the Company.

Annual Report

The 2016 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website www.swireproperties.com. Printed copies will be available to shareholders on 11th April 2017.

List of Directors

At the date of this announcement, the Directors of the Company are:

Executive Directors: J.R. Slosar (Chairman), G.M.C. Bradley and M.M.S. Low;

Non-Executive Directors: M. Cubbon, P. Healy, R.S.K. Lim and M.B. Swire;

Independent Non-Executive Directors: S.E. Bradley, J.C.C. Chan, P.K. Etchells, S.T. Fung and S.C. Liu.

By Order of the Board
Swire Properties Limited
John Slosar
Chairman
Hong Kong, 16th March 2017

GLOSSARY
Terms

Attributable gross rental income Gross rental income less amount shared by non-controlling interests plus the Group's share of gross rental income of joint venture and associated companies.

Equity attributable to the Company's shareholders Equity before non-controlling interests.

Gross borrowings Total of loans, bonds, overdrafts and perpetual capital securities.

Net debt Gross borrowings net of bank deposits and bank balances.

Underlying profit Reported profit adjusted principally for the impact of changes in the fair value of investment properties and deferred tax on investment properties.

Ratios

$$\text{Earnings per share} = \frac{\text{Profit attributable to the Company's shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Gearing ratio} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Operating profit}}{\text{Net finance charges}}$$

$$\text{Cash interest cover} = \frac{\text{Operating profit}}{\text{Total of net finance charges and capitalised interest}}$$

**FINANCIAL CALENDAR AND INFORMATION
FOR INVESTORS****Financial Calendar 2017**

Shares trade ex-dividend	5th April
Share register closed for 2016 second interim dividend entitlement	7th April
Annual Report available to shareholders	11th April
Payment of 2016 second interim dividend	11th May
Share register closed for attending and voting at Annual General Meeting	11th – 16th May
Annual General Meeting	16th May
Interim results announcement	August 2017
2017 first interim dividend payable	October 2017

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ADR SWROY

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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@swireproperties.com.