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SWIRE PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1972)

2017 Final Results

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FINANCIAL HIGHLIGHTS

	Note	2017 HK\$M	2016 HK\$M	Change
Results				
For the year				
Revenue		18,558	16,792	+11%
Operating profit		34,930	17,320	+102%
Profit attributable to the Company's shareholders				
Underlying	(a),(b)	7,834	7,112	+10%
Reported		33,957	15,050	+126%
Cash generated from operations		13,680	10,767	+27%
Net cash inflow before financing		4,869	1,998	+144%
		HK\$	HK\$	
Earnings per share				
Underlying	(c)	1.34	1.22	+10%
Reported	(c)	5.80	2.57	+126%
Dividends per share				
First interim		0.25	0.23	+9%
Second interim		0.52	0.48	+8%
		HK\$M	HK\$M	
Financial Position				
At 31st December				
Total equity (including non-controlling interests)		259,378	227,225	+14%
Net debt		35,347	35,377	-0%
Gearing ratio	(a)	13.6%	15.6%	-2.0%pt.
		HK\$	HK\$	
Equity attributable to the Company's shareholders per share	(a)	44.00	38.52	+14%

Notes:

(a) Refer to glossary on page 57 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	2017 HK\$M	2016 HK\$M
Property investment	6,723	6,029
Property trading	1,154	1,200
Hotels	(43)	(117)
	7,834	7,112

CHAIRMAN'S STATEMENT

Our consolidated profit attributable to shareholders for 2017 was HK\$33,957 million, compared to HK\$15,050 million in 2016. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$722 million from HK\$7,112 million in 2016 to HK\$7,834 million in 2017.

Dividends

The Directors have declared a second interim dividend of HK\$0.52 (2016: HK\$0.48) per share which, together with the first interim dividend of HK\$0.25 per share paid in October 2017, amounts to full year dividends of HK\$0.77 (2016: HK\$0.71) per share. The second interim dividend, which totals HK\$3,042 million (2016: HK\$2,808 million), will be paid on Thursday, 3rd May 2018 to shareholders registered at the close of business on the record date, being Friday, 6th April 2018. Shares of the Company will be traded ex-dividend from Tuesday, 3rd April 2018.

Key Developments

In April 2017, pre-sold units at ALASSIO, the Company's fourth residential development in Mid-Levels West on Hong Kong Island, started to be handed over to the purchasers. All units in the development were handed over by the end of June.

In November 2017, Swire Properties and HKR International celebrated the grand opening of their joint venture development in Shanghai, HKRI Taikoo Hui. With an aggregate gross floor area ("GFA") of approximately 3,469,000 square feet, the development comprises a shopping mall, two Grade-A office towers, two luxury hotels and one serviced apartment building. The two hotels and serviced apartment building are expected to open later in the first half of 2018.

In December 2017, Swire Properties entered into a long-term agreement for the lease of the

Beijing Sanlitun Yashow Building. The retail building has an aggregate GFA of approximately 296,000 square feet and will be redeveloped as an extension to Taikoo Li Sanlitun.

In January 2018, One Taikoo Place, the first of two premium Grade-A office buildings in the Taikoo Place redevelopment, was topped out. One Taikoo Place has an aggregate GFA of around one million square feet, and is expected to be completed later in 2018.

In February 2018, Swire Properties entered into an equity transfer agreement for the acquisition of a 50% interest in Shanghai Qianxiu Company Limited ("Shanghai Qianxiu") from a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. ("LJZ"), subject to satisfaction of conditions precedent. If the acquisition is completed, Swire Properties and LJZ will each hold a 50% interest in Shanghai Qianxiu, and the joint venture will develop a retail project with an aggregate GFA of approximately 1,250,000 square feet in Qiantan, Pudong New District in Shanghai.

Operating Performance

Underlying profit increased to HK\$7,834 million in 2017 from HK\$7,112 million in 2016, mainly because of a higher profit from property investment. The underlying profit from property investment increased by 12%. The underlying profit from property trading decreased slightly. Hotel losses decreased.

Gross rental income was HK\$11,252 million in 2017, compared to HK\$10,773 million in 2016. In Hong Kong, office rental income increased due to positive rental reversions and firm occupancy. This was despite the loss of rental income resulting from the Taikoo Place redevelopment. Retail rental income in Hong Kong was little changed in 2017. In Mainland China, gross rental income increased by 12%, mainly due to positive rental reversions and improved occupancy. In the U.S.A., gross rental income increased following the opening of the

first phase of the Brickell City Centre development in 2016.

Underlying profit from property trading in 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong. Property sales slowed in the U.S.A.

Hotels reported reduced losses in 2017, reflecting improved results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.

On an attributable basis, net investment property valuation gains in 2017, after deferred tax relating to investment properties in Mainland China and the U.S.A., were HK\$26,218 million, compared to net gains of HK\$8,030 million in 2016.

Finance

Net debt at 31st December 2017 was HK\$35,347 million, compared with HK\$35,377 million at 31st December 2016. Gearing decreased from 15.6% at 31st December 2016 to 13.6% at 31st December 2017. The small decrease in net debt was mainly due to the receipt of rental income from investment properties and the receipt of sales proceeds from the ALASSIO development in Hong Kong, almost fully offset by expenditure on investment properties in Hong Kong and dividends paid. Cash and undrawn committed facilities totalled HK\$12,269 million at 31st December 2017, compared with HK\$10,178 million at 31st December 2016.

Sustainable Development

In 2017, Swire Properties continued with its sustainable development 2030 strategy. Swire Properties is included in the Dow Jones Sustainability World Index ("DJSI World"), the Global Real Estate Sustainability Benchmark ("GRESB"), the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI World ESG Leaders Index.

In January 2018, Swire Properties issued its first green bond, raising US\$500 million for 10 years at a coupon rate of 3.5%. Proceeds from the bond will be used to finance or refinance green projects.

Prospects

In the central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2018. High occupancy is expected to result in office rents in our Pacific Place and Taikoo Place developments being resilient despite increased supply in Kowloon East and other districts. In Guangzhou, with the absence of significant new supply together with strong demand from Mainland Chinese companies, we expect office vacancy rates to decrease and rents to increase in 2018. In Beijing, with increased supply, we expect office rents to come under pressure in 2018. In Shanghai, with limited new supply in the Jingan district and stable demand, we expect office rents to be stable in 2018. In Miami, new supply of Grade-A office space is limited and demand is stable. We therefore expect rents to increase.

Demand for retail space in Hong Kong is forecast to be stable in 2018. We expect retail sales to grow satisfactorily in Beijing and Guangzhou, and to be robust in Chengdu. In Shanghai, post the opening of HKRI Taikoo Hui, retail sales should continue to grow steadily. Retail rents in Chengdu and Shanghai are expected to grow moderately despite increased supply of space and competition. In the U.S.A., weak retail sales in Miami have made some retailers cautious about expansion.

In Hong Kong, demand for furnished accommodation at Pacific Place Apartments and Taikoo Place Apartments is expected to be stable in 2018.

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and increased private housing supply, we believe that demand for residential property will remain resilient. In Miami, the exchange rate

of the US dollar against major South American currencies is strong compared with what it was earlier in the decade. The strength will continue to suppress demand for condominiums by non-US buyers. Trading profits are expected to be recognised in 2018 from sales of houses at WHITESANDS in Hong Kong and units at the Reach and Rise developments in Miami.

Trading conditions for our existing hotels are expected to be stable in 2018. A managed hotel (The Middle House) and a non-managed hotel (The Sukhothai Shanghai) are expected to open in Shanghai later in the first half of 2018. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open early in 2019.

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, 15th March 2018

REVIEW OF OPERATIONS

	2017 HK\$M	2016 HK\$M
Revenue		
Gross Rental Income derived from		
Offices	6,124	6,053
Retail	4,616	4,304
Residential	512	416
Other Revenue ⁽¹⁾	128	129
Property Investment	11,380	10,902
Property Trading	5,833	4,760
Hotels	1,345	1,130
Total Revenue	18,558	16,792
Operating Profit/(Loss) derived from		
Property investment	8,172	7,752
Valuation gains on investment properties	25,463	8,418
Property trading	1,397	1,332
Hotels	(102)	(182)
Total Operating Profit	34,930	17,320
Share of Post-tax Profits from Joint Venture and Associated Companies	1,792	1,419
Profit Attributable to the Company's Shareholders	33,957	15,050

(1) Other revenue is mainly estate management fees.

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	2017 HK\$M	2016 HK\$M
<u>Underlying Profit</u>			
Profit attributable to the Company's shareholders per financial statements		33,957	15,050
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	(26,846)	(9,610)
Deferred tax on investment properties	(b)	574	1,459
Realised profit on sale of properties	(c)	50	3
Depreciation of investment properties occupied by the Group	(d)	20	20
Non-controlling interests' share of revaluation movements less deferred tax		54	121
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)	25	69
Underlying Profit Attributable to the Company's Shareholders		7,834	7,112

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 2016	7,112
Increase in profit from property investment	694
Decrease in profit from property trading	(46)
Decrease in loss from hotels	74
Underlying profit in 2017	7,834

Underlying profit increased to HK\$7,834 million in 2017 from HK\$7,112 million in 2016, mainly because of a higher profit from property investment. The underlying profit from property investment increased by 12%. The underlying profit from property trading decreased slightly. Hotel losses decreased. Gross rental income was HK\$11,252 million in 2017, compared to HK\$10,773 million in 2016. In Hong Kong, office rental income increased due to positive rental reversions and firm occupancy. This was despite the loss of rental income resulting from the Taikoo Place redevelopment. Retail rental income in Hong Kong was little changed in 2017. In Mainland China, gross rental income increased by 12%, mainly due to positive rental reversions and improved occupancy. In the U.S.A., gross rental income increased following the opening of the first phase of the Brickell City Centre development in 2016. Underlying profit from property trading in 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong. Property sales slowed in the U.S.A. Hotels reported reduced losses in 2017, reflecting improved results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.

Portfolio Overview

The aggregate GFA attributable to the Group at 31st December 2017 was approximately 29.2 million square feet.

Of the aggregate GFA attributable to the Group, approximately 26.6 million square feet are investment properties, comprising completed investment properties of approximately 22.5 million square feet and investment properties under development or held for future development of approximately 4.1 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 8.8 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 2017.

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	2.9	4.5	1.0	0.1	-	8.5
U.S.A.	0.3	0.3	0.5	0.1	-	1.2
Total	12.2	7.3	2.2	0.8	-	22.5

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	-	-	0.2	0.1	-	0.3
U.S.A. and elsewhere	-	-	-	0.1	1.4 ⁽²⁾	1.5
Total	2.2	0.1	0.2	0.2	1.4	4.1

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	14.4	7.4	2.4	1.0	1.4	26.6

(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 office building in Kowloon Bay, the holding company of which was conditionally agreed to be sold in 2016. This site was initially accounted for under other non-current assets in 2016 and was reclassified to other current assets in the 2017 financial statements.

The trading portfolio comprises 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, Pinnacle One at Sino-Ocean Taikoo Li Chengdu 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 2017.

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

	Completed	Under Development or Held for Development	Total
Hong Kong ⁽¹⁾	-	-	-
Mainland China	0.3	-	0.3
U.S.A.	0.4	1.9	2.3
Total	0.7	1.9	2.6

(1) The aggregate GFA in Hong Kong is less than 0.1 million.

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\$5,990 million in 2017. At 31st December 2017, our office properties in Hong Kong were valued at HK\$157,167 million. Of this amount, Swire Properties' attributable interest was HK\$149,803 million.

Hong Kong Office Portfolio			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Pacific Place	2,186,433	100%	100%
Cityplaza ⁽¹⁾	1,398,421	97%	100%
Taikoo Place Office Towers ⁽²⁾	3,136,717	99%	50%/100%
One Island East	1,537,011	100%	100%
Others ⁽³⁾	1,077,161	99%	20%/50%/100%
Total	9,335,743		

(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).

Gross rental income from the Hong Kong office portfolio in 2017 was HK\$5,660 million, a slight increase from 2016 despite loss of gross rental income at Warwick House and Cornwall House as a result of the Taikoo Place redevelopment. There were positive rental reversions and occupancy was firm. At 31st December 2017, the office portfolio was 99% let. Demand for the Group's office space in Hong Kong was strong in all districts.

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 2017.

Office Area by Tenants' Businesses (At 31st December 2017)	
Banking/Finance/Securities/Investment	26.0%
Trading	16.8%
Technology/Media/Telecoms	13.6%
Insurance	12.5%
Professional services (Accounting/Legal/Management consulting/Corporate secretarial)	9.2%
Real estate/Construction/Property development/Architecture	8.9%
Advertising and public relations	3.9%
Others	9.1%

At 31st December 2017, the top ten office tenants (based on attributable gross rental income in the twelve months ended 31st December 2017) together occupied approximately 20% 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 2017. Occupancy and rental rates were robust, mainly because existing tenants wanted more space. Demand from Mainland China entities was strong. The occupancy rate was almost 100% at 31st December 2017. Joincap Securities, Tai Chong Cheang Steamship and Willsun Fertility HK became tenants. CLSA, Temple Chambers, Sino-Ocean, FIL Asia, Moelis & Co., TD Bank, Huarong Investment Stock and China Overseas leased more space. Hogan Lovells, Sotheby's, CIFI Holdings, Chiba Bank, Parkside Chambers, Industrial Bank of Korea, Matthews Global Investors, CTI Capital, Bird & Bird, Richard Mille and Tencent renewed their leases.

Cityplaza

The occupancy rate at the three office towers (Cityplaza One, Three and Four) was 97% at 31st December 2017. Avaya became a tenant. Juniper Networks, Fortinet, Nikon, MSIG, BBDO, SAS and Mitsubishi Electric renewed their leases. The Hong Kong government occupied all of its 10 floors at Cityplaza Three.

Taikoo Place

There are six office towers at Taikoo Place (including PCCW Tower, in which we have a 50% interest). The occupancy rate was 99% at 31st December 2017. Ageas, Balenciaga, Boston Scientific, Coty, Crestron Electronics, Fubon Life, LG Chem, Luxury Timepieces, IMG, Ingersoll Rand and Western Digital became tenants. BNP Paribas, FWD and LVMH leased more space. ANZ, Bank of China (Hong Kong), Berkshire Hathaway Specialty Insurance, Bluebell, China Airlines, Dairy Farm, DC Holdings, Extrawell Pharmaceutical, Galderma, HKT, Nobel Biocare, Schindler Lifts (Hong Kong), Sompo Insurance, TBWA Hong Kong and The Executive Centre renewed their leases.

One Island East, our landmark property in Taikoo Place, had an occupancy rate of 100% at 31st December 2017. AllianceBernstein, Biostime, Covestro, Freshfields Bruckhaus Deringer and Pfizer became tenants. Accenture leased more space. Neo Derm and Zurich renewed their leases.

Demolition of Warwick House has been completed and demolition of Cornwall House is in progress. Construction of One Taikoo Place is in progress, with completion expected later in 2018. Tenants have committed to lease 75% of the space in the building.

Hong Kong Office Market Outlook

In the central district of Hong Kong, high occupancy and limited supply will continue to underpin office rents in 2018. High occupancy is expected to result in office rents in our Pacific Place and Taikoo Place 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 2017, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 9.8% of rental income in the month of December 2017 are due to expire in 2018, with tenancies accounting for a further 21.9% of such rental income due to expire in 2019.

Office Lease Expiry Profile (At 31st December 2017)

2018	9.8%
2019	21.9%
2020 and later	68.3%

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 at 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\$2,681 million in 2017. At 31st December 2017, our retail properties in Hong Kong were valued at HK\$54,504 million. Of this amount, Swire Properties' attributable interest was HK\$47,016 million.

Hong Kong Retail Portfolio

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
The Mall, Pacific Place	711,182	100%	100%
Cityplaza	1,105,227	100%	100%
Citygate Outlets	462,428	100%	20%
Others ⁽¹⁾	542,779	100%	20%/60%/100%
Total	2,821,616		

(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 was HK\$2,609 million, little changed from that in 2016. The Group's malls were almost fully let throughout the year.

Retail sales increased by 7% at The Mall, Pacific Place and by 0.2% at Citygate, but decreased by 3% at Cityplaza. The decrease was largely due to temporary closure of shops and reconfiguration works.

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 2017.

**Retail Area by Tenants' Businesses
(At 31st December 2017)**

Fashion and accessories	26.7%
Department stores	18.0%
Food and beverages	17.4%
Supermarkets	6.3%
Cinemas	3.8%
Jewellery and watches	1.4%
Ice rink	1.0%
Others	25.4%

At 31st December 2017, the top ten retail tenants (based on attributable gross rental income in the twelve months ended 31st December 2017) together occupied approximately 25% of our total attributable retail area in Hong Kong.

The Mall at 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 7% increase in retail sales at The Mall in 2017. The retail market improved moderately, the tenant mix was changed and a customer loyalty programme was introduced.

The Mall was fully let during the year, with the only void periods resulting from tenant changes and reconfiguration works. Pure Yoga, Caviar House & Prunier, Dalloyau, Nakamura Tokichi, J Select, Puyi Optical, The Kooples, COS, Phase Eight, Tasaki, Columbia, Saloon by Hair Corner, Hon 10 and Whistles became tenants. DVF, iBlues, Jimmy Choo, Kent & Curwen and Roger Dubuis were relocated. Ye Shanghai was refitted.

The MTR South Island Line (which started to operate at the end of 2016) provides a connection to The Mall from the south side of Hong Kong Island. When the MTR Shatin to Central Link opens, it will provide an additional 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, with a total floor area of approximately 1.1 million square feet. It is accessible from Tai Koo MTR Station. There are more than 170 shops including 30 restaurants, a cinema, an indoor ice rink and more than 800 parking spaces. Cityplaza principally serves customers who live or work in the eastern part of Hong Kong Island. Patronage is also derived from business and leisure travellers who stay at the EAST, Hong Kong hotel.

Cityplaza was almost fully let in 2017, except for void periods during tenancy changes and reconfiguration works. Retail sales decreased by 3%, largely because of the temporary closure of some shops and the cinema. ABC Cooking Studio, Patagonia, Chanel Beauté, APM Monaco, innisfree, Zoff, JC Shop, Dan Ryan's, The Night Market, SP Flower & Tea Room, MO&Co., Stride Rite, initial, Clémence by rue Madame, Juicy Couture, Regina Miracle, Covermark and Yiu Fung Store became tenants, as did a new cinema tenant, MOVIE MOVIE Cityplaza.

Citygate Outlets

Citygate Outlets was fully let in 2017, except for the area being reconstructed as part of the adjacent Tung Chung Town Lot 11 development. Citygate is in a good location near tourist attractions and transport links. It attracts tourists and local shoppers. Retail sales increased by 0.2%, despite the closure of the area which is being reconstructed. The new development is expected to open later this year or early in 2019.

Hong Kong Retail Market Outlook

Demand for retail space in Hong Kong is forecast to be stable in 2018.

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 2017, derived from leases expiring in the periods with no committed renewals or new lettings. Tenancies accounting for approximately 33.0% of rental income in the month of December 2017 are due to expire in 2018, with tenancies accounting for a further 24.4% of such rental income due to expire in 2019.

Retail Lease Expiry Profile (At 31st December 2017)

2018	33.0%
2019	24.4%
2020 and later	42.6%

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. Gross rental income increased compared with that of 2016, due to improved occupancy at the serviced apartments and rental income from STAR STUDIOS since its opening in 2016. Occupancy at the residential portfolio was approximately 85% at 31st December 2017. Demand for furnished accommodation at Pacific Place Apartments and Taikoo Place Apartments is expected to be stable in 2018.

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 474,000 square feet. Superstructure works are in progress. The development is expected to be completed later this year. 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 (above 2-storey basement) Grade-A office building with an aggregate GFA of approximately 1,020,000 square feet, to be called One Taikoo Place. The building was topped out in January 2018. The facade and finishing works are in progress. The redevelopment is expected to be completed later 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. Demolition of Warwick House has been completed, and demolition of Cornwall House and foundation works for Two Taikoo Place are in progress. Completion of the redevelopment is expected in 2021 or 2022.

South Island Place

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. Superstructure works are in progress. The development is expected to be completed later in 2018. Swire Properties has a 50% interest in the development.

Po Wah Building, 1-11 Landale Street and 2-12 Anton Street

In December 2017, Swire Properties successfully bid in the compulsory sale of a site (Po Wah Building, 1-11 Landale Street and 2-12 Anton Street) at the junction of Queen's Road East, Landale Street and Anton Street in Hong Kong. Redevelopment of this site is being planned. The site area is approximately 14,400 square feet. There are six tenement blocks and a 13-storey composite building on the site.

Other

The development of an office building at the commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay with an aggregate GFA of approximately 555,000 square feet was completed and the occupation permit was issued in December 2017. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this investment property development. The property was transferred to other non-current assets at fair value in the financial statements at the same time and was reclassified to other current assets in the 2017 financial statements. Completion of the sale is conditional upon the relevant 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 12.9 million square feet of space at 31st December 2017, 9.1 million square feet of which is attributable to the Group. Completed properties amount to 12.4 million square feet, with 0.5 million square feet under development. Total attributable gross rental income from our investment properties in Mainland China grew by 27% to HK\$3,311 million in 2017. At 31st December 2017, our investment property portfolio in Mainland China was valued at HK\$69,134 million. Of this amount, Swire Properties' attributable interest was HK\$48,871 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⁾	2,184,018	1,362,669	821,349	50%
HKRI Taikoo Hui, Shanghai ⁽³⁾	2,930,595	2,930,595	-	50%
Hui Fang, Guangzhou	90,847	90,847	-	100%
Others	2,917	1,458	1,459	100%
Sub-Total	12,407,571	10,472,847	1,934,724	
<i>Under Development</i>				
HKRI Taikoo Hui, Shanghai ⁽³⁾	538,799	149,088	389,711	50%
Total	12,946,370	10,621,935	2,324,435	

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

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

(3) Construction of the shopping mall and the office towers at HKRI Taikoo Hui has been completed. Construction of the remainder of the development was completed in January 2018.

The Group's gross rental income from investment properties in Mainland China increased by 12% to HK\$2,303 million in 2017. HK\$1,922 million was from retail properties and HK\$369 million was from office properties.

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 2017.

**Retail Area by Tenants' Businesses
(At 31st December 2017)**

Fashion and accessories	42.6%
Food and beverages	27.0%
Supermarkets	5.5%
Cinemas	5.0%
Jewellery and watches	1.6%
Others	18.3%

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.)	2017	2018 and later
Taikoo Li Sanlitun, Beijing	1,465,771	1,465,771
TaiKoo Hui, Guangzhou	3,724,991	3,724,991
INDIGO, Beijing	946,613	946,613
Sino-Ocean Taikoo Li Chengdu	795,440	795,440
Hui Fang, Guangzhou	90,847	90,847
HKRI Taikoo Hui, Shanghai	1,465,298	1,734,698
Others	2,917	2,917
Total	8,491,877	8,761,277

Completed Investment Properties

Taikoo Li Sanlitun, Beijing

Taikoo Li Sanlitun, Beijing

	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Taikoo Li Sanlitun	1,296,308	99%	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. There are approximately 250 retail outlets.

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 2017, Kiehl's Coffee Shop and Popcorn General Store opened their first Mainland China stores in Taikoo Li Sanlitun South. Chanel Beauty Boutique, Coach, G-SHOCK and HEYTEA Black became tenants. Tenants in Taikoo Li Sanlitun North are principally retailers of luxury, designer fashion and lifestyle brands, including Alexander McQueen, Christian Louboutin, Givenchy, I.T Beijing Market, Kenzo, Moncler and Miu Miu. Comme Moi, Giuseppe Zanotti Design, OFF-WHITE, Roberto Cavalli and Thom Browne became tenants in 2017.

Gross rental income at Taikoo Li Sanlitun recorded satisfactory growth in 2017, reflecting positive growth in reversionary rents. Retail sales grew by 4%. The occupancy rate was 99% at 31st December 2017.

Demand for retail space in Taikoo Li Sanlitun is solid as it reinforces its position as a fashionable retail destination. This is expected to have a positive impact on occupancy and rents.

In December 2017, Swire Properties entered into a long-term agreement for the lease of the Beijing Sanlitun Yashow Building. The retail building has an aggregate GFA of approximately 296,000 square feet and will be redeveloped as an extension to Taikoo Li Sanlitun.

Beijing Retail Market Outlook

Retail sales are expected to grow satisfactorily in Beijing in 2018. Demand for luxury goods remains weak, but demand 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 2017)	Attributable Interest
Retail	1,472,730	99%	97%
Office	1,731,766	99%	97%
Serviced apartments	51,517	88%	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 287-room Mandarin Oriental hotel with serviced apartments.

Gross rental income grew satisfactorily in 2017. Retail sales increased by 27% in 2017, reflecting in part improvements to the tenant mix and a customer loyalty programme. Tenants include Bottega Veneta, Cartier, Chanel, Gucci, Hermes, I.T, Louis Vuitton, Uniqlo, Fangsuo bookstore, and Ole Supermarket. Dolce & Gabbana (menswear), Gentle Monster, Lululemon, Qeelin, Salvatore Ferragamo (menswear) and Victoria's Secret became tenants in 2017. At 31st December 2017, the occupancy rate at the shopping mall was 99%.

At 31st December 2017, the occupancy rate at the office towers at TaiKoo Hui was 99%.

The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Occupancy improved in 2017 and its performance was good.

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

In Guangzhou, with the absence of significant new supply together with strong demand from Mainland Chinese companies, office vacancy rates are expected to decrease and rents to increase in 2018.

Retail sales are expected to grow satisfactorily in Guangzhou in 2018. Demand for retail space from international retailers and food and beverage operators is strong.

INDIGO, Beijing

INDIGO, Beijing			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Retail	939,493	99%	50%
Office	595,464	98%	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 99% at 31st December 2017. 93% of the lettable retail space was open. Retail sales increased by 60% in 2017. H&M, Massimo Dutti, Muji, Page One bookstore, BHG supermarket and a seven-house, 1,000-seat CGV cinema are tenants. Armani Exchange, BANXIAOXUE, Joseph, MO&Co., Stella Luna, Tanni, Koyama, Meat Mate, B&O, Chow Tai Fook, Make Up Forever, Fresh, Origin and Roseonly became tenants in 2017. The mall is becoming a significant lifestyle shopping centre in north-east Beijing.

ONE INDIGO was 98% leased at 31st December 2017. Business at EAST, Beijing improved in 2017.

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

Beijing Office Market Outlook

With increased supply, office rents in Beijing are expected to come under pressure in 2018.

Sino-Ocean Taikoo Li Chengdu

Sino-Ocean Taikoo Li Chengdu			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Retail	1,235,090	95%	50%
Serviced apartments	127,579	65%	50%
Total	1,362,669		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 guest 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. adidas, Apple, Cartier, Gucci, Hermes, I.T/i.t, Muji, ZARA, Fangsuo bookstore, Ole Supermarket and a 1,720-seat Palace Cinema are tenants. Atelier Cologne, Delvaux, Gentle Monster, Jo Malone, Lululemon and Thom Browne opened their first stores in south-west Mainland China in 2017. Retail sales increased by 49% in 2017. The development is gaining popularity as a shopping destination in Chengdu. At 31st December 2017, occupancy at the mall was 95%. 92% of the lettable retail space was open.

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

Chengdu Retail Market Outlook

Retail sales in Chengdu are expected to be robust in 2018. Demand for retail space in prime locations is solid and is expected to grow in 2018. Chengdu is attractive to international retailers, particularly of luxury brands. Retail rents are expected to grow moderately despite increased supply of space and competition.

HKRI Taikoo Hui, Shanghai

HKRI Taikoo Hui, Shanghai			
	GFA (sq. ft.) (100% Basis)	Occupancy (at 31st December 2017)	Attributable Interest
Retail	1,102,535	96%	50%
Office	1,828,060	82%	50%
Hotels ⁽¹⁾	389,711	N/A	50%
Serviced apartments	149,088	N/A	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 and is expected to become a landmark development in Shanghai.

HKRI Taikoo Hui is our second Taikoo Hui project in Mainland China. The shopping mall officially opened in November 2017. The world's largest Starbucks Reserve Roastery and a city'super supermarket have opened. Chanel Beauty, COS, Dior, G Givenchy, i.t, Kenzo, La Mer, Lancome, McQ, SpaceCycle and Tesla have become tenants. At 31st December 2017, tenants had committed (including by way of letters of intent) to take 96% of the retail space. 86% of the lettable retail space was open.

The two office towers at HKRI Taikoo Hui have been completed and are now occupied. At 31st December 2017, tenants had committed (including by way of letter of intent) to take 82% of the office space.

Interior decoration works at the two hotels and a serviced apartment tower are in progress. They are expected to open later in the first half of 2018.

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

Shanghai Market Outlook

Post the opening of HKRI Taikoo Hui, retail sales should continue to grow steadily. Retail rents are expected to grow moderately despite increased supply of space and competition.

With limited new supply in the Jingan district and stable demand, office rents are expected to be stable in 2018.

Other

In January 2014, Swire Properties China Holdings Limited (a wholly-owned subsidiary of the Company) entered into a framework agreement with CITIC Real Estate Co., Ltd. (a subsidiary of CITIC Limited) and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian through a joint venture. The proposed joint venture and development were subject to certain conditions precedent, which were not satisfied. Accordingly, the proposed joint venture and development will not proceed.

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	60.3%
Two and Three Brickell City Centre	263,384	100%
EAST, Miami - hotel ⁽¹⁾	218,000	100%
EAST, Miami - serviced apartments	109,000	100%
Reach and Rise ⁽²⁾	322,564	100%
Sub-Total	1,409,456	
<i>Future Development</i>		
Residential	523,000	100%
One Brickell City Centre	1,444,000	100%
Total	3,376,456	

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

(2) Remaining unsold units at 31st December 2017.

(3) Represents leasable/saleable area except for 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).

The first phase of the Brickell City Centre development 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 first phase of the Brickell City Centre development was completed in 2016, and its components opened between March 2016 and February 2017. At 31st December 2017, Two and Three Brickell City Centre were fully leased and the shopping centre was 88% leased. 70% of the space at the shopping centre was open.

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

At 31st December 2017, Swire Properties owned 100% of the office, hotel and remaining unsold residential portions and 60.25% 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 (14.75%). 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 first phase of the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of One Brickell City Centre.

Miami Market Outlook

Weak retail sales have made some retailers cautious about expansion.

New supply of Grade-A office space is limited and demand is stable. Office rents are expected to increase.

Valuation of Investment Properties

The portfolio of investment properties was valued at 31st December 2017 on the basis of market value (94% by value having been valued by Cushman & Wakefield Limited and 3% by value having been valued by another independent valuer). The amount of this valuation was HK\$267,292 million, compared to HK\$235,101 million at 31st December 2016.

The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong following rental increases and a reduction of 25 basis points in the capitalisation rate applicable to office 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 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, Pinnacle One at Sino-Ocean Taikoo Li Chengdu 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 2017)

	GFA (sq. ft.) (100% Basis)	Actual/Expected Construction Completion Date	Attributable Interest
<u>Completed</u> ⁽¹⁾			
Hong Kong			
- WHITESANDS	26,710 ⁽²⁾	2015	100%
Mainland China			
- Pinnacle One, Chengdu	593,139 ⁽³⁾	2014	50%
U.S.A.			
- ASIA, Miami	5,359 ⁽²⁾	2008	100%
- Reach, Miami	51,053 ⁽²⁾	2016	100%
- Rise, Miami	271,511 ⁽²⁾	2016	100%
<u>Held for Development</u>			
Hong Kong			
- 21-31 Wing Fung Street	29,928	2021	100%
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 portion which is subject to the outcome of court proceedings.

Hong Kong

ALASSIO, 100 Caine Road

All 197 units at the ALASSIO development had been sold at 31st December 2017. The profit from the sales of all the units was recognised in 2017. 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. 21 houses had been sold at 13th March 2018. The profit from the sale of two houses was recognised before 2017 and the profit from the sale of 14 houses was recognised in 2017. The property is managed by Swire Properties.

21-31 Wing Fung Street

In August 2017, Swire Properties acquired a 100% interest in a property at 21-31 Wing Fung Street, Hong Kong. The property has the potential to be redeveloped into a 34,000 square feet residential block with a retail podium.

Hong Kong Residential Market Outlook

In Hong Kong, notwithstanding the expectation of a gradual increase in interest rates and increased private housing supply, demand is expected to remain resilient. Trading profits are expected to be recognised in 2018 from sales of houses at WHITESANDS.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total GFA (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 GFA was recognised in 2015. Application was made to the court to cancel the sale of the remaining pre-sold GFA and 350 carparking spaces as part of the consideration was not received on time. The application succeeded. The buyer has appealed.

U.S.A.

The residential portion of the first phase 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 handover to purchasers commenced, in 2016. 363 units at Reach and 214 units at Rise had been sold at 13th March 2018. The profits from the sales of 12 units at Reach and 28 units at Rise were recognised in 2017.

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 exchange rate of the US dollar against major South American currencies is strong compared with what it was earlier in the decade. The strength will continue to suppress demand for condominiums by non-US buyers.

Estate Management

Swire Properties manages 19 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 luxury hotels. EAST are business hotels in Hong Kong, Beijing and Miami.

In 2017, trading conditions in Hong Kong were stable. The performance of our hotels in Mainland China and in the U.S.A. improved. Earlier this year, TripAdvisor named The Upper House number 3 in its "Top 25 Luxury Hotels in the World" category and number 1 in its "Top 25 Hotels in China" category. TripAdvisor also named The Opposite House and The Temple House as number 4 and number 6 respectively in its "Top 25 Hotels in China" category.

The Middle House (including serviced apartments known as The Middle House Residences) at HKRI Taikoo Hui in Shanghai is expected to open later in the first half of 2018.

Hotel Portfolio (managed by Swire Hotels)

	No. of Rooms (100% Basis)	Attributable Interest
<i>Completed</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>Under Development</i>		
Mainland China		
- The Middle House at HKRI Taikoo Hui, Shanghai ⁽³⁾	213	50%
Total	2,138	

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

(2) Including serviced apartments in the hotel tower.

(3) Including one hotel and one serviced apartment tower.

The Upper House

At The Upper House, a 117-room luxury hotel at Pacific Place, revenue per available room improved in 2017. During the year, the hotel received awards from Condé Nast Traveler and The Telegraph. Café Gray Deluxe received awards from Taste of Hong Kong.

EAST, Hong Kong

At EAST, Hong Kong, a 345-room hotel in Taikoo Shing, revenue per available room was stable in 2017. The food and beverage business was difficult, because of disruption caused by the Taikoo Place redevelopment. During the year, the hotel received awards from Clean the World and TripAdvisor. The hotel's Sugar bar received an award from hkclubbing.com.

The Opposite House

The Opposite House is a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing. Its occupancy improved slightly in 2017, but its revenue per available room was adversely affected by increased competition. During the year, the hotel received awards from Condé Nast Traveler and Forbes. Jing Yaa Tang and Sureño restaurants received awards from Time Out and City Weekend.

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 and occupancy improved in 2017. During the year, the hotel received awards from City Weekend and Sohu. The hotel's Feast (Food by EAST) restaurant received awards from Tatler and The Beijinger.

The Temple House

The Temple House consists of 100 hotel rooms and 42 serviced apartments, the latter known as The Temple House Residences. It 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 2017. During the year, the hotel received awards from Travel + Leisure and Condé Nast Traveler. TIVANO restaurant and Jing bar received awards from China Wine List of the Year. The hotel's MI XUN Spa received an award from SpaChina.

EAST, Miami

EAST, Miami at the Brickell City Centre Development in Miami consists of 263 hotel rooms and 89 serviced apartments. It opened in 2016 and is building up its occupancy levels. Revenue per available room is improving. During the year, the hotel received awards from Condé Nast Traveler and AIA Miami.

Swire Restaurants

Swire Hotels operates restaurants in Hong Kong. There are PUBLIC cafés at One Island East and North Point, and a REPUBLIC café at Devon House. 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. Tong Bar & Café operates in Blueprint, our co-

working space at Taikoo Place. During the year, Mr & Mrs Fox and The Continental received awards from the South China Morning Post and the Luxury Travel Guide.

Non-managed Hotels

Overview

Swire Properties has ownership interests in (but does not manage) hotels with 3,140 rooms in aggregate.

Hotel Portfolio (not managed by the Group)	No. of Rooms (100% Basis)	Attributable Interest
<u>Completed</u>		
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%
<u>Under Development</u>		
Hong Kong		
- Hotel at Tung Chung Town Lot No. 11	206	20%
Mainland China		
- The Sukhothai Shanghai	201	50%
Total	3,140	

(1) Including serviced apartments in the hotel tower.

The performance of the non-managed hotels in Hong Kong was stable, as was that of the Mandarin Oriental, Miami in the U.S.A. The Mandarin Oriental, Guangzhou is a leading luxury hotel in Guangzhou. Occupancy improved in 2017 and its performance was good.

Hotels Market Outlook

Trading conditions for our hotels are expected to be stable in 2018. At HKRI Taikoo Hui in Shanghai, two hotels (The Middle House - managed, and the Sukhothai - non-managed) and a serviced apartment tower (The Middle House Residences) are expected to open later in the first half of 2018. A non-managed hotel which is part of the Tung Chung Town Lot No. 11 development in Hong Kong is expected to open early in 2019.

Capital Commitments

Capital Expenditure and Commitments

Capital expenditure in 2017 on Hong Kong investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$5,017 million (2016: HK\$5,549 million). Outstanding capital commitments at 31st December 2017 were HK\$12,170 million (2016: HK\$15,711 million), including the Group's share of the capital commitments of joint venture companies of HK\$775 million (2016: HK\$1,214 million). The Group was committed to funding HK\$305 million (2016: HK\$588 million) of the capital commitments of joint venture companies in Hong Kong.

Capital expenditure in 2017 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, amounted to HK\$917 million (2016: HK\$1,070 million). Outstanding capital commitments at 31st December 2017 were HK\$1,553 million (2016: HK\$1,882 million), including the Group's share of the capital commitments of joint venture companies of HK\$652 million (2016: HK\$1,279 million). The Group was committed to funding HK\$36 million (2016: HK\$226 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2017 on investment properties and hotels in the U.S.A. and elsewhere amounted to HK\$926 million (2016: HK\$950 million). Outstanding capital commitments at 31st December 2017 were HK\$477 million (2016: HK\$735 million).

Profile of Capital Commitments at 31st December 2017 for Investment Properties and Hotels

	Expenditure 2017 HK\$M	Forecast year of expenditure				2021 and later HK\$M	Commitments ⁽¹⁾ At 31st December 2017 HK\$M
		2018 HK\$M	2019 HK\$M	2020 HK\$M	2021 HK\$M		
Hong Kong	5,017	4,047	1,361	2,768	3,994	12,170	
Mainland China	917	789	646	118	-	1,553	
U.S.A. and elsewhere	926	151	281	26	19	477	
Total	6,860	4,987	2,288	2,912	4,013	14,200	

(1) The capital commitments represent the Group's capital commitments of HK\$12,773 million plus the Group's share of the capital commitments of joint venture companies of HK\$1,427 million. The Group was committed to funding HK\$341 million of the capital commitments of joint venture companies.

FINANCING

Sources of Finance

Audited Financial Information

At 31st December 2017, committed loan facilities and debt securities amounted to HK\$47,323 million, of which HK\$10,561 million (22%) remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$804 million. Sources of funds at 31st December 2017 comprised:

	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	9,688	9,688	-	-
Revolving loans	14,804	4,243	-	10,561
Bonds	17,654	17,654	-	-
Facilities from Swire Finance Limited				
Bonds	5,177	5,177	-	-
Total committed facilities	47,323	36,762	-	10,561
Uncommitted facilities				
Bank loans and overdrafts	1,303	499	804	-
Total	48,626	37,261	804	10,561

Note: The figures above are stated before unamortised loan fees of HK\$206 million.

At 31st December 2017, 65% of the Group's gross borrowings were on fixed rate basis and 35% were on floating rate basis (2016: 63% and 37% respectively).

The Group had bank balances and short-term deposits of HK\$1,708 million at 31st December 2017, compared to HK\$1,681 million at 31st December 2016.

Maturity Profile and Refinancing

Bank loans and other borrowings are repayable on various dates up to 2027 (2016: up to 2026). The weighted average term and cost of the Group's debt are:

	2017	2016
Weighted average term of debt	3.8 years	3.7 years
Weighted average term of debt (excluding perpetuals)	3.8 years	3.9 years
Weighted average cost of debt	3.6%	4.1%
Weighted average cost of debt (excluding perpetuals)	3.5%	3.8%

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

(HK\$M)	Maturity Profile										
	Total	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Facilities from third parties											
Term and revolving loans	24,492	2,665	4,228	1,812	7,380	8,407	-	-	-	-	-
Bonds	17,654	-	300	3,908	300	3,908	200	1,100	1,940	4,608	1,390
Facilities from Swire Finance Limited											
Bonds	5,177	5,177	-	-	-	-	-	-	-	-	-
Total	47,323	7,842	4,528	5,720	7,680	12,315	200	1,100	1,940	4,608	1,390

Audited Financial Information

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

	2017		2016	
	HK\$M		HK\$M	
Bank borrowings and bonds from third parties due				
Within 1 year	3,161	9%	5,170	14%
1 - 2 years	2,232	6%	2,423	7%
2 - 5 years	17,297	46%	11,021	30%
After 5 years	9,189	25%	10,940	29%
Borrowings from Swire Finance Limited due				
Within 1 year	5,176	14%	2,329	6%
1 - 2 years	-	-	5,175	14%
Total	37,055	100%	37,058	100%
Less: Amount due within one year included under current liabilities	8,337		7,499	
Amount due after one year included under non-current liabilities	28,718		29,559	

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

Audited Financial Information

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

	2017		2016	
	HK\$M		HK\$M	
Currency				
Hong Kong dollars	28,639	77%	27,315	74%
United States dollars	6,215	17%	6,775	18%
Renminbi	1,826	5%	2,689	7%
Singapore dollars	375	1%	279	1%
Total	37,055	100%	37,058	100%

Gearing Ratio and Interest Cover

	2017	2016
Gearing ratio ⁽¹⁾	13.6%	15.6%
Interest cover – times ⁽¹⁾		
Per financial statements	38.8	15.5
Underlying	10.7	8.9
Cash interest cover – times ⁽¹⁾		
Per financial statements	27.5	11.3
Underlying	7.5	6.3

(1) Refer to Glossary on page 57 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 2017 and 2016:

	Net Debt of Joint Venture and Associated Companies		Portion of Net Debt Attributable to the Group		Debt Guaranteed by the Group	
	2017	2016	2017	2016	2017	2016
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Hong Kong Entities	4,189	3,826	1,903	1,841	1,005	975
Mainland China Entities	12,686	11,506	6,343	5,753	-	-
U.S.A. and other Entities	459	555	364	416	478	484
Total	17,334	15,887	8,610	8,010	1,483	1,459

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 16.9%.

CONSOLIDATED FINANCIAL STATEMENTS
**Consolidated Statement of Profit or Loss
For the year ended 31st December 2017**

	Note	2017 HK\$M	2016 HK\$M
Revenue	2	18,558	16,792
Cost of sales	3	(7,569)	(6,486)
Gross profit		10,989	10,306
Administrative and selling expenses		(1,369)	(1,294)
Other operating expenses		(227)	(213)
Other net gains	4	74	103
Change in fair value of investment properties		25,463	8,418
Operating profit		34,930	17,320
Finance charges		(983)	(1,216)
Finance income		83	97
Net finance charges	6	(900)	(1,119)
Share of profits less losses of joint venture companies		1,646	1,280
Share of profits less losses of associated companies		146	139
Profit before taxation		35,822	17,620
Taxation	7	(1,807)	(2,411)
Profit for the year		34,015	15,209
Profit for the year attributable to:			
The Company's shareholders		33,957	15,050
Non-controlling interests		58	159
		34,015	15,209
		HK\$	HK\$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	9	5.80	2.57

**Consolidated Statement of Other Comprehensive Income
For the year ended 31st December 2017**

	2017 HK\$M	2016 HK\$M
Profit for the year	34,015	15,209
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	128	-
- deferred tax charge	(2)	-
Defined benefit plans		
- remeasurement (losses)/gains recognised during the year	(6)	50
- deferred tax credit/(charge)	1	(8)
	121	42
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
- (losses)/gains recognised during the year	(294)	300
- losses/(gains) transferred to net finance charges	2	(5)
- deferred tax credit/(charge)	48	(49)
Share of other comprehensive income/(losses) of joint venture and associated companies	645	(591)
Net translation differences on foreign operations	1,839	(1,494)
	2,240	(1,839)
Other comprehensive income/(losses) for the year, net of tax	2,361	(1,797)
Total comprehensive income for the year	36,376	13,412
Total comprehensive income attributable to:		
The Company's shareholders	36,283	13,276
Non-controlling interests	93	136
	36,376	13,412

**Consolidated Statement of Financial Position
At 31st December 2017**

	Note	2017 HK\$M	2016 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		8,371	8,471
Investment properties	10	267,531	235,368
Intangible assets		178	154
Properties held for development	11	1,342	1,279
Joint venture companies		23,026	19,985
Associated companies		374	361
Derivative financial instruments		51	219
Deferred tax assets		85	73
Other non-current assets	12	-	5,479
		300,958	271,389
Current assets			
Properties under development and for sale	13	2,300	5,669
Stocks and work in progress		80	79
Trade and other receivables	14	2,996	2,881
Other current assets	12	6,262	-
Amount due from immediate holding company - Swire Pacific Limited		5	9
Cash and cash equivalents		1,708	1,681
		13,351	10,319
Current liabilities			
Trade and other payables	15	7,820	7,845
Tax payable		638	279
Bank overdrafts and short-term loans		499	500
Long-term loans and bonds due within one year		2,662	4,670
Loans due to a fellow subsidiary company - Swire Finance Limited		5,176	2,329
		16,795	15,623
Net current liabilities		(3,444)	(5,304)
Total assets less current liabilities		297,514	266,085
Non-current liabilities			
Long-term loans and bonds		28,718	24,384
Loans due to a fellow subsidiary company - Swire Finance Limited		-	5,175
Other payables	15	716	1,323
Derivative financial instruments		34	-
Deferred tax liabilities		8,523	7,840
Retirement benefit liabilities		145	138
		38,136	38,860
NET ASSETS		259,378	227,225
EQUITY			
Share capital	16	10,449	10,449
Reserves	17	246,932	214,920
Equity attributable to the Company's shareholders		257,381	225,369
Non-controlling interests		1,997	1,856
TOTAL EQUITY		259,378	227,225

**Consolidated Statement of Cash Flows
For the year ended 31st December 2017**

	2017 HK\$M	2016 HK\$M
Operating activities		
Cash generated from operations	13,680	10,767
Interest paid	(1,213)	(1,324)
Interest received	84	96
Tax paid	(1,044)	(1,413)
	11,507	8,126
Dividends received from joint venture and associated companies and available-for-sale assets	249	499
Net cash from operating activities	11,756	8,625
Investing activities		
Purchase of property, plant and equipment	(217)	(349)
Additions to investment properties	(5,179)	(5,883)
Additions to other current assets/other non-current assets	(623)	(254)
Purchase of intangible assets	(21)	(17)
Proceeds from disposals of property, plant and equipment	-	1
Proceeds from disposals of investment properties	40	55
Proceeds from disposal of a subsidiary company	2	-
Equity and loans to joint venture companies	(989)	(246)
Repayment of loans by joint venture companies	124	174
Decrease in deposits maturing after three months	-	26
Initial leasing costs incurred	(24)	(134)
Net cash used in investing activities	(6,887)	(6,627)
Net cash inflow before financing	4,869	1,998
Financing activities		
Loans drawn and refinanced	6,475	5,470
Bonds issued	2,090	5,078
Repayment of loans and bonds	(6,676)	(6,358)
	1,889	4,190
Capital contribution from a non-controlling interest	-	90
Repayment of loans to a fellow subsidiary company	(2,329)	(4,658)
Dividends paid to the Company's shareholders	(4,271)	(4,154)
Dividends paid to non-controlling interests	(193)	(72)
Net cash used in financing activities	(4,904)	(4,604)
Decrease in cash and cash equivalents	(35)	(2,606)
Cash and cash equivalents at 1st January	1,681	4,358
Currency adjustment	62	(71)
Cash and cash equivalents at end of the year	1,708	1,681
Represented by:		
Bank balances and short-term deposits maturing within three months	1,708	1,681

1. Segment Information

The Group is organised on a divisional basis: Property investment, Property trading 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 HK\$M	Inter-segment revenue HK\$M	Operating profit/(loss) after depreciation and amortisation HK\$M	Finance charges HK\$M	Finance income HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Profit/(Loss) before taxation HK\$M	Taxation HK\$M	Profit/(Loss) for the year HK\$M	Profit/(Loss) attributable to the Company's shareholders HK\$M	Depreciation and amortisation charged to operating profit HK\$M
Year ended 31st December 2017												
Property investment	11,380	34	8,172	(908)	82	500	-	7,846	(1,170)	6,676	6,671	(167)
Property trading	5,833	-	1,397	(36)	1	(11)	-	1,351	(240)	1,111	1,111	-
Hotels	1,345	5	(102)	(39)	-	(44)	146	(39)	(5)	(44)	(43)	(259)
Change in fair value of investment properties	-	-	25,463	-	-	1,201	-	26,664	(392)	26,272	26,218	-
Inter-segment elimination	-	(39)	-	-	-	-	-	-	-	-	-	-
	18,558	-	34,930	(983)	83	1,646	146	35,822	(1,807)	34,015	33,957	(426)
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)

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 HK\$M	Joint venture companies HK\$M	Associated companies HK\$M	Bank deposits and cash HK\$M	Total assets HK\$M	Additions to non-current assets HK\$M
At 31st December 2017						
Property investment	278,862	21,119	-	1,440	301,421	4,946
Property trading	3,976	670	-	103	4,749	53
Hotels	6,363	1,237	374	165	8,139	86
	289,201	23,026	374	1,708	314,309	5,085
At 31st December 2016						
Property investment	245,670	18,476	-	1,399	265,545	6,469
Property trading	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

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 HK\$M	Current and deferred tax liabilities HK\$M	Gross borrowings HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
At 31st December 2017					
Property investment	8,101	8,835	33,812	50,748	1,890
Property trading	378	326	2,110	2,814	82
Hotels	236	-	1,133	1,369	25
	8,715	9,161	37,055	54,931	1,997
At 31st December 2016					
Property investment	7,584	8,096	31,573	47,253	1,569
Property trading	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

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	
	2017 HK\$M	2016 HK\$M	2017 HK\$M	2016 HK\$M
Hong Kong	14,947	10,514	235,350	213,639
Mainland China	2,627	2,383	31,323	27,248
U.S.A.	984	3,895	9,656	8,908
Others	-	-	1,093	956
	18,558	16,792	277,422	250,751

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:

	2017 HK\$M	2016 HK\$M
Gross rental income from investment properties	11,252	10,773
Property trading	5,833	4,760
Hotels	1,345	1,130
Rendering of other services	128	129
	18,558	16,792

3. Cost of Sales

	2017	2016
	HK\$M	HK\$M
Direct rental outgoings in respect of investment properties that		
- generated rental income	2,090	1,879
- did not generate rental income	177	249
	2,267	2,128
Property trading	4,080	3,236
Hotels	1,184	1,091
Rendering of other services	38	31
	7,569	6,486

4. Other Net Gains

	2017	2016
	HK\$M	HK\$M
Profit on disposal of investment properties	9	76
Profit on disposal of a subsidiary company	2	-
Loss on disposal of property, plant and equipment	(1)	(4)
Net foreign exchange gains/(losses)	32	(8)
Recognition of income on forfeited deposits on trading properties	2	5
Others	30	34
	74	103

5. Expenses by Nature

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

	2017	2016
	HK\$M	HK\$M
Depreciation of property, plant and equipment	348	300
Amortisation of		
- intangible assets	27	14
- initial leasing costs in respect of investment properties	51	60
Staff costs	1,795	1,687
Operating lease rentals		
- properties	52	52
- plant and equipment	7	6
Auditors' remuneration		
- audit services	12	11
- tax services	3	4
- other services	3	1

6. Net Finance Charges

	2017 HK\$M	2016 HK\$M
Interest charged on:		
Bank loans and overdrafts	291	349
Bonds	572	516
Loans from fellow subsidiary companies	328	507
Loans from joint venture and related companies	6	7
Net fair value losses/(gains) on derivative instruments		
Cash flow hedges – transferred from other comprehensive income	2	(5)
Other financing costs	150	146
	1,349	1,520
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	6	114
Capitalised on:		
Investment properties	(212)	(248)
Properties under development and for sale	-	(140)
Hotels	-	(5)
Other current assets/other non-current assets	(160)	(25)
	983	1,216
Interest income on:		
Short-term deposits and bank balances	(14)	(26)
Loans to joint venture companies	(69)	(69)
Others	-	(2)
	(83)	(97)
Net finance charges	900	1,119

7. Taxation

	2017		2016	
	HK\$M	HK\$M	HK\$M	HK\$M
Current taxation:				
Hong Kong profits tax	1,104		843	
Overseas taxation	271		240	
Under-provisions in prior years	25		72	
		1,400		1,155
Deferred taxation:				
Changes in fair value of investment properties	460		902	
Origination and reversal of temporary differences	215		354	
Effect of change in tax rate in the U.S.A.	(268)		-	
		407		1,256
		1,807		2,411

Hong Kong profits tax is calculated at 16.5% (2016: 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

	2017	2016
	HK\$M	HK\$M
First interim dividend paid on 11th October 2017 of HK\$0.25 per share (2016: HK\$0.23)	1,463	1,346
Second interim dividend declared on 15th March 2018 of HK\$0.52 per share (2016: HK\$0.48)	3,042	2,808
	4,505	4,154

The second interim dividend is not accounted for in 2017 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 2018.

The Directors have declared a second interim dividend of HK\$0.52 (2016: HK\$0.48) per share which, together with the first interim dividend of HK\$0.25 per share paid in October 2017, amounts to full year dividends of HK\$0.77 (2016: HK\$0.71) per share. The second interim dividend, which totals HK\$3,042 million (2016: HK\$2,808 million), will be paid on Thursday, 3rd May 2018 to shareholders registered at the close of business on the record date, being Friday, 6th April 2018. Shares of the Company will be traded ex-dividend from Tuesday, 3rd April 2018.

The register of members will be closed on Friday, 6th April 2018, 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 Wednesday, 4th April 2018.

8. Dividends (continued)

To facilitate the processing of proxy voting for the annual general meeting to be held on 8th May 2018, the register of members will be closed from 3rd May 2018 to 8th May 2018, 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, 2nd May 2018.

9. Earnings Per Share (Basic and Diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK\$33,957 million (2016: HK\$15,050 million) by the weighted average number of 5,850,000,000 ordinary shares in issue during 2017 (2016: 5,850,000,000 ordinary shares).

10. Investment Properties

	Completed HK\$M	Under Development HK\$M	Total HK\$M
At 1st January 2017	205,605	29,496	235,101
Translation differences	2,028	89	2,117
Additions	1,311	3,438	4,749
Cost written back	(2)	(1)	(3)
Disposals	(8)	(7)	(15)
Transfer to properties under development and for sale	-	(338)	(338)
Net transfers from property, plant and equipment	25	193	218
Net fair value gains	22,336	3,127	25,463
	231,295	35,997	267,292
Add: Initial leasing costs	239	-	239
At 31st December 2017	231,534	35,997	267,531
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
Geographical Analysis of Investment Properties			
		2017	2016
		HK\$M	HK\$M
Held in Hong Kong:			
On medium-term leases (10 to 50 years)		33,224	29,282
On long-term leases (over 50 years)		196,740	173,375
		229,964	202,657
Held in Mainland China:			
On medium-term leases (10 to 50 years)		29,468	25,390
Held in U.S.A. and elsewhere:			
Freehold		7,860	7,054
		267,292	235,101

11. Properties Held for Development

	2017	2016
	HK\$M	HK\$M
Freehold land	1,126	1,119
Development cost	216	160
	1,342	1,279

12. Other Current Assets/Other Non-current Assets

Other current assets comprise a property in Kowloon Bay, Hong Kong. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this property development. The consideration for the sale is HK\$6,528 million, subject to adjustment. The property was transferred to other non-current assets at fair value in the financial statements on signing the agreement in 2016 and was reclassified to other current assets in the 2017 financial statements. The carrying value of the property at 31st December 2017 represents its fair value at the date of transfer plus the development costs incurred subsequently. Completion of the sale is conditional upon the relevant certificate of compliance being obtained on or before 31st December 2018.

13. Properties under Development and for Sale

	2017	2016
	HK\$M	HK\$M
Properties for sale		
Properties under development		
- development costs	17	-
- leasehold land	338	-
Completed properties		
- development costs	1,658	3,760
- freehold land	120	130
- leasehold land	167	1,779
	2,300	5,669

14. Trade and Other Receivables

	2017	2016
	HK\$M	HK\$M
Trade debtors	370	471
Prepayments and accrued income	254	309
Other receivables	2,372	2,101
	2,996	2,881

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

	2017	2016
	HK\$M	HK\$M
Under three months	368	465
Between three and six months	2	4
Over six months	-	2
	370	471

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 non-interest bearing rental deposits as security against trade debtors.

15. Trade and Other Payables

	2017 HK\$M	2016 HK\$M
Trade and other payables – current:		
Trade creditors	542	565
Rental deposits from tenants	2,616	2,494
Deposit received on the sale of a subsidiary company	1,306	-
Other current payables		
Accrued capital expenditure	539	1,190
Deposits received on the sale of trading properties	25	806
Amounts due to intermediate holding company	90	112
Amounts due to a fellow subsidiary company	51	75
Amounts due to an associated company	31	50
Interest-bearing advances from fellow subsidiary companies at 3.3% (2016: 3.3% to 4.1%)	72	100
Interest-bearing advances from joint venture and related companies at 2.8% (2016: 2.8%)	240	223
Advances from a non-controlling interest	34	34
Others	2,274	2,196
	3,356	4,786
	7,820	7,845
Other payables – non-current:		
Put option in respect of a non-controlling interest	716	670
Deposit received on the sale of a subsidiary company	-	653
	716	1,323

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

	2017 HK\$M	2016 HK\$M
Under three months	542	565

16. Share Capital

	Ordinary shares	HK\$M
<i>Issued and fully paid:</i>		
At 1st January 2017 and 31st December 2017	5,850,000,000	10,449
At 1st January 2016 and 31st December 2016	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 2017 and 31st December 2016.

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 2017	215,318	(1,108)	1,689	181	(1,160)	214,920
Profit for the year	33,957	-	-	-	-	33,957
Other comprehensive income						
Revaluation of properties previously occupied by the Group						
- gains recognised during the year	-	-	128	-	-	128
- deferred tax charge	-	-	(2)	-	-	(2)
Defined benefit plans						
- remeasurement losses recognised during the year	(6)	-	-	-	-	(6)
- deferred tax credit	1	-	-	-	-	1
Cash flow hedges						
- losses recognised during the year	-	-	-	(294)	-	(294)
- losses transferred to net finance charges	-	-	-	2	-	2
- deferred tax credit	-	-	-	48	-	48
Share of other comprehensive income of joint venture and associated companies	-	-	-	1	644	645
Net translation differences on foreign operations	-	-	-	-	1,804	1,804
Total comprehensive income/(losses) for the year	33,952	-	126	(243)	2,448	36,283
Transfer	3	-	(3)	-	-	-
2016 second interim dividend (note 8)	(2,808)	-	-	-	-	(2,808)
2017 first interim dividend (note 8)	(1,463)	-	-	-	-	(1,463)
At 31st December 2017	245,002	(1,108)	1,812	(62)	1,288	246,932

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 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 income/(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	(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

18. Changes in Accounting Policies and Disclosures

The following amendments to standards were required to be adopted by the Group effective from 1st January 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

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 2016 and 2017 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 2016 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 2017 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 2016 and 2017. 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 2017 annual report.

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

Annual Report

The 2017 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 6th April 2018.

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 F.N.Y. Lung;

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

Independent Non-Executive Directors: S.E. Bradley, L.K.L. Cheng, S.T. Fung, S.C. Liu and M.Y. Wu.

By Order of the Board
Swire Properties Limited
John Slosar
Chairman
Hong Kong, 15th March 2018

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

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

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

$$\text{Equity attributable to the Company's shareholders per share} = \frac{\text{Equity before non-controlling interest}}{\text{Number of shares in issue at the end of the year}}$$

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

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

**FINANCIAL CALENDAR AND INFORMATION
FOR INVESTORS****Financial Calendar 2018**

Shares trade ex-dividend	3rd April
Share register closed for 2017 second interim dividend entitlement	6th April
Annual Report available to shareholders	6th April
Payment of 2017 second interim dividend	3rd May
Share register closed for attending and voting at Annual General Meeting	3rd – 8th May
Annual General Meeting	8th May
Interim results announcement	August 2018
2018 first interim dividend payable	October 2018

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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.