

SIX MONTHS' OPERATING STATISTICS

Completed Investment Property

		Six months ended 30th June					
		Office & Industrial		Retail		Residential	
		2001	2000	2001	2000	2001	2000
Gross floor area	sq.ft.	7,693,397	7,688,113	3,371,477	3,354,967	868,332	868,332
Average occupancy	%	95	95	100	99	81	88

Cathay Pacific Airways

		Six months ended 30th June	
		2001	2000
Available tonne kilometres ("ATK")	million	5,936	5,483
Passenger load factor	%	71.9	75.7
Average aircraft utilisation	hours per day	12.7	13.0
Cost per ATK	HK\$	2.32	2.33

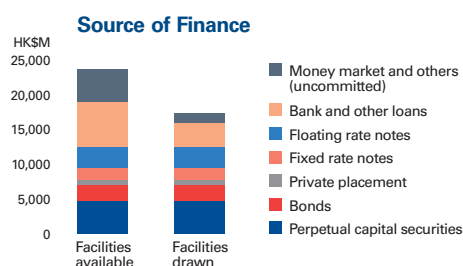
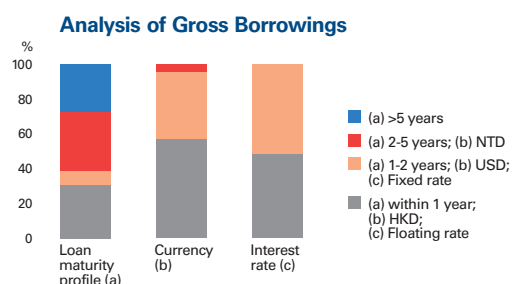
Beverages Division

		Six months ended 30th June							
		Mainland China		Hong Kong		Taiwan		USA	
		2001	2000	2001	2000	2001	2000	2001	2000
Sales volume	million unit cases	87.1	81.5	19.2	19.4	19.5	19.5	36.7	35.5
Franchise population	million	375.3	367.3	6.9	6.9	23.0	22.0	5.5	5.4
Number of plants		11	10	1	1	2	2	2	2
Number of sales centres		141	114	1	1	15	16	28	29

Marine Services Division

		Six months ended 30th June	
		2001	2000
Swire Pacific Offshore			
Number of vessels		49	50
Utilisation	%	87.8	84.4
Modern Terminals			
Throughput	'000 TEUs	1,525	1,340
Shekou Container Terminals			
Throughput	'000 TEUs	389	316

KEY FINANCIAL DATA



The group's policy on financial risk management and the management of currency and interest rate exposures is set out in the 2000 annual report.

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FINANCIAL HIGHLIGHTS

	Note	Six months ended 30th June		Year ended 31st December
		2001 HK\$M	2000 HK\$M	2000 HK\$M
Turnover		6,920	7,619	15,050
Operating profit		2,026	1,926	3,849
Profit attributable to shareholders		2,409	2,593	3,893
Net cash inflow from operating activities		1,632	2,759	4,711
Shareholders' funds and minority interests		83,899	75,467	82,626
Consolidated net borrowings		16,810	17,041	16,815
		HK¢	HK¢	HK¢
Earnings per share:	1			
'A' shares		155.2	167.1	250.8
'B' shares		31.0	33.4	50.2
		HK¢	HK¢	HK¢
Dividends per share:				
'A' shares		36.0	36.0	112.0
'B' shares		7.2	7.2	22.4
		HK\$	HK\$	HK\$
Shareholders' funds per share:				
'A' shares		50.79	45.93	49.89
'B' shares		10.16	9.19	9.98
Gearing ratio	2	0.20/1	0.23/1	0.20/1
Interest cover – times	3	7.67	8.27	8.91
Cash interest cover – times	4	3.40	3.03	2.87
Dividend cover – times	5	4.31	4.64	2.24

Notes:

- Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period.
- Gearing represents the ratio of net borrowings to shareholders' funds and minority interests.
- Interest cover is calculated by dividing operating profit by net finance charges.
- Cash interest cover is calculated by dividing operating profit by net finance charges and capitalised interest.
- Dividend cover is calculated by dividing profit attributable to shareholders by total dividends paid and proposed for the period.
- Certain comparative amounts have been restated to reflect the changes in accounting policies resulting from the adoption of the new accounting standards as described in note 2 to the accounts.

CHAIRMAN'S STATEMENT

Consolidated Results

The profit attributable to shareholders for the first half of 2001 was HK\$2,409 million, compared with HK\$2,593 million in the same period in 2000: a decrease of 7.1%.

Your directors have today declared interim dividends for 2001 of HK¢36.0 per 'A' share and HK¢7.2 per 'B' share: the same as those paid in 2000.

Markets and Operations

The global economic slowdown has undermined consumer confidence, affecting demand for many of the services provided by group companies, particularly in the Aviation Division. In this environment, the group's core businesses have performed relatively well, underpinned by the high-quality investment property portfolio and the benefits of earlier restructuring initiatives.

Property Division

Gross rental income for the half year to 30th June 2001 amounted to HK\$2,346 million, compared with HK\$2,279 million for the corresponding period in 2000. Occupancy of the group's office and retail portfolio has remained high during the period, while rental levels have been stable. The slight increase in rental income was mainly due to additional contributions from Lincoln House and Oxford House and to a stronger performance from the group's retail properties.

Demand for office space has slowed in recent months, reflecting the weak global economic climate, and we remain cautious about the outlook for the balance of the year. Retail sales at the Pacific Place, Cityplaza and FestivalWalk shopping centres have continued to outperform the Hong Kong average in a slightly softer market.

The appeal process in respect of the Taikoo Shing arbitration is ongoing.

Sentiment in the residential market remained weak in the first half of 2001, but recently has showed signs of revival following successive interest rate cuts and clarification of Government's public housing policy. Phase 2 of the Ocean Shores project was launched in March and 753 units have been sold so far. A further 27 residential units in StarCrest and 367 units at Tung Chung Crescent have been sold this year.

Work is currently under way on three projects. Cambridge House, an office tower providing approximately 255,000 square feet of office space adjacent to Devon House in TaiKoo Place, is due for completion in 2003. The Orchards, formerly known as Taikoo Valley Site V, is a residential trading development in Quarry Bay comprising two towers totalling 432 residential units, scheduled for completion in 2003. Site formation work is being carried out at Pacific Forum, close to Pacific Place, for an office tower comprising 632,000 square feet of accommodation, which will be completed in 2004.

Swire Properties has now acquired a 100% interest in the Aik San Industrial Building and a 96% interest in the Melbourne Industrial Building, both in Island East. An application has been submitted to Government for a compulsory sale by auction of the whole of the latter building as a means of acquiring the 4% interest not already held.

The company also announced in March that a letter of intent had been signed with the Guangzhou Daily News for the construction in Guangzhou of a mixed-use development comprising retail, office, hotel and cultural facilities of approximately 2.5 to 3.0 million square feet.

Aviation Division

The Cathay Pacific Group made a profit attributable to its shareholders of HK\$1,319 million during the first six months of 2001, including non-recurring profits of HK\$452 million on the sale of shares in Equant NV, compared with a profit of HK\$2,183 million for the same period in 2000. The marked decline in operating performance reflects significant weakness in both the cargo and, more recently, passenger markets.

Traffic turnover decreased marginally by 0.8% to HK\$14,607 million while capacity grew by 8.3%. Passenger numbers increased by 2.3% against a growth of 8.6% in seat capacity and, as a result, the passenger load factor declined by 3.8 percentage points to 71.9%. Yields held up relatively well, but were affected by weak foreign currencies and softening demand for first and business class travel.

The air cargo market is significantly weaker than in the prior year, mainly due to the slowdown in the US economy. The amount of cargo carried fell by 5.2% and both the cargo load factor and yield declined sharply.

Cathay Pacific has continued to invest in new aircraft. During the first half of the year, the airline took delivery of five aircraft: three Airbus Industrie A330-300s, one A340-300 and one Boeing B747-400 freighter.

Cathay Pacific continues to introduce new products and services. These include a range of new features on the e-Business front such as the online booking and online check-in services, together with more traditional services such as the "Best Chinese Food in the Air" inflight catering promotion and a new inflight entertainment system, "Studio^{cx}".

The performance of Cathay Pacific for the remainder of this year will largely depend on the pace of recovery in the major economies, and on a satisfactory resolution of the industrial dispute with the pilots' union. Although air traffic is traditionally stronger in the second half of the year, markets could easily weaken further if the economic slowdown persists. Typhoon Utor and the industrial dispute with the pilots' union caused some disruption to services in July, and the airline chartered a number of aircraft in order to maintain service levels.

Hong Kong Aircraft Engineering Company's (HAECO's) profit attributable to shareholders for the first half of 2001 was HK\$175 million, compared with a profit of HK\$267 million for the same period in 2000. Non-recurring profits were HK\$7 million, compared with HK\$108 million for the same period in 2000. Revenues increased with an increase in aircraft movements at the airport. The mix of base maintenance work undertaken also helped improve margins. In addition, the first half of 2001 saw an increased contribution from the jointly controlled companies: Taikoo (Xiamen) Aircraft Engineering Company Limited (TAECO) and Hong Kong Aero Engine Services Limited. While competition at Hong Kong International Airport remains strong, HAECO's airframe maintenance and modification facilities were heavily utilised during the period. Construction work on TAECO's third hangar has commenced and this new facility is expected to be operational by the end of 2002. In May HAECO increased its interest in TAECO to 49.6% by acquiring 4% from SIA Engineering Company Pte. Limited.

AHK Air Hong Kong reported a loss in the first half of 2001 reflecting increased competition on its main air cargo routes and the slowdown in exports from Hong Kong. The load factor fell by 0.1 percentage points and the overall yield fell by 13.4%.

Dragonair recorded a slight decrease in profit compared with the same period last year as, although core passenger routes remained relatively strong, cargo suffered in the wake of the global economic downturn. Frequencies to major destinations in Mainland China have been increased in the summer schedule to meet seasonal demand. During the first six months of 2001, two A330-300 aircraft joined the fleet whilst one A320 was returned from a lessee.

Cathay Pacific Catering Services reported a satisfactory profit in the first six months of 2001 despite keen competition.

Hong Kong Airport Services achieved a higher interim profit than last year due to increased aircraft movements at Hong Kong International Airport and additional business from new customers.

Beverages Division

Swire Beverages' interim profit, at HK\$85 million, compared with HK\$75 million for the same period last year. An encouraging improvement in operating results from Mainland China and Taiwan, together with a continuing drive to contain costs, more than offset a decline in profitability in the USA.

Sales in Mainland China grew strongly in the first five months, but were adversely affected by poor weather in June, constraining growth for the first six months to 7% over the same period in 2000. This growth has been achieved through improved control over distribution which has increased availability and helped support prices in the face of intense competition. Ongoing efforts to improve efficiency and reduce overheads helped to increase attributable profit. Maintaining the momentum through the summer will be central to increasing profits from the Mainland China operations for the year as a whole.

Hong Kong continues to face pressure on both prices and volumes. Profitability, however, was at the same level as last year, reflecting the benefits obtained from enhanced productivity from vending machines, improved channel pricing and tight cost control.

Sales volume in Taiwan was flat compared to the first half of last year while the average selling price declined slightly, primarily due to changes in the package mix. Reported turnover was further depressed by the decline in the Taiwan dollar. A substantial restructuring took place in January to position the company more effectively in the face of continued difficult trading conditions. This has resulted in significant cost savings and hence an improved interim profit.

A weakening economy has restricted volume growth from the US operations. In addition, increased popularity of non-carbonated beverages has forced pricing restraint in carbonated soft drink products, and consequently profits are down on the same period last year.

Marine Services Division

The division had a profit for the first half year of HK\$255 million, compared with HK\$221 million for the same period in 2000.

The increasing demand for offshore oilfield services seen during 2000 has, as expected, continued into 2001. Stable oil prices have led to more offshore oil exploration and, as a result, Swire Pacific Offshore has recently seen an increase in both fleet utilisation and charter rates. Weaker currencies and the disposal of a vessel in January have resulted in a small decrease in turnover during the period. It is expected that the second half of the year will see an improvement over the first half as utilisation and charter rates continue to strengthen. Given our positive outlook on the offshore support business, and our existing strong position in the industry, we are actively considering further investment in additional capacity.

Utilisation of Hongkong United Dockyards' ship repair facilities has risen during the period which, combined with its efforts in recent years to rationalise costs, has resulted in an improvement in the company's underlying profitability, though higher interest costs led to a lower reported profit than in the comparable period last year.

Hongkong Salvage and Towage reported improved results supported by an increase in vessel movements within Hong Kong harbour.

The container terminals saw a slight increase in profitability compared to the same period last year. Modern Terminals has increased throughput over last year, driven mainly by new services which started in the second half of 2000. During the first half of 2001, container volumes handled by Shekou Container Terminals increased by 23.1% and throughput is expected to reach 750,000 TEU for the year.

Trading & Industrial Division

The division had a half-year attributable profit of HK\$83 million, compared with a loss of HK\$67 million in 2000. This is as a result of increased profits from Swire Resources, a reduction in operating losses and the absence of asset write-offs from Industrial interests.

Subsidiaries

The Taikoo Motors group recorded a 13% decline in profits in the first half due to falling demand for new vehicles in both Taiwan and Hong Kong. Vehicle sales to Mainland China showed strong year-on-year growth.

Swire Resources, the division's sports shoes and casual apparel business, had a record first half following strong growth in 2000. The business now has 38 shops in Hong Kong and 14 in Mainland China. The outlook for the balance of the year remains positive.

Taikoo Sugar incurred a loss, due to factory closure and product relaunch costs.

Swire Duro, the division's marble contracting business, had a weak first half of the year due to the delay of two key projects. It is expected to show improved results in the second half.

Associates

The Carlsberg group is still facing weak demand for premium beer in Mainland China, although losses have been significantly reduced compared to 2000. In Hong Kong, overall beer sales have declined year-on-year, but Carlsberg has improved its market share and continues to trade profitably.

The Crown Can group is suffering from significant over-capacity in the beverage aluminium can market in Mainland China, and returned a loss in the first half. Prospects for the second half remain depressed.

Swire SITA's profits from its Hong Kong businesses were similar to the prior year. The company's waste incineration operation in Taiwan is, however, incurring start-up losses. These losses are expected to reduce in the second half.

ICI Swire Paints continued to register strong sales growth in Mainland China, and recorded modest profits, compared with a loss for the corresponding period in 2000. Prospects for the second half are encouraging, particularly in Mainland China.

Schneider Swire returned improved profits for the first half over last year, and the order book for the second half year is firm.

Finance and other activities

Shareholders' funds and minority interests at 30th June 2001 totalled HK\$83,899 million (31st December 2000: HK\$82,626 million). At 30th June 2001, net borrowings were HK\$16,810 million, compared to HK\$16,815 million at 31st December 2000.

The group's gearing ratio was 0.20/1: the same as at 31st December 2000. The group's undrawn bank facilities at 30th June 2001 amounted to HK\$6,396 million, of which HK\$2,992 million were committed facilities.

At the end of April 2001, Swire Pacific signed a Medium Term Note (MTN) Programme which has already provided greater flexibility in the issue of debt. In May the first two issues of notes under the Programme were made, enabling the group to reduce its overall cost of borrowing.

Prospects

There is as yet no sign of recovery in the global economy and this fact will inevitably have an impact on certain Swire Pacific group operations, in particular our aviation interests. We are fortunate that we have strong and competitive local businesses well positioned to benefit from the relative strength of the mainland economy. This is evident from the resilience shown by many of our businesses in the first half.

The commercial property sector in Hong Kong may well face pressure in the second half, given lacklustre demand and the expectation of new supply in 2002 and 2003. More encouragingly, the residential sector has at last shown some sign of life with transactions picking up in the last two months. We expect a further lowering of interest rates to support sales activity going forward.

The cyclical downturn which is affecting global aviation is likely to continue for some time. With this in mind, it is essential that our aviation interests continue to focus on cost control in order that they are able to cope with the downturn and position themselves for the inevitable growth which will follow.

I have been particularly pleased by the performance of many of our businesses in Mainland China where the strength of our brands, quality of service and improving distribution and selling skills are at last making a difference to returns. I remain confident that these essential strengths will benefit our interests in beverages and aviation for some time to come.

Whilst the outlook for the shipping industry is not particularly positive, the strength of our positions and, in respect of Swire Pacific Offshore, firmness of the market should ensure a good second half.

In spite of the possibility of a further weakening in the global economy and uncertainty surrounding the dispute with the pilots' union, I have confidence in our prospects over the medium term, reflecting both the resilient nature of our core businesses and continued focus on where we know we have leverage and where we believe we can add value.

James Hughes-Hallett

Chairman

Hong Kong, 9th August 2001

REVIEW OF OPERATING RESULTS

The principal activities of the Swire Pacific group, together with the contribution of each activity to group results, are as follows:

The Company and its subsidiaries:

	Turnover		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Property:			
Property investment	2,382	2,319	4,692
Property trading	174	786	1,114
Beverages	2,207	2,217	4,584
Marine Services	405	412	843
Trading & Industrial	1,774	1,897	3,871
Other net expenses and consolidation adjustments	(22)	(12)	(54)
	6,920	7,619	15,050

The Company and its subsidiaries:

	Operating profit/(loss)		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Property:			
Property investment	1,758	1,601	3,354
Property trading	1	153	145
Provision for land premium	-	-	(151)
Beverages	105	96	256
Marine Services	133	104	231
Trading & Industrial	99	62	174
Other net expenses and consolidation adjustments	(70)	(90)	(160)
	2,026	1,926	3,849

Jointly controlled companies:

	Share of profits/(losses) before taxation		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Property:			
Property investment and trading	15	14	15
Provision for diminution in value of development property	-	-	(1,700)
Beverages	45	36	69
Marine Services:			
Ship repair and harbour towage	23	31	66
Container handling	13	8	23
Shipowning and operating	2	-	4
Trading & Industrial:			
Normal operations	42	7	21
Non-recurring items	-	(121)	(132)
Others	-	(1)	(2)
	140	(26)	(1,636)

Associated companies:

	Share of profits before taxation		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Property:			
Hotels and restaurants	30	30	73
Aviation:			
Airline services and airline catering	656	991	2,302
Aircraft engineering	87	101	166
Cargo handling	38	44	129
Marine Services:			
Container handling	132	132	294
	943	1,298	2,964

An analysis of attributable profit/(loss), capital expenditure and depreciation/amortisation of the group by division is as follows:

	Attributable profit/(loss)		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Property	1,353	1,444	947
Aviation	704	1,109	2,510
Beverages	85	75	185
Marine Services	255	221	505
Trading & Industrial	83	(67)	(84)
Other net expenses and consolidation adjustments	(71)	(189)	(170)
	2,409	2,593	3,893

	Capital expenditure incurred during the period		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Property	648	955	6,170
Beverages	128	146	251
Marine Services	144	36	132
Trading & Industrial	15	17	49
Others	1	6	20
	936	1,160	6,622

	Depreciation and amortisation for the period		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Property	26	52	86
Beverages	160	157	306
Marine Services	58	66	129
Trading & Industrial	29	38	71
Others	24	24	47
	297	337	639

The activities of the Swire Pacific group are mainly based in Hong Kong. An analysis of turnover, contribution to operating profit and capital expenditure of the group by principal markets is outlined below:

	Turnover		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Hong Kong	3,650	4,306	8,545
Asia (excluding Hong Kong)	1,610	1,625	3,128
North America	1,252	1,273	2,529
Europe	3	3	5
Shipowning and operating	405	412	843
	6,920	7,619	15,050

	Operating profit		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Hong Kong	1,704	1,647	3,273
Asia (excluding Hong Kong)	104	55	157
North America	85	120	188
Shipowning and operating	133	104	231
	2,026	1,926	3,849

	Capital expenditure incurred during the period		
	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Hong Kong	668	975	6,222
Asia (excluding Hong Kong)	13	23	64
North America	111	126	204
Shipowning and operating	144	36	132
	936	1,160	6,622

Shipowning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

Condensed consolidated profit and loss account for the six months ended 30th June 2001 – unaudited

	Note	Six months ended 30th June		Year ended 31st December
		2001 HK\$M	2000 HK\$M	2000 HK\$M
Turnover		6,920	7,619	15,050
Cost of sales		(3,518)	(4,270)	(8,327)
Gross profit		3,402	3,349	6,723
Other revenue		8	7	26
Distribution costs		(708)	(655)	(1,420)
Administrative expenses		(618)	(714)	(1,266)
Other operating expenses		(58)	(61)	(214)
Operating profit	4	2,026	1,926	3,849
Finance costs				
Finance charges		(307)	(320)	(595)
Finance income		43	87	163
Net finance charges		(264)	(233)	(432)
Share of profits less losses of jointly controlled companies		140	(26)	(1,636)
Share of profits less losses of associated companies	5	943	1,298	2,964
Profit before taxation		2,845	2,965	4,745
Taxation	6	271	263	565
Profit after taxation		2,574	2,702	4,180
Minority interests		165	109	287
Profit attributable to shareholders		2,409	2,593	3,893
Dividends:				
Interim (proposed/paid)		559	559	559
Final		–	–	1,179
		559	559	1,738
		HK¢	HK¢	HK¢
Earnings per share:	7			
'A' shares		155.2	167.1	250.8
'B' shares		31.0	33.4	50.2

	2001	2000		Total HK¢
	Interim HK¢	Interim HK¢	Final HK¢	
Dividends per share:				
'A' shares	36.0	36.0	76.0	112.0
'B' shares	7.2	7.2	15.2	22.4

Condensed consolidated balance sheet – unaudited

	Note	30th June 2001		31st December 2000	
		HK\$M	HK\$M	HK\$M	HK\$M
ASSETS					
Non-current assets					
Fixed assets	8	77,971		77,378	
Jointly controlled companies		7,172		6,978	
Associated companies		18,164		18,373	
Investment securities		319		323	
Long-term receivables		98		113	
Deferred expenditure		267		280	
			103,991		103,445
Current assets					
Properties for sale		2,074		1,958	
Stocks and work in progress		962		838	
Trade and other receivables	9	1,801		1,889	
Held-to-maturity securities – unlisted		94		36	
Short-term deposits and bank balances		370		368	
			5,301		5,089
Current liabilities					
Trade and other payables	10	7,779		8,377	
Taxation		156		123	
Bank overdrafts and short-term loans		1,471		1,942	
Long-term loans and bonds due within one year		3,834		200	
			13,240		10,642
Net current liabilities			(7,939)		(5,553)
Total assets less current liabilities			96,052		97,892
Non-current liabilities					
Perpetual capital securities		4,642		4,642	
Long-term loans and bonds		7,378		10,486	
Deferred taxation		22		23	
Deferred liabilities		111		115	
			12,153		15,266
Minority interests			5,077		5,203
NET ASSETS			78,822		77,423
CAPITAL AND RESERVES					
Share capital			931		931
Reserves	11		77,332		75,313
Proposed dividend	11		559		1,179
SHAREHOLDERS' FUNDS			78,822		77,423

Condensed consolidated cash flow statement for the six months ended 30th June 2001 – unaudited

	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Net cash inflow from operating activities	1,632	2,759	4,711
Returns on investments and servicing of finance			
Interest received on deposits and other loans	41	88	164
Dividends received from jointly controlled and associated companies and other investments	1,117	660	1,741
Interest paid on bank loans, overdraft and other loans and bonds	(617)	(705)	(1,437)
Dividends paid			
– to shareholders	(1,179)	(1,179)	(1,738)
– to minority interests	(203)	(33)	(39)
Net cash outflow from returns on investments and servicing of finance	(841)	(1,169)	(1,309)
Taxation			
Hong Kong profits tax paid	(77)	(11)	(328)
Overseas tax (paid)/refunded	(34)	1	(83)
Total tax paid	(111)	(10)	(411)
Investing activities			
Purchase of fixed assets	(800)	(1,052)	(2,121)
Proceeds from fixed asset disposals	50	4	117
Purchase of shareholdings in subsidiary companies	–	(263)	(274)
Sale of shareholdings in subsidiary companies	–	86	117
Purchase of shareholdings in and loans to associated companies	(619)	(26)	(90)
Purchase of shareholdings in and loans to jointly controlled companies	(243)	(353)	(1,035)
Sale/(purchase) of investment securities	2	(60)	(93)
Sale of shareholdings in and repayment of loans from associated companies	919	10	64
Sale of shareholdings in and repayment of loans from jointly controlled companies	90	42	548
Sale of shareholdings in and repayment of loans from investment securities	–	38	68
Decrease in long-term receivables	10	20	103
Deferred expenditure	(20)	(31)	(32)
Net cash outflow from investing activities	(611)	(1,585)	(2,628)
<i>(carried forward to page 13)</i>			

Condensed consolidated cash flow statement for the six months ended
30th June 2001 – unaudited (continued)

	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
<i>(brought forward from page 12)</i>			
Net cash inflow/(outflow) before financing	69	(5)	363
Financing			
Loans drawn and refinancing	2,510	738	1,973
Repayment of loans	(1,977)	(1,801)	(3,718)
	533	(1,063)	(1,745)
Repayment of loans to minority interests	(93)	(199)	(334)
Capital contributions from minority interests	-	1	-
Net cash inflow/(outflow) from financing	440	(1,261)	(2,079)
Increase/(decrease) in cash and cash equivalents	509	(1,266)	(1,716)
Movement in cash and cash equivalents			
At 1st January	(1,538)	198	198
Increase/(decrease) during the period	509	(1,266)	(1,716)
Currency adjustment	22	1	(20)
At end of the period	(1,007)	(1,067)	(1,538)
Represented by:			
Unlisted held-to-maturity securities maturing within three months	94	189	36
Bank balances and short-term deposits maturing within three months	370	372	368
Bank overdrafts and short-term loans maturing within three months	(1,471)	(1,628)	(1,942)
	(1,007)	(1,067)	(1,538)

Condensed consolidated statement of recognised gains and losses for the six months ended 30th June 2001 – unaudited

	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Increase in property valuation at the end of the year	-	-	4,980
Exchange differences on cash flow hedges			
– recognised during the period	477	304	751
– transferred to the profit and loss account	(80)	38	37
Revaluation on investment securities			
– surplus/(deficit) recognised during the period	3	(24)	6
– transferred to the profit and loss account on disposal	(207)	-	-
Exchange differences	(31)	31	(37)
Net gains not recognised in the profit and loss account	162	349	5,737
Profit for the period	2,409	2,593	3,893
Total recognised gains	2,571	2,942	9,630
Goodwill on acquisition of subsidiary, jointly controlled and associated companies	-	(386)	(376)
Goodwill reinstated on disposal of subsidiary companies acquired prior to 1st January 2001	7	32	43
	2,578	2,588	9,297
Cumulative effect of prior year adjustments (note 2)			
– Goodwill		90	90
– Provision for dry-docking costs		89	90
		179	180

Notes to the condensed consolidated accounts

1. Basis of preparation and accounting policies

With the exception of the changes in the accounting policies for goodwill, provision for dry-docking costs and proposed dividends, which are described in note 2 below, the interim report has been prepared on a basis consistent with the principal accounting policies adopted in the 2000 annual report. This interim report has also been prepared in accordance with HK SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited.

2. Prior year adjustments

(a) Goodwill

Goodwill arising on consolidation represents the excess of cost of acquisition of subsidiary, jointly controlled and associated companies over the group's share of the fair value ascribed to the separable net assets at the date of acquisition. In previous years, goodwill was taken to the revenue reserve in the year in which it arose. With the introduction of HK SSAP 30 "Business combinations", the group has adopted the transitional provisions prescribed therein. New goodwill incurred after 1st January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line basis over its estimated useful economic life. All goodwill arising from earlier acquisitions before 1st January 2001 will continue to be held in revenue reserves and no reinstatement has been made. However, any impairment arising on such goodwill is recognised in the profit and loss account.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for acquisitions prior to 1st January 2001, the related goodwill written off against revenue reserve to the extent it has not previously been realised in the profit and loss account.

The group's revenue reserve brought forward from 2000 has been increased by HK\$90 million following the reclassification to fixed assets of previously overstated goodwill arising from the acquisition of a subsidiary company in 1997.

(b) Provision for dry-docking costs

The HK SSAP 28 "Provisions, contingent liabilities and contingent assets" sets out detailed rules on the recognition, measurement and disclosure of provisions and contingencies. The group's previous provision for future dry-docking costs is thus no longer allowed and any dry-docking expenses incurred are capitalised and amortised to the profit and loss account over the period until the next dry-docking takes place. The group's revenue reserve brought forward from 2000 has been increased by HK\$90 million, being the reinstatement of unamortised costs of HK\$23 million and the reversal of all cumulative provisions of HK\$67 million.

(c) Proposed dividends

In accordance with the revised HK SSAP 9 "Events after the balance sheet date," the group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. A separate component of equity, 'Proposed dividend', has been added on the face of the consolidated balance sheet to specify the provision for the 2000 proposed final dividend of HK\$1,179 million, which was previously recorded as a liability as at 31st December 2000. A corresponding decrease of HK\$1,179 million in current liabilities has been reflected in the comparative 31st December 2000 balance sheet. Changes to headings used in the profit and loss account relating to dividends and retained profit for the period have also been made to reflect the changes resulting from HK SSAP 9 (revised).

3. Segmental information

In the "Review of Operating Results," the group has disclosed certain financial data by segment. In accordance with the group's internal financial reporting the group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Comparative information has been given.

4. Operating profit

	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Operating profit has been arrived at after charging:			
Cost of stocks sold	2,614	2,611	6,236
Depreciation of fixed assets	258	274	543
Operating lease rental:			
Land and buildings	43	33	75
Other equipment	9	10	19
Amortisation of deferred expenditure	39	63	96
Deferred expenditure written-off	-	71	71
Provision for land premium on development properties	-	-	151
and after crediting:			
Gross rental income	2,354	2,283	4,626
Less: Outgoings	453	554	1,057
Net rental income	1,901	1,729	3,569
Profit on sale of development properties	22	153	225

5. Share of profits less losses of associated companies

The share of profits less losses of associated companies includes an attributable profit of HK\$207 million arising on the sale of the investment in Equant N.V. by the Cathay Pacific Airways Group.

6. Taxation

	Six months ended 30th June		Year ended 31st December
	2001 HK\$M	2000 HK\$M	2000 HK\$M
Hong Kong	104	165	237
Overseas	41	31	142
Tax on profits of jointly controlled companies	27	14	50
Tax on profits of associated companies	99	53	136
	271	263	565

Hong Kong profits tax is calculated at 16.0% (2000: 16.0%) on the estimated assessable profits for the period. Overseas taxation is calculated at rates of tax applicable in countries in which the group is assessed for tax.

7. Earnings per share

Earnings per share are calculated by dividing the profit attributable to shareholders for the period ended 30th June 2001 of HK\$2,409 million (2000: HK\$2,593 million) by the weighted average number of 940,111,885 'A' shares and 3,059,301,271 'B' shares in issue during the period and throughout 2000.

8. Fixed assets

	Properties	Plant and machinery	Vessels	Total
	HK\$M	HK\$M	HK\$M	HK\$M
Cost or valuation:				
At 31st December 2000				
– as originally stated	74,605	3,902	2,715	81,222
– prior year adjustments (note 2)	90	–	75	165
– as restated	74,695	3,902	2,790	81,387
Translation differences	(26)	(33)	–	(59)
Additions	655	139	142	936
Disposals	–	(70)	(42)	(112)
At 30th June 2001	75,324	3,938	2,890	82,152
Depreciation:				
At 31st December 2000				
– as originally stated	449	2,368	1,140	3,957
– prior year adjustments (note 2)	–	–	52	52
– as restated	449	2,368	1,192	4,009
Translation differences	(2)	(19)	–	(21)
Charge for the period	31	170	57	258
Disposals	–	(54)	(11)	(65)
At 30th June 2001	478	2,465	1,238	4,181
Net book value:				
At 30th June 2001	74,846	1,473	1,652	77,971
At 31st December 2000	74,246	1,534	1,598	77,378

At 30th June 2001, the net book value of fixed assets pledged as security for the group's long-term loans amounted to HK\$433 million (31st December 2000: HK\$5,339 million).

9. Trade and other receivables

Trade and other receivables of HK\$1,801 million includes trade debtors of HK\$1,211 million. The aged analysis of these is as follows:

	30th June	31st December
	2001 HK\$M	2000 HK\$M
Under three months	1,094	947
Between three and six months	69	243
Over six months	48	18
	1,211	1,208

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Aged analyses of debtors are prepared and closely monitored in order to minimise any credit risk associated with receivables.

10. Trade and other payables

Trade and other payables of HK\$7,779 million includes trade creditors of HK\$956 million. The aged analysis of these is as follows:

	30th June	31st December
	2001 HK\$M	2000 HK\$M
Under three months	951	1,041
Between three and six months	1	43
Over six months	4	2
	956	1,086

11. Reserves and proposed dividend

	Revenue reserve	Property valuation reserve	Share premium reserve	Capital redemption reserve	Investment revaluation reserve	Cash flow hedge reserve	Total	Proposed dividend
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
At 31st December 2000								
– as originally stated	37,718	35,735	342	21	445	872	75,133	–
– prior year adjustments (note 2)	180	–	–	–	–	–	180	1,179
– as restated	37,898	35,735	342	21	445	872	75,313	1,179
Profit for the period	2,409	–	–	–	–	–	2,409	–
2000 final dividend	–	–	–	–	–	–	–	(1,179)
2001 interim dividend	(559)	–	–	–	–	–	(559)	559
Goodwill reinstated on disposal of subsidiary companies acquired prior to 1st January 2001	7	–	–	–	–	–	7	–
Exchange differences on cash flow hedges								
– recognised during the period	–	–	–	–	–	477	477	–
– transferred to profit for the period	–	–	–	–	–	(80)	(80)	–
Revaluation on investment securities								
– surplus recognised during the period	–	–	–	–	3	–	3	–
– transferred to profit for the period on disposal	–	–	–	–	(207)	–	(207)	–
Exchange differences	(31)	–	–	–	–	–	(31)	–
At 30th June 2001	39,724	35,735	342	21	241	1,269	77,332	559

12. Contingencies and commitments

	30th June	31st December
	2001 HK\$M	2000 HK\$M
(a) Outstanding commitments for capital expenditure at the end of the period:		
Contracted for but not provided for in the accounts	922	1,640
Authorised by Directors but not contracted for	763	852
(b) Guarantees have been given in respect of bank loans and other liabilities outstanding at the end of the period amounting to:		
Jointly controlled companies	3,263	4,742
Associated companies	255	999
	3,518	5,741

13. Related party transactions

There are agreements for services, in respect of which John Swire & Sons Limited provides services to various companies in the group and under which costs are reimbursed and fees are payable. Services fees are calculated as 2.5% (2000: 2.5%) of the relevant company's consolidated profit before tax, extraordinary items and minority interests, adjusted by disregarding any profits and losses on sale of fixed assets and from jointly controlled and associated companies but including dividends receivable from these companies.

The following is a summary of the significant transactions between the group and related parties, which were carried out in the normal course of the group's business:

Note	For the six months ended 30th June							
	Jointly controlled companies		Associated companies		Fellow subsidiaries		Intermediate holding company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
(a) Revenue from sales of goods and rendering of services	12	13	5	8	-	-	-	1
(a) Purchases of goods and services	84	79	7	9	5	6	-	-
(b) Rental revenue	5	12	3	7	2	2	-	-
(c) Interest income	6	7	23	32	-	-	-	-
(c) Interest charges	8	8	-	-	-	-	-	-

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Listing Rules.

Notes:

- Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less than those charged to/by and contracted with other third party customers/suppliers of the group.
- The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- Quasi-equity loans advanced to jointly controlled and associated companies are non-interest bearing whilst other loans advanced to and loans due to jointly controlled companies bear interest at market rates. These loans have no fixed settlement dates.

Supplementary Information

Corporate governance

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited ("the Listing Rules").

Directors' interests

At 30th June 2001, the interests of the Directors in the shares of Swire Pacific Limited and in its associated corporations [within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI")], as recorded in the register maintained under section 29 of the SDI were as follows:

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Remarks
Swire Pacific Limited – 'A' shares						
J W J Hughes-Hallett	4,500	–	–	–	4,500	–
P A Johansen	10,000	–	–	–	10,000	–
T S Lo	8,774	–	–	–	8,774	–
P D A Sutch	10,000	–	–	–	10,000	–
Sir Adrian Swire	–	–	–	1,365,473	1,365,473	See Note 1
D M Turnbull	1,266	–	–	–	1,266	–
Swire Pacific Limited – 'B' shares						
M J Bell	30,000	–	–	–	30,000	–
D Ho	100,000	–	–	–	100,000	–
J W J Hughes-Hallett	118,000	–	–	–	118,000	–
P A Johansen	–	–	–	200,000	200,000	See Note 2
K G Kerr	–	2,500	–	–	2,500	–
T S Lo	3,948	–	–	–	3,948	–
C Lee	750,000	–	–	19,930,000	20,680,000	See Note 3
P D A Sutch	5,000	–	–	–	5,000	–
Sir Adrian Swire	4,813,169	–	–	20,810,916	25,624,085	See Note 1
Cathay Pacific Airways Limited – Ordinary shares						
J W J Hughes-Hallett	12,000	–	–	–	12,000	–
P D A Sutch	20,000	–	–	–	20,000	–

Notes:

1. All the Swire Pacific Limited 'A' and 'B' shares held by Sir Adrian Swire under "Other Interests" are held by him as trustee only and he has no beneficial interest in those shares.
2. P A Johansen is a beneficiary of trusts which hold the 200,000 Swire Pacific Limited 'B' shares listed under "Other Interests".
3. C Lee is a beneficiary of a trust which holds the 19,930,000 Swire Pacific Limited 'B' shares listed under "Other Interests".

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

Other than as stated above, the Directors of Swire Pacific Limited held no interests, whether beneficial or non-beneficial, in the shares or warrants of Swire Pacific Limited or its associated corporations.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI shows that at 30th June 2001 the Company had been notified of the following interests, being 10% or more of the Company's issued capital. These interests are in addition to those disclosed above in respect of the Directors:

	'A' shares	'B' shares	Remarks
John Swire & Sons Limited	40,765,128	1,977,875,765	-
Shrewsbury Holdings Limited	-	321,240,444) Duplication of John Swire
John Swire & Sons (H.K.) Limited	40,661,326	1,940,278,746) & Sons Limited's holding
Brandes Investment Partners, L.P.	130,714,465	-	-

At 30th June 2001, the John Swire & Sons Limited group owned directly or indirectly interests in shares of Swire Pacific Limited representing 28.07% of the issued capital and 50.50% of the voting rights.

Share capital

During the period under review, the Swire Pacific Limited did not purchase, sell or redeem any shares in Swire Pacific Limited.

Interim dividends

Interim dividends of HK¢36.0 (2000: HK¢36.0) per 'A' share and HK¢7.2 (2000: HK¢7.2) per 'B' share have today been declared payable on 3rd October 2001 to shareholders registered at the close of business on 21st September 2001; the share registers will be closed from 17th September 2001 to 21st September 2001, both dates inclusive.

CORPORATE INFORMATION

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