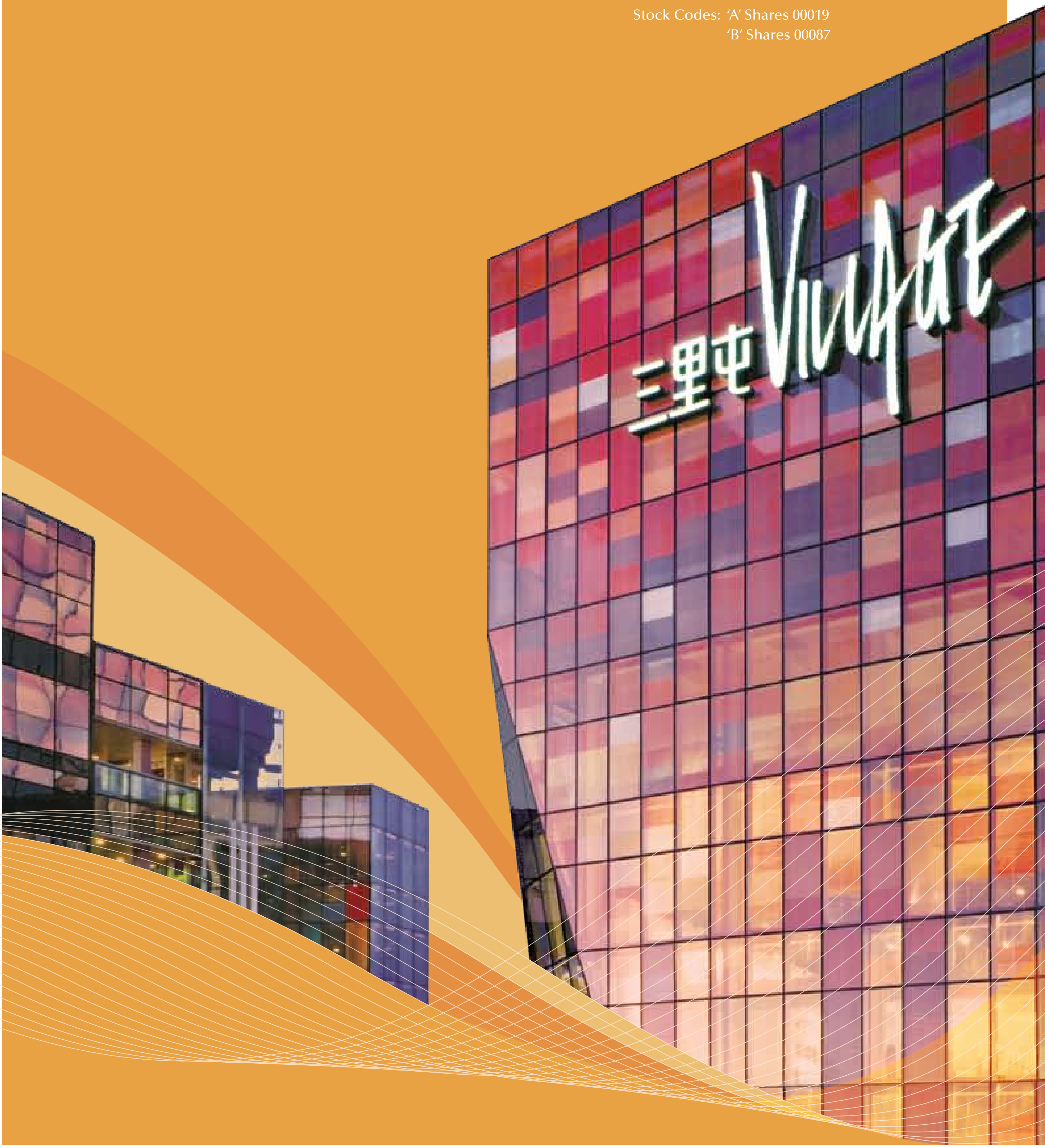
SWIRE PACIFIC

Swire Pacific Limited

2009 Interim Report

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



CONTENTS

Financial Highlights

	Note	Six months ended 30th June		Year ended 31st December
		2009 HK$M	2008 HK$M	2008 HK$M
Turnover		**11,944**	11,782	24,670
Operating profit	(a)	**2,405**	13,547	9,153
Profit attributable to the Company's shareholders	(b)	**3,231**	12,341	5,853
Cash generated from operations		**3,900**	3,621	7,580
Net cash inflow/(outflow) before financing		**901**	(2,967)	(2,303)
Total equity (including minority interests)	(b)	**137,705**	146,323	136,188
Net debt		**31,895**	29,150	30,446
		HK$	HK$	HK$
Earnings per share	(b), (c)			
'A' shares		**2.15**	8.14	3.87
'B' shares		**0.43**	1.63	0.77
		HK$	HK$	HK$
Dividends per share				
'A' shares		**0.60**	0.90	2.380
'B' shares		**0.12**	0.18	0.476
		HK$	HK$	HK$
Equity attributable to the Company's shareholders per share	(b)			
'A' shares		**90.58**	95.59	89.55
'B' shares		**18.12**	19.12	17.91

UNDERLYING PROFIT AND EQUITY

	Note	Six months ended 30th June		Year ended 31st December
		2009 HK$M	2008 HK$M	2008 HK$M
Underlying profit attributable to the Company's shareholders	(b), (d)	**3,798**	3,226	5,238
		HK$	HK$	HK$
Underlying earnings per share	(b), (c)			
'A' shares		**2.52**	2.13	3.46
'B' shares		**0.50**	0.43	0.69
		HK$	HK$	HK$
Underlying equity attributable to the Company's shareholders per share	(b), (d)			
'A' shares		**102.28**	108.09	100.79
'B' shares		**20.46**	21.62	20.16

Notes:

(a) Operating profit for the six months ended 30th June 2008 has been restated to reflect the application of the equity method for accounting for the share of profit from Hactl for the entire period. Refer to note 7 to the interim financial information for further details.

(b) The adoption of HK(IFRIC)-Int 13 (Customer Loyalty Programmes) has resulted in the restatement of the 2008 comparative figures. Refer to note 2(b) to the interim financial information for further details.

(c) Refer to note 9 to the interim financial information for the weighted average number of shares.

(d) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 19.

Chairman's Statement

CONSOLIDATED RESULTS

The profit attributable to shareholders for the first half of 2009 was HK$3,231 million, compared with HK$12,341 million in the same period in 2008. Underlying profit attributable to shareholders, which primarily adjusts for changes in property valuations and the associated deferred tax, increased by HK$572 million to HK$3,798 million. The results reflect mixed performance across the Group's five divisions in challenging economic conditions.

The Directors have today declared interim dividends of HK¢60 (2008: HK¢90) per 'A' share and HK¢12 (2008: HK¢18) per 'B' share payable on 5th October 2009 to shareholders registered at the close of business on 22nd September 2009. The share registers will be closed from 17th to 22nd September 2009, both dates inclusive.

HALF-YEAR OPERATING RESULTS

Underlying profit in the Property Division fell by HK$66 million to HK$1,849 million, mainly due to losses from the division's hotel interests and lower profits from the trading portfolio. Gross rental income rose by 10% to HK$3,596 million as rental reversions in the Group's office portfolio in Hong Kong generally remained positive and the developments at One Island East and The Village South at Sanlitun, Beijing, which opened in 2008, made contributions for the full half-year.

The Aviation Division faced an extremely difficult trading environment, with all of the division's interests suffering from the effect of global recession. Cathay Pacific and Dragonair saw a substantial reduction in demand for premium travel. In April the airlines announced a number of measures in response to the deteriorating business conditions, including a reduction in passenger and cargo capacity and the introduction of an unpaid leave scheme for staff of both airlines. There were gains on fuel hedging contracts in the first half of 2009, with unrealised mark-to-market gains of HK$2.1 billion, compared to losses of HK$7.6 billion for the whole of 2008. These gains reflect increases in the forward prices for fuel during the periods in which the relevant fuel hedging contracts will mature. They helped the Cathay Pacific group to record an attributable profit of HK$812 million, compared to a loss of HK$760 million in the first half of 2008. The HAECO group recorded a lower profit during the period as airlines cut capacity and expenditure in response to falling demand.

The Beverages Division recorded an increase in attributable profit of 89% to HK$371 million, primarily reflecting strong sales growth in the inland provinces of Mainland China. Hong Kong and Taiwan also saw positive volume growth, while margins in all markets improved due to lower raw material costs.

The Marine Services Division recorded a 6% increase in attributable profit to HK$929 million. Vessel charter rates and utilisation for Swire Pacific Offshore, which had been at record high levels, were adversely affected by the effect on offshore oil exploration activity of lower oil prices and by the large number of newly built vessels entering the offshore supply market. However, the effect of this was lessened by the fact that many contracts had been fixed in 2008 and by a reduction in operating costs.

Attributable profit in the Trading & Industrial Division fell by 45% to HK$129 million as the division's interests were adversely affected by the difficult economic conditions. There was no contribution from the Group's interest in Swire SITA, as it was sold in 2008. Receipts of the proceeds of this sale were outstanding at 30th June 2009; note 2(c) on page 37 provides further information on this matter.

FINANCE

Net debt at 30th June 2009 was HK$31,895 million, an increase of HK$1,449 million since 31st December 2008. The increase reflected investments in property projects and new vessels. HK$4,059 million of financing was arranged during the period. Gearing rose in the period by 0.8 percentage points to 23.2%. Cash and undrawn committed facilities totalled HK$13,229 million at 30th June 2009, compared with HK$10,595 million at 31st December 2008.

PROSPECTS

Rental conditions in the Hong Kong office and retail markets are expected to be similar in the second half of 2009 to those in the first-half. In Mainland China, the trading environment for the retail and hotel development at The Village at Sanlitun, Beijing, is expected to remain challenging. Work is progressing at our other developments in Beijing, Shanghai and Guangzhou.

The global aviation industry, having been adversely affected by very high fuel prices in the first half of 2008, has since then had to confront one of the most severe demand downturns in living memory. There are cautious signs that the fall in demand has bottomed but there is, as yet, no clear indication when a sustained recovery in business will begin. The Cathay Pacific group has taken appropriate measures to get through the current very difficult conditions and will take further measures as necessary should the cost and demand picture not improve. However, Cathay Pacific will ensure that quality and brand are not compromised and that the service proposition to the customer remains intact and strong. Business activity for the HAECO group in the second half of 2009 is expected to be substantially weaker than in the first-half as airlines continue to reduce services and expenditure.

Trading conditions for the Beverages Division are expected to be more difficult in the second-half, in particular in the US market. This may be offset to some extent by Mainland China, where continued growth is expected. However, the recent increase in commodity prices, if sustained, will lead to higher input costs and reduced margins, which are also expected to be affected by persistent pricing pressure in a competitive retail environment.

Utilisation and charter rates for Swire Pacific Offshore are expected to be under further pressure in the second-half, as oil companies continue to cut costs and exploration budgets. A significant number of additional new vessels are due to be delivered into the offshore market and this will keep pressure on rates.

The Trading & Industrial Division expects conditions to remain challenging in all markets in the second-half.

Despite the uncertain economic conditions, the Group is confident in its longer-term prospects. By continuing to invest in its core businesses, while at the same time maintaining the strength of its balance sheet, the Group is laying the foundations for future growth.

Christopher Pratt
Chairman
Hong Kong, 6th August 2009

Review of Operations

PROPERTY DIVISION

	Six months ended 30th June 2009 HK$M	Six months ended 30th June 2008 HK$M	Year ended 31st December 2008 HK$M
Turnover			
Gross rental income derived from			
Offices	**1,979**	1,701	3,632
Retail	**1,482**	1,412	2,910
Residential	**135**	144	291
Other revenue*	**42**	34	74
Property investment	**3,638**	3,291	6,907
Property trading	**148**	477	889
Hotels	**60**	78	156
Total turnover	**3,846**	3,846	7,952
Operating profit derived from			
Property investment	**2,754**	2,426	5,012
Valuation (losses)/gains on investment properties	**(1,183)**	9,926	184
Property trading	**84**	160	198
Hotels	**(322)**	(22)	(86)
Total operating profit	**1,333**	12,490	5,308
Share of post-tax profits from jointly controlled and associated companies	**840**	232	183
Attributable profit	**1,278**	10,948	4,293

* Other revenue is mainly estate management fees.

Additional information is provided below to reconcile reported and underlying profit attributable to the Company's shareholders. These reconciling items principally adjust for the impact of HKAS 40 and HKAS-Int 21 on investment properties and deferred taxation respectively.

	Note	Six months ended 30th June 2009 HK$M	Six months ended 30th June 2008 HK$M	Year ended 31st December 2008 HK$M
Reported attributable profit		**1,278**	10,948	4,293
Adjustments re investment properties:				
Revaluation of investment properties	(a)	**53**	(10,145)	(241)
Deferred tax on revaluation movements	(b)	**454**	1,879	320
Deferred tax written back on change in tax rate		**–**	(947)	(947)
Depreciation of investment properties occupied by the Group	(c)	**2**	6	13
Minority interests' share of revaluation movements less deferred tax		**(66)**	174	237
Impairment of hotel held as part of a mixed-use development less deferred tax	(d)	**128**	–	–
Underlying attributable profit		**1,849**	1,915	3,675

Notes:

(a) This represents the Group's net revaluation movements plus the Group's share of net revaluation movements of jointly controlled and associated companies.

(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies.

(c) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

(d) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those wholly-owned or jointly controlled hotel properties held for the long-term as part of a mixed-use property development would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated income statement.

Property Investment Portfolio – Gross Floor Area ('000 square feet)

Location	At 30th June 2009					At 31st December 2008
	Offices	Retail	Hotels	Residential	Total	Total
Completed						
Pacific Place	2,186	711	335	443	3,675	3,675
TaiKoo Place	5,992*	–	–	–	5,992	5,992
Cityplaza	1,633	1,105	–	–	2,738	2,738
Festival Walk	229	980	–	–	1,209	1,209
Others	183	603	47	35	868	1,056
– Hong Kong	10,223	3,399	382	478	14,482	14,670
– Mainland China	–	1,378	169	–	1,547	1,027
– United States	–	–	259	–	259	259
– United Kingdom	–	–	184	–	184	184
Total completed	10,223	4,777	994	478	16,472	16,140
Under and pending development						
– Hong Kong	590	–	362	68	1,020	876
– Mainland China	2,941	2,310	1,145	–	6,396	6,920
Total	13,754	7,087	2,501	546	23,888	23,936

Gross floor area represents 100% of space owned by Group companies and the Group's attributable share of space held through jointly controlled and associated companies.

* This includes 1.8 million square feet of techno-centres.

- Attributable profit from the Property Division for the first half of 2009 was HK$1,278 million compared to HK$10,948 million in the same period in 2008. These figures include net property valuation losses of HK$53 million and gains of HK$10,145 million respectively (before deferred tax). The attributable profit in the first half of 2008 included a deferred tax credit of HK$947 million resulting from the reduction in the Hong Kong profits tax rate from 17.5% to 16.5% in June 2008.

- Gross rental income rose by 10% to HK$3,596 million during the period. A trading profit of HK$84 million was recognised, principally on closings of units at the Island Lodge and Asia residential developments in Hong Kong and Miami respectively.

Hong Kong Investment Properties

- In the office portfolio, gross rental income for the half-year increased by 16% over the same period in 2008, to HK$1,979 million. Demand in the office market weakened somewhat, reflecting global economic conditions. However, office rental reversions remained generally positive. Office vacancy levels at 30th June 2009 were 2%.

- In the retail portfolio, gross rental income for the half-year increased by 1% over the same period in 2008, to HK$1,357 million. Occupancy levels in the Group's malls were close to 100%, but retail sales were 8% lower than in the same period in 2008.

- The Pacific Place design improvement project is progressing well and in accordance with the programme. Demolition work is scheduled to commence shortly at the Tai Sang Commercial Building, which is to be replaced by a 144,180 square foot Grade A office building expected to be completed in 2012.

- Conditions in the office and retail rental markets are expected to be similar in the second half of 2009 to those in the first-half.

Mainland China Investment Properties

- Gross rental income from the retail development at The Village South at Sanlitun, Beijing, and the retail podium of the Beaumonde residential development in Guangzhou was HK$125 million for the half-year. The Village South is 90% leased with 78% of the shops now open. Leasing at Beaumonde is in progress.

- Given the difficult economic conditions, the retail environment is expected to remain challenging for the remainder of 2009.

- The Village North at Sanlitun retail development, which comprises 519,000 square feet of gross space, is expected to open progressively in the second half of 2009. It is currently 43% leased in difficult market conditions.

- Construction of the superstructure at TaiKoo Hui, the 3.7 million square foot mixed-use development in central Guangzhou, is progressing well, with a phased opening expected to commence in late 2010.

- Site clearance and resettlement works continue at the Dazhongli Project in the Jing An district of Shanghai. The expected opening of the 3.5 million square foot mixed-use development has been deferred by a year to 2014, in part because of the need to accommodate the construction of a metro station adjacent to the site.

- Site excavation works continue at the 1.9 million square foot mixed-use development at Jiang Tai in the Chaoyang district of Beijing. A phased opening is expected in 2011.

Valuation of Investment Properties

- As a result of the adoption of the revised HKAS 40 during the period, the portfolio of properties accounted for as investment properties has been expanded to include investment properties being developed, principally TaiKoo Hui, Dazhongli and Jiang Tai. (The valuations of properties under development at Dazhongli and Jiang Tai are reflected in the Group's investment in jointly controlled companies.) Previously, only completed investment properties and existing investment properties undergoing redevelopment were accounted for as investment properties. In total, HK$4,336 million of investment properties being developed (including The Village North, which was completed during the period) were transferred to the investment properties category at 1st January 2009 from property, plant and equipment and leasehold land and land use rights.

- The portfolio of investment properties was valued at 30th June 2009 (97% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation (before associated deferred tax) was HK$138,777 million compared to HK$134,539 million at 31st December 2008.

- The valuation at 30th June 2009 reflects current market conditions and takes into account a slight reduction in rental levels for office and retail properties in Hong Kong since the 31st December 2008 valuation.

Investment Properties

Financial Information Reviewed by Auditors

Valuation	HK$M
At 1st January 2009	134,539
Translation differences	(7)
Transferred from property, plant and equipment and leasehold land on adoption of revised HKAS 40	4,336
Additions	1,117
Other net transfers to property, plant and equipment and leasehold land	(30)
Net fair value losses	(1,178)
At 30th June 2009	138,777
Add: Initial leasing costs	68
At 30th June 2009 (including initial leasing costs)	138,845
At 1st January 2009 (including initial leasing costs)	134,625

Hotels

Hong Kong

- The JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and Novotel Citygate in Tung Chung, in each of which Swire Properties has a 20% interest, experienced pressure on occupancy levels and room rates as a result of weak business and leisure demand.

- Work at the two Swire Hotels in Hong Kong is progressing on schedule. The Upper House, a 117-room luxury hotel at Pacific Place, is expected to open in October 2009, while EAST, a 345-room hotel at Cityplaza, is due to open in early 2010.

Mainland China

- The Opposite House, a 99-room luxury hotel at The Village at Sanlitun, Beijing, continued to experience pressure on occupancy in the half-year, reflecting weak demand.

USA

- The 329-room Mandarin Oriental Hotel in Miami, in which Swire Properties has a 75% interest, continued to be adversely affected by prevailing economic conditions in the USA.

UK

- Swire Properties owns four small hotels in provincial UK cities. Occupancy levels in the hotels in Bristol and Brighton held up amid weak economic conditions. The hotels in Exeter and Cheltenham are closed for refurbishment, with work at the latter underway. A major renovation for the Bristol hotel is currently being considered.

Profile of Capital Commitments for Investment Properties and Hotels

(HK$M)	Expenditure Six months ended 30th June 2009	Forecast period of expenditure Six months ending 31st December 2009	2010	2011	2012 & beyond	Commitments at 30th June 2009
Property project						
Hong Kong projects	**693**	791	802	719	133	**2,445**
Mainland China projects	**1,618**	2,886	3,452	1,503	922	**8,763**
UK hotels	**29**	53	302	164	50	**569**
USA hotels	**5**	–	–	–	–	**–**
Total	**2,345**	3,730	4,556	2,386	1,105	**11,777**

Property Trading Portfolio

Hong Kong

- 149 of the 184 units have been sold at Island Lodge in North Point, with recent sale prices reflecting the return of favourable market sentiment. Swire Properties is entitled to reimbursement of costs and a share of the net proceeds under an agreement with China Motor Bus, which owns the property.

- The development plan for 2A-2E Seymour Road, in which Swire Properties has a controlling interest, has been finalised. This 206,300 square foot residential development is expected to be completed in 2012.

- Redevelopment options are being explored at Sai Wan Terrace, a residential development in Quarry Bay in which Swire Properties has a controlling interest.

USA

- Sales of 71 of the 123 units have been closed at the Asia residential development in Miami since completion of construction in March 2008. The real estate market in South Florida continues to suffer from difficult economic conditions and tight credit availability. The Group has provided vendor financing in a small number of transactions.

Martin Cubbon

AVIATION DIVISION

	Six months ended 30th June 2009 HK$M	Six months ended 30th June 2008 HK$M	Year ended 31st December 2008 HK$M
Share of post-tax profits from associated companies			
Cathay Pacific group*	**277**	(370)	(3,607)
Hong Kong Aircraft Engineering group	**191**	261	505
Hong Kong Air Cargo Terminals**	**77**	124	274
	545	15	(2,828)
Attributable profit/(loss)	**520**	(29)	(2,922)

* Figures for the comparative periods have been restated following the adoption of HK(IFRIC)-Int 13 (Customer Loyalty Programmes). Refer to note 2(b) to the interim financial information for further details.

The share of profit attributable to Cathay Pacific's holding in Hong Kong Aircraft Engineering group has been included in the attributable figures for that company.

** Figures for the six months ended 30th June 2008 have been restated to reflect the application of equity accounting for the whole period. Refer to note 7 to the interim financial information for further details.

Cathay Pacific and Dragonair

		Six months ended 30th June 2009	Six months ended 30th June 2008	Change
Key Operating Highlights				
Available tonne kilometres ("ATK")	*Million*	**11,035**	12,081	**-8.7%**
Passengers carried	*'000*	**11,938**	12,463	**-4.2%**
Passenger load factor	*%*	**78.5**	80.0	**-1.5%pt**
Passenger yield	*HK cents*	**49.7**	61.9#	**-19.7%**
Cargo and mail carried	*'000 tonnes*	**701**	828	**-15.3%**
Cargo and mail load factor	*%*	**66.2**	66.4	**-0.2%pt**
Cargo and mail yield	*HK$*	**1.66**	2.47#	**-32.8%**
Cost per ATK	*HK$*	**2.57**	3.46#	**-25.7%**
Cost per ATK without fuel	*HK$*	**1.98**	1.89#	**+4.8%**
Aircraft utilisation	*Hours per day*	**11.1**	11.4	**-2.6%**
On-time performance	*%*	**88.3**	79.4	**+8.9%pt**

Restated figures.

- The Aviation Division reported an attributable profit of HK$520 million in the first half of 2009, compared to a loss of HK$29 million in the same period in 2008.

Cathay Pacific group

- The Cathay Pacific group reported a profit of HK$812 million for the first half of 2009. This compares to a loss of HK$760 million in the first half of 2008. Turnover for the period fell by 27.1% to HK$30,921 million.

- The global recession in the first half of 2009 saw extremely challenging business conditions for commercial aviation. The downturn in Cathay Pacific's key markets has been deep and sustained and has sharply reduced passenger and cargo revenues.

- Fuel prices were on average significantly lower than in the first half of 2008, but were still higher than in previous years. Both spot and forward prices rose rapidly in the second quarter, with May recording the largest monthly rise in ten years. Unrealised mark-to-market gains on fuel hedging contracts of HK$2.1 billion were recorded in the period compared to losses of HK$7.6 billion for the whole of 2008. These gains reflected increases in the forward prices for fuel during the periods in which the relevant fuel hedging contracts will mature.

- A number of measures were introduced to mitigate the impact of the revenue shortfall, including reducing passenger and freight capacity at Cathay Pacific and Dragonair, an unpaid leave scheme for staff of both airlines and cutting operating costs and capital expenditure.

Passenger Services

Cathay Pacific and Dragonair

- Cathay Pacific and Dragonair carried a total of 11.9 million passengers in the first half of 2009, down 4.2% on the same period last year. Revenue from passenger services fell by 22.9% to HK$21,809 million and yield dropped by 19.7% to HK¢49.7, reflecting weak demand from premium travellers, competitive pressure on economy class fares and the strong US dollar.

- Capacity reductions were introduced on selected routes from May, in line with the lower level of demand and with a view to containing costs. Overall capacity was reduced by 8% at Cathay Pacific and 13% at Dragonair. On Dragonair's network, a number of services have been suspended.

- Cross-straits traffic carried on Taiwan and Mainland China flights has been significantly affected since direct cross-straits charters started in July 2008. The impact was partially offset by an increase in Mainland China tourists travelling to Taiwan via Hong Kong.

Cargo Services

Cathay Pacific and Dragonair

- Cargo demand in the first half of 2009 was very weak, reflecting global economic conditions. Cathay Pacific and Dragonair tonnage fell by 15.3% to 700,693 tonnes. The cargo load factor fell by 0.2 percentage points to 66.2% while yield fell by 32.8% to HK$1.66, reflecting intense competition.

- Capacity was reduced by 14.1% compared to the same period last year, in line with the fall in demand. Most routes were affected, the exceptions being India and the Middle East. The weekly frequency of the freighter fleet was reduced to 84 compared to 124 during the peak weeks in 2008. Notwithstanding these adjustments, the freighter network remains intact.

AHK Air Hong Kong ("AHK")

- AHK, a 60% owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express (the remaining 40% shareholder) to 11 Asian cities with a fleet of eight Airbus A300-600F freighters and three wet-leased aircraft.

- Despite decreases in load factor and yield of 3.5 percentage points and 15.5% respectively, AHK achieved a higher profit in the first half of 2009 than in the same period in 2008.

Fleet Size

Cathay Pacific and Dragonair

- During the first half of 2009, the two airlines took delivery of seven new aircraft, including two Boeing 777-300ER passenger aircraft and the sixth and final Boeing 747-400ERF freighter. Nineteen Boeing 777-300ER aircraft remain on firm order, but the group has been working to defer a number of deliveries.

- Five Boeing 747-200F "Classic" freighters were retired during the first half of 2009. The last "Classic" freighter was retired in July. Five Boeing 747-400BCF freighters were taken out of service and one was wet-leased to AHK. Two of Dragonair's Airbus A330-300 aircraft whose leases expired were returned in June.

- Cathay Pacific has a total of ten Boeing 747-8F advanced freighters on order, the first of which will arrive in March 2010.

Outlook

Cathay Pacific and Dragonair

- The global aviation industry, having been adversely affected by very high fuel prices in the first half of 2008, has since then had to confront one of the most severe demand downturns in living memory. There are cautious signs that the fall in demand has bottomed but there is, as yet, no indication when a sustained recovery in business will begin. The Cathay Pacific group has taken appropriate measures to get through the current very difficult conditions and will take further measures as necessary should the cost and demand picture not improve. However, the company will ensure that quality and brand are not compromised and that the service proposition to the customer remains intact and strong.

- Despite today's difficult economic conditions, Cathay Pacific remains confident in its future. Cathay Pacific has a capable, committed workforce and management team and a superb international network centred on Asia's premier aviation hub. Cathay Pacific will be in a strong position when the business rebound comes.

Air China

- Air China, in which Cathay Pacific holds an 18.1% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services.

- Cathay Pacific's share of Air China's profit is based on accounts drawn up three months in arrears and consequently the 2009 interim results include Air China's results for the six months ended 31st March 2009, excluding Cathay Pacific's share of Air China's fuel hedging losses at 31st December 2008, which were included in Cathay Pacific's 2008 annual results.

- The group shared a loss from Air China's results.

Hong Kong Aircraft Engineering Company ("HAECO")

- The HAECO group provides a range of aviation maintenance and repair services primarily in Hong Kong through HAECO and in Xiamen through its subsidiary company Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO"). In addition, Hong Kong Aero Engine Services Limited ("HAESL"), a jointly controlled company, operates an aircraft engine overhaul business in Hong Kong.

- The HAECO group recorded a profit of HK$430 million in the first half of 2009, a decrease of 27% from the comparative period in 2008. The result reflects increasingly difficult trading conditions for HAECO's businesses as airlines cut capacity and expenditure in response to falling demand.

- Demand for heavy and line maintenance work fell both in Hong Kong and Xiamen.

- HAESL's engine overhaul business returned satisfactory results due to a favourable work mix.

Outlook

- Business activity in the second half of 2009 is expected to be substantially weaker than in the first-half as airlines continue to reduce services and expenditure. The HAECO group has significant unsold capacity for the first time in several years. Despite its considerable competitive advantages, the timing of any sustained recovery in the HAECO group's business will depend upon a recovery in global aviation generally.

Developments

- Despite the downturn in demand, the HAECO group has continued to invest in both Hong Kong and Mainland China to expand its facilities and the range of its services.

- HAECO's third hangar in Hong Kong is scheduled to open in September 2009.

- Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited is expected to open its specialist advanced composite repair facility in the fourth quarter of 2009.

- TAECO's sixth hangar in Xiamen is expected to open in mid-2010.

- Taikoo Engine Services (Xiamen) Company Limited is upgrading its facility in Xiamen, with the first engine induction expected in the second quarter of 2010.

- Taikoo Sichuan Aircraft Engineering Services Company Limited is constructing its first hangar in Chengdu, which is due to open in mid-2010.

- HAESL's extension is expected to be completed in the first quarter of 2011.

Other Operations

Cathay Pacific Catering Services group ("CPCS")

- CPCS, a wholly-owned subsidiary of Cathay Pacific, operates six inflight catering facilities in Asia and North America. Despite effective cost controls, CPCS reported a reduced profit for the first half of 2009, with lower meal volumes and yield. Airline customers' cost saving initiatives adversely affected the company's profit margin.

Hong Kong Airport Services ("HAS")

- HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport.

- The business environment was extremely difficult in the first half of 2009, with a fall in business volume coupled with rising costs. Despite a number of cost saving initiatives being put in place to mitigate the impact of the economic downturn, including an unpaid leave scheme for the management team, profit for the first half of 2009 was lower than in the first half of 2008.

Hong Kong Air Cargo Terminals ("Hactl")

- Hactl registered a decline in cargo throughput during the first half of 2009 of 21.5%, reflecting adverse economic conditions. This resulted in a significant reduction in the profit of Hactl attributable to the Swire Pacific Group.

Tony Tyler
John R Slosar

BEVERAGES DIVISION

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M
Turnover	**4,036**	3,626	8,001
Operating profit	**264**	145	510
Share of post-tax profits from jointly controlled and associated companies	**233**	121	269
Attributable profit	**371**	196	585

Segment Information

	Turnover			Attributable Profit/(Loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M	**2009 HK$M**	2008 HK$M	2008 HK$M
Hong Kong	**896**	791	1,799	**69**	50	157
Taiwan	**694**	545	1,358	**19**	(4)	21
USA	**1,792**	1,690	3,512	**112**	108	256
Mainland China*	**654**	600	1,332	**184**	58	169
Central costs	**–**	–	–	**(13)**	(16)	(18)
	4,036	3,626	8,001	**371**	196	585

* Mainland China turnover is attributable mainly to the Fujian Coca-Cola franchise. Other interests in Mainland China are jointly controlled or associated companies, the total turnover of which in Mainland China (excluding sales among the jointly controlled and associated companies) was HK$6,433 million in the first half of 2009 (2008: first-half: HK$5,736 million; full-year: HK$12,190 million).

Operating Highlights

	Hong Kong	Taiwan	USA	Mainland China	Total
Sales volumes (million unit cases)					
Six months ended 30th June 2009	**28.6**	**29.1**	**40.8**	**328.1**	**426.6**
Six months ended 30th June 2008	25.3	24.2	41.3	283.0	373.8

- The Beverages Division made an attributable profit of HK$371 million in the first half of 2009, compared with HK$196 million in the same period last year.
- Overall sales volumes grew by 14% with Mainland China, Taiwan and Hong Kong continuing to benefit from an expanded product portfolio and Mainland China benefiting from enhanced distribution. Margins improved, principally due to a reduction in raw material costs.

Hong Kong

- Attributable profit for the first-half was HK$69 million, a 38% increase over the same period last year.
- The retail trading environment was extremely competitive, reflecting the weak economy, but improved market share in several beverage categories resulted in a 13% growth in sales volumes compared to the same period in 2008. Sparkling beverage sales

volumes grew by 6%. Still beverage sales volumes increased by 21%, reflecting the successful relaunch of Minute Maid juice drinks in October 2008 and the consolidation of Bonaqua's market leadership in packaged waters. Margins improved as a result of reduced raw material costs.

Taiwan

- Attributable profit for the first-half was HK$19 million compared to a marginal loss for the same period last year.

- Sales volumes grew by 20% in a declining beverages market, with the Taiwan economy being particularly badly affected by the global recession. Minute Maid continued to perform strongly. There was also encouraging growth in sales of sparkling beverages, reflecting packaging innovations and successful promotions over the important Chinese New Year festive period.

- Margins benefited from a reduction in variable costs, reflecting operational efficiencies derived from the restructuring undertaken in 2008.

USA

- Attributable profit for the first-half totalled HK$112 million, a 4% increase from the same period last year.

- The weak US economy continued to have an adverse impact on sales of higher margin immediate consumption products. Sales of premium priced energy drinks weakened, as did Dasani packaged water sales, with consumers switching to private label brands. The weak water sales contributed to a 3% decline in still beverage sales volumes. Sparkling sales volumes fell by 1%.

- Margins improved, primarily due to a fall in fuel and packaging costs.

Mainland China

- Attributable profit for the first-half totalled HK$184 million, a 217% increase over the same period last year.

- Sales volumes grew by 16%. Sales growth was particularly strong in the inland provinces of Anhui and Henan. Zhejiang, Fujian and Guangdong reported lower rates of sales growth as those provinces were more directly affected than the inland provinces by the global recession and a fall in the migrant worker population. Sparkling beverage sales volumes grew by 12%, aided by the expanded distribution of Coke Zero. Still beverage sales volumes grew by 25%, with Minute Maid flavour extensions helping to maintain growth.

- Margins improved, reflecting a fall in raw material costs and improvement in cost control.

Outlook

- Trading conditions in all markets are expected to remain challenging, with prospects for the US market looking particularly difficult. In Mainland China growth is expected to continue, but at a higher rate in the inland provinces (as their economies benefit from government stimulus spending) than in the coastal provinces. The Hong Kong and Taiwan beverage markets are expected to remain very competitive. However, it is hoped that promotional activities planned for the peak summer season will sustain the improved first-half sales performance.

- The recent increase in commodity prices, if sustained, will lead to higher input costs and reduced margins, which are also expected to be affected by persistent pricing pressure in a competitive retail environment.

Geoff Cundle

MARINE SERVICES DIVISION

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M
Swire Pacific Offshore group			
Turnover	**2,063**	1,849	4,007
Operating profit	**892**	853	1,750
Attributable profit*	**888**	834	1,691

* Including post-tax profits from the jointly controlled companies shown below.

	Six months ended 30th June		Year ended 31st December
Share of post-tax profits from jointly controlled companies			
Swire Pacific Offshore group	**3**	–	–
HUD group	**41**	44	76
	44	44	76
Attributable profit	**929**	878	1,767

	At 30th June		At 31st December
	2009	2008	2008
Fleet size (number of vessels)			
Swire Pacific Offshore group	**69**	65	69
HUD group	**18**	21	19
Total	**87**	86	88

Profile of Capital Commitments – Swire Pacific Offshore group

	Expenditure	Forecast period of expenditure			**Commitments**
(HK$M)	**Six months ended 30th June 2009**	Six months ending 31st December 2009	2010	2011	**at 30th June 2009**
Vessels	**195**	963	1,481	641	**3,085**
Other equipment	**7**	47	14	–	**61**
Total	**202**	1,010	1,495	641	**3,146**

- The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of specialist vessels supporting the offshore oil industry. The division also has jointly controlled interests, through the HUD group, in ship repair and harbour towage services in Hong Kong. The attributable profit of HK$929 million for the first half of 2009 was 6% higher than that of the same period in 2008.

Swire Pacific Offshore group

- SPO reported an attributable profit of HK$888 million for the first half of 2009, an increase of 6% over the comparable period in 2008. There were no capital gains on disposal of vessels during the period (2008 first-half: capital gains of HK$35 million).

- A combination of lower oil prices, the global economic recession and a substantial increase in the delivery of newly built tonnage into the market adversely affected fleet utilisation.

- Overall fleet utilisation in the first half of 2009 was 91% compared with 94% in the first half of 2008. The average charter rates were in line with those achieved in 2008 as many of the contracts were fixed in the second half of 2008, before the emergence of significant downward pressure on rates.

- Despite an increase in overall fleet size, the operating costs per vessel day in the first half of 2009 fell slightly compared with those in the first half of 2008 as a result of the impact of the stronger US dollar on non-US dollar vessel operating expenses.

- At 30th June 2009, SPO operated a fleet of 69 vessels, the same number as on 31st December 2008. During the first half of 2009, SPO took delivery of one V-class 8,810 brake horse power anchor handling tug supply ("AHTS") vessel and returned one B-class vessel to the owner.

- Total capital expenditure on new vessels and equipment during the first half of 2009 was HK$202 million, compared to HK$644 million in the first half of 2008.

- The second half of 2009 is expected to be challenging. Despite the oil price recovering to a level above US$60 per barrel, the offshore oil exploration market remains weak as oil companies continue to cut costs and defer investment. New vessel deliveries are also expected to have an adverse effect. Projects are being delayed and customers in all major markets have asked for discounts or rate reductions both on bids submitted and on existing contracts. Although 60% of the second-half fleet capacity was pre-booked at 30th June 2009, the day rates are 5% to 30% lower than rates actually achieved in the first half of 2009.

- At 30th June 2009, 17 vessels and two accommodation barges were on order, with a total capital expenditure commitment of HK$3,146 million (31st December 2008: HK$3,244 million). One V-class AHTS vessel is expected to be delivered in the second half of 2009.

Hongkong United Dockyards ("HUD") group

- Attributable profit from the HUD group for the first half of 2009 was HK$41 million, compared to HK$44 million for the same period in 2008. The results for the first half of 2009 include a HK$5 million profit on sale of a tug.

- The salvage and towage division recorded a 13% reduction in tug movements for the first half of 2009 compared to the same period in 2008, reflecting the weakness of the container-shipping industry.

- The ship repair division's business remained reasonably stable for much of the period, reflecting the time lag between the slowdown in the wider economy and its impact on the ship repair industry.

- Looking ahead, depressed global trading conditions are continuing to affect the container-shipping industry adversely. Fewer harbour tug movements are expected in the second half of 2009 than in the corresponding period of 2008. Tighter project scope management and tougher pricing negotiations for repairs are expected from ship owners.

J B Rae-Smith
Davy Ho

TRADING & INDUSTRIAL DIVISION

	Six months ended 30th June 2009 HK$M	Six months ended 30th June 2008 HK$M	Year ended 31st December 2008 HK$M
Turnover			
Swire Resources group	**903**	882	1,776
Taikoo Motors group	**977**	1,388	2,534
Taikoo Sugar	**169**	194	445
Other subsidiary companies	**5**	47	58
	2,054	2,511	4,813
Operating profits/(losses)			
Swire Resources group	**32**	33	49
Taikoo Motors group	**6**	19	10
Taikoo Sugar	**5**	6	13
Other subsidiary companies and central costs	**(16)**	(16)	(34)
Valuation gain on investment property	**–**	14	14
	27	56	52
Attributable profits/(losses)			
Swire Resources group*	**34**	82	87
Taikoo Motors group	**5**	8	4
Taikoo Sugar	**4**	5	11
Other subsidiary companies and central costs	**(13)**	(15)	(31)
Valuation gain on investment property	**–**	12	23
	30	92	94

* Including post-tax profits from the jointly controlled and associated companies within the Swire Resources group shown below.

	2009 HK$M	2008 HK$M	2008 HK$M
Share of post-tax profits from jointly controlled and associated companies			
Swire Resources group	**9**	57	50
CROWN Beverage Cans group	**37**	42	81
Akzo Nobel Swire Paints	**62**	60	132
Swire SITA group	**–**	40	72
	108	199	335
Profit on sale of interest in Swire SITA group	**–**	–	1,721
Attributable profit	**129**	234	2,100

- The Trading & Industrial Division reported an attributable profit of HK$129 million in the first half of 2009, a 45% reduction from the same period in 2008. Excluding the impact of businesses now closed or sold, the comparative fall in profit is 28%.

Swire Resources group

- The Swire Resources group distributes and retails sports and casual footwear and apparel brands in Hong Kong and Mainland China.

- Attributable profit for the first half of 2009 was HK$34 million, a 59% decrease from the same period in 2008. The decrease primarily reflected a lower contribution from the group's PUMA associate, where both turnover and margins declined sharply.

- In Hong Kong turnover was slightly behind that in the first half of 2008, despite higher sales, driven by increased sales promotions, from the multibrand store chains.

- Turnover in Mainland China grew by 17% as strong growth of the Columbia brand was partly offset by lower turnover attributable to other brands following the transfer to third party retailers or closure of loss-making retail outlets. The group managed 68 retail outlets in Mainland China at the end of the period.

- Overall margins in Mainland China improved as a result of increased local purchasing.

- The trading environment in the second half of the year is expected to become increasingly difficult with margins coming under pressure as a result of price discounting.

Taikoo Motors group

- The Taikoo Motors group imports and distributes vehicles under exclusive franchise agreements in Taiwan.

- In a challenging market, turnover for the first half of 2009 fell by 30% to HK$977 million and attributable profit fell by 38% to HK$5 million.

- Taikoo Motors sold 2,950 cars, 16% fewer than in the same period in 2008, in part due to the expiry of the Audi franchise agreement in February. The car market in Taiwan as a whole fell by 4% in the period.

- Volvo commercial vehicles unit sales fell by 63% compared to the same period last year, in line with a fall in the sector overall of 56%.

- Harley-Davidson performed ahead of expectations, selling 156 motorcycles in the first half of 2009.

- New model launches in the second half of 2009, including the Mark VI Volkswagen Golf, should improve comparative performance, although overall market conditions will remain difficult.

Taikoo Sugar

- Taikoo Sugar supplies premium sugar products to the Hong Kong and Mainland China markets and wholesale purchasing services to industrial users.

- Taikoo Sugar reported an attributable profit of HK$4 million in the first half of 2009, compared with HK$5 million in the same period in 2008.

- In March, the company moved to larger packaging facilities in Guangzhou, more than doubling its production capacity to 2,300 metric tonnes per annum.

- Rising sugar costs are expected to put pressure on margins in the second-half.

CROWN Beverage Cans group

- CROWN Beverage Cans group consists of joint ventures with Crown Holdings Inc., which manufacture aluminium beverage cans in Mainland China and Vietnam.
- The group contributed an attributable profit of HK$37 million for the first half of 2009, compared to HK$42 million in the same period in 2008.
- The fall in contribution is attributable to a 9% reduction in sales volumes in Mainland China, reflecting an overall weakening in market demand.
- Market conditions are expected to remain difficult for the remainder of the year.

Akzo Nobel Swire Paints

- These joint ventures with Akzo Nobel manufacture and distribute decorative paints, primarily under the Dulux brand, in Mainland China and Hong Kong.
- Attributable profit for the first half of 2009 was HK$62 million, compared to HK$60 million in the same period in 2008.
- Mainland China sales volumes fell marginally compared to the same period in 2008. Sales volumes were very weak in the first quarter of 2009, reflecting adverse conditions in the property market and retailer de-stocking. However, this was mitigated by a strong upturn at the end of the second quarter. Turnover was adversely affected by changes in the sales mix, but the effect of this on profits was more than offset by lower direct costs and reduced advertising and promotion activity.
- The Hong Kong business performed broadly in line with the same period of 2008.
- The remainder of 2009 will be challenging for the joint ventures.

Swire SITA group

- As more fully described in note 2(c) to the interim financial information on page 37, in October 2008 the division transferred full operational control of its 50% interest in Swire SITA to Suez Environnement, its joint venture partner. No share of attributable profit has been recognised since October 2008.

J B Rae-Smith

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally reverse the impact of HKAS 40 and HKAS-Int 21 on investment properties and deferred taxation respectively. Further analysis compares the impact of other significant items in the current and prior periods.

	Note	Six months ended 30th June 2009 HK$M	Six months ended 30th June 2008 HK$M	Year ended 31st December 2008 HK$M
Underlying profit				
Profit attributable to the Company's shareholders per accounts	(a)	**3,231**	12,341	5,853
Adjustments re investment properties:				
Revaluation of investment properties	(b)	**48**	(10,242)	(234)
Deferred tax on revaluation movements	(c)	**455**	1,896	318
Deferred tax written back on change in tax rate		**–**	(949)	(949)
Depreciation of investment properties occupied by the Group	(d)	**2**	6	13
Minority interests' share of revaluation movements less deferred tax		**(66)**	174	237
Impairment of hotel held as part of a mixed-use development less deferred tax	(e)	**128**	–	–
Underlying profit attributable to the Company's shareholders		**3,798**	3,226	5,238
Other significant items:				
Trading items				
Impairment of properties held for development		**29**	–	77
Capital items				
Profit on sale of interest in Swire SITA		**–**	–	(1,721)
Profit on sale of vessels		**–**	(35)	(94)
Profit on sale of properties previously occupied by the Group		**(110)**	–	–
Profit on sale of interests in subsidiary companies		**–**	(53)	(53)
Impairment of stand-alone hotels less deferred tax		**46**	–	–
Adjusted profit		**3,763**	3,138	3,447
Underlying equity				
Equity attributable to the Company's shareholders per accounts	(a)	**136,295**	144,921	134,741
Deferred tax on revaluation of investment properties		**16,136**	17,267	15,531
Unrecognised valuation gains on hotels held as part of a mixed-use development	(e)	**236**	–	–
Revaluation of investment properties occupied by the Group		**1,149**	1,617	1,311
Cumulative depreciation of investment properties occupied by the Group		**77**	73	74
Underlying equity attributable to the Company's shareholders		**153,893**	163,878	151,657
Underlying minority interests		**1,492**	1,464	1,531
Underlying equity		**155,385**	165,342	153,188

Notes:

(a) The adoption of HK(IFRIC)-Int 13 (Customer Loyalty Programmes) has resulted in the restatement of the 2008 comparative figures. Refer to note 2(b) to the interim financial information for further details.

(b) This represents the net revaluation movements as shown in the consolidated income statement plus the Group's share of net revaluation movements of jointly controlled and associated companies.

(c) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies.

(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

(e) Under HKAS 40, hotel properties are stated in the accounts at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those wholly-owned or jointly controlled hotel properties held for the long-term as part of a mixed-use property development would be accounted for as investment properties. Accordingly, any increase or write-down in their value would be recorded in the revaluation reserve rather than the consolidated income statement.

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M
Net cash used by businesses and investments			
Cash generated from operations	**3,900**	3,621	7,580
Dividends received	**537**	1,404	1,812
Tax paid	**(154)**	(189)	(468)
Net interest paid	**(716)**	(589)	(1,212)
Cash used in investing activities	**(2,666)**	(7,214)	(10,015)
	901	(2,967)	(2,303)
Cash paid to shareholders and net funding by external debt			
Dividends paid	**(2,259)**	(3,576)	(4,980)
(Decrease)/increase in borrowings	**(868)**	7,204	8,247
Capital contribution from minority interests	**–**	–	10
Repurchase of the Company's shares	**–**	(17)	(649)
Net security deposits uplifted	**85**	85	170
	(3,042)	3,696	2,798
(Decrease)/increase in cash and cash equivalents	**(2,141)**	729	495

Cash used in investing activities included capital expenditure for, and investments in, the property projects in Mainland China, as well as stage payments for offshore support vessels under construction.

Changes in Financing

Financial Information Reviewed by Auditors
Analysis of Changes in Financing during the Period/Year

	Six months ended 30th June 2009	Year ended 31st December 2008
	HK$M	HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**35,272**	27,038
Loans drawn and refinancing	**3,841**	12,161
Repayment of loans and bonds	**(4,709)**	(3,914)
Other non-cash movements	**6**	(13)
At 30th June/31st December	**34,410**	35,272
Overdrafts	**5**	–
	34,415	35,272

During the first half of 2009, the Group raised HK$4,059 million. This included:

- the issue of three series of four-year medium-term notes totalling HK$500 million
- a two-year bilateral term loan facility of RMB300 million
- a five-year bilateral term loan facility of RMB2,000 million
- a two-year bilateral revolving credit facility of US$38 million
- a four-year bilateral term loan facility of HK$500 million

Two additional five-year bilateral term loan facilities totalling HK$1,000 million were signed in July 2009.

Sources of Finance

At 30th June 2009, committed loan facilities and debt securities amounted to HK$44,093 million, of which HK$11,215 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$3,351 million.

Financial Information Reviewed by Auditors
Sources of funds at 30th June 2009 comprised:

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring after one year HK$M
Committed facilities				
Loans and bonds				
Fixed / floating rate bonds	13,447	13,447	–	–
Bank loans, overdrafts and other loans	28,321	17,106	1,355	9,860
Perpetual capital securities	2,325	2,325	–	–
Total committed facilities	44,093	32,878	1,355	9,860
Uncommitted facilities				
Bank loans, overdrafts and other loans	4,966	1,615	3,268	83
Total	49,059	34,493	4,623	9,943

Note: The figures above are stated before unamortised loan fees of HK$78 million.

The Group had bank balances and short-term deposits of HK$2,014 million at 30th June 2009, excluding security deposits, compared to HK$4,239 million at 31st December 2008.

Maturity Profile and Refinancing

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

* The perpetual capital securities have no fixed maturity date. In the above graph their maturity has been presented as their first call date, 13th May 2017.

Financial Information Reviewed by Auditors
Gross Borrowings Maturity Profile

	30th June 2009		31st December 2008	
	HK$M		HK$M	
Within 1 year	**4,913**	**14%**	3,751	11%
1 – 2 years	**4,314**	**13%**	1,967	6%
2 – 5 years	**13,070**	**38%**	17,438	49%
After 5 years	**12,118**	**35%**	12,116	34%
Total	**34,415**	**100%**	35,272	100%

Currency Profile

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

	30th June 2009		31st December 2008	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**29,050**	**84%**	29,633	84%
United States dollar	**1,290**	**4%**	1,385	4%
Renminbi	**3,786**	**11%**	3,631	10%
New Taiwan dollar	**224**	**1%**	600	2%
Others	**65**	**–**	23	–
Total	**34,415**	**100%**	35,272	100%

Finance Charges

At 30th June 2009, 58% of the Group's gross borrowings were on a fixed rate basis and 42% were on a floating rate basis (31st December 2008: 57% and 43% respectively).

Financial Information Reviewed by Auditors
Interest charged and earned was as follows:

	Six months ended 30th June		Year ended 31st December
	2009 HK\$M	2008 HK\$M	2008 HK\$M
Interest charges			
Bank loans and overdrafts	**(201)**	(347)	(679)
Other loans and bonds	**(475)**	(352)	(850)
Fair value gains/(losses) on derivative instruments:			
– Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**(9)**	25	32
– Interest rate swaps: fair value hedges	**7**	–	27
– Interest rate swaps: not qualifying as hedges	**2**	(14)	(5)
Adjustments to financial liabilities – fair value hedges	**(1)**	–	(26)
Amortised loan fees – loans at amortised cost	**(11)**	(9)	(18)
Deferred into properties under development for sale	**2**	7	10
Finance charges capitalised	**154**	276	424
	(532)	(414)	(1,085)
Interest income			
Short-term deposits and bank balances	**21**	47	83
Other loans	**20**	26	90
	41	73	173
Net finance charges	**(491)**	(341)	(912)

Gearing Ratios and Interest Cover

	Note	30th June		31st December
		2009	2008 (Restated)	2008 (Restated)
Gearing ratio	1			
– Per accounts		**23.2%**	19.9%	22.4%
– Underlying		**20.5%**	17.6%	19.9%
Interest cover – times	2			
– Per accounts		**4.9**	39.7	10.0
– Underlying		**7.7**	10.4	9.9
Cash interest cover – times	3			
– Per accounts		**3.7**	21.7	6.8
– Underlying		**5.8**	5.7	6.7

Notes:
1. Gearing represents the ratio of net debt to total equity (including minority interests).
2. Interest cover is calculated by dividing operating profit by net finance charges.
3. Cash interest cover is calculated by dividing operating profit by the total of net finance charges and capitalised interest.

Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its jointly controlled and associated companies. These companies had the following net debt positions at 30th June 2009 and 31st December 2008. If the attributable portion of the net debt in jointly controlled and associated companies were to be added to the Group's net debt, gearing would rise to 33% and underlying gearing would rise to 29%.

	Total net debt/(cash)		Portion of net debt/(cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2009 HK$M	31st December 2008 HK$M	**30th June 2009 HK$M**	31st December 2008 HK$M	**30th June 2009 HK$M**	31st December 2008 HK$M
Property Division	**4,281**	4,406	**1,216**	1,241	**488**	491
Aviation Division						
Cathay Pacific group	**30,668**	25,198	**12,258**	10,074	**–**	–
HAECO group	**273**	(216)	**122**	(96)	**–**	–
Hactl	**2,025**	2,172	**405**	434	**–**	–
Other Aviation Division companies	**12**	14	**6**	7	**–**	–
Beverages Division	**984**	908	**260**	294	**–**	–
Marine Services Division	**(237)**	705	**(119)**	352	**–**	500
Trading & Industrial Division	**(1,958)**	(1,624)	**(744)**	(608)	**–**	–
	36,048	31,563	**13,404**	11,698	**488**	991

Report on Review of Condensed Interim Financial Information to the Board of Directors of Swire Pacific Limited

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed interim financial information set out on pages 26 to 50, which comprises the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2009 and the related consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 6th August 2009

Consolidated Income Statement

for the six months ended 30th June 2009 – unaudited

	Note	Six months ended 30th June 2009 HK$M	Six months ended 30th June 2008 HK$M (Restated)	Year ended 31st December 2008 HK$M (Restated)
Turnover	3	**11,944**	11,782	24,670
Cost of sales		**(5,734)**	(5,910)	(12,627)
Gross profit		**6,210**	5,872	12,043
Distribution costs		**(1,447)**	(1,459)	(3,016)
Administrative expenses		**(950)**	(835)	(1,677)
Other operating expenses		**(176)**	(163)	(373)
Profit on sale of interests in jointly controlled companies		**–**	–	1,721
Other net gains	4	**181**	109	278
Change in fair value of investment properties		**(1,178)**	10,023	177
Impairment losses on hotel properties		**(235)**	–	–
Operating profit		**2,405**	13,547	9,153
Finance charges		**(532)**	(414)	(1,085)
Finance income		**41**	73	173
Net finance charges	6	**(491)**	(341)	(912)
Share of profits less losses of jointly controlled companies		**1,154**	380	638
Share of profits less losses of associated companies	7	**616**	228	(2,606)
Profit before taxation		**3,684**	13,814	6,273
Taxation	8	**(459)**	(1,233)	(47)
Profit for the period		**3,225**	12,581	6,226
Profit attributable to:				
The Company's shareholders		**3,231**	12,341	5,853
Minority interests		**(6)**	240	373
		3,225	12,581	6,226
Dividends				
Interim – proposed/paid		**903**	1,364	1,364
Final – paid		**–**	–	2,227
		903	1,364	3,591
		HK$	HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	9			
'A' shares		**2.15**	8.14	3.87
'B' shares		**0.43**	1.63	0.77

	2009 Interim HK¢	2008 Interim HK¢	2008 Final HK¢	2008 Total HK¢
Dividends per share				
'A' shares	**60.0**	90.0	148.0	238.0
'B' shares	**12.0**	18.0	29.6	47.6

Consolidated Statement of Comprehensive Income

for the six months ended 30th June 2009 – unaudited

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M (Restated)	2008 HK$M (Restated)
Profit for the period	**3,225**	12,581	6,226
Other comprehensive income			
Cash flow hedges			
– recognised during the period	**267**	391	(113)
– deferred tax	**(52)**	(60)	22
– transferred to net finance charges	**9**	(25)	(32)
– transferred to operating profit – exchange differences	**–**	–	29
– transferred to initial cost of non-financial assets	**37**	–	(74)
Net fair value gains/(losses) on available-for-sale assets recognised during the period	**123**	(3)	(130)
Share of other comprehensive income of jointly controlled and associated companies	**106**	479	(349)
Translation differences on foreign operations	**61**	470	174
Other comprehensive income/(loss) for the period, net of tax	**551**	1,252	(473)
Total comprehensive income for the period	**3,776**	13,833	5,753
Total comprehensive income attributable to:			
The Company's shareholders	**3,781**	13,545	5,360
Minority interests	**(5)**	288	393
	3,776	13,833	5,753

Note: Other than cash flow hedges as highlighted above, items shown within other comprehensive income have no tax effect.

Consolidated Statement of Financial Position

at 30th June 2009 – unaudited

	Note	30th June 2009 HK$M	31st December 2008 HK$M (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**13,480**	17,010
Investment properties	10	**138,845**	134,625
Leasehold land and land use rights	10	**2,142**	2,586
Intangible assets	11	**863**	867
Properties held for development		**444**	471
Jointly controlled companies		**10,316**	8,505
Associated companies		**18,988**	18,442
Available-for-sale assets	12	**423**	300
Long-term receivables		**10**	8
Long-term security deposits		**296**	380
Derivative financial instruments	13	**289**	103
Deferred tax assets	16	**410**	295
Retirement benefit assets		**164**	197
		186,670	183,789
Current assets			
Properties for sale		**2,011**	1,842
Stocks and work in progress		**1,376**	1,733
Trade and other receivables	14	**3,971**	3,767
Available-for-sale assets	12	**1,888**	1,888
Derivative financial instruments	13	**7**	3
Cash and cash equivalents		**2,010**	4,146
Short-term deposits		**173**	262
		11,436	13,641
Current liabilities			
Trade and other payables	15	**7,366**	7,717
Provisions		**6**	8
Taxation payable		**537**	345
Derivative financial instruments	13	**36**	36
Bank overdrafts and short-term loans		**2,145**	2,083
Long-term loans and bonds due within one year		**2,768**	1,668
		12,858	11,857
Net current (liabilities)/assets		**(1,422)**	1,784
Total assets less current liabilities		**185,248**	185,573
Non-current liabilities			
Perpetual capital securities		**2,325**	2,325
Long-term loans and bonds		**27,177**	29,196
Derivative financial instruments	13	**136**	274
Deferred tax liabilities	16	**17,660**	17,382
Retirement benefit liabilities		**245**	208
		47,543	49,385
NET ASSETS		**137,705**	136,188
EQUITY			
Share capital	17	**903**	903
Reserves	18	**135,392**	133,838
Equity attributable to the Company's shareholders		**136,295**	134,741
Minority interests	19	**1,410**	1,447
TOTAL EQUITY		**137,705**	136,188

Consolidated Statement of Cash Flows

for the six months ended 30th June 2009 – unaudited

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M
Operating activities			
Cash generated from operations	**3,900**	3,621	7,580
Interest paid	**(758)**	(662)	(1,389)
Interest received	**42**	73	177
Profits tax paid	**(154)**	(189)	(468)
	3,030	2,843	5,900
Dividends received from jointly controlled and associated companies and available-for-sale assets	**537**	1,404	1,812
Net cash from operating activities	**3,567**	4,247	7,712
Investing activities			
Purchase of property, plant and equipment	**(983)**	(1,756)	(3,686)
Additions of investment properties	**(906)**	(2,714)	(3,680)
Proceeds from disposals of property, plant and equipment	**27**	50	140
Proceeds from disposals of interests in subsidiary companies	**–**	6	239
Purchase of available-for-sale investments	**–**	–	(65)
Purchase of shares in existing subsidiary companies	**–**	(3)	(27)
Purchase of shares in existing jointly controlled companies	**(199)**	–	–
Loans to jointly controlled companies	**(599)**	(2,696)	(2,988)
Repayment of loan to jointly controlled company	**(3,500)**	–	–
Purchase of shares in associated companies	**(45)**	(486)	(543)
Loans to associated companies	**(13)**	–	(3)
Purchase of intangible assets	**(6)**	(4)	(14)
Sale of shares in jointly controlled companies	**–**	–	24
Repayment of loans by jointly controlled companies	**3,472**	280	535
Repayment of loans by associated companies	**–**	130	130
Net decrease in deposits maturing after more than three months	**89**	23	–
Initial leasing costs incurred	**(3)**	(44)	(77)
Net cash used in investing activities	**(2,666)**	(7,214)	(10,015)
Net cash inflow/(outflow) before financing	**901**	(2,967)	(2,303)
Financing activities			
Loans drawn and refinancing	**3,841**	10,464	12,161
Repayment of loans and bonds	**(4,709)**	(3,260)	(3,914)
	(868)	7,204	8,247
Capital contribution from minority interests	**–**	–	10
Repurchase of the Company's shares	**–**	(17)	(649)
Security deposits uplifted	**85**	85	170
Dividends paid to the Company's shareholders	**(2,227)**	(3,533)	(4,896)
Dividends paid to minority interests	**(32)**	(43)	(84)
Net cash (used in)/generated from financing activities	**(3,042)**	3,696	2,798
(Decrease)/increase in cash and cash equivalents	**(2,141)**	729	495
Cash and cash equivalents at 1st January	**4,146**	3,648	3,648
Currency adjustment	**–**	139	3
Cash and cash equivalents at end of the period	**2,005**	4,516	4,146
Represented by:			
Bank balances and short-term deposits maturing within three months	**2,010**	4,525	4,146
Bank overdrafts	**(5)**	(9)	–
	2,005	4,516	4,146

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2009 – unaudited

	Note	Attributable to the Company's shareholders					
		Share capital HK$M	**Revenue reserve HK$M**	**Other reserves HK$M**	**Total HK$M**	**Minority interests HK$M**	**Total equity HK$M**
At 1st January 2009							
– as originally stated		**903**	**133,079**	**1,405**	**135,387**	**1,447**	**136,834**
– adjustment on adoption of HK(IFRIC)-Int 13		**–**	**(646)**	**–**	**(646)**	**–**	**(646)**
– as restated		**903**	**132,433**	**1,405**	**134,741**	**1,447**	**136,188**
Profit for the period		**–**	**3,231**	**–**	**3,231**	**(6)**	**3,225**
Other comprehensive income		**–**	**–**	**550**	**550**	**1**	**551**
Total comprehensive income for the period		**–**	**3,231**	**550**	**3,781**	**(5)**	**3,776**
Dividend paid	18,19	**–**	**(2,227)**	**–**	**(2,227)**	**(32)**	**(2,259)**
At 30th June 2009		**903**	**133,437**	**1,955**	**136,295**	**1,410**	**137,705**

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M (Restated)	Other reserves HK$M	Total HK$M	Minority interests HK$M	Total equity HK$M
At 1st January 2008						
– as originally stated	910	132,873	1,734	135,517	1,161	136,678
– adjustment on adoption of HK(IFRIC)-Int 13	–	(591)	–	(591)	–	(591)
– as restated	910	132,282	1,734	134,926	1,161	136,087
Profit for the period	–	12,341	–	12,341	240	12,581
Other comprehensive income	–	–	1,204	1,204	48	1,252
Total comprehensive income for the period	–	12,341	1,204	13,545	288	13,833
Repurchase of the Company's shares – premium paid on repurchases	–	(17)	–	(17)	–	(17)
Dividend paid	–	(3,533)	–	(3,533)	(43)	(3,576)
Change in composition of Group	–	–	–	–	(4)	(4)
At 30th June 2008	910	141,073	2,938	144,921	1,402	146,323

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Income Statement

Six months ended 30th June 2009	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit before taxation HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	3,611	27	3,638	2,754	(566)	33	6	2,227	1,939	1,945
Property trading	148	–	148	84	(1)	(34)	–	49	4	4
Hotels	60	–	60	(322)	(14)	(5)	38	(303)	(230)	(230)
Change in fair value of investment properties	–	–	–	(1,183)	–	820	(18)	(381)	(507)	(441)
	3,819	**27**	**3,846**	**1,333**	**(581)**	**814**	**26**	**1,592**	**1,206**	**1,278**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	277	277	277	277
HAECO group	–	–	–	–	–	–	191	191	191	191
Hactl	–	–	–	–	–	–	77	77	77	52
Others	–	–	–	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**545**	**545**	**545**	**520**
Beverages										
Hong Kong	896	–	896	88	–	–	–	88	76	69
Taiwan	694	–	694	28	(2)	1	–	27	24	19
USA	1,792	–	1,792	156	–	–	–	156	112	112
Mainland China	654	–	654	5	(16)	194	38	221	210	184
Central costs	–	–	–	(13)	–	–	–	(13)	(13)	(13)
	4,036	**–**	**4,036**	**264**	**(18)**	**195**	**38**	**479**	**409**	**371**
Marine Services										
Swire Pacific Offshore group	2,063	–	2,063	892	1	3	–	896	891	888
HUD group	–	–	–	–	–	41	–	41	41	41
	2,063	**–**	**2,063**	**892**	**1**	**44**	**–**	**937**	**932**	**929**
Trading & Industrial										
Swire Resources group	903	–	903	32	–	2	7	41	34	34
Taikoo Motors group	977	–	977	6	(1)	–	–	5	5	5
CROWN Beverage Cans group	–	–	–	–	–	37	–	37	37	37
Akzo Nobel Swire Paints	–	–	–	–	–	62	–	62	62	62
Other activities	141	33	174	(11)	3	–	–	(8)	(9)	(9)
	2,021	**33**	**2,054**	**27**	**2**	**101**	**7**	**137**	**129**	**129**
Head Office										
Net income/(expenses)	5	6	11	(116)	105	–	–	(11)	–	–
Change in fair value of investment properties	–	–	–	5	–	–	–	5	4	4
	5	**6**	**11**	**(111)**	**105**	**–**	**–**	**(6)**	**4**	**4**
Inter-segment elimination*	**–**	**(66)**	**(66)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**11,944**	**–**	**11,944**	**2,405**	**(491)**	**1,154**	**616**	**3,684**	**3,225**	**3,231**

* Sales between operating segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Income Statement (continued)

Six months ended 30th June 2008 (Restated)	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit before taxation HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	3,267	24	3,291	2,426	(459)	(6)	7	1,968	1,758	1,749
Property trading	477	–	477	160	–	(42)	–	118	76	76
Hotels	78	–	78	(22)	1	27	76	82	84	84
Change in fair value of investment properties	–	–	–	9,926	–	102	68	10,096	9,213	9,039
	3,822	**24**	**3,846**	**12,490**	**(458)**	**81**	**151**	**12,264**	**11,131**	**10,948**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	(370)	(370)	(370)	(370)
HAECO group	–	–	–	–	–	–	261	261	261	261
Hactl	–	–	–	–	–	–	124	124	124	83
Others	–	–	–	–	–	(3)	–	(3)	(3)	(3)
	–	**–**	**–**	**–**	**–**	**(3)**	**15**	**12**	**12**	**(29)**
Beverages										
Hong Kong	791	–	791	60	–	–	–	60	54	50
Taiwan	545	–	545	(4)	(3)	1	–	(6)	(6)	(4)
USA	1,690	–	1,690	137	1	–	–	138	108	108
Mainland China	600	–	600	(32)	(13)	113	7	75	69	58
Central costs	–	–	–	(16)	–	–	–	(16)	(16)	(16)
	3,626	**–**	**3,626**	**145**	**(15)**	**114**	**7**	**251**	**209**	**196**
Marine Services										
Swire Pacific Offshore group	1,849	–	1,849	853	3	–	–	856	837	834
HUD group	–	–	–	–	–	44	–	44	44	44
	1,849	**–**	**1,849**	**853**	**3**	**44**	**–**	**900**	**881**	**878**
Trading & Industrial										
Swire Resources group	882	–	882	33	–	2	55	90	82	82
Taikoo Motors group	1,388	–	1,388	19	–	–	–	19	8	8
CROWN Beverage Cans group	–	–	–	–	–	42	–	42	42	42
Akzo Nobel Swire Paints	–	–	–	–	–	60	–	60	60	60
Swire SITA group	–	–	–	–	–	40	–	40	40	40
Other activities	208	33	241	(10)	1	–	–	(9)	(10)	(10)
Change in fair value of investment properties	–	–	–	14	–	–	–	14	12	12
	2,478	**33**	**2,511**	**56**	**1**	**144**	**55**	**256**	**234**	**234**
Head Office										
Net income/(expenses)	7	5	12	(80)	128	–	–	48	44	44
Change in fair value of investment properties	–	–	–	83	–	–	–	83	70	70
	7	**5**	**12**	**3**	**128**	**–**	**–**	**131**	**114**	**114**
Inter-segment elimination	**–**	**(62)**	**(62)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**11,782**	**–**	**11,782**	**13,547**	**(341)**	**380**	**228**	**13,814**	**12,581**	**12,341**

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Income Statement (continued)

Year ended 31st December 2008 (Restated)	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit before taxation HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	6,858	49	6,907	5,012	(1,091)	28	16	3,965	3,482	3,485
Property trading	889	–	889	198	4	(48)	–	154	104	104
Hotels	156	–	156	(86)	(11)	13	140	56	73	73
Change in fair value of investment properties	–	–	–	184	–	50	(16)	218	868	631
	7,903	**49**	**7,952**	**5,308**	**(1,098)**	**43**	**140**	**4,393**	**4,527**	**4,293**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	(3,607)	(3,607)	(3,607)	(3,607)
HAECO group	–	–	–	–	–	–	505	505	505	505
Hactl	–	–	–	–	–	–	274	274	274	183
Others	–	–	–	–	–	(3)	–	(3)	(3)	(3)
	–	**–**	**–**	**–**	**–**	**(3)**	**(2,828)**	**(2,831)**	**(2,831)**	**(2,922)**
Beverages										
Hong Kong	1,799	–	1,799	183	(1)	–	–	182	173	157
Taiwan	1,358	–	1,358	31	(5)	1	–	27	26	21
USA	3,512	–	3,512	340	2	–	–	342	256	256
Mainland China	1,332	–	1,332	(26)	(28)	232	36	214	196	169
Central costs	–	–	–	(18)	–	–	–	(18)	(18)	(18)
	8,001	**–**	**8,001**	**510**	**(32)**	**233**	**36**	**747**	**633**	**585**
Marine Services										
Swire Pacific Offshore group	4,007	–	4,007	1,750	7	–	–	1,757	1,691	1,691
HUD group	–	–	–	–	–	76	–	76	76	76
	4,007	**–**	**4,007**	**1,750**	**7**	**76**	**–**	**1,833**	**1,767**	**1,767**
Trading & Industrial										
Swire Resources group	1,776	–	1,776	49	–	4	46	99	87	87
Taikoo Motors group	2,534	–	2,534	10	1	–	–	11	4	4
CROWN Beverage Cans group	–	–	–	–	–	81	–	81	81	81
Akzo Nobel Swire Paints	–	–	–	–	–	132	–	132	132	132
Swire SITA group	–	–	–	–	–	72	–	72	72	72
Other activities	436	67	503	(21)	3	–	–	(18)	(20)	(20)
Sale of interest in Swire SITA group	–	–	–	1,721	–	–	–	1,721	1,721	1,721
Change in fair value of investment properties	–	–	–	14	–	–	–	14	23	23
	4,746	**67**	**4,813**	**1,773**	**4**	**289**	**46**	**2,112**	**2,100**	**2,100**
Head Office										
Net income/(expenses)	13	149	162	(167)	207	–	–	40	56	56
Change in fair value of investment properties	–	–	–	(21)	–	–	–	(21)	(26)	(26)
	13	**149**	**162**	**(188)**	**207**	**–**	**–**	**19**	**30**	**30**
Inter-segment elimination	**–**	**(265)**	**(265)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**24,670**	**–**	**24,670**	**9,153**	**(912)**	**638**	**(2,606)**	**6,273**	**6,226**	**5,853**

1. SEGMENT INFORMATION (continued)

(b) Analysis of total assets of the Group

At 30th June 2009	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M
Property					
Property investment	142,283	7,199	385	820	150,687
Property trading	2,671	78	–	97	2,846
Hotels	3,936	464	461	62	4,923
	148,890	**7,741**	**846**	**979**	**158,456**
Aviation					
Cathay Pacific group	–	–	14,357	–	14,357
HAECO group	–	–	2,435	–	2,435
Hactl	–	–	632	–	632
Others	–	22	–	–	22
	–	**22**	**17,424**	**–**	**17,446**
Beverages	**4,819**	**1,302**	**492**	**259**	**6,872**
Marine Services					
Swire Pacific Offshore group	8,630	49	35	655	9,369
HUD group	–	404	–	–	404
	8,630	**453**	**35**	**655**	**9,773**
Trading & Industrial					
Swire Resources group	336	46	191	98	671
Taikoo Motors group	892	–	–	205	1,097
CROWN Beverage Cans group	–	387	–	–	387
Akzo Nobel Swire Paints	–	365	–	–	365
Other activities	1,971	–	–	3	1,974
	3,199	**798**	**191**	**306**	**4,494**
Head Office	**744**	**–**	**–**	**321**	**1,065**
	166,282	**10,316**	**18,988**	**2,520**	**198,106**

The Swire Pacific Group is organised on a divisional basis: Property, Aviation, Beverages, Marine Services and Trading & Industrial.

The Beverages Division is considered to be a single reportable segment as the nature of its operations in the different geographical locations is similar. The analysis of consolidated income statement in note 1(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of the Interim Report.

The reportable segments within each of the other four divisions are classified according to the nature of the business. The Head Office is also considered to be a reportable segment as discrete financial information is available for the Head Office activities.

1. SEGMENT INFORMATION (continued)

(b) Analysis of total assets of the Group (continued)

At 31st December 2008	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M
Property					
Property investment	142,293	6,540	397	1,086	150,316
Property trading	2,669	37	–	161	2,867
Hotels	3,542	93	423	72	4,130
	148,504	**6,670**	**820**	**1,319**	**157,313**
Aviation					
Cathay Pacific group	–	–	13,948	–	13,948
HAECO group	–	–	2,414	–	2,414
Hactl	–	–	632	–	632
Others	–	22	–	–	22
	–	**22**	**16,994**	**–**	**17,016**
Beverages	**4,451**	**1,168**	**409**	**275**	**6,303**
Marine Services					
Swire Pacific Offshore group	8,459	49	35	692	9,235
HUD group	–	(97)	–	–	(97)
	8,459	**(48)**	**35**	**692**	**9,138**
Trading & Industrial					
Swire Resources group	455	44	184	20	703
Taikoo Motors group	1,178	–	–	301	1,479
CROWN Beverage Cans group	–	345	–	–	345
Akzo Nobel Swire Paints	–	304	–	–	304
Other activities	2,050	–	–	4	2,054
	3,683	**693**	**184**	**325**	**4,885**
Head Office	**560**	**–**	**–**	**2,215**	**2,775**
	165,657	**8,505**	**18,442**	**4,826**	**197,430**

2. BASIS OF PREPARATION

(a) The unaudited condensed interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies used in the preparation of the interim financial information are consistent with those described in the 2008 annual accounts except as noted in 2(b) below.

2. BASIS OF PREPARATION (continued)

(b) The Group has adopted the following relevant new and revised Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations effective from 1st January 2009:

HKFRSs (Amendments)	Improvements to HKFRSs*
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Revised)	Financial Instruments Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

* Except for the amendments to HKFRS 5 which will be applied from 1st January 2010.

The Improvements to HKFRSs include amendments to existing standards which consist of editorial changes only, as well as amendments that result in accounting changes. The main impact on the Group of the Improvements to HKFRSs is the amendment to HKAS 40 Investment Property/HKAS 16 Property, Plant and Equipment, which permits investment property under development to be held at fair value rather than at cost. As a result of the amendment to HKAS 40/HKAS 16, the Group has recognised a fair value gain (including the Group's share of jointly controlled companies' fair value movements) of HK$2,905 million (net of deferred tax) in the consolidated income statement for the period ended 30th June 2009 in respect of investment property previously accounted for as property, plant and equipment.

The revised HKAS 1 has introduced a number of changes to the presentation of the interim financial information, including a requirement for those fair value gains and losses previously presented in the consolidated statement of changes in equity to be presented in a new consolidated statement of comprehensive income.

The revised HKAS 23 requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset. This has had no impact on the Group's interim financial information.

The adoption of HKFRS 8 has resulted in a number of changes to the presentation of segmental information in the interim financial information, including disclosure of total assets by reportable segment.

2. BASIS OF PREPARATION (continued)

HK(IFRIC)-Int 13 clarifies that, where goods or services are sold together with a customer loyalty incentive, a portion of the consideration received from the customer should be deferred until the customer loyalty incentive is redeemed. The adoption of HK(IFRIC)-Int 13 has affected the share of profit from Cathay Pacific as the airline has applied the new interpretation to its accounting for airline loyalty schemes. The adoption of HK(IFRIC)-Int 13 has resulted in a reduction in the Group's opening retained earnings at 1st January 2009 of HK$646 million and an increase in the Group's profit for the six months ended 30th June 2009 of HK$27 million. As the adoption of HK(IFRIC)-Int 13 applies retrospectively, it has also resulted in an increase in the Group's share of loss from Cathay Pacific for the six months ended 30th June 2008 and year ended 31st December 2008 of HK$39 million and HK$55 million respectively. The consolidated income statements and consolidated statements of financial position for these periods have been restated accordingly.

The adoption of the other revisions, amendments and interpretations has had no effect on the Group's interim financial information.

(c) The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's consolidated accounts include the following:

Disposal of Swire SITA

On 22nd September 2008 Swire Industrial Limited ("Swire Industrial"), a wholly-owned subsidiary of the Company, agreed to sell to Suez Environnement all of Swire Industrial's shares in Swire SITA Waste Services Limited ("Swire SITA") for an aggregate cash consideration of HK$1,888 million. The sale resulted in a gain on disposal of HK$1,721 million, which was included in the Company's consolidated profits for 2008. In accordance with the terms of the Swire SITA shareholders agreement, the purchase monies were placed in escrow (refer to note 12 to the interim financial information). The release of the purchase monies to Swire Industrial from escrow is subject to receipt of consent to the sale from the Government of Hong Kong SAR, which remained outstanding at 30th June 2009 and remains outstanding at the date of this report. If the consent of the Government of Hong Kong SAR is not obtained by 21st April 2010, the Swire SITA shareholders agreement provides that the sale of Swire Industrial's shares in Swire SITA will not proceed. The Directors are of the opinion that the consent of the Government of Hong Kong SAR to the sale to Suez Environnement will be forthcoming before 21st April 2010. Suez Environnement has requested postponement of completion of the sale. On the basis of counsel's opinion, Swire Industrial does not consider that Suez Environnement has valid grounds for requesting a postponement and accordingly has not agreed to the request. It is expected that the sale will be completed when the consent of the Government of Hong Kong SAR is obtained.

Other areas where assumptions and estimates are significant to the Group's consolidated accounts are detailed in the 2008 annual accounts.

3. TURNOVER

Turnover represents sales by the Company and its subsidiary companies to external customers and comprises revenue from:

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M
Gross rental income from investment properties	**3,571**	3,239	6,791
Property trading	**148**	477	889
Hotels	**60**	78	156
Charter hire income	**2,063**	1,849	4,007
Rendering of services	**46**	39	83
Sales of goods	**6,056**	6,100	12,744
	11,944	11,782	24,670

4. OTHER NET GAINS

Other net gains include the following:

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M
Profit on share dilution in subsidiary companies	**–**	49	49
Profit on sale of a subsidiary company	**–**	4	4
Net profit on sale of property, plant and equipment	**108**	30	85
Net foreign exchange (losses)/gains	**(13)**	(29)	24
Fair value losses on derivative instruments			
– Cross-currency swaps: transferred from cash flow hedge reserve	**–**	–	(29)

5. EXPENSES BY NATURE

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

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M
Direct operating expenses of investment properties that			
– Generated rental income	**571**	462	1,141
– Did not generate rental income	**38**	69	109
Cost of stocks sold	**3,758**	4,198	8,658
Write-down of stocks and work in progress	**21**	17	51
Write-down of properties held for development	**29**	–	77
Depreciation of property, plant and equipment (note 10)	**425**	366	764
Amortisation of			
– Leasehold land and land use rights (note 10)	**3**	3	7
– Intangible assets (note 11)	**8**	7	14
– Initial leasing costs	**13**	14	26
Staff costs	**1,881**	1,763	3,523
Operating lease rentals			
– Properties	**263**	139	292
– Other equipment	**19**	28	51

6. NET FINANCE CHARGES

Refer to page 23 for details of the Group's net finance charges.

7. SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES

In the 2008 Interim Report, the Group's interest in Hactl was classified as a 'held-for-sale investment' on the basis that the Group intended to dispose of its interest in Hactl within 12 months, following the decision by the Airport Authority of Hong Kong ("AA") on 18th March 2008 to award Cathay Pacific a franchise to construct and operate a new air cargo terminal at Hong Kong International Airport. At the year-end, Cathay Pacific had applied to the AA to defer the completion of the new air cargo terminal by two years to mid-2013. As a result, at 31st December 2008 management no longer expected to dispose of the Group's interest in Hactl during 2009. An agreement to defer completion was signed by Cathay Pacific and the AA on 15th January 2009. At 31st December 2008, the Group's interest in Hactl was reclassified back to associated company and the equity method of accounting was applied for the entire twelve months ended 31st December 2008. Accordingly, the consolidated income statement for the six months ended 30th June 2008 has been restated to reflect this treatment.

8. TAXATION

	Six months ended 30th June		Year ended 31st December
	2009 HK$M	2008 HK$M	2008 HK$M
Current taxation			
Hong Kong profits tax	**(247)**	(200)	(364)
Overseas taxation	**(96)**	(113)	(170)
(Under)/over-provisions in prior years	**(2)**	–	4
Deferred taxation (note 16)			
Changes in Hong Kong tax rate	**–**	1,008	1,008
Changes in fair value of investment properties	**(85)**	(1,813)	(207)
Origination and reversal of temporary differences	**(29)**	(115)	(318)
	(459)	(1,233)	(47)

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group's share of jointly controlled and associated companies' tax charge for the six months ended 30th June 2009 of HK$456 million (30th June 2008: HK$125 million; year ended 31st December 2008: HK$187 million) and HK$163 million (30th June 2008: HK$90 million; year ended 31st December 2008: tax credit of HK$384 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

9. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2009 of HK$3,231 million (30th June 2008: HK$12,341 million; 31st December 2008: HK$5,853 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during the period (30th June 2008: 915,564,500 'A' shares and 3,002,870,886 'B' shares; 31st December 2008: 913,214,691 'A' shares and 3,001,321,686 'B' shares) in the proportion five to one.

10. PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND AND LAND USE RIGHTS

	Property, plant and equipment HK$M	Leasehold land and land use rights HK$M	Total HK$M
Cost			
At 1st January 2009	23,131	2,680	25,811
Translation differences	44	–	44
Transferred to investment properties on adoption of revised HKAS 40	(3,887)	(488)	(4,375)
Additions	979	–	979
Disposals	(148)	(9)	(157)
Other net transfers from investment properties	10	19	29
Amortisation from leasehold land and land use rights capitalised	5	–	5
At 30th June 2009	20,134	2,202	22,336
Accumulated depreciation/amortisation			
At 1st January 2009	6,121	94	6,215
Translation differences	4	(1)	3
Transferred to investment properties on adoption of revised HKAS 40	–	(39)	(39)
Charge for the period	425	3	428
Provision for impairment losses	235	–	235
Amortised amount capitalised under property, plant and equipment	–	5	5
Disposals	(130)	(2)	(132)
Other transfers to investment properties	(1)	–	(1)
At 30th June 2009	6,654	60	6,714
Net book value			
At 30th June 2009	13,480	2,142	15,622
At 1st January 2009	17,010	2,586	19,596

Property, plant and equipment and leasehold land and land use rights are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors consider a number of the hotels in Mainland China and the UK to be impaired at 30th June 2009 as a result of the current condition of the hotel property market in these locations. The carrying amount of these hotels has been written down by HK$235 million to their recoverable amount, which is the fair value less costs to sell, calculated using the income capitalisation approach.

Property, plant and equipment includes costs of HK$1,385 million, including advance payments and deposits under contracts with third parties, in respect of assets under construction (31st December 2008: HK$6,968 million).

Refer to page 6 for details of the Group's investment properties.

11. INTANGIBLE ASSETS

	Goodwill HK$M	Computer software HK$M	Total HK$M
Cost			
At 1st January 2009	832	89	921
Translation differences	(1)	(1)	(2)
Additions	–	6	6
At 30th June 2009	831	94	925
Accumulated amortisation			
At 1st January 2009	–	54	54
Charge for the period	–	8	8
At 30th June 2009	–	62	62
Net book value			
At 30th June 2009	831	32	863
At 1st January 2009	832	35	867

12. AVAILABLE-FOR-SALE ASSETS

	30th June 2009 HK$M	31st December 2008 HK$M
Non-current assets		
Shares listed in Hong Kong	**191**	127
Securities listed overseas	**222**	163
Unlisted investments	**10**	10
	423	300
Current assets		
Amount related to disposal of Swire SITA group (note 2(c))	**1,888**	1,888

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments solely for management of underlying risks. The Group has minimised its exposure to market risk since gains and losses on derivatives offset the losses and gains on the assets, liabilities or transactions being hedged. It is the policy of the Group not to enter into derivative transactions for speculative purposes.

	30th June 2009	
	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	262	7
Interest rate swaps – cash flow hedges	–	109
Interest rate swaps – fair value hedges	27	–
Forward foreign exchange contracts – cash flow hedges	7	56
Interest rate swaps – not qualifying as hedges	–	–
Total	296	172
Less non-current portion:		
Cross-currency swaps – cash flow hedges	262	7
Interest rate swaps – cash flow hedges	–	104
Interest rate swaps – fair value hedges	27	–
Forward foreign exchange contracts – cash flow hedges	–	25
	289	136
Current portion	7	36

	31st December 2008	
	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	74	103
Interest rate swaps – cash flow hedges	–	147
Interest rate swaps – fair value hedges	26	–
Forward rate agreements – cash flow hedges	–	2
Forward rate agreements – not qualifying as hedges	–	5
Forward foreign exchange contracts – cash flow hedges	6	52
Interest rate swaps – not qualifying as hedges	–	1
Total	106	310
Less non-current portion:		
Cross-currency swaps – cash flow hedges	74	103
Interest rate swaps – cash flow hedges	–	142
Interest rate swaps – fair value hedges	26	–
Forward foreign exchange contracts – cash flow hedges	3	29
	103	274
Current portion	3	36

14. TRADE AND OTHER RECEIVABLES

	30th June 2009 HK$M	31st December 2008 HK$M
Trade debtors	**2,264**	1,916
Amounts due from fellow subsidiary companies	**5**	5
Amounts due from jointly controlled companies	**44**	35
Amounts due from associated companies	**9**	9
Other receivables	**1,649**	1,802
	3,971	3,767

The analysis of the age of trade debtors is as follows:

	30th June 2009 HK$M	31st December 2008 HK$M
Under three months	**2,130**	1,767
Between three and six months	**98**	35
Over six months	**36**	114
	2,264	1,916

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

15. TRADE AND OTHER PAYABLES

	30th June 2009 HK$M	31st December 2008 HK$M
Trade creditors	**1,337**	1,586
Amounts due to immediate holding company	**100**	210
Amounts due to jointly controlled companies	**19**	12
Amounts due to associated companies	**42**	46
Interest-bearing advances from jointly controlled companies	**65**	73
Interest-bearing advances from associated companies	**149**	151
Advances from minority interests	**308**	308
Rental deposits from tenants	**1,514**	1,547
Other payables	**3,832**	3,784
	7,366	7,717

15. TRADE AND OTHER PAYABLES (continued)

The analysis of the age of trade creditors is as follows:

	30th June 2009 HK$M	31st December 2008 HK$M
Under three months	**1,212**	1,450
Between three and six months	**100**	102
Over six months	**25**	34
	1,337	1,586

16. DEFERRED TAXATION

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

	HK$M
At 1st January 2009	17,087
Translation differences	(3)
Charged to income statement (note 8)	114
Charged to other comprehensive income	52
At 30th June 2009	17,250
Represented by:	
Deferred tax assets	(410)
Deferred tax liabilities	17,660
	17,250

17. SHARE CAPITAL

	Company				
	'A' shares of HK$0.60 each	'B' shares of HK$0.12 each	'A' shares HK$M	'B' shares HK$M	Total HK$M
Authorised:					
At 30th June 2009 and 31st December 2008	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 30th June 2009 and 31st December 2008	905,578,500	2,995,220,000	543	360	903

18. RESERVES

	Revenue reserve* HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2009							
as originally stated	133,079	342	49	406	(889)	1,497	134,484
adjustment on adoption of HK(IFRIC)-Int 13	(646)	–	–	–	–	–	(646)
as restated	132,433	342	49	406	(889)	1,497	133,838
Profit for the period	3,231	–	–	–	–	–	3,231
Other comprehensive income							
Cash flow hedges							
– recognised during the period	–	–	–	–	267	–	267
– deferred tax	–	–	–	–	(52)	–	(52)
– transferred to net finance charges	–	–	–	–	9	–	9
– transferred to initial cost of non-financial assets	–	–	–	–	37	–	37
Net fair value gains on available-for-sale assets recognised during the period	–	–	–	122	–	–	122
Share of other comprehensive income of jointly controlled and associated companies	–	–	–	4	85	16	105
Net translation differences on foreign operations	–	–	–	–	–	62	62
Total comprehensive income for the period	**3,231**	**–**	**–**	**126**	**346**	**78**	**3,781**
2008 final dividend	(2,227)	–	–	–	–	–	(2,227)
At 30th June 2009	**133,437**	**342**	**49**	**532**	**(543)**	**1,575**	**135,392**

* The revenue reserve includes HK$903 million representing the proposed interim dividend for the period (31st December 2008: HK$2,227 million representing the proposed final dividend for 2008).

19. MINORITY INTERESTS

	HK$M	HK$M
At 1st January 2009		1,447
Share of profits less losses for the period	(6)	
Share of fair value gains on available-for-sale assets	1	
Share of other comprehensive income of jointly controlled companies	1	
Share of translation differences on foreign operations	(1)	
Share of total comprehensive income for the period		(5)
Dividends paid and payable		(32)
At 30th June 2009		1,410

20. CAPITAL COMMITMENTS

	30th June 2009 HK$M	31st December 2008 HK$M
Outstanding capital commitments at the end of the period in respect of:		
(a) Property, plant and equipment		
Contracted for	**3,427**	7,691
Authorised by Directors but not contracted for	**868**	1,892
(b) Investment properties		
Contracted for	**4,217**	1,217
Authorised by Directors but not contracted for	**1,865**	904
(c) The Group's interests in jointly controlled companies		
Contracted for	**131**	255
Authorised by Directors but not contracted for	**4,476**	5,133

21. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of jointly controlled companies totalled HK$888 million (31st December 2008: HK$1,390 million).

(b) Contingent tax liabilities

Certain wholly-owned Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2003/04 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department ("IRD"). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those companies during the periods under review.

A number of discussions have taken place between the companies and the IRD to understand the precise nature of the IRD queries. However, at this stage there is insufficient information available to determine reliably the ultimate outcome of the IRD's review with an acceptable degree of certainty. Consequently no provision has been recognised in these results for any amounts that may fall due in regard to these queries.

The IRD has issued Notices of Assessment totalling HK$440 million, the estimated contingent liability, in respect of their queries for the years under review. The companies involved have objected to these assessments and the IRD has agreed to unconditional holdover of the assessments.

In addition, the estimated interest which would (assuming the relevant Group companies are found liable to pay the tax demanded) be payable in respect of the Notices of Assessment totalled HK$153 million at 30th June 2009.

(c) Cathay Pacific Airways

Cathay Pacific Airways is the subject of investigations and proceedings in respect of its air cargo operations by the competition authorities of various jurisdictions, including the European Union, Canada, Australia, Switzerland, Korea and New Zealand. Cathay Pacific Airways has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific Airways is represented by legal counsel in connection with these matters.

On 24th December 2007, Cathay Pacific Airways received a Statement of Objections from the European Commission with regard to its air cargo operations. Cathay Pacific Airways, with the assistance of legal counsel, has responded.

On 15th December 2008, Cathay Pacific Airways received a Statement of Claim from the New Zealand Commerce Commission with regard to its air cargo operations. Cathay Pacific Airways, with the assistance of legal counsel, is evaluating the allegations and will respond.

On 17th July 2009, Cathay Pacific Airways received an Amended Statement of Claim from the Australian Competition and Consumer Commission with regard to its air cargo operations. Cathay Pacific Airways, with the assistance of legal counsel, is evaluating the allegations and will respond.

21. CONTINGENCIES (continued)

Cathay Pacific Airways has been named as a defendant in a number of civil class action complaints in the United States, Canada and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States alleging violations of applicable competition laws arising from Cathay Pacific Airways' conduct relating to certain of its passenger operations. Cathay Pacific Airways is represented by legal counsel in the actions filed in the United States, Canada and Australia and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific Airways is not in a position at the present time to make a sufficiently reliable estimate of the amount of any potential liability. Accordingly no provision has been made in the accounts of Cathay Pacific Airways. The information usually required by HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice seriously the outcomes.

22. RELATED PARTY TRANSACTIONS

There are agreements for services ("Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from associated and jointly controlled companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and minority interests after certain adjustments. The current Agreements commenced on 1st January 2008 and will last for three years until 31st December 2010. For the period ended 30th June 2009, service fees payable amounted to HK$89 million (2008: HK$85 million). Expenses of HK$80 million (2008: HK$78 million) were reimbursed at cost; in addition, HK$110 million (2008: HK$86 million) in respect of shared administrative services was reimbursed.

The above transactions are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Company's wholly-owned subsidiary Redhill Properties Limited entered into a sale and purchase agreement with Fine Bloom Limited on 26th June 2009 for the sale of the house located at 36A Island Road, Hong Kong to Fine Bloom Limited for an aggregate cash consideration of HK$117.5 million. As Fine Bloom Limited was wholly-owned by K G Kerr, a former Director of the Company, the transaction under the sale and purchase agreement constituted a connected transaction for the Company, in respect of which an announcement dated 26th June 2009 was published.

22. RELATED PARTY TRANSACTIONS (continued)

The following table presents a summary of other significant transactions between the Group and related parties which were carried out in the normal course of the Group's business. These transactions were not connected transactions or continuing connected transactions under the Listing Rules.

		For the six months ended 30th June							
		Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M
Revenue from	(a)								
– Sales of beverage drinks		**–**	–	**8**	8	**–**	–	**–**	–
– Rendering of services		**4**	15	**6**	3	**–**	–	**–**	–
Purchases of beverage drinks	(a)	**–**	–	**159**	138	**–**	–	**–**	–
Purchases of beverage cans	(a)	**84**	90	**–**	–	**–**	–	**–**	–
Purchases of other goods	(a)	**3**	4	**19**	47	**–**	–	**–**	–
Purchases of services	(a)	**–**	–	**1**	1	**4**	4	**–**	–
Rental revenue	(b)	**–**	–	**4**	4	**6**	6	**22**	21
Interest income	(c)	**2**	3	**12**	12	**–**	–	**–**	–
Interest charges	(c)	**–**	2	**–**	–	**–**	–	**–**	–

Notes:

(a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.

(b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.

(c) Loans advanced to jointly controlled and associated companies are disclosed below. Advances from jointly controlled and associated companies are disclosed in note 15.

Period-end loan balances advanced to jointly controlled and associated companies are as follows:

	30th June 2009 HK$M	31st December 2008 HK$M
Loans due from jointly controlled companies less provisions	**9,010**	8,381
Loans due from associated companies less provisions	**824**	810

Supplementary Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions and has met most of the recommended best practices set out in the Code on Corporate Governance Practices ("the CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") throughout the accounting period covered by the Interim Report.

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 Interim 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.

The 2009 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

SHARE CAPITAL

During the period under review, the Group did not purchase, sell or redeem any of its shares.

DIRECTORS' PARTICULARS

Changes in the particulars of the Directors are set out as follows:

1. M Cubbon has been appointed Chief Executive Officer of Swire Properties Limited and has resigned as a Director of Hong Kong Aircraft Engineering Company Limited and Cathay Pacific Airways Limited and as Chairman of Swire Beverages Limited.

2. P A Kilgour has been appointed as a Director of Cathay Pacific Airways Limited.

3. M Leung has been appointed as an Executive Director, Vice Chairman and Chief Executive of Hang Seng Bank Limited, a Non-Executive Director of The Hongkong and Shanghai Banking Corporation Limited, and an Independent Non-Executive Director of Hutchison Whampoa Limited.

4. C D Pratt has been appointed Chairman of Swire Beverages Limited.

DIRECTORS' INTERESTS

At 30th June 2009, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial interest					
Swire Pacific Limited	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
'A' shares						
P N L Chen	–	2,000	–	2,000	0.0002	–
P A Johansen	31,500	–	–	31,500	0.0035	–
C D Pratt	21,000	–	–	21,000	0.0023	–
M B Swire	58,791	–	–	58,791	0.0065	–
M C C Sze	6,000	–	–	6,000	0.0007	–
'B' shares						
P N L Chen	65,000	10,142	–	75,142	0.0025	–
D Ho	100,000	–	–	100,000	0.0033	–
P A Johansen	200,000	–	–	200,000	0.0067	–
C Lee	750,000	–	21,605,000	22,355,000	0.7464	1
C D Pratt	50,000	–	–	50,000	0.0017	–
M B Swire	2,241,483	–	3,832,554	6,074,037	0.2028	2

	Capacity					
	Beneficial interest					
John Swire & Sons Limited	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Ordinary shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	–
M B Swire	2,759,273	–	17,620,819	20,380,092	20.38	2
8% cum. preference shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	–
M B Swire	837,101	–	5,175,441	6,012,542	20.04	2

	Beneficial interest			
Cathay Pacific Airways Limited	Personal	Family	Total no. of shares	Percentage of issued capital (%)
Ordinary shares				
P N L Chen	9,000	–	9,000	0.00023
A N Tyler	5,000	–	5,000	0.00013

DIRECTORS' INTERESTS (continued)

Hong Kong Aircraft Engineering Company Limited	Beneficial interest: Personal	Beneficial interest: Family	Total no. of shares	Percentage of issued capital (%)
Ordinary shares				
T G Freshwater	10,000	1,200	11,200	0.0067
J R Slosar	10,000	–	10,000	0.0060
M C C Sze	12,800	–	12,800	0.0077

Notes:

1. All the Swire Pacific Limited 'B' shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire is a trustee of trusts which hold 6,297,483 ordinary shares and 1,757,039 preference shares in John Swire & Sons Limited and 2,931,822 'B' shares of Swire Pacific Limited included under "Trust interest" and does not have any beneficial interest in those shares.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2009, the Company had been notified of the following interests and short position in the Company's shares:

	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Long position					
John Swire & Sons Limited	171,652,638	18.96	2,038,165,765	68.05	1, 8
Franklin Resources, Inc.	103,228,390	11.03	–	–	2
J.P. Morgan Chase & Company	71,729,830	7.92	–	–	3
Commonwealth Bank of Australia	64,100,000	7.07	–	–	4
The Northern Trust Company (ALA)	54,506,860	6.02	–	–	5
Aberdeen Asset Management plc	–	–	330,292,362	11.00	6
Short position					
J.P. Morgan Chase & Company	554,650	0.06	–	–	7

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 171,652,638 'A' shares and 2,038,165,765 'B' shares of the Company as at 30th June 2009, comprising:
   (a) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (b) 39,580,336 'A' shares and 1,482,779,167 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (c) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 114,272,500 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 5,167,500 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited and 99,221,635 'B' shares held by Tai-Koo Limited.
2. This notification was filed under the repealed Securities (Disclosure of Interests) Ordinance and details of the capacities in which the shares are held were not given.
3. The shares held by J.P. Morgan Chase & Company are held in the following capacities:

Capacity	No. of shares
Beneficial owner	1,177,523
Investment manager	13,489,610
Custodian Corporation/Lending agent	57,062,697

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS (continued)

Notes: (continued)

4. The interest in these shares was attributable to wholly-owned controlled corporations of Commonwealth Bank of Australia.
5. This notification was filed as a notice under Section 5(4) of the Securities and Futures (Disclosure of Interests – Securities Borrowing and Lending) Rules. Details of the capacities in which the shares are held were not given.
6. Aberdeen Asset Management plc is interested in these shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.
7. This short position is held in the capacity as beneficial owner and includes holdings in the following categories of derivatives:

Category of derivatives	No. of shares
Cash settled listed derivatives	53,650
Physically settled unlisted derivatives	200,000

8. At 30th June 2009, the Swire group owned interests in shares of the Company representing 38.50% of the issued capital and 56.65% of the voting rights.

Financial Calendar and Information for Investors

Financial Calendar 2009

Interim Report sent to shareholders	20th August
'A' and 'B' shares trade ex-dividend	15th September
Share registers closed	17th – 22nd September
Payment of 2009 interim dividends	5th October
Annual results announcement	March 2010
Annual General Meeting	May 2010

Registered Office

Swire Pacific Limited
35th Floor, Two Pacific Place
88 Queensway
Hong Kong

Registrars

Computershare Hong Kong Investor Services Limited
Room 1806-1807
18th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Website: www.computershare.com

Depositary

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516
USA
Website: www.bnymellon.com\shareowner
E-mail: shrrelations@bnymellon.com
Tel: Calls within USA – toll free: 1-888-BNY-ADRS
International callers: 1-201-680-6825

Stock Codes

Stock Codes	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

Auditors

PricewaterhouseCoopers

Investor Relations

E-mail: ir@swirepacific.com

Public Affairs

E-mail: publicaffairs@swirepacific.com
Tel: (852) 2840-8098
Fax: (852) 2526-9365
Website: www.swirepacific.com

Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via e-mail to ir@swirepacific.com

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